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## Corona crisis keeps base metals prices low

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*The pressure on base metals prices is high. The strong macroeconomic downturn due to the coronavirus crisis is having a strong downward effect on the trend in aluminium, copper, nickel and zinc prices. However, it has not yet led to the extremely low price levels reached during the financial crisis of 2008-2009 and the stock market shock in China in early 2016. Still, while government policies and monetary stimulus proved to be effective remedies to restore sentiment after these crises, we have not yet seen this during the current crisis. The economic stimulus packages rolled out in various countries are still insufficient to boost sentiment. Concerns about the ultimate impact of the coronavirus are still too high, and this will keep prices of base metals relatively low for the time being.*

- **Aluminium: large aluminium end-users close production sites**
- **Copper: copper price has already fallen 23% this year**
- **Nickel: pressure on nickel demand due to production delays in stainless steel**
- **Zinc: higher zinc production with weaker demand**

### Large aluminium end-users close production sites

Premiums for direct delivery of aluminium remained stable over the past week. Meanwhile, the first aluminium end-users across Europe began to shut down as a result of the coronavirus. For example, Volkswagen and Ford are closing several European production locations this month. More closures are expected. On the other hand, the production of packaging for food and medical applications has continued. And because many Italian aluminium producers are now closed, there is an increased demand for aluminium products from other countries where the virus has not yet hit in full force. All-in-all, the aluminium price has fallen by around 9% this year. This is a relatively weak decline compared to the other base metals. This is because the aluminium market has been subject to price pressure for some time due to overproduction and high availability.

### Copper price has already dropped 23% this year

Global economic activity is stagnating strongly in many sectors and this is affecting demand for copper. The price of copper is already about 23% lower this year. After the pressure of the trade war in 2019, the coronavirus is now having a major impact on investor sentiment. Indeed, investors are avoiding the most cyclic metals, including copper. The trend in the dollar exchange rate also strongly affects the copper price. The EUR/USD reached its high so far this year on March 9. After that, the dollar strengthened by 5% and pressure on the copper price increased. ABN AMRO expects a deepening global economic contraction in the short term. We also expect a longer term economic slowdown before a strong and sustainable recovery takes place. This will have a severe impact on copper. Uncertainty therefore remains high and will keep the copper price relatively low in the next two quarters.

**Aluminium price with highest and lowest level**


Source: Refinitiv

**Copper price with highest and lowest level**


Source: Refinitiv

**Pressure on nickel demand due to output delays stainless steel**

Italy is one of the largest markets for stainless steel products in Europe. Due to Italy's lockdown, confidence in the stainless steel sector has been hit hard across Europe. Further production delays can be expected as demand for stainless steel products across Europe will fall. As a result, demand for nickel will also decrease, putting pressure on prices. The nickel price has declined by 19% this year. The number of orders is decreasing, and this will continue in the near future. We think the price will remain relatively low in the coming months. Stainless production in China will remain weak in the first half of this year. There is a good chance that confidence in nickel will increase again during the second quarter. Still, because inventories will remain high for the time being, renewed confidence will not immediately lead to a significant price recovery.

**Nickel price with highest and lowest level**



Source: Refinitiv

**Higher zinc production with weaker demand**

According to the International Lead & Zinc Study Group (ILZSG), the global zinc deficit decreased sharply in 2019. This was mainly because demand for zinc flattened. And demand has remained weak during the first quarter of 2020 because many Chinese companies (in the construction and automotive sectors) have ceased their activities due to the virus. However, despite this, Chinese refined zinc production grew 13% on an annual basis until February. This was mainly because the treatment charges for converting zinc concentrates into metal remained relatively low. Zinc prices have already fallen by 20% this year. European trade activity in zinc has largely stalled as an increasing number of countries have taken drastic measures to slow the coronavirus outbreak. This will slow down economic activity and keep zinc price low for the time being.

**Zinc price with highest and lowest level**



Source: Refinitiv

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