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Commodity Market Circuit Breaker and Nickel for Electric Vehicles

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Stock markets all over the world have circuit breaker mechanisms to halt trading if stocks fall too far and too fast. Commodity markets have similar mechanisms that kick in if futures prices go up or down too rapidly and by too much. In the London Metals Exchange this happened to nickel and the situation has caused electric vehicle makers to rethink how they buy this [strategic mineral](#) for making batteries. The story about a commodity market circuit breaker and nickel for electric vehicles starts with Russia's invasion of Ukraine and the fact that an electric vehicle battery contains about 80 pounds of nickel.

War in Ukraine and the Price of Nickel

Everyone is aware that sanctions on Russia due to its invasion of Ukraine could drive the price of oil higher as well as [affecting other investments](#). The New York Times noted that availability of nickel supplies and the price of nickel will be affected if supplies from Russia are cut off. Speculation in nickel futures on the London Metals Exchange had driven up the price of nickel to as high as \$20,000 a ton when traders found out that a Chinese company was shorting nickel in the belief that the price would settle back down. The company, Tsingshan Holding Group, got caught in a short squeeze to the tune of \$2 billion. The price of nickel went up to \$100,000 a ton! Xiang Guangda, the owner of the company which is the world's largest nickel producer stands to profit handsomely if the war continues and the price of nickel stays up. But, the extreme volatility of the market has companies like Volkswagen talking about buying their nickel directly from the mines and bypassing the international market.

Getting Out of a Commodity Futures Circuit Breaker Pause

As with stock market circuit breaker trading pauses for 7%, 13%, and 20% drops trading resumes the next day in commodity futures trading. However, when prices have gone way out of the normal trading range what happens in markets like the London Metals Exchange is that as soon as trading opens the next day the price falls (in the case of nickel) and another trading pause is called. It can take several days for normal trading to resume which is what happened to nickel trading. Meanwhile, the market price of a commodity, like nickel, is nowhere near what customers are willing or able to pay in the real world.

How Much Is Nickel Worth?

This is the question posed by the article in *The Times*. The usually reliable and efficient mechanism for pricing nickel is currently broken or perhaps frozen is a better term. Car makers know all too well how computer chip shortages halted production lines. Now pricing for a critical ingredient for making the batteries essential for electric vehicles is being held hostage by a circuit breaker mechanism in London as much as by a mad Russian dictator intent on establishing the "glory" of the USSR. It turns out that there are deposits of nickel in [Greenland](#), Canada, and [Minnesota](#) that can be developed more extensively to alleviate supply problems with

Russia. Meanwhile, Volkswagen and others like Tesla are going to deal directly with suppliers. In the longer term the need for a domestic source of nickel could lead to a rebirth of the "Iron Range" in Minnesota Mesabi Range or nickel mining in [Michigan's Upper Peninsula](#).

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