

## 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)

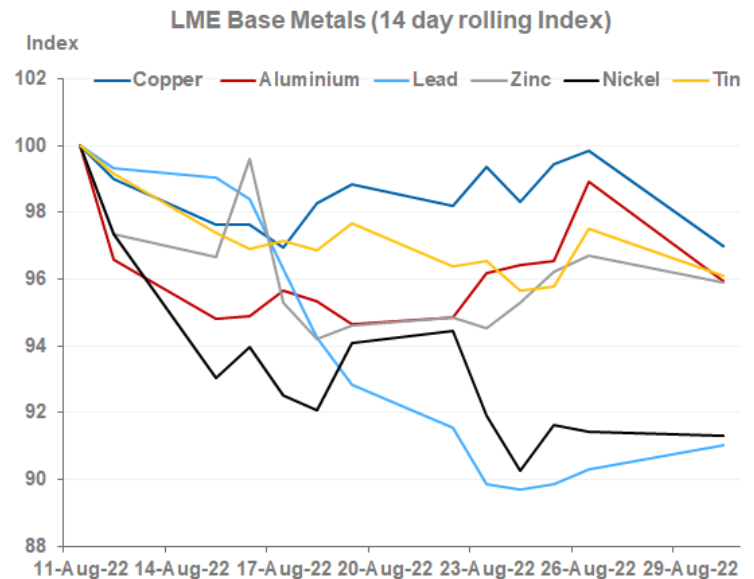
**This commentary was written at 10:00 A.M.  
on August 30, 2022, US EST.**

The Friday and Monday selloffs in the US equity markets following Jerome Powell's speech is finally spilling over into commodities. Metals are down sharply, with copper trading below \$7900 (down about 3%) and we are seeing equivalent percentage declines in aluminum and zinc. Tin is also weak, down about 4% and trading below \$24,000. In addition to equity-related weakness, metals are also buckling under the strain of resumed COVID restrictions out of China. In this regard, *CNN* reports that the southern city of Shenzhen is pretty much in lockdown. Authorities have suspended service at 24 subway stations and hundreds of bus stations across the city, including around the massive Huaqiangbei electronics market. Residents in certain neighborhoods are forbidden to leave their homes except for COVID testing, which they are required to undergo daily until Thursday.

In the Chinese ferrous markets, Dalian and Singapore iron ore futures breached the \$100/ton mark and are now off 20% from the highs reached in mid-June. In spot quotes, 62%-grade ore was quoted at \$104, down 36% from a peak reached in March, this according to *SteelHome* consultancy. Coking coal and coal prices fell by roughly 6% overnight and steel prices also ended lower. Also weighing on Chinese ferrous prices, is ongoing talk of additional output restrictions, especially in the key steel-producing city of Tangshan. The city's average daily steel output for the rest of the year should be 315,000 tons but has been running at about 352,000 tons over the January–July period, this according to *MySteel*.

In the precious metals markets, gold had a miserable week, and the selling continues into the new week after an earlier rally fizzled. Gold is currently down \$7.60 an ounce at \$1742/ounce, while silver is at \$18.49, down seven cents. Platinum is off \$16 at \$838/ounce, while palladium is down \$24/ounce at \$2100.

A weaker dollar does not seem to be helping the precious metals complex all that much. The general dollar index is off by about 1/4 of a point, returning the Euro back above parity. Talk of more aggressive ECB rate hikes (a 75-basis point rate increase is being talked about) is helping the Euro regroup as well. Sterling edged above 1.17, while the yen is at 138.50. But with two-year US treasury yields hitting a 15-year high on Monday, we suspect the dollar will remain firm for at least a little while longer. Currently, the 2-yr rate is up two basis points at 3.45% while the 10-yr is unchanged at 3.10%



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Oil prices, which had a very strong showing on Monday, have also turned south. Crude is off \$3.70 right now and close to its lows for the day. The complex was buoyed on Monday by an assortment of geopolitical events, including unrest in both Libya and Iraq and delays with regard to an Iranian nuclear agreement. In Iraq, Baghdad saw its worst fighting for years this week as clashes between rival Shi'ite Muslim groups continue. The country basically has no government right now, with a caretaker prime minister presiding over the country's affairs. Meanwhile, OPEC meets next week. Saudi Arabia has raised the possibility of cuts, perhaps in anticipation of a potential Iranian nuclear deal. Separately, British and Dutch wholesale gas prices eased following a rather large selloff on Monday on news that European gas stocks are now close to 80% full heading into the winter.

In macro news out of Europe, we learned that Eurozone economic sentiment fell more than expected in August, falling to 97.6 points in August from 98.9 in July. But inflation expectations in manufacturing declined to 43.7 from 45.3 in July, continuing a steady downward trend since peaking at 59.3 in April.

Out of China, we learned that profits at industrial firms sank in July, reversing the gains seen in June. Specifically, profits fell by 1.1% in the January-July period from a year earlier, wiping out the 1.0% growth seen during the first half of the year. Searing heat waves and COVID restrictions impacted industrial activity.

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#### **COPPER -- SUPPORT: \$7,602 / RESISTANCE: \$8,214**

We are at \$7,891, down \$270. We have been trading between \$7,846-\$8,007.

\* **Goldman Sachs** is looking at a copper prices over the next 3/6/9 months at \$6,700, \$7,600 and 9,000/ton respectively, but sees prices at \$14,000 in 2024 and \$15,000 in 2025. Goldman noted that while the short-term picture for copper is cloudy, copper's long-term structural deficit remains intact.

\* Reuters reports that **Codelco** lowered its copper production outlook for 2022 to a range between 1.49 million and 1.51 million tons (from 1.61 mln), citing lower recovery levels at some of its mines and lower ore grades at the Chuquicamata site.

\* We learned last week that **Antofagasta** will be suing the US government over what it believes was the illegal cancellation of the Twin Metals Minnesota copper project on concerns that it could pollute the Boundary Waters Canoe Area Wilderness, a 1 million-acre preserve on the US-Canada border.. The suit said the lease cancellations were "arbitrary and capricious" and that Twin Metals should have the right to prove its project can meet environmental standards. (We agree).

\* Bloomberg and Reuters both report that Chinese copper group **Maike Metal** is seeking help from the government and banks to alleviate liquidity issues it is facing as COVID lockdowns have impacted its business by slowing deliveries and delaying payments from coming in. *Fastmarkets* separately reported that the company was also late in making payments for contracted copper deliveries

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**ALUMINUM -- SUPPORT: \$2,370 / RESISTANCE: \$2,515**

We are at \$2,404, down \$89. We have been trading between \$2,385-\$2,478 so far today.

\* *Fastmarkets* reported last week that a strike at **Hydro's Sunndal aluminum plant** in Norway has ended and the facility has resumed operations as of the 25<sup>th</sup>. "Potential delays to customers are expected to be minor" Hydro noted. In addition, a strike at Alcoa's Mosjøen aluminum smelter in Norway also ended last week.

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**ZINC – SUPPORT: \$3,491 / RESISTANCE: \$3,623**

We are at \$3,488, down \$77. We have been trading between \$3,467-\$3,557.

\* Reuters reports that the **global zinc market** saw a deficit of 1,400 tons in June from a revised deficit of 1,900 tons a month earlier. For the first six months of 2022, the market was in a surplus of 27,000 tons versus a deficit of 4,000 tons in the same period of 2021.

\* *Fastmarkets'* assessment of the **zinc spot concentrate TC charges** CIF China was \$235-275/ton on Friday, up by 21% from mid-August levels.

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**LEAD -- SUPPORT: \$1,943 / RESISTANCE: \$2,064**

Lead is at \$1,995, up \$9 and the only metal higher right now. We have been trading between \$1,969-\$2,004.

\* Reuters reports that the **global lead market** was in a 20,400 ton deficit in June after a surplus of 13,600 tons in May. For the first six months of this year, the market was undersupplied by 21,000 tons, compared with a surplus of 89,000 tons in the same period of 2021.

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**NICKEL -- SUPPORT: \$21,020 / RESISTANCE: \$22,630**

We are at \$21,510, down \$123. We have been trading between \$20,750-\$21,780 thus far.

\* Reuters reports that **global steel output** fell 6.5% yr/yr in July to 149.3 million tons, this according to **WorldSteel**. Crude steel output from China dropped 6.4% to 81.4 million tons during the month.

\* **Antaika** sees **nickel, lithium and cobalt** all to be in surplus in 2022. The research firm sees a nickel surplus of 111,000 tons globally this year and a 122,000 ton surplus in 2023. New capacity in Indonesia could raise global production 20% in 2022 to 3.14 million tons and another 8% in 2023 to 3.41 million tons,

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Antaika said. It expects nickel prices to fall to \$20,000 in 2023 from a projected 2022 level of \$25,000 tons. Antaika does not see the proposed Indonesian export tax doing much for the market other than provide a short-term boost as production still remains strong.

\* On a related item, an official at **China's Nonferrous Metals Industry Association** tell Reuters that the country needs to strengthen its domestic supply of battery metals and reduce its reliance on external sources. China apparently depends on overseas suppliers for 93% of its nickel, 98% of its cobalt and 65% of its lithium. The government also said that it will accelerate research on new types of batteries, including sodium-iron batteries and hydrogen energy storage batteries.

\* Reuters reports that **Indonesian President Joko Widodo** has urged EV makers to manufacture its cars as well as its batteries in the country, saying he wanted a "huge ecosystem of electric cars", rather than simply exporting natural resources to make batteries. Indonesia is also considering imposing a tax on nickel exports this year, with some saying that the move could take place as early as Q3.

\* **China's nickel pig iron with high-grade content** was last quoted at \$182-187, a one-year low, as the ramp-up of several new NPI projects in Indonesia has led to a surplus in the domestic market. A trader told *Fastmarkets* that "demand [for stainless steel] turned terrible this year, even globally, so NPI demand is also weak, with an oversupply now." *Fastmarkets'* research sees 1.15 million tons of NPI produced in Indonesia this year, up from 915,000 tonnes in 2021. The number could rise to 1.506 million next year, *FM* notes.

\* **California Governor Gavin Newsom** signed an executive order last week "which establishes the state's goal that 100% of in-state sales of new passenger cars and trucks be zero emission by 2035." The rule also requires that 35% of new passenger vehicles sold by 2026 produce zero emissions. That requirement climbs to 68% by 2030. Californians can still drive conventional cars and buy them, but new sales after 2035 will be electric.

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**TIN -- SUPPORT: \$23,000 / RESISTANCE: \$25,500**

We are at \$23,845, down \$905. We have been trading between \$23,600-\$24,395.

## Base Metals Prices and Forward Curve Snapshot

LME Cash	30-Aug-22	Prev Day	Month ago	3M Trend		12M Trend
CU (\$/MT)	7,977	8,188	7,931			
AL (\$/MT)	2,503	2,503	2,504			
PB (\$/MT)	1,984	1,984	2,037			
ZN (\$/MT)	3,647	3,647	3,412			
NI (\$/MT)	21,540	21,540	23,579			
SN (\$/MT)	24,100	24,939	25,212			
LME Frwrds	Cash	3-month	15-month	27-month	63-month	Curve's shape
CU (\$/MT)	7,977	7,927	8,117	8,083	8,046	
AL (\$/MT)	2,503	2,418	2,537	2,584	2,698	
PB (\$/MT)	1,984	2,002	1,962	1,933	1,901	
ZN (\$/MT)	3,647	3,536	3,189	2,876	2,500	
NI (\$/MT)	21,540	21,600	22,021	22,305	22,978	
SN (\$/MT)	24,100	24,395	23,495			
SHFE Front	1 month	3 month	6 month	9 month	12 month	Curve's shape
CU (CNY/T)	62,810	62,020	61,570	61,470	61,260	
AL (CNY/T)	18,605	18,450	18,290	18,365	18,340	
PB (CNY/T)	14,895	14,890	14,885	14,905	14,880	
ZN (CNY/T)	25,290	24,580	23,910	23,510	23,285	
NI (CNY/T)	167,630	162,050	156,380	153,750		
SN (CNY/T)	195,960	193,490	190,780	191,320	191,930	

## Base Metals Inventories

Copper	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	121,000		130,575	73,025	254,250	
SHFE (MT)	34,898	0	37,025	159,023	82,390	
COMEX (MT)	46,847	-551	54,802	63,797	45,730	
GLOBAL(MT)	202,745	-551	222,402	295,845	382,370	
Aluminum	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	280,475		291,025	824,025	1,338,125	
SHFE (MT)	204,564	0	185,358	335,892	248,926	
COMEX (MT)	21,274	0	21,569	21,206	35,897	
GLOBAL(MT)	506,313	0	497,952	1,181,123	1,622,948	
Lead	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	37,525		39,500	44,325	55,450	
SHFE (MT)	71,822	0	68,151	88,857	195,435	
GLOBAL(MT)	109,347	0	107,651	133,182	250,885	
Zinc	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	76,975		70,500	144,100	238,275	
SHFE (MT)	90,288	0	97,316	172,750	52,157	
COMEX (MT)	2,699	0	2,699	2,699	2,699	
GLOBAL(MT)	169,962	0	170,515	319,549	293,131	
Nickel	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	54,576		57,804	80,094	195,252	
SHFE (MT)	3,538	0	1,741	5,189	4,455	
GLOBAL(MT)	58,114	0	59,545	85,283	199,707	

Source: EDF Man Capital Markets/ Bloomberg

## Technical Profile

	30-Aug-22	1 day	1 month ago	3 month ago	Yr ago
<b>Volume (3-Mnth/lots)</b>					
CU	18,084	18,084	43,356	52,317	36,757
AL	18,228	18,228	34,757	37,260	55,387
PB	4,559	4,559	9,938	10,887	11,038
ZN	5,206	5,206	22,737	23,218	18,935
NI	1,732	1,732	9,900	17,929	18,614
SN	338	338	897	292	633
<b>Open Int (3-Mnth/lots)</b>					
CU	237,829	237,829	226,119	286,964	310,473
AL	582,363	582,363	551,994	790,983	667,276
PB	84,061	84,061	84,518	105,662	108,520
ZN	194,757	194,757	196,784	191,756	229,431
NI	148,381	148,381	154,414	201,811	277,215
SN	12,176	12,176	12,217	16,173	16,093
<b>Moving Averages &amp; Implied Price Direction</b>					
	Cash	10 MAV	40 MAV	100 MAV	200 MAV
CU ↑	7,977	8,068	7,756	8,760	9,315
AL ↓	2,503	2,422	2,421	2,682	2,868
PB ↔	1,984	2,045	2,036	2,125	2,222
ZN ↓	3,647	3,603	3,349	3,669	3,639
NI ↓	21,540	21,807	21,801	25,926	24,845
SN ↓	24,100	24,675	24,980	31,613	36,809
<b>Support &amp; Resistance</b>					
	S1	S2	R1	R2	RSI
CU	7,602	7,480	8,214	8,318	47
AL	2,370	2,358	2,515	2,527	48
PB	1,943	1,883	2,064	2,138	41
ZN	3,491	3,267	3,623	3,697	57
NI	21,020	20,500	22,630	24,000	45
SN	23,000	NA	25,500	NA	44
<b>Market Round-up (Data as on 9:30 am GMT)</b>					
	Today	1 day	1 month	6 month	Yr Ago
Gold	1,736	1,736	1,763	1,901	1,810
Silver	18.52	18.75	20.20	24.36	23.96
Platinum	850	855	890	1,039	1,002
Palladium	2,131	2,122	2,130	2,501	2,476
WTI	96.61	93.06	98.62	95.72	69.21
Brent	104.24	100.99	110.01	100.99	73.41
WTI Inv (mdbl)	422	422	427	412	424
Sterling	1.1743	1.1744	1.2171	1.3420	1.3760
Euro	1.0035	0.9966	1.0220	1.1219	1.1797
CNY	6.90	6.87	6.74	6.31	6.47
Dollar Index	108.42	108.80	105.90	96.71	92.65
<b>Physical Premiums (Aluminium)</b>					
	Today	1 day	1 month	6 month	Yr Ago
US (\$/lb)	0.265	0.266	0.287	0.362	0.344
JP (\$/MT)	90.63	90.65	96.35	115.11	156.50
EU (\$/MT)	518.20	518.81	565.00	466.25	363.13

Source: EDF Man Capital Markets/ Bloomberg