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MARKET MAYHEM · RESEARCH SHEET · EPISODE 17

When the Exchange Cancelled the Trades

The LME Nickel Squeeze of March 2022

London / Global · 2022 · v1.0 · July 2026

In two days of March 2022, the price of nickel rocketed from around $25,000 to over $100,000 a tonne, an impossible move driven by a giant short squeeze. Then the London Metal Exchange did something almost unheard of: it halted the market and cancelled billions of dollars of trades that had already happened.

Key Facts

Event	The LME nickel short squeeze and trade cancellation
Location	The London Metal Exchange (LME); global nickel market
Date	7–8 March 2022
The Trigger	Russia's invasion of Ukraine, spiking supply fears, atop a massive short position
The Short	Tsingshan, the world's largest nickel producer, caught on the wrong side
The Intervention	The LME suspended nickel trading and cancelled about $3.9 billion of trades

By the Numbers

Nickel spiked from roughly $25,000 to over $100,000 per tonne in about two days

The LME cancelled around $3.9 billion of nickel trades that had already executed

Trading in LME nickel was suspended for several days

The squeeze centred on a huge short held by nickel producer Tsingshan

The Referee Changed the Score

When nickel exploded, the trades were real: buyers had made fortunes, and short-sellers, above all the producer Tsingshan, faced ruinous losses. Rather than let the squeeze play out, the LME suspended the market and cancelled hours of completed trades, unwinding the gains and the losses. It was echoing a lesson from the Hunt brothers four decades earlier: on someone else's exchange, the rules, and even trades you thought were final, can be changed against you.

> ***“ You can be perfectly right, and the exchange can still cancel the trade that proved it. ”***

How It Happened

Nickel is essential to stainless steel and electric-vehicle batteries, and Russia is a major producer. Tsingshan, the world's largest nickel producer, had built an enormous short position on the LME, effectively betting prices would fall.

When Russia invaded Ukraine in February 2022, fears of a supply shock sent the nickel price climbing. As it rose, Tsingshan's short position generated escalating losses and margin calls.

To limit those losses, the short had to buy nickel back, but buying to cover pushed the price higher, forcing more covering, a classic short squeeze feeding on itself, amplified by thin liquidity.

The Collapse

On 7–8 March the squeeze went vertical, nickel blowing past $100,000 a tonne, a move that threatened Tsingshan and the brokers financing it with catastrophic losses and raised the spectre of a default that could damage the exchange itself.

The LME's response was extraordinary: it suspended nickel trading and cancelled roughly $3.9 billion of trades that had already executed, resetting prices to before the final spike.

The cancellation rescued the shorts but enraged those who had been correctly positioned long and saw their gains erased. Lawsuits and lasting reputational damage to the LME followed, and the episode became a modern warning about counterparty and rule risk.

Timeline

2021–22	Tsingshan builds a very large short position in LME nickel
24 Feb 2022	Russia invades Ukraine, igniting nickel supply fears
7–8 Mar 2022	Nickel spikes past $100,000/tonne in a violent short squeeze
8 Mar 2022	The LME halts nickel trading and cancels ~$3.9 billion of trades
2022–23	Lawsuits and reviews follow; the LME's reputation is damaged

Mind · Method · Money — What This Means for You

MONEY · A short position has unlimited loss and invites the squeeze
Unlike a long, a short can lose far more than it staked, because a price can rise without limit. A large, well-known short is a target: everyone can see the covering that will be forced if the price runs. Size shorts as if the market knows you are there, because it does.

METHOD · On someone else's exchange, you are never the ultimate authority
The LME could and did suspend trading and cancel completed trades. Any strategy that assumes the rules and your executed fills are permanent is exposed to the venue itself. Read who holds the power to change the game while you are in it.

MIND · Being right is not the same as being paid
Traders who correctly went long nickel watched their profits cancelled. Markets can move your way and still deny you the reward if a larger party would be destroyed. Never assume a correct call automatically converts into a realised gain.

Modern Parallels

The nickel squeeze rhymes directly with the Hunt brothers' silver corner of 1980: an enormous concentrated position, a violent squeeze, and an exchange stepping in to change the rules to protect the system. Whenever one player's position becomes systemically dangerous, the venue's instinct to save itself can override the outcomes traders thought were locked in.

Read & Listen

Read the full write-up and listen to the episode: The LME Nickel Squeeze, 2022 (EP17)

Related Research

Previous episode: EP16 · The Flash Crash (2010)
A rhyming corner: EP06 · Silver Thursday (1980)
The next one forming: The Next Market Crash — 5 Scenarios

Sources & Further Reading

London Metal Exchange and FCA reviews of the March 2022 nickel event
Contemporary Financial Times and Bloomberg reporting (2022)
Market Mayhem: When Greed Meets Gravity, The Complete Trader's Edge

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