

11 September 2019

## Nickel continues to create interest

Speculation around the intent of the Indonesian government was put to rest as at the start of last week, they formally declared a ban on exports for nickel ores starting in January.

This is some 2 years earlier than first planned but as per the last note it was very much expected by the market.

Since then we have seen that miners request permission to export before 31st December. This has raised the advent of a front loading of exports to beat the ore ban and the market has seen profit taking on what appears to be a softer stance from the Indonesians.

The outright price for now has capped out- as is often the case, buy the rumour sell the fact is the standard way markets are traded and it seems for now short term trading confirms this.

For now nickel is taking relative a breather, albeit at an advanced price, there has been some profit taking, but is this the end of the road for the metal?, or a consolidation point before the next leg higher?. In the end a solution will be found to the Indonesian hard ball and the market should normalise , ( The Philippines will step to fill the gap in delayed production, plus Indonesian smelter pool will start to eventually produce), but if real nickel consumption picks up on the back of EV demand this may be a pause in trend upwards.

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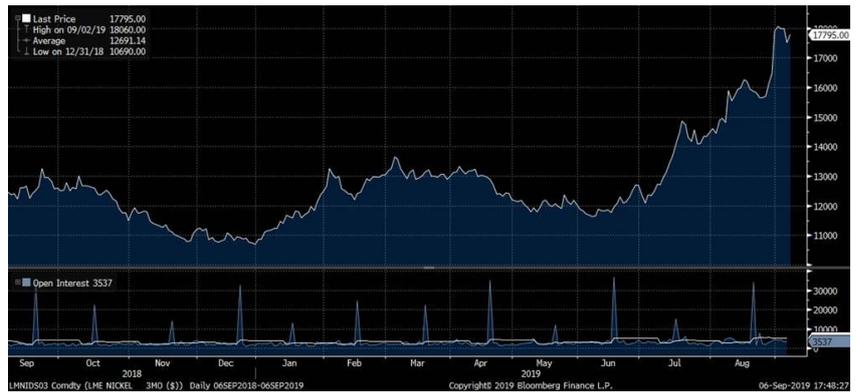
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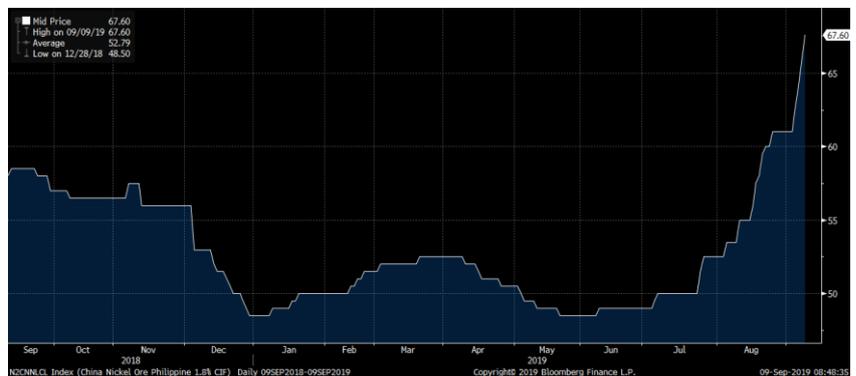
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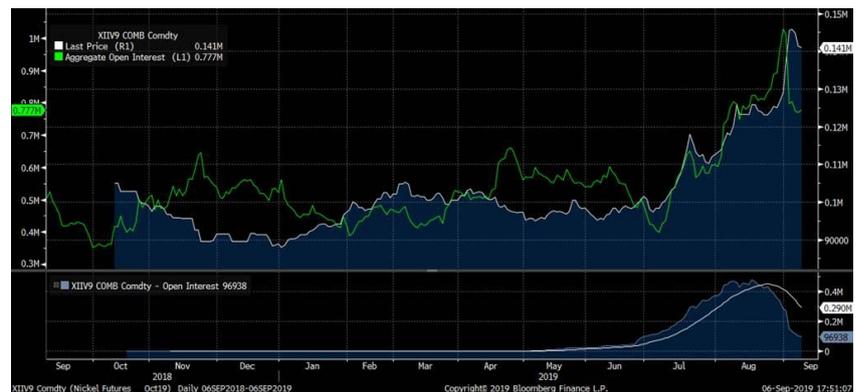
LME price graph underlines the stalling of prices / profit taking.



Price for NI ore ex Philippines has risen sharply – on previous occasions the Philippines has bridged the gap to China in supplying Ni and copper ores to Chinese smelters. You can see their ore prices pick up as an alternate source.



SHFE nickel - you can see over last week open interest for the contract has come off aggressively. This underlines the fact that we have seen some profit taking following confirmation of the ore ban. Now it remains how does this pan out and how is the market supply demand balance played out.



LME available stocks have been drawn down, this is an interesting feature as it confirms the technical tightness we have seen across the spread. The removal of stock from the LME underlines concern around prompt availability of material but as before the vast majority of the LME stock are nickel briquettes. Warrant premiums as yet have not been affected by the flat price volatility, as such feedback from physical traders is a balanced market that's nervous due to price volatility.



The curve – As you can see the curve has been getting tighter since the end of June but in the last week volatility has picked up. If the curve continues to be tight you would think material would be attracted to exchange, we will soon see the true premium for physical material as traders/ producers potentially chose to deliver material for zero premium into a backwardated market.



From an equity perspective see below Australian equities focus Nickle assets – Equity moves have been less aggressive but they underline the support the metal has seen over the past few months.



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