



Authors

Daria Efanova
Head of Research

TUE 06 JUNE 2023 00:10

Daily Base Metals Report

Stocks opened higher this week, continuing the positive momentum from Friday when a solid jobs report stoked risk-on sentiment; this momentum cooled later in the day. This is unlike something we saw last year, when economic resilience weighed on riskier assets, as markets would have priced in a tighter monetary policy environment. Now, while this data helped to increase the expectations of a hike, markets remain hopeful that the previous tightening is not going to result in a sharp recession, and hence strong labour market report is underscoring the market's view of economic resilience. According to S&P Global, service PMI pointed to a marginal softness, down to 54.9; meanwhile, ISM's gauge unexpectedly fell to the lowest level so far this year. In line with China's manufacturing results last week, the diverging performance between two sources is clouding the outlook for economic performance. Still, the bets for a hike in July continue to grow, with forward swaps pricing in 20bps of an increase with a 75% probability; a pause in June is now fully priced in. The dollar continued to strengthen, and the 10yr US Treasury yield tested the 3.75% level.

We are entering a period with little narrative, where a lack of a strong market signal to drive the trend means that trading is becoming mostly sentiment-driven rather than fundamental. There is still little demand coming out of China, and we have seen base metals respond more to the stock changes instead, pushing aluminium cash to 3-month to \$45/t last week; this tightness did not last, and the spread returned to -\$34.25/t today. Meanwhile, aluminium remained unchanged at \$2,244/t. With the macro environment stable and the blackout period from the Fed, the outlook for this week is also set to be quiet. On Monday, performance was muted across the complex. Copper edged back above \$8,300/t and is testing the 200-day moving average at \$8,374/t at the time of writing; it later closed at \$8,335/t. Lead and zinc settled at \$2,2028/t and \$2,288.50/t, respectively.

Oil futures jumped higher to \$72/bl and \$77/bl for WTI and Brent, respectively, after Saudi Arabia announced a pledge to cut output by an extra 1m bl/d to support prices. Gold and silver remained unchanged at \$1,957/oz and \$23.50/oz, respectively.

	Open	High	Low	5pm Close	PDC	Volume	Total O.I	Spreads	Conversion
								C-3M	USc/lb
Aluminium	2268	2274	2233	2244	2268	17667	635739	-40.00	101.63
Copper	8246	8344	8169	8335	8248	16764	249744	-3.50	378.25
Lead	2030	2038	2018	2028	2036	3336	116086	7.50	92.15
Nickel	21010	21120	20650	20898	21010	1676	141483	-124.00	951.65
Tin	25400	25730	25250	25565	25525	368	15232	331.00	1163.48
Zinc	2306	2316	2259	2288.5	2302	7082	200054	-8.00	103.96
				Total:		46893	1358338		

Official Prices							Monthly Avg		
	Cash	3m	Dec Yr 1	Dec Yr 2	PD Cash	PD 3M	Cash	3M	
Aluminium	2216	2255	2417.5	2515	2234.21	2263.5	2253.5	2265.833333	
Copper	8265	8263	8284.75	8291.75	8233.5	8237	8270.833333	8278.333333	
Lead	2040	2028.5	2064.25	2092.75	2038.5	2031.5	2013	2008.5	
Nickel	20610	20705	22456	23406	21091	21211	20983.33333	21080	
Tin	26000	25625			25889.99	25651	25956.66667	25658.33333	
Zinc	2271	2278	2322.5	2332.5	2301	2306.5	2281.333333	2295.833333	

LME Stocks (tonnes)							Other Copper Markets			
	Opening	In	Out	Net Change	Closing	C-warrants	Open Tonnage	Last	% Change	
Aluminium	579025	6025	0	6025	585050	260400	324650	Comex, USc/lb		
Copper	98675	275	0	275	98950	27375	71575	JUL 23	372.75 0.44	
Lead	36450	350	0	350	36800	2875	33925	SEP 23	374.3 0.43	
Nickel	37602	0	12	-12	37590	2448	35142	Shanghai, CNY/mt		
Tin	1970	0	20	-20	1950	105	1845	23-Jun	66050 -0.08	
Zinc	87450	0	0	0	87450	11075	76375	23-Jul	66020 0.17	

Global Markets		Currencies		Precious Metals			Previous Day's Fix		
Last	% Change		Last	% Change	Last	% Change	AM	PM	
DAX	15963	-0.55	GBP	1.2432	-0.1686	Gold	1957.69	0.499	1981
DJI	33667	-0.28	JPY	139.6800	0.1718	Silver	23.55	-0.2355	2388.5
S&P500	4294	0.27	EUR	1.0716	0.0747	Gold Comex	1973.9	0.218	
SSE	3232	0.07	CNY	7.1055	-0.0971	Platinum	1037.9	2.9714	
Hg Seng	19109	0.84	AUD	0.6621	0.1664	Palladium	1408.5	-1.1086	
Brent	77	1.31	CAD	1.3426	-0.0074				

Source: Bloomberg
Updated: 05/06/2023 17:30

All price data is from 05.06.2023 as of 17:30

Risk warning

This is a marketing communication. The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many, varied views over the past 12 months, including contrary views.

A large number of views are being generated at all times and these may change quickly. Any valuations or underlying assumptions made are solely based upon the author's market knowledge and experience.

Please contact the author should you require a copy of any previous reports for comparative purposes. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. All information in this report is obtained from sources believed to be reliable and we make no representation as to its completeness or accuracy.

This report is not subject to any prohibition on dealing ahead of the dissemination of investment research. Accordingly, the information may have been acted upon by us for our own purposes and has not been procured for the exclusive benefit of customers. Sucden Financial believes that the information contained within this report is already in the public domain. Private customers should not invest in these products unless they are satisfied that the products are suitable for them and they have sought professional advice. Please read our full risk warnings and disclaimers (www.sucdenfinancial.com/en/risk-warning-and-disclaimers).