

SETTING THE GLOBAL STANDARD

Nickel, which started trading on the London Metal Exchange (LME) in 1979, is a key component in the making of stainless steel – 78% of the world’s nickel is consumed by the stainless steel industry. It also plays a crucial role in battery technology and will play a big part in the developing electric vehicle (EV) and energy storage stories.

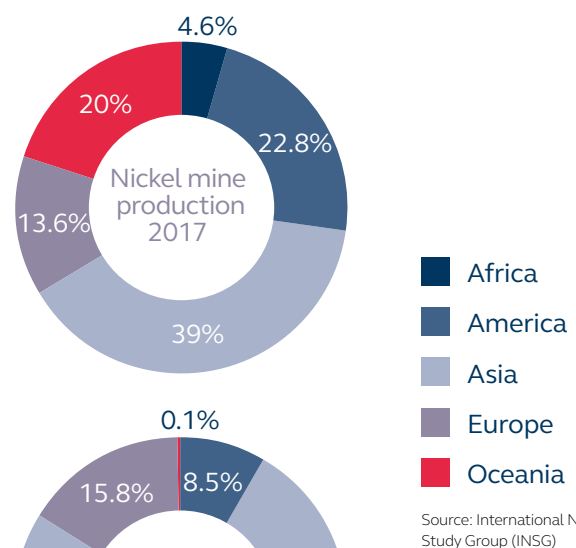
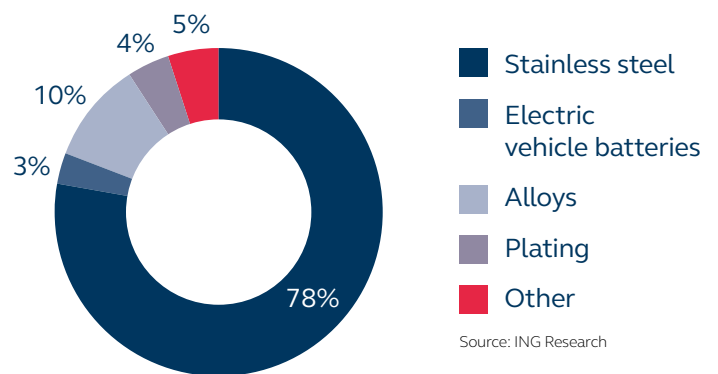
In 2017, nearly 22m lots of LME Nickel were traded on exchange, equating to approximately 132m tonnes and \$1.4 trillion in notional value with a market open interest high of over 345,000 lots (2.07m tonnes).

Nickel was first identified in 1751 by Swedish chemist Axel Fredrik Cronstedt but can be traced in bronzes from the Middle East as far back as 3500 BC. Miners in the 15th century called it ‘Kupfernickel’ (devil’s copper) due to the reddish hue of the ore and the difficulty it took to extract.

Nickel is a silvery-white, high-shine metal originally used in coins and now predominantly used to make stainless steel. It is one of only three elements which are ferromagnetic at, or close to, room temperature (the others are iron and cobalt). Often nickel is alloyed and used for plating because of both its corrosion-resistant nature and the stress it can endure under high and low temperatures.

Nickel use has been growing at a rate of about 4% a year since 2010 while use of nickel-containing stainless steel has been growing at roughly 6% according to the Nickel Institute. The metals market as a whole has recognised that green energy will play a key role in nickel’s future. The rapid rise of electric vehicles and growing importance of battery technology are likely to increase demand for higher purity nickel. Whilst EV’s only represent a small share of current automotive manufacturing, and in turn a small part of the nickel story, government policy and the strategic plans of well-known automotive players are driving the renewable energy industry forward, which will impact the nickel futures market.

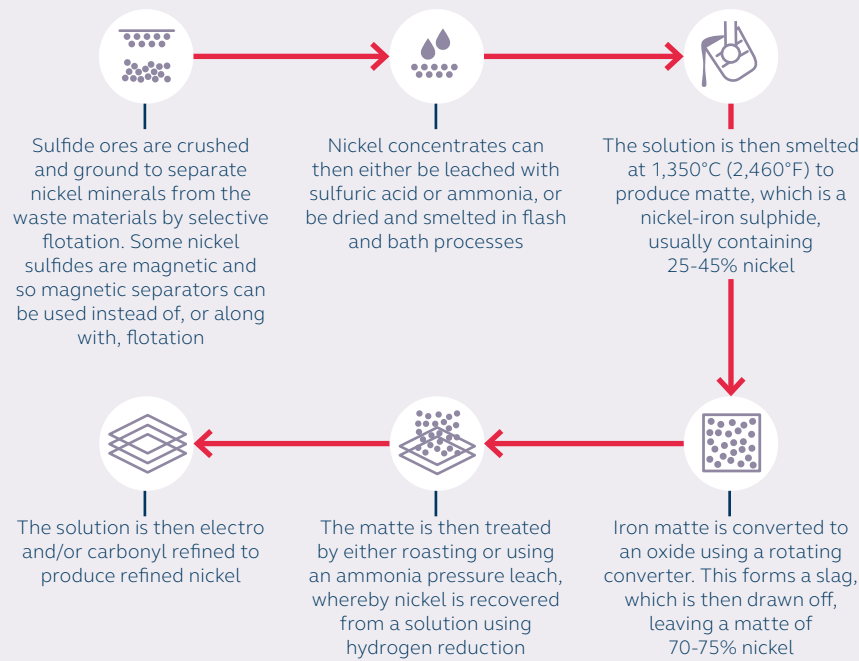
Main industry uses of nickel



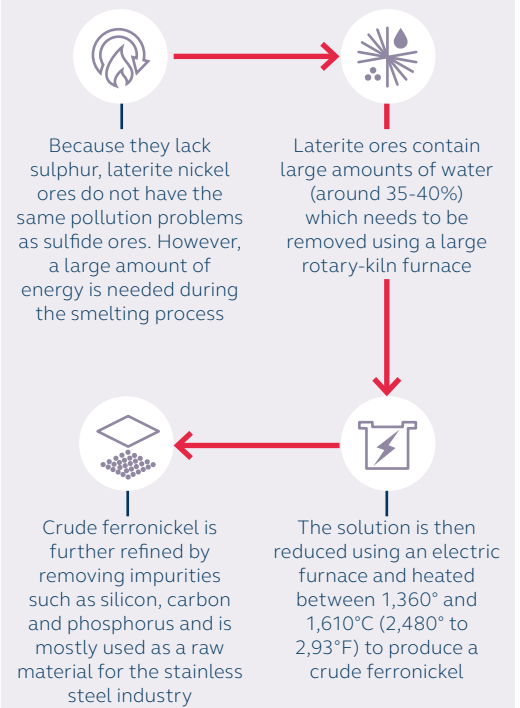
Nickel production process

Nickel is found in two very different types of ore: sulfide ores and laterite ores. The type of ore in a specific deposit has implications on how the deposit will be mined, how the ore itself will be processed into refined nickel and which uses it may be best suited for.

Sulfide ores



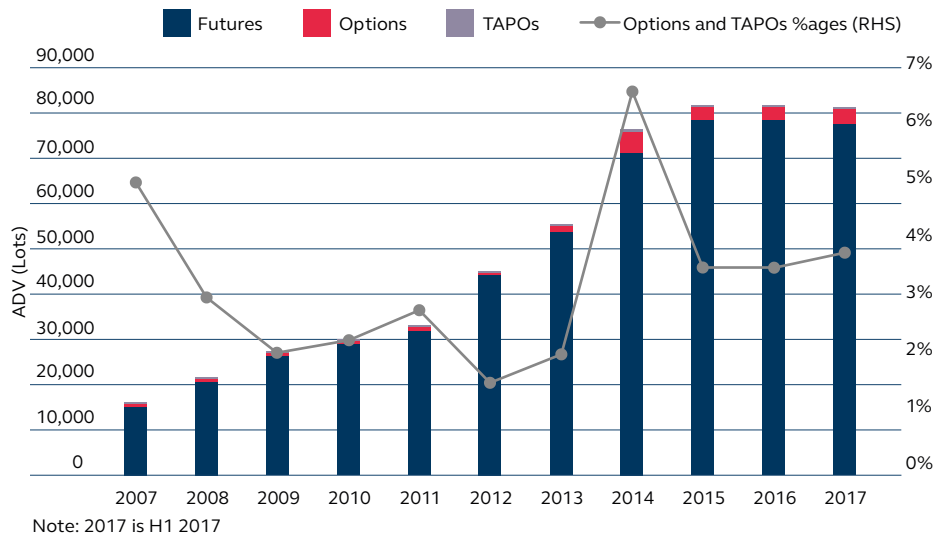
Laterite ores



LME Nickel trading data

Average daily volume

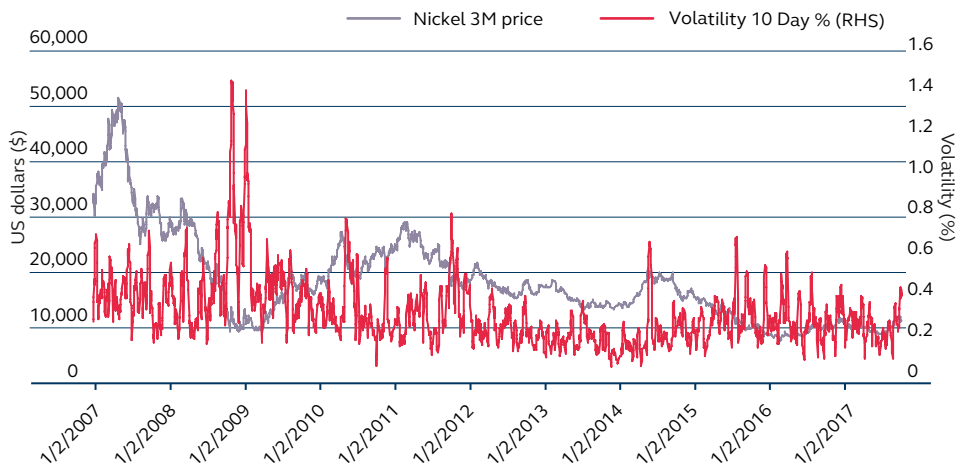
Daily volume for LME Nickel averages over 75,000 lots per day, with LMEselect volumes accounting for about 40% of all market traded volume.



3-Month price and intraday volatility

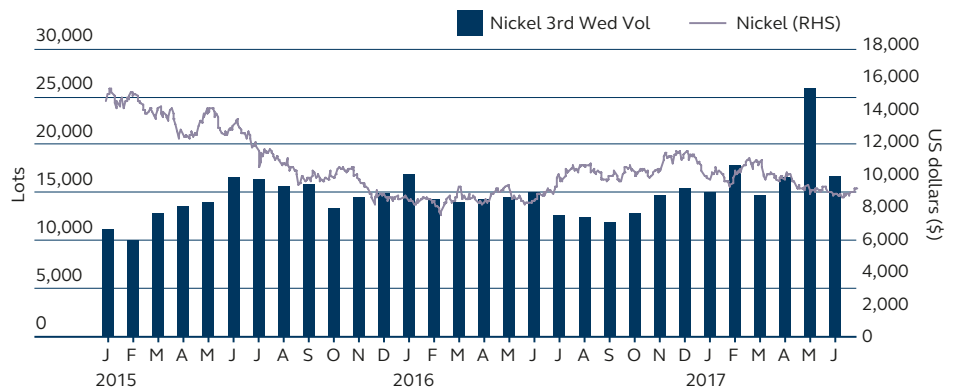
The 3-month (3M) price represents the price agreed to settle or deliver material three months from the time that the price is agreed and concentrates liquidity on one day.

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



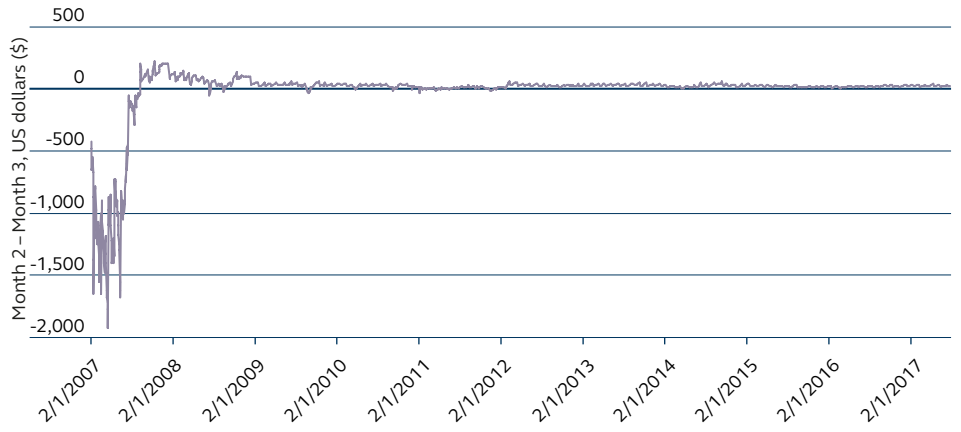
3rd Wednesday price

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.



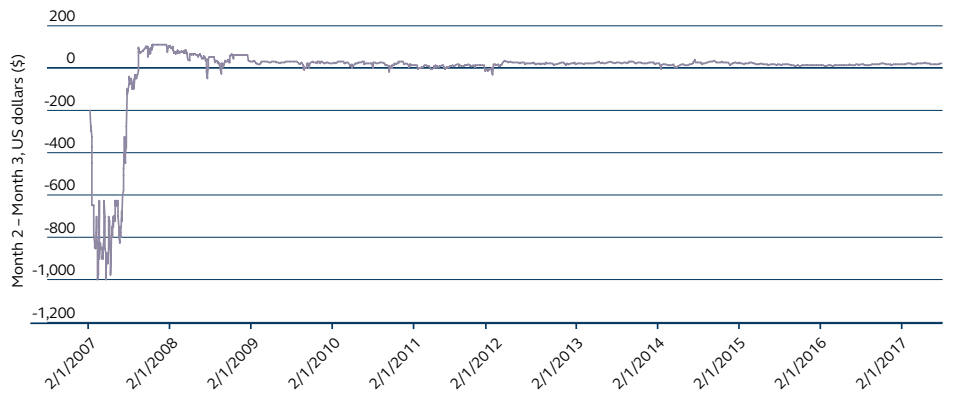
3M to 3rd Wednesday spread

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 are calendar spreads (known as carries on the LME) used for rolling a position from one month to another.



LME Nickel arbitrages

Regional prices for nickel can vary with different factors like economic, physical and logistical influences all playing a role. Traders can arbitrage these temporary differences and often do so by buying LME Nickel and selling Shanghai Futures Exchange (SHFE) nickel, or vice versa.



LME Nickel contract specification

Contract specification	LME Nickel		
Contract name and code	LME Nickel (NI)		
Contract type	Futures		
Delivery type	Physically settled		
Lot size	6 metric tonnes		
Contract period	Daily: out to 3 months Weekly: 3 out to 6 months Monthly: 7 out to 63 months		
Price quotation	US dollars per metric tonne		
Clearable currencies	US dollars, Japanese yen, sterling, euro		
Minimum price fluctuation (tick size) per metric tonne	Venue	Outright	Carries
	Ring	\$5.00	\$0.01
	LMeselect	\$5.00	\$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		
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		
Margining	Contingent variation margin		

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



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