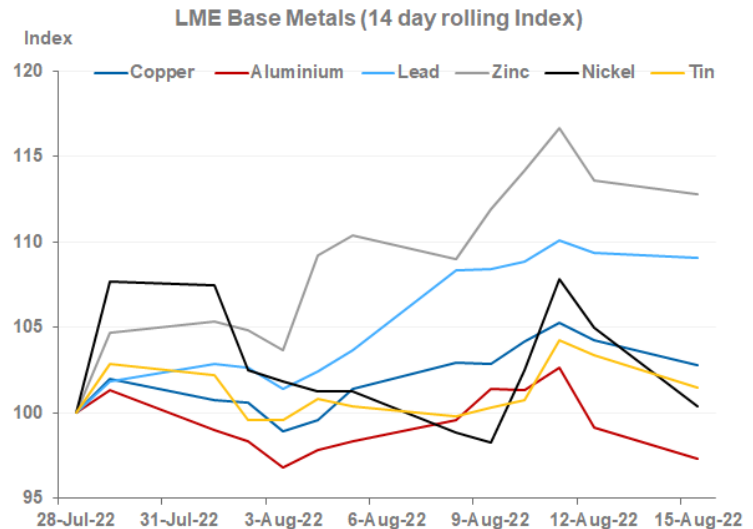


LME Metals Report

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***This commentary was written at 9:40 A.M.
on August 16, 2022 US EST.***

After a China-induced decline on Monday, metals are higher across the board thanks mainly to an explosive rally in zinc. Prices soared by \$230/ton to a two-month high of \$3819/ton before retracing slightly on news that Nyrstar would put its Budel operations in the Netherlands on care and maintenance starting on September 1st on account of soaring power costs. Budel has a zinc capacity of 315,000 tons but has been operating at reduced rates ever since last year. Nyrstar has already cut output by up to 50% at its two other European smelters but is still struggling to still find the right balance. Moreover, there are no signs of relief in the European power market either. In fact, Dutch gas futures hit their highest levels since March this week and there are also growing concerns about declining water levels in the Rhine. Aluminum, which is subject to similar power-related pressures, is up by roughly 2% right now, but the rest of the metals are quietly mixed.



Conditions are uneventful in other markets. In the Chinese ferrous space, iron ore prices eased slightly, but steel prices firmed on data showing that Chinese steel production rose by about 2.8% over the past 10 days. Reuters also reports that Chinese regulators have “instructed state-owned China Bond Insurance to provide guarantees for onshore bond issuance by some private property developers”, (presumably also bullish for steel) but it is not clear how this will impact the developers that have already defaulted. Our guess is that it would apply to new issues only.

In the precious metals space, the group had a weak showing on Monday and is struggling again today. Gold is down another \$9/ounce at \$1788, while silver is off 30 cents and now back below \$20/ounce. Platinum is roughly unchanged at \$930, but we are seeing a \$32/ounce decline in palladium, now at \$2133.

In the energy markets, after a very weak showing on Monday, crude oil prices are down by about \$.85/brl after an earlier advance was rolled back in the last hour. Markets are waiting for developments on the Iranian nuclear deal. Tehran has apparently responded to the EU’s “final offer” but raised three additional points that they seek US flexibility on. Given the protracted negotiations, we suspect that the deal will probably not proceed at this stage, but we will see. Meanwhile, Barclays lowered its Brent forecast earlier today by \$8/brl as it expects a large surplus over the near-term due to “resilient” Russian crude supplies. In the US, the EIA reported on Monday that US output will rise to 9.049 million barrels per day in September, the highest since March 2020

In the currency markets, the general dollar index is up by about a third of a point, with good dollar gains seen across a number of major currencies. The yen is the weakest in the group, off 1.20 yen at 134.50, while sterling and the Euro are each trading at 1.2035 and 1.0140 respectively.

US equity markets have opened quietly mixed despite a fairly decent report coming out of Walmart. The company reported higher revenues and profits and also said it is working through its inventory issues. Shares are up 3%.

In US macro news, July housing starts came in at 1.446 million (consensus 1.543 million) while building permits totaled 1.674 million (consensus 1.647 million). The report comes a day after the National Association of Home Builders Market Index reportedly fell by 6 points to 49 in August for its eight consecutive monthly decline and the lowest reading outside since 2014 (excluding the pandemic slump). Rising construction costs and high mortgage rates are apparently weighing on sentiment. July industrial production numbers also just came out; this increased by .6% (consensus +0.3%) while the prior reading was revised to 0% (from -0.2%). Capacity utilization rose to 80.3%.

In corporate news, BHP reported record profits and noted that in its biggest market – China – it was seeing the infrastructure and automotive sectors “already responding to policy support,” although a rebound in housing activity is expected to take longer. The company sees iron ore remaining in surplus through fiscal year 2023, as more supply comes in. The company is bullish on both copper and nickel given the “electrification mega-trend” but sees both metals in surplus over the short-term. “We believe [copper] mine supply and scrap collection will grow in the next few years, covering near-term demand growth.” On nickel, BHP believes that the production gains in Indonesia should keep the market comfortably in surplus as well. BHP’s stock was up by 5.5% after a greater-than-expected 26% rise in earnings and a boost in the dividend. Rival Rio Tinto reported a 29% drop in first-half profit and more than halved its dividend in July, citing softening demand from China and supply-chain snags.

Despite the lift the metals group is enjoying from the Nyrstar news, we remain cautious short-term as we think the bleak macro data out of China will ultimately prove to be the more influential price driver.

COPPER -- SUPPORT: \$7,602 / RESISTANCE: \$8,250

We are at \$8,034, up \$54. We have been trading between \$7,925-\$8,055.

ALUMINUM -- SUPPORT: \$2,310 / RESISTANCE: \$2,536

We are at \$2,436, up \$46. We have been trading between \$2,392-\$2,459 so far today.

ZINC – SUPPORT: \$3,255 / RESISTANCE: \$3,819

We are at \$3,711, up \$147. We have been trading between \$3,551-\$3,819.

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LEAD -- SUPPORT: \$1,975 / RESISTANCE: \$2,250

We are at \$2,170, down \$7. We have been trading between \$2,156-\$2,197.

NICKEL -- SUPPORT: \$21,248 / RESISTANCE: \$25,200

We are at \$22,570, up \$557. We have been trading between \$21,870-\$22,640 thus far.

TIN -- SUPPORT: \$22,980 / RESISTANCE: \$25,600

We are at \$24,760, up \$39. We have been trading between \$24,370-\$24,850.

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Base Metals Prices and Forward Curve Snapshot

LME Cash	16-Aug-22	Prev Day	Month ago	3M Trend		12M Trend
CU (\$/MT)	7,972	8,085	7,178			
AL (\$/MT)	2,391	2,438	2,326			
PB (\$/MT)	2,174	2,190	1,966			
ZN (\$/MT)	3,644	3,688	2,979			
NI (\$/MT)	21,938	22,964	19,333			
SN (\$/MT)	24,911	25,367	25,080			
LME Frwrds	Cash	3-month	15-month	27-month	63-month	Curve's shape
CU (\$/MT)	7,972	7,980	7,963	7,949	7,987	
AL (\$/MT)	2,391	2,390	2,435	2,480	2,598	
PB (\$/MT)	2,174	2,178	2,153	2,123	2,091	
ZN (\$/MT)	3,644	3,564	3,151	2,864	2,521	
NI (\$/MT)	21,938	22,013	22,348	22,635	23,308	
SN (\$/MT)	24,911	24,721	23,294			
SHFE Front	1 month	3 month	6 month	9 month	12 month	Curve's shape
CU (CNY/T)	61,760	61,200	60,940	60,880	60,860	
AL (CNY/T)	17,985	17,875	17,860	17,865	17,970	
PB (CNY/T)	15,025	15,055	15,050	15,100	15,150	
ZN (CNY/T)	24,785	24,160	23,550	22,980	22,890	
NI (CNY/T)	172,370	165,470	158,670	155,560		
SN (CNY/T)	198,000	195,870	195,550	193,100	194,260	

Base Metals Inventories

Copper	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	130,550	0	130,425	75,275	235,550	
SHFE (MT)	41,811	0	71,332	106,572	93,032	
COMEX (MT)	50,792	-639	59,463	68,293	41,880	
GLOBAL(MT)	223,153	-639	261,220	250,140	370,462	
Aluminum	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	275,725	0	333,000	857,225	1,312,950	
SHFE (MT)	178,736	0	190,671	296,794	248,242	
COMEX (MT)	21,072	-23	20,708	23,099	36,810	
GLOBAL(MT)	475,533	-23	544,379	1,177,118	1,598,002	
Lead	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	38,975	0	39,225	49,000	57,700	
SHFE (MT)	70,964	0	87,931	82,715	190,918	
GLOBAL(MT)	109,939	0	127,156	131,715	248,618	
Zinc	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	74,200	0	77,850	149,350	235,800	
SHFE (MT)	87,180	0	105,614	145,735	45,249	
COMEX (MT)	2,699	0	2,699	2,699	2,699	
GLOBAL(MT)	164,079	0	186,163	297,784	283,748	
Nickel	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	56,184	0	63,084	83,820	202,212	
SHFE (MT)	3,935	0	1,826	5,275	6,415	
GLOBAL(MT)	60,119	0	64,910	89,095	208,627	

Source: EDF Man Capital Markets/ Bloomberg

Technical Profile

	16-Aug-22	1 day	1 month ago	3 month ago	Yr ago
Volume (3-Mnth/lots)					
CU	17,570	37,543	43,356	52,317	36,757
AL	18,130	38,041	34,757	37,260	55,387
PB	3,499	8,684	9,938	10,887	11,038
ZN	7,742	25,430	22,737	23,218	18,935
NI	1,607	3,759	9,900	17,929	18,614
SN	329	1,034	897	292	633
Open Int (3-Mnth/lots)					
CU	239,822	240,741	226,119	286,964	310,473
AL	584,622	597,518	551,994	790,983	667,276
PB	88,702	89,228	84,518	105,662	108,520
ZN	196,875	198,873	196,784	191,756	229,431
NI	147,752	149,918	154,414	201,811	277,215
SN	11,859	12,320	12,217	16,173	16,093
Moving Averages & Implied Price Direction					
	Cash	10 MAV	40 MAV	100 MAV	200 MAV
CU ↑	7,972	7,933	7,839	8,987	9,401
AL ↑	2,391	2,444	2,429	2,782	2,877
PB ↑	2,174	2,133	2,021	2,156	2,238
ZN ↑	3,644	3,601	3,315	3,716	3,628
NI ↑	21,938	22,301	22,166	26,923	24,765
SN ↔	24,911	24,777	25,694	33,478	37,487
Support & Resistance					
	S1	S2	R1	R2	RSI
CU	7,602	7,370	8,250	8,400	54
AL	2,310	2,280	2,536	NA	43
PB	1,975	1,878	2,250	NA	68
ZN	3,255	3,132	3,819	4,000	64
NI	21,248	21,500	25,200	26,000	47
SN	22,980	22,500	25,600	26,400	45
Market Round-up (Data as on 9:30 am GMT)					
	Today	1 day	1 month	6 month	Yr Ago
Gold	1,773	1,799	1,704	1,870	1,787
Silver	20.10	20.70	18.55	23.61	23.79
Platinum	925	959	844	1,064	1,021
Palladium	2,136	2,219	1,829	2,272	2,598
WTI	88.14	92.09	97.59	93.66	67.29
Brent	93.51	98.15	101.16	94.81	69.51
WTI Inv (mbbl)	432	432	427	416	433
Sterling	1.2040	1.2138	1.1855	1.3586	1.3849
Euro	1.0147	1.0259	1.0080	1.1373	1.1778
CNY	6.79	6.74	6.76	6.34	6.47
Dollar Index	106.61	105.63	108.06	95.70	92.63
Physical Premiums (Aluminium)					
	Today	1 day	1 month	6 month	Yr Ago
US (\$/lb)	0.273	0.274	0.289	0.357	0.344
JP (\$/MT)	92.65	93.69	97.48	115.89	156.76
EU (\$/MT)	533.70	532.66	571.00	463.00	360.00

Source: EDF Man Capital Markets/ Bloomberg