

Securities Times: Nickel, Stannum Futures to Be Listed with Good Outlook

January 23, 2015

By Shen Ning

Nickel and stannum, the last two major varieties of base metals, are to land in the domestic market. It is learnt that the Shanghai Futures Exchange (SHFE) has solicited comments on futures contracts and trading rules of nickel and stannum. Insiders forecasted that the two new products would be hopefully listed lately, and the outlook of nickel futures seemed more optimistic.

The drafts for comments showed that the contract symbol of nickel futures contract to be listed would be NI, and that of stannum futures contract SN, both subject to a contract size of 1 ton per lot, and the daily price limits are both within 4% up or down, with both the minimum trading margins set at 5% of contract value.

“Insiders are eagerly expecting nickel futures, and we believe in high activity of the market”, Everbright Futures Analyst Li Qi remarked. She said the market activity of nickel futures contract on the London Metal Exchange (LME), was only second to copper, aluminum and zinc but marking higher intraday move than aluminum and zinc. With the SHFE soliciting comments on contracts and relevant rules of nickel and stannum futures, it can be seen from the drafts that the contract size of nickel is 1 ton per lot, which means that based on the current price, one lot of nickel futures contract requires a margin of about RMB7,000, thus ensuring a relatively higher fund utilization rate compared with the copper. Also, nickel futures are hopefully drawing market attention after listed due to a relatively active market of the nickel spot market already in existence in China.

Li also said that nickel price saw major fluctuations in 2014, and dragged down by the plummeting of fringe market like crude oil and copper markets, nickel dived to US\$13,945 per ton at the lowest on the LME in January 2015, 35.5% lower than the high in 2014. In 2015, the nickel market is confronted with fundamentals like nickel and cast iron enterprises stocking up during Quarter 1, low port inventory and strong demand for resupplying at Quarter 2. But looking on the whole year, overseas demand for stainless steel will be reinvigorated, the demand in China will grow steadily while the overall supply in the nickel market would slow down: the fundamentals are likely to prop up an upward trend of nickel price. Besides, due to the impact of uncertainties of fringe market policies, nickel price is estimated to witness heavy fluctuations.

Futures Analyst Xu Yongqi from Guotai Junan Securities spotted new features in the contracts of nickel and stannum: the contract size of 1 ton per lot different from the contract sizes of the LME contracts and that of other domestic metal contracts

indicates a much smaller volume; if the margin is fixed at 8%, the lowest access amount shall be around RMB10,000 based on the current spot price, a medium requirement; in addition, the nickel futures boast a wider range of substitutes and brands for delivery.

He also commented, “According to responses to our roadshow, many traders and institutions showed the inclination to take part in nickel futures. The largest nickel trading market in China is the Wuxi Stainless Steel Market now, but from the perspective of production and trading, the products listed on the SHFE will be more popular. Many traders of nickel need pertinent domestic futures contracts for hedging, and the futures price on the SHFE will be more likely to conform to spot price.”