

Snap | 14 June 2019

Trade war tensions and Chinese demand fears loom large in base metals

Trade war tensions and Chinese demand fears continue ruling the base metals market - another harsh week for LME base metals



Source: Shutterstock

4%

Infrastructure spending

Jan-May

Lower than expected

5.6%

China total FAI

Jan-May

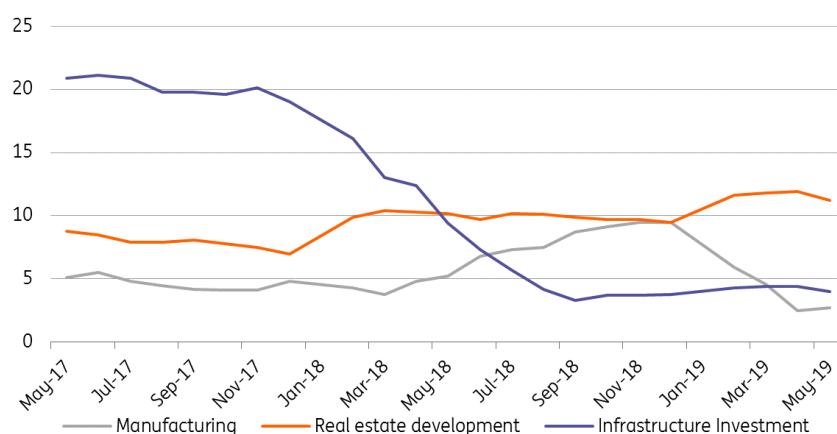
As expected

Base Metals

Industrial metals markets tumbled on a stronger dollar index on Friday. Meanwhile, weaker macro data (fixed assets investment and house construction) came out from China today continue adding to demand fears. With this backdrop, supply disruptions have failed to give copper a price boost.

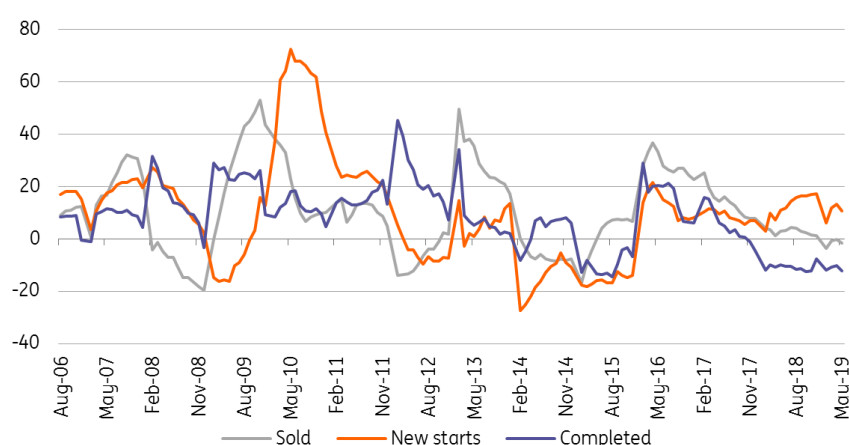
These supply disruptions include the beginning of strikes at Codelco's Chuquicamata mine in Chile today and Vedanta halted its Zambian Nchanga smelter. On the other hand, the LME warehouse continued seeing stock inflows further weighing in on prices.

China fixed assets investment growth (ytd %)



Source: NBS, ING

China house construction (in floor space, ytd %)



Source: NBS, ING

Nickel is the only winner for the week largely on the back of Indonesia floods after heavy rainfall in the Sulawesi province which is also the main nickel ore production region. The potential disruption to nickel ore production and shipment are boosting market sentiment in the short term, however, we expect this to fade as high nickel pig iron (NPI) supply and stainless inventories in China market have come back to the centre of attention.

Nickel is the only winner for the week largely on the back of Indonesia floods

Looking at zinc, outflows of 1,275 tonnes in LME stocks have added to the tightness in nearby contracts spread and prices to \$2,572/t during the London morning trading session, but prices faded along with the rest of the base metals complex. What has been weighing on market sentiment is the large stock inflows of 19,241 tonnes in Shanghai Futures Exchange (ShFE) sheds on Friday that brings the total level to 79,945 tonnes.

The gains in ShFE herald an improved refined supply as a result of improved concentrate supply and smelters margins.

Author

Warren Patterson

Head of Commodities Strategy

Warren.Patterson@asia.ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit www.ing.com.