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BASE METAL MARKET UPDATE: LEAD PRICES DECLINE AMID RECORD SURGE IN LME INVENTORIES

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LME Lead Inventory Levels (2020–2025)



Note:

LME Lead inventories have surged significantly since early 2023, hitting a high of 0.283M in April 2025. The current level stands at 0.282M, well above the historical average of 0.109M.

Lead Drops on LME Stockpile Surge

- Lead prices saw a notable decline following an unprecedented increase in available inventories on the London Metal Exchange (LME). The metal, primarily used in car battery production, dropped by as much as 1.3% after LME warehouse ~stockpiles surged by 92,275 tons to reach a total of 216,175 tons, the largest single-day rise since data collection began in 1997
- This sharp rise in inventories was largely attributed to the re-warranting of lead that had previously been scheduled for removal from warehouses in Singapore, the LME's primary storage location for the metal. Additionally, a new delivery of 36,675 tons further contributed to the inventory boost.
- The timing of these inflows coincided with the upcoming expiry of the LME's May monthly delivery contract, set for Wednesday. The contract had recently been trading at a slight premium to futures with later delivery dates, a market condition known as backwardation. This pricing structure can lead to potential losses for inventory holders who hedge their stock, thereby encouraging increased metal deliveries to the exchange.



Reasons for so much of metals being deposited

1. Re-warranting of Previously Withdrawn Metal:

A substantial portion of the increase came from the re-warranting of lead that had previously been scheduled for withdrawal from LME warehouses, particularly in Singapore. Re-warranting typically occurs when metal that was initially intended for delivery to an end user is instead returned to LME-listed storage, making it once again available for trade on the exchange.

2. Fresh Deliveries:

An additional 36,675 tons of lead were newly delivered into LME warehouses, also largely concentrated in Singapore, which remains the dominant storage hub for LME lead. The specific origin (country or producer) of this fresh delivery hasn't been disclosed publicly, but such volumes often come from global refiners or traders repositioning stock in response to market conditions or arbitrage opportunities.

The confluence of re-warranted metal and new shipments, all centering around Singapore, underscores the strategic role the region plays in global lead logistics and LME inventory dynamics.



How does the price look like from here?

Short-Term Outlook (Bearish Bias)

- **Oversupply Pressure:** The sharp increase in LME inventories, the largest single-day jump since 1997, signals a sudden surplus of deliverable material, which is likely to weigh on prices in the immediate term.
- **Diminished Backwardation:** With increased availability, the recent backwardation (where near-term contracts trade at a premium) may soften or flip to contango, further reducing speculative buying interest.
- **Re-warranting Activity:** The reappearance of previously withdrawn metal suggests weak physical demand or a strategic shift by traders, both of which contribute to downward price pressure.

Price Point

- The three-month LME forward contract for lead is currently trading at \$1,965/MT. Given the prevailing momentum, prices could soften further toward the \$1,920–\$1,900 range in the near term. It's worth recalling that in April, a broad-based market sell-off had dragged lead prices down to a low of \$1,837, though such levels are not expected to be revisited in the current environment.
- Looking ahead, we also do not anticipate a significant rally beyond \$2,075. Historically, lead has exhibited a rangebound trading pattern, and it is likely to continue oscillating between \$1,900 and \$2,075 in the foreseeable future. A bit more narrower range can be seen as 1920 to 2040.

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