

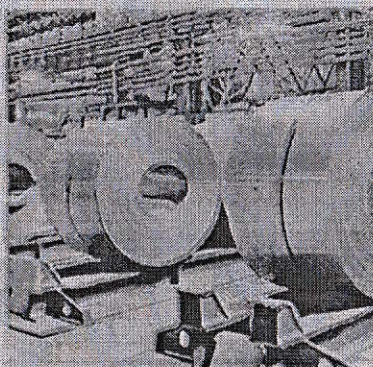
Metals may continue to face pressure on weak demand, global economic woes

Subramani Ra Mancombu
Chennai

Metal prices will likely continue under pressure for the rest of the year as the demand outlook is worsening and the global economy faces problems due to rising interest rates, say analysts tracking commodities.

China's policies to contain the Covid pandemic with a commitment towards "dynamic zero" are another dampener on metals, which have been declining over the last few weeks.

Prices of key metals such as copper have dropped by nearly three per cent from a month ago, while steel has dipped over 3.5 per cent. Tin has declined by some four per cent, zinc by eight per cent and nickel by eight per cent. Exceptions to the slide have been aluminium, which



MELTDOWN. Prices of steel have dipped by over 3.5% from a month ago

is up a tad, and lead, which has gained over eight per cent.

MIGHTY DOLLAR

The London Metal Exchange (LME) index, comprising copper, aluminium, zinc, lead, tin and nickel, has declined by 2.5 per cent to 3,583 in the past month and 20 per cent since 2022 began. "Metals prices have continued to decline amid

the continued strengthening of the dollar, rapidly worsening demand outlooks due to China's ongoing commitment to anti-Covid policies, and negative sentiment from the cumulative economic pressures created by rising interest rates led by the Federal Reserve," said research agency Fitch Solutions Country Risk and Industry Research.

Shanghai Metal Market (SMM) news said high US inflation data in September strengthened the expectation that the US Fed will raise the interest rates by 75 basis points at its November meeting and liquidity will be further tightened.

This is bearish for copper prices. Last week's drop in crude oil prices due to concerns over the global economy was also bearish for copper prices, it said.

Fitch Solutions said nickel and copper remain higher

than previous lows this year. Iron ore prices have stabilised around \$95/tonne, and composite indices of steel are showing declines in the range of 2-3 per cent m-o-m as well.

ING Think, an arm of Dutch financial services firm ING, said copper has been weighed down by China's property sector woes and Covid-19 lockdowns while investors have turned away from commodities amid tightening central bank policies.

"The short-term demand outlook remains weak amid recession fears and weakening global manufacturing activity," it said.

Fitch Solutions said supply constraints and continued high energy prices are the only drivers offering upward pressure on prices in the current environment due to falling inventories and limited hike in miner capex.