

Nickel Poised for Best Month Since December as Supplies Tighten
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By Bloomberg News

(Bloomberg) -- Nickel is heading for its best month so far this year as bulls focus on a global deficit, tumbling stockpiles and rising demand.

The metal rose as much as 1 percent to \$15,275 a metric ton on the London Metal Exchange, extending May's gain to 12 percent. Nickel has rallied 70 percent in the past 12 months, making it the top performer in the Bloomberg Commodity Index.

Nickel's rally has been underpinned by resilient demand from the traditional stainless-steel industry, as well as predictions that it stands to benefit from growing use in the emerging electric-vehicle sector. This month, Goldman Sachs Group Inc. gave the metal a ringing endorsement over the next half-decade, although the bank cautioned prices may retrace near term. Stockpiles tracked by the SHFE and the LME have slumped to multi-year lows.

"Stockpiles kept falling," said Wu Xiangfeng, an analyst at Huatai Futures Ltd. in Shanghai, adding that environmental checks in China are also reducing the output of nickel pig iron, a low-grade alternative to refined metal. "Prices can only rise if there's no new supply."

The market will remain in deficit this year as destocking is seen in both Shanghai and London, Ricardo Ferreira, head of market research at the International Nickel Study Group, told a conference in Shanghai on Tuesday. Even after the recent rally, the metal's yet to reach a price that'll incentivize new investment in class 1 primary production, he said.

In Shanghai, the market has flipped into backwardation, with the July contract trading at a premium to September, a reversal from earlier this year and a pattern that indicates tight near-term supply. That structure will encourage investors to roll over bullish bets at lower costs, according to Huatai's Wu.

Adding to the positive picture on Thursday were data from China, with the official factory gauge rising more than estimated in May as export orders accelerated. That helped spur gains in most metals, as well as iron ore and steel.

On the Bloomberg Commodity Index -- a gauge of returns from raw materials -- nickel's advance in the past 12 months comes ahead of rallies seen in crude, heating oil, gasoline and cotton over the same period.

Aluminum, tin and lead also gained Thursday, while copper and zinc declined. Copper stockpiles in LME warehouses climbed 9.9 percent, the most since March.

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