

SETTING THE GLOBAL STANDARD

LME Zinc first started trading on the London Metal Exchange (LME) in 1920, with the current specification introduced in 1986. It is one of the most liquid markets on the LME and many analysts refer to its direct relationship with global economy because of its role in galvanising steel to protect it from weather and corrosion, making it essential for the construction industry.

As a metal, zinc was first officially recognised by German chemist Andreas Sigismund Marggraf in 1746. Blueish-silver in its appearance, it is generally hard and brittle but becomes ductile between 100 and 150 °C (212-302 °F). At higher temperatures the metal reverts back to its brittle state and can then be crushed by beating. Whilst fragile in its pure state, alloyed zinc can have higher impact strength than other die casting alloys.

The zinc industry has two main types of end user: first users and end users. First users include galvanisers, die-casters, brass-makers and relatively smaller applications like chemicals manufacturing. Galvanising involves coating other metals such as steel or iron in molten zinc to form a protective layer to prevent corrosion. Zinc-coated steel can also tolerate higher loads and is fire resistant. Die-casters manufacture strong, complex and intricately shaped metal components such as key rings, screws, seatbelt buckles and so on. Combining copper and zinc creates brass, an alloy which is used for radiator tubes and tanks, musical instruments, clock mechanisms, pipe/water fittings and nuts and bolts. The proportions of zinc and copper can range from 65:35 to 50:50 (copper:zinc) to create different types of brass alloys with varying mechanical and electrical properties.

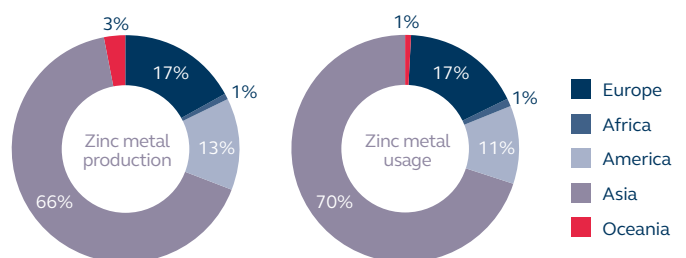
End users of zinc take the output of the first users as an input of their manufacturing processes for example in the construction, automotive, hardware/furniture, electronic, medical, toy and clothing industries..

Zinc's main end uses are:

- construction
- manufacturing
- fertilisation
- chemical
- supplements.

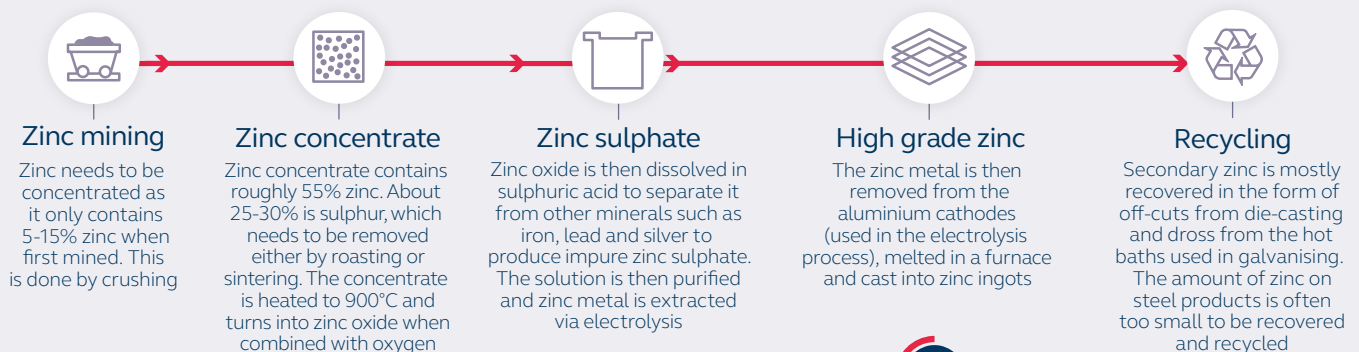
Zinc can be repeatedly recycled without any detriment to its chemical and physical properties. According to the International Zinc Association, approximately 70% of the zinc produced worldwide originates from mined ores and the other 30% from recycled or secondary zinc.

Zinc mine production and usage by continent 2016



Source: International Lead and Zinc Study Group (ILZSG)

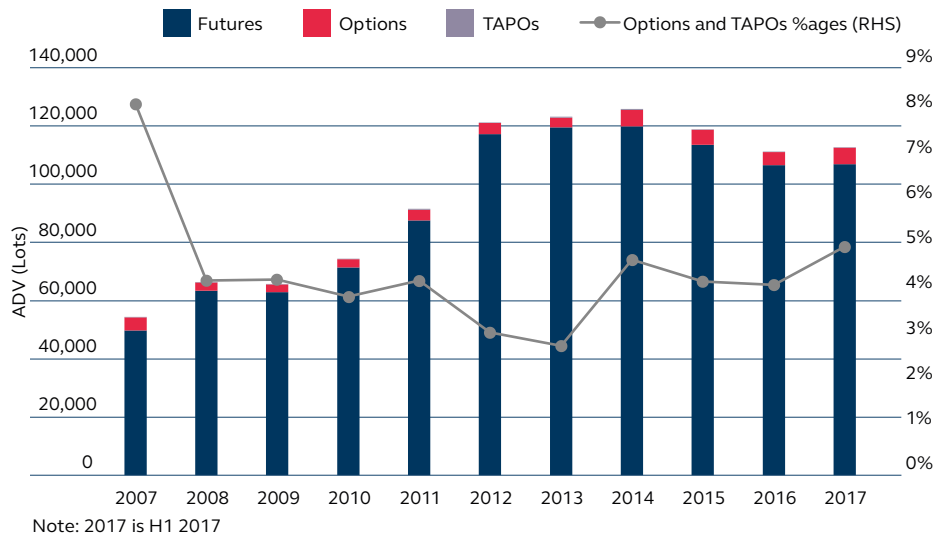
Zinc production process



LME Zinc trading data

Average daily volume

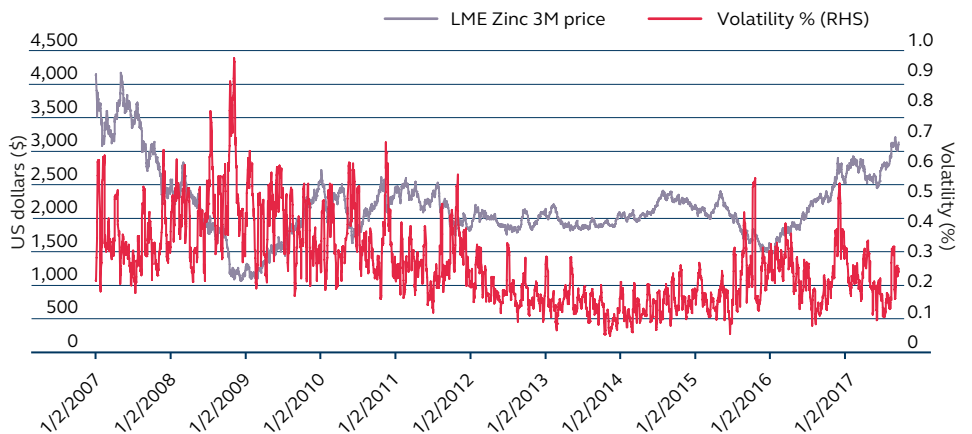
Daily volume for LME Zinc averages over 100,000 lots per day. LMEselect accounts for about 40% of all market traded volume.



3 Month price and intraday volatility

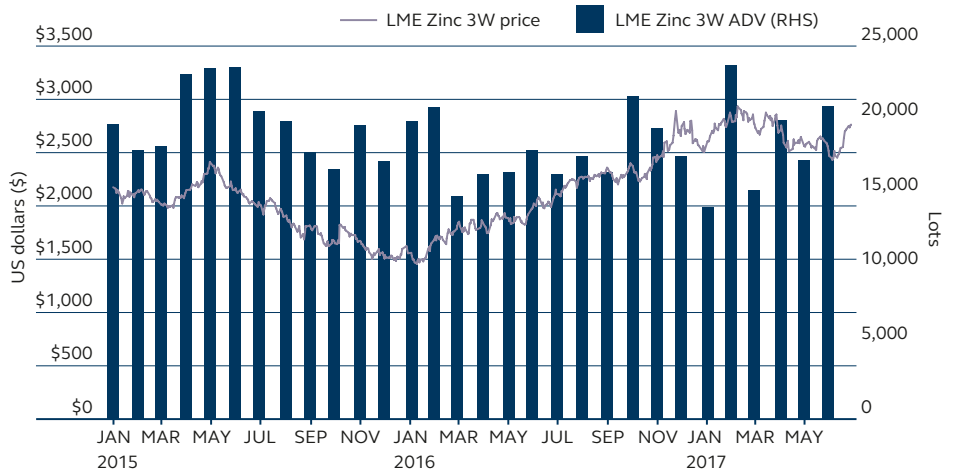
The 3 Month (3M) price represents the price agreed to settle or deliver material three months from the time that the price is agreed and concentrates liquidity on one day.

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



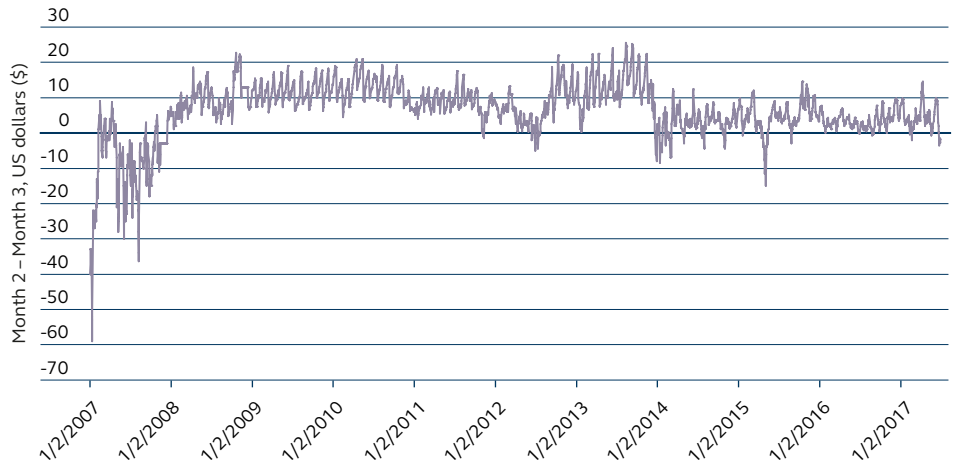
3rd Wednesday price

3rd Wednesday (3W) 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.



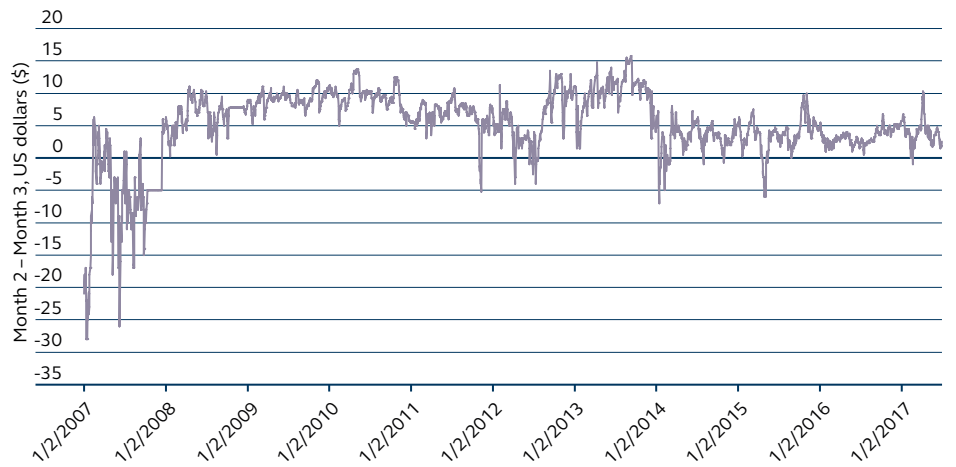
3M to 3rd Wednesday spread

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 Zinc arbitrages

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



LME Zinc contract specification

Contract specification	LME Zinc		
Contract names and codes	LME Zinc (ZS)		
Underlying material	Special high-grade zinc of 99.995% purity minimum		
Contract type	Futures		
Delivery type	Physically settled		
Lot size	25 metric tonnes		
Contract period	Daily: out to 3 months Weekly: 3 out to 6 months Monthly: 7 out to 123 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	\$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		
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 applied		

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



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