

United Nations Conference on Trade and Development

MULTI-YEAR EXPERT MEETING ON COMMODITIES AND DEVELOPMENT

21-22 April 2016, Geneva

**How developing nations can efficiently use the commodity
markets to manage their risk**

By

Mr. Robert Fig, Head, Physical Market Sales, London Metal
Exchange

The views expressed are those of the author and do not necessarily reflect
the views of UNCTAD.



Recent developments and new challenges in the commodity markets: Minerals Ores and Metals

Presented by Robert Fig
UNCTAD
21 April 2016 – London

The Ring: global reference price

The home of global metals markets since 1877 with London trading routes back to 1500's



1800's



1950's



1970's



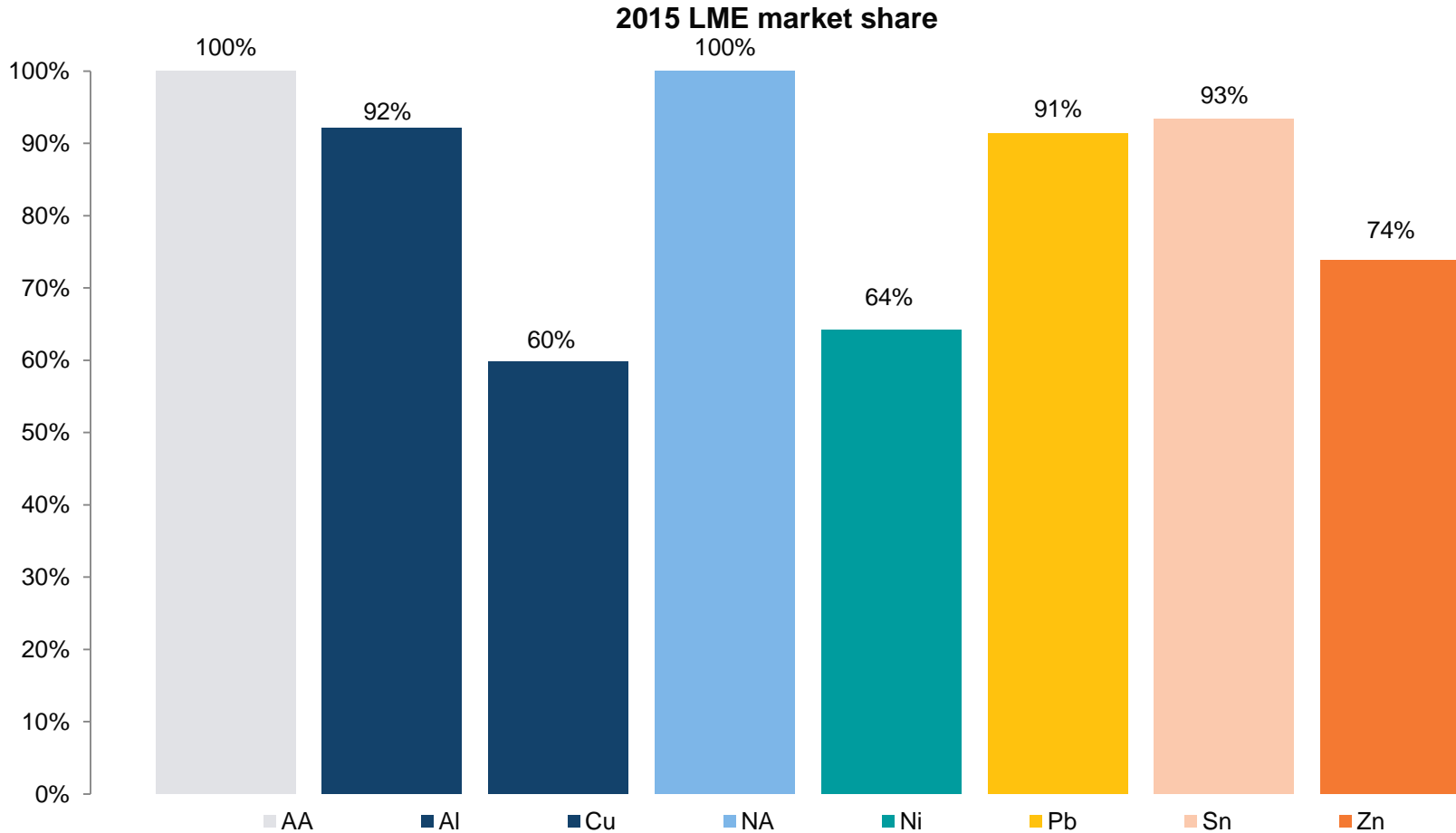
1994-2016
Leadenhall Street



2016
#10 Finsbury Square

The LME is the leading metal exchange

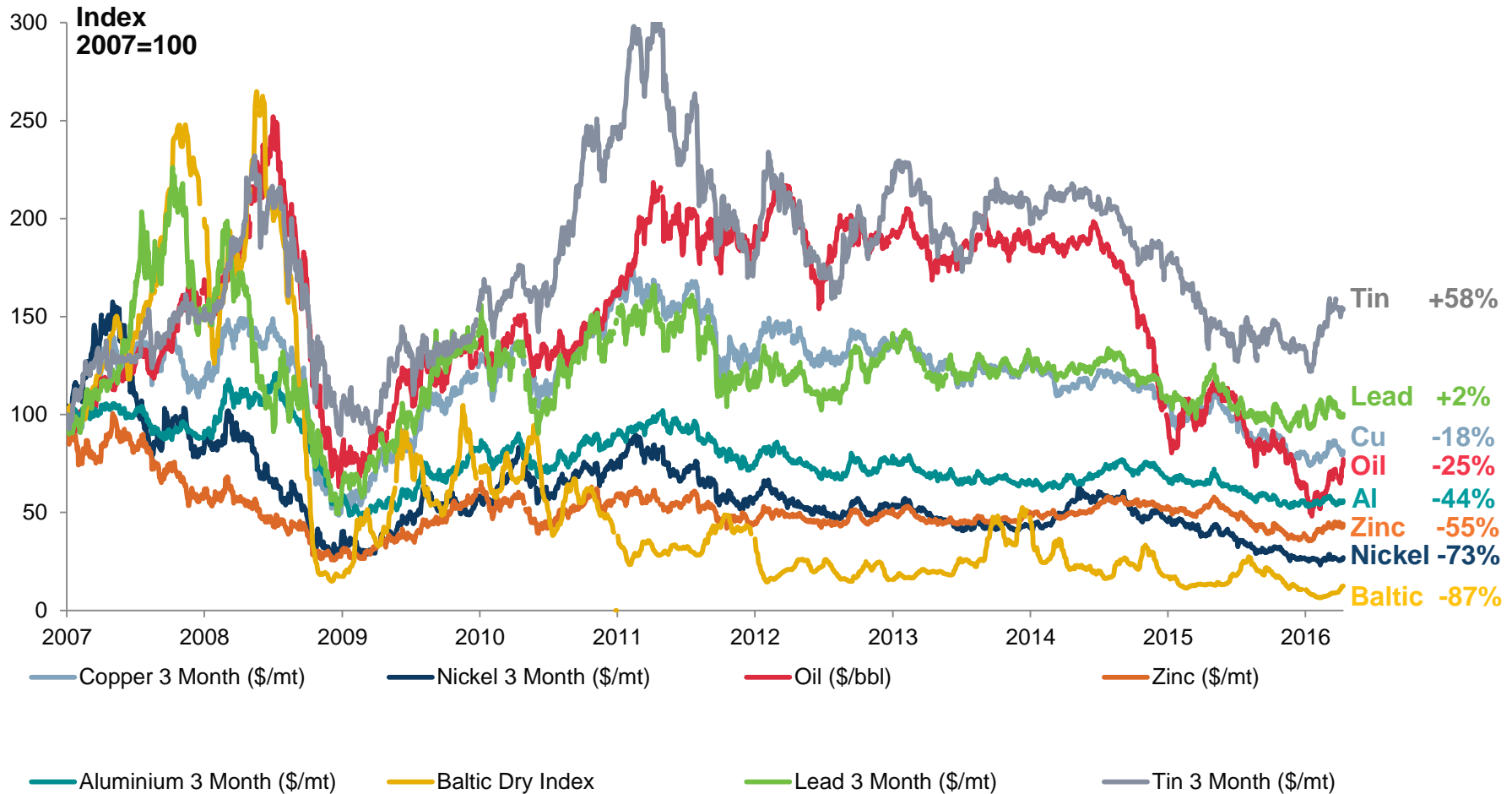
LME Share of exchange metal traded



Global commodity markets are down

Only Tin is up since 2007 whilst lead is flat

Losses as much as 72% Nickel and 87% Baltic Dry Index



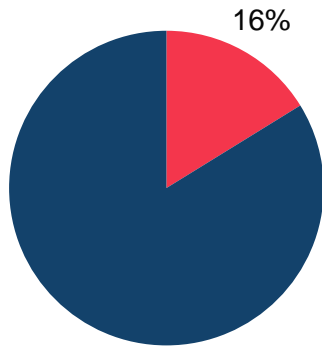
Data as of 14th April 2016
Source: LME, Bloomberg

Natural resources exposure

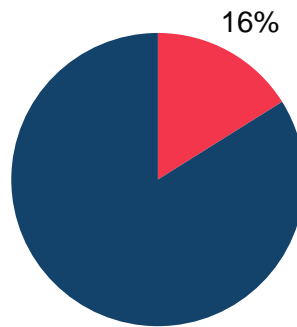
Sum of resource rents as % of GDP

*additional benefits from manufacturing and equipment

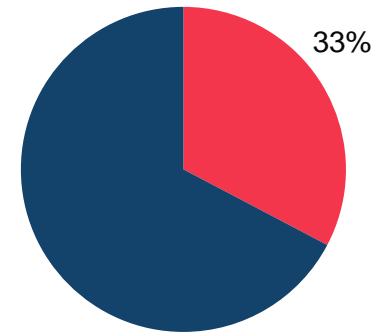
Chile: Copper



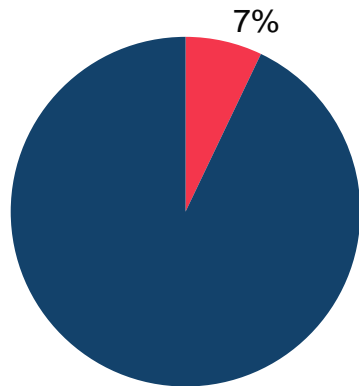
Zambia: Copper



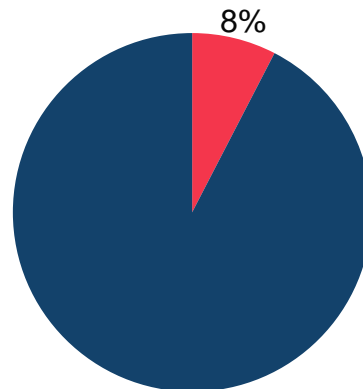
Angola: Oil



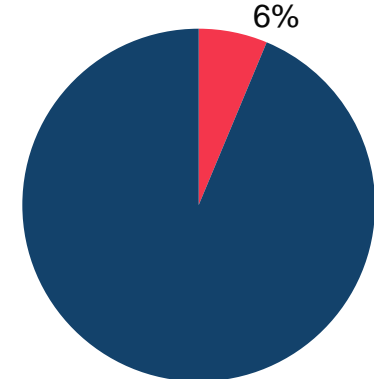
Australia: Iron Ore



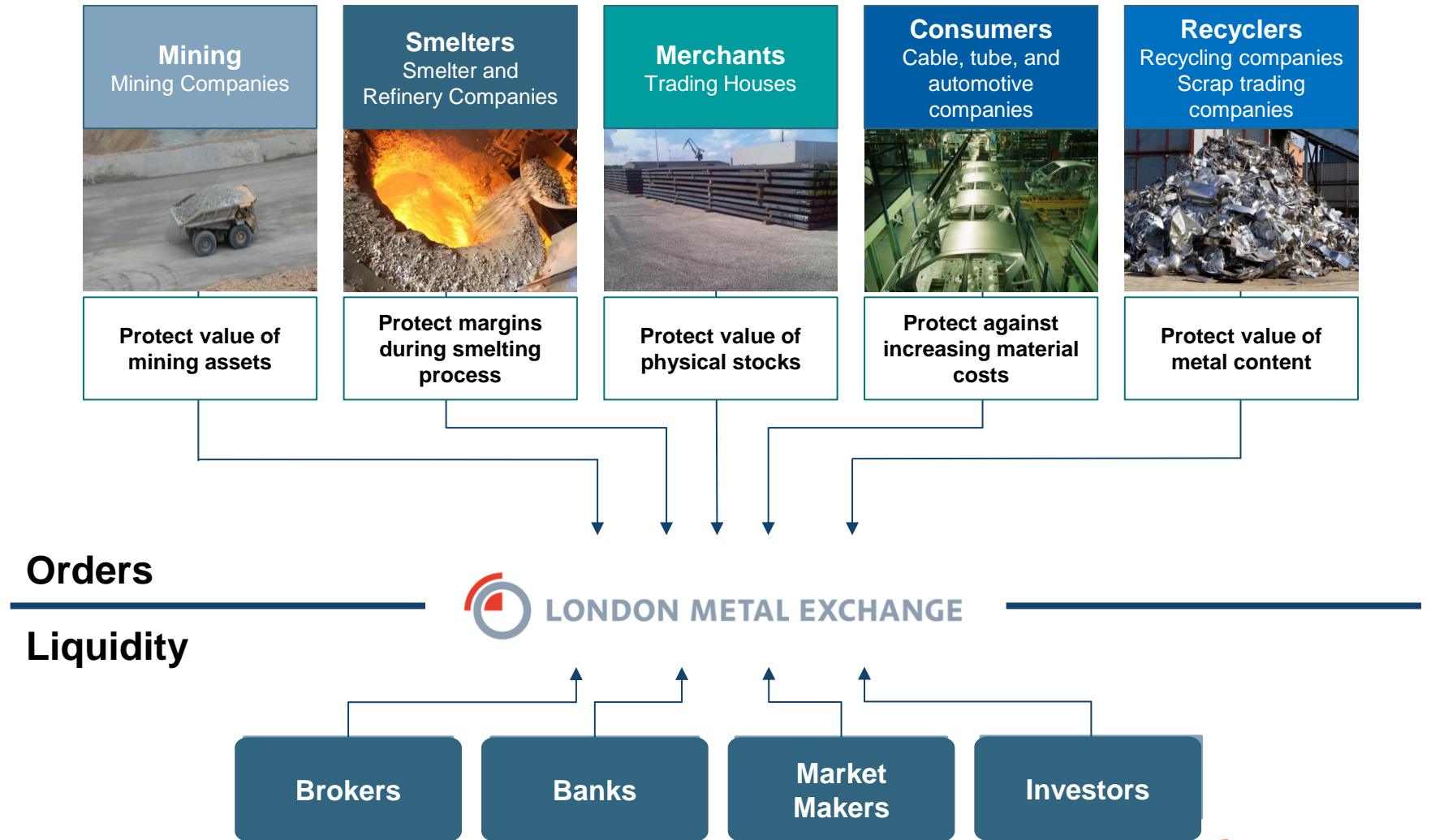
South Africa: Gold, PGM's



Indonesia: Palm Oil, Copper, Nickel

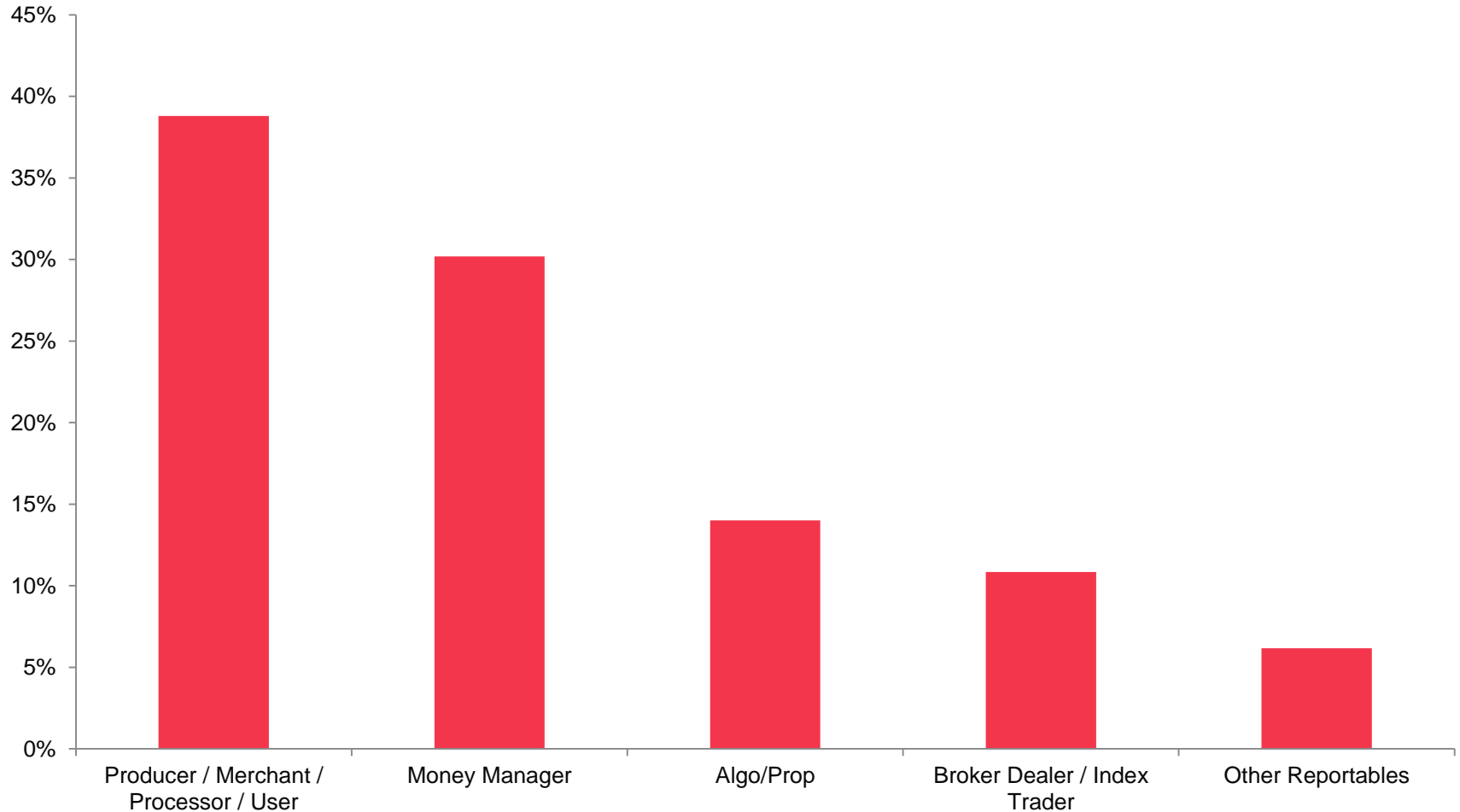


A diverse marketplace



Physical usage of LME Copper

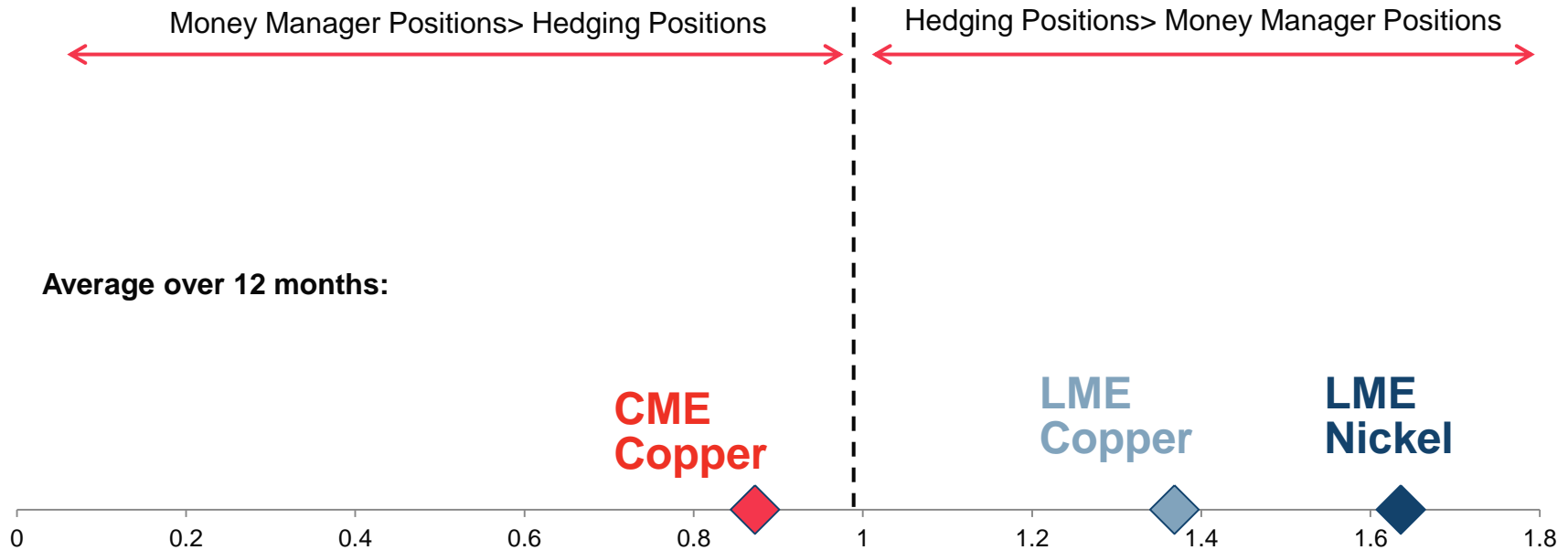
Identified Client Volumes by type



Identified Client contract volume
Source: LME Research

Hedging community dominates the LME

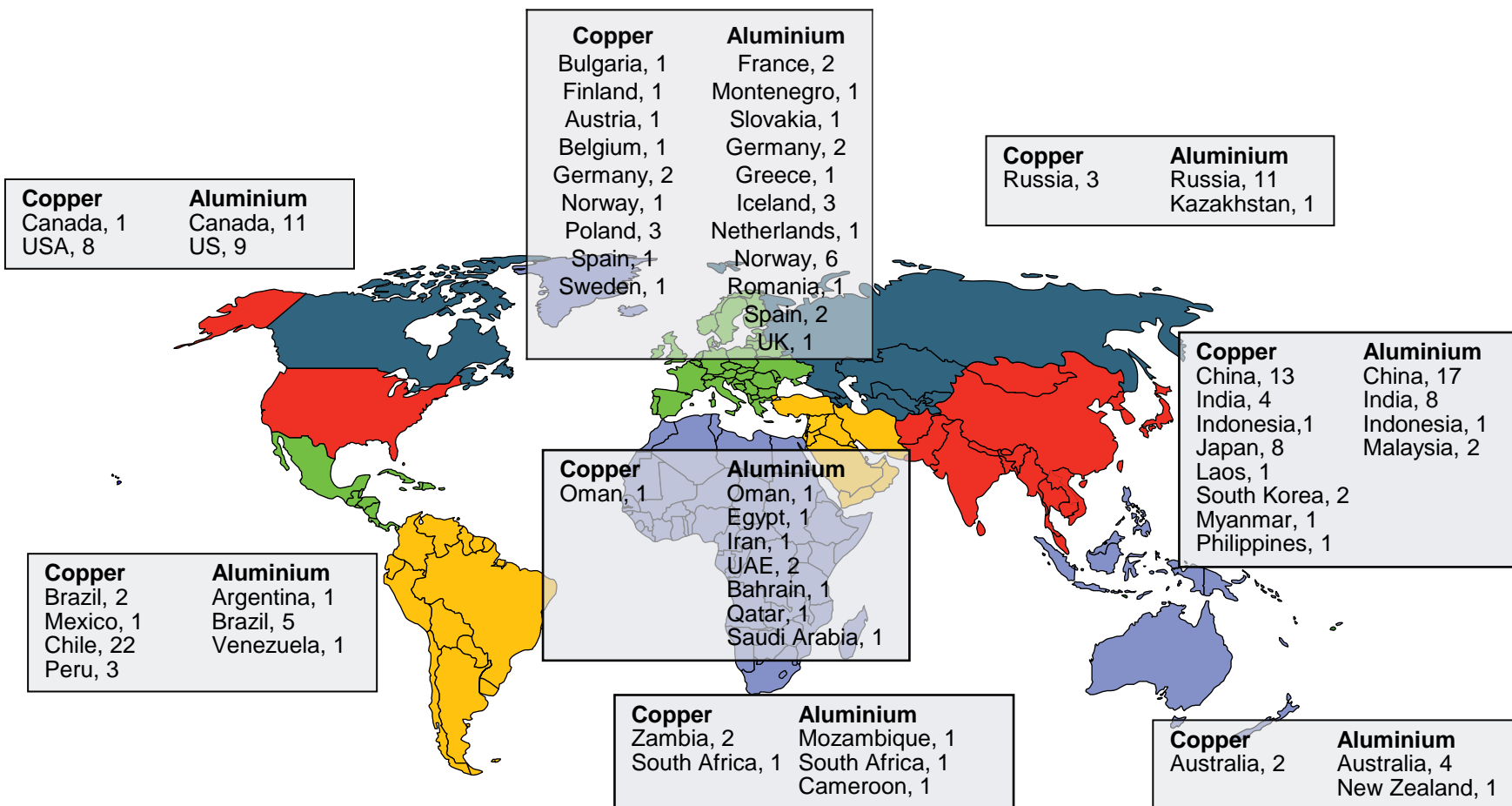
Nickel Positions held by the hedging community outnumber money managers 1:1.6



* COTR Open Interest Ratio is for Long+Short average over one year
Entities are classified at broker discretion according to the primary function of the entity. Entities may be involved in dual business

Continued investment: physical relevance


Pricing is anchored in the physical market thanks to a wide range of deliverable brands



Warehouse Locations

Over 650 warehouses approved by the LME - 14 countries, 35 locations & LME Shield with MOU to develop along Belt and Road routes

- | | |
|---------------------------|-----------------------------|
| 1. Antwerp, Belgium | 10. Vlissingen, Netherlands |
| 2. Bremen, Germany | 11. Barcelona, Spain |
| 3. Hamburg, Germany | 12. Bilbao, Spain |
| 4. Genoa, Italy | 13. Helsingborg, Sweden |
| 5. Leghorn, Italy | 14. Hull, UK |
| 6. Ravenna, Italy | 15. Liverpool, UK |
| 7. Trieste, Italy | |
| 8. Moerdijk, Netherlands | |
| 9. Rotterdam, Netherlands | |

 Silk Road Economic Belt
 Maritime Silk Road

1. Busan, South Korea
2. Gwangyang, South Korea
3. Incheon, South Korea

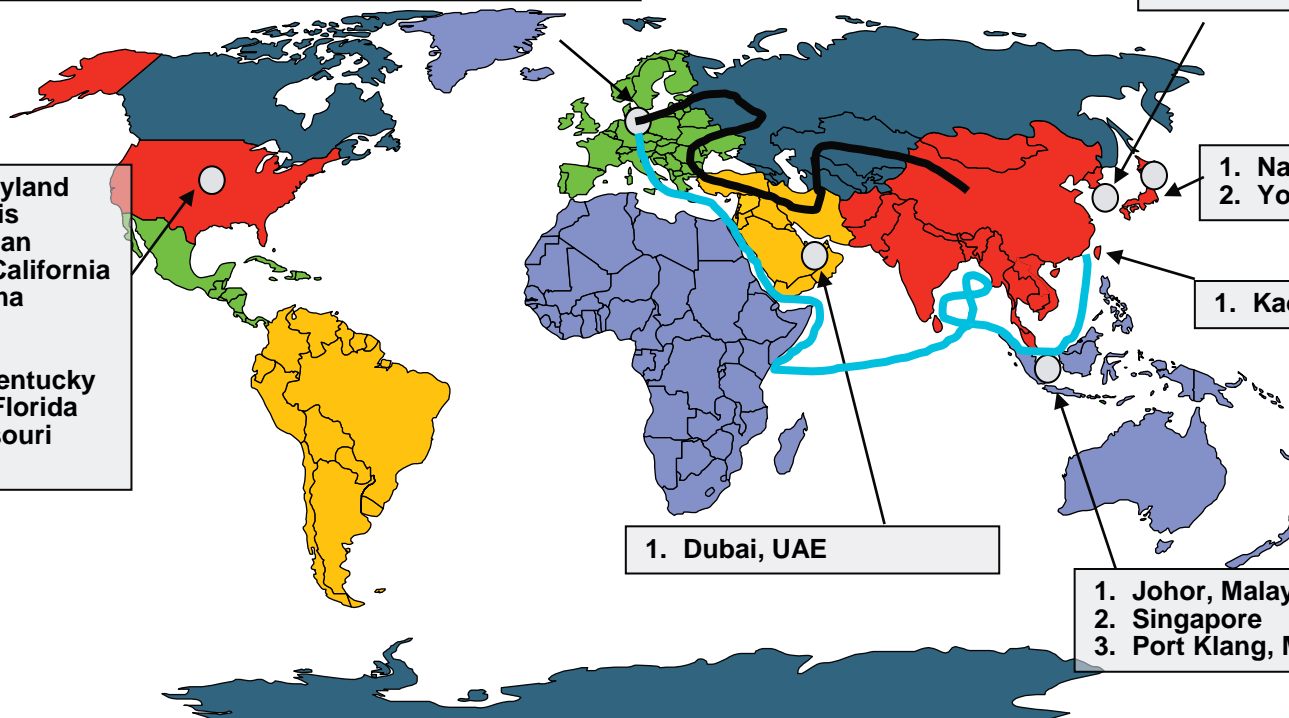
1. Nagoya, Japan
2. Yokohama, Japan

1. Kaohsiung, Taiwan

1. Dubai, UAE

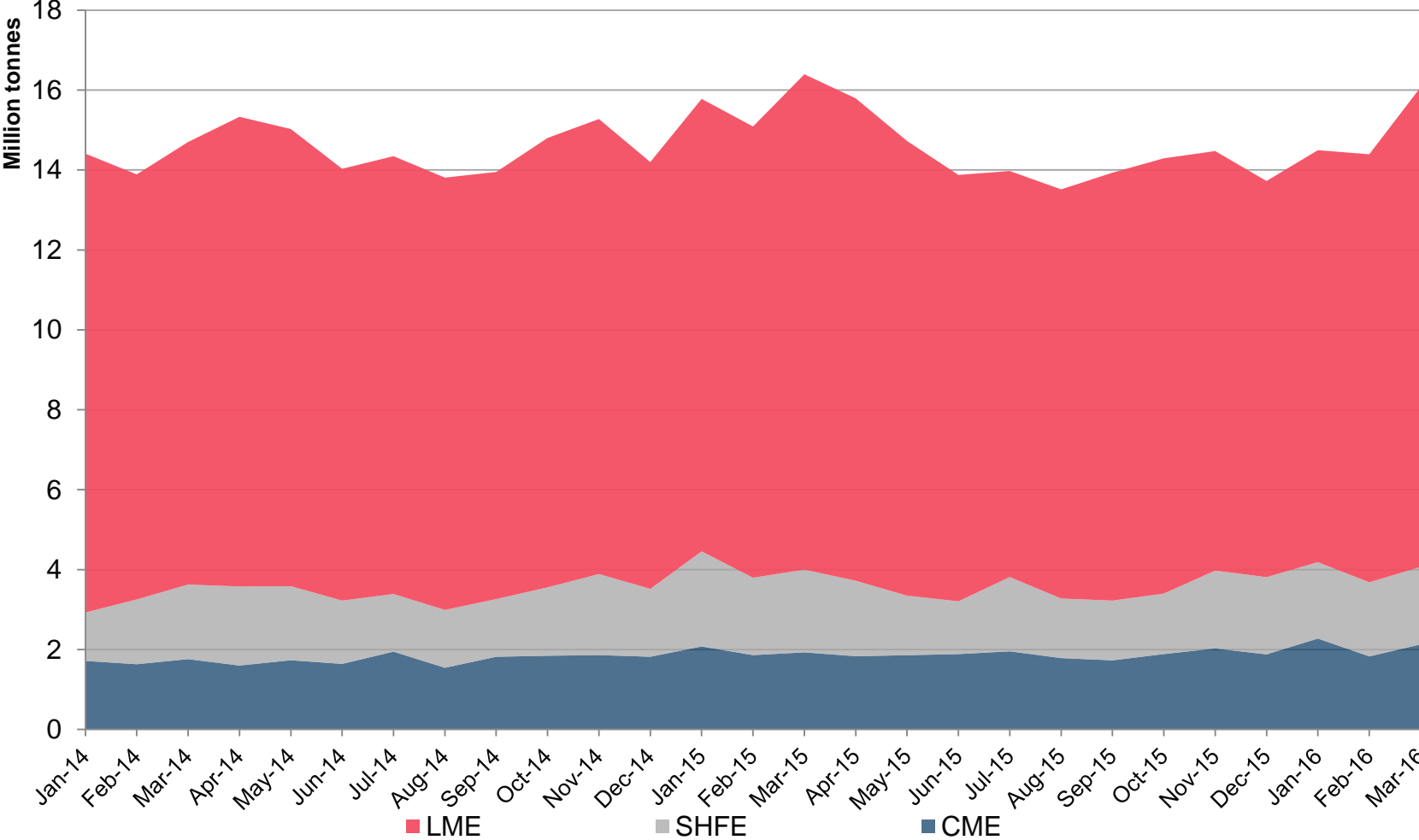
1. Johor, Malaysia
2. Singapore
3. Port Klang, Malaysia

1. Baltimore, Maryland
2. Chicago, Illinois
3. Detroit, Michigan
4. Los Angeles, California
5. Mobile, Alabama
6. New Orleans, Louisiana
7. Owensboro, Kentucky
8. Panama City, Florida
9. St. Louis, Missouri
10. Toledo, Ohio

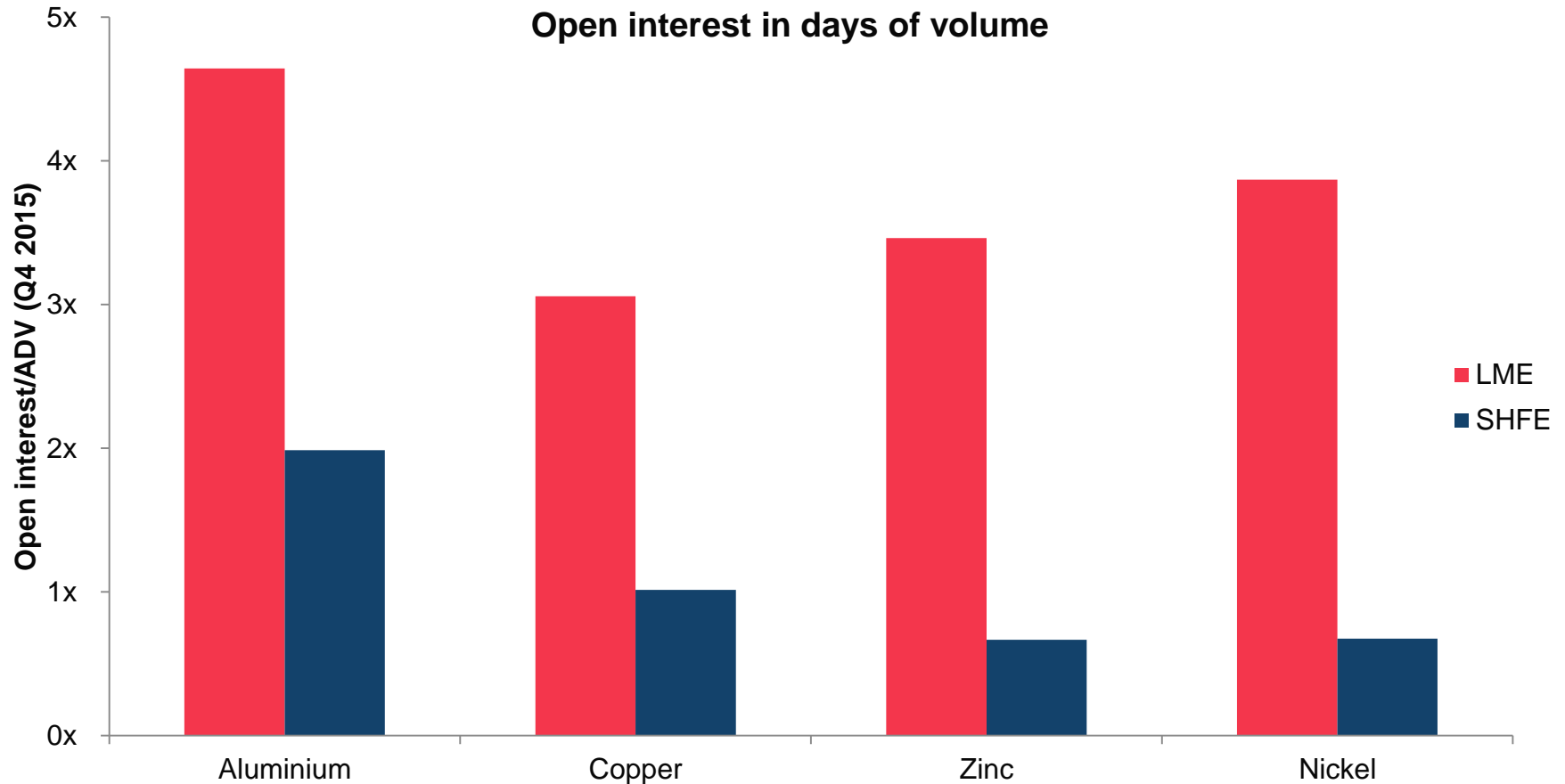


LME remains the market of choice

Copper Open interest in tonnes



SHFE day trading bias



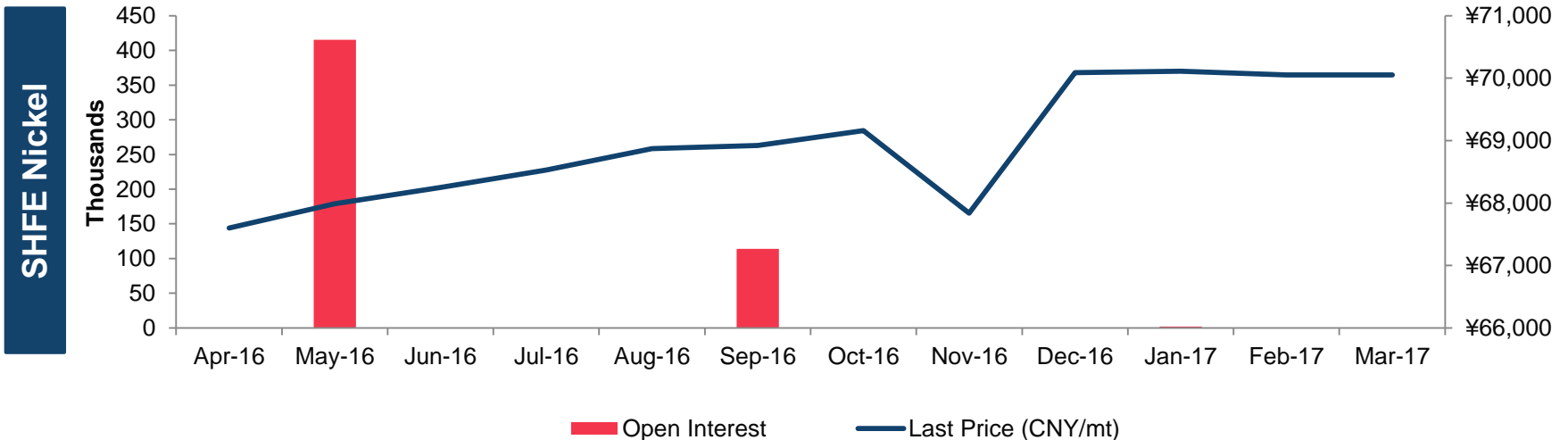
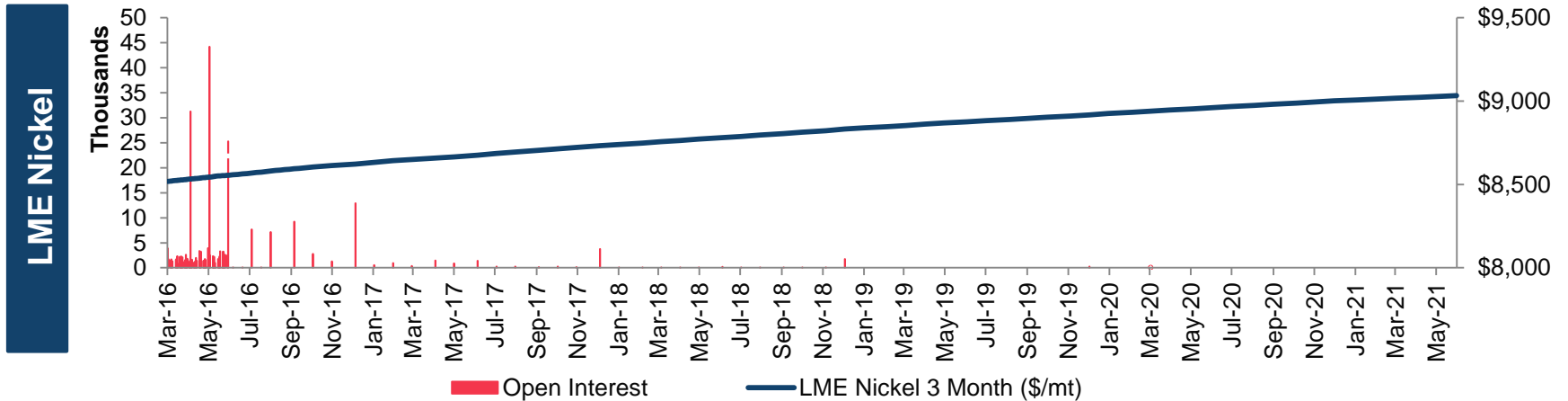
* Ratios taken over average of Q4 2015 – same trend LME>SHFE is consistent throughout history.

LME volumes exclude admin and member give up trades

LME holds further out positions

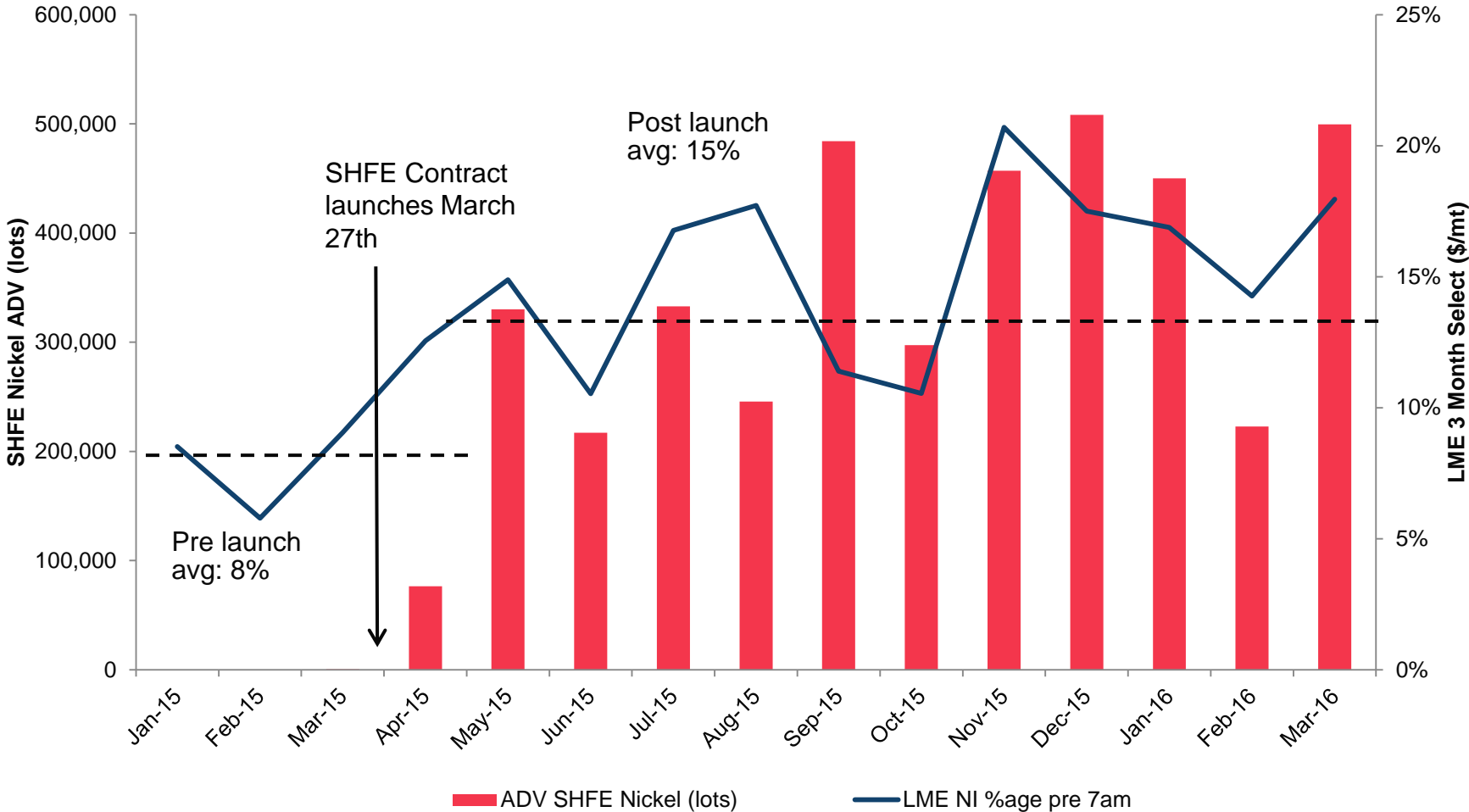
LME forward curve trades out to 63 months

Shanghai open interest is concentrated on one month



Data as of March 16th 2016

SHFE Nickel launches new arbitrage market



** Pre 7am % is limited to 3M outright on LMESelect

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