

The Commodities Feed: Strength in the metals complex

Your daily roundup of commodity news and ING views



China Jiangsu metal processing plant workshop

Metals

A dip in US real yields combined with a softer USD fanned a broad-based rally in metals on Thursday. Gold managed to trade above the US\$1,760/oz mark- a seven-week high. At the same time, copper led the gains among base metals, with LME 3M prices rising more than 2% underpinned by the red metal constructive long term fundamental outlook. Supply risks continue to attract speculative money into aluminium in Shanghai, and this is also coinciding with the usual seasonal destocking we see. Total aluminium social stocks in China fell to 1,183kt compared to 1,256kt as of 22nd March. Among other metals, nickel was the laggard, with prices coming under some pressure after the Philippines' President Rodrigo Duterte signed an order allowing the government to approve new mining contracts, lifting a 2012 ban.

Turning to bulks, and iron ore prices continue to strengthen. The most active SGX iron ore contract broke above US\$170/t yesterday, whilst domestic futures in China rallied by 3.7%. Improved steel mill margins in China, stronger consumption from China as it enters the construction season, and the broader global economic recovery have supported iron ore prices recently. The latest data from the World Steel Association (WSA) shows that global steel demand is expected to grow by 5.8% YoY to 1.87 billion tonnes this year, after declining 0.2% YoY last year. A recovery in economic

growth and government infrastructure spending are the prime reasons for the expected demand recovery. Looking further forward, the group expects global demand in 2022 to grow by 2.7% YoY to reach 1.92 billion tonnes.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

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