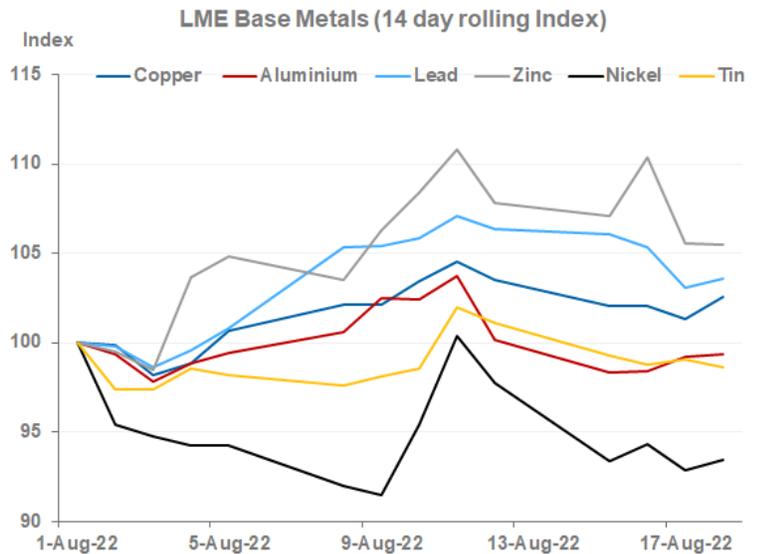


## LME Metals Report

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***This commentary was written at 10:30 A.M.  
on August 18, 2022, US EST.***

Metals retreated across the board on Wednesday, with aluminum being the sole exception on account of the announcement related to the Norsk Hydro / Slovakia smelter closure. Right now, prices are mostly mixed; copper is the biggest mover to the upside and trading back over \$8,000. Nickel is also up slightly; aluminum is down, while zinc is off more and has now pretty much rolled back its entire Nyrstar-induced spike from earlier in the week. (We wonder if aluminum's more modest rally will prove similarly vulnerable in light of surging Chinese aluminum production). We are not seeing much else going on in most other markets in what has been a relatively quiet news day – and week.



The main macro reading we got out of the US on Wednesday were the Fed minutes. The Fed's deliberations revealed that that the Governors see "little evidence" inflation is subsiding in a meaningful way, but the Fed was aware of the need not to go too far and recognized that at some point, it would need to slow down the pace of rate increases. Bets for a half point increase have now risen, but a Fed Governor said in the last hour that the decision on the size of the move will be taken at the meeting itself, showing us just how reluctant the central bank is to tip its hand too early.

Meanwhile, China looks to be settling into a prolonged period of drought that is setting in over certain parts of the country just as severe floods in the West have claimed 16 lives. Authorities said on Wednesday that that the dry conditions along the Yangtze River could last well into September and possibly beyond, imperiling efforts to get enough water to irrigate crops ahead of the fall harvest. Outside of agriculture, power has been severely rationed in parts of the country, forcing many firms to curtail their operations, at least for a week and perhaps longer. We reproduce Shanghai-based John Browning's latest diary entry on both the drought and the general macro picture in China.

*"Hydropower shortages in Sichuan, a province of 84 million people, has caused Sichuan-based manufacturing to suspend operations until at least the weekend affecting such well-known name as Toyota, Foxconn and CATL. Similarly, hydro-dependent regions have started to reorganize consumption hoping to secure continuity to the domestic sector. However, in total across China, the current power situation is not as difficult as last year when supplies of coal ran critically low, Sichuan is perhaps a special case as its input mix is especially dependent on hydro.*

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*With temperatures regularly above 40c China is now basking in its longest heat wave on record surpassing the 63 days of 2013. It is easy to forget that Chinese "regions" are comparable to European countries, Sichuan has a population larger than Germany and a GDP comparable to Turkey or Switzerland, so these regional outages are significant.*

*Here in Shanghai, I have seen 42c, and plus the humidity it feels like 51c, which I can assure you feels like being lightly boiled. The high temperatures are forecast to remain for at least another 10 days so potential power cuts and brownouts in hydro-dependent regions will gain further media traction.*

*I feel that Beijing is now involved in a series of less than headline-grabbing initiatives to turn the economy and support consumer confidence. The totality of the initiatives is comprehensive, from Shanghai issuing "helicopter money" and doling out digital consumption vouchers worth 1 billion yuan (US\$147.5 million) over the coming months, to the support given to a small number of property developers by the issuance of debt guarantees. No doubt, debt limits and borrowing thresholds will continue to be tweaked, enabling the regions and the largest companies to borrow more, and in the high street, shopping mall or online, consumer buying will be incentivized, but the consumer is a fickle beast and for the moment is yet to be persuaded".*

In the Chinese ferrous markets, iron ore futures tumbled to a three-week low as some steel mills have been ordered to halt or curb operations just as steel demand has also weakened slightly. Iron ore futures fell back by about 4.3%, with roughly 1% declines seen in the various steel contracts.

In the precious space, gold has been struggling all week as the general dollar index remains firm and is up again today at a three-week high. We are also seeing little movement in US interest rates, with the ten-year pretty much stuck at around the 2.8% level for much of this week and weighing on gold further. Prices are currently up \$2.30 at \$1778. Silver is down two cents at \$19.71, while platinum is down \$7 at \$915.

Meanwhile, more central banks are raising rates. Norway moved by 50 basis points today, following New Zealand's move on Wednesday, while an EBC official said that a September move is likely. Going in an entirely different direction (there is always one in every crowd), the Turkish central bank *cut* interest rates by 100 basis points, this despite record inflation.

We are seeing a strong tone in the oil markets; both crude contracts are up by about \$1.50. On Wednesday, we got EIA numbers showing crude stocks falling by 7.1 million barrels in the latest week, well ahead of estimates. The market is also awaiting developments on the Iran deal with the main sticking point being guarantees Tehran is seeking should the US pull out of the accord again.

US equity markets are trading lower right now, with the Dow off 140, while NASDAQ is down 21. The S&P -500 is off 5. Initial jobless claims for the latest week decreased by 2,000 to 250,000 (consensus 266,000) and tells us that claims are still a long way from recession levels. Separately, the Philadelphia Fed Index improved to 6.2 in August (consensus -4.0) from -12.3 in July. The new orders index remains stuck in negative territory at -5.1,

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although this was far better than the -24.8-reading seen in July. Importantly, the input price index plunged to a seven-month low.

In the last hour, we also got July existing home sales; these came out at 4.81 million (consensus 4.85 million) but are nevertheless down for a sixth straight month. The July leading economic index fell by .4% after a revised 0.7% decrease in June.

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

We are at \$8,045, up \$120. We have been trading between \$7,852-\$8,085.

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

We are at \$2,413, up \$2. We have been trading between \$2,381-\$2,426 so far today.

\* Reuters reports that **China's aluminium imports in July** fell 38% from a year earlier (to 192,000 tons) as domestic production rose to a record high of 3.43 million tons last month. Total imports in the first seven months were 1.27 million tons, down 28% from a year ago.

\* Reuters reports that **Sumitomo** expects **Japanese aluminium premiums** to remain at between \$125 and \$175 a ton next year, vs. \$148 this quarter. Sumitomo expects prices to trade between \$2,300-\$2,700 for the balance of the year and between \$2,400-\$3,000 next year. It sees the market in a 412,000 ton deficit this year and a 125,000 tonne surplus next year. "Unless something happens on the supply side, such as a major cut in smelters' production or a sudden disruption in Russian supply, ...prices will trade in the range."

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

We are at \$3,481, down \$32. We have been trading between \$3,413-\$3,518.

\* Analysts at **Citi** see a zinc deficit of 197,000 tons this year and 190,000 tons in 2023 and also see prices reaching \$3,800 within the next three months.

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

We are at \$2,102, down \$15. We have been trading between \$2,085-\$2,138.

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

We are at \$22,010, up \$125. We have been trading between \$21,700-\$22,400 thus far.

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\* **China's Tsingshan Holding Group** is in talks to sell about 20% of its ferronickel capacity in Morowali, Indonesia, to state-owned **China Baowu Steel Group**, this according to Caixin. A deal could cover about eight ferronickel production lines and be worth \$3 to \$4 billion.

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

We are at \$24,350, down \$310. We have been trading between \$24,200-\$24,615.

## Base Metals Prices and Forward Curve Snapshot

LME Cash	18-Aug-22	Prev Day	Month ago	3M Trend		12M Trend
CU (\$/MT)	7,925	7,975	7,411			
AL (\$/MT)	2,409	2,388	2,410			
PB (\$/MT)	2,113	2,158	2,015			
ZN (\$/MT)	3,579	3,755	3,092			
NI (\$/MT)	21,807	22,158	20,605			
SN (\$/MT)	24,855	24,813	24,926			
LME Frwrds	Cash	3-month	15-month	27-month	63-month	Curve's shape
CU (\$/MT)	7,925	8,018	7,909	7,893	7,930	
AL (\$/MT)	2,409	2,414	2,456	2,499	2,617	
PB (\$/MT)	2,113	2,128	2,098	2,068	2,036	
ZN (\$/MT)	3,579	3,512	3,143	2,872	2,529	
NI (\$/MT)	21,807	22,025	22,228	22,507	23,180	
SN (\$/MT)	24,855	24,550	23,250			
SHFE Front	1 month	3 month	6 month	9 month	12 month	Curve's shape
CU (CNY/T)	61,540	60,870	60,540	60,610	60,360	
AL (CNY/T)	18,565	18,355	18,280	18,195	18,190	
PB (CNY/T)	15,025	15,020	14,995	15,020	15,070	
ZN (CNY/T)	24,890	24,225	23,980	23,175	22,970	
NI (CNY/T)	172,450	165,640	158,430	155,050		
SN (CNY/T)	197,750	195,680	195,520	195,190	194,260	

## Base Metals Inventories

Copper	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	126,475	-2,400	130,275	74,075	245,125	
SHFE (MT)	41,811		71,332	136,300	93,032	
COMEX (MT)	49,914	-416	58,588	66,529	42,409	
GLOBAL(MT)	218,200	-2,816	260,195	276,904	380,566	
Aluminum	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	274,525	-2,350	328,500	849,275	1,315,125	
SHFE (MT)	178,736		190,671	325,747	248,242	
COMEX (MT)	21,049	0	20,708	22,887	36,810	
GLOBAL(MT)	474,310	-2,350	539,879	1,197,909	1,600,177	
Lead	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	38,900	-150	39,225	47,150	57,450	
SHFE (MT)	70,964		87,931	86,752	190,918	
GLOBAL(MT)	109,864	-150	127,156	133,902	248,368	
Zinc	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	74,950	-50	74,675	147,775	231,225	
SHFE (MT)	87,180		105,614	166,364	45,249	
COMEX (MT)	2,699	0	2,699	2,699	2,699	
GLOBAL(MT)	164,829	-50	182,988	316,838	279,173	
Nickel	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	56,010	-24	62,532	83,328	199,110	
SHFE (MT)	3,935		1,826	5,301	6,415	
GLOBAL(MT)	59,945	-24	64,358	88,629	205,525	

Source: EDF Man Capital Markets/ Bloomberg

## Technical Profile

	18-Aug-22	1 day	1 month ago	3 month ago	Yr ago
<b>Volume (3-Mnth/lots)</b>					
CU	33,716	32,580	43,356	52,317	36,757
AL	33,889	77,428	34,757	37,260	55,387
PB	7,617	15,863	9,938	10,887	11,038
ZN	22,448	42,984	22,737	23,218	18,935
NI	3,256	5,937	9,900	17,929	18,614
SN	303	1,086	897	292	633
<b>Open Int (3-Mnth/lots)</b>					
CU	235,994	235,261	226,119	286,964	310,473
AL	577,881	579,210	551,994	790,983	667,276
PB	83,865	85,196	84,518	105,662	108,520
ZN	197,177	196,226	196,784	191,756	229,431
NI	144,848	145,474	154,414	201,811	277,215
SN	11,524	11,673	12,217	16,173	16,093
<b>Moving Averages &amp; Implied Price Direction</b>					
	Cash	10 MAV	40 MAV	100 MAV	200 MAV
CU ↔	7,925	7,975	7,793	8,939	9,382
AL ↔	2,409	2,443	2,424	2,758	2,874
PB ↔	2,113	2,153	2,025	2,152	2,235
ZN ↔	3,579	3,654	3,313	3,709	3,630
NI ↓	21,807	22,226	22,008	26,758	24,780
SN ↓	24,855	24,855	25,414	33,137	37,354
<b>Support &amp; Resistance</b>					
	S1	S2	R1	R2	RSI
CU	7,602	7,370	8,250	8,400	56
AL	2,310	2,280	2,536	NA	46
PB	1,975	1,878	2,250	NA	56
ZN	3,255	3,132	3,819	4,000	57
NI	21,248	21,500	25,200	26,000	47
SN	22,980	22,500	25,600	26,400	43
<b>Market Round-up (Data as on 9:30 am GMT)</b>					
	Today	1 day	1 month	6 month	Yr Ago
Gold	1,763	1,773	1,710	1,899	1,782
Silver	19.78	20.09	18.79	23.99	23.42
Platinum	926	931	865	1,077	996
Palladium	2,175	2,149	1,849	2,338	2,423
WTI	89.23	86.53	102.60	91.07	65.46
Brent	95.06	92.34	106.27	93.54	68.23
WTI Inv (mdbl)	425	425	422	416	433
Sterling	1.2060	1.2096	1.1953	1.3589	1.3756
Euro	1.0166	1.0171	1.0143	1.1322	1.1711
CNY	6.79	6.79	6.74	6.33	6.48
Dollar Index	106.69	106.50	107.37	96.04	93.14
<b>Physical Premiums (Aluminium)</b>					
	Today	1 day	1 month	6 month	Yr Ago
US (\$/lb)	0.271	0.272	0.289	0.361	0.344
JP (\$/MT)	91.53	91.96	97.48	115.16	154.76
EU (\$/MT)	532.34	532.76	571.00	463.75	361.00

Source: EDF Man Capital Markets/ Bloomberg