

# The Metals Debate – Lead & Zinc

**Natalie Scott-Gray**, Senior Metals Analyst, *StoneX*

Monday 24 October, London and online



SETTING THE GLOBAL STANDARD



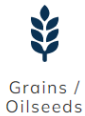
# LME Week Seminar Metals Debate: Zinc & Lead

StoneX Financial Ltd

24<sup>th</sup> October 2022

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Base Metals  
EMEA & Asia

Markets Traded ×



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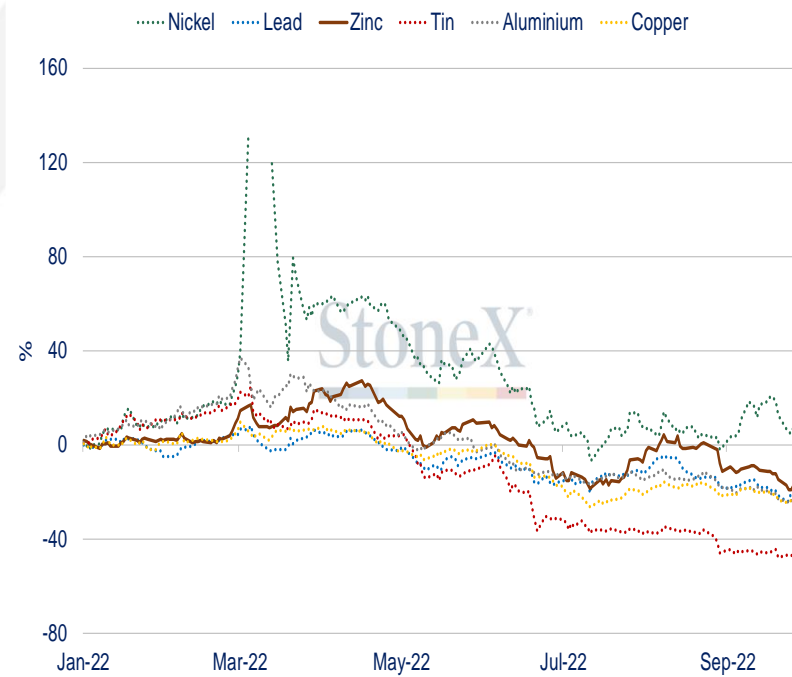
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- **Zinc Market Update**
    - How Have the Fundamentals Changed Over 2022
    - 2023 Supply Drivers
    - 2023 Demand Drivers
    - Summary & Conclusions
  
  - **Lead Market Update**
    - How Have the Fundamentals Changed Over 2022
    - 2023 Supply Drivers
    - 2023 Demand Drivers
    - Summary & Conclusions
- 



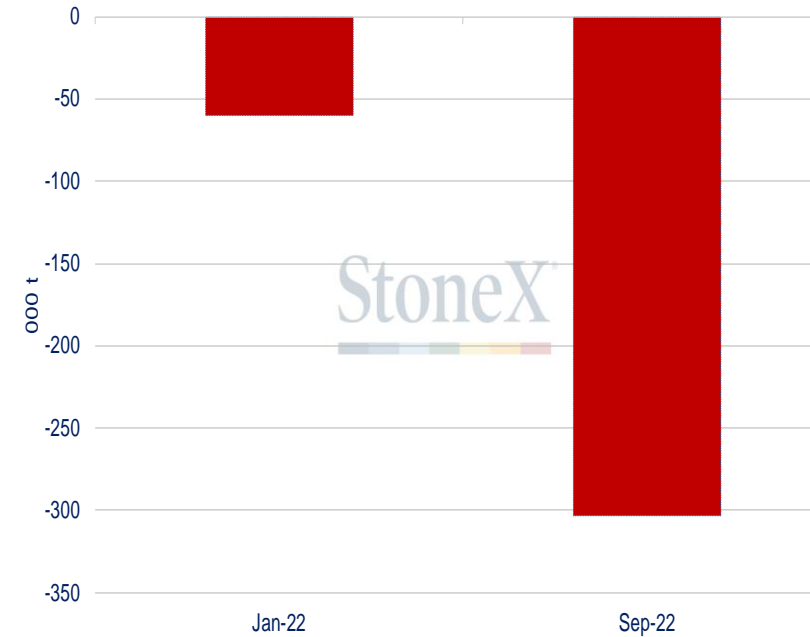
## Zinc: How Has the Fundamental Picture Changed?

Price Performance of LME 3M Base Metals (YTD)



Source for chart: Bloomberg, StoneX

Zinc Market Balance 2022 - Forecast Comparison

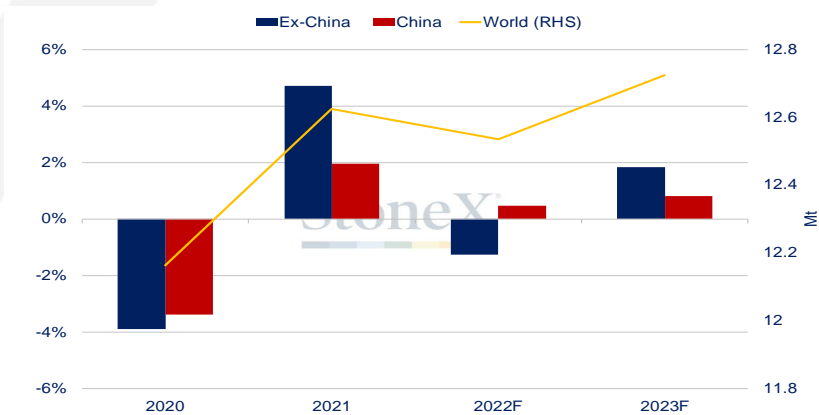


This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX

- We forecast that zinc will record a significantly larger than expected deficit in 2022, with exaggerated supply risks (stemming from smelter bottlenecks within Europe) offsetting demand weakness.
- Robust fundamentals have helped underpin zinc's price performance over the rest of the suite in 2022.

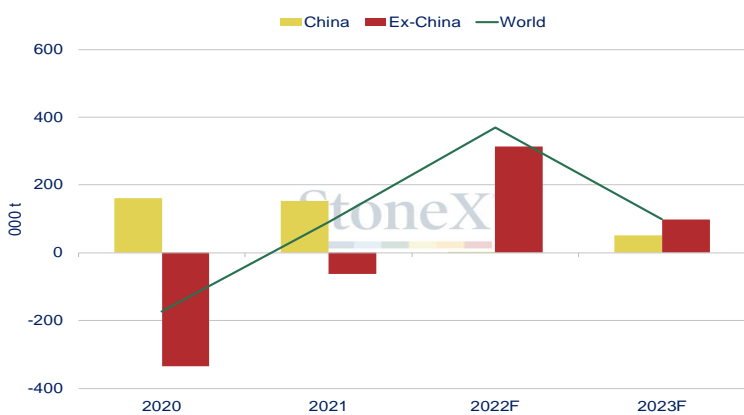
# Zinc: European Energy Security Concerns To Drive Refined Supply Outlook in 2023

Zinc Mine Production to Improve After Year of Hurdles



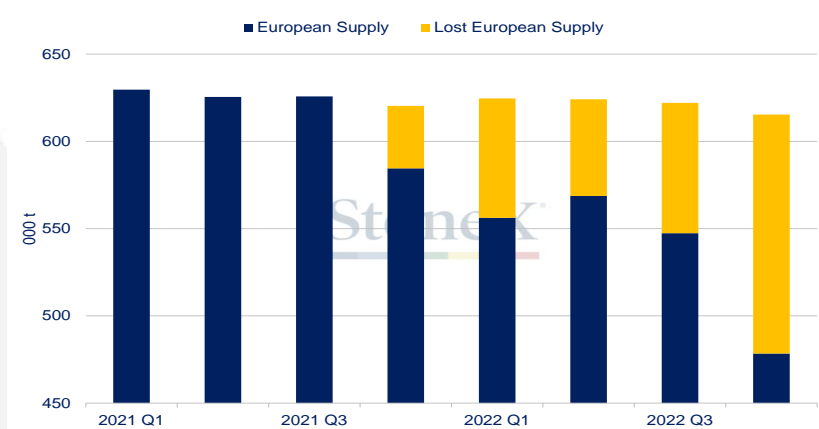
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Concentrate Market to Remain in a Surplus



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Source for chart: Bloomberg, CRU, StoneX

Impact of Disruption to European Production Set to Continue



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Source for chart: Bloomberg, CRU, StoneX

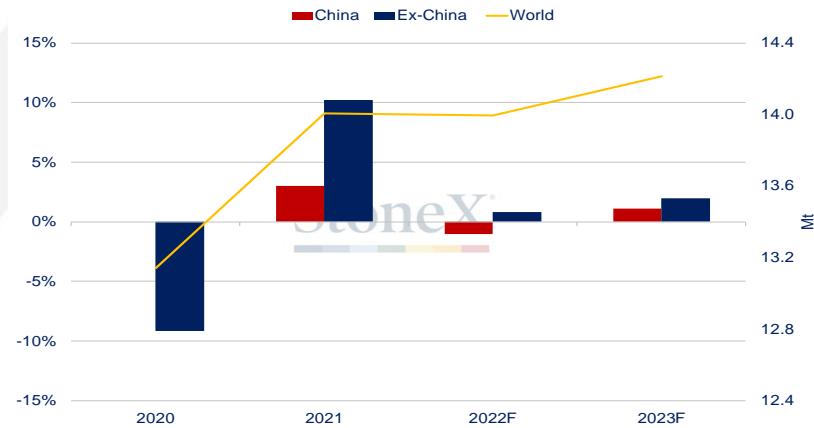
Refined Supply to Recover Globally, But Downgraded due to European Supply Disruptions



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Source for chart: Bloomberg, CRU, StoneX

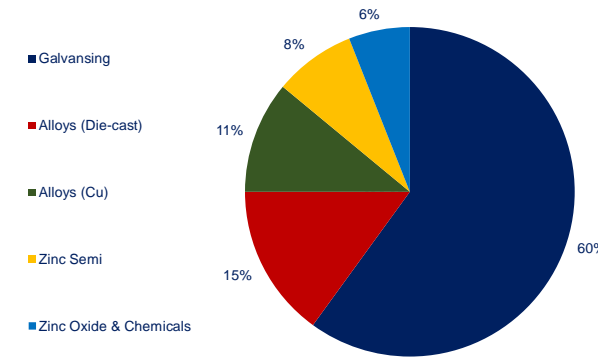
# Zinc : Constrained Industrial Production to Hit Demand Prospects in 2023

## Refined Zinc Consumption to Remain Weak



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Source for chart: Bloomberg, CRU, StoneX

## End Uses of Zinc



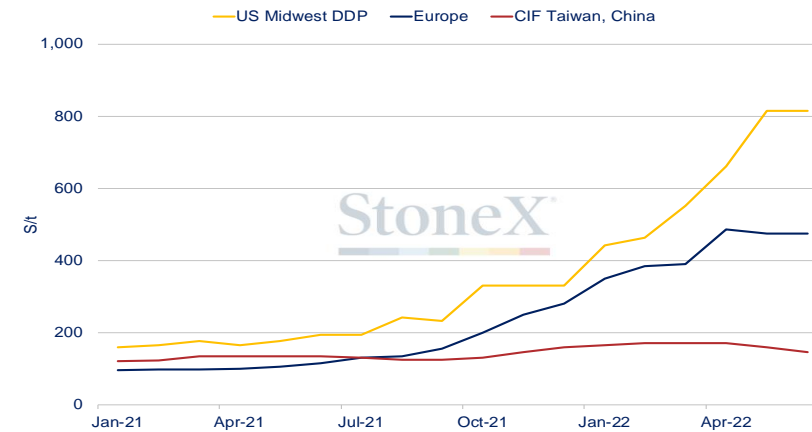
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Source for chart: Bloomberg, CRU, StoneX

## Industrial Production Growth to Slow in 2023



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Source for chart: Bloomberg, CRU, StoneX

## Physical Premia to Remain Historically Elevated



Source for chart: Bloomberg, CRU, StoneX

# Zinc: Well Positioned to Outperform Average Base Metal Suite Price Performance

## Zinc Market Balance to Remain in a Deficit in 2023



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX

## LME Zinc 3M



Source for chart: Bloomberg, CRU, StoneX

- Macro headwinds amid mild fundamentals are set to result in lower average LME prices for zinc 2023 compared to 2022, with the market balance forecast to record a shrinking deficit upon slowing global demand prospects, while supply risks remain.



- The timing and pace of a Chinese recovery will be critical in underpinning higher prices, not just in raising demand prospects, but exaggerating regional supply tightness in the west upon a redirection of trade routes (and opening of the SHFE/LME arbitrage).

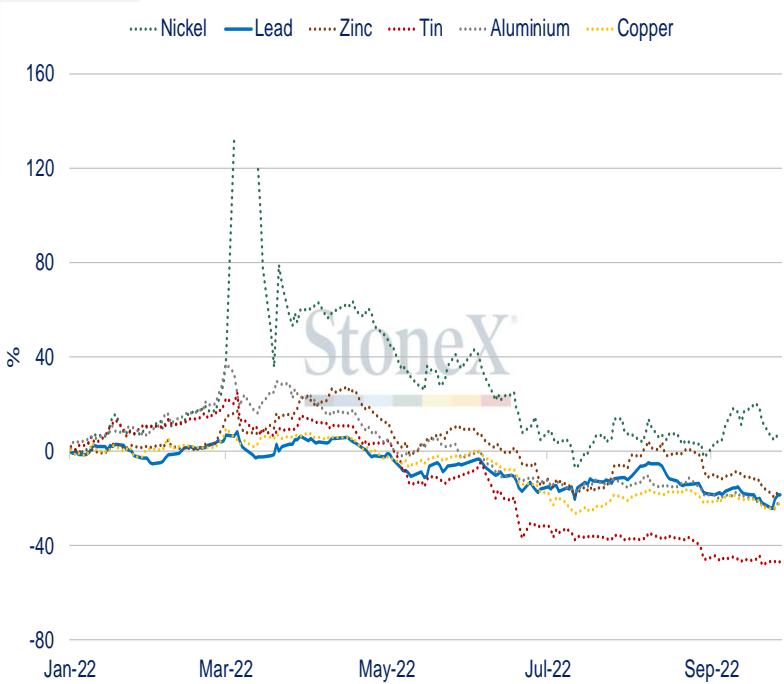


- Smelter profitability bottlenecks within Europe will remain a key story-line in the year ahead, with record low global stock inventories likely to result in price volatility upon backwardations on the LME.



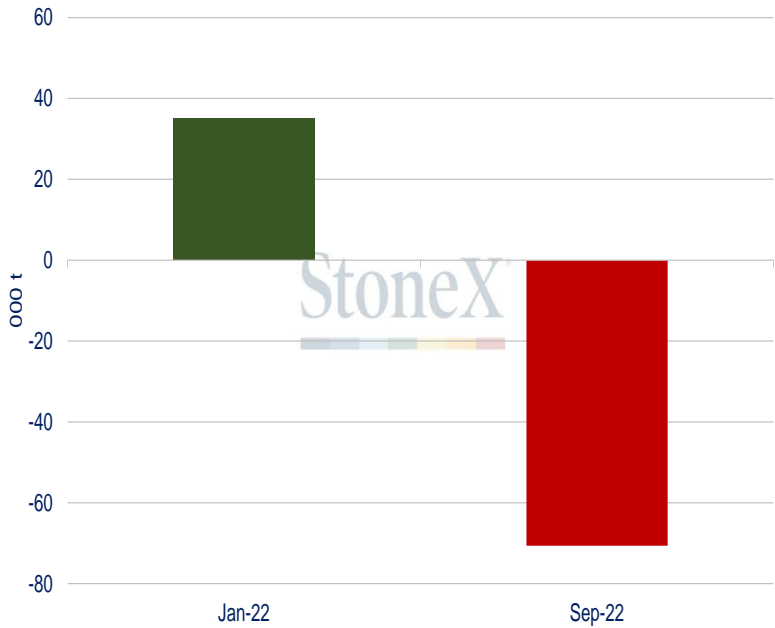
# Lead: How Has the Fundamental Picture Changed in 2022?

Price Performance of LME 3M Base Metals (YTD)



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Source for chart: Bloomberg, CRU, StoneX

Lead Market Balance 2022 - Forecast Comparison



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Source for chart: Bloomberg, CRU, StoneX

- Lead is forecast to flip into a deficit in 2022 (reversing our expectations of a modest surplus), driven by supply downgrades (on the back of smelter bottlenecks on a global scale), offsetting a weakening demand picture.
- Lead is likely to remain on a less volatile path than the rest of the base metal suite due to its lower exposure to primary supply risks, smaller market imbalances, relative illiquidity and commonly misunderstood long-term role in decarbonisation.

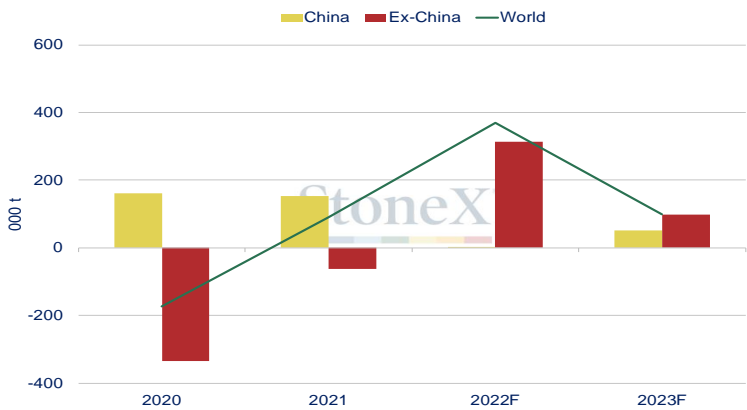
# Lead: Universal Rebound in Refined Production After Smelter Bottlenecks in 2022

Lead Mine Production to Rebound



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX

Concentrate Surplus to Pull Down From Three Year High



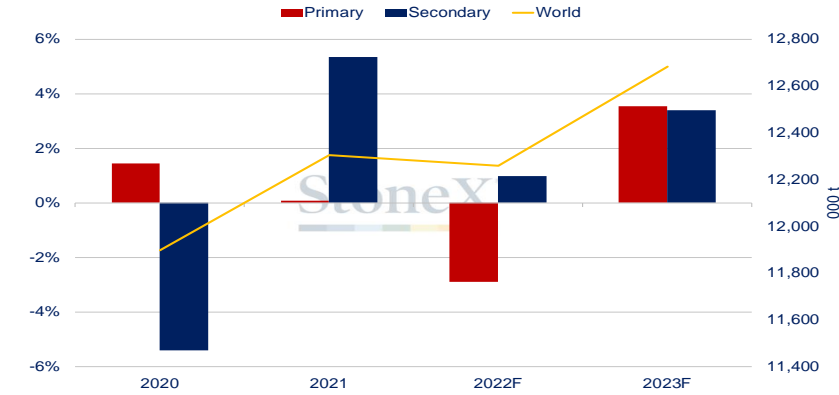
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Source for chart: Bloomberg, CRU, StoneX

Refined Production to Rebound to Record High



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Source for chart: Bloomberg, CRU, StoneX

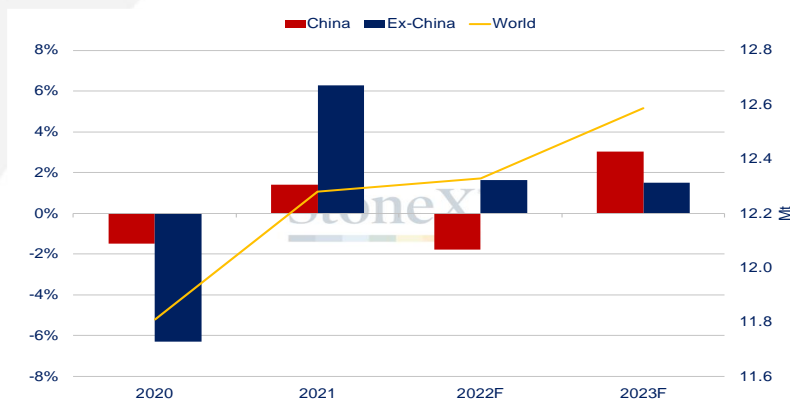
Production Recovery to be Universal



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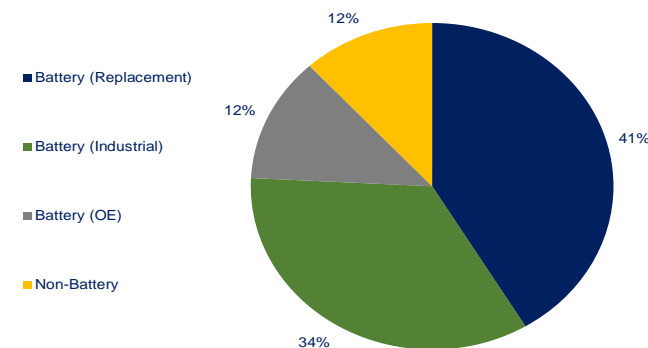
# Lead : Recovery in Supply Chains to Unlock Higher Demand in 2023 – Focus on China

## Refined Lead Consumption Forecast



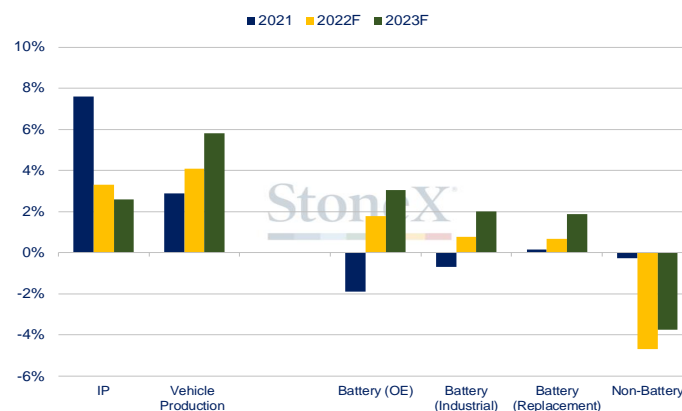
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Source for chart: Bloomberg, CRU, StoneX

## End Uses of Lead



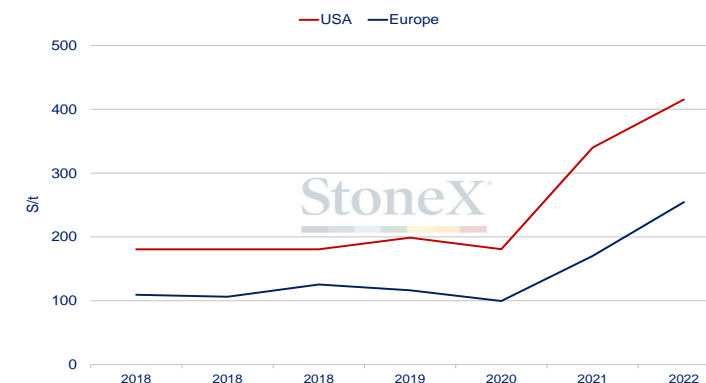
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Source for chart: Bloomberg, CRU, StoneX

## Demand From OE to Underpin Growth



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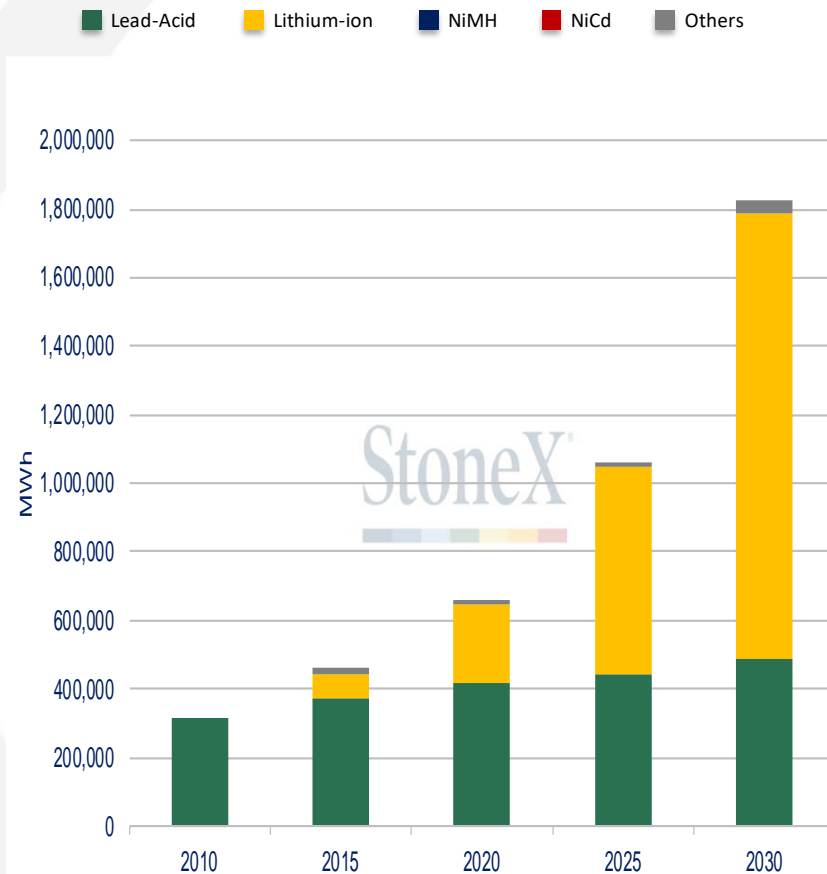
## Supply Shortfall in the West – A Sellers' Market?



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX

## Lead's Role In the Green Transition – Misunderstood?

Global Rechargeable Battery Market (in MWh) by Battery Type



This table includes predictions/forecasts. Past performance may not be a reliable guide to future performance.  
Source for chart: Bloomberg, CRU, StoneX

Lead-acid batteries will remain a dominant battery technology over the decade, with demand set to expand

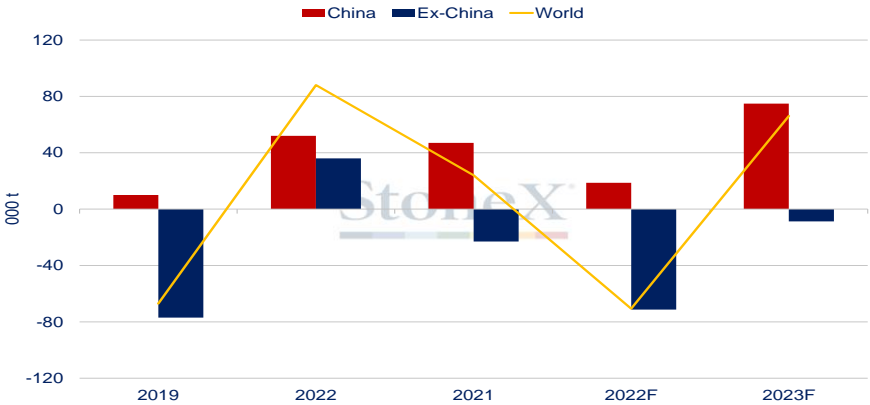


### Key Drivers Behind Lead's Use in a Greener World?

- ICE vehicles to remain dominant powertrain over the decade (lead battery replacement 3x over lifetime)
- Long tail of ICE battery replacement
- Lead-Acid to remain dominant battery in industrial applications
- Use in New Electric Vehicles (as auxiliary battery)
- Increasing use in Energy Storage Systems (ESS)
- Established 'closed loop' recycling
- Lower raw material cost (compared to lithium-ion batteries)

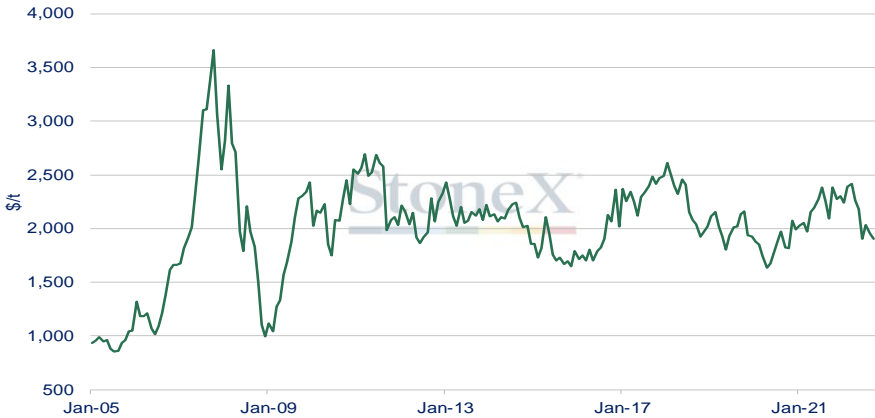
# Lead: Supply Cushion to Leave Lead Lagging in 2023

Lead Market Balance Forecast



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Source for chart: Bloomberg, CRU, StoneX

LME Lead 3M



Source for chart: Bloomberg, CRU, StoneX

- Macro headwinds amid modest fundamentals are set to result in lower average LME prices for lead in 2023 compared to 2022, with the market flipping into a surplus upon a universal rebound in supply.



- Regional market imbalances will remain in 2023, with China-led Asia exports key to easing tightness.



- Demand recovery will continue to be aided by improving supply chains in, supporting OE demand, although inflation-driven demand weakness is forecast to impede the speed of recovery over the next year, with battery replacement outstripping OE demand.



- Lead to be part of the solution towards decarbonation goals, alongside (not against) lithium-ion batteries.



- **Lead** prices to remain on a less volatile path than the rest of the base metal suite due to its lower exposure to supply risks, smaller market imbalances, relative illiquidity and misunderstood long-term role in decarbonisation (weakening future investor sentiment).

## THANK YOU



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# The Metals Debate

## Moderator:

**Andrea Hotter**, Special Correspondent, *Fastmarkets*

## Panellists:

- Aluminium – **Jorge Vasquez**, Managing Director of Market Intelligence & Industry Consulting *Harbor Aluminum*
- Copper – **Ed Meir**, Consultant, *Commodity Research Group*
- Lead and zinc – **Natalie Scott-Gray**, Senior Metals Analyst, *StoneX*
- Nickel – **Jim Lennon**, Consultant, *Macquarie*
- Steel – **Colin Richardson**, Steel Lead, *Argus Media*
- Tin - **James Willoughby**, Analyst, *International Tin Association*

### Questions:

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