

(BFW) BASE METALS: Nickel Extends '19 Surge as Supply Concerns Mount

BFW 01/31 18:56 BASE METALS: Copper and Nickel Extend Rally on Fed, China Bets

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2019-02-01 19:00:56.164 GMT

By Marvin G. Perez

(Bloomberg) -- Nickel prices rose Friday, extending gains from the best January in more than two decades, amid signs stockpiles would decline further. A robust U.S. jobs report eclipsed weak Chinese economic data to bolster the industrial-metal demand outlook.

Nickel holdings in Shanghai Futures Exchange warehouses fell for a fifth week to the lowest since June 2015, according to data from the bourse. Nickel prices climbed this week amid speculation a fatal dam disaster at one of Vale SA's Brazilian iron-ore operations could have a ripple effect on other metals supplied by the miner. U.S. stocks climbed Friday morning on the better-than-expected jobs report and signs of progress in trade talks.

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Drivers

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President Donald Trump said Thursday that Treasury Secretary Steven Mnuchin and U.S. Trade Representative Robert Lighthizer will visit China in mid-February to hold the next round of trade talks. Kudlow Says U.S. Encouraged by 'Good Vibe' of China Trade Talks. After Vale's tragic dam breach in Brazil last week "there will be repercussions" that could have an impact on the aluminum industry, Alcoa Corp. Chief Executive Officer Roy Harvey said in an interview. Chinese Factories Have Worst Results Since 2016, Caixin PMI Shows. Factories Offer Mixed Omens for Global Growth as Year Begins. Auto Sales Start Ice-Cold as All Major Carmakers

Disappoint

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Prices

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LME Nickel up 1.4% to settle at \$12,660/ton at 5:53pm in London; earlier it reached \$12,700, highest since Oct. Price surged 17% in January after tumbling 16% last year. Other base metals were mixed, with tin, zinc and lead up, while aluminum and copper declined. LME index of six metals +1.1% this week; fourth consecutive weekly rally is longest stretch since April

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Commentary

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Nickel's rebound is "in our view fully justified: fundamentals have held up, with LME stocks for instance declining every single month in the past year," analysts at Bank of America Merrill Lynch, led by Michael Widmer, say in emailed note "The recent disconnect between prices and fundamentals was driven by a confluence of factors," including concerns over growth that "have pushed down the entire base metals complex." On the supply side for nickel, "market participants have been apprehensive about intentions of China's operator Tsingshan to build a 50kt high pressure acid leaching (HPAL) plant in Indonesia"

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