

## Nickel Will Slip Next Year as Supply Rises, Merrill Lynch Says

**Oct. 1 (Bloomberg)** -- Nickel prices will likely slip next year as increased production brings supply and demand into balance, according to Bank of America Merrill Lynch.

Immediate-delivery nickel probably will average \$20,875 a metric ton (\$9.47/lb) next year, London-based analyst Michael Widmer said by phone yesterday. That implies a 1.5 percent drop from the average so far this year of about \$21,202 (\$9.62/lb). Widmer was the most accurate of 17 analysts surveyed by Bloomberg News in estimating the metal's price in the third quarter.

Output is set to climb after a strike ended at Vale SA's Sudbury operations in Canada and the company began production at its Goro mine in New Caledonia, Widmer said. He expects demand growth to weaken in 2011 after a 10 percent gain this year as the world economy recovers from the worst recession since World War II.

"There's more supply gradually pushing into the market," Widmer said. "The market may not be extremely oversupplied, but the deficit is unlikely to be as big going forward."

Nickel supply fell 51,000 tons short of demand in this year's first seven months, more than the year-earlier deficit of 7,500 tons, the World Bureau of Metal Statistics said on Sept. 15. The metal for three-month delivery has jumped 29 percent this year on the London Metal Exchange, second only to tin.

### *Stockpile Orders*

Demand for nickel will outpace supply by 62,000 tons this year before the balance evens in 2011, according to Widmer. Inventories of nickel tracked by the LME have slid 22 percent this year to 122,556 tons. Still, orders to draw metal from stockpiles, or canceled warrants, have plunged 54 percent from this year's peak in June.

The Sudbury strike and another at Vale's Voisey's Bay operations in Canada created a 70,000-ton shortfall, accounting for about half of this year's expected nickel output from those units, Widmer said. Production probably will reach full capacity at around 130,000 tons in 2011's first quarter, accounting for about 9 percent of the world market, he said.

Widmer predicted that immediate-delivery nickel would average \$21,250 a ton (\$9.64/lb) in the third quarter. It averaged about \$21,202 (\$9.62/lb) in the period, almost the same as the year-to-date average.