

## Nickel Surges on Philippine Ban Proposal, Options Expiry



**N**ickel prices jumped to a four-week high on news that a Philippine senator had urged a ban on unprocessed mineral ore exports and also following an options expiry in London. Copper fell on higher exchange stocks and as investors downplayed signs of progress towards peace in eastern Ukraine while tin slid to a eight-month low on worries about oversupply.

Three month nickel on the London Metal Exchange raced 2.8 percent higher to close at \$19,075 a tonne, the highest since Aug. 7. Prices, which are up by around one-third in the year to date, were bolstered by news that a Philippine senator had filed a bill urging a halt to exports of unprocessed mineral ores. The proposed halt is similar to a ban introduced by Indonesia from January that led to a sharp spike in nickel prices and cut other ore exports.

Most analysts expect a deficit in nickel next year, and so the Philippines news worried investors, but some analysts were wary of the gains since. "This is one senator introducing what we would call a private members bill. It's far too early to say whether it will gain traction," BNP Paribas analyst Stephen Briggs said.

Analyst Edward Meir at broker INTL FCStone was also sceptical. "Instituting a ban will result in foregoing massive amounts of revenue, not to mention the fact that buyers may very well have found other suppliers in the interim," he said in a note. "We would therefore not be jumping on this particular rally in nickel." Many investors have been exposed to nickel through the options market, and the expiry of September options was also a factor in the surge in prices, analyst Leon Westgate at Standard Bank said.

"With options declaration rolling off, some of the recent gravitational pull of the \$18,500 level has vanished," he said in a note. Open interest in September call options was concentrated at the \$18,500 strike.

### Other Metals Slide

In other metals, copper slid 1 percent to finish at \$6,904 a tonne, its lowest level in two weeks. Prices have struggled to gain headway in recent weeks as expectations of fresh supply have dampened investor interest. Daily LME data showed stocks rose by 7,000 tonnes to

154,825 tonnes, their highest since July 22 after two weeks of near straight increases. MCU-STOCKS "Copper took a hit when LME stocks (data) came out. If the surplus is going to become more visible through exchange stocks, that would be meaningful. It's too early to say," Briggs said.

### Markets were Wary of News About the Ukraine Conflict

Russian President Vladimir Putin said a deal to end fighting in eastern Ukraine could be reached, but hopes of peace were clouded by Western concerns that the announcement was timed by the Kremlin to wrong-foot NATO on the eve of a summit. "This news about Russia and Ukraine, the immediate impact you're more likely to see through oil and precious metals for one, and secondly, it's not clear what it means," Briggs said. Some investors hoped for further policy action at the European Central Bank meeting on Thursday after data showed euro zone retail sales slowed in July, while business activity grew at the slowest rate this year in August. Looser policy in Europe would cheapen liquidity for industry and investors, who may raise their holdings of hard assets, which tend to hold their value when paper currency depreciates. Aluminium shed 1.3% to end at \$2,079 a tonne, moving away from last week's high above \$2,100, which was the most expensive since February 2013. A partial closure of capacity at an aluminium smelter in China helped drive up domestic prices of the metal by as much as 4% this week as investors scramble to compensate for an expected shortfall in supply.

Caroline Bain, senior commodities economist at consultancy Capital Economics, said its forecasts for aluminium had recently been revised. "We are anticipating a small deficit of just over 100,000 tonnes this year, but we have the market back in surplus next year as we expect China's production to keep growing," she told the Reuters Global Base Metals Forum. Zinc closed 0.5 percent weaker at \$2,365 a tonne, having struck a four-week top of \$2,391.25 in the prior session, while lead shed 1.4 percent to \$2,208. Tin fell 0.8 percent to end at \$21,350, the lowest level since January, as analysts and investors scratched out their previous forecasts of a deficit this year due to more supplies than expected and soft demand.