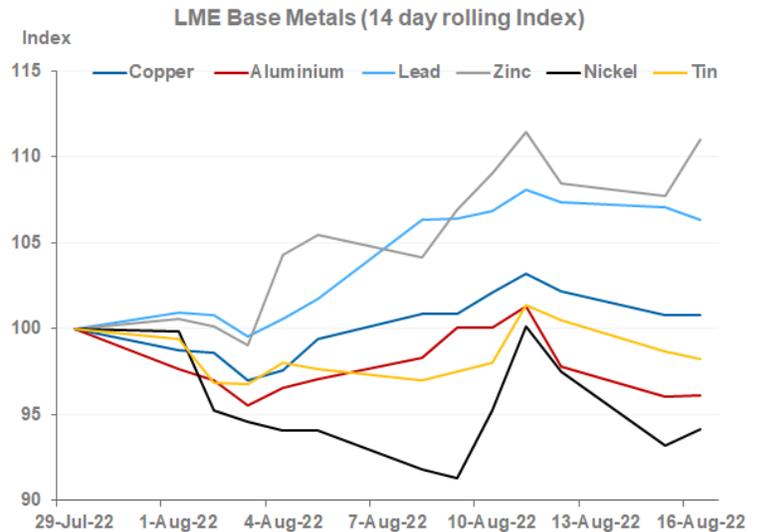


## LME Metals Report

Written by Edward Meir – Commodity Research Group  
Tel: 1-203-656-1143 • [emeir@edfmancapital.com](mailto:emeir@edfmancapital.com)  
[WWW.EDFMANCAPITAL.COM](http://WWW.EDFMANCAPITAL.COM)

***This commentary was written at 10:10 A.M.  
on August 17, 2022 US EST.***

Only a day after Nyrstar announced that it would put its Budel operations in the Netherlands on care and maintenance starting on September 1<sup>st</sup>, the markets were jolted by yet another announcement, this one from Norsk Hydro saying that it would shut its aluminum plant in Slovakia by the end of September due to relentlessly high power prices. (The plant has a current capacity of about 105,000 tons). European smelters have now cut about 800,000-900,000 tons of ali production since energy prices began to rise late last year and a similar tonnage could come under the knife this winter if power prices spike yet again. But unlike what we saw in zinc on Tuesday, the reaction in the aluminum market to the announcement has been far more restrained; although prices are up, the increase is fairly modest, and values are already well off earlier highs. For what it's worth, Tuesday's zinc spike has all but dissipated as well, telling us that while production cuts do carry "shock value", it is the demand side of the equation (especially out of China) that is of more of concern. In addition, European metal production seems to be getting replaced (at least in part) by Chinese and Russian units. Outside of ali, all other base metals prices are lower right now.



China is also experiencing power issues, but this is obviously weather related and not geopolitical as is the case in Europe. Reuters reports that ali prices on SHFE spiked by 4.3% for their biggest gain since October 2021 as Sichuan province ordered industrial users to suspend production for a week in order to preserve power for residential users. We are also reading that Chinese planes are firing metal cannisters into the air along dried-out parts of the Yangtze River in order to seed clouds more fully and induce condensation. The problem is that cloud cover itself is relatively scarce and so the chances of success are low. It is too early to say how the severe drought parts of the country are facing will impact Chinese aluminum production; certainly, the most recent figures show no sign of trouble as production records seem to be getting set each month for both overall output and exports.

In the Chinese ferrous markets, the January 2023 iron ore contract fell by almost 4.5% at one point to its lowest level since late July and there were rather steep 3%-4% declines in steel, coking coal and coke prices. Here too, the impact of electricity rationing has led to nearly 20 steel mills in the country's southwestern regions suspending their operations as of Wednesday, this according to SMM. The outages are expected to last for a week but are not expected to be as severe as what the sector endured last year.

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In the precious metals space, the group continues to struggle; gold is currently off \$9/ounce at \$1780, while silver is off 43 cents at \$19.65 as the impact of a stronger dollar and falling inflationary expectations (in the case of gold) is weighing on sentiment. We are seeing modest declines \$9-\$10 declines in both platinum and palladium.

In the energy markets, oil prices are just about flat right now, but were off earlier, hitting a six-month low in the process. Crude's rally (post-Russian invasion) has now been almost entirely rolled back as demand concerns take centerstage. The API reported yesterday that crude stocks fell by about 448,000 barrels while gasoline dropped by about 4.5 million barrels this latest week, but neither data point is doing much for prices right now. EIA data comes out later today. Meanwhile, there is still no news on the Iran nuclear deal; that most certainly will be the next shoe to drop.

In the currency markets, the general dollar index is up by about a third of a point. The yen is the weakest in the group, off a full yen at 135.10, while sterling and the Euro are more or less unchanged on the day at 1.2065 and 1.0160 respectively. Sterling shrugged off data showing consumer price inflation jumping to 10.1% in July – a 40-year high. Traders are now pricing in a further 200 basis points of BoE tightening by May of next year, taking the Bank Rate to 3.75%. The New Zealand dollar jumped initially after the country's central bank announced a fourth consecutive 50-basis point rate hike to 3.00%, but later lost ground.

US equity markets have opened lower, with the S&P 500 down 28 points while the Dow and NASDAQ are each off by 180 and 129 points respectively. Target reported quarterly results this morning that were very disappointing, with the company noting a distinct slowing in consumer spending. The July retail sales report released in the last hour was a mixed bag and has not helped the stock market either. Total retail sales came in flat month-over-month (consensus +0.2%), dragged down by declines in motor vehicle sales (-1.6%), gasoline station sales (-1.8%), and general merchandise sales (-0.7%). But excluding autos, retail sales were up 0.4% (consensus +0.1%).

Markets will be waiting for the Fed minutes from last month to be released later this afternoon. We should note that since then, the inflation landscape has changed and so the expected hawkish tone in the minutes may not carry the same impact.

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

We are at \$7,938, down \$41. We have been trading between \$7,885-\$8,054.

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

We are at \$2,422, up \$30. We have been trading between \$2,391-\$2,440 so far today.



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

We are at \$3,516, down \$156. We have been trading between \$3,491-\$3,680.

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

We are at \$2,124, down \$39. We have been trading between \$2,116-\$2,162.

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

We are at \$21,945, down \$290. We have been trading between \$21,860-\$22,490 thus far.

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

We are at \$24,425, down \$175. We have been trading between \$24,425-\$24,815.

\* Reuters reports that **Indonesia** revoked more than 2,000 permits for in order to have better oversight over the mining sector and to possibly “redistribute the land to other companies,” this according to the country's investment minister. Licenses for 54 bauxite mines, 106 nickel mines and 18 copper facilities were revoked as a review takes place.

## Base Metals Prices and Forward Curve Snapshot

LME Cash	17-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

	17-Aug-22	1 day	1 month ago	3 month ago	Yr ago
<b>Volume (3-Mnth/lots)</b>					
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
<b>Open Int (3-Mnth/lots)</b>					
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
<b>Moving Averages &amp; Implied Price Direction</b>					
	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
<b>Support &amp; Resistance</b>					
	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
<b>Market Round-up (Data as on 9:30 am GMT)</b>					
	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 (mdbl)	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
<b>Physical Premiums (Aluminium)</b>					
	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