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MARKET ANALYSIS

Beijing's warning to speculators sends metals prices falling

*by Sohrab Darabshaw on MAY 25, 2021**Style: Market Analysis Category: Commodities, Ferrous Metals, Metal Prices*

China's "zero tolerance" [warning to commodity speculators](#) over the weekend sent prices of some metals and iron ore tumbling.

A meeting held on Sunday between at least five government departments, including the the National Development and Reform Commission (NDRC), concluded that the fight against hoarders and speculators leading to soaring commodities prices would be taken to the next level.

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Beijing aims to control runaway prices, warns commodity speculators



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Bloomberg reported the government [had also threatened](#) severe punishment for violators indulging in excessive speculation and fake news in the trading of commodities including iron ore, steel and copper.

The NDRC summoned top metals producers to the meeting in Beijing.

Let's not forget that China is the largest consumer of some of these commodities, like iron ore and copper. The prices of these commodities have surged this year, as the global economy partially recovered from the COVID-19 pandemic. In turn, that has led to renewed demand for manufactured goods.

Nikkei Asia [quoted an NDRC statement](#), saying the authorities would strengthen the joint supervision of commodity futures and the spot market." In addition, it said it would show "zero tolerance" toward "malicious speculation." The NDRC also warned against price collusion, spreading false information, hoarding and other illegal activities.

Prices fall

The government's warning did have a dampening effect on metal prices on the Chinese commodities exchange. For example, steel dropped as much as 6%.

For months, China has been trying to cool down certain commodity prices, which have soared since the start of 2021. The government has issued many warnings in the past, but not of the kind it issued Sunday.

Bloomberg reported that Chinese steel rebar futures closed 2.7% lower. Hot-rolled coil fell 3.2% and iron ore dropped 3% (after earlier being down more than 7%).

As for base metals, LME aluminum dropped 1.2% to \$2,342 per ton Monday morning, Bloomberg reported.

The meeting followed a statement by China's cabinet last Wednesday, which said the government would manage unreasonable price increases.

What has forced the Chinese authorities to step in is that while Higher raw material prices have helped miners and refiners. However, that has hurt downstream producers, prompting the Chinese authorities to step in, as it adversely affects the overall economy and adds to inflation.

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