
Supply Squeezes are Reappearing Everywhere in Key Metal Markets
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By Mark Burton

(Bloomberg) -- Signs of panic-buying are appearing across the industrial metals markets as Covid-19 snarls up global supply chains, setting the stage for the kind of fast and furious rally that drove copper to all-time highs earlier this year.

Five out of the six main contracts traded on the London Metal Exchange are in backwardation, a condition where spot prices trade at a premium to futures. That's a hallmark sign that buyers are facing a near-term shortage, and in the case of lead, they were last week facing the steepest spot premiums in at least two decades. Meanwhile, the backwardation in the copper market is approaching levels seen ahead of the all-time highs in May.

It's hard to think of two metals with more disparate fundamentals than copper and lead, and long-term projections for prices reflect that. In one corner, there's a metal that looks set to soar as it powers the world's rapidly burgeoning renewable-energy and electric-vehicle industries, and in the other corner there's lead. The highly toxic metal has been substituted out of virtually every product it's been used in throughout history, and now the electric-vehicle revolution is posing a manifest threat to its last major application in conventional car batteries.

Still, for buyers scrambling to get hold of spot metal on the LME, the fact that lead prices are likely to crumble in the future will be of no comfort at all. And the general rule in commodities markets is that as long as buyers are bidding up spot prices, futures are likely to follow.

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