Metals Daily

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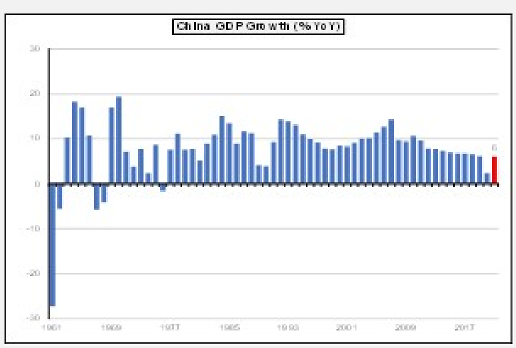
What's moving markets?

- Biden **stimulus**, the second biggest economic stimulus in US history, will boost global recovery from Covid, says **OECD**. US spending package forecast to add 1 percentage point to world's economic growth this year, as it upgraded its outlook for global growth. The OECD said it expected a stronger rebound from last year's historic recession than it forecast in November, mainly because of the rapid rollout of Covid-19 vaccination programmes in many countries and the increase in US stimulus spending. As a result, the global economy will expand by 5.6% this year, an upgrade of 1.4% from its November forecast.
- Overall **trade data** also showed demand for Chinese made products were also strong. Exports from China jumped 60.6% YoY in USD terms in Jan-Feb. The figures were distorted by the Covid-19 impacted period in 2020. However, they suggest economic growth outside of China continues to recover.
- **Gold** regained the $1,700 level on renewed geopolitical tensions in the Middle East and massive US stimulus stoked concerns over inflation. However, holdings in gold-backed ETFs continue to fall, with the biggest outflow in tonnage terms (361,944oz) on Monday. The attractiveness of cryptocurrencies, other precious metals (more industrial such as **silver** and the **PGMs**) and industrial commodities/battery raw materials could be dulling gold's lustre.
- **Base metals** are generally consolidating after recent weakness, while there are cross currents in the form of higher bond yields, US stimulus and inflation expectations affecting sentiment. The pullbacks have been quite varied across the base metals on the LME, ranging from 6% for **aluminium** and 21% for **nickel**, with the average fall being 8%. So far **copper** has been the most buoyant following last week's 11% pullback, it is now off by 6% from the February high on a possible mineworkers strike at the Los Pelambres mine in Chile. Chinese demand remains strong: Imports of refined copper rose by 4.7% YoY in Jan-Feb, though monthly imports levelled-off from the highs of July and September. Copper concentrate imports alone were up nearly 1%.

Theme of the Day: China's National People's Congress

- Premier Li Keqiang delivered his work report on behalf of the State Council which set China's **GDP** growth target at above 6% for 2021. The IMF forecast back in January that China's economy would grow by 8.1% in 2021. The report covered areas such as economic development amid the global pandemic, opening-up, financial system reform, poverty alleviation, innovation and technology development, environmental protection, and used the word technology some 23 times. It also set a target of creating 11mn new urban jobs, while targeting inflation via the consumer price index (CPI) to grow at around 3%.
- Considering **infrastructure**, the message was unchanged, the local government special bond issuance quota was set at 3.65 trillion yuan ($564bn), down from 3.75tn RMB in 2020. Li also confirmed that "no Covid-19 bonds will be issued" after China issued 1tn RMB of special Treasury bonds last year. There is to be no easing of monetary policy "We will give even greater priority to serving the real economy and balance the needs of promoting economic recovery and preventing risks. We will see that increases in money supply and aggregate financing are generally in step with economic growth in nominal terms, maintain a proper and adequate level of liquidity supply, and keep the macro leverage ratio generally stable."
- The lesson from the current Two Sessions is that Beijing is happy to swap "growth" for **"sustainable growth"**. The second requiring a more targeted and long-term approach to build domestic demand, an independent technology industry and supply chain independence to name only three. Beijing does not want to repeat the mistakes of 2008 where it boosted short-term economic growth leaving it with a significant debt burden. China will spend, but in line with its emerging "Vision 2035 "policy which looks to double wealth within a "smarter" greener environment.



Source: OECD, World Bank, IMF, RBMC

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