

## August 2017

### Economic Indicators and Comment:

The OECD's composite leading indicators (CLIs), continue to anticipate stable growth momentum in the OECD area as a whole. The CLIs continue to point to stable growth momentum in Japan, Canada and the euro area as a whole. Stable growth momentum is now also expected in the U.S. and Italy, while in the UK the CLI confirms the tentative signs of easing growth. Prospects of growth gaining momentum remain unchanged for Germany and France, as well as for China and Brazil. Amongst other major emerging economies, the CLIs continue to anticipate stable growth momentum in India while in Russia tentative signs of easing growth remain.

U.S. second-quarter growth was revised upward to the fastest pace in two years on stronger household spending and a bigger gain in business investment, putting the economy on a stronger track, Commerce Department data showed. GDP rose at a 3% annualized rate from the prior quarter, revised from an initial estimate of 2.6%. Consumer spending, the biggest part of the economy, grew 3.3%. The revisions indicate greater momentum going into the second half of 2017, as well as showing that growth in GDP may be broadening beyond household spending. Separately, industrial production in the U.S. in July was shown to have increased 0.2% from June.

The eurozone GDP grew at twice the rate of the UK's in Q2 of 2017 official statistics showed. Eurostat's flash estimate for growth in the bloc was 0.6%, double the 0.3% estimate from the UK's Office for National Statistics. This is the second quarter of eurozone growth following the 0.5% expansion in the first quarter.

Industrial output in the eurozone fell by 0.6% in June compared with May - its first drop since February - led by a 1.9% tumble in the production of capital goods and a 1.7% fall in consumer durables. That pulled the annual growth figure down to 2.6%, Eurostat said, below the 2.8% economists had anticipated. Germany's monthly output fell by 1.1% while Ireland's crashed by 7.5% in the choppy short-term index. French industrial output dropped 1.2%. Growth was recorded in Italy at 1.1%, and the Netherlands at 1.2%.

### Companies:

Aurubis AG, Europe's biggest copper smelter, posted a 165% surge in operating earnings before taxes (EBT) in the first nine months of its fiscal year 2016/17 - €211 million compared with the previous year at €148 million. Group revenue also increased by approximately €1,113 million to €8,189 million due to higher metal prices. Quarterly sales rose 17% to €2.76 billion based on stronger cathode sales, better scrap flows and higher sulphuric acid prices. A strong U.S. dollar supported the results as a significant part of Aurubis' income is U.S. dollar-based. The demand for copper wire rod slightly recovered in the third quarter after a subdued first half. Rod output for the third quarter was 186Kt compared with 206Kt in the previous year - a 10% fall - while output in the 9 months to date was 541Kt, down 8% from the previous year (588Kt). The company reported that the relatively stable copper price and rising demand from the energy cable area had a positive impact on rod demand - demand in its core markets remained stable, it said, while demand in the Middle East and Africa fell short of expectations.

Russian aluminium producer Rusal reported a 48% rise in second-quarter core earnings due to a higher aluminium price and pointed to a positive outlook for the second half as supply in China tightens. EBITDA rose to US\$510 million from \$344 million in the same quarter a year ago.

## Market Commentary and News:

The global world refined copper market showed a 45,000t deficit in May, compared with a 84,000t deficit in April, the International Copper Study Group (ICSG) said in its latest monthly bulletin. For the first 5 months of the year, the market was in a 14,000t surplus compared with a 282,000t deficit in the same period a year earlier. World refined copper output in May was 1.96 million tonnes, while consumption was 2 million tonnes. Bonded stocks of copper in China showed a 83,000t deficit in May compared with a 89,000t deficit in April.

Chilean copper producer Antofagasta plc's Chief Executive Officer Ivan Arriagada said that while the company has been surprised by copper's surge to a three-year high in August, it sees no reason why prevailing prices should not continue. "Copper has been better in the short term than many people, including us, expected," he said in an interview with Bloomberg, adding that the metal "will probably move sideways, with more moves up than down.". He said that the outlook in emerging markets, especially in China, is much more favourable, resulting in a sustained growth in copper demand. Antofagasta maintained its 685,000t to 720,000t full-year production forecast.

China's appetite for copper is expected to expand in the second half, according to state-run research firm Beijing Antaike Information Development. Antaike sees China's energy and property sectors driving consumption, which beat expectations in the first half and boosted demand for wire and cable. The researcher is forecasting even better in the second half of 2017, with usage gaining 4.7% yoy to 5.56 million tonnes after a 4% growth through June. Power grid investment (which accounts for about half of China's copper needs) is recovering and air conditioner sales are strong according to Antaike. While property sales are slowing in China's biggest conurbations, the market in third and fourth-tier cities remains buoyant, with the impact on copper yet to be felt, it said. In contrast, China's second-biggest refiner Jiangxi Copper Co., warned that it is not optimistic about the metal's outlook.

The potential Chinese ban on scrap metal imports by the end of 2018 is expected to affect 330,000tpa of copper scrap imports, according to a survey of various copper scrap importers. The recycling branch of China Nonferrous Metals Industry Association had been notified of the ban on scrap metal, scrap wires and scrap motor by the end of 2018. Jiangxi Copper forecast China's national copper scrap imports would not fall sharply in the second half of this year because of economic factors. The producer said that due to the policy announcement the price gap between refined copper and imported copper scrap would narrow in the coming days, boosting imported copper scrap traders' profits, and, in turn, imports.

China's imports of copper and copper products rose around 8% in July from last year as the availability of credit improved, even as concerns lingered about manufacturing activity. For July, arrivals of unwrought copper totalled 390,000t, according to data released by the General Administration of Customs.

According to market commentators, producers of "green" aluminium, made using renewable energy rather than fossil fuels, are starting to charge premium prices thanks to rising demand from industrial customers under pressure to reduce their carbon footprints. Operators of smelters powered by hydro-electricity in the likes of Norway, Russia and Canada are promoting their environmental credentials - and stealing a march on others that rely on coal or gas, notably in China and the Gulf.

China's crackdown on its aluminium industry is driving up the share price of the country's major producers and raising the possibility of a tighter global market that could buoy prices. China is forcing the suspension of aluminium plants that have not obtained proper permits to build or expand, or that have not met strict environmental standards, as Beijing pushes to clear its skies and shore up loss-making industries. China Hongqiao, the world's largest aluminium producer, confirmed it had closed 2.68 million tonnes of illegal smelting capacity in its home province of Shandong. As a result, Chinese aluminium prices have increased sharply but traders say final demand is weak and cuts may not be as big as expected. Trading data shows some are bracing for a correction.

Meanwhile, Aluminium Corp of China Ltd (Chalco) increased its primary aluminium production by 250,000t in the first half of 2017, as the state firm takes advantage of capacity cuts by rivals. There will be further investment in raising output in the second half of the year, according to company president Ao Hong.

Russian aluminium exports to countries outside the Commonwealth of Independent States (CIS) decreased in the first six months of 2017, while copper exports increased, official customs data showed.

	H1 2017	H1 2016
(tonnes)		
Aluminium:	1,525,100	1,778,100
Copper:	275,900	244,600

The LME's average daily volumes (ADVs) increased in July for the first time since February, helped by copper and zinc volumes climbing. Copper's ADV is 6.1% higher than last year at 145,744 lots. This follows significant declines in volume over the last few months, down 26.5% year on year in June. ADV had also fallen by 16.5% in May and 13.5% in April from the same months in the previous year. Aluminium was still the largest traded metal, but its ADV dropped by 7.7% year on year to 185,141 lots in June. Declines were also recorded in the rest of the base metals complex: lead dropped 10.1% year on year to 37,489 lots, nickel edged just 0.5% lower at 85,820 lots and tin's ADV fell 3.9% to 5,555 lots. Total exchange ADV for the month was 586,748 lots, an increase of 0.4% year on year.

The LME is seeking agreement from its network of metal warehouse owners to cut the rents charged for storage, hoping to boost the amounts of metal registered under LME warrant and improve transparency. Rents for aluminium on warrant averages around US 54 cents a tonne per day. Of that the exchange earns 1.1%. Rent for metal not under LME warrant is typically US10 cents or below. The warehouse load-out queues that exposed the LME to the glare of both media and regulatory scrutiny have gone. The original queue to get aluminium out of exchange warehouses in Detroit disappeared in April 2016. The even longer queue at the Dutch port of Vlissingen finally dissipated in July this year.

## LME Commentary:

Base metals prices moved up strongly in August generally supported by improving economic data as stronger than expected economic figures from the U.S., China and EU helped boost investor sentiment. Activity was further spurred by low borrowing costs, U.S. dollar weakness, tighter supply and supply disruption for aluminium and anticipations of better Chinese copper demand. Short-term technical traders were also drawn into the rally as prices broke new highs while bearish funds were forced to buy to stop out of their positions.

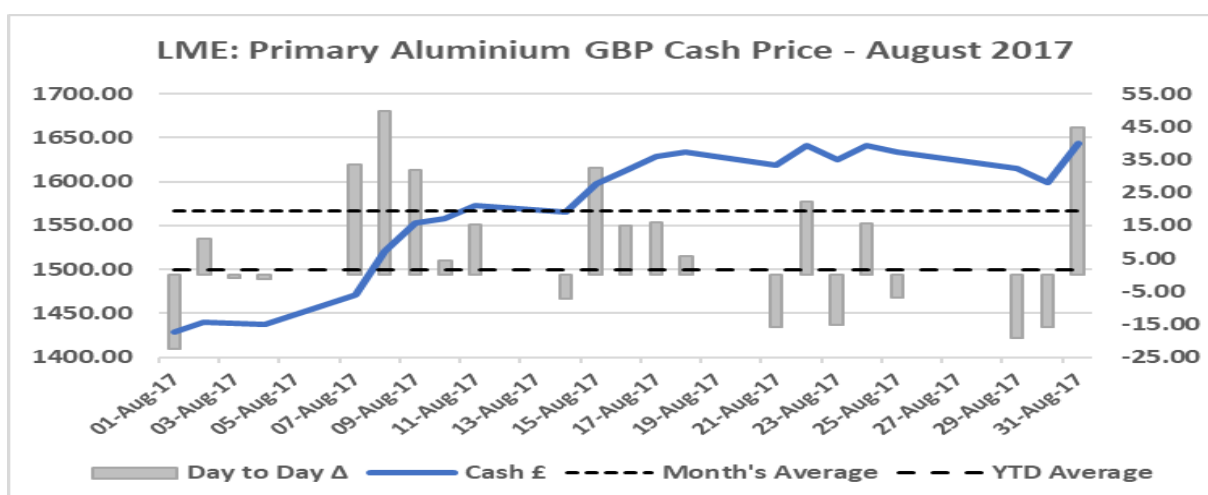
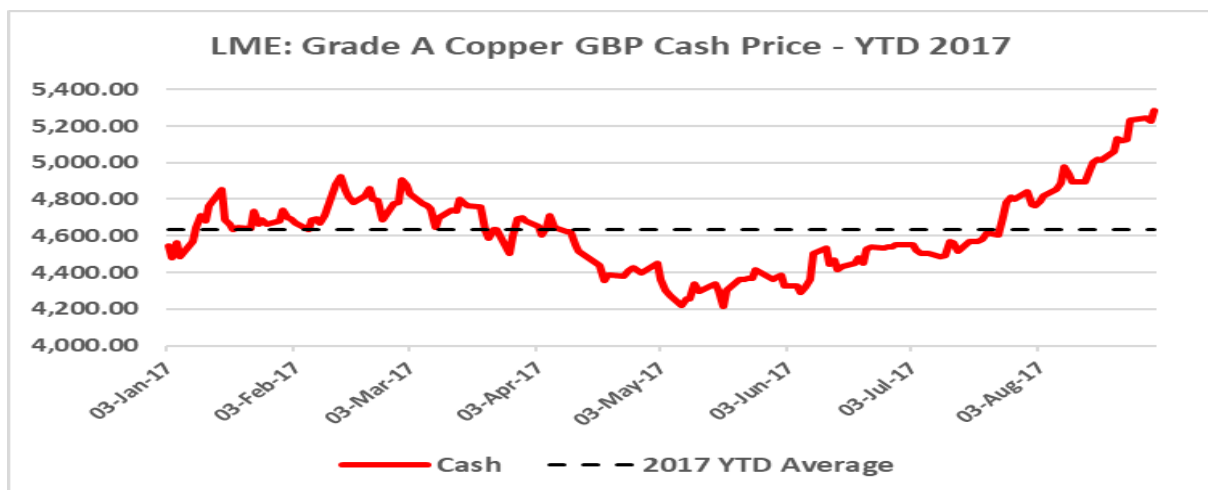
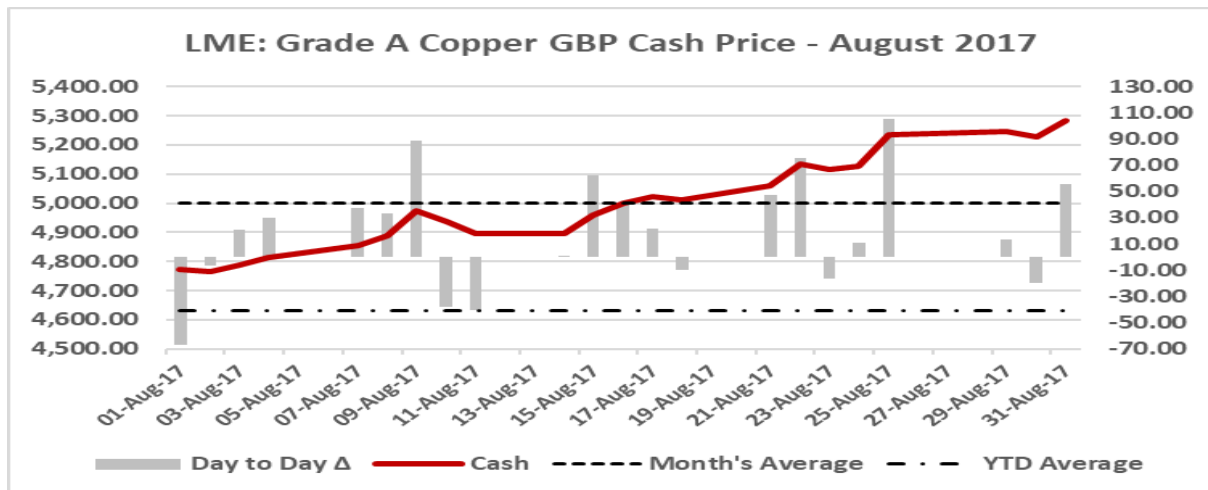
Gold posted its best month since January 2017 as U.S. political turmoil continued. The six- metal LMEX Index closed at its highest since September 2014 following eight straight weekly gains, the longest run since May 2006. LME copper climbed 10% in the month, aluminium climbed 15%, nickel rallied 16% and zinc added 13%.

At month end, the LME Primary Aluminium cash price peaked at £1643.85/t - its highest level since May 2011, representing a 15% increase in the month and a 18% increase in the year as news of China's crackdown on China Hongqiao extended the price rally. This compares with the year's low of £1384.73/t at the start of January.

LME Grade A Copper GBP copper price also peaked at month end at £5282.73/t - its highest level since March 2013, representing a 10% increase in the month and an 18% increase in the year. This compares with the year's low of £4215.29/t achieved in the middle of May.

## LME Statistics and Charts: August 2017:

	Copper			Aluminium			USD:GBP
	Cash £/t	3M £/t	Stocks	Cash \$/t	Cash £/t	Stocks	
<b>Opening</b>	4771.66	4784.05	295,525	1910.00	1429.11	1,349,125	1.3204
<b>Average</b>	5000.10	5014.79		2030.09	1567.21		1.2959
<b>High</b>	5282.73	5288.10		2113.50	1643.85		1.3222
<b>Low</b>	4764.79	4766.63		1887.00	1429.11		1.2810
<b>Range</b>	517.94	521.47		226.50	214.74		
<b>Closing</b>	5282.73	5288.10	220,875	2113.50	1643.85	1,324,625	1.2857
<b>Opening:Closing Δ</b>	+511.07	+504.05	-74,650	+203.50	+214.740	-24,500	
<b>YTD Average</b>	4631.19	4638.78		1902.24	1499.81		



Produced by Neil Bootman of NGB Metal Services.

The British Cables Association accepts no liability for any loss resulting from errors or omissions contained in this report

