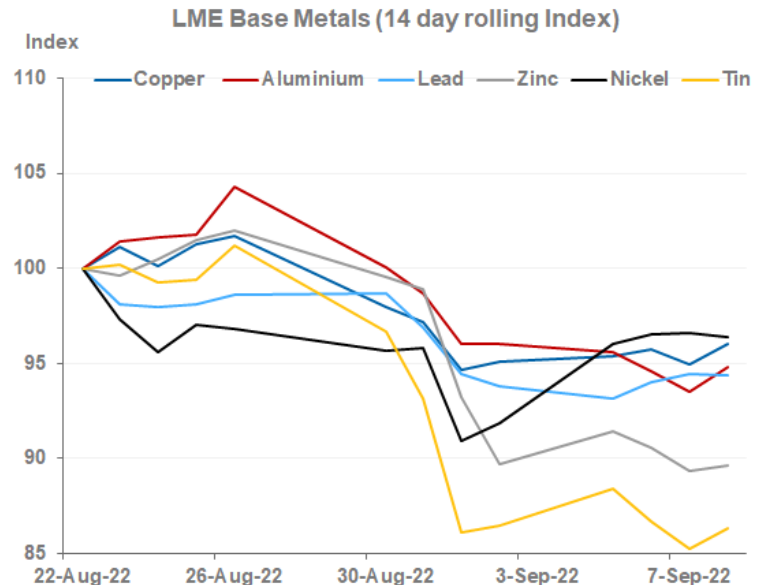


LME Metals Report

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We are finally starting to see some cracks in the bearish façade that has engulfed most markets over the last 10 days or so. On Wednesday, oil markets continued their spectacular decline, dropping by roughly \$5/brl and sparking a modest rally in US bond prices and a massive reversal in the dollar. At one point, the general dollar index was up three quarters of a point, but it ultimately lost pretty much that amount by days' end. The drop in US yields, the dollar and oil combined to trigger a rather ferocious rally in US equity markets, which finally brought a six-day losing streak to an end. Base metals ended with fairly significant losses (with ali and zinc getting hit pretty hard), but they have caught up today, with the group mostly higher right now apart from lead.



As Thursday's US session gets underway, Fed Chair Powell is addressing the Cato Institute's Monetary Conference and is making the same points he made a few weeks ago at Jackson Hole. The dollar has steadied on his remarks and treasury yields have moved higher as well, triggering an initial decline in US equities. The 2-yr yield is back up to 3.46%, while the 10-yr yield, which had dropped to 3.20% earlier today, is now back up to 3.26%. Fed funds futures are now seeing an 82.0% probability of a 75-basis point move when the Fed next meets, although we suspect that might change when US inflation numbers are released next week, We think they will come in better than forecast.

Elsewhere, the ECB just fired off a 75-basis point increase in rates to 1.25% and also hiked its marginal lending facility to 1.50% and its deposit facility rated to 0.75%), as expected. The ECB hinted at more rate hikes to come, but this has hardly done much for the Euro, which is bouncing around on either side of parity.

Sterling is trading water at multi-decade lows and is now at \$1.1473. Markets are wary about the new government's energy policies unveiled earlier today. PM Liz Truss is seeking to cap soaring consumer energy bills for two years in a package that could the Treasury about L150 billion pounds, or half on what was spent on COVID. "We are supporting this country through this winter and next, and tackling the root causes of high prices so we are never in the same position again," she told parliament. Under the plan, household energy bills would be held at around L2,500 pounds a year for two years. Separately, Truss said the Treasury would work with the Bank of England to address liquidity requirements faced by energy firms, worth another L40 billion. Truss also announced more than 100 new exploration licenses for oil and gas in the North Sea and the removal of a ban on fracking for communities which are willing to go ahead with it. And of course, the UK is also following developments with Queen's Elizabeth's health, which seems to have taken a turn for the worse.

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In the Chinese ferrous markets, steel and iron ore prices rose overnight after the city of Zhengzhou said it would restart building stalled housing projects within 30 days by making use of special loans given to it by the banks (via the government). It will also be asking developers to return misappropriated funds while encouraging other real estate firms to file for bankruptcy. These are all things that China's federal government *should* be doing, but is not. In another more disturbing development, the FT reports today that Evergrande's Hong Kong headquarters has been seized by lenders after the struggling Chinese property developer defaulted on a loan and failed to sell the building that was housing it.

In the precious metals space, gold had a nice bounce on Wednesday, but has already rolled back half of its gains and is now down \$5 at \$1722. There are modest gains we are seeing in silver (up \$.13 at \$18.38), with more solid advances seen in platinum (up \$18 at \$865) and palladium (up \$78 at \$2100).

In the oil markets, prices are up by about \$1.80, recovering a third of Wednesday's losses. Prices were down earlier on news that the region of Chengdu in China extended a lockdown for its 21 million residents on Thursday to prevent further transmission of COVID. Nomura research points out that 49 Chinese cities have various levels of lockdowns, impacting 292 million people or about 21% of China's population and 25% of GDP. Separately, JP Morgan came out with a note today saying that OPEC+ may need to cut production by 1 million barrels per day to "stem the downward momentum in prices and realign physical and paper markets which appear disconnected."

In other US macro news, firms reported economic activity was unchanged in July through late August. "Overall labor market conditions remained tight, although nearly all Districts highlighted some improvement in labor availability," the Fed said in its "Beige Book" survey conducted across 12 districts through Aug. 29. "Price levels remained highly elevated, but nine Districts reported some degree of moderation in their rate of increase."

COPPER -- SUPPORT: \$7,510 / RESISTANCE: \$8,000

We are at \$7,736, up \$113. We have been trading between \$7,639-\$7,804.

* Reuters notes that the cash-to-three's spread has jumped to \$129 a tonne earlier today, the highest since last November. LME copper stocks have now shed 22% over the past four weeks to 102,725 tons, the lowest in five months.

* Workers at **Escondida** voted Wednesday to go on strike over what they described as safety concerns, the mine's union said. The strike will entail a partial work stoppage on Sept. 12 and 14 for 12 hours each day, followed by an indefinite work stoppage lasting until a deal with owner BHP is reached, the union said. Escondida said in a statement that it has complied with all its labor obligations and called the strike "unlawful"

ALUMINUM -- SUPPORT: \$2,150 / RESISTANCE: \$2318

We are at \$2,266, up \$31. We have been trading between \$2,241-\$2,284 so far today.

ZINC – SUPPORT: \$2,960 / RESISTANCE: \$3,280

We are at \$3,143, up \$19. We have been trading between \$3,119-\$3,171.

LEAD -- SUPPORT: \$1,828 / RESISTANCE: \$1,921

Lead is at \$1,884, down \$18. We have been trading between \$1,883-\$1,915.

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

We are at \$21,630, up \$50. We have been trading between \$21,280-\$21,715 thus far.

* **Vale** said on Wednesday that global demand for **nickel** should increase 44% by 2030 (or some 6.2 million tons) compared to what is expected for this year due to the booming “energy transition.” Growth in nickel supplies should be driven mainly by Indonesia and Canada, as well as Australia, it added. Global demand for **copper** is expected to rise by about 20% by 2030 to 37 million tons. Vale sees a “structural deficit” in copper as it is unlikely that supply will be able to catch up.

* Reuters reports that **Tesla** sold almost 77,000 Chinese-made vehicles in August, nearly triple its sales from a month ago. China's overall passenger car sales in August jumped 28% from a year earlier to 1.9 million, but this was off a low base.

TIN -- SUPPORT: \$20,053 / RESISTANCE: \$22,850

We are at \$21,250, up \$400. We have been trading between \$20,750-\$21,600.

Base Metals Prices and Forward Curve Snapshot

LME Cash	8-Sep-22	Prev Day	Month ago	3M Trend		12M Trend
CU (\$/MT)	7,699	7,751	7,987			
AL (\$/MT)	2,225	2,254	2,454			
PB (\$/MT)	1,901	1,892	2,187			
ZN (\$/MT)	3,151	3,204	3,553			
NI (\$/MT)	21,522	21,532	21,614			
SN (\$/MT)	21,008	21,346	24,432			
LME Frwrds	Cash	3-month	15-month	27-month	63-month	Curve's shape
CU (\$/MT)	7,699	7,709	7,566	7,556	7,526	
AL (\$/MT)	2,225	2,266	2,315	2,397	2,562	
PB (\$/MT)	1,901	1,900	1,887	1,859	1,829	
ZN (\$/MT)	3,151	3,133	2,807	2,557	2,207	
NI (\$/MT)	21,522	21,540	21,981	22,339	23,021	
SN (\$/MT)	21,008	21,110	19,809			
SHFE Front	1 month	3 month	6 month	9 month	12 month	Curve's shape
CU (CNY/T)	61,490	60,580	60,000	59,830	60,000	
AL (CNY/T)	18,540	18,305	18,145	18,195	18,220	
PB (CNY/T)	15,065	15,065	15,035	14,995	14,940	
ZN (CNY/T)	24,355	23,620	22,755	22,260	22,035	
NI (CNY/T)	177,730	171,280	164,060	157,040		
SN (CNY/T)	183,200	172,710	169,770	167,870	168,470	

Base Metals Inventories

Copper	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	102,725	-575	127,850	69,600	237,700	
SHFE (MT)	37,477		34,768	167,951	69,278	
COMEX (MT)	43,761	-879	53,113	62,617	46,067	
GLOBAL(MT)	183,963	-1,454	215,731	300,168	353,045	
Aluminum	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	309,025	-475	287,425	779,350	1,334,225	
SHFE (MT)	204,063		175,792	345,207	232,245	
COMEX (MT)	21,320	-23	21,405	20,958	35,897	
GLOBAL(MT)	534,408	-498	484,622	1,145,515	1,602,367	
Lead	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	37,350	-75	38,875	40,300	52,375	
SHFE (MT)	68,039		60,056	93,601	197,475	
GLOBAL(MT)	105,389	-75	98,931	133,901	249,850	
Zinc	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	77,275	-75	73,550	141,250	231,400	
SHFE (MT)	84,873		88,896	171,675	49,472	
COMEX (MT)	2,699	0	2,699	2,699	2,699	
GLOBAL(MT)	164,847	-75	165,145	315,624	283,571	
Nickel	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	53,850	-390	57,252	75,012	183,678	
SHFE (MT)	3,087		3,632	5,479	5,950	
GLOBAL(MT)	56,937	-390	60,884	80,491	189,628	

Source: EDF Man Capital Markets/ Bloomberg

Technical Profile

	8-Sep-22	1 day	1 month ago	3 month ago	Yr ago
Volume (3-Mnth/lots)					
CU	13,247	30,332	46,067	52,317	36,757
AL	17,887	47,099	62,327	37,260	55,387
PB	2,783	9,728	12,302	10,887	11,038
ZN	6,554	16,779	43,590	23,218	18,935
NI	2,036	4,772	7,373	17,929	18,614
SN	316	654	2,431	292	633
Open Int (3-Mnth/lots)					
CU	244,333	242,023	240,687	286,964	310,473
AL	563,142	563,901	580,041	790,983	667,276
PB	91,337	88,950	87,060	105,662	108,520
ZN	192,189	191,328	192,168	191,756	229,431
NI	149,629	149,488	148,535	201,811	277,215
SN	11,835	11,927	11,725	16,173	16,093
Moving Averages & Implied Price Direction					
	Cash	10 MAV	40 MAV	100 MAV	200 MAV
CU ↑	7,699	7,868	7,771	8,604	9,257
AL ↓	2,225	2,352	2,405	2,609	2,856
PB ↔	1,901	1,930	2,026	2,090	2,207
ZN ↓	3,151	3,404	3,382	3,597	3,641
NI ↓	21,522	21,218	21,673	25,079	24,900
SN ↓	21,008	22,719	24,333	30,266	36,282
Support & Resistance					
	S1	S2	R1	R2	RSI
CU	7,510	7,460	8,000	8,214	43
AL	2,150	2,100	2,318	2,343	35
PB	1,828	1,784	1,921	1,949	32
ZN	2,960	2,824	3,280	3,430	34
NI	20,053	19,942	22,850	24,090	48
SN	19,760	19,048	22,180	24,000	28
Market Round-up (Data as on 9:30 am GMT)					
	Today	1 day	1 month	6 month	Yr Ago
Gold	1,719	1,703	1,787	2,043	1,791
Silver	18.29	17.80	20.61	26.89	24.01
Platinum	858	834	938	1,153	976
Palladium	2,012	1,956	2,242	2,967	2,236
WTI	81.55	86.88	90.76	123.70	69.30
Brent	87.52	92.83	96.65	127.98	72.60
WTI Inv (mdbl)	418	418	425	416	417
Sterling	1.1485	1.1520	1.2082	1.3102	1.3771
Euro	0.9984	0.9904	1.0197	1.0899	1.1816
CNY	6.96	6.95	6.75	6.32	6.46
Dollar Index	109.76	110.21	106.44	99.06	92.65
Physical Premiums (Aluminium)					
	Today	1 day	1 month	6 month	Yr Ago
US (\$/lb)	0.252	0.253	0.279	0.381	0.345
JP (\$/MT)	106.61	112.32	103.27	103.13	169.41
EU (\$/MT)	418.70	408.33	512.84	505.83	376.25

Source: EDF Man Capital Markets/ Bloomberg