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Refined Nickel: The Current Supply and Demand Impact

July 25, 2022 | Posted by: Matthew Evanoff



Nickel is one of the most important metals in the world, and the refined nickel supply and demand situation has a big impact on the market. Recently, two major players, Russia and China, have been able to control the market due to their large holdings of nickel.

The two heads of Norilsk in Russia and Tsingshan in China hold significant control of the refined nickel market. The past has seen nickel prices being artificially low due to oversupply from these two nickel companies. However, this is no longer the case as both companies have been cutting back on production. At the same time, the war in Ukraine has pushed the supply strain higher.

This has caused the refined nickel market to become much tighter, with prices now rising in response to the reduced supply. This has led to a situation where the market is even further controlled by these two large nickel companies.

At the same time, Tsingshan's head, Xiang, initiated a big short bet on nickel in March. That trade sent nickel above \$100,000 during the short squeeze. While other countries have attempted to control nickel prices and Russia has been sanctioned, there has been little change in the balance of power in this important market.

Australia and Canada both placed sanctions on Potanin, Russia's richest man, who owns 37% of Norilsk. This has done little as the market reaction to the sanctions did not affect the company. The company has continued to sell its product and the nickel price has moved below \$20,000 per tonne this week, the first drop below that level in 2022.

Broader actions on Russian nickel may have a further effect on the market, but for now, nothing has changed. The nickel market is small, marking only a little more than 2.2 million tonnes in all of 2021, but it is growing extremely quickly. Driving demand is the growing market for electric vehicles, as nickel is a key component in batteries. The rise of nickel demand has been so great that it has caused a massive increase in prices, with the metal more than quadrupling in price over the past two years.

Stainless steel demand is also growing, as nickel is a key component of stainless steel. This has driven prices even higher. The market may have seen a small correction since then with levels dropping below \$20,000, but nickel prices are still very high by historical standards.

Battery-grade nickel is made into nickel sulphate and used in electric vehicle batteries. More than three-quarters of new nickel demand is coming from the battery sector as the world moves to electrify its vehicles. As this trend continues, the world's biggest nickel players will continue to dominate a market that is increasingly becoming more important to the global economy.

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By Matthew Evanoff

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