

This commentary was written at 8:30 A.M. on September 12, 2022, US EST.

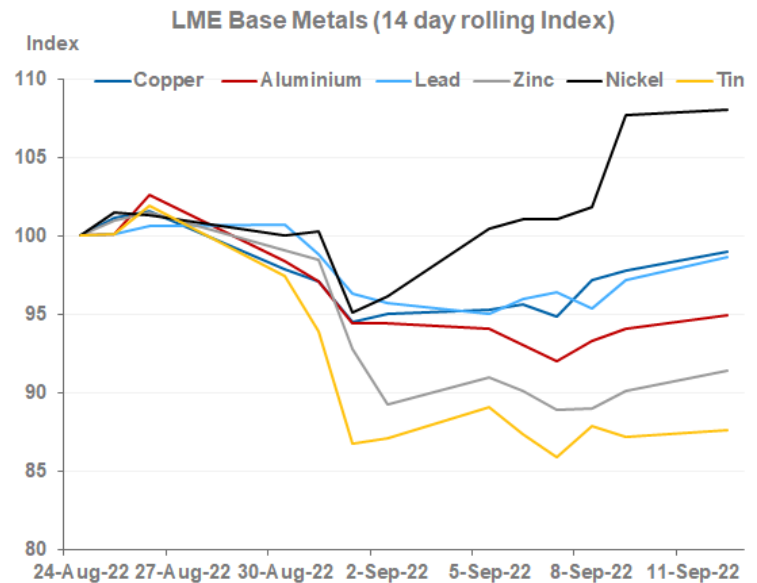
We are seeing decent gains across various markets, with pretty much all the advance attributable to a sharp decline in the dollar. The general dollar index is off almost a full point at 108.15 and now at its lowest level since August 26th. US Treasury rates have backed off slightly, but are still quite high, making the dollar selloff all the more unusual. In fact, the 2-yr. note climbed 17 basis points last week to yield 3.57% while the 10-yr. yield jumped 12 basis points to 3.32%. Fed fund futures are now assigning an 87% probability of a 75-basis point move in September and there is talk among some Fed Governors that yet another 75-basis move may not be far behind. But these probabilities could change yet again this week depending on what happens to this week's inflation data. In fact, the sharply weaker dollar we are seeing so far today may be telling that tomorrow's key CPI and PPI numbers could come in *better* than expected and investors are perhaps bracing themselves for a positive surprise. We are in that camp ourselves and believe that both the CPI and PPI could indeed surprise given the sharp declines we have seen in an array of input prices for August.

In the individual currency markets, the Euro has moved up to 1.0140 on a Reuters story that ECB policymakers are resolved to push rates much higher given current inflation readings of 9.1% (for August). Sterling has surged to nearly 1.17 no real news as the country seems to be singularly focused on Queen Elizabeth's funeral arrangements.

In the base metals complex, today's advances are being led by copper, nickel and zinc, the latter being the best percentage gainer on the day and up nearly 2%. Trading conditions are quiet as there are holidays in China, South Korea and Hong Kong.

Precious metals are naturally benefiting from dollar weakness; gold is up nearly \$14/ounce \$1742/ounce and is now at its highs for the month. Silver is up \$0.67 at \$19.48, and we are seeing decent gains in platinum and palladium as well (each at \$889 and \$2212/ounce respectively).

Oil prices are up by about \$0.60/barrel with WTI now at \$87.40. News about Russian setbacks in Ukraine do not seem to be impacting the markets all that much, as it is not certain just yet how this is going to change the oil and gas supply dynamic. Meanwhile, the G7 continues to study plans for a price cap on Russian oil, something we suspect will be quite difficult to design let alone implement. In other news, Reuters reports that Chinese oil demand could actually *contract* this year for the first time in 20 years.



Finally, US equity markets are on track for a firmer opening, building on the gains we saw from last week. The Dow is expected to open up 75 points, while the S&P 500 and NASDAQ are each on track for 17 and 59-point gains respectively.

In macro news, Germany's Ifo Institute now expects the economy to contract next year by .3%, reversing its June forecast calling for 3.7% growth. Ifo also bumped up its 2023 inflation forecast by 6 percentage points to 9.3%. (We are not sure about either of Ifo's 2023 forecasts as projecting that far out based on what is *currently* going on with Russia/Ukraine does not make much sense). For this year, Ifo lowered its growth forecast for Germany to 1.6% from 2.5% and raised its inflation forecast to 8.1% from 6.8%.

In terms of US macro news, nothing comes out today, but on Tuesday we get CPI reading for August, expected at -.1% vs. an unchanged reading for July. The core rate is expected to be up by .3%, in line with last month. August CPI prices on a year-over-year basis are expected to be up by 8.1%, versus July's 8.5% print. Wednesday brings us the August PPI number (expected at -.1%, previous unchanged), while on Thursday, we get weekly initial claims (expected at 225,000), August retail sales (expected at -.1%, previous unchanged), the Philly and Empire Fed manufacturing index (expected at 2 and -15 respectively) as well as the August national industrial production number (expected unchanged, last .6%). The University of Michigan consumer confidence reading for September comes out Friday (expected at 59.3, about a point higher than the previous month).

This writer will be out for the balance of the week attending the ISRI conference in Chicago. Our next morning daily note will be out on Tuesday, September 20 since Monday the 19th will be a UK bank holiday to officially mark the Queen's passing and so the LME will be closed.

COPPER -- SUPPORT: \$7,640 / RESISTANCE: \$8,020

We are at \$7,951, up \$94. We have been trading between \$7,820-\$7,998.

* Reuters reports that workers at **Escondida** have agreed to temporarily suspend a work stoppage planned for this week to meet with local regulators.

ALUMINUM -- SUPPORT: \$2,233 / RESISTANCE: \$2,370

We are at \$2,305, up \$19. We have been trading between \$2,276-\$2,320.

ZINC – SUPPORT: \$3,092 / RESISTANCE: \$3,370

We are at \$3,220, up \$52. We have been trading between \$3,173-\$3,235.



LEAD -- SUPPORT: \$1,870 / RESISTANCE: \$2,000

Lead is at \$1,942, up \$25. We have been trading between \$1,921-\$1,958.

NICKEL -- SUPPORT: \$22,600 / RESISTANCE: \$25,200

We are at \$23,490, up \$496. We have been trading between \$22,815-\$23,595.

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

We are at \$21,315, up \$150. We have been trading between \$21,195-\$21,445.

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Base Metals Prices and Forward Curve Snapshot

| LME Cash | 12-Sep-22 | Prev Day | Month ago | 3M Trend | | 12M Trend |
|------------|-----------|----------|-----------|----------|----------|---------------|
| CU (\$/MT) | 7,924 | 7,919 | 8,085 | | | |
| AL (\$/MT) | 2,274 | 2,256 | 2,438 | | | |
| PB (\$/MT) | 1,915 | 1,881 | 2,190 | | | |
| ZN (\$/MT) | 3,183 | 3,151 | 3,688 | | | |
| NI (\$/MT) | 22,959 | 21,716 | 22,964 | | | |
| SN (\$/MT) | 21,305 | 21,486 | 25,367 | | | |
| LME Frwrds | Cash | 3-month | 15-month | 27-month | 63-month | Curve's shape |
| CU (\$/MT) | 7,924 | 7,952 | 7,790 | 7,765 | 7,735 | |
| AL (\$/MT) | 2,274 | 2,307 | 2,376 | 2,466 | 2,671 | |
| PB (\$/MT) | 1,915 | 1,947 | 1,904 | 1,879 | 1,849 | |
| ZN (\$/MT) | 3,183 | 3,212 | 2,910 | 2,670 | 2,320 | |
| NI (\$/MT) | 22,959 | 23,070 | 23,376 | 23,716 | 24,398 | |
| SN (\$/MT) | 21,305 | 21,280 | 20,116 | | | |
| SHFE Front | 1 month | 3 month | 6 month | 9 month | 12 month | Curve's shape |
| CU (CNY/T) | 63,170 | 61,900 | 61,180 | 61,090 | 60,990 | |
| AL (CNY/T) | 18,820 | 18,635 | 18,485 | 18,530 | 18,320 | |
| PB (CNY/T) | 14,950 | 14,940 | 14,890 | 14,895 | 14,870 | |
| ZN (CNY/T) | 24,860 | 24,055 | 23,160 | 22,480 | 22,595 | |
| NI (CNY/T) | 183,780 | 178,360 | 172,170 | 164,210 | | |
| SN (CNY/T) | 184,330 | 176,140 | 173,460 | 172,470 | 170,300 | |

Base Metals Inventories

| Copper | Today | 1 day Δ | 1 month | 6 month | Yr Ago | 12M Trend |
|------------|---------|---------|---------|-----------|-----------|-----------|
| LME (MT) | 105,425 | -25 | 131,850 | 74,200 | 233,950 | |
| SHFE (MT) | 36,371 | | 41,811 | 161,668 | 61,838 | |
| COMEX (MT) | 43,183 | -216 | 51,431 | 62,793 | 46,123 | |
| GLOBAL(MT) | 184,979 | -241 | 225,092 | 298,661 | 341,911 | |
| Aluminum | Today | 1 day Δ | 1 month | 6 month | Yr Ago | 12M Trend |
| LME (MT) | 334,375 | -900 | 277,225 | 755,950 | 1,317,725 | |
| SHFE (MT) | 194,917 | | 178,736 | 348,315 | 228,529 | |
| COMEX (MT) | 19,337 | 0 | 21,072 | 20,958 | 35,897 | |
| GLOBAL(MT) | 548,629 | -900 | 477,033 | 1,125,223 | 1,582,151 | |
| Lead | Today | 1 day Δ | 1 month | 6 month | Yr Ago | 12M Trend |
| LME (MT) | 36,750 | 0 | 39,000 | 38,275 | 52,300 | |
| SHFE (MT) | 67,290 | | 70,964 | 106,236 | 204,008 | |
| GLOBAL(MT) | 104,040 | 0 | 109,964 | 144,511 | 256,308 | |
| Zinc | Today | 1 day Δ | 1 month | 6 month | Yr Ago | 12M Trend |
| LME (MT) | 76,850 | -175 | 74,500 | 140,725 | 226,900 | |
| SHFE (MT) | 63,227 | | 87,180 | 173,759 | 53,797 | |
| COMEX (MT) | 3,306 | 607 | 2,699 | 2,699 | 2,699 | |
| GLOBAL(MT) | 143,383 | 432 | 164,379 | 317,183 | 283,396 | |
| Nickel | Today | 1 day Δ | 1 month | 6 month | Yr Ago | 12M Trend |
| LME (MT) | 53,532 | -24 | 56,118 | 75,702 | 179,394 | |
| SHFE (MT) | 3,523 | | 3,935 | 6,465 | 8,608 | |
| GLOBAL(MT) | 57,055 | -24 | 60,053 | 82,167 | 188,002 | |

Source: EDF Man Capital Markets/ Bloomberg

Technical Profile

| | 12-Sep-22 | 1 day | 1 month ago | 3 month ago | Yr ago |
|--|-----------|---------|-------------|-------------|---------|
| Volume (3-Mnth/lots) | | | | | |
| CU | 16,856 | 46,229 | 46,067 | 52,317 | 36,757 |
| AL | 17,618 | 39,332 | 62,327 | 37,260 | 55,387 |
| PB | 3,314 | 9,658 | 12,302 | 10,887 | 11,038 |
| ZN | 7,630 | 14,190 | 43,590 | 23,218 | 18,935 |
| NI | 2,552 | 3,666 | 7,373 | 17,929 | 18,614 |
| SN | 201 | 662 | 2,431 | 292 | 633 |
| Open Int (3-Mnth/lots) | | | | | |
| CU | 245,676 | 243,841 | 240,687 | 286,964 | 310,473 |
| AL | 570,304 | 567,616 | 580,041 | 790,983 | 667,276 |
| PB | 91,139 | 91,364 | 87,060 | 105,662 | 108,520 |
| ZN | 192,909 | 191,445 | 192,168 | 191,756 | 229,431 |
| NI | 148,792 | 149,659 | 148,535 | 201,811 | 277,215 |
| SN | 11,883 | 11,810 | 11,725 | 16,173 | 16,093 |
| Moving Averages & Implied Price Direction | | | | | |
| | Cash | 10 MAV | 40 MAV | 100 MAV | 200 MAV |
| CU ↑ | 7,924 | 7,829 | 7,805 | 8,557 | 9,238 |
| AL ↓ | 2,274 | 2,317 | 2,402 | 2,589 | 2,852 |
| PB ↔ | 1,915 | 1,916 | 2,026 | 2,079 | 2,204 |
| ZN ↓ | 3,183 | 3,316 | 3,391 | 3,571 | 3,639 |
| NI ↓ | 22,959 | 21,401 | 21,779 | 24,865 | 24,923 |
| SN ↓ | 21,305 | 22,105 | 24,150 | 29,824 | 36,099 |
| Support & Resistance | | | | | |
| | S1 | S2 | R1 | R2 | RSI |
| CU | 7,640 | 7,520 | 8,020 | 8,214 | 55 |
| AL | 2,233 | 2,150 | 2,370 | 2,515 | 43 |
| PB | 1,870 | 1,828 | 2,000 | NA | 45 |
| ZN | 3,092 | NA | 3,370 | 3,430 | 42 |
| NI | 22,600 | NA | 25,200 | NA | 63 |
| SN | 20,053 | 19,760 | 22,850 | 24,000 | 32 |
| Market Round-up (Data as on 9:30 am GMT) | | | | | |
| | Today | 1 day | 1 month | 6 month | Yr Ago |
| Gold | 1,726 | 1,711 | 1,799 | 1,985 | 1,790 |
| Silver | 18.66 | 18.33 | 20.70 | 26.11 | 23.86 |
| Platinum | 888 | 866 | 959 | 1,089 | 957 |
| Palladium | 2,163 | 2,132 | 2,219 | 2,793 | 2,123 |
| WTI | 86.76 | 83.54 | 92.09 | 109.33 | 69.72 |
| Brent | 92.97 | 89.15 | 98.15 | 112.67 | 72.92 |
| WTI Inv (mbbl) | 427 | 427 | 425 | 416 | 414 |
| Sterling | 1.1692 | 1.1504 | 1.2138 | 1.3037 | 1.3839 |
| Euro | 1.0191 | 0.9997 | 1.0259 | 1.0912 | 1.1814 |
| CNY | 6.93 | 6.96 | 6.74 | 6.34 | 6.44 |
| Dollar Index | 107.86 | 109.71 | 105.63 | 99.12 | 92.58 |
| Physical Premiums (Aluminium) | | | | | |
| | Today | 1 day | 1 month | 6 month | Yr Ago |
| US (\$/lb) | 0.250 | 0.251 | 0.274 | 0.389 | 0.346 |
| JP (\$/MT) | 97.41 | 102.20 | 93.69 | 103.13 | 169.41 |
| EU (\$/MT) | 434.51 | 426.77 | 532.66 | 518.75 | 379.17 |

Source: EDF Man Capital Markets/ Bloomberg