

LME Aluminium launched in 1978 and has since become the London Metal Exchange's (LME) most liquid contract. Backed by the LME's strong ties with the physical industry, traders can benefit from tight spreads, a deep order book and a forward curve out to 10 years.

Aluminium, in its natural state of bauxite, is the most abundant metal on earth, accounting for approximately 8% of its crust. It is characterised as a soft, lightweight, durable and malleable metal. Although the use of aluminium dates back to ancient Greek and Roman times, it was not until 1825 that the metal was extracted and used in the form we know it as today.

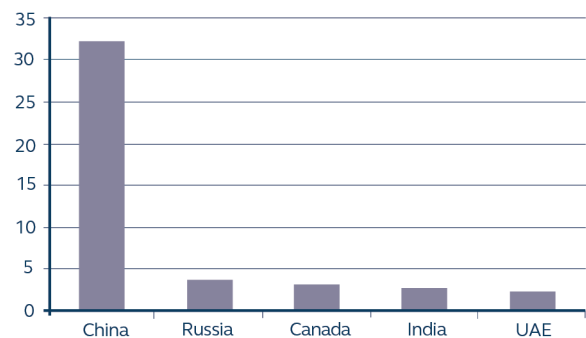
Aluminium has wide-ranging uses because of its resistance to corrosion. The metal does not react with air because it has a thin protective coating of aluminium oxide preventing further oxidation – this is why aluminium is used in most household appliances. When mixed with other metals, aluminium helps make them more lightweight, resulting in an increase in use in the aerospace and transportation industries in particular. It is also used as a substitute for copper in electrical wiring as it is a good conductor of electricity.

Main industries that use aluminium are:

- transport
- packaging
- construction
- machinery and equipment
- consumer goods
- electrical engineering

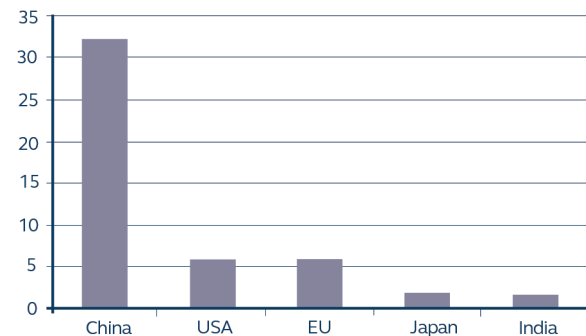
Theoretically, aluminium is 100% recyclable. According to the Aluminium Association, recycling one aluminium can saves enough energy to listen to a full album on an iPod.

Aluminium production by region 2016 (million metric tonnes)



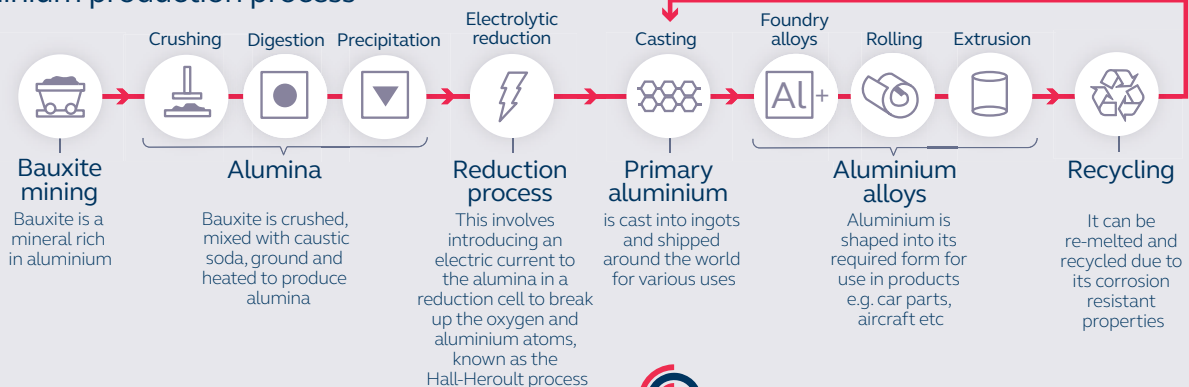
Source: International Aluminium Institute and Aluminium Federation

Aluminium consumption by region 2016 (million metric tonnes)



Source: International Aluminium Institute and Aluminium Federation

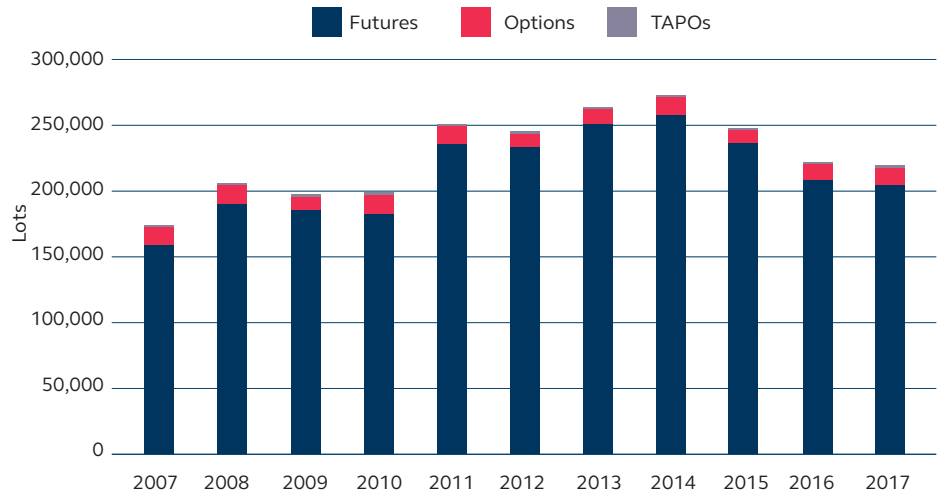
Aluminium production process



LME Aluminium trading data

Average daily volume

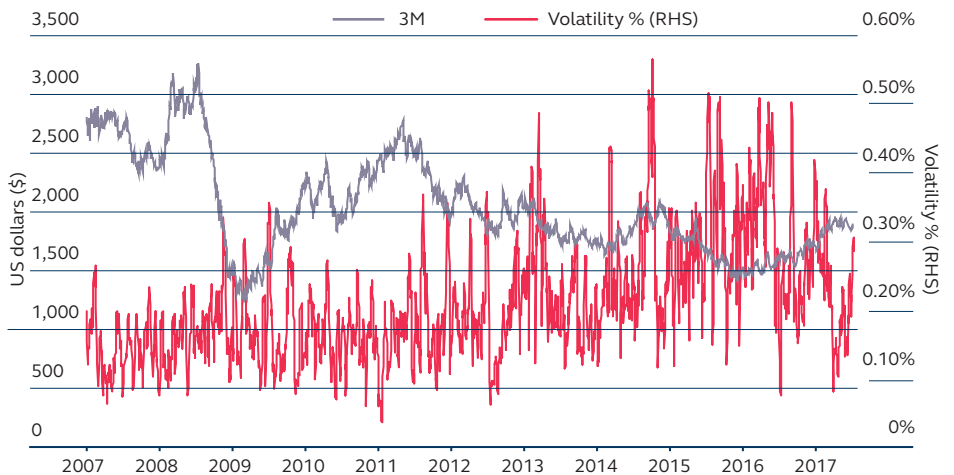
Daily volume for LME Aluminium averages over 200,000 lots per day. LMEselect accounts for about 40% of all market traded volume.



3 Month price and volatility

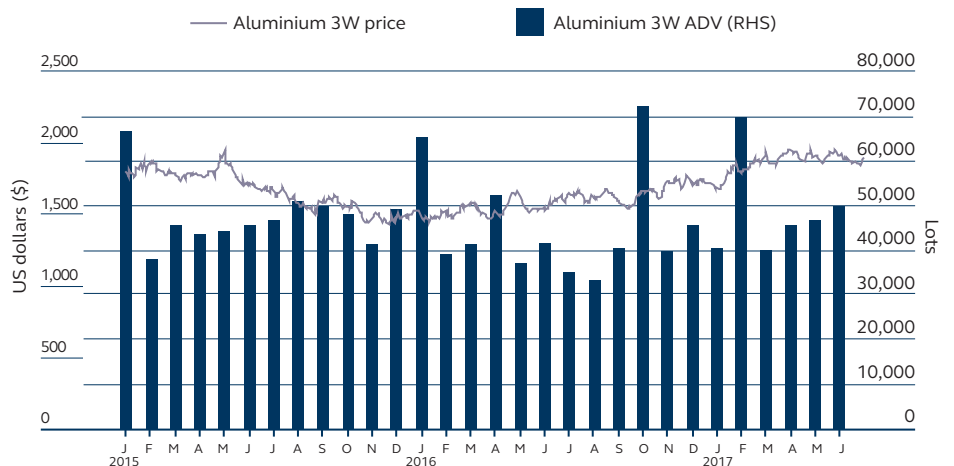
The 3 Month (3M) price represents the price agreed to settle or deliver material three months from the time that the price is agreed and concentrates liquidity on one day.

Volatility is an important parameter for some participants as it can often determine the level of involvement in a financial instrument.



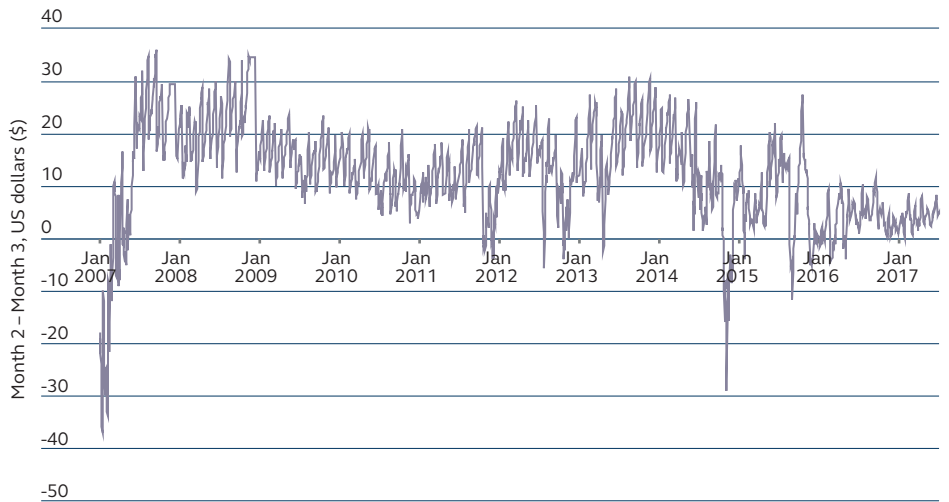
3rd Wednesday price

3rd Wednesday contracts are monthly futures that exist within the current prompt date structure for all major LME contracts expiring on the 3rd Wednesday of each month.



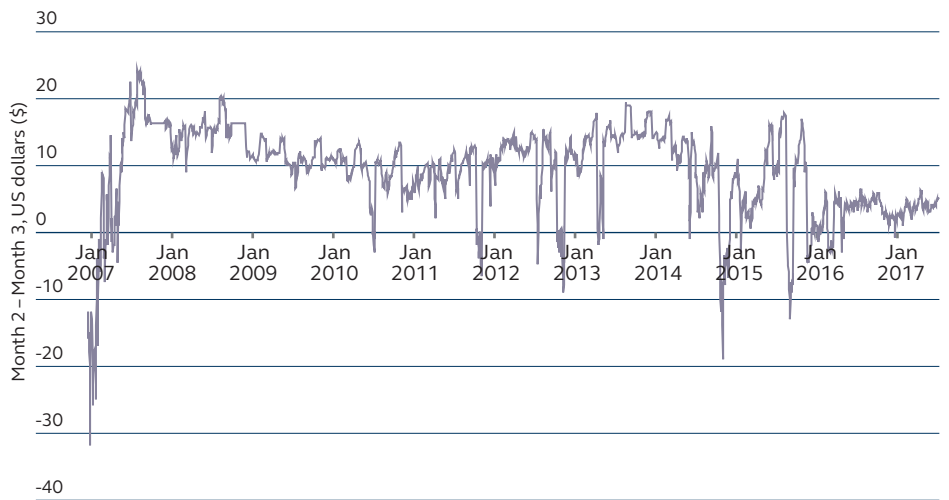
3M to 3rd Wednesday spread

This is the spread between the 3M rolling forward contract and a monthly futures contract or an adjustment of a position from the daily expiry (three months forward) into monthly expiry.



Calendar spread

3rd Wednesday to 3rd Wednesday spreads are calendar spreads used for rolling a position from one month to another.



LME Aluminium arbitrages

Regional prices for aluminium are impacted by different factors including economic, physical and logistical influences. Traders can arbitrage the differences in aluminium price on the Shanghai Futures Exchange (SHFE) and the Multi Commodity Exchange of India (MCX).



LME Aluminium contract specification

Contract specification	LME Aluminium		
Contract names and codes	LME Aluminium (AH)		
Contract type	Futures		
Delivery type	Physically settled		
Lot size	25 metric tonnes		
Price quotation	US dollars per metric tonne		
Clearable currencies	US dollars, Japanese yen, sterling, euro		
Trading venues	Ring, LMEselect and inter-office telephone		
Trading hours	Ring: 11:40 - 17:00 London time LMEselect: 01:00 - 19:00 London time Inter-office: 24 hours a day		
Contract period	Daily: out to 3 months Weekly: 3 out to 6 months Monthly: 7 out to 123 months		
Minimum price fluctuation (tick size) per metric tonne	Venue	Outright	Carries
	Ring	\$0.50	\$0.01
	LMEselect	\$0.50	\$0.01
	Inter-office	\$0.01	\$0.01
Termination of trading	Up until the close of the first Ring the day before the prompt date		
Margining	Discounted Contingent Variation Margin applied		

For more information about LME Aluminium please visit our website at lme.com/aluminium or get in touch with the team: sales@lme.com



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