

# LME Metals Seminar 2022

Monday 24 October, London and online



SETTING THE GLOBAL STANDARD



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#LMEweek

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# POLL 1

**In what has been a very unusual year, hosting a world cup, mid-season and mid-winter, doesn't seem so odd after all. But who is going to win it?**

1. Brazil
2. France
3. England
4. Argentina
5. Spain
6. Germany
7. Other

Polls sponsored by:



# Many thanks to our sponsors



# Welcome speech

## Nicolas Aguzin, Chief Executive, HKEX

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# Industry keynote address

## Inka Guixa, CEO, La Farga

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# Economic keynote: global economic outlook

## Sven Smit, Senior Partner, McKinsey & Company

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# Where is The Economy, is it still Global?

Sven Smit – Chair McKinsey Global Institute

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# We see three other periods that resemble today, with a similar concentration of globally disruptive events and crossing points

Overview of selected systemwide, catalyzing events since WWII

1944-1946



## Bretton Woods system

US dollar becomes global reserve currency



## Global institutions

Establishment of UN, IMF, World Bank, and others



## Atomic bomb

First use of nuclear weapon in war



## Peacetime shift

Shift from wartime economy, regrowth (e.g., Marshall plan)

1972-1974



## Fiat money

US dollar loses convertibility to gold



## Oil crisis

Energy price spikes causing economic disruption



## Stagflation

Recession with high inflation and unemployment



## Japanese growth

Japan's GDP surpasses Germany's

1989-1992



## Fall of USSR

Cold War tension dissipates and markets open



## EU foundation

Maastricht treaty signed, paved the way for the Euro



## Internet

WWW developed, first commercial ISPs launched



## China's opening

Deng Xiaoping invigorates economic reform

2020-2022



## Russia-Ukraine war

War in Europe, causing supply shocks



## COVID-19

Pandemic takes >6m lives and disrupts livelihoods



## Inflation leviathan

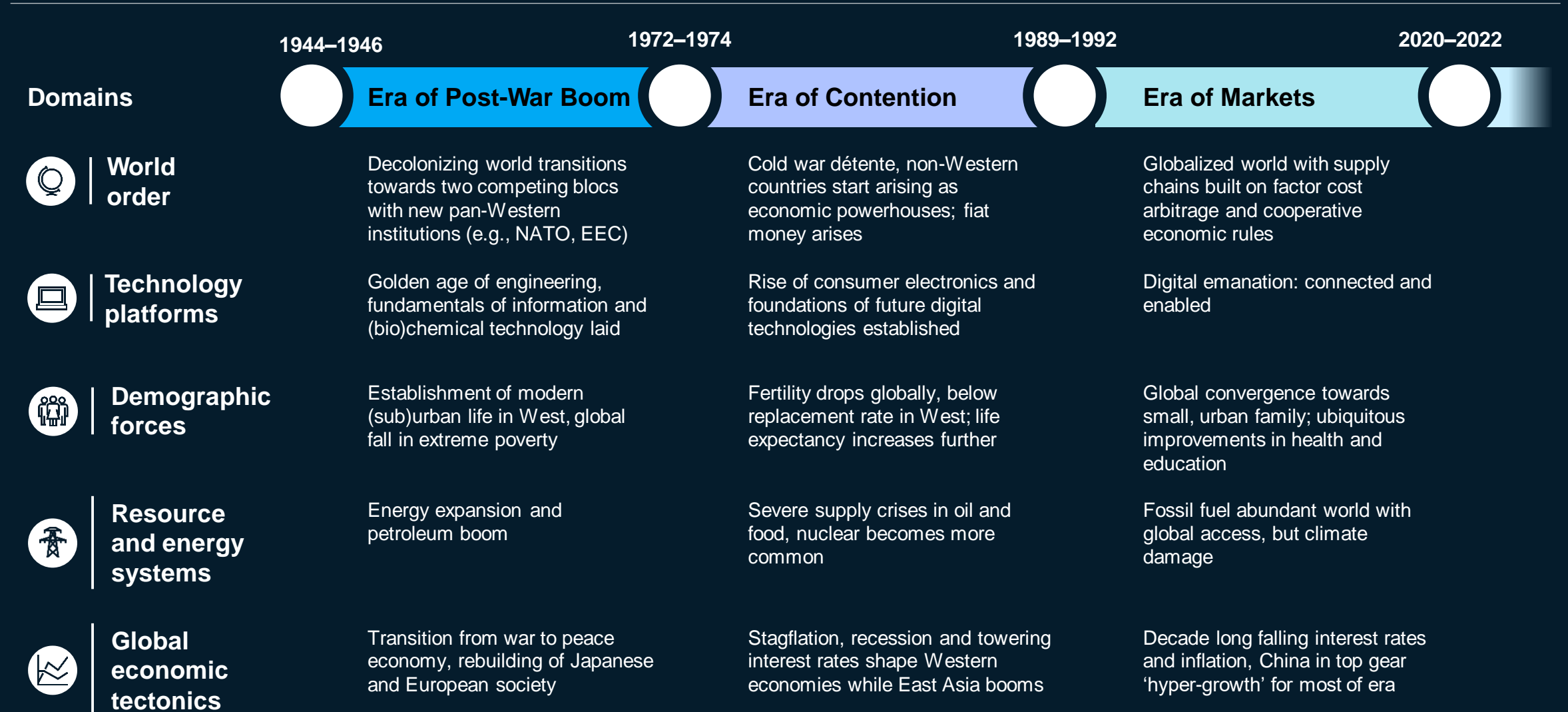
Highest levels of inflation in 40 years



## China's ascent

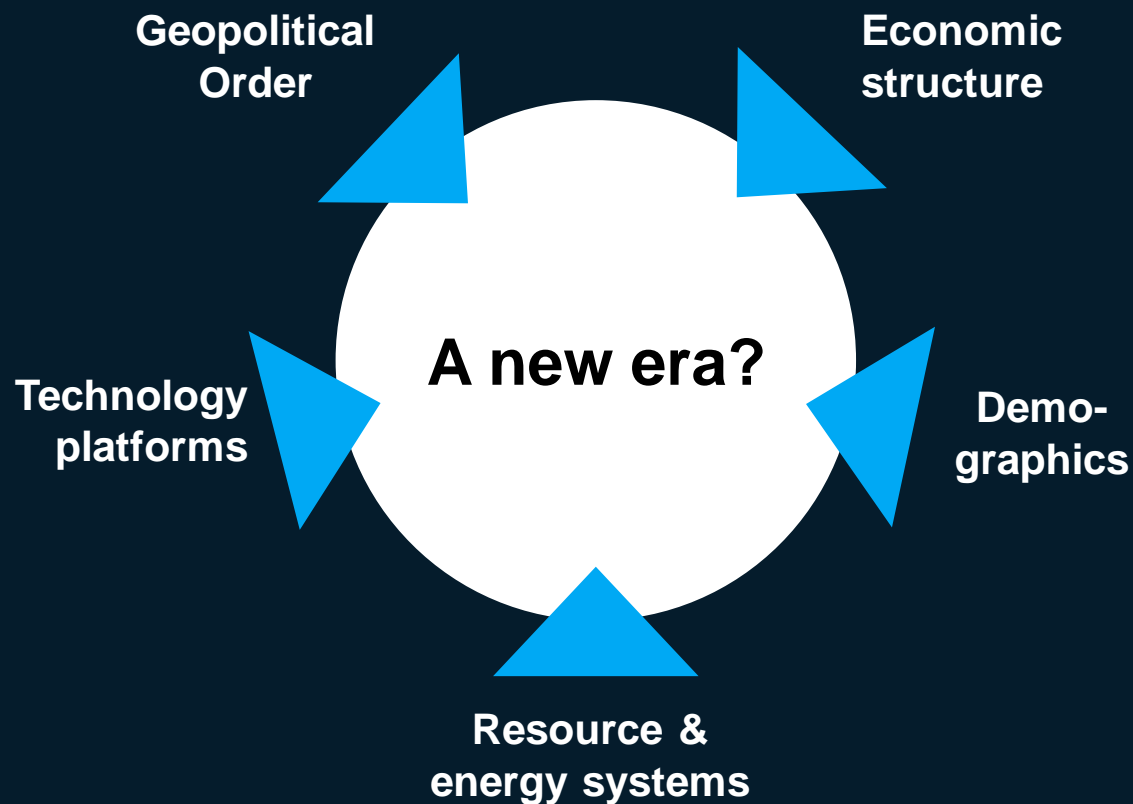
China's GDP overtakes EU, but no longer in 'hyper-growth'

# Between periods of disruption, global events played out in thematic ‘eras’



# Five factors that typically change when a new era begins such as post WWII, the early 1970s, and the early 1990s

What we are seeing today



## Geopolitical order

- Russia invades Ukraine; China/India do not join condemnation
- US-China competition, Geoeconomic tools increasingly at work
- Evolution of Quad / U.S.-EU Trade & Technology Council

## Economic structure

- COVID alters supply chain, labor market, inflation dynamic
- China slips out of 'top-gear' growth and searches for COVID-exit
- Corporate actors shift focus to stakeholder concerns

## Demographics

- Global 'peak child' reached
- 'Baby Boomers' retire in West
- Dependency ratio for many countries at inflection point (now rising)

## Technology platforms

- Saturation point close for smartphones and internet
- COVID-19 accelerated digital adoption by ~7 years
- Exponential AI innovation and cloud/edge/trust architecture

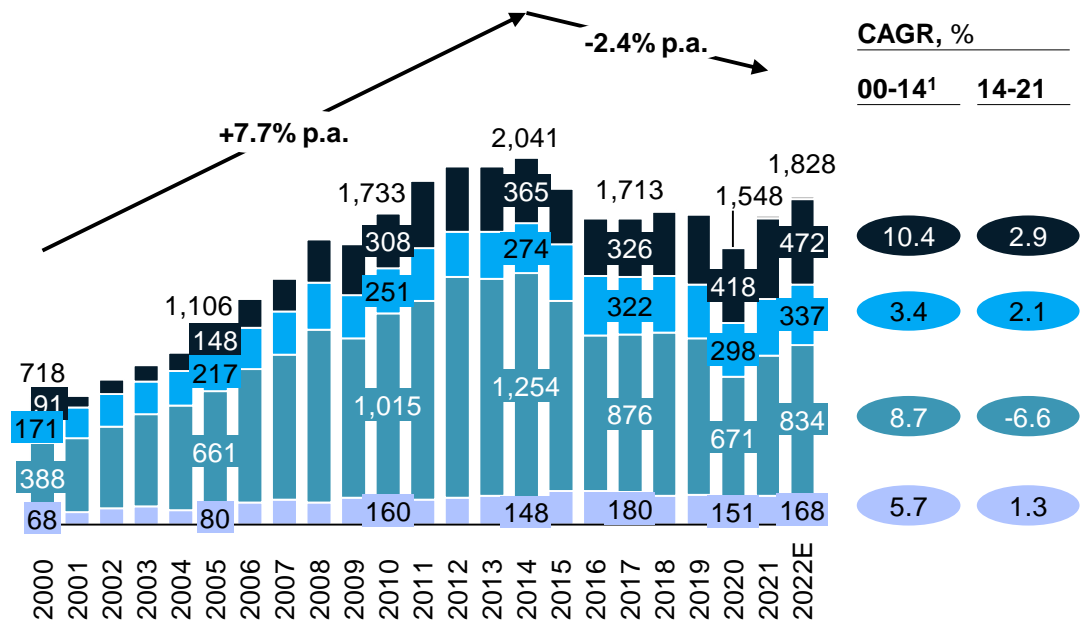
## Resource & energy systems

- Under-investment in future energy requirements
- Historical peaks across energy commodity prices
- Energy security gains new salience, scramble to secure supply

# Signals in the global energy system

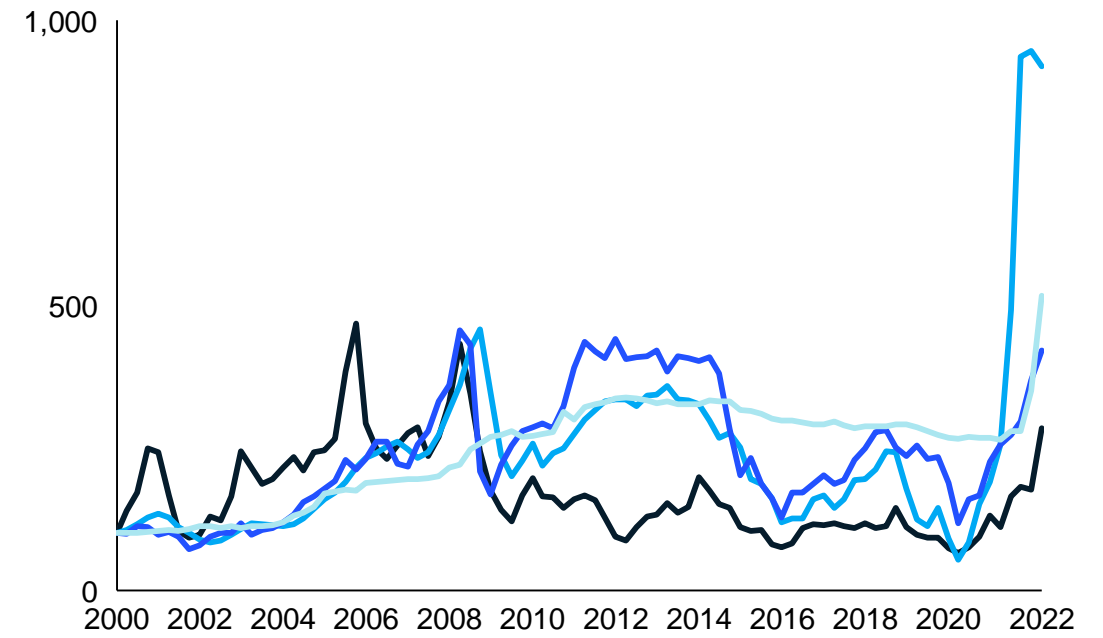
Clean fuels
  Renewable generation
  Electricity networks and storage
  Fuels
  Non-renewable generation

## Global investment in energy supply \$Bn USD



The investment on energy have shrunk across all types

## Indexed quarterly price of goal, gas, and oil<sup>2</sup> Price in Q1 2000=100



Price of fossil fuels have skyrocketed

1. Categories from 2000-2015 are estimates based on Global investment in energy supply over time (Figure 1.2).  
 2. Quarterly price of Europe natural gas, US natural gas and Brent crude oil were from World Bank Commodity Price Data Pink Sheet. Quarterly price of coal was the price of coal in the US from Oxford Economics.



# Lives and Livelihoods scenarios

Globally disruptive events and potential crossing points widening range of outcomes for Lives and Livelihoods

## Preliminary

### Changing world order and global economic tectonics

Pace, scale and depth of reactions to changes in the world order and structural shifts in economic operating environment

#### Sustained change & beneficial shifts in economic outcomes

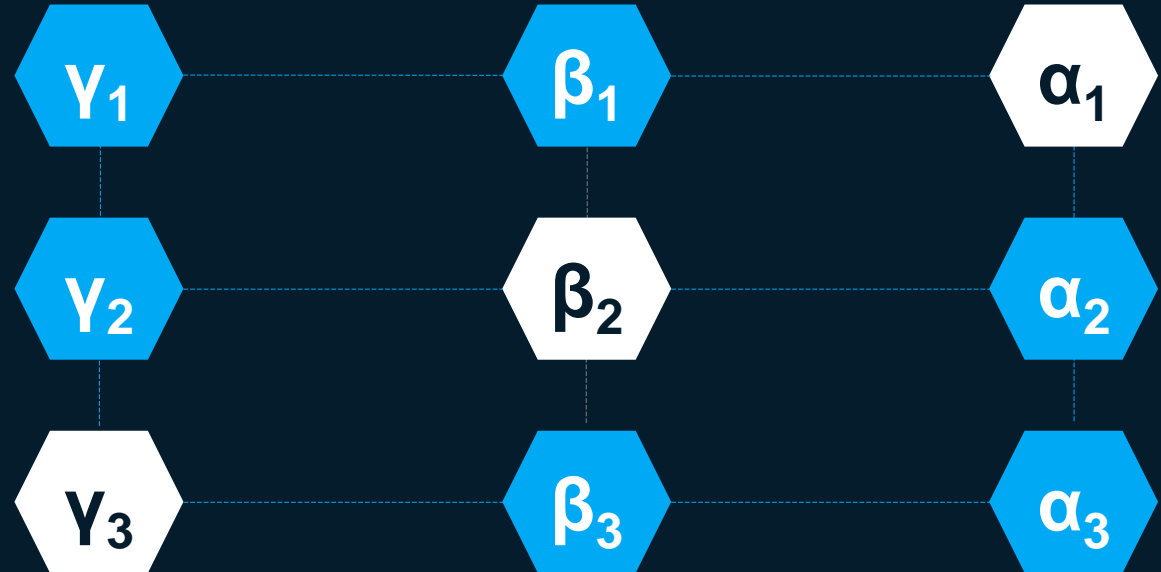
Shifts in world order largely accommodated restoring supply/ demand imbalances in goods and labor markets, supply chain fluidity, and inflation expectations

#### Uneven change slowed by competing economic interests

Shifts in world order accommodated in part creating uneven resolution of supply/ demand imbalances in goods and labor markets, supply chain fluidity and inflation expectations

#### Disruptive change with hard-to-resolve economic transitions

Shifts in world order are disruptive impeding resolution of supply/demand balances in goods and labor markets, supply chain congestion, and inflation expectations



#### Platform standards bifurcate impeding progress of shifts

Geoeconomic concerns override energy transition goals slowing public/private spending impeding productivity gains

#### Platforms proliferate slowing pace and impact of shifts

Targeted public/private spending navigate geoeconomic concerns, raises productivity and moderates cost of energy transition

#### Platforms compete openly and raise impact/hasten shifts

Rapid public/private spending with few geoeconomic barriers accelerates productivity and affordable energy transition

### Shifts in technology and resource energy platforms

Scale and breadth of commitment to efficiently scaling technology platforms and accelerating the shift of the energy transition

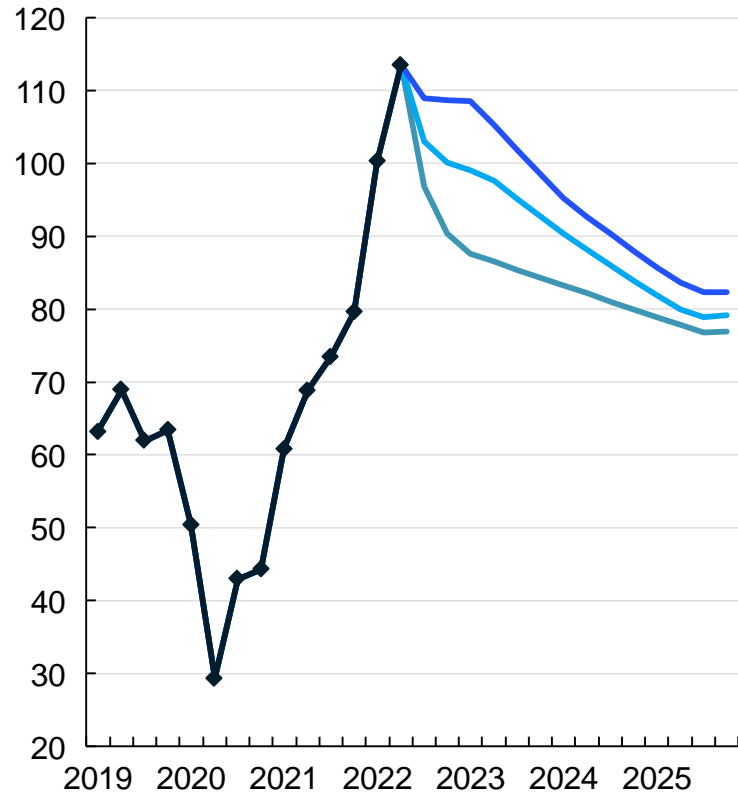
# Key input prices – which are set globally – are likely to remain elevated for some time

Scenarios as of September 12, 2022

Preliminary

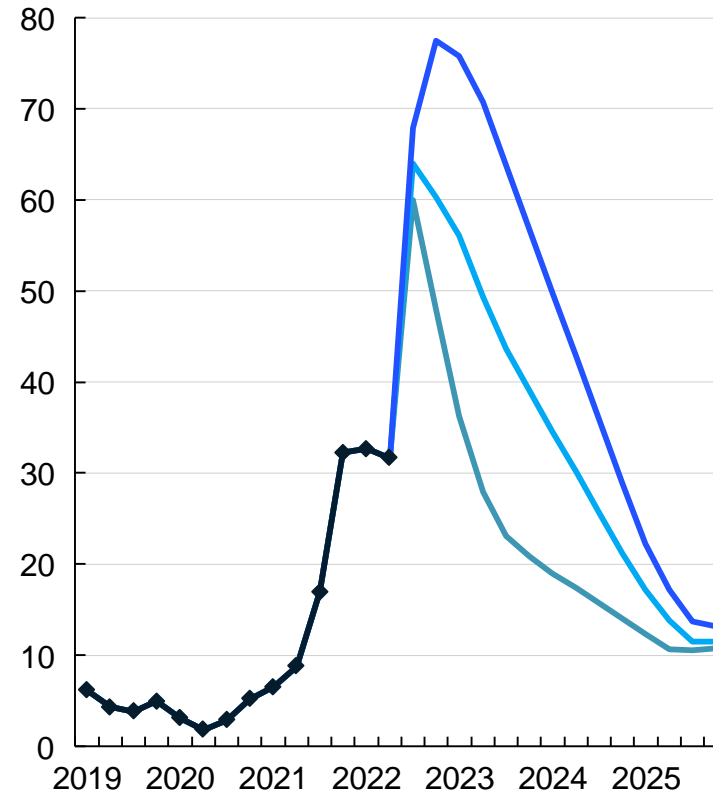
## Crude oil, Brent

\$ per barrel



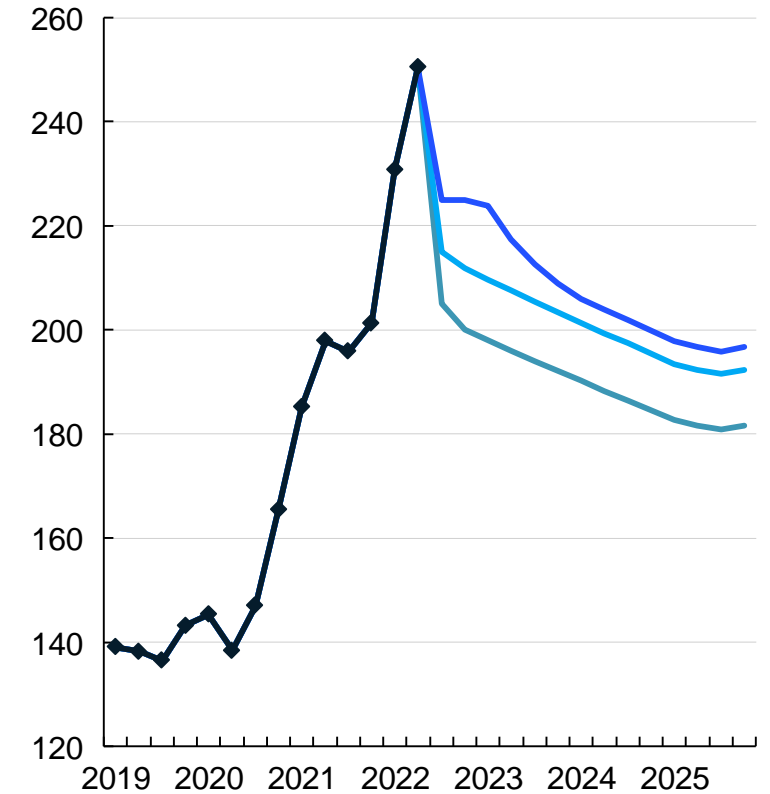
## Natural gas, Europe

\$ per MMBTU



## World food price

Index, 2005=100



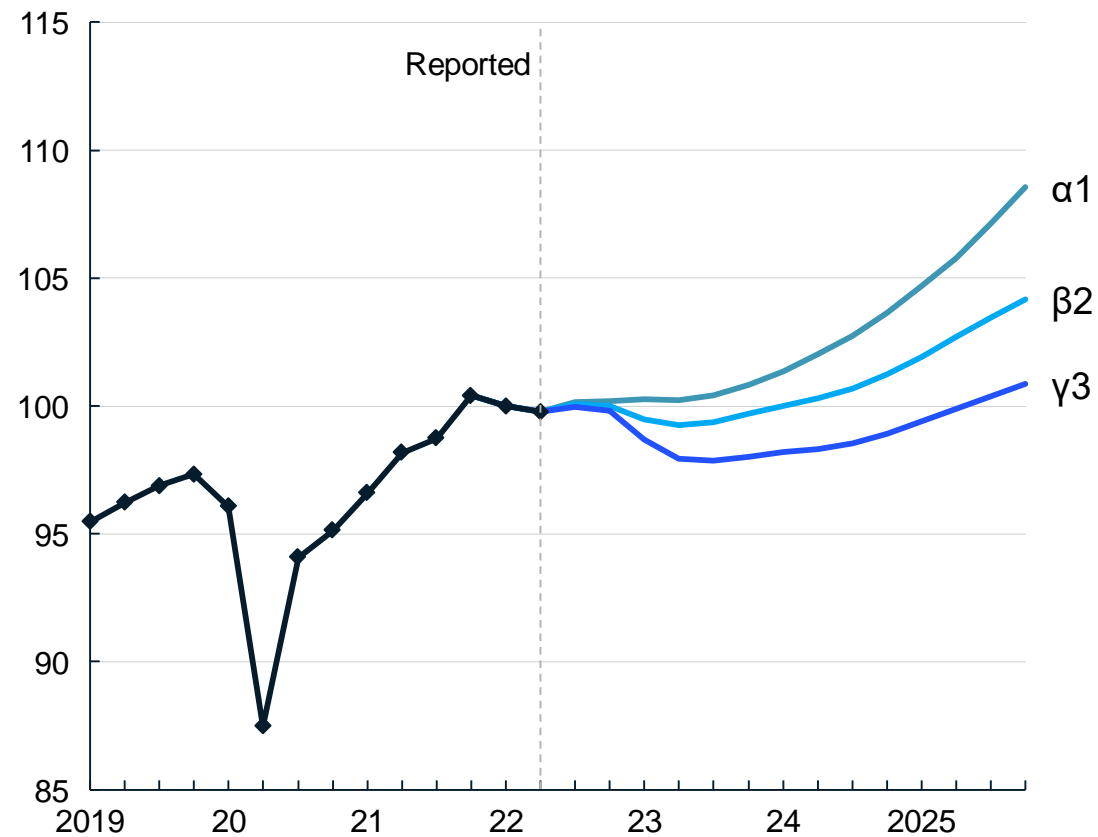
# Real GDP – United States

McKinsey scenarios, September 12, 2022

Preliminary

## Real GDP

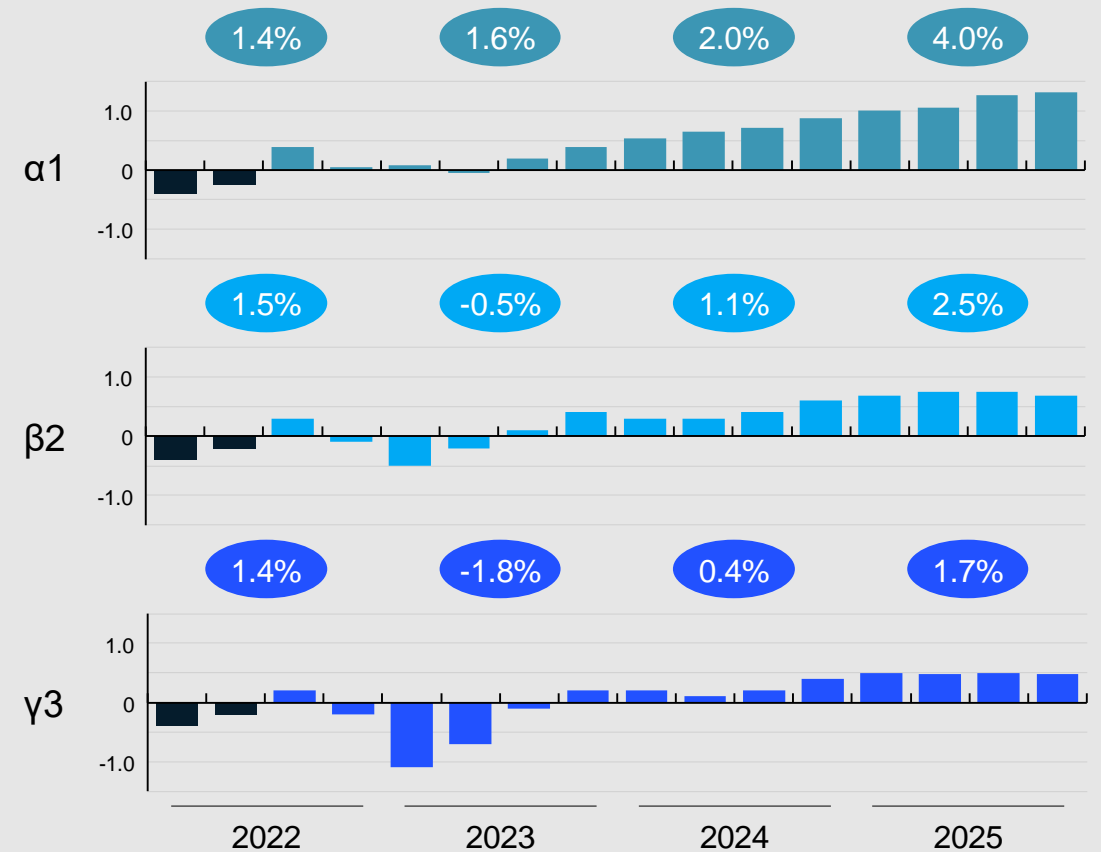
Indexed, 2022 Q1=100



Source: National statistics agencies; McKinsey analysis, in partnership with Oxford Economics

## Real GDP

Quarterly and annual percent change



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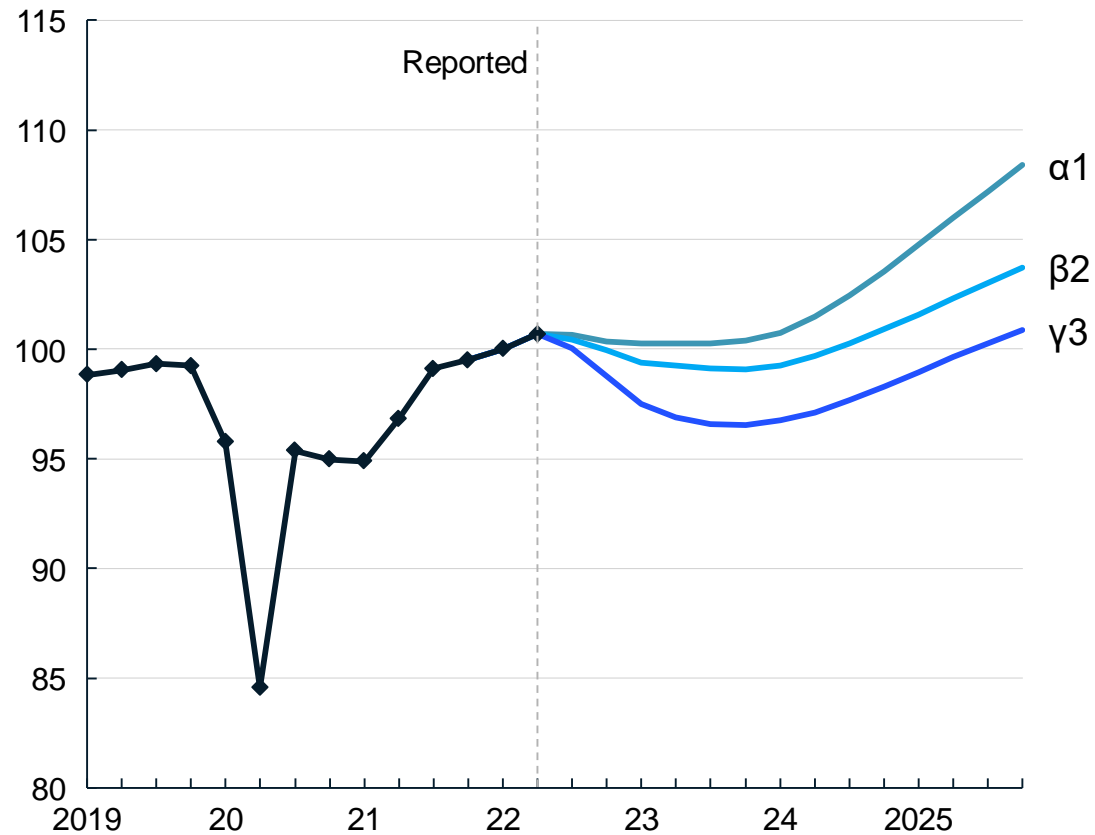
# Real GDP – Eurozone

McKinsey scenarios, September 12, 2022

Preliminary

## Real GDP

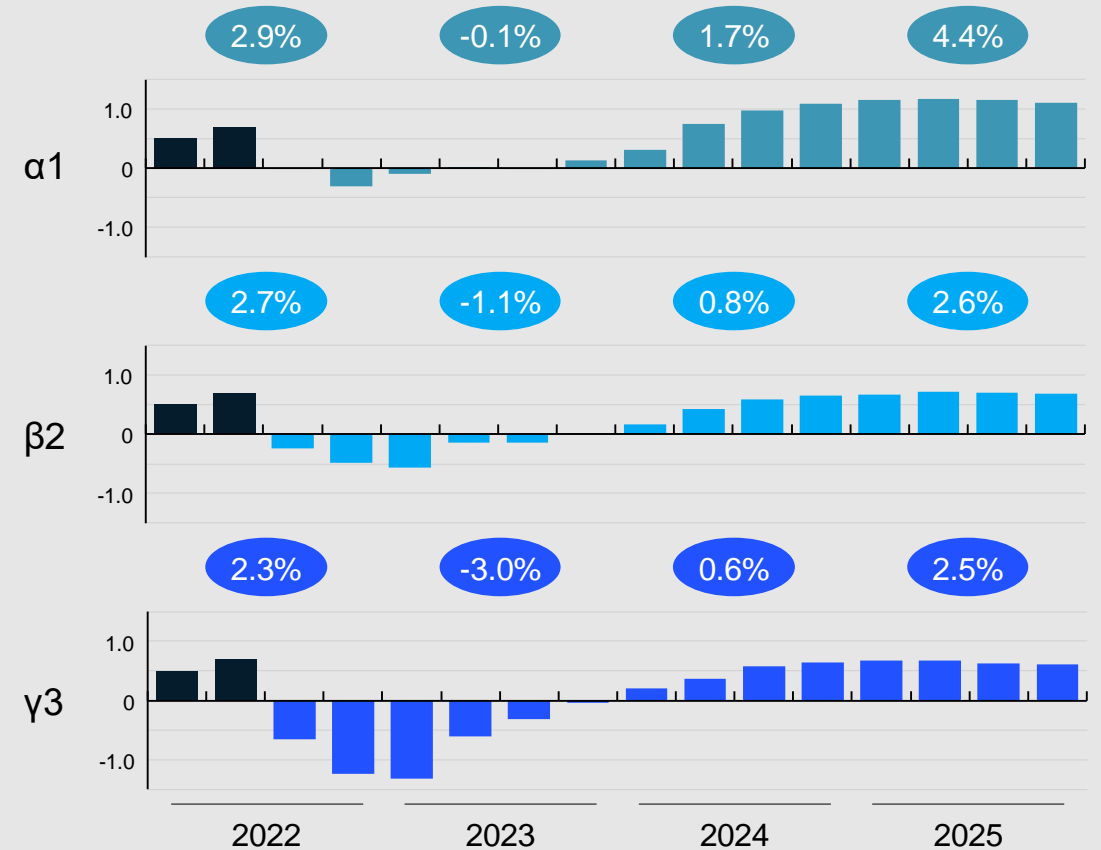
Indexed, 2022 Q1=100



Source: National statistics agencies; McKinsey analysis, in partnership with Oxford Economics

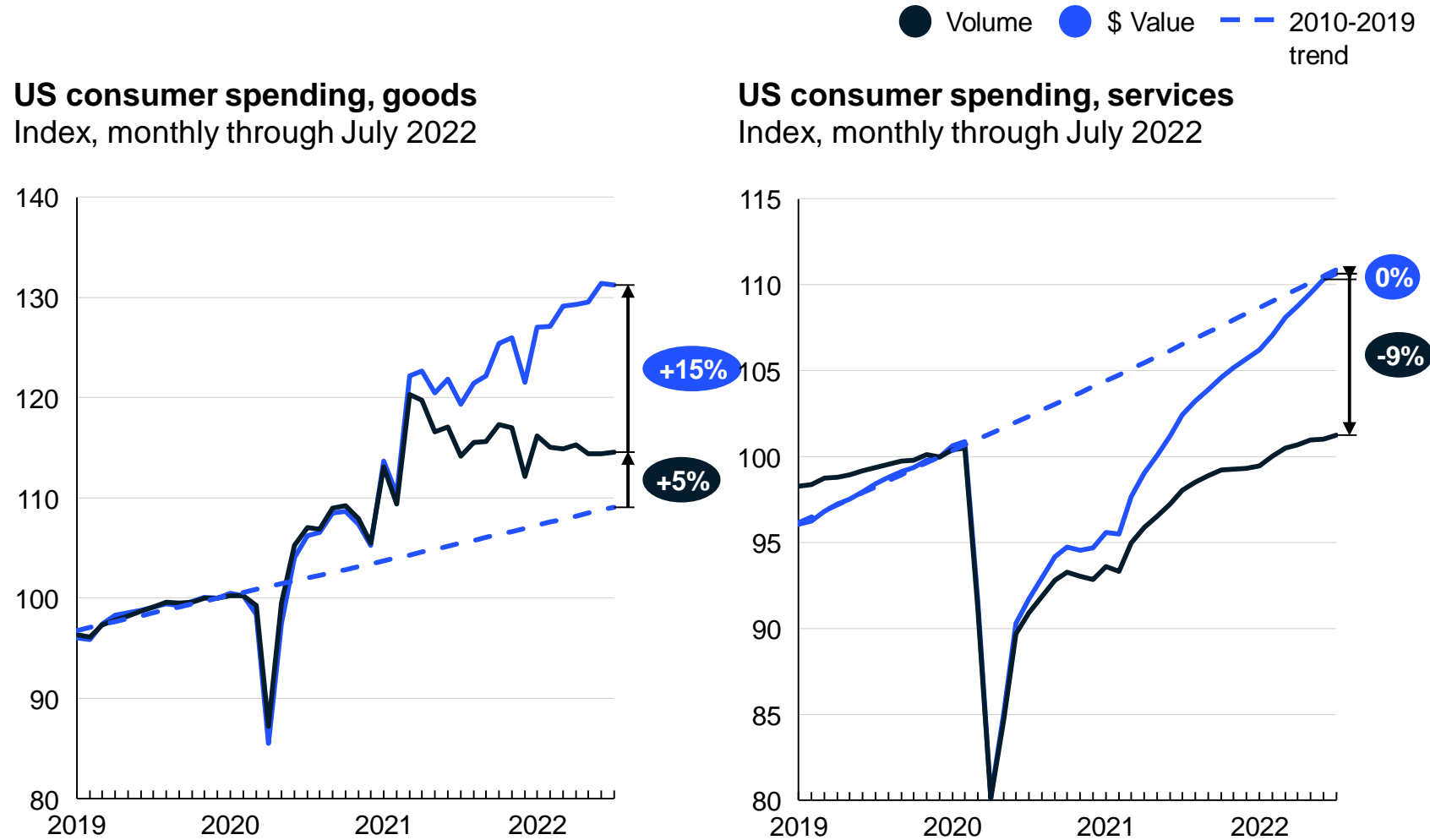
## Real GDP

Quarterly and annual percent change



# US spending on goods increased significantly stretching supply chains to the limit

Volume has slowed as impact of inflation begins to take hold



**+\$1,218B**

Cumulative nominal spending on goods above trend since January 2020

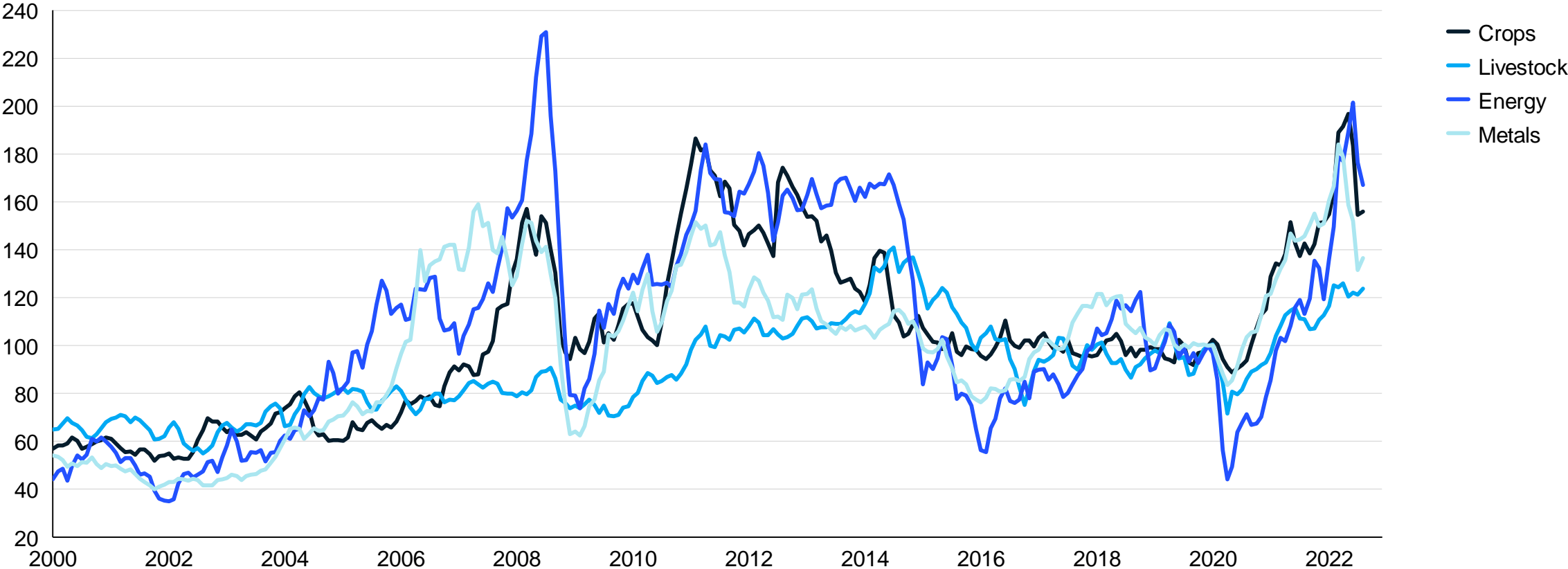
**-\$1,680B**

Cumulative nominal spending on services below trend since January 2020

# Commodity prices have come of their highs driven by Russia's invasion of Ukraine

This slowdown will play through to CPI and PPI inflation in coming months

**Commodity prices, sector-based baskets**  
Index, December 2019=100; monthly through August 2022



Source: Goldman Sachs, Haver Analytics; McKinsey analysis

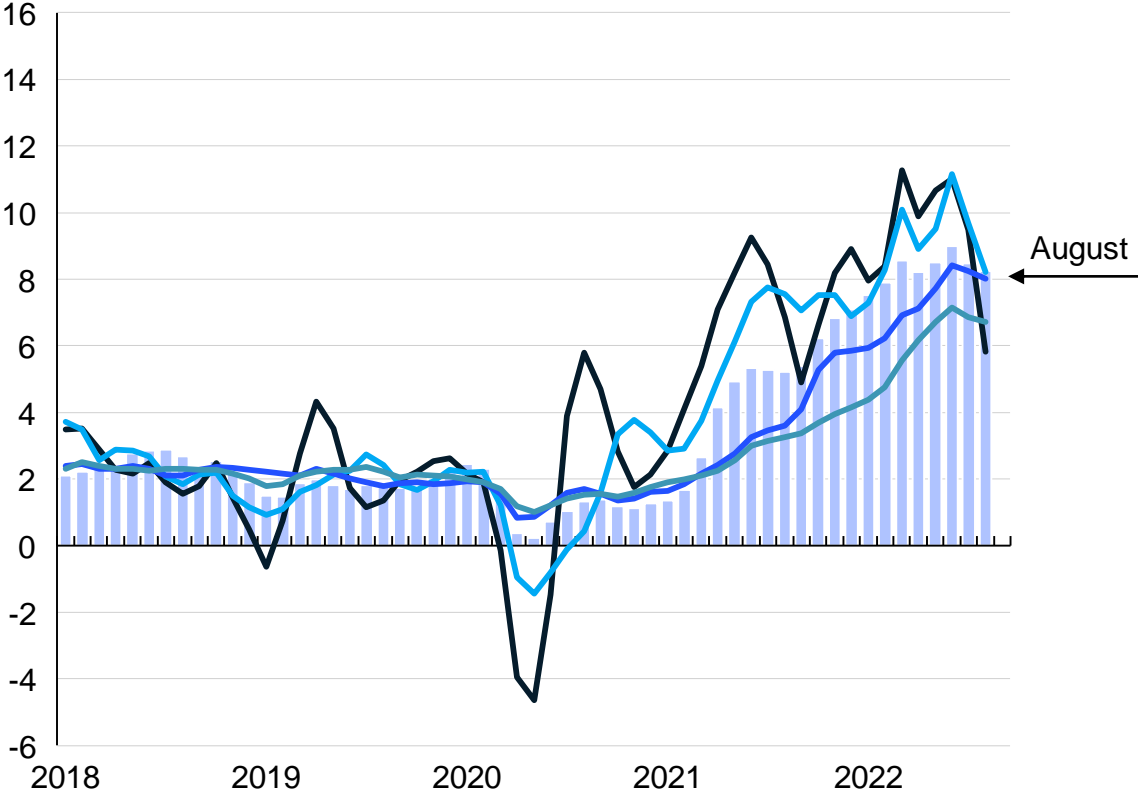
# August CPI reading suggests the acceleration in US inflation is behind us, while Eurozone prices continue to grow at faster pace

Central banks may still move more aggressively than even revised market expectations have anticipated

— 3-mo — 6-mo. ■ 12-mo. — 18-mo. — 24-mo

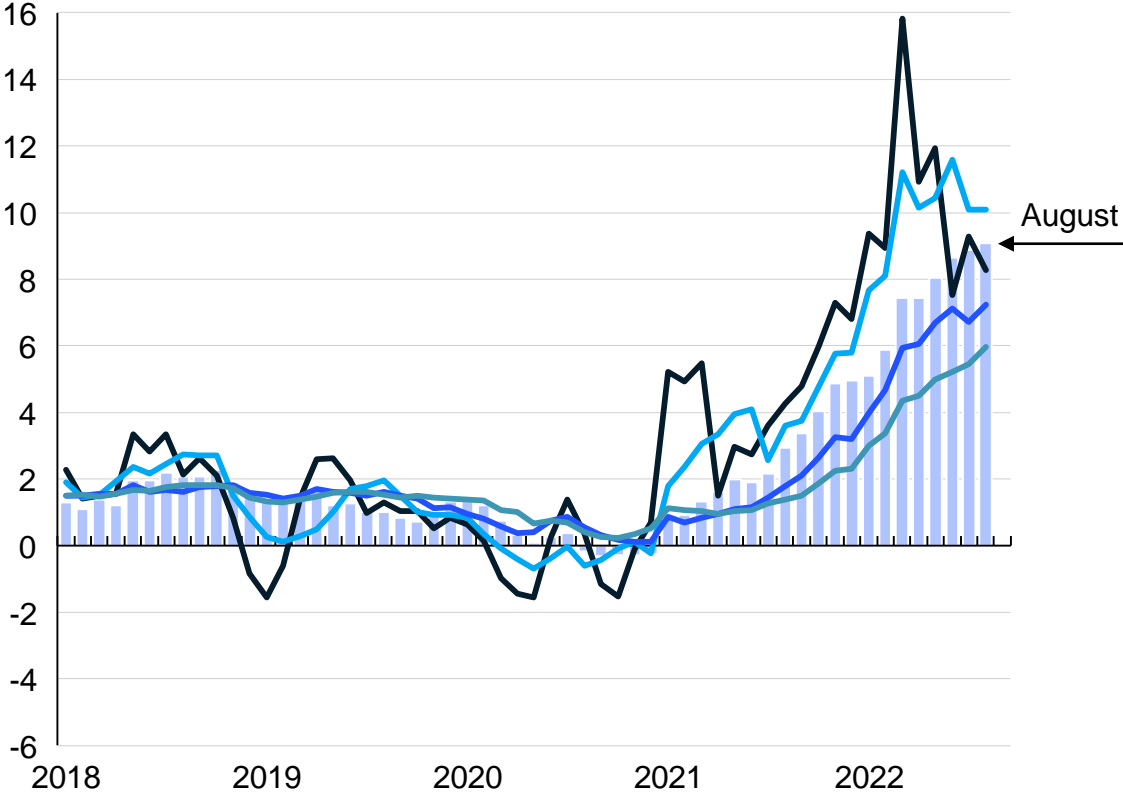
### Change in Consumer Price Index (CPI) - US

Annualized percent change, through August 2022



### Change in Consumer Price Index (CPI) - Eurozone

Annualized percent change, through August 2022



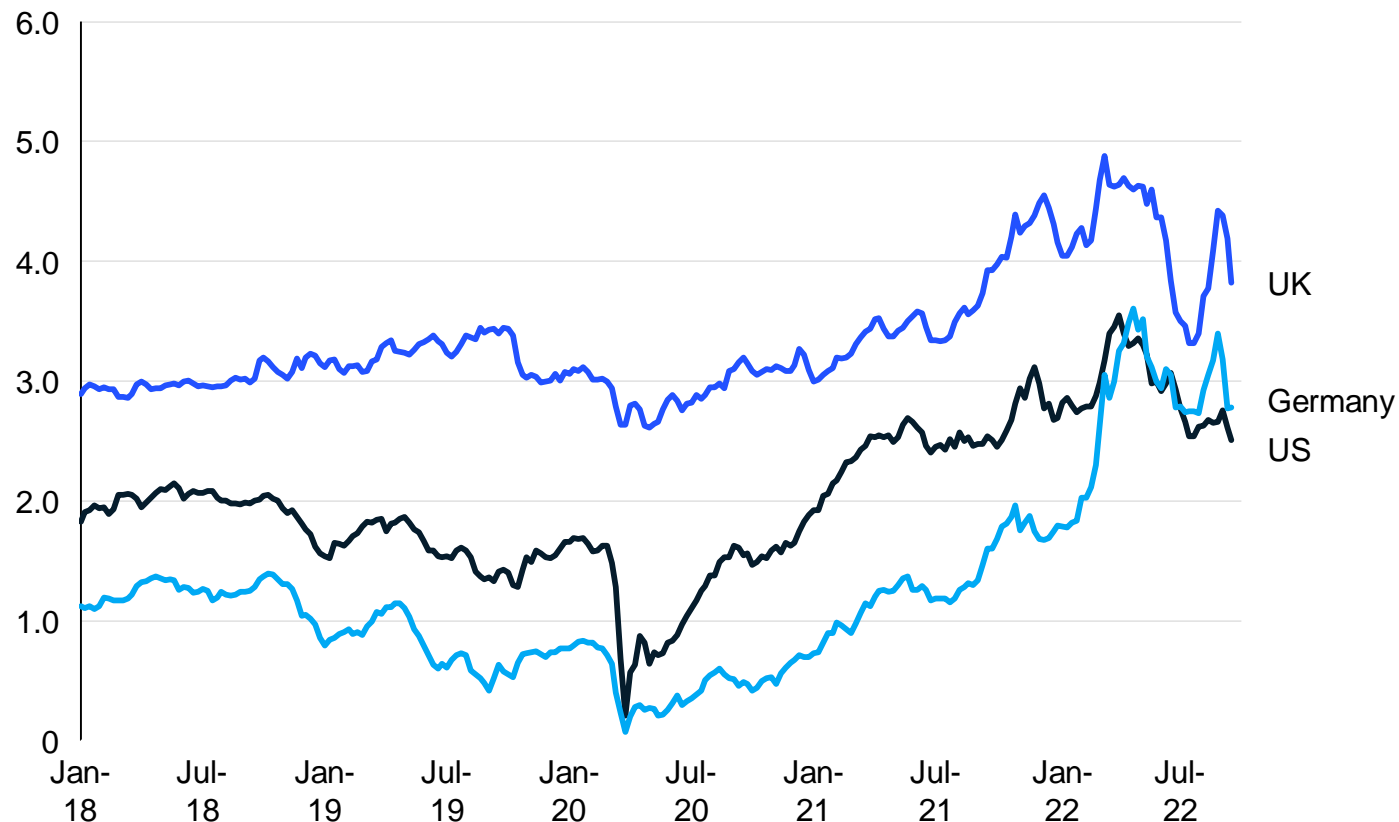
Source: BLS, Federal Reserve Board "Transcript of Chair Powell's Press Conference July 27, 2022," McKinsey analysis

# Central banks continue to hold the “hearts and minds” of bond market participants

Medium- and long-term inflation expectations remaining at 2-3%

## 5-year market-based inflation expectations

Percent, weekly through September 9, 2022



Source: BLS, Haver Analytics, Federal Reserve Board, McKinsey analysis



**Based on its current assessment, over the next several meetings the Governing Council expects to raise interest rates further to dampen demand and guard against the risk of a persistent upward shift in inflation expectations**

— European Central Bank Policy Statement, September 8, 2022

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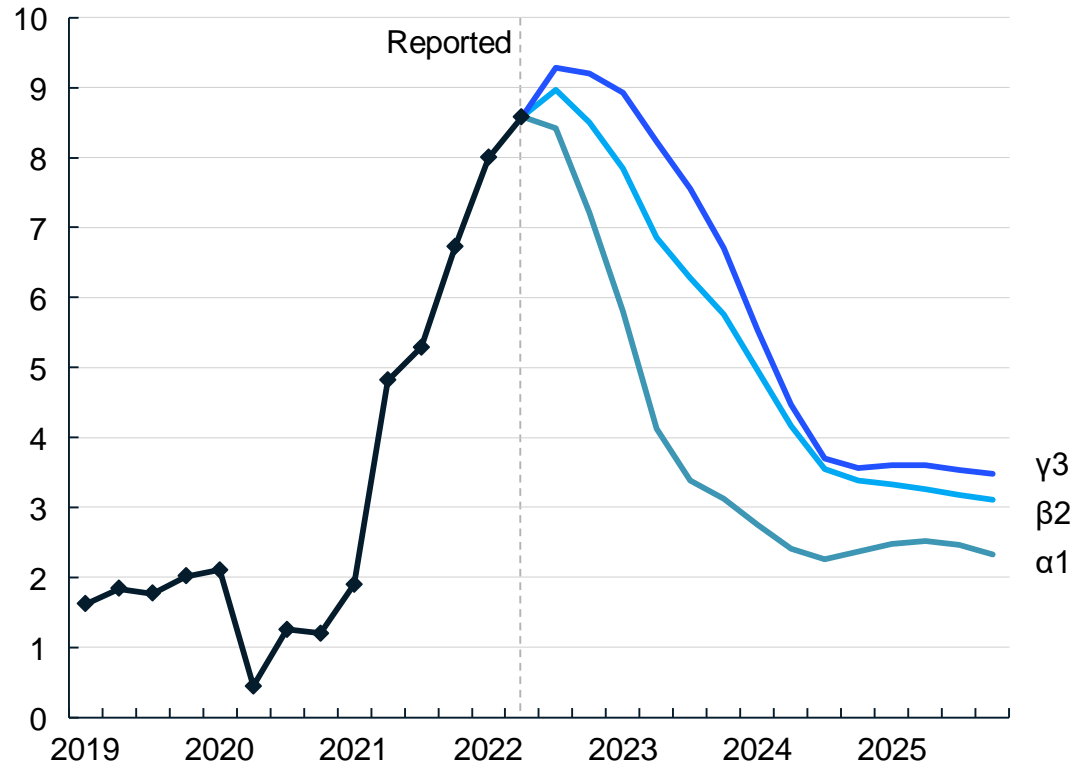
# Inflation and FED policy—United States

McKinsey scenarios, September 12, 2022

Preliminary

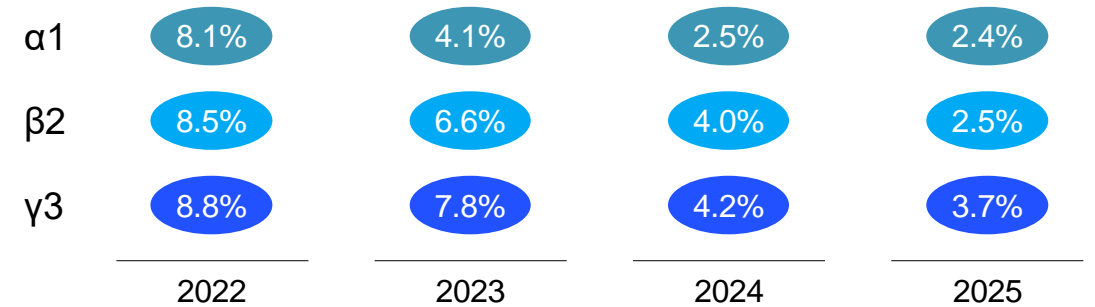
## Consumer Price Index, quarterly

4-quarter change



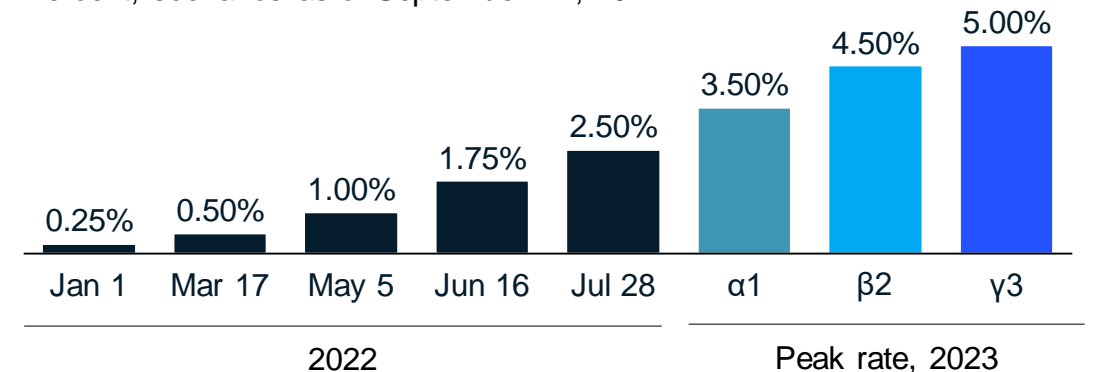
## Consumer Price Index, annual

Annual change



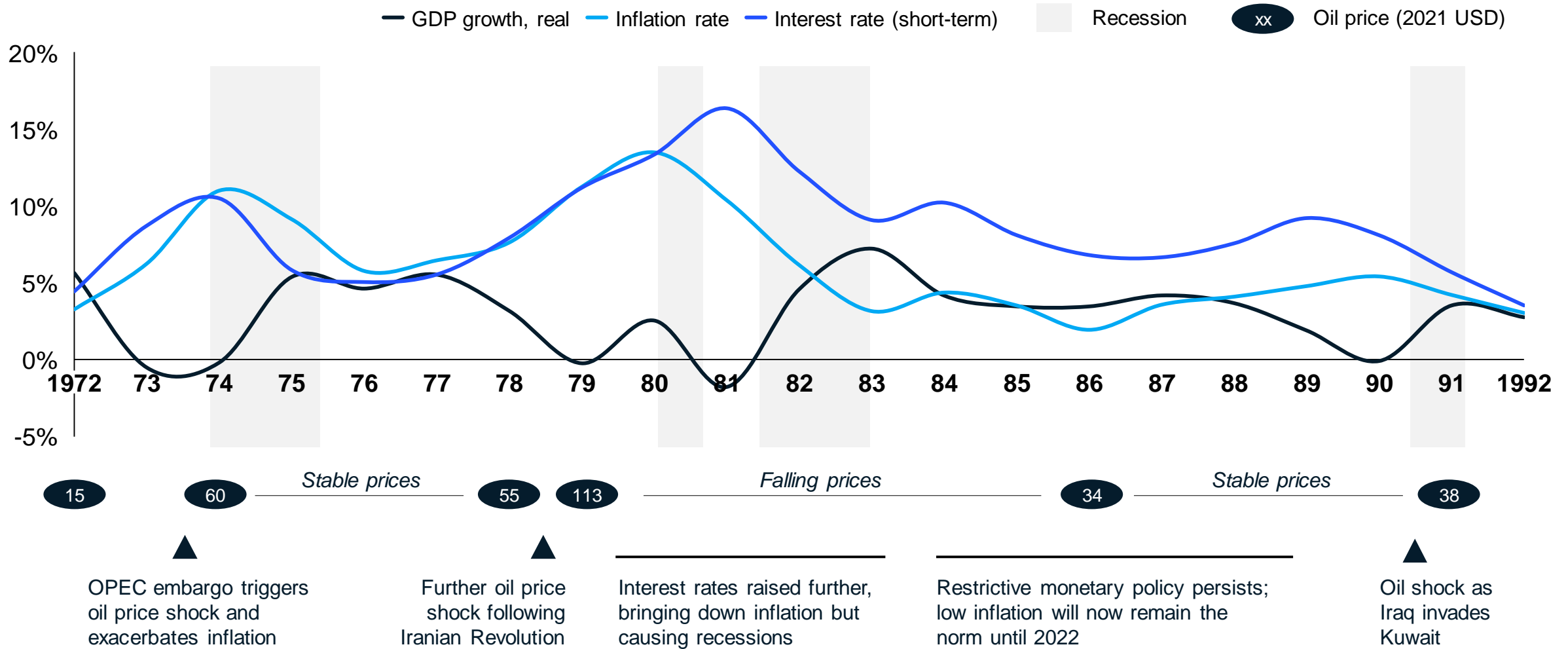
## Federal funds target rate

Percent, scenarios as of September 12, 2022








# Let's look back at the stagflation era

US real GDP growth, inflation, interest rates, and recessions<sup>1</sup>; oil price (Dated Brent, 2021 USD)

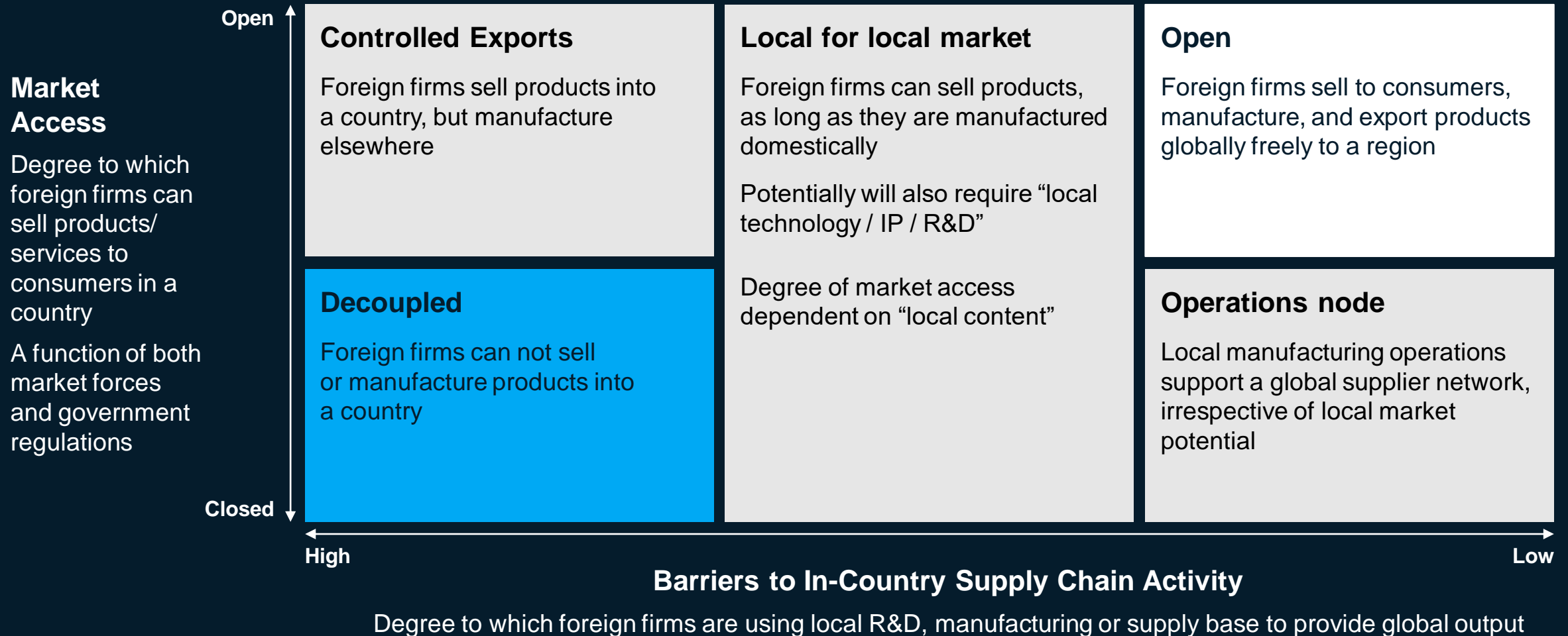


1. GDP growth indexed to 2015 USD; inflation given by year-on-year Consumer Price Index (All Urban) % change; short-term interest as the Federal Funds Effective Overnight Rate; recessions as dated by NBER

# Going into the next Era: direction of travel, and big forks in the road

Domain	Current direction of travel		Forks in the road
	From	To	
 <b>World order</b>	Unipolar Global Moderate	Multipolar Regional Polarized	Polarize in to 'blocs' vs. strengthen global institutions and support multi-lateral co-operation Return to political centrism vs. hyper-polarization
 <b>Technology platforms</b>	Few cases of AI outperformance	Myriad cases of AI outperformance	Policy environment enables speed of innovation vs. exercises caution (i.e., privacy, AI safety) Progress enabled by open co-operation vs. IP-protected institutions
 <b>Demographic forces</b>	Young world Communicable diseases	Ageing world Non-communicable diseases	Invest in health to add 'life to years and years to life' vs. prioritize other expenditure (e.g., social care for elderly, defense) Be radical in addressing social inequality (e.g., wealth, health) vs. continue with current policy levers
 <b>Resource and energy systems</b>	Climate neglect High spend on fossil fuels	Climate 'priority' Low spend on energy (incl. renewables)	Invest rapidly to ensure 'well below 2C' global warming vs. continue current pace to avoid economic, social, and local environmental cost of energy transition
 <b>Global economic tectonics</b>	High productivity growth 'Catch-up' growth Low leverage	Low productivity growth Capital deepening High leverage	'Belt-tighten' to deleverage vs. try to innovate and boost productivity to 'outgrow' debt

# Five potential future trade archetypes are emerging



# Eight tests for building resilient growth mindsets

*Are you ready for a next Era and the coming winter?*

**1**

How prepared are you to handle your known vulnerabilities?

**2**

How equipped are you to weather a combination of fast-moving, unknown challenges?

**3**

What early-warning indicators are you obsessing over to anticipate the scale and speed of disruption?

**4**

What disruptive competitor moves might re-shape your industry?

**5**

What actions - or reactions - do you anticipate from your financial, supplier, and societal stakeholders?

**6**

Are you poised to take advantage of new opportunities that present themselves?

**7**

Can you support consistent, fast, and flexible decision-making - without succumbing to organizational fatigue?

**8**

Do your management team and board have the muscles needed to navigate an inflationary, recessionary environment?

"You cannot overtake 15 cars in sunny weather – but you can when it's raining." Ayrton Senna



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# Apply history's lessons learned to overcome today's uncertainty



**Deploy a new playbook.** Companies that survived or did well in the last two years may not do so in inflationary or recessionary environments. Leverage board experience on learnings from earlier crises



**Prepare for both entry and exit from recession.** A potential recession will likely be shallower and shorter than in the past. Focus on seizing opportunities as you emerge from the downturn



**Go bold on scenarios, rather than error-prone forecasts.** Forecasts are nearly always wrong, and “miss” key events (e.g., pandemic, slowing globalization, supply chain woes, inflation). Use scenarios to inform operationalization



**Radically enhance Finance**, since the cost of being wrong is high. Finance now must consider evolving macroeconomic factors to an extent not faced in decades. Higher rates mean near-term cash flow and earnings are at a premium. Tighten links between Finance and the frontline



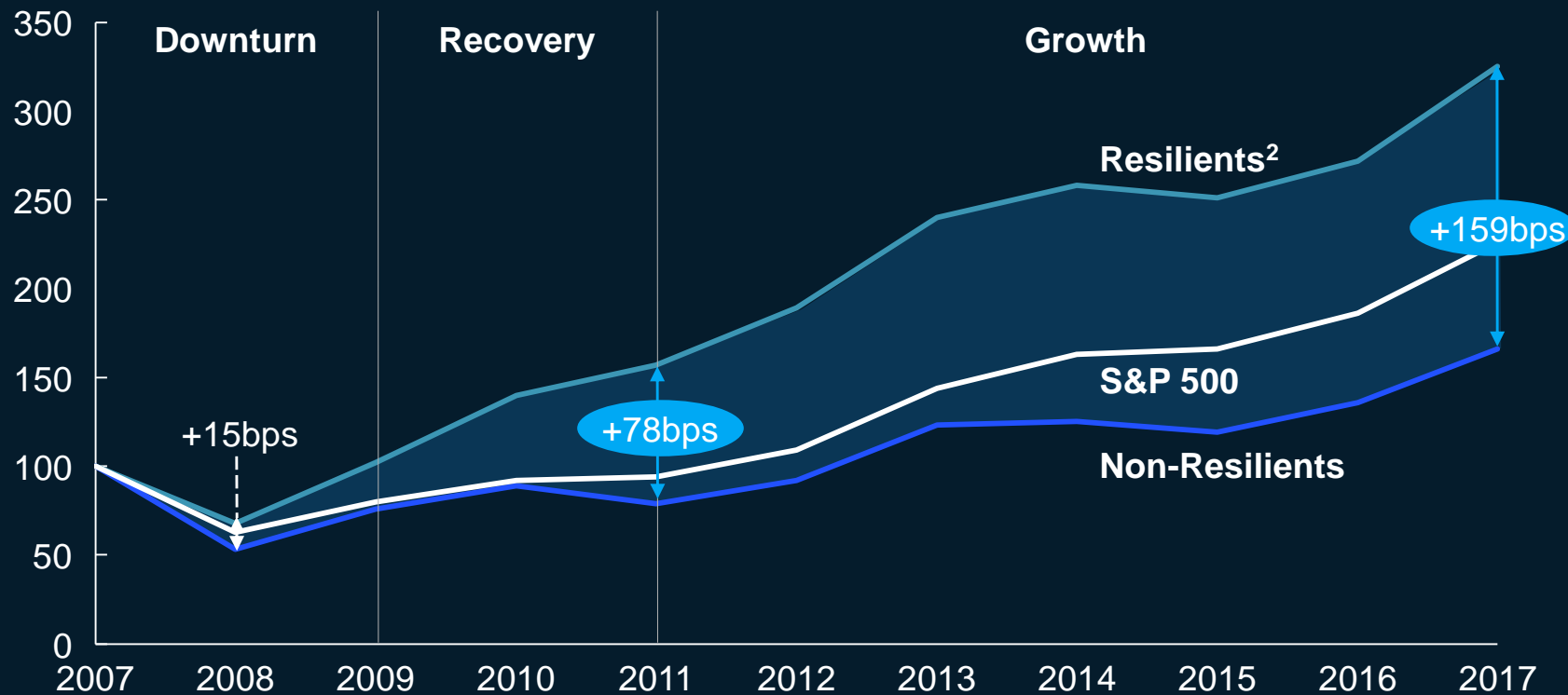
**Focus now on resilient growth.** Embrace actions now to withstand shock and future unknowns while preserving a growth mindset (e.g., acquisitions)



# History teaches us that resilient companies are much more likely to come out as winners – especially during crisis

Last Updated June 30, 2022

## TRS performance of ca. 1,000 global companies<sup>1</sup> during the 2007-08 Financial Crisis



**Resilient companies achieve + ~ 100bps TRS driven by...**

**Outperformance in earnings** throughout the cycles and revenues in the recovery

**Faster and harder moves on productivity**, preserving growth capacity

**Divestments in downturn** phase, **acquisitions** when recovery started

**Operational and financial** optionality

**In practically all sectors, resilient companies demonstrate similar attributes**

1. Total returns to shareholder; calculated as average of sub-sector medians performance of resilient and non-resilient. Includes 1,140 companies (excludes FIG & REITs)

2. Resilient companies defined as top geometric mean TRS quantile by sector.

Source: CPAAnalytics, MSCI, McKinsey Analysis

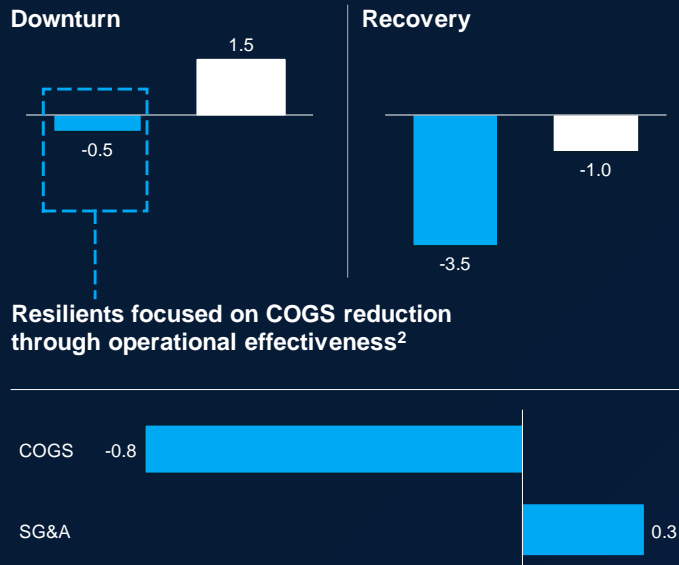
# What did resilient companies do differently?

■ Resilients ■ Non-Resilients

Based on historical research

Resilients moved faster, harder on productivity; preserved growth capacity

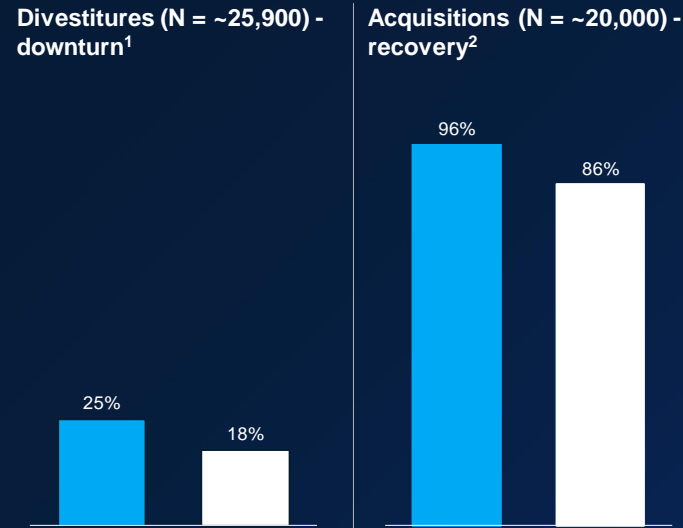
Operating costs<sup>1</sup>, % of revenue change



Note: Calculated as an average of different sub-sector medians for 'Resilients' and 'Non-resilients'. Excludes financial companies and REITs  
 1 Operating Costs = COGS + SG&A - D&A. Change in Op cost (as a % of revenue) between 2007 and 2009 for Downturn period and 2009 and 2011 for Recovery period; 2 Resilients' revenue grew at the same time period; COGS and SG&A not adjusted for D&A (D&A is the primary driver for the discrepancy between operating cost and sum of COGS + SG&A)

Resilients divested more heading into the downturn and acquired more as the recovery started

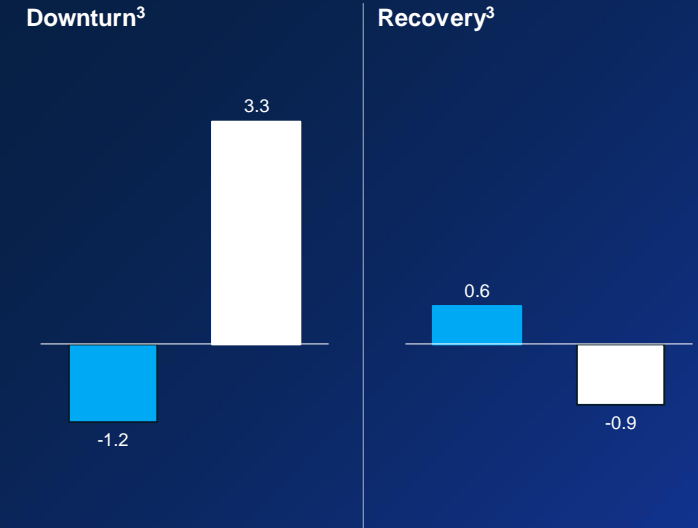
Avg. of sector median divestment (or acquisition) %  
 As % of value of transactions



Note: This analysis excludes financial companies, and REITs. This analysis was conducted using fiscal years  
 1 Downturn is defined as all deals announced between 2007-2009; 2 Recovery is defined as all deal announced between 2010-2011

Resilients created optionality early in the recession – operational and financial

Change in Leverage ratio, (Debt<sup>1</sup>/Capital<sup>2</sup>)



Note: Calculated as an average of different sub-sector medians for 'Resilients' and 'Non-resilients'. Excludes financial companies and REITs  
 1 Total Debt (book value) = Short Term Borrowings + Current Portion of Long Term Debt + Current Portion of Capital Lease + Long Term Debt + Long Term Capital Lease + Finance Division Debt Current + Finance Division Debt Non Current; 2 Capital = Total Common Equity + Total Preferred Equity + Minority Interest + Total Debt; 3 Downturn is defined as 2007 and 2009; Recovery is defined as 2009-2011

Resilient companies ("Resilients") defined as top TRS quantile by sector

Source: McKinsey Quarterly Q2 2019, [Bubbles pop, downturns stop](#); CPAnalytics; Capital IQ

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# From globalisation to regionalisation - how the geopolitical landscape is shaping the metals market

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SETTING THE GLOBAL STANDARD



# From globalisation to regionalisation – how the geopolitical landscape is shaping the metals market

## Moderator:

**Robin Martin**, Head of Market Development, *London Metal Exchange*

## Panellists:

- **Kwasi Ampofo**, Head of Metals & Mining, *Bloomberg*
- **Max Layton**, Managing Director, *Citi Research*
- **Colin Hamilton**, Managing Director and Commodities Analyst, *BMO Capital Markets*

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# Q&A

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# Break

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# The Metals Debate

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## POLL 2

# Which metal has the most upside potential for 2023?

1. Aluminium
2. Copper
3. Lead
4. Zinc
5. Nickel
6. Steel
7. Tin

Polls sponsored by:



# The Metals Debate

## Moderator:

**Andrea Hotter**, Special Correspondent, *Fastmarkets*

## Panellists:

- Aluminium – **Jorge Vasquez**, Managing Director of Market Intelligence & Industry Consulting *Harbor Aluminum*
- Copper – **Ed Meir**, Consultant, *Commodity Research Group*
- Lead and zinc – **Natalie Scott-Gray**, Senior Metals Analyst, *StoneX*
- Nickel – **Jim Lennon**, Consultant, *Macquarie*
- Steel – **Colin Richardson**, Steel Lead, *Argus Media*
- Tin - **James Willoughby**, Analyst, *International Tin Association*

### Questions:

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# The Metals Debate - Aluminium

**Jorge Vasquez**, Managing Director of Market Intelligence & Industry Consulting *Harbor Aluminum*

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## > *DEMAND AND PRICE CORRECTION FAR FROM OVER*

### Aluminum's Market & Price Outlook 2023

LME SEMINAR 2022 /JORGE VAZQUEZ

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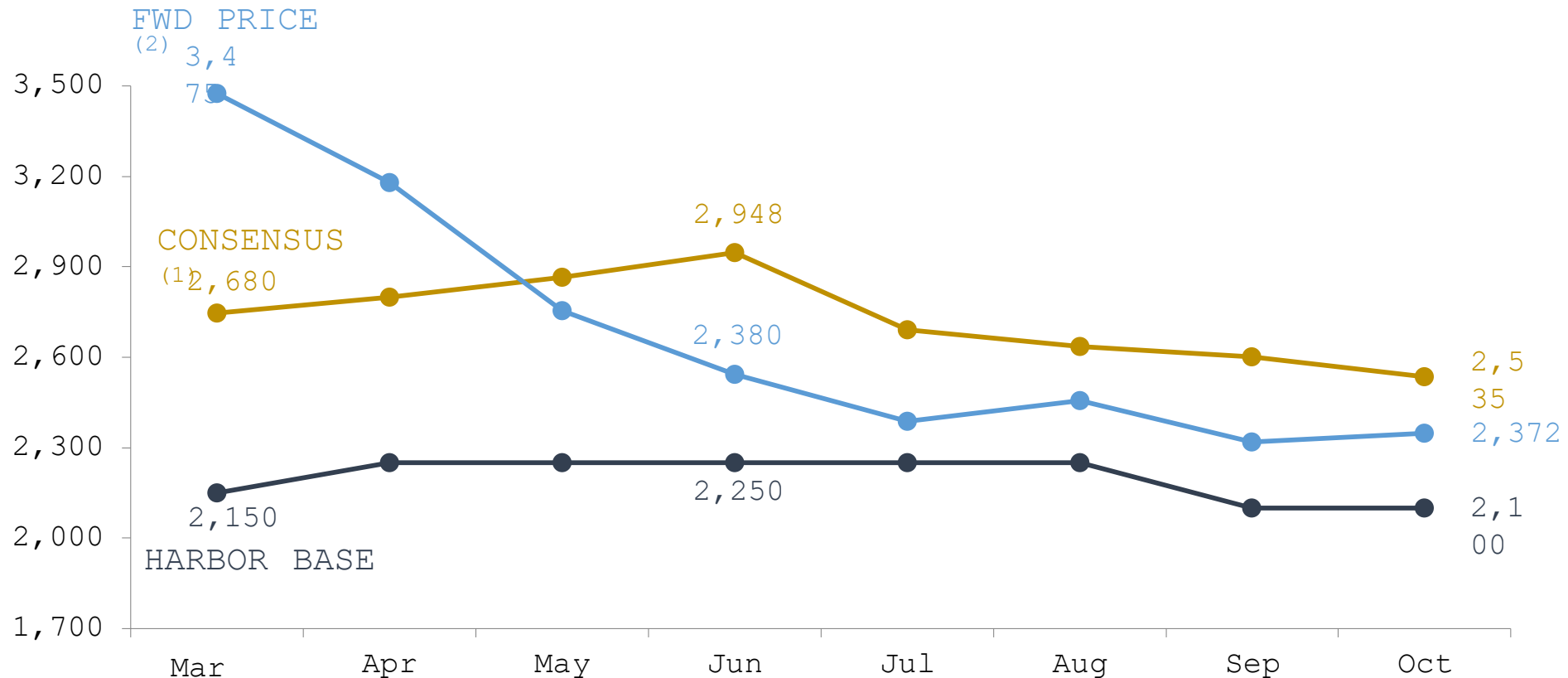
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*For further information, please contact:  
Veronica Medina | Administrative Manager  
Mail to: [veronica.medina@askharbor.com](mailto:veronica.medina@askharbor.com)  
T.+1 (512) 640-3606*

# LME aluminum prices have collapsed in 2022 as only HARBOR forecasted

## LME CASH ALUMINUM PRICE FORECASTS EVOLUTION FOR 2023 <sup>(1)</sup>

(\$/mton; monthly data)



Source: HARBOR Aluminum

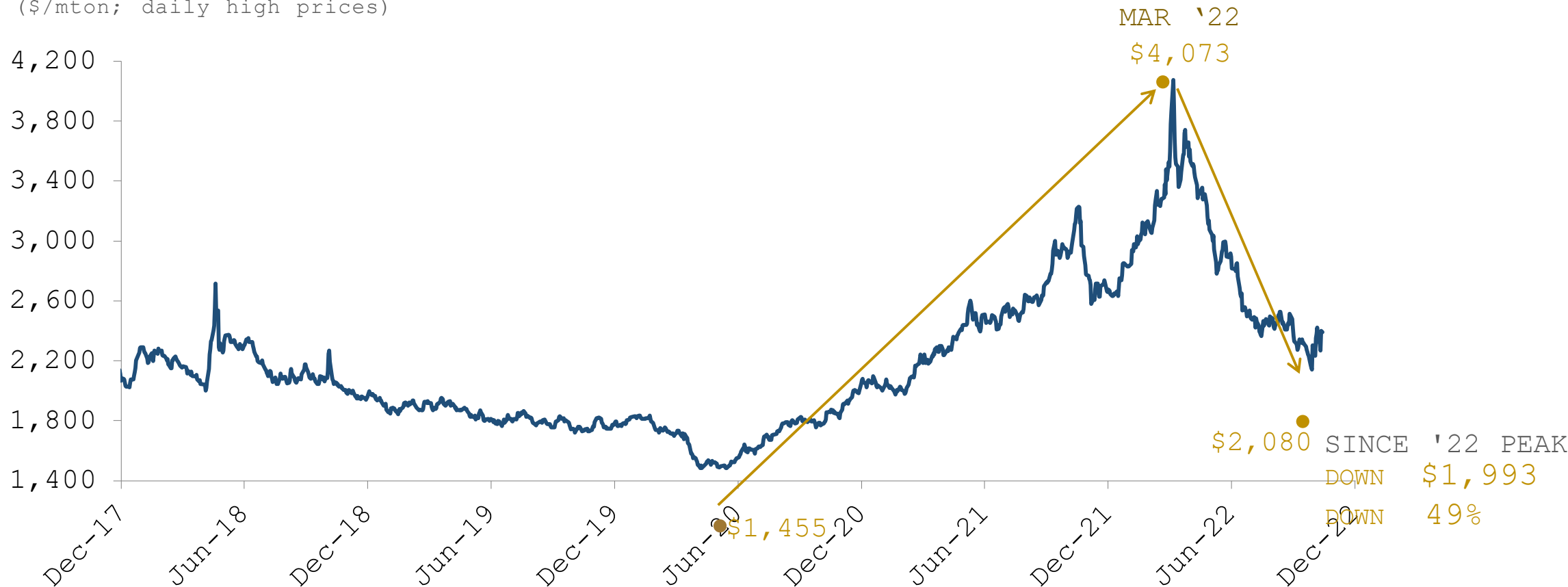
(1): High, low and average of HARBOR's and other analysts' forecasts updated in the prior two months, through October 7, 2022.

(2): LME forward curve average for 2023, as of October 17, 2022.

Indeed, LME aluminum prices have **lost \$2,000 per mton** in just six months

## LME 3M ALUMINUM PRICE

(\$/mton; daily high prices)



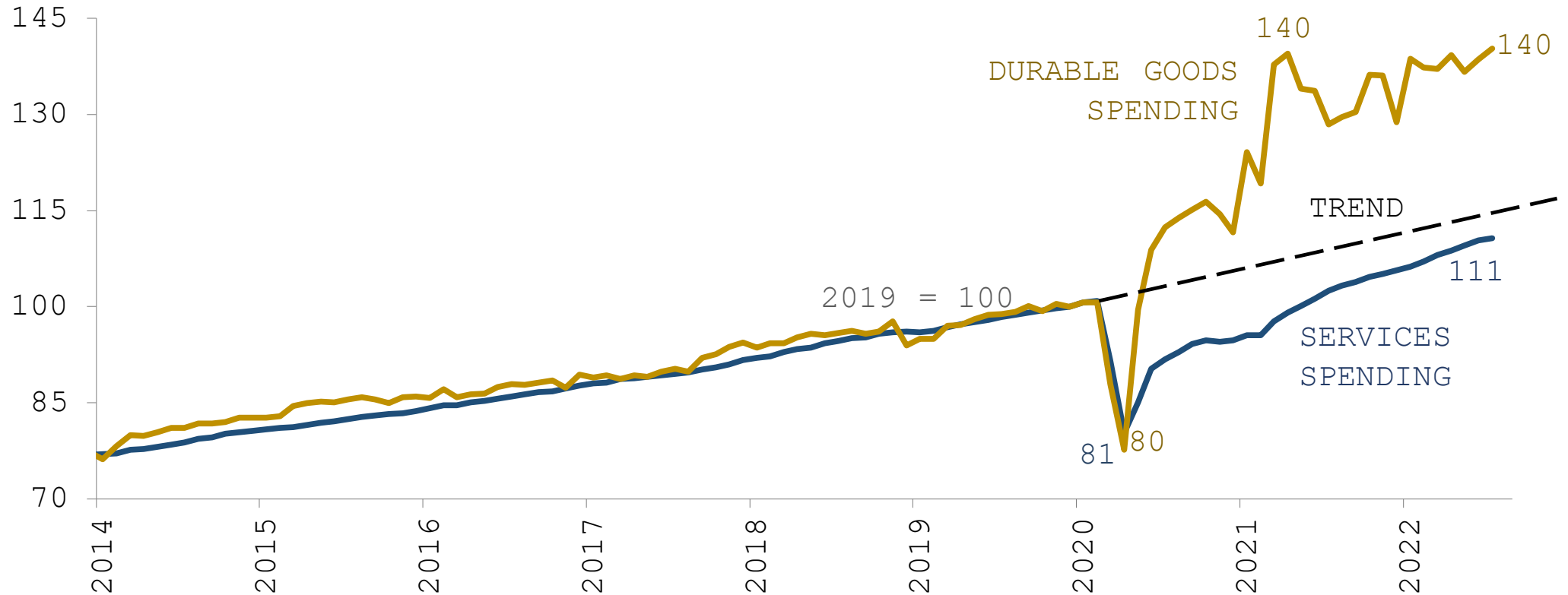
Source: HARBOR Aluminum with LME data.  
Last updated on October 14, 2022



# Rebalancing away from goods and toward services has considerable room to run...

## USA CONSUMER SPENDING BY CATEGORY

(index; monthly data)

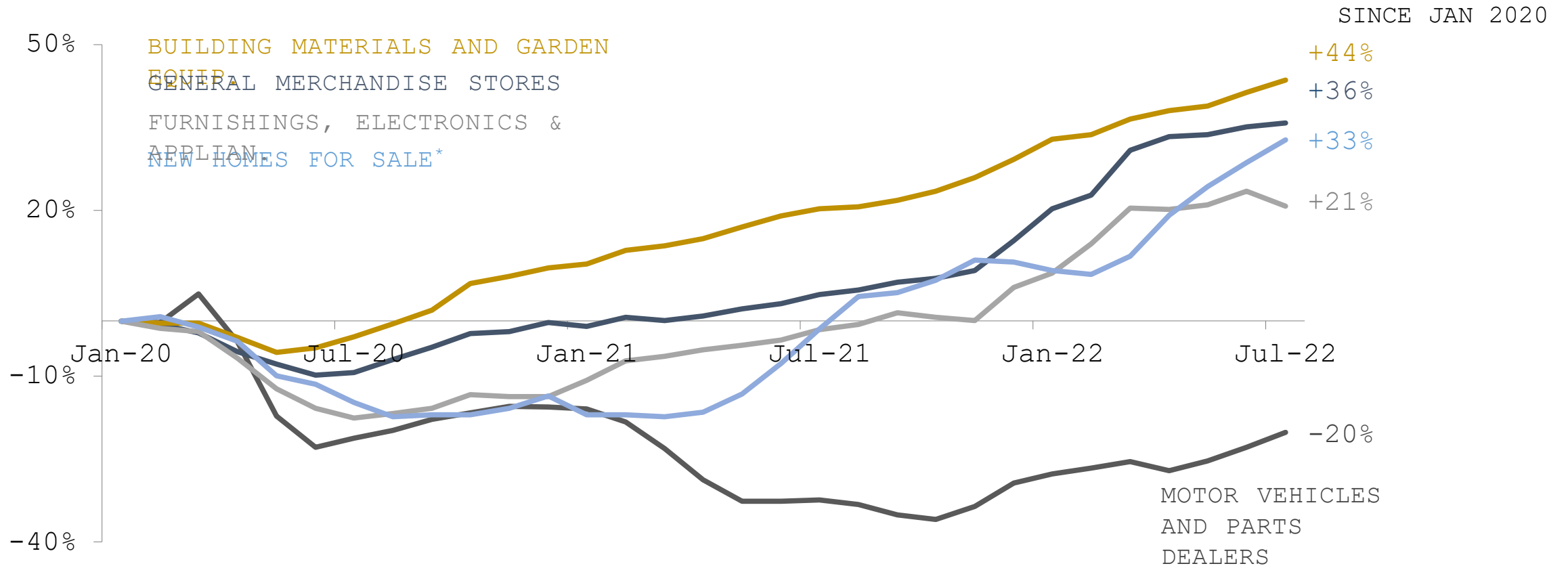


Source: HARBOR Aluminum with Federal Reserve data.

...with most sectors carrying **record inventories, rapidly losing value...**

## US RETAIL INVENTORIES & NEW HOMES FOR SALE\*

(change since January 2020; monthly data)



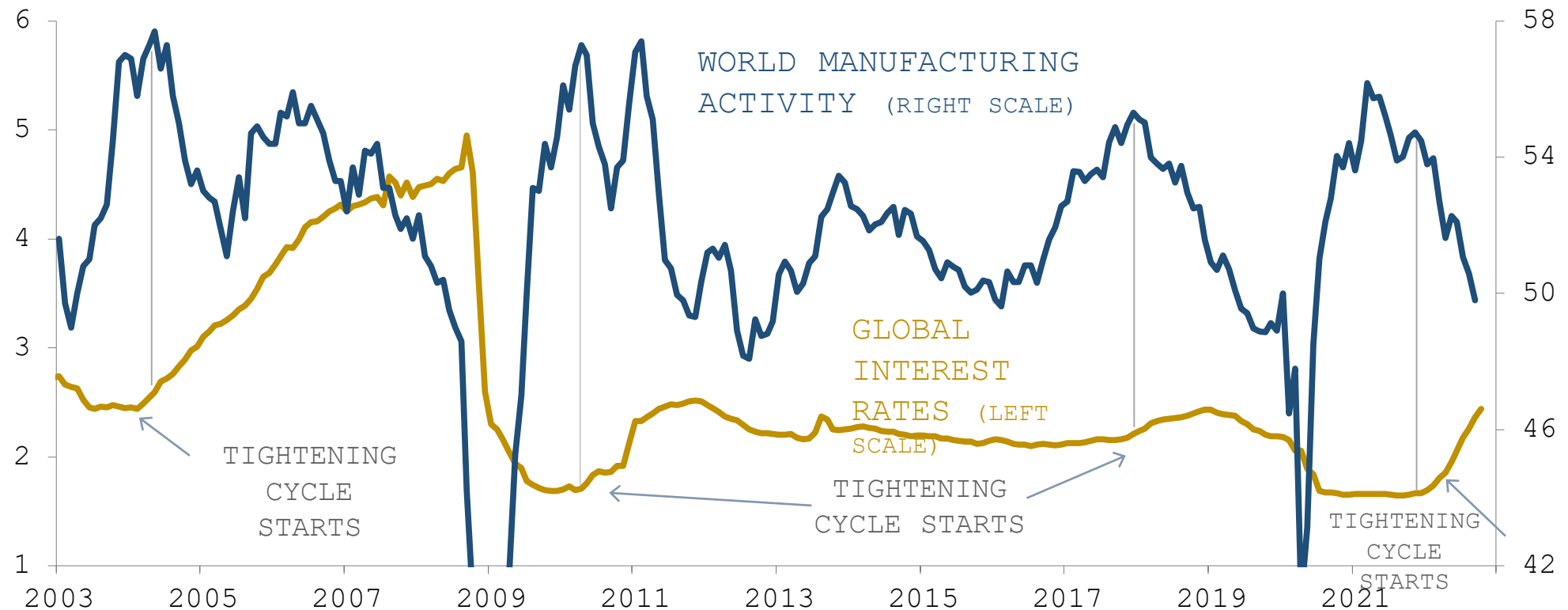
Source: HARBOR Aluminum with US Census Bureau data.

\*New single family units Completed and Under Construction (excluding Not Started).

...with end-user demand contraction yet to intensify... **“Don’t fight the Fed”**

## GLOBAL INTEREST RATES INDEX\* VS MANUFACTURING ACTIVITY

(percentage; monthly data)

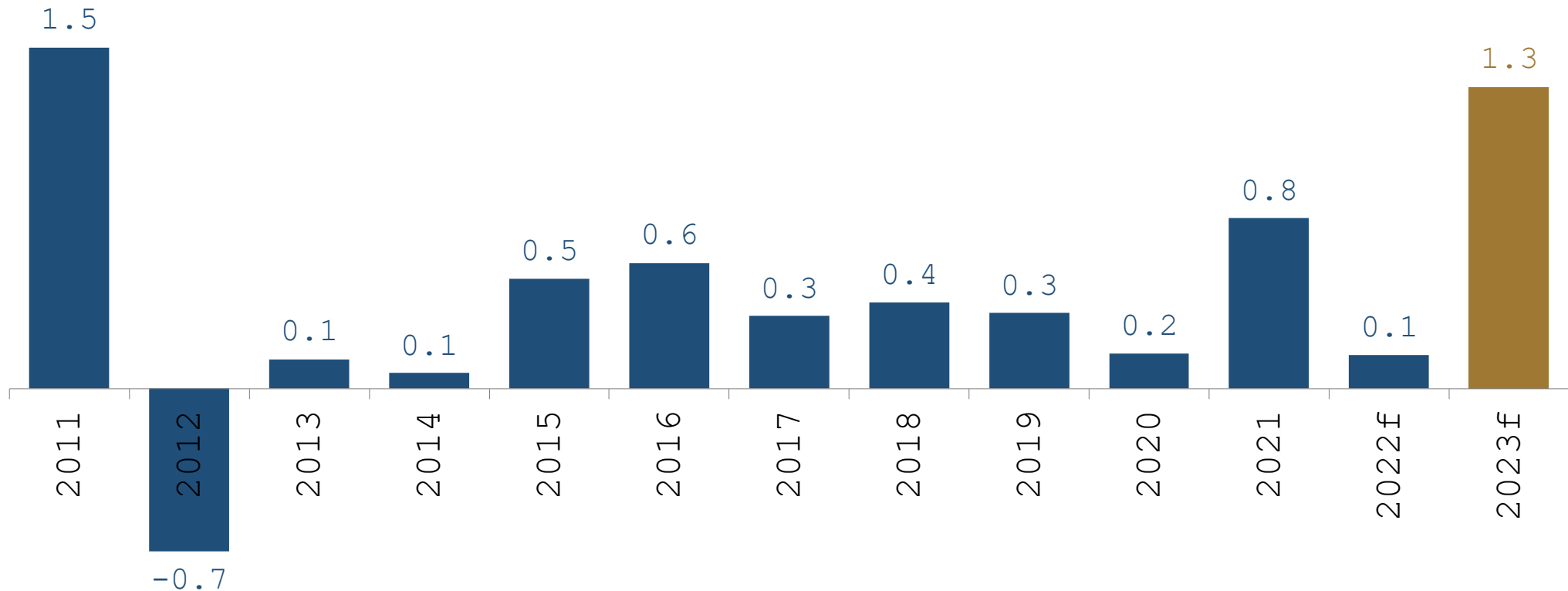


Source: HARBOR Aluminum with Bloomberg data  
\*Index of interest rates in USA, China, Japan, UK, India and Eurozone.

# Despite European curtailments, ROW's primary production is **expand the most in a decade**

## WESTERN WORLD PRIMARY ALUMINUM PRODUCTION GROWTH

(annual change in million mton)



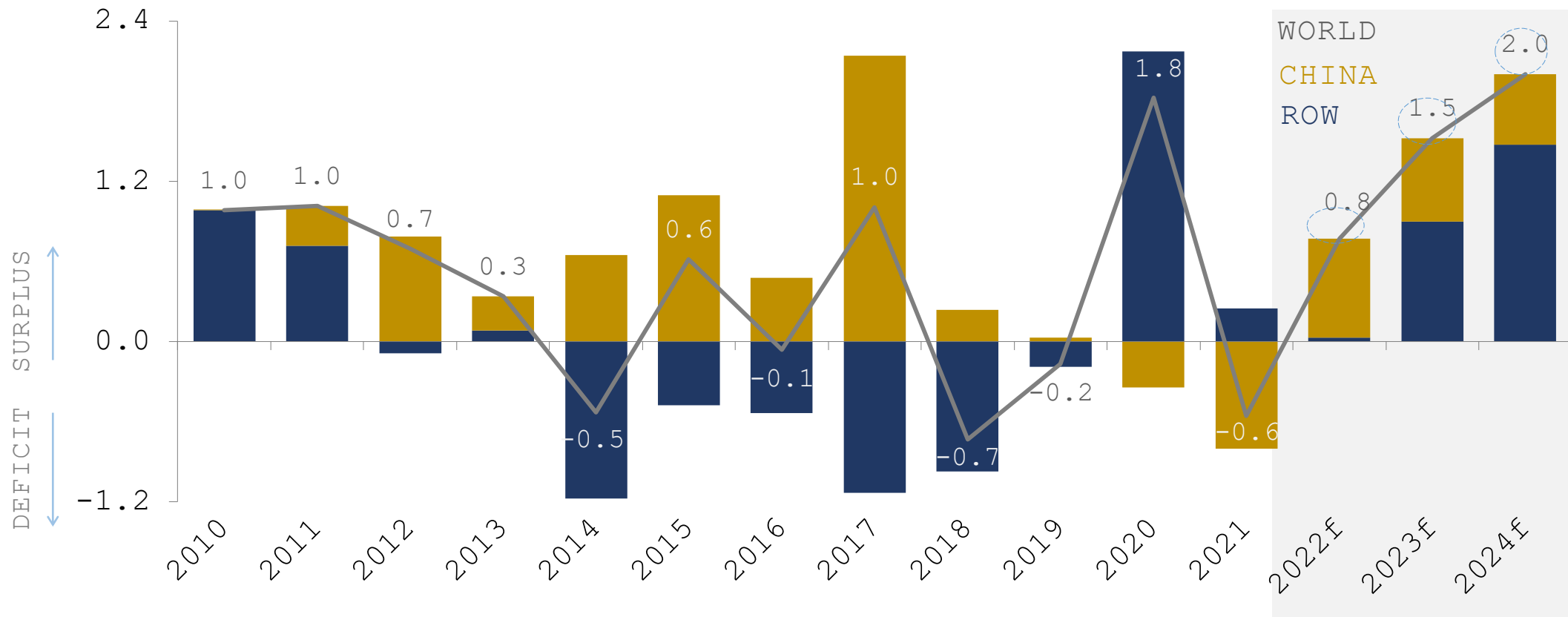
Source: HARBOR Aluminum.

\*Downside scenario where Europe potentially idles an additional 365k mtpy of smelting capacity through 2023.

As a result, the world primary aluminum market has shifted to a growing surplus...

## WORLD PRIMARY ALUMINUM MARKET BALANCES & FORECASTS

(million mton; annual data)



Source: HARBOR Aluminum and LME data.

...with LME prices targeting the **\$1,750-\$1,450 per mton zone** at some point in 2023

## LME 3M ALUMINUM PRICES

(\$/mton, weekly high price)

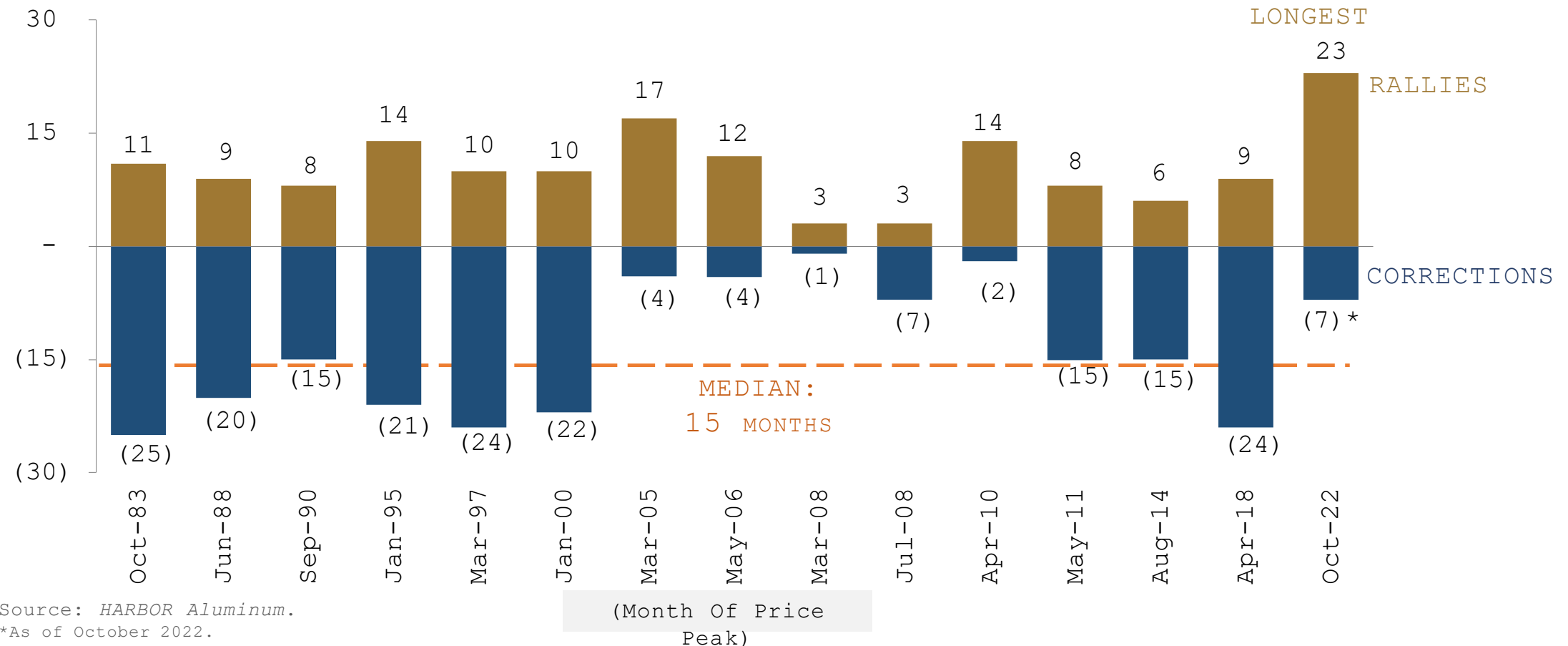


Source: HARBOR Aluminum with LME data.  
Last updated: October 14, 2022.

## Ongoing LME price correction seems to have **at least 8 months left**

### DURATION OF LME PRICE RALLY & CORRECTION EPISODES

(months)



# The Metals Debate

## Moderator:

**Andrea Hotter**, Special Correspondent, *Fastmarkets*

## Panellists:

- Aluminium – **Jorge Vasquez**, Managing Director of Market Intelligence & Industry Consulting *Harbor Aluminum*
- Copper – **Ed Meir**, Consultant, *Commodity Research Group*
- Lead and zinc – **Natalie Scott-Gray**, Senior Metals Markets Analyst, *StoneX*
- Nickel – **Jim Lennon**, Consultant, *Macquarie*
- Steel – **Colin Richardson**, Steel Lead, *Argus Media*
- Tin - **James Willoughby**, Analyst, *International Tin Association*

### Questions:

Ask a question using the Q&A box on the “Main stage”  
Scan the QR code on the back of your badge to access the app





# The Metals Debate - Copper

Ed Meir, Consultant, *Commodity Research Group*

Monday 24 October, London and online



SETTING THE GLOBAL STANDARD



# The Metals Debate

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# The Metals Debate – Lead & Zinc

**Natalie Scott-Gray**, Senior Metals Analyst, *StoneX*

Monday 24 October, London and online



SETTING THE GLOBAL STANDARD



# LME Week Seminar Metals Debate: Zinc & Lead

StoneX Financial Ltd

24<sup>th</sup> October 2022

**Natalie Scott-Gray**  
Senior Metals Analyst  
Base Metals  
EMEA & Asia

Markets Traded ×



Grains /  
Oilseeds



Metals



Securities



Energy



Dairy



Renewable  
Fuels



Softs



Meats /  
Livestock



Forest  
Products



Currencies



Interest Rates



# Disclaimer

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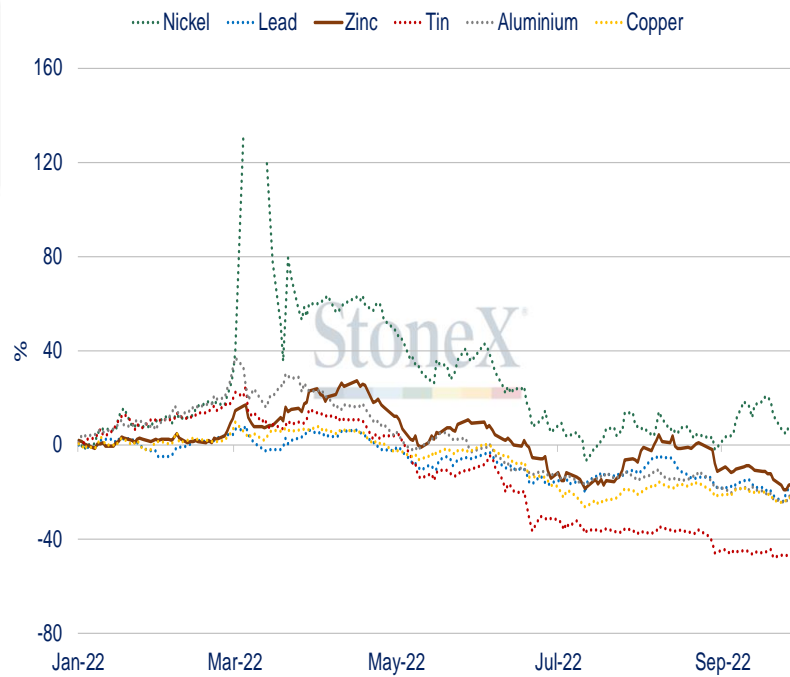
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- **Zinc Market Update**
  - How Have the Fundamentals Changed Over 2022
  - 2023 Supply Drivers
  - 2023 Demand Drivers
  - Summary & Conclusions
  
- **Lead Market Update**
  - How Have the Fundamentals Changed Over 2022
  - 2023 Supply Drivers
  - 2023 Demand Drivers
  - Summary & Conclusions



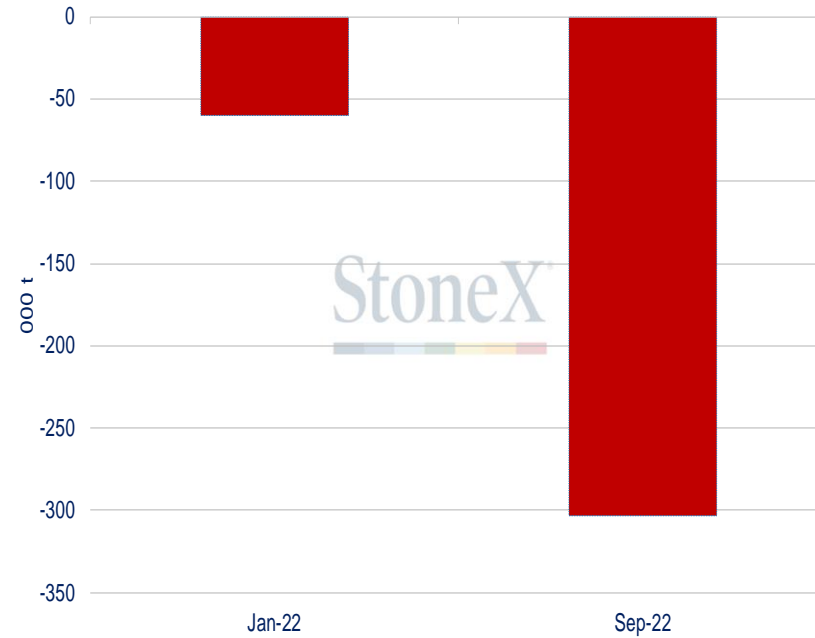
# Zinc: How Has the Fundamental Picture Changed?

Price Performance of LME 3M Base Metals (YTD)



Source for chart: Bloomberg, StoneX

Zinc Market Balance 2022 - Forecast Comparison



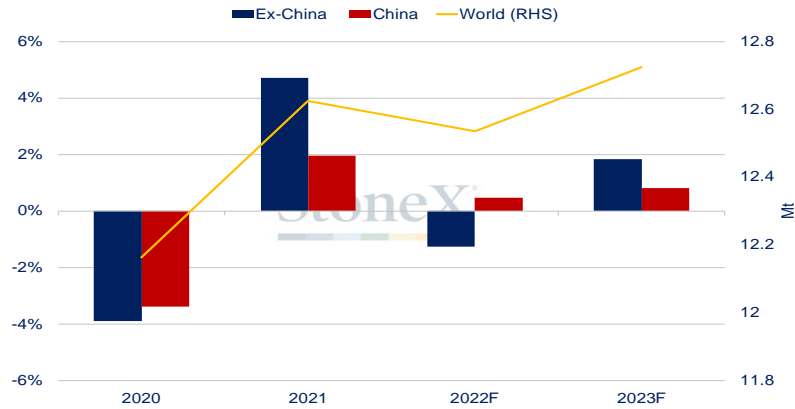
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

- We forecast that zinc will record a significantly larger than expected deficit in 2022, with exaggerated supply risks (stemming from smelter bottlenecks within Europe) offsetting demand weakness.
- Robust fundamentals have helped underpin zinc’s price performance over the rest of the suite in 2022.



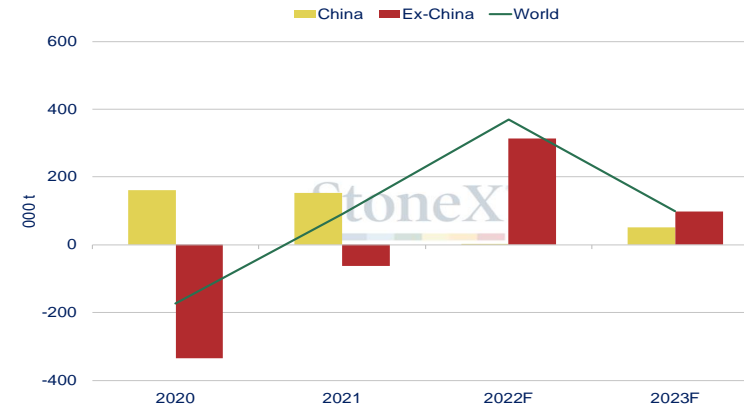
# Zinc: European Energy Security Concerns To Drive Refined Supply Outlook in 2023

## Zinc Mine Production to Improve After Year of Hurdles



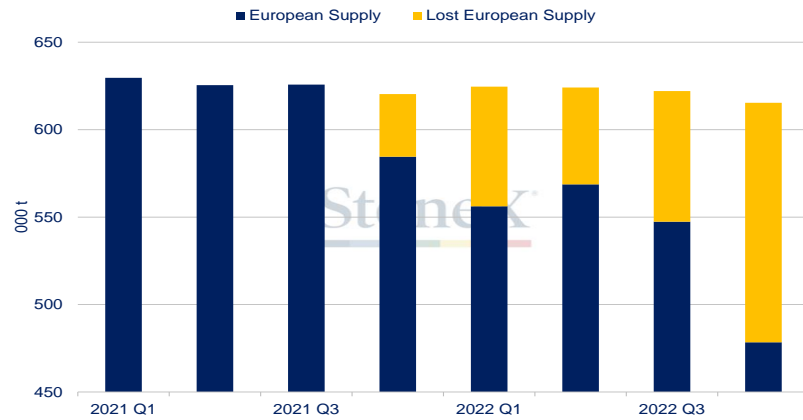
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## Concentrate Market to Remain in a Surplus



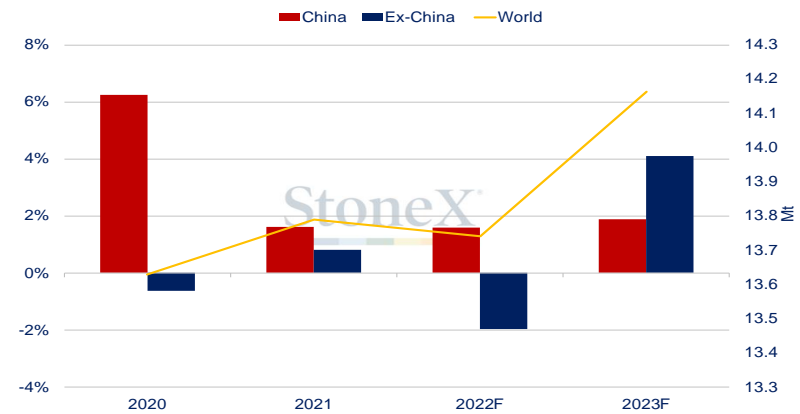
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## Impact of Disruption to European Production Set to Continue



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## Refined Supply to Recover Globally, But Downgraded due to European Supply Disruptions

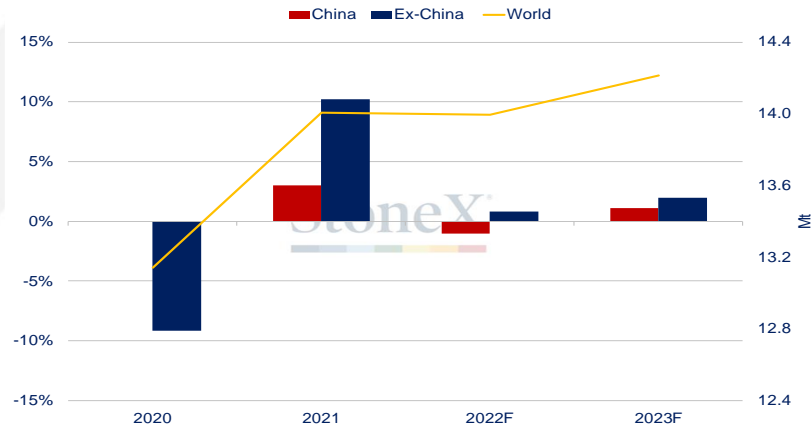


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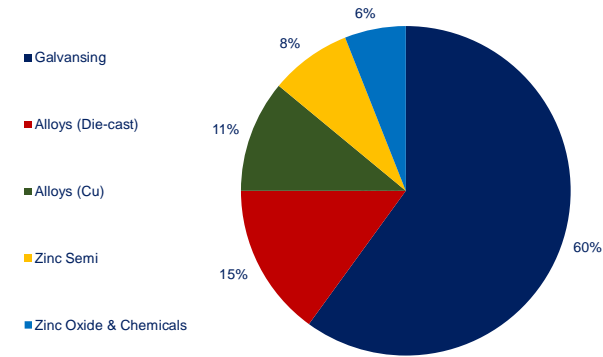
# Zinc : Constrained Industrial Production to Hit Demand Prospects in 2023

## Refined Zinc Consumption to Remain Weak



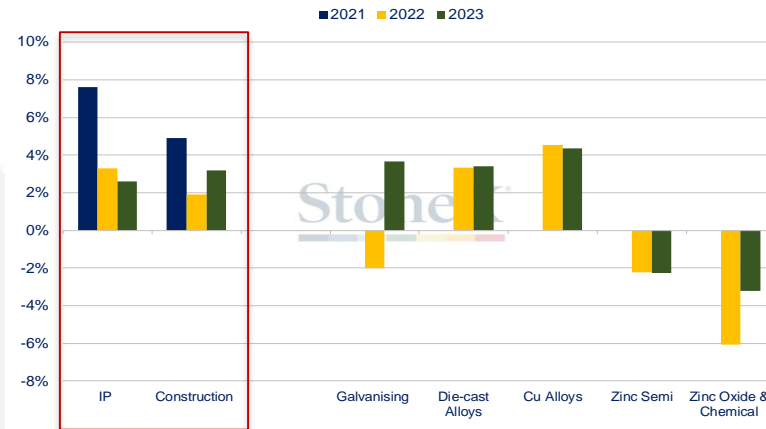
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## End Uses of Zinc



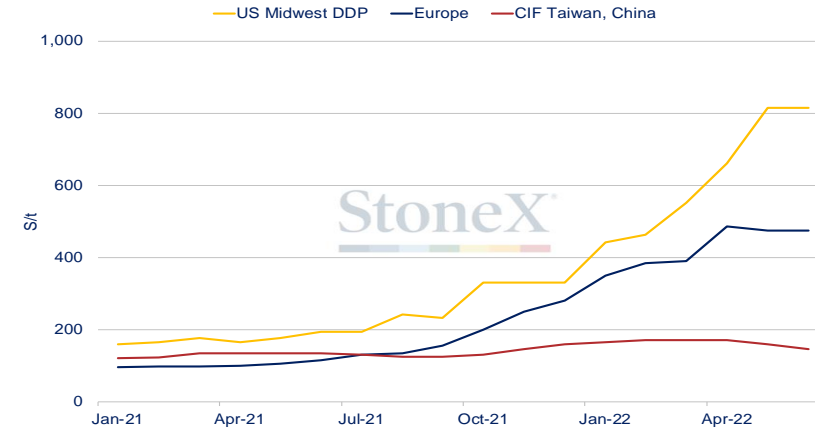
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## Industrial Production Growth to Slow in 2023



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

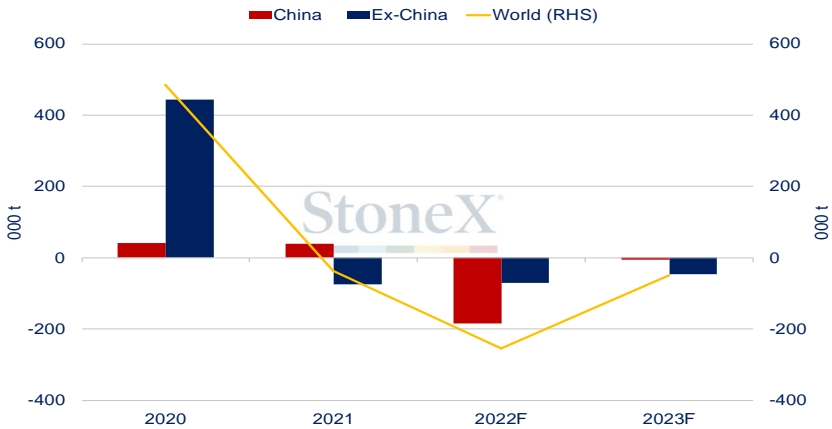
## Physical Premia to Remain Historically Elevated



Source for chart: Bloomberg, CRU, StoneX

# Zinc: Well Positioned to Outperform Average Base Metal Suite Price Performance

## Zinc Market Balance to Remain in a Deficit in 2023



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## LME Zinc 3M



Source for chart: Bloomberg, CRU, StoneX

- Macro headwinds amid mild fundamentals are set to result in lower average LME prices for zinc 2023 compared to 2022, with the market balance forecast to record a shrinking deficit upon slowing global demand prospects, while supply risks remain.



- The timing and pace of a Chinese recovery will be critical in underpinning higher prices, not just in raising demand prospects, but exaggerating regional supply tightness in the west upon a redirection of trade routes (and opening of the SHFE/LME arbitrage).

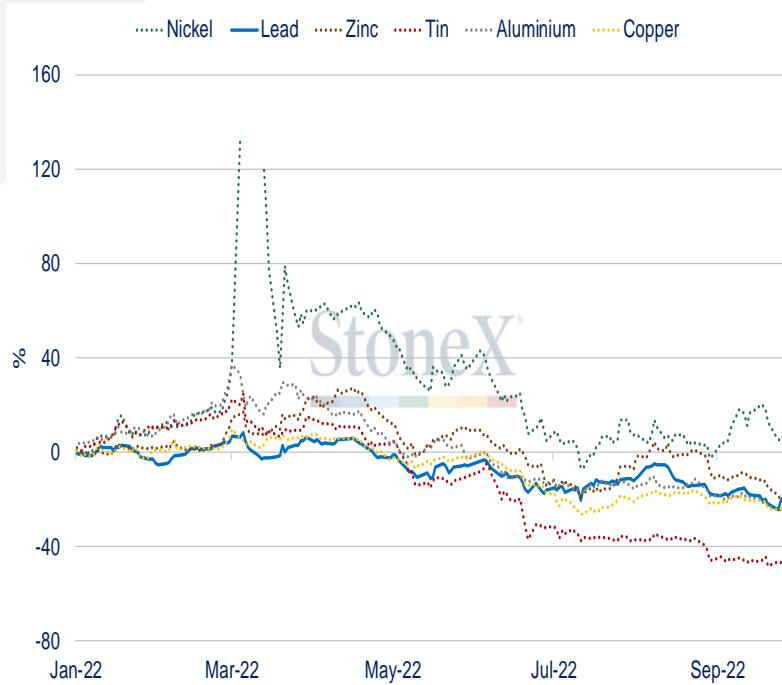


- Smelter profitability bottlenecks within Europe will remain a key story-line in the year ahead, with record low global stock inventories likely to result in price volatility upon backwardations on the LME.



# Lead: How Has the Fundamental Picture Changed in 2022?

Price Performance of LME 3M Base Metals (YTD)



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

Lead Market Balance 2022 - Forecast Comparison



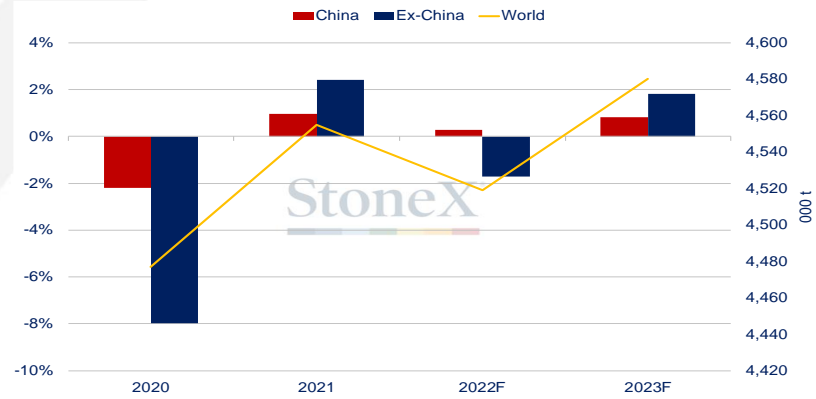
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

- Lead is forecast to flip into a deficit in 2022 (reversing our expectations of a modest surplus), driven by supply downgrades (on the back of smelter bottlenecks on a global scale), offsetting a weakening demand picture.
- Lead is likely to remain on a less volatile path than the rest of the base metal suite due to its lower exposure to primary supply risks, smaller market imbalances, relative illiquidity and commonly misunderstood long-term role in decarbonisation.



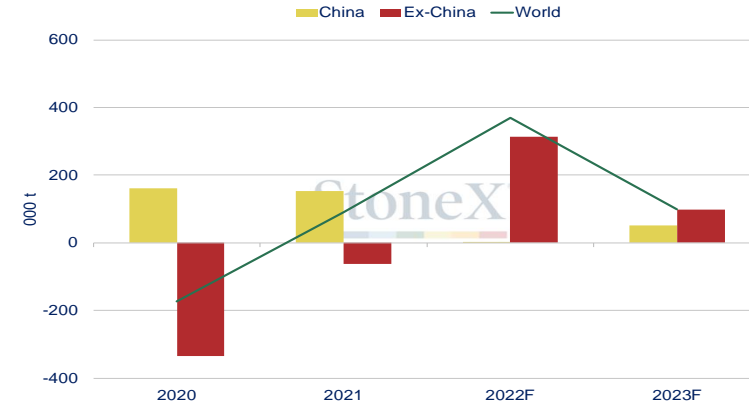
# Lead: Universal Rebound in Refined Production After Smelter Bottlenecks in 2022

## Lead Mine Production to Rebound



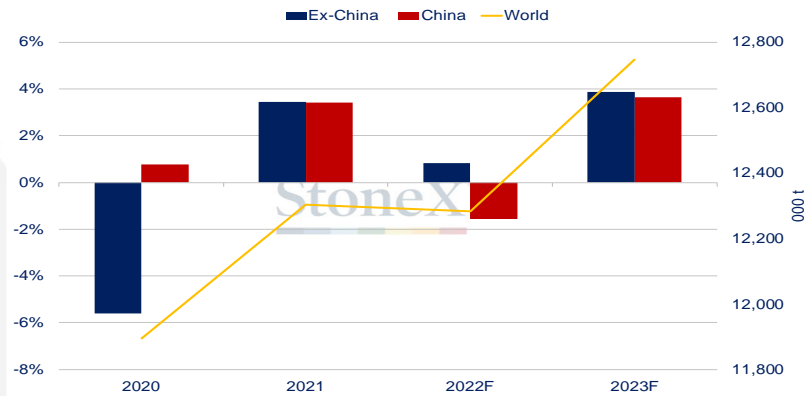
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## Concentrate Surplus to Pull Down From Three Year High



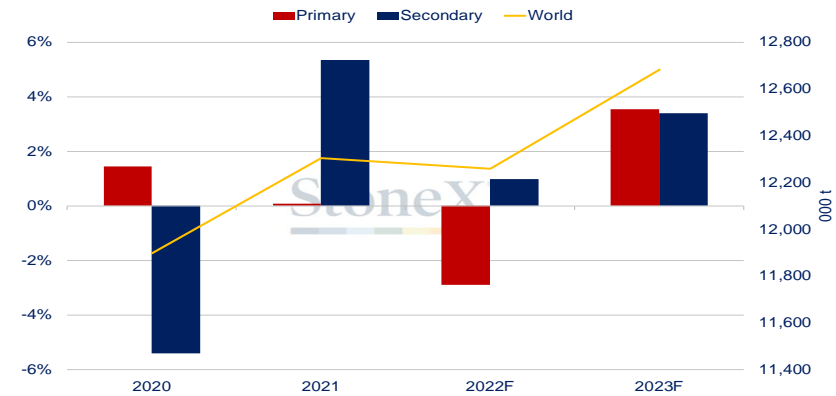
This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## Refined Production to Rebound to Record High



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

## Production Recovery to be Universal

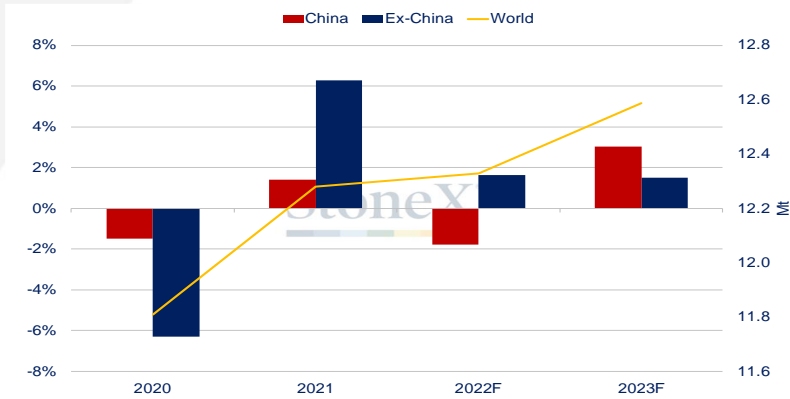


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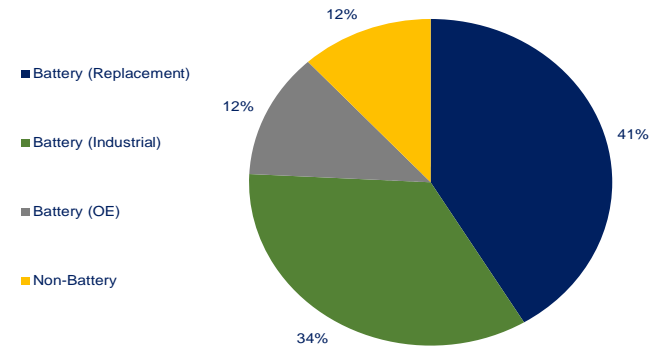
# Lead : Recovery in Supply Chains to Unlock Higher Demand in 2023 – Focus on China

## Refined Lead Consumption Forecast



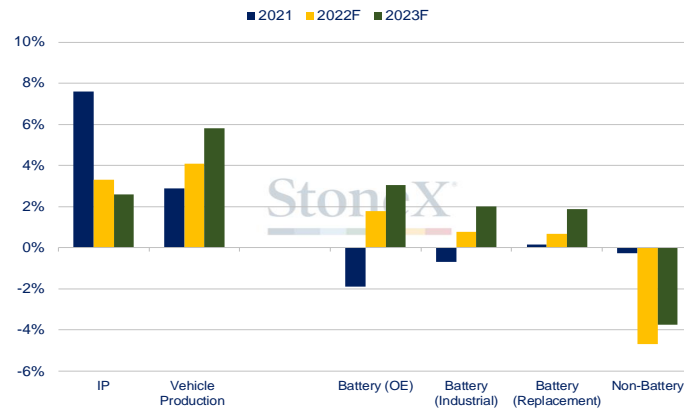
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## End Uses of Lead



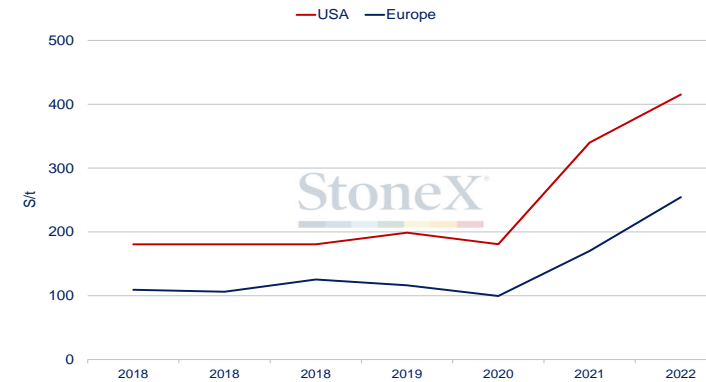
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## Demand From OE to Underpin Growth



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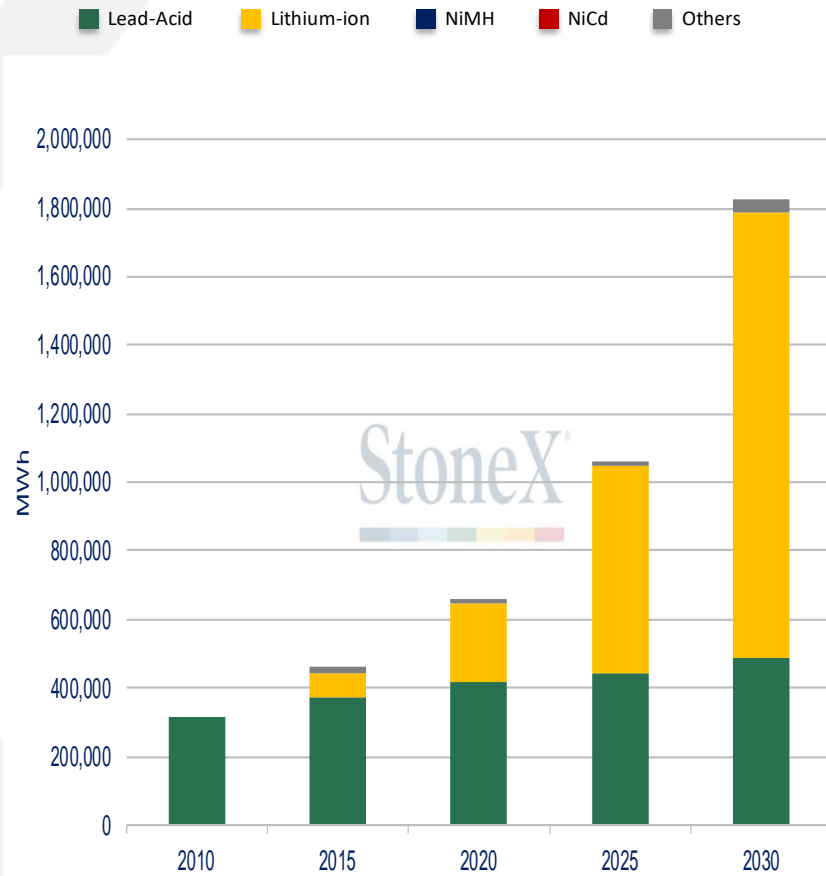
## Supply Shortfall in the West – A Sellers' Market?



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance. Source for chart: Bloomberg, CRU, StoneX

# Lead's Role In the Green Transition – Misunderstood?

Global Rechargeable Battery Market (in MWh) by Battery Type



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX

Lead-acid batteries will remain a dominant battery technology over the decade, with demand set to expand

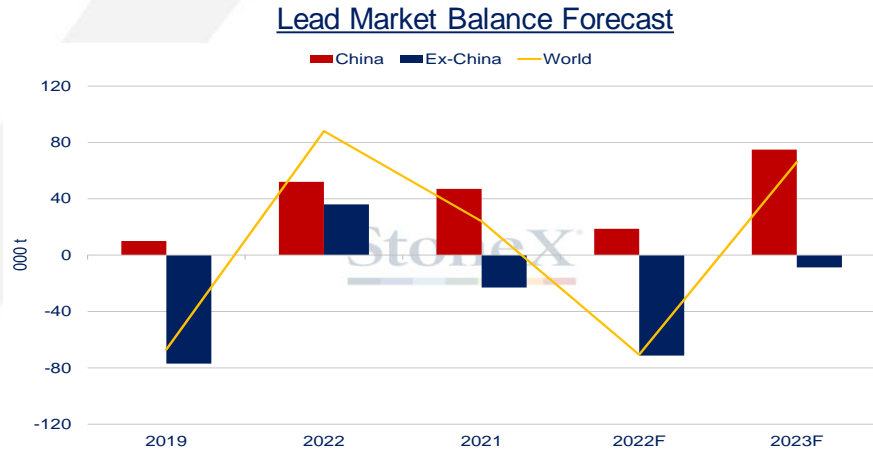


## Key Drivers Behind Lead's Use in a Greener World?

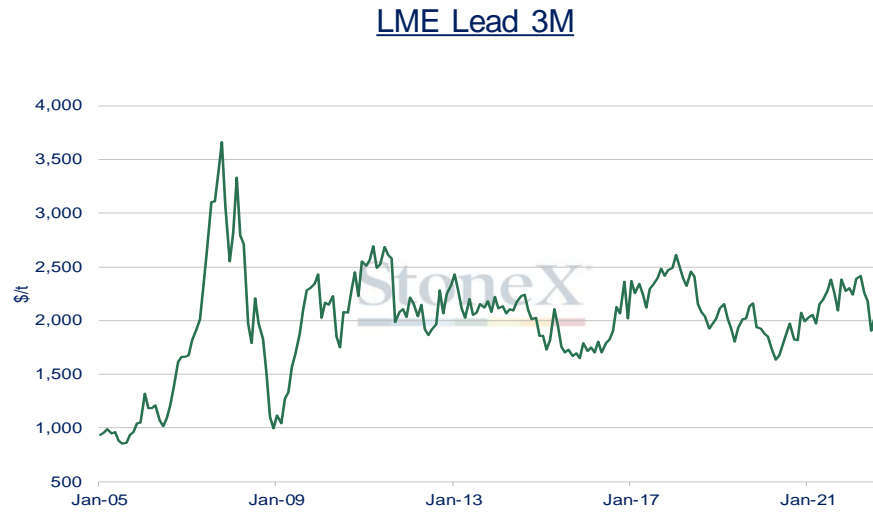
- ICE vehicles to remain dominant powertrain over the decade (lead battery replacement 3x over lifetime)
- Long tail of ICE battery replacement
- Lead-Acid to remain dominant battery in industrial applications
- Use in New Electric Vehicles (as auxiliary battery)
- Increasing use in Energy Storage Systems (ESS)
- Established 'closed loop' recycling
- Lower raw material cost (compared to lithium-ion batteries)



# Lead: Supply Cushion to Leave Lead Lagging in 2023



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX



Source for chart: Bloomberg, CRU, StoneX

- Macro headwinds amid modest fundamentals are set to result in lower average LME prices for lead in 2023 compared to 2022, with the market flipping into a surplus upon a universal rebound in supply.



- Regional market imbalances will remain in 2023, with China-led Asia exports key to easing tightness.



- Demand recovery will continue to be aided by improving supply chains in, supporting OE demand, although inflation-driven demand weakness is forecast to impede the speed of recovery over the next year, with battery replacement outstripping OE demand.



- Lead to be part of the solution towards decarbonation goals, alongside (not against) lithium-ion batteries.



- **Lead** prices to remain on a less volatile path than the rest of the base metal suite due to its lower exposure to supply risks, smaller market imbalances, relative illiquidity and misunderstood long-term role in decarbonisation (weakening future investor sentiment).



**THANK YOU**



**Natalie Scott-Gray**

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Base Metals

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# The Metals Debate – Nickel

Jim Lennon, Consultant, *Macquarie*

Monday 24 October, London and online



SETTING THE GLOBAL STANDARD



# Nickel: a question of class

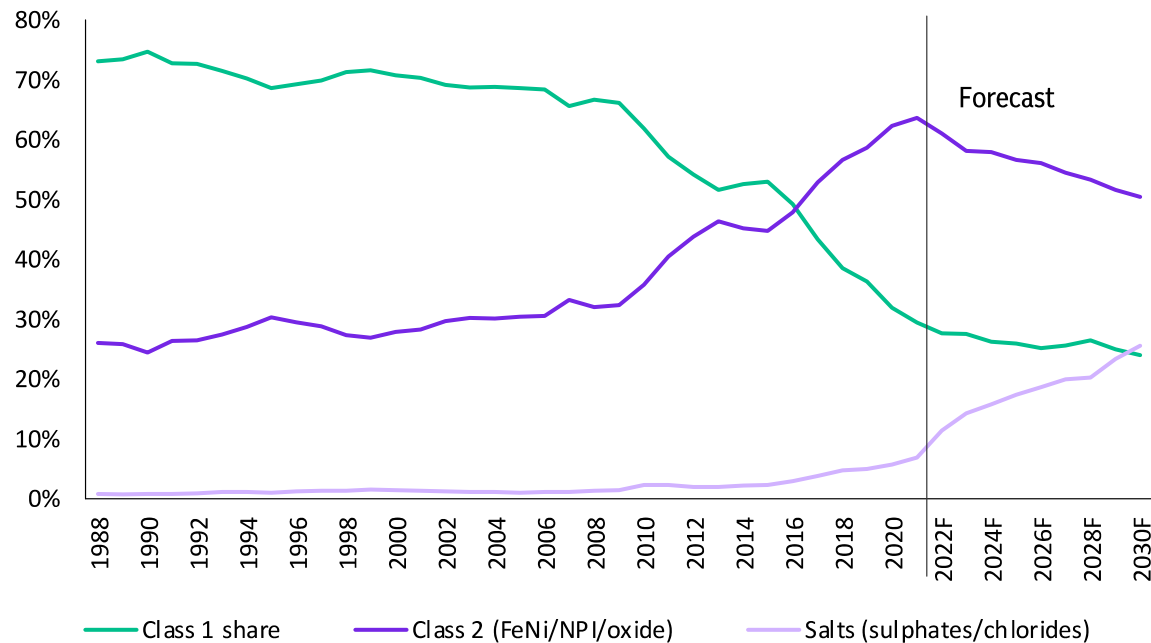
## Key to price is how quickly class 2 can be converted into class 1

- ✓ 2022 is the first year where a surplus has not emerged in class 1 (LME deliverable) nickel metal but in “class 2” nickel pig iron and ferronickel as well as in stainless steel scrap and intermediates (mainly Indonesian nickel matte)
- ✓ The price for class 1 (LME/SHFE) has moved to an unprecedented premium to class 2
- ✓ Market surpluses likely for the next four years given the substantial overhang of under utilised Indonesian capacity to produce nickel units
- ✓ Key to LME prices is the extent to which class 2 can be converted into class 1 – limited conversion capacity is likely to be a feature of the market at least until the end of 2023

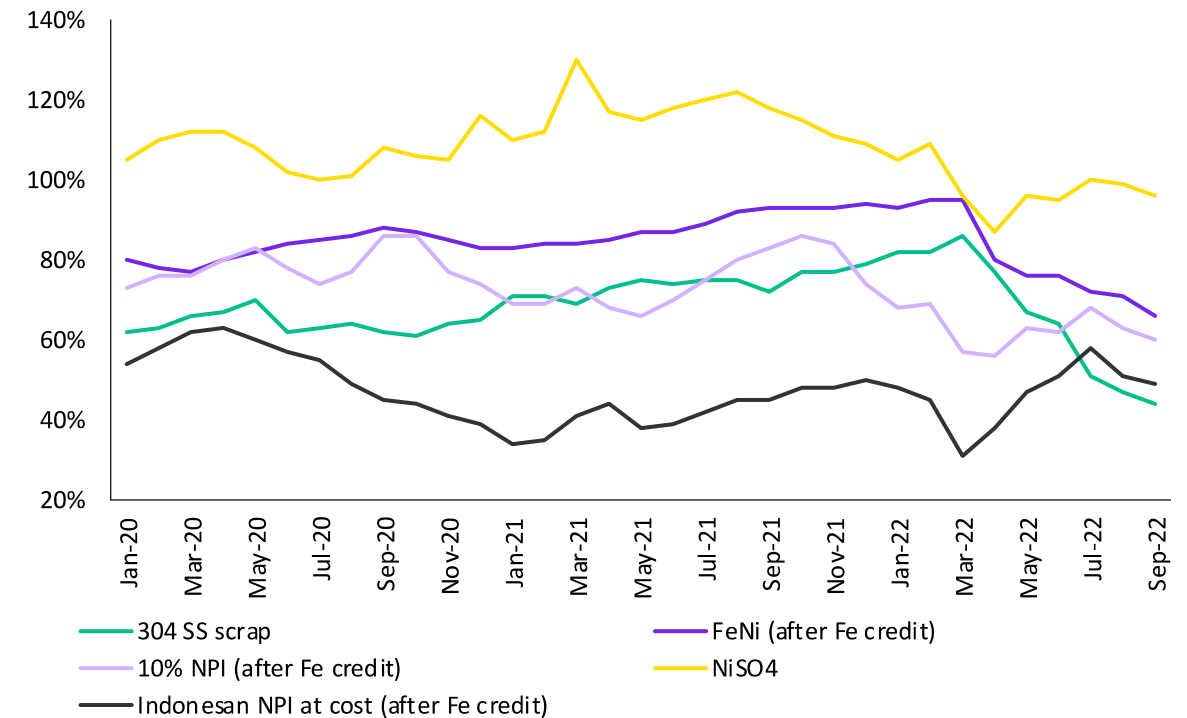
Role of class 1 in global supply fallen sharply since LME started trading in 1988 - LME deliverable now less than 25% of total supply

Discounts to LME for non-class 1 rise in 2022

Share of main nickel products in primary supply



Value of nickel products as % of LME price (monthly)

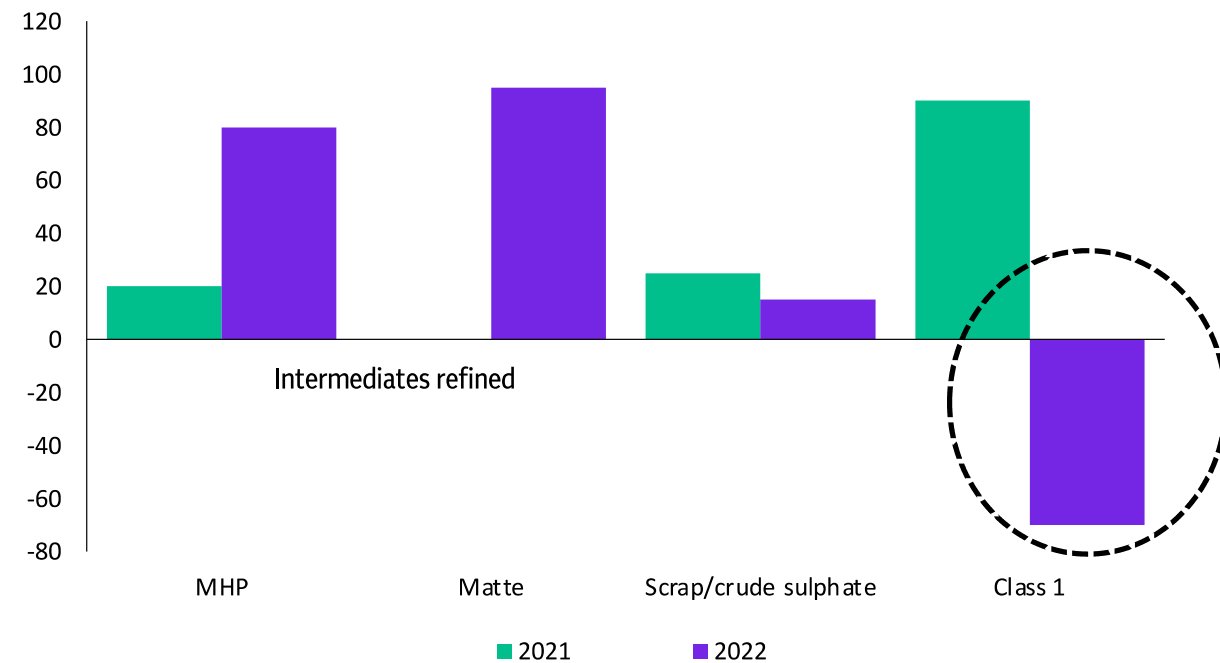


Source: LME, CRU, Ferroalloy.net, SMM, Macquarie Strategy, October 2022.

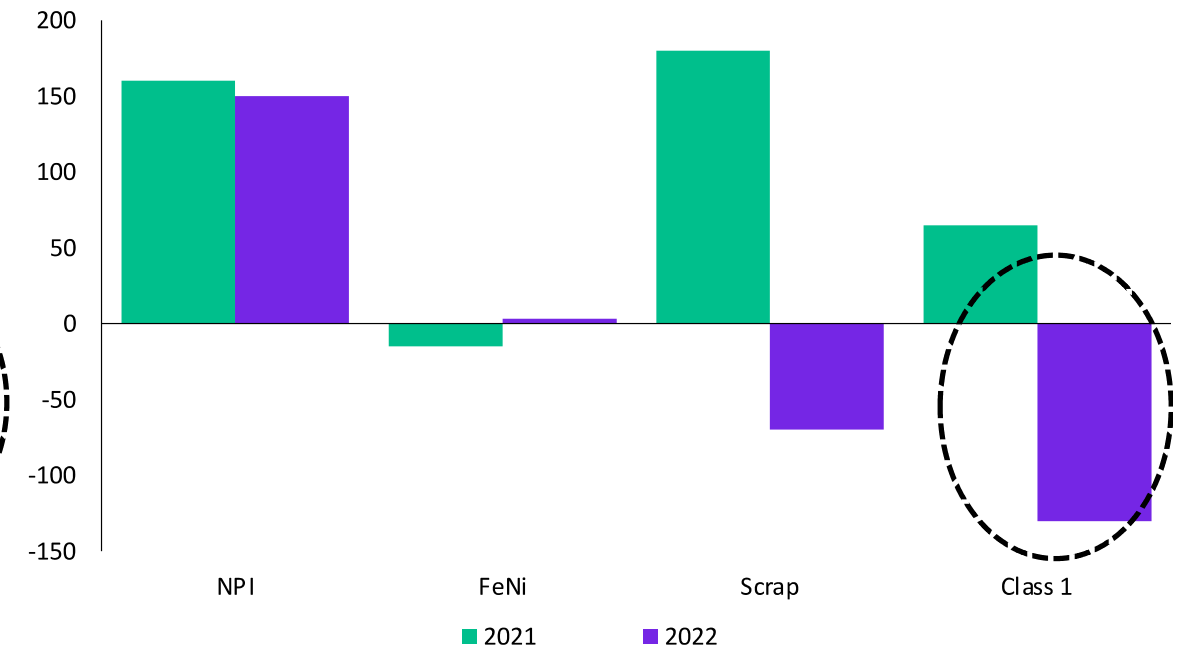
# Lower-prices intermediates and NPI drive out class1 nickel use from batteries and stainless steel in 2022

Class 1 demand down by around 200kt YoY in 2022, equal to 2021's stocks draw

### Year-on-year changes in nickel used to make nickel sulphate for battery industry (China)



### Year-on-year changes in nickel use in making stainless steel (Global)

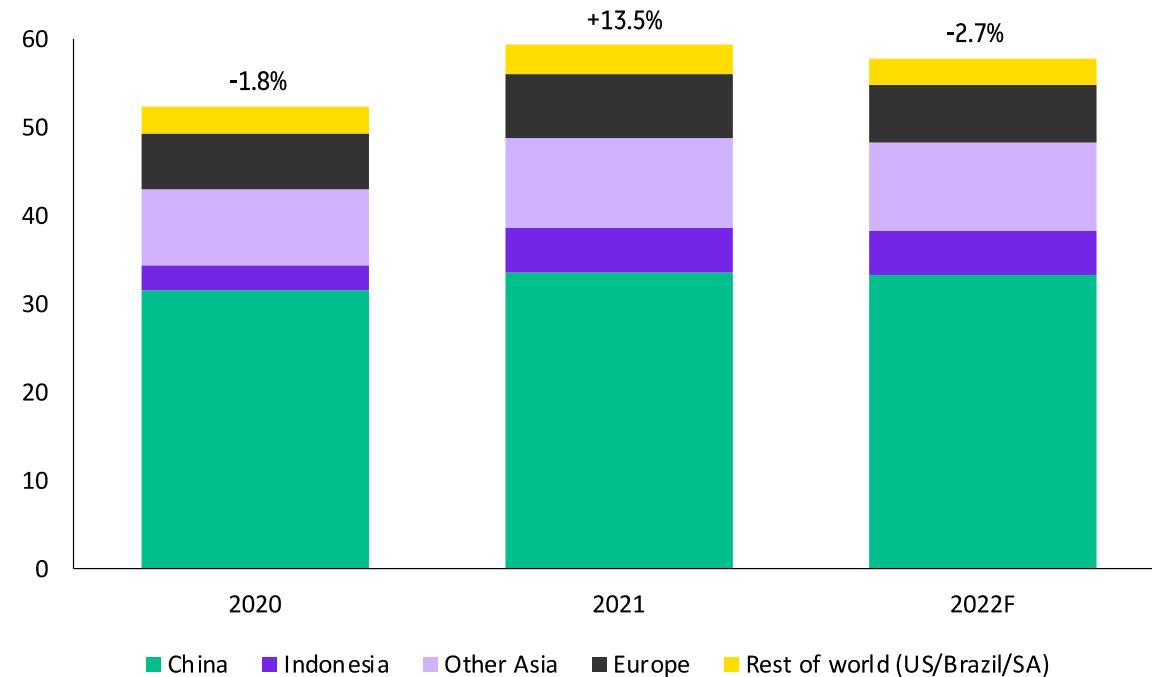


Source: Xinze, SMM, Ferroalloy.net, Macquarie Strategy, October 2022.

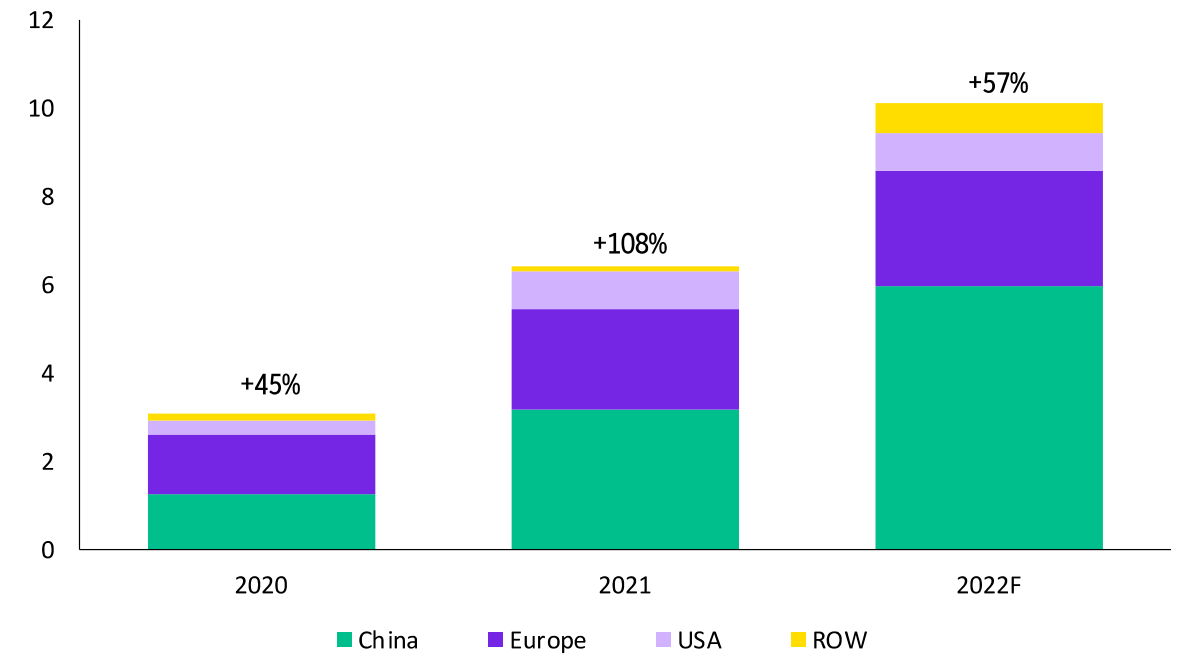
# Electric vehicles becoming main growth driver for nickel

In 2022 batteries growth contrasts with stainless decline

Global stainless steel production by region - mt melt



Global EV sales by region (BEV+PHEV) - million cars

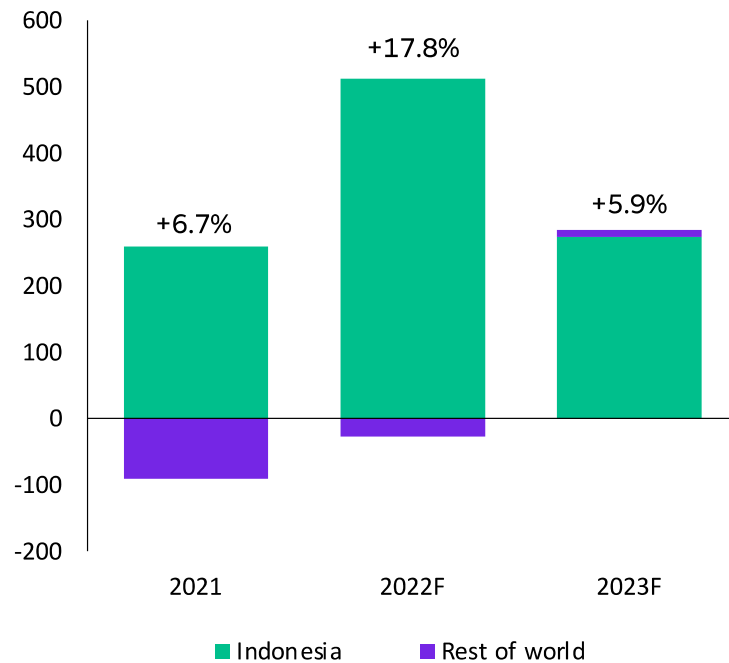


Source: CRU, World Stainless, Rho Motion, Macquarie Strategy, October 2022.

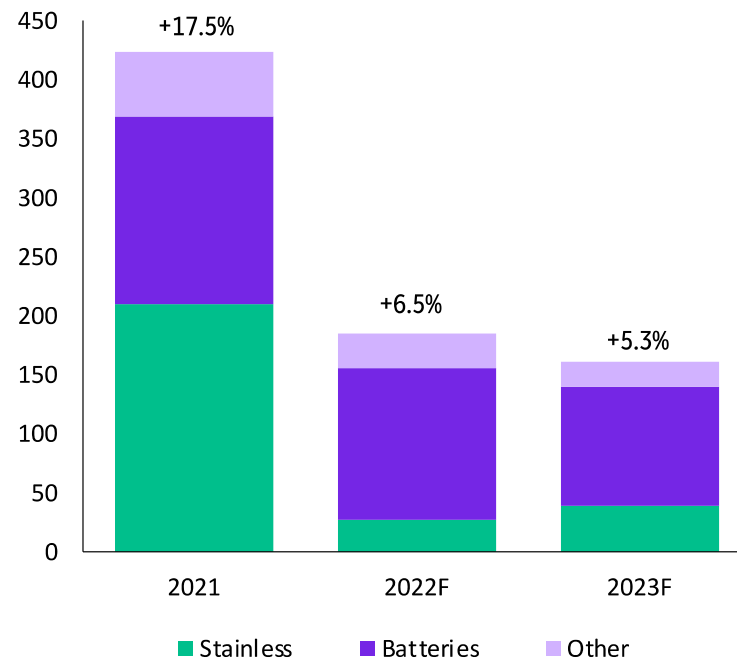
# Nickel in a nutshell

From deficit to surplus as supply growth accelerates in 2022 and demand growth slows

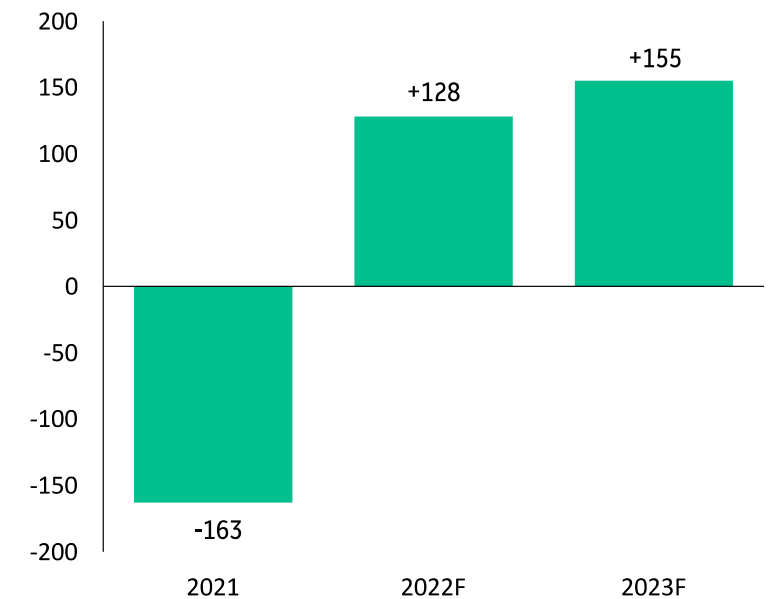
Changes in world nickel supply (kt Ni)



Changes in world nickel use (kt Ni)



Global nickel balance (kt Ni)

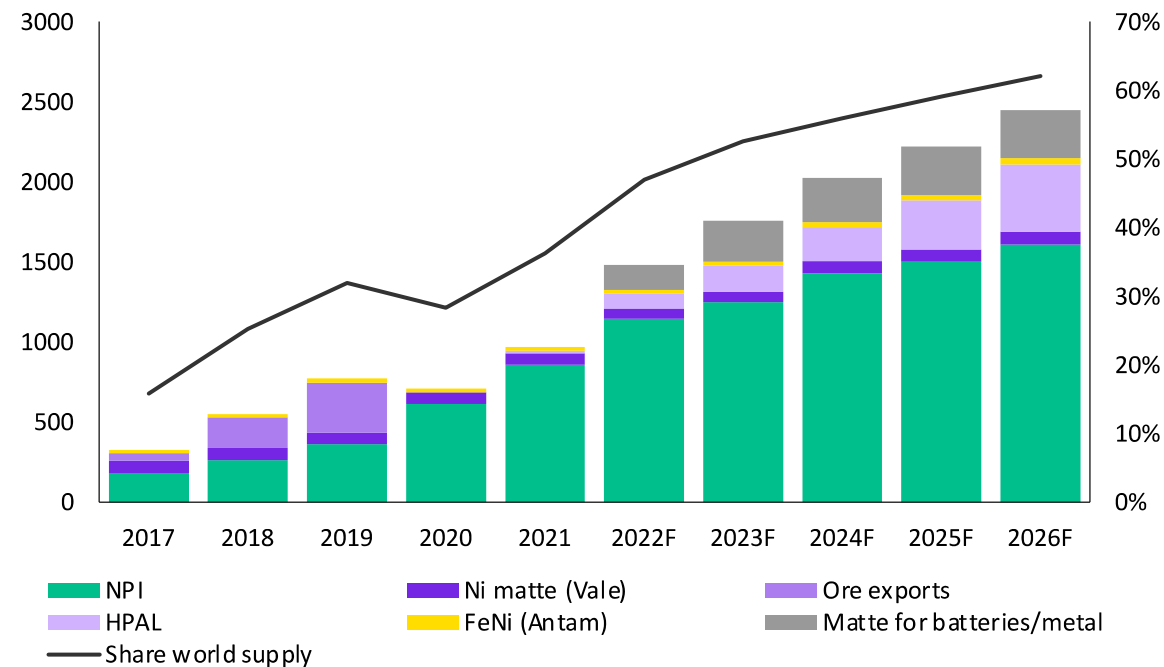


Source: INSG, CRU, Macquarie Strategy, October 2022.

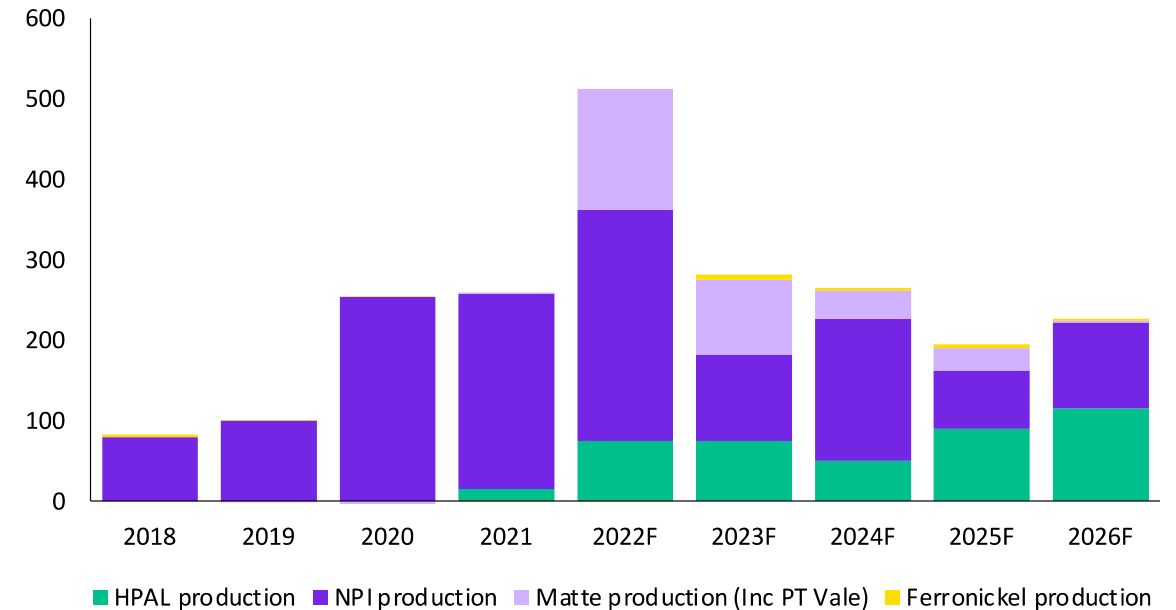
# Big growth in Indonesian supply in 2022 partly reflects delays in 2021 due to Covid

Indonesia to reach 60% of world supply in 2025/6 vs. 28% in 2020

Projected total Indonesian supply to 2026 ('000t Ni)



Year-on-year changes in Indonesian supply



Source: Company reports, Ferroalloy.net, SMM, Mysteel, Macquarie Strategy, October 2022.



# Summary of outlook – from deficit to surplus

	2020	2021	2022F	2023F
Stainless production	52335	59380	57762	60260
% change	-1.8%	13.5%	-2.7%	4.3%
Nickel use	2418	2842	3027	3188
% change	0.4%	17.5%	6.5%	5.3%
Nickel supply	2511	2679	3155	3343
% change	3.9%	6.7%	17.8%	5.9%
<b>World market balance</b>	<b>+92</b>	<b>-163</b>	<b>+128</b>	<b>+155</b>
Estimated market stocks	720	539	667	822
Weeks' demand	15.5	9.9	11.5	13.4

## Russian disruptions the biggest risk factor

- Strong Indonesian supply and slower stainless demand growth swing market back into surplus in 2022
- Surplus to get bigger in 2023
- For the moment, we assume no disruption to Russian supply
- Surplus mainly in class 1 but class 1 getting back to balance and small surplus likely in 2023

Source: INSG, Company reports, Macquarie Strategy, October 2022.

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# The Metals Debate

## Moderator:

**Andrea Hotter**, Special Correspondent, *Fastmarkets*

## Panellists:

- Aluminium – **Jorge Vasquez**, Managing Director of Market Intelligence & Industry Consulting *Harbor Aluminum*
- Copper – **Ed Meir**, Consultant, *Commodity Research Group*
- Lead and zinc – **Natalie Scott-Gray**, Senior Metals Analyst, *StoneX*
- Nickel – **Jim Lennon**, Consultant, *Macquarie*
- Steel – **Colin Richardson**, Steel Lead, *Argus Media*
- Tin - **James Willoughby**, Analyst, *International Tin Association*

### Questions:

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# The Metals Debate – Steel

Colin Richardson, Steel Lead, *Argus Media*

Monday 24 October, London and online



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And how to manage it

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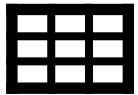
# Argus northwest Europe Daily HRC index: Specifications



Quality: Normalised to S235 grade



Dimension: width 1.2-1.6m, thickness 3-7mm



Minimum order size: 100t



Pricing unit: €/t



Pricing point: ex-Ruhr



Delivery time: 2-8 weeks



Pool of 60 + active data providers across NW EU supply chain

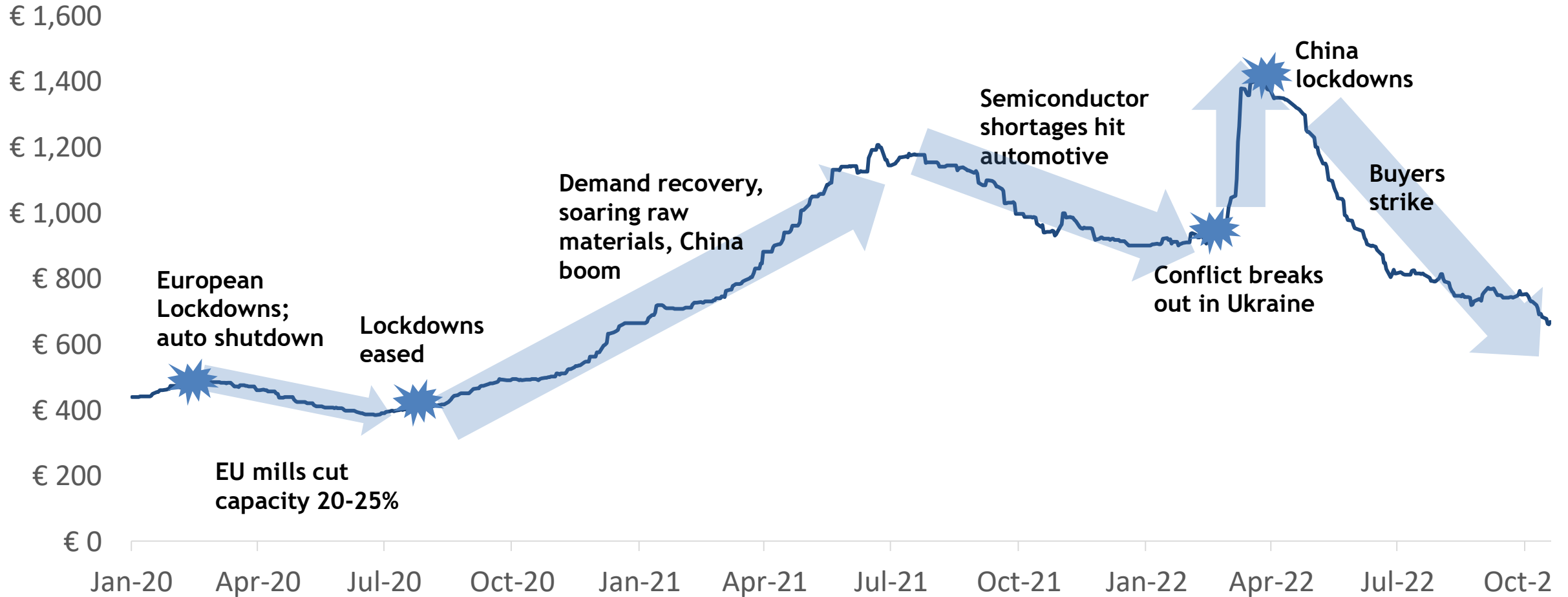


**Argus NW Europe ex-works.  
The leading choice for  
European hot-rolled coil  
indexation**



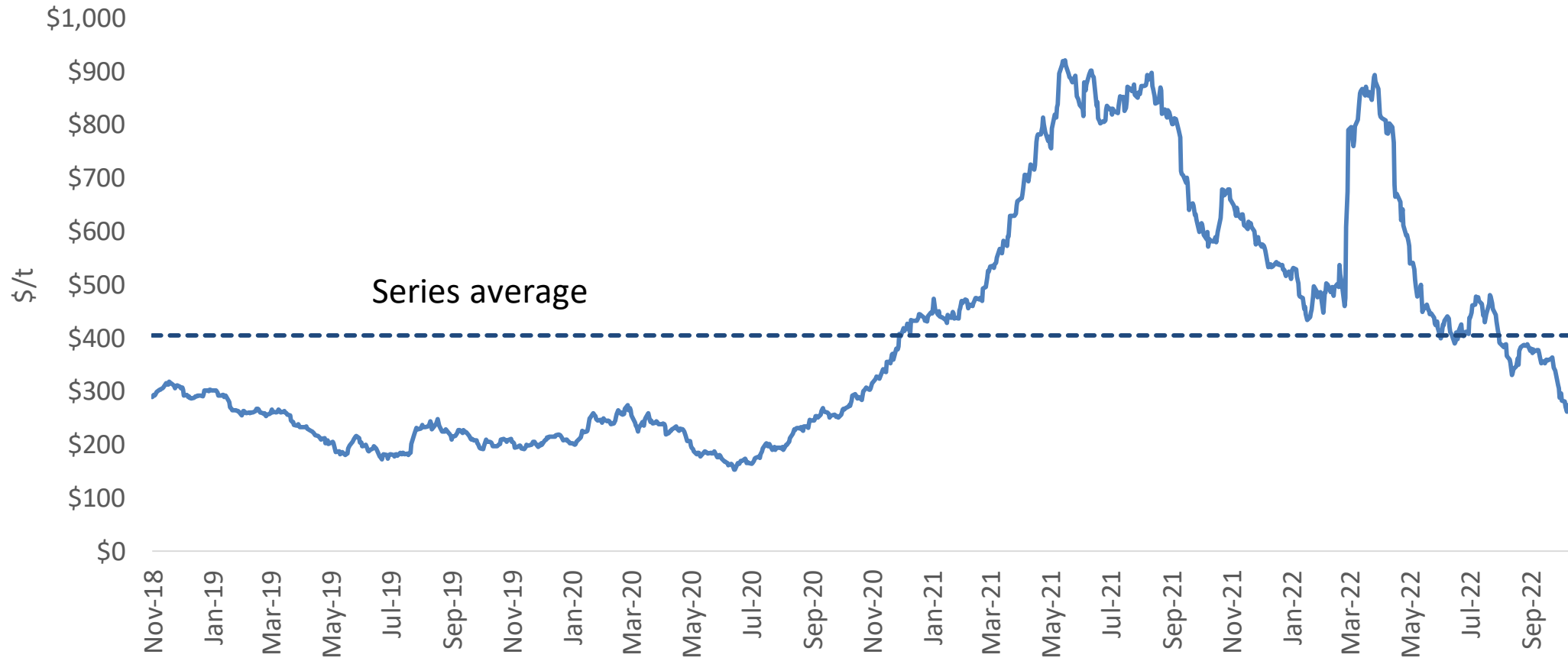
# Black Swan Events: Steel prices have never been less predictable

HRC ex-works Northwest Europe: Price per tonne



# Margins under pressure

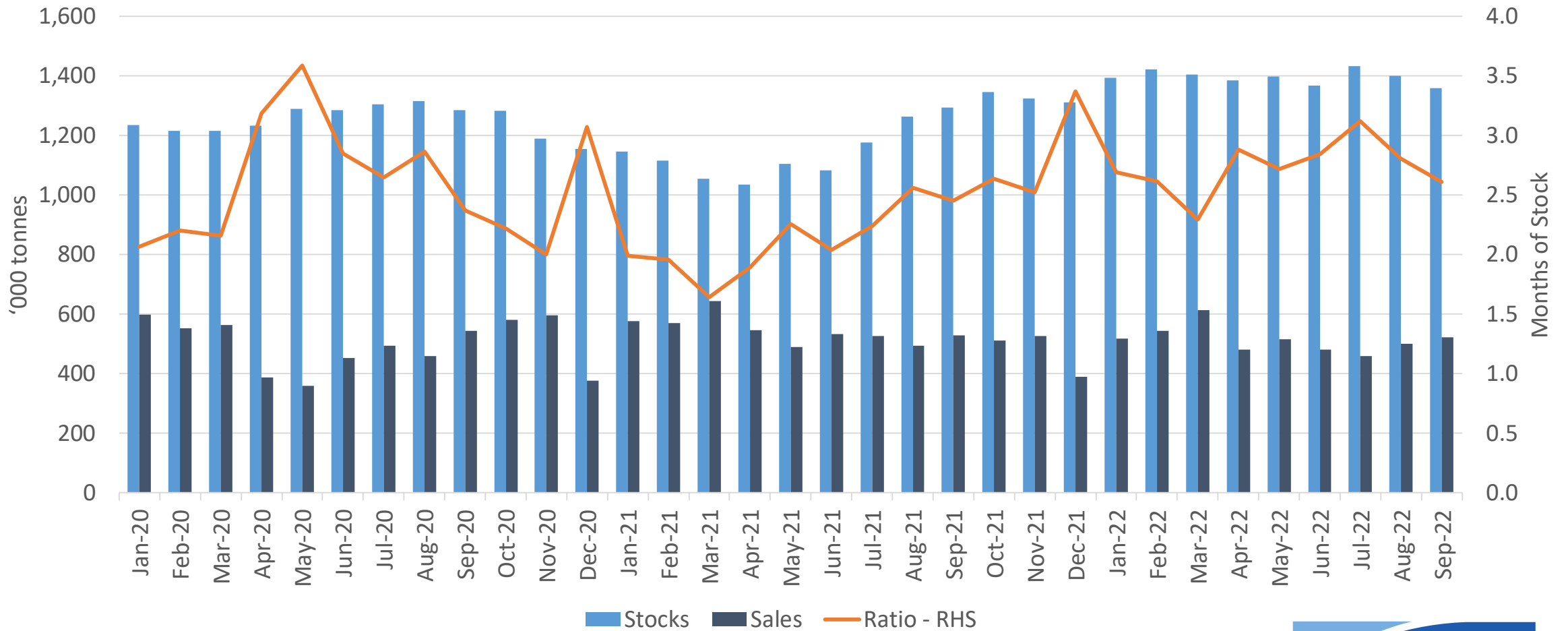
HRC: Price spread over raw material costs





# Flats: Stock levels slipping

BDS Flat Steel Inventory Data





argusmedia.com

## Colin Richardson Steel lead

[colin.richardson@argusmedia.com](mailto:colin.richardson@argusmedia.com)  
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# The Metals Debate – Tin

James Willoughby, Analyst, *International Tin Association*

Monday 24 October, London and online



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## POLL 3

### Which metal has the most upside potential for 2023?

1. Aluminium
2. Copper
3. Lead
4. Zinc
5. Nickel
6. Steel
7. Tin

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# Break

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# LME Metals Seminar 2022

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## POLL 4

What will be the most significant factor impacting China's economy in 2023?

1. Continuation of zero-covid policy
2. Geopolitical tensions
3. Real estate slowdown
4. Infrastructural investment
5. Global demand for Chinese manufacturing and services
6. The green premium

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# Spotlight on China policy and its impact on metals

Monday 24 October, London and online



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# Spotlight on China policy and its impact on metals

## Moderator:

**Yang Liu**, Head of China Sales, *London Metal Exchange*

## Panellists:

- **Amelia Fu Xiao**, Head of Commodity Markets Strategy, *BOCI*
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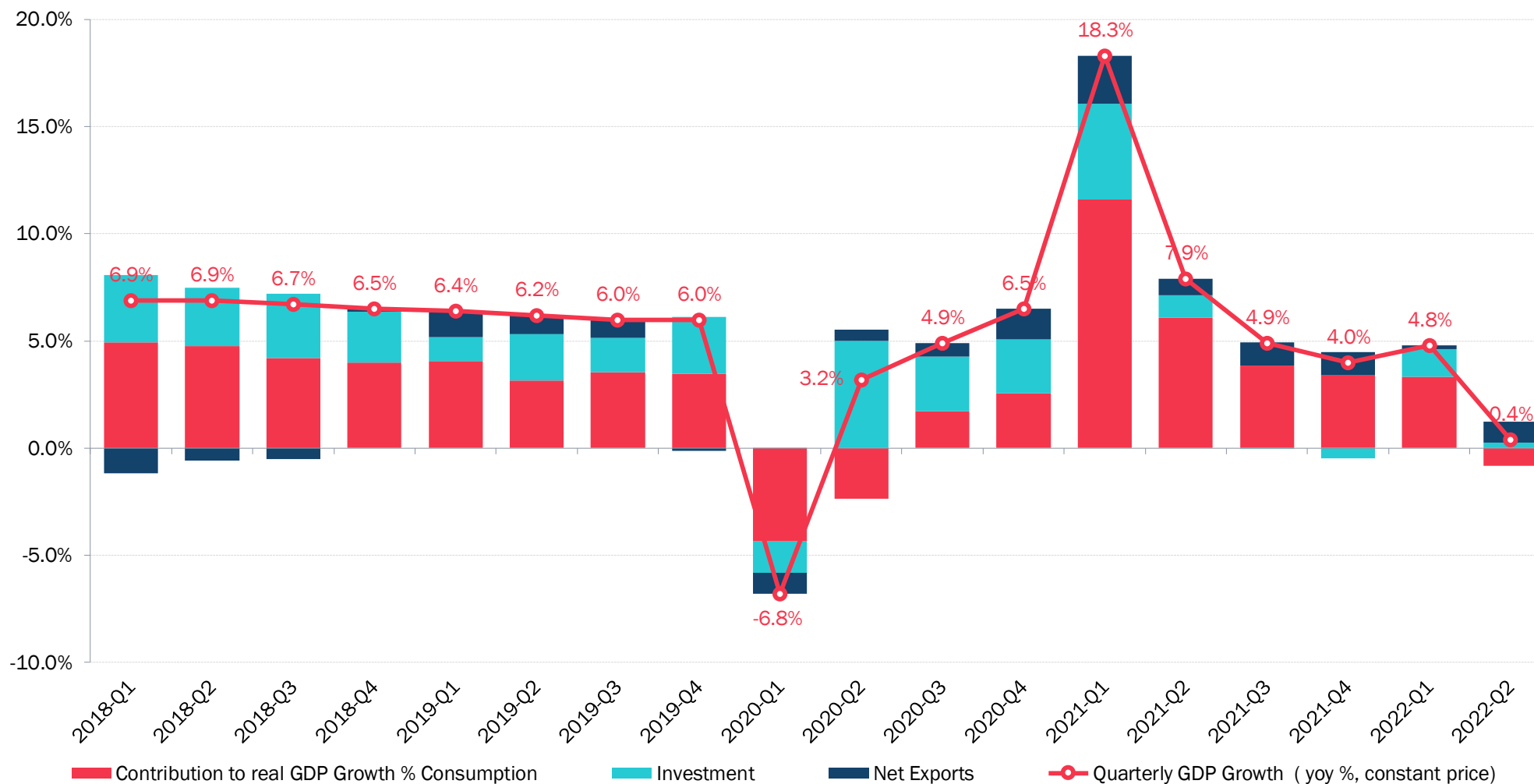
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# 0.4% GDP growth in Q2-22 reflected a notable contraction in consumption

**Mildly positive contribution from net exports and investment unable to offset weakness in consumption.**



Source: WIND, ICBC Standard



# Beijing recently stepped up supportive measures to offset growth risks

**CNY 3.52tn special purpose bond have already been rolled out by end-August. An additional CNY 500bn reserve quota has recently been approved by State Council to enable further special bond issuance before end-October as extra fiscal boost before year-end.**

		2022 GWR Targets	2021 GWR Targets	2022 vs 2021
GDP	GDP Target (%)	c. 5.5%	>6.0%	
Fiscal	Official Fiscal Deficit (CNY bn)	3,378 (est.)	3,446	
	Official Fiscal Deficit Ratio (% GDP)	2.8%	3.2%	
	Special Bond Quota (CNY bn) *	3,650* • 500 additional reserve quota	3,650	
	Special Bond Quota (% GDP)	3.0% - 3.4%	c.3.4%	
	Special Fiscal Arrangement (CNY bn)	• Extra 1,500 Special fiscal transfer payments to local gov. from central gov. • A New Financial Stability Fund (tbc) • 300 new credit quota for policy banks	NA	New
	Broad Fiscal Deficit Ratio (% GDP)	c. 7.0% - 8.0%	c. 6.5% - 7.0%	
	Tax Cuts (CNY)	Est. CNY 2.5tn tax cut/rebate before year-end	CNY 50,000 VAT free allowance per annum for SMEs	
Social	Household Disposable Income Growth (yoy %)	"Same as nominal GDP growth rate" (c. 5.5%)	"Same as nominal GDP growth rate"	
	Urban New Job Creation (mn)	11.00	11.00	
	Unemployment Rate (%)	max. 5.50%	5.50%	
	Poverty Reduction (mn)	NA	Social Welfare System (14 <sup>th</sup> FYP by 2025)	NA
	Climate Change Action	1) Flexible annual target with the goal to achieve 14 <sup>th</sup> FYP target by 2025 2) Energy consumption quota to exclude usage of raw material & renewable energy	3% reduction in energy intensity	
Monetary	CPI (%)	c. 3.0%	3.0%	
	New Loan Growth for SMEs (%)	NA	> 30%	NA
	M2 (yoy %)	"Same as nominal GDP growth rate"	"Same as nominal GDP growth rate"	
	Total Social Financing (yoy %)	"Increase new loan base and lower borrowing cost for real economy"	"Same as nominal GDP growth rate"	



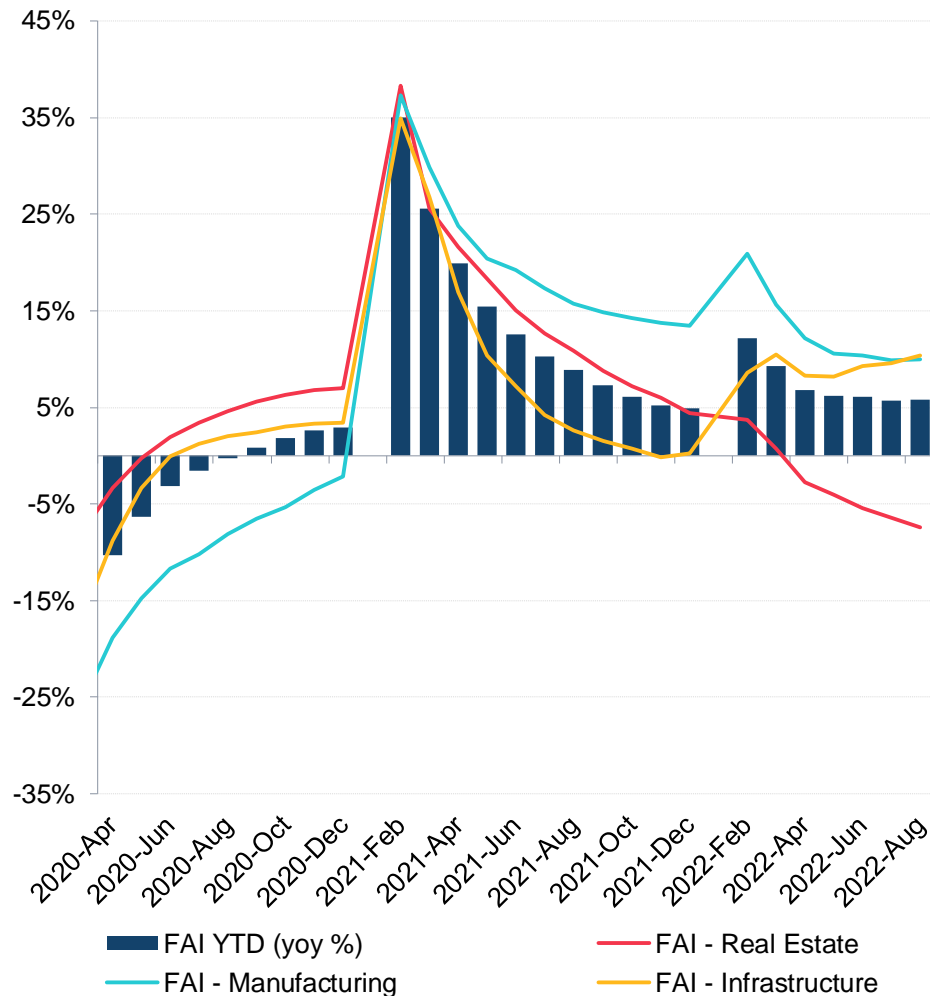
Source: WIND, ICBC Standard

\*Note: More than CNY 3.5tn worth of local government special purpose bond issuance quota have already been rolled out by endAugust. Market expects another issuance peak in late September and October as MoF asks local government to deliver the extra CNY 500bn issuance quota by October-end.



# Slowdown in housing sector continued to weigh on investment sentiment

**Investment in property sector continued to deteriorate this summer, despite a pickup in infrastructure spending led by public demand.**



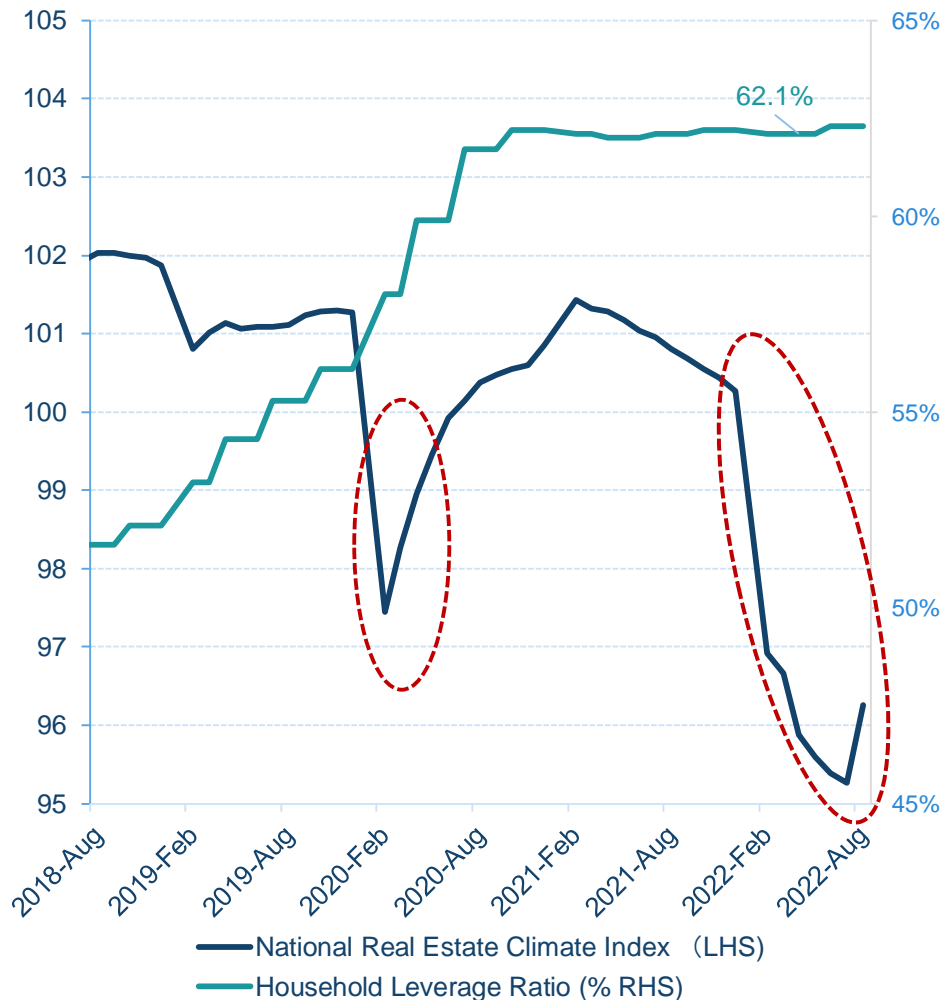
Source: WIND, ICBC Standard

**Government continues to be the key growth driver of national investment in Aug, but bearish sentiment in private sector persists.**

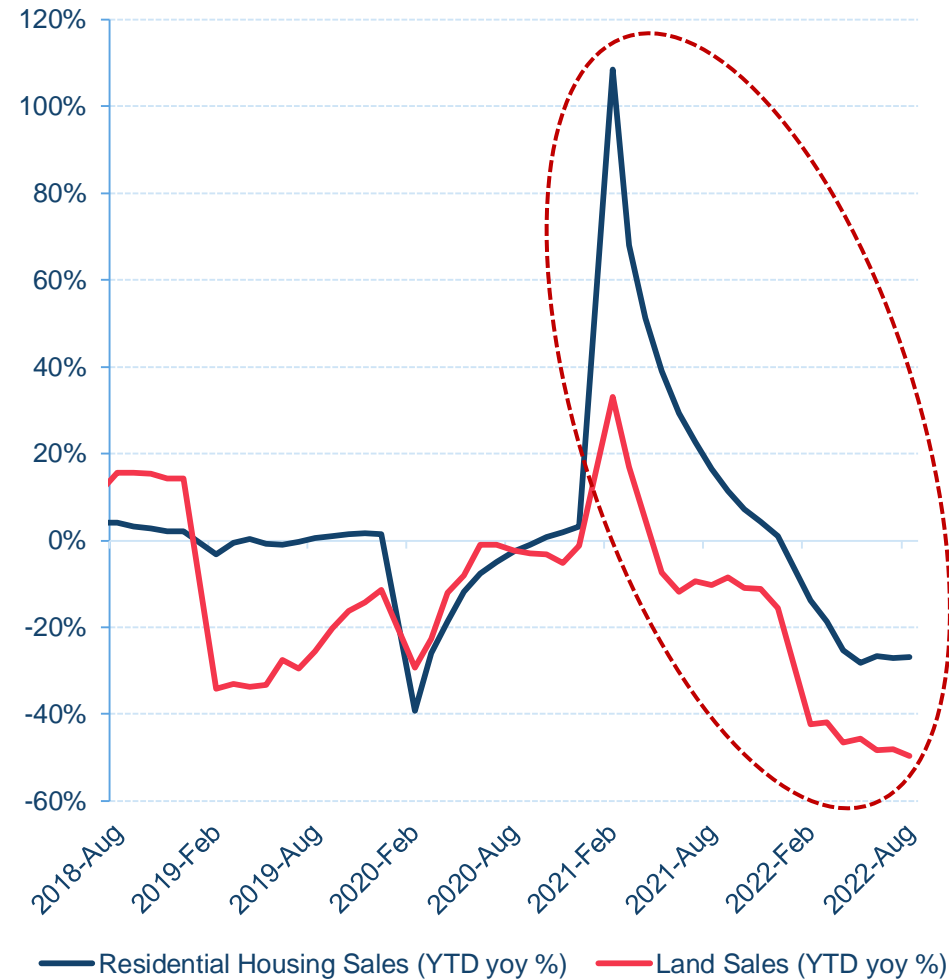


# Property market stalled amidst mortgage boycott and bearish outlook

**Sporadic COVID outbreaks significantly weakened household confidence and borrowing appetite despite easing mortgage policies.**



**Home sales slump worsens as mortgage boycott in July dented home buyers' confidence with signs of recovery yet to emerge.**

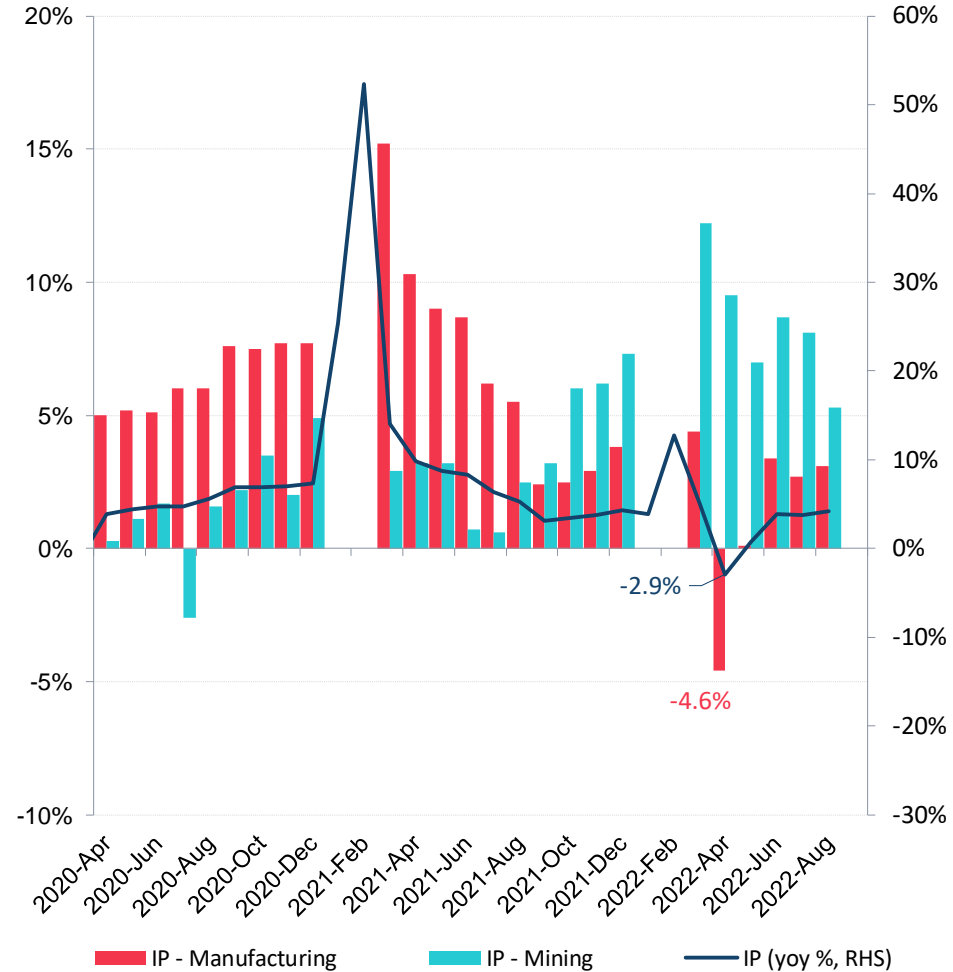


Source: WIND, ICBC Standard

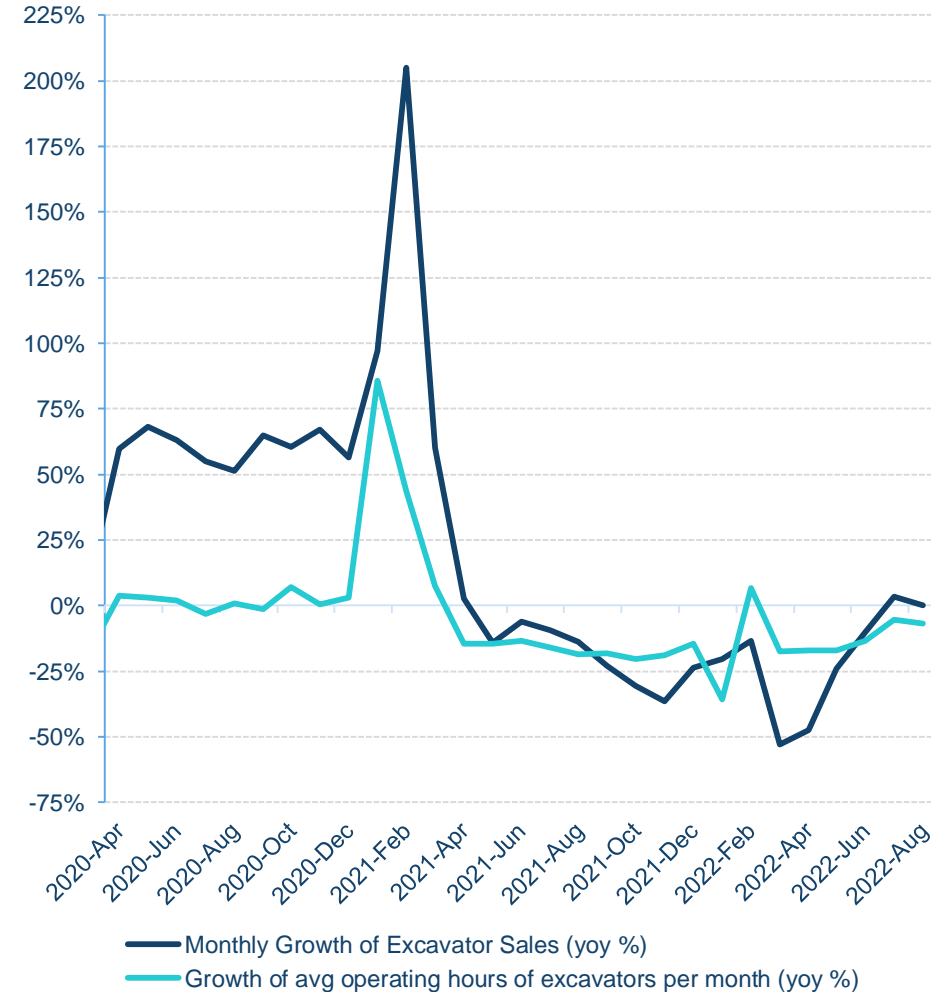


# Leading indicators suggest projects are resuming despite weaker IP

Despite less pressure from logistic disruptions, recovery of IP is still limited with IP easing to 3.8% in July from the 3.9% rebound in June.



Sales and occupancy rate of excavators suggest more efforts to deliver infrastructure projects but are yet to return positive growth.

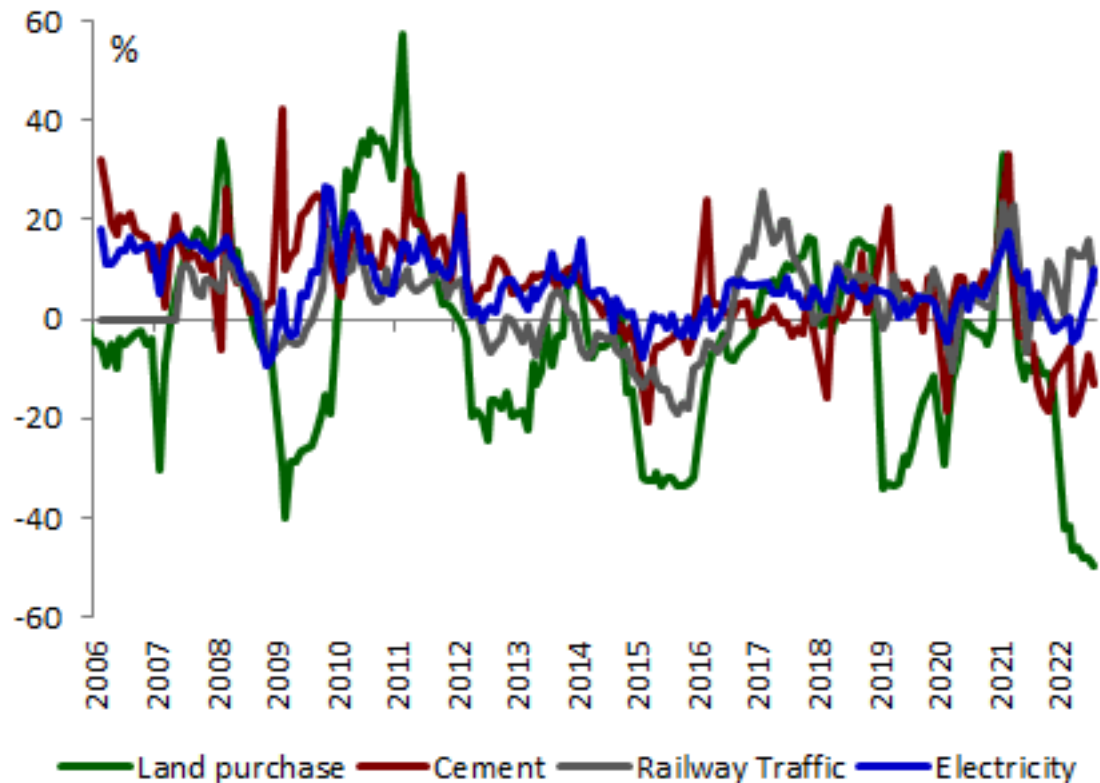


Source: WIND, ICBC Standard

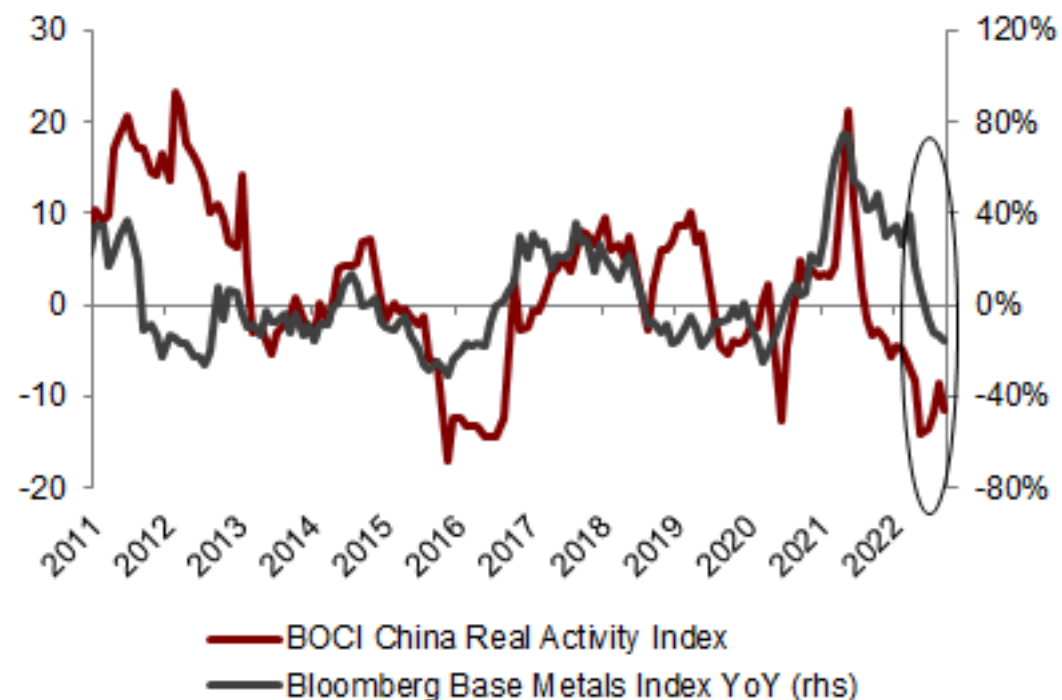


# Base Metals vs China Real Activity Index

Components of China Real Activity Index



Base Metals have trended broadly with China Real Activity Index

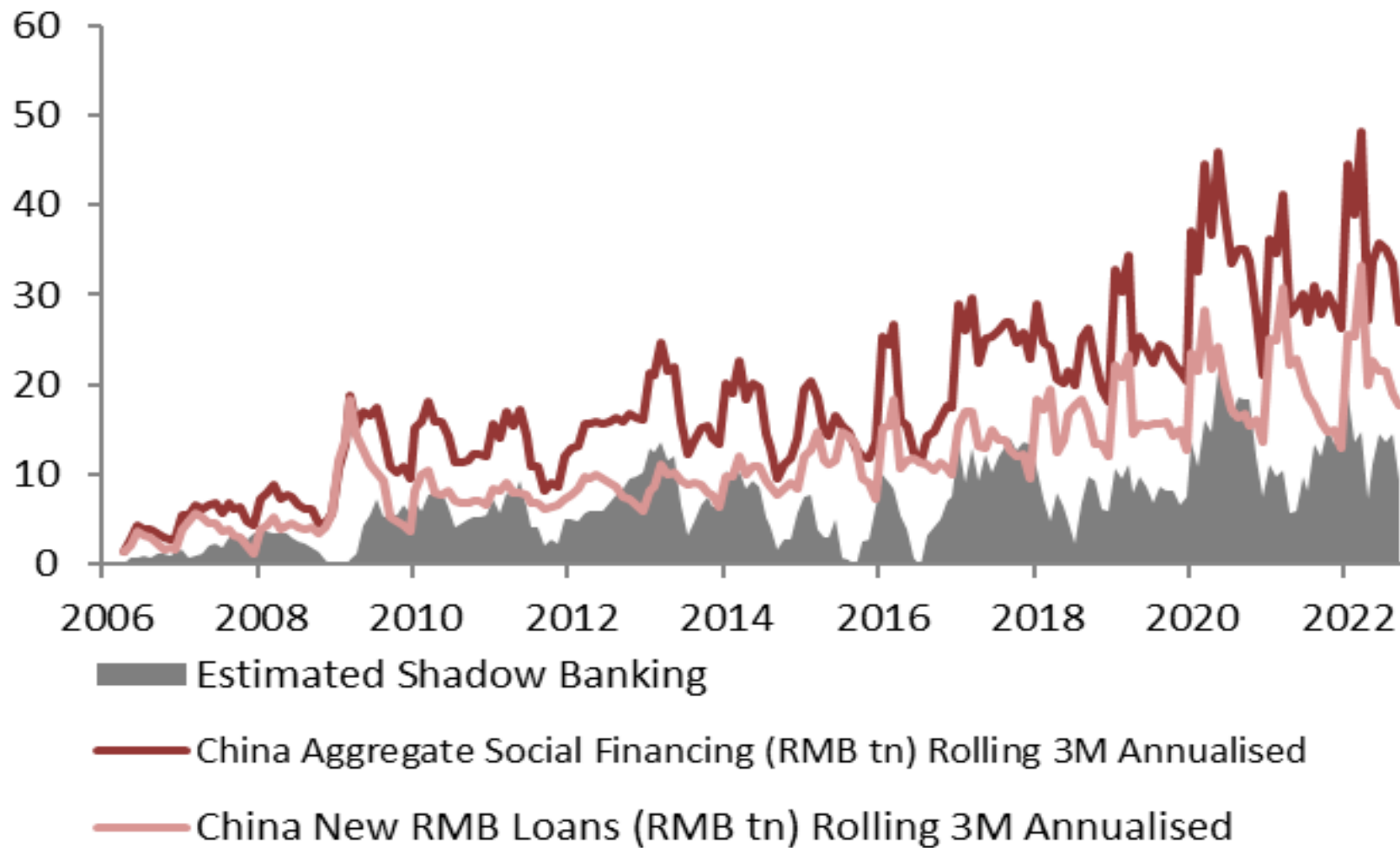


Source: BOCI Global Commodities, Reuters



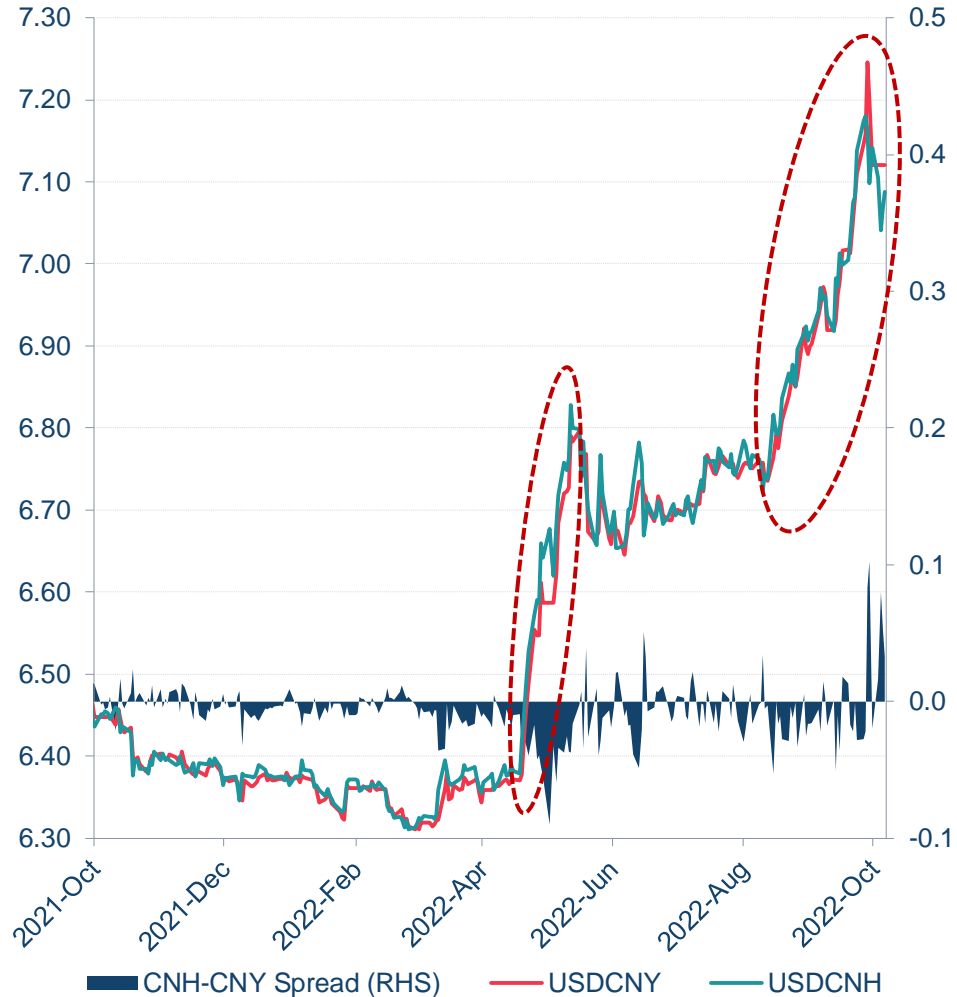


## Improving New Loans in September Reflects Policy Support



# Monetary policy divergence and strong dollar rally weigh on the yuan

**USDCNH reached multi-year highs and has once stood above the 7.0 threshold in late Sep driven primarily by strong dollar rally.**



**Recent yuan depreciation is nonetheless in sync with other non-USD major currencies amidst further divergence of monetary policies.**

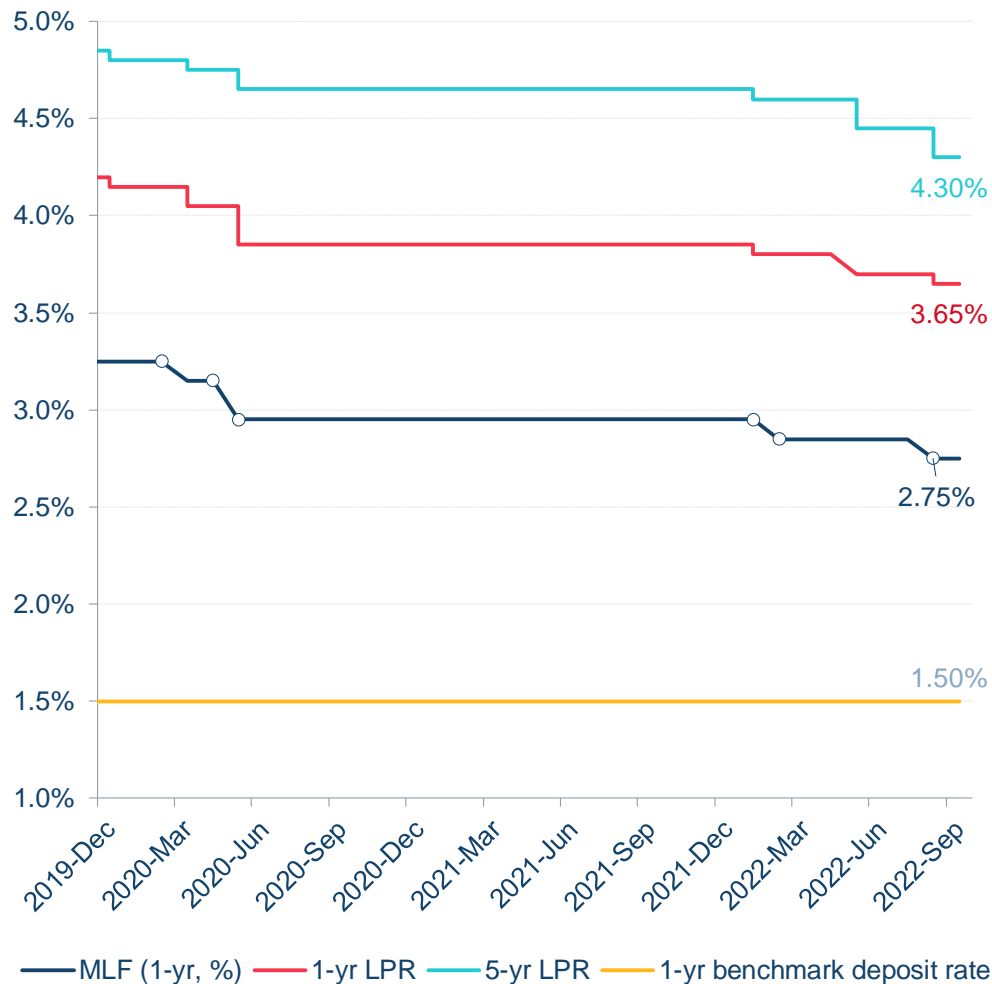


Source: WIND, ICBC Standard



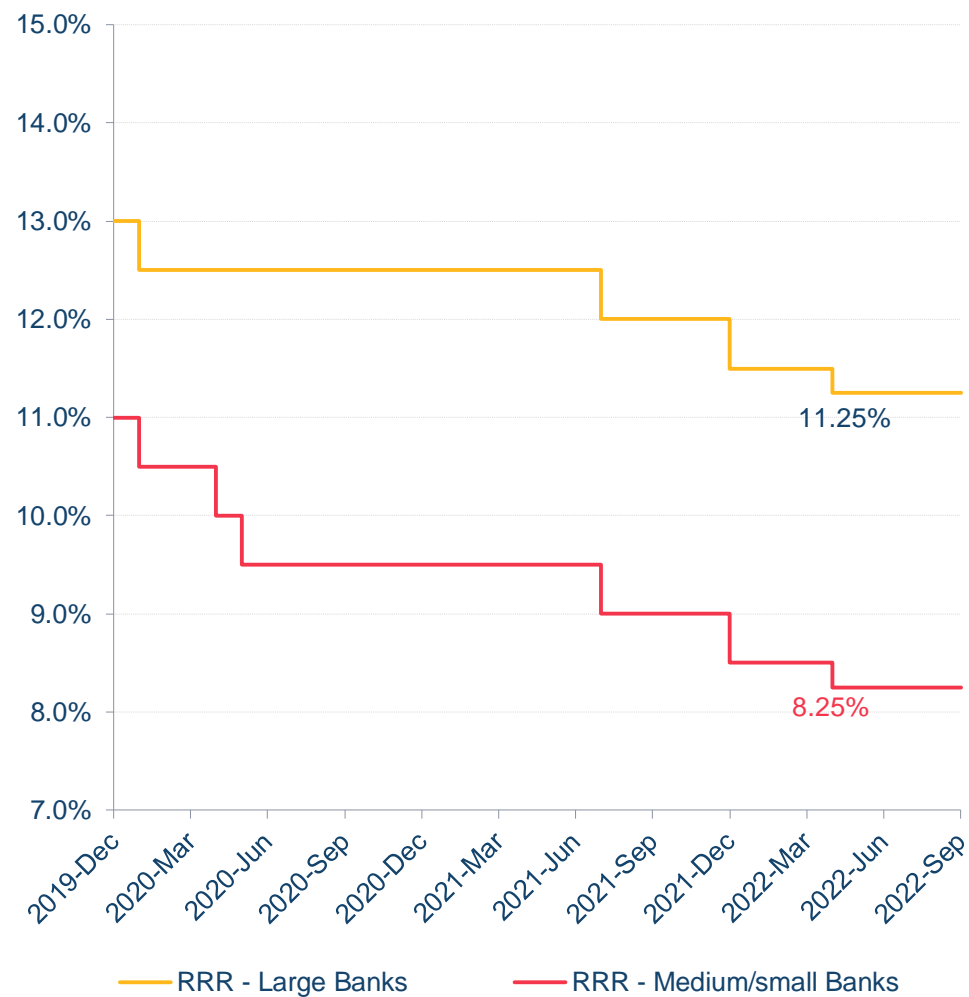
# PBoC further lowered benchmark rates amidst growing growth pressure

The asymmetric cuts in 1yr & 5yr LPR were tailored to boost housing demand following the 10bps MLF rate cut in August.



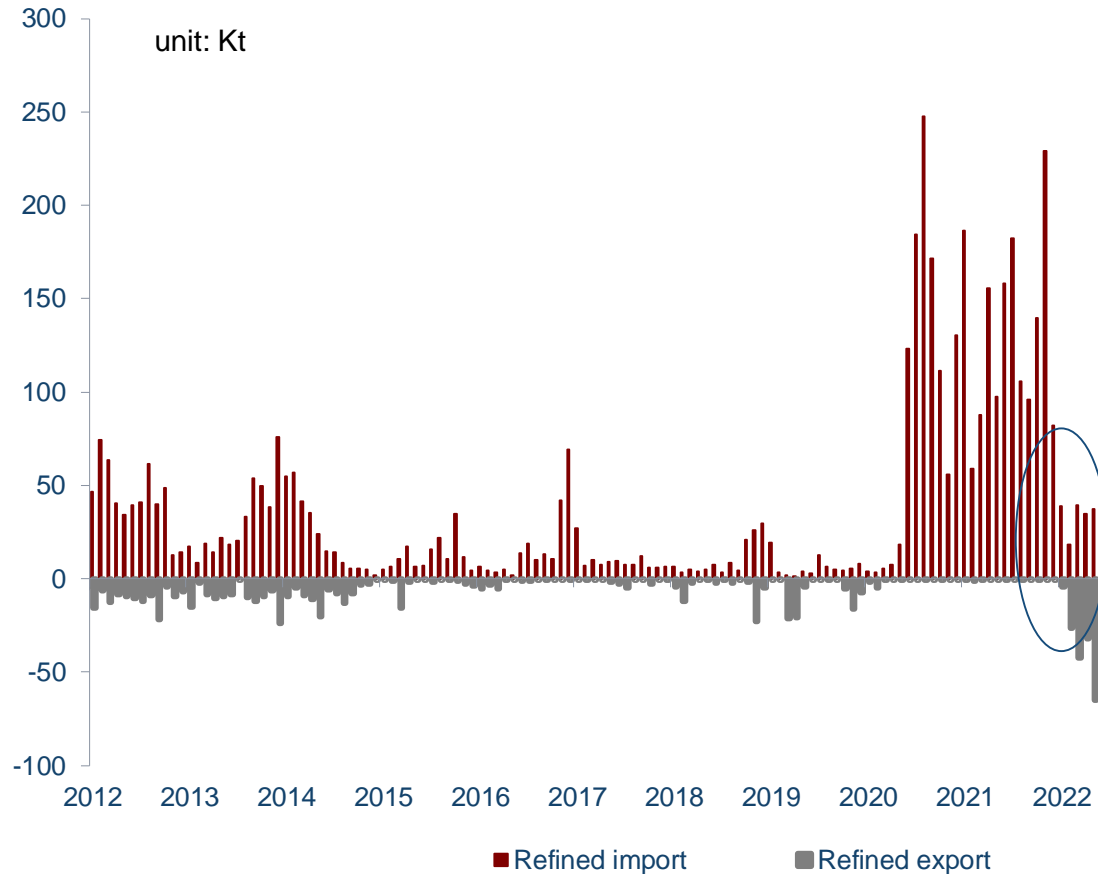
Source: WIND, ICBC Standard

The broader RRR remains unchanged after the 25bps cut in April to offset the pandemic impact, though missed market expectation.

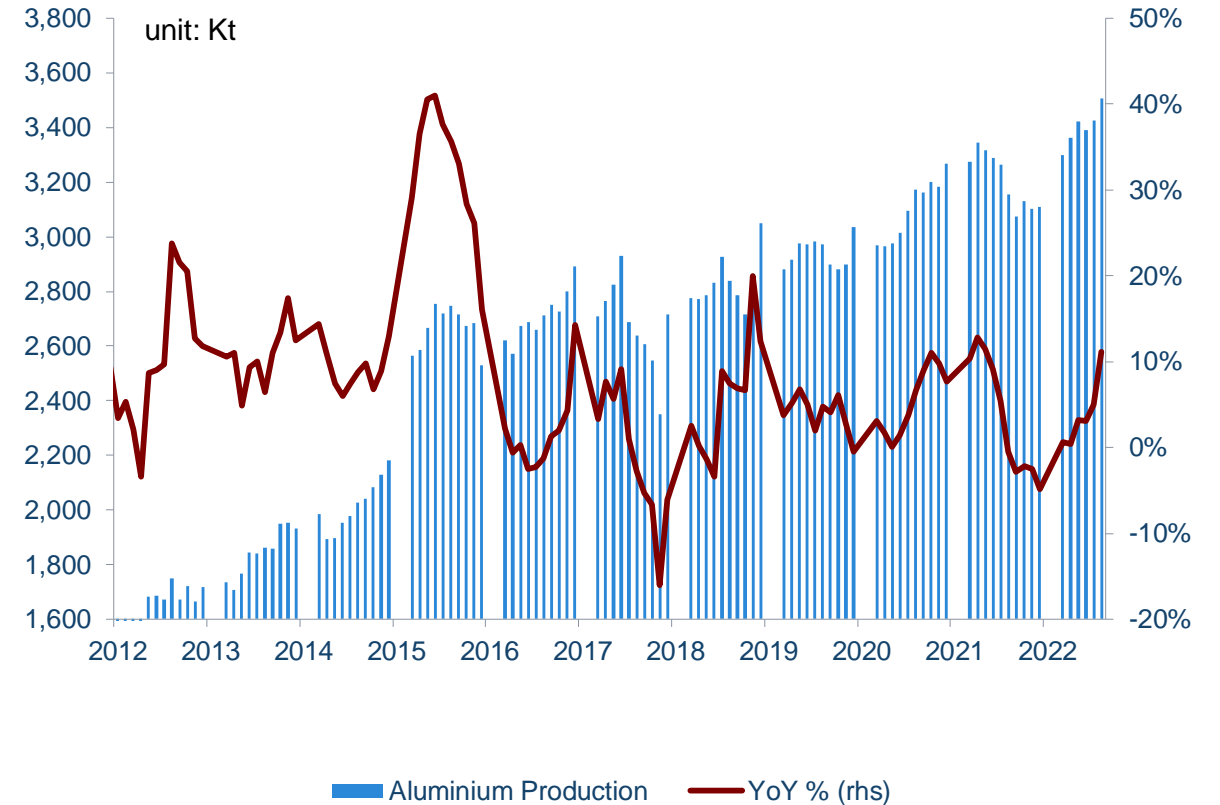


# China's Refined Aluminium Exports & Production

## China Turned into a Net Exporter of Refined Aluminium in 2022

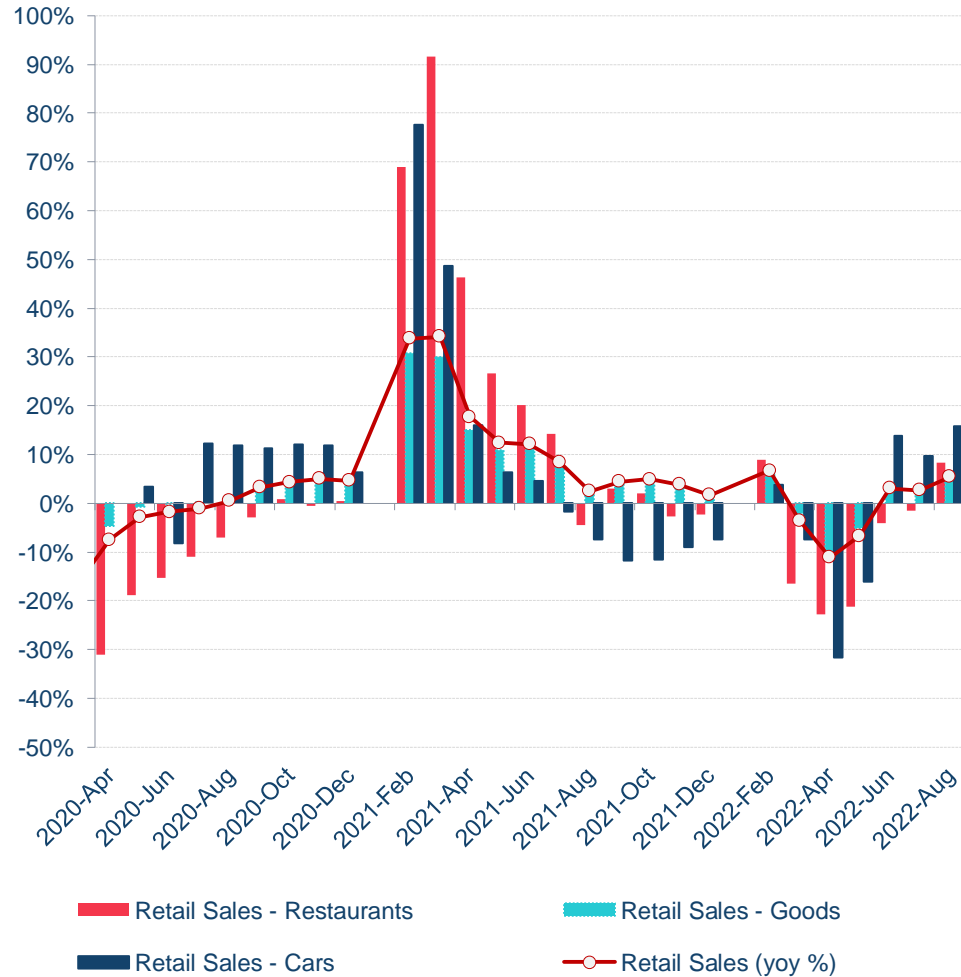


## China's Aluminium Production Growth Improved

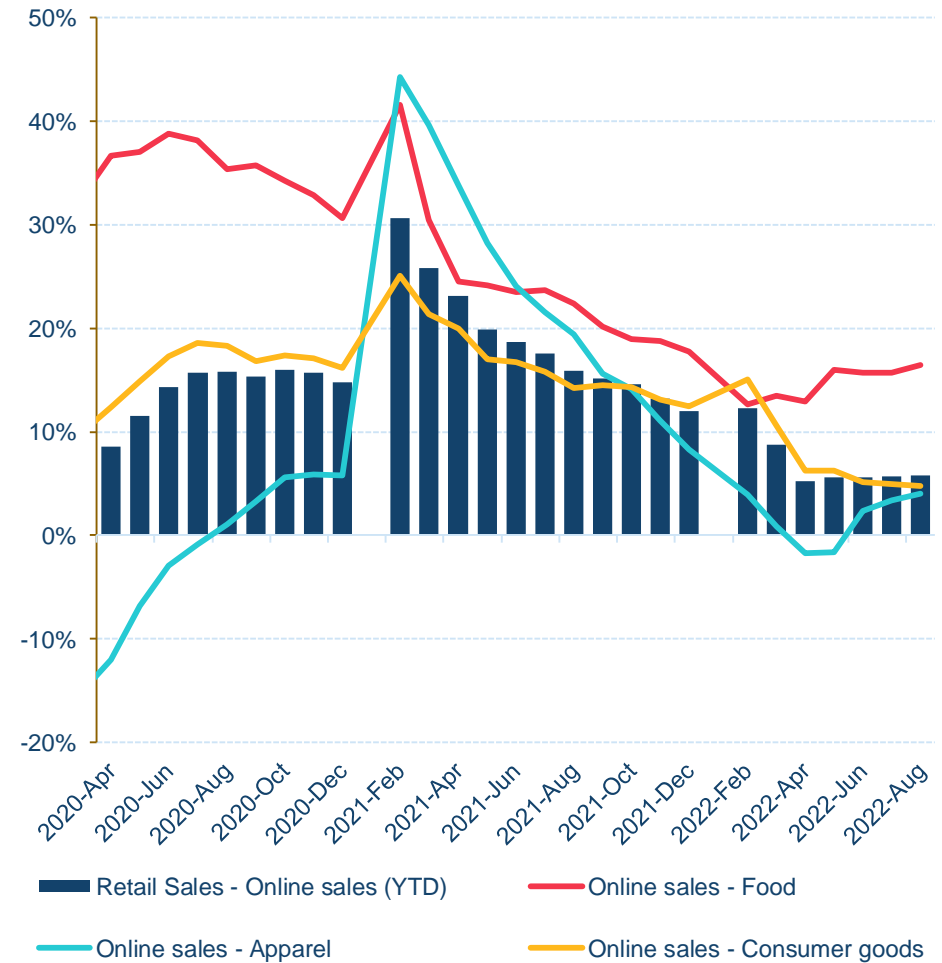


# Recovery post June opening-up faded with new waves of COVID cases

Monthly retail sales are sensitive to new restrictions imposed across major cities, but auto sales (especially EV) remains resilient.



August online sales of consumer goods further dropped on weak demand and YTD online sales remain below pre-pandemic level.

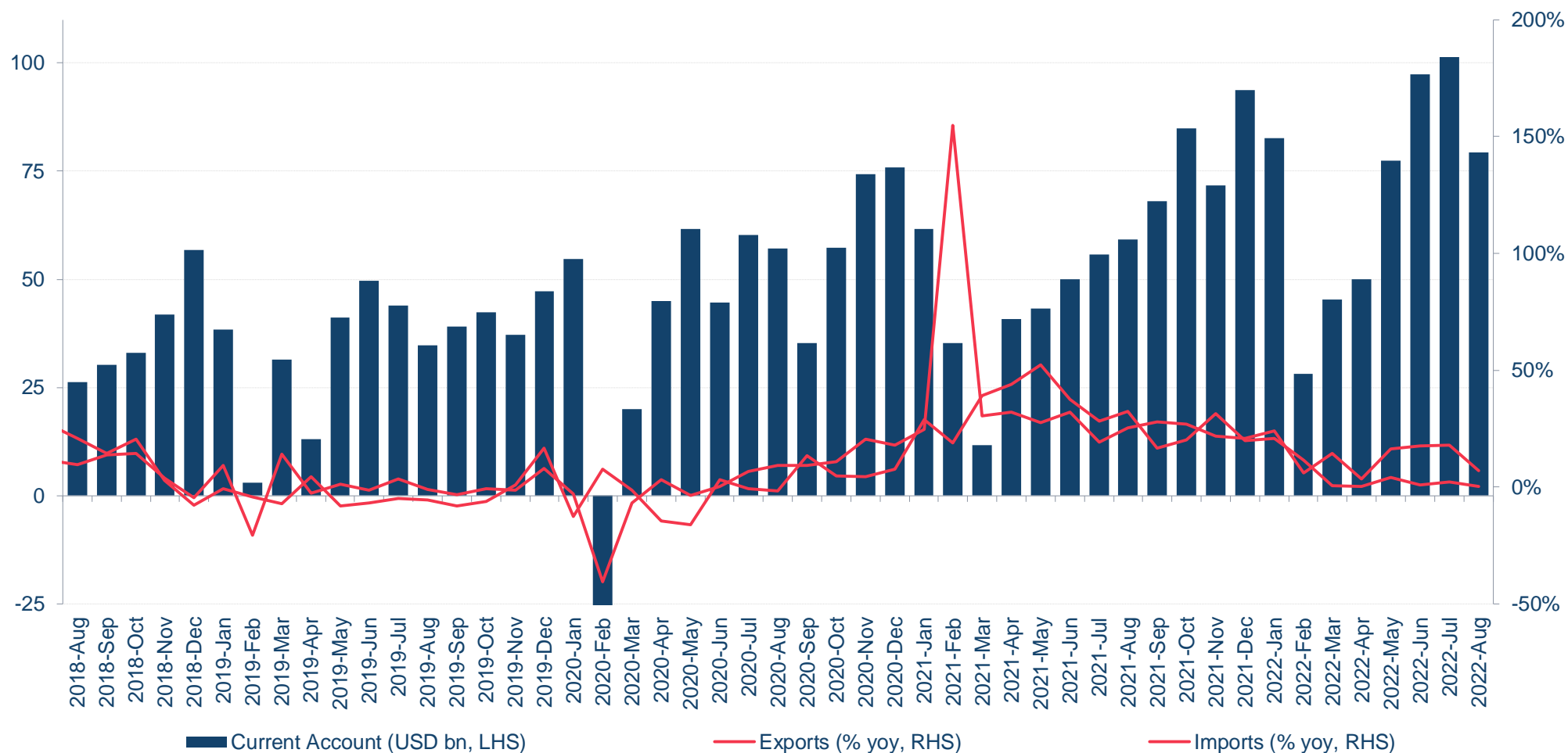


Source: WIND, ICBC Standard



# Export growth sharply slowed in August as global demand weakens

**While current account surplus remained broadly steady in August, export growth saw notable slowdown to 7.1% from 18.0% in July with limited import growth amidst rising global recession concerns and sluggish domestic demand in China.**



Source: WIND, ICBC Standard



# Spotlight on China policy and its impact on metals

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Please send your questions in via the delegate app

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# From End to end – setting expectations in ESG performance

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## POLL 5

### **What would you say is most needed to support the sustainable transition?**

1. Increased cross recognition of standards and certifications
2. Accurate, meaningful ESG data
3. Consistent regulation internationally
4. ESG-related premiums
5. Full supply chain traceability

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# From End to end – setting expectations in ESG performance

## Moderator:

**Stacy Hope, Ph.D**, Managing Director, *Women in Mining UK*

## Panellists:

- **Scott Maloney**, Vice President, Corporate Affairs, *Teck*
- **Michèle Brühlhart**, Executive Director, *Copper Mark*
- **Wouter de Groot**, Head of Sustainability, *FLSmidth*
- **Adam Johnson**, Raw Material Manager, *Jaguar Land Rover*

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# Lunch break

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Save the date for 2023: Monday 9 October 2023



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