

LME Metals Report

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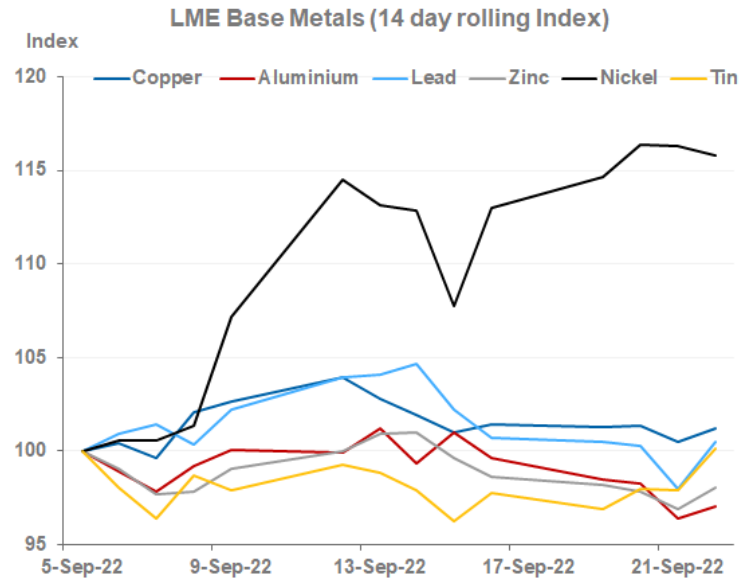
***This commentary was written at 7:50 A.M.
on September 22, 2022, US EST.***

It was an ugly day in the US equity markets on Wednesday after the Fed's policy statement came out. The statement bluntly noted that it "anticipates that ongoing increases in the target range will be appropriate," quashing any hopes for a more nuanced message on rates. Jay Powell's subsequent press conference was hardly any more reassuring as the Chairman came across as the more hawkish Powell of August as opposed to the more dovish Powell from July. On the rate front -- and as expected -- the Fed raised the funds rate by 75 basis points to 3-3.25% and it now projects another 1.25% of rate hikes through year-end, bringing the fed funds range to 4.4%. Fed funds are expected to peak at 4.6% early next year and then begin to decline to 3.9% in 2024 and to 2.9% in 2025. (Having said that, the Fed's "dot-plot" forecasts are notoriously wrong—the ones from this time last year had current rates at about .75%).

Powell reiterated that it was job #1 for the Fed to break the inflation cycle before inflationary expectations, which are well anchored for now, start to move higher. "The historical record cautions strongly against prematurely loosening policy," he noted. Powell was pretty pessimistic on what he was seeing on the inflation front thus far, noting that the PCE index (a favored Fed inflation gauge) is pretty much unchanged from year-ago levels.

US credit markets were all over the place in the wake of the announcement; both the ten year and the two-year treasury made new highs just as Powell spoke, getting to 3.62% and 4.11% respectively, but retreated thereafter to settle at 3.51% and 3.95%. We are a few basis points lower right now.

In Asia, equity bourses ended slightly lower overnight and European exchanges are mostly lower right now but have recovered from earlier losses. The Swiss National Bank joined the rate hike campaign earlier today with a 75-basis point increase and Norway's and Indonesia's central banks also raised rates, as did the South African Reserve Bank. The Bank of England just moved as well, raising its borrowing levels to 2.25% from 1.75% and said it would continue to "respond forcefully, as necessary" to fight inflation. The BoE estimates that Britain's economy will shrink by .1% in Q3 which, combined with the contraction in Q2, meets the definition of a technical recession. For its part, the BoJ left policy unchanged, but launched currency intervention to prop up the yen. The yen is up sharply right now (at 142.50) but we don't expect these gains to last as central bank interventions typically fail after the initial flurry is over.



Most major other currencies are slightly higher against the dollar compared to the lows we saw yesterday (post-Fed). The Euro is now at .9877, sterling is at 1.1317, while the Canadian dollar is at 1.3465.

We thought that commodity markets would fall alongside equities today and although there was some weakness early in the Asia session, things seem to have stabilized and we are seeing modest gains right now in both base metals and oil. US stock index futures have erased earlier declines and are now up, perhaps contributing to the steadier tone we are seeing. In the base metals space, lead in leading the pack with a nearly 3% gain.

In US macro news, we learned on Wednesday that total housing starts increased 12.2% month-over-month in August to a seasonally adjusted annual rate of 1.575 million (consensus 1.448 million), driven by a 28% increase in multi-unit starts. (Single-family starts were up 3.4%). Building permits, though, were down 10% month-over-month to a seasonally adjusted annual rate of 1.517 million (consensus 1.610 million), driven lower by a 18% decline in multi-unit permits and a 3.5% decline in single-family units. The key takeaway from the report is that the weakness in permits is likely not sustainable, especially given that mortgage rates have risen since July-August and are now over 6%. In addition, the NAHB housing market index for September, out on Tuesday, showed yet another decline in homebuilder sentiment and so we would not reach too much into these numbers.

Later today, we get weekly initial claims (expected at 214,000, unchanged from the previous week) along with leading economic indicators for August (expected at -.1%, last -.4%). But for now, most markets are still coming to grips with the "higher for longer" rate scenario laid out by Powell at Wednesday's news conference.

COPPER -- SUPPORT: \$7,590 / RESISTANCE: \$8,153

We are at \$7,750, up \$60 and just about where we were at this time on Wednesday. We have been trading between \$7,590-\$7,848 so far today.

* The **global refined copper market** showed a 30,000 ton deficit in July, compared with a 105,000 ton deficit in June, this according to the International Copper Study Group. For the first 7 months of the year, the market was in a 126,000 ton deficit compared with a 183,000 ton deficit in the same period a year earlier, the ICSG added.

* **LME stocks** rose by 4,775 tons today and are up some 20,000 tons over the last week.

ALUMINUM -- SUPPORT: \$2,198 / RESISTANCE: \$2,370

We are at \$2,226, up \$24. We have been trading between \$2,241-\$2,271.

* **Goldman's Sachs** new price targets on ali on a 3/6/12M basis are \$2,100/2,450/2,750/ton, with the 2022 average expected to come in at \$2,686 vs. the previous estimate of \$2,916.

* **Global primary aluminum output** in August rose 3.49% year on year to 5.888 million tons, this according to the International Aluminum Institute. Estimated Chinese production was 3.5 million tons in August, the IAI added.

* The **LME** reported that it does not see evidence of metal moving into its warehouses after Bloomberg reported on Tuesday that Rusal was working on a plan to deliver its metal into LME sheds. Metal movement has remained relatively constant over the last 12 months, the LME added.

* On a related note, Bloomberg quotes the **CEO of Rio Tinto** as saying that the unrestricted flow of Russian aluminum into the US is making North American producers less competitive. US trade data shows that Russian aluminum imports into the US were up almost 60% last month from April. "It's actually very difficult to have a profitable aluminum industry in North America at this point in time because Russian aluminum is flowing in," Rio's CEO was quoted as saying.

ZINC – SUPPORT: \$3,056 / RESISTANCE: \$3,322

We are at \$3,130, up \$31. We have been trading between \$3,080-\$3,148.

* Reuters notes that the **global zinc market** moved to a deficit of 72,800 tons in July from a surplus of 34,600 tons a month earlier, this according to data from the **International Lead and Zinc Study Group**. During the first seven months of 2022, there was an 83,000-ton surplus vs. a deficit of 23,000 tons in the same period of 2021.

LEAD -- SUPPORT: \$1,843 / RESISTANCE: \$1,975

Lead is at \$1,888, up \$51. We have been trading between \$1,843-\$1,897.

NICKEL -- SUPPORT: \$23,050 / RESISTANCE: \$25,325

We are at \$24,885, down \$64. We have been trading between \$24,660-\$25,105.

TIN -- SUPPORT: \$19,760 / RESISTANCE: \$22,345

We are at \$21,650, up \$480. We have been trading between \$21,105-\$21,695.

Base Metals Prices and Forward Curve Snapshot

LME Cash	22-Sep-22	Prev Day	Month ago	3M Trend		12M Trend
CU (\$/MT)	7,749	7,826	8,076			
AL (\$/MT)	2,178	2,226	2,406			
PB (\$/MT)	1,820	1,862	2,009			
ZN (\$/MT)	3,112	3,144	3,560			
NI (\$/MT)	24,882	24,913	22,253			
SN (\$/MT)	21,225	21,251	24,640			
LME Frwrds	Cash	3-month	15-month	27-month	63-month	Curve's shape
CU (\$/MT)	7,749	7,744	7,637	7,643	7,648	
AL (\$/MT)	2,178	2,218	2,304	2,411	2,703	
PB (\$/MT)	1,820	1,885	1,837	1,831	1,801	
ZN (\$/MT)	3,112	3,135	2,877	2,637	2,307	
NI (\$/MT)	24,882	24,850	25,424	25,999	26,834	
SN (\$/MT)	21,225	21,650	20,160			
SHFE Front	1 month	3 month	6 month	9 month	12 month	Curve's shape
CU (CNY/T)	62,390	61,460	60,940	60,670	60,740	
AL (CNY/T)	18,610	18,435	18,250	18,305	18,210	
PB (CNY/T)	14,990	14,965	14,940	14,925	14,880	
ZN (CNY/T)	24,680	23,935	23,000	22,675	22,660	
NI (CNY/T)	196,150	190,390	185,030	178,970		
SN (CNY/T)	183,100	177,360	174,300	172,640	169,530	

Base Metals Inventories

Copper	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	122,775	4,775	122,575	80,100	229,725	
SHFE (MT)	35,865		31,205	129,506	54,341	
COMEX (MT)	40,769	-374	48,711	65,906	47,387	
GLOBAL(MT)	199,409	4,402	202,491	275,512	331,453	
Aluminum	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	341,650	-1,675	273,325	695,825	1,304,725	
SHFE (MT)	206,945		197,886	333,823	224,050	
COMEX (MT)	18,962	-113	21,677	19,897	35,350	
GLOBAL(MT)	567,557	-1,788	492,888	1,049,545	1,564,125	
Lead	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	33,100	-400	38,200	38,625	52,650	
SHFE (MT)	79,745		71,352	104,010	205,898	
GLOBAL(MT)	112,845	-400	109,552	142,635	258,548	
Zinc	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	63,850	-3,650	74,725	143,325	221,000	
SHFE (MT)	58,407		96,206	176,507	50,399	
COMEX (MT)	3,058	-22	2,699	2,699	2,699	
GLOBAL(MT)	125,315	-3,672	173,630	322,531	274,098	
Nickel	Today	1 day Δ	1 month	6 month	Yr Ago	12M Trend
LME (MT)	52,248	-186	55,728	73,578	165,882	
SHFE (MT)	3,427		3,818	7,509	7,339	
GLOBAL(MT)	55,675	-186	59,546	81,087	173,221	

Source: EDF Man Capital Markets/ Bloomberg

Technical Profile

	22-Sep-22	1 day	1 month ago	3 month ago	Yr ago
Volume (3-Mnth/lots)					
CU	45,147	31,857	46,067	52,317	36,757
AL	68,027	34,552	62,327	37,260	55,387
PB	14,317	8,480	12,302	10,887	11,038
ZN	19,348	17,464	43,590	23,218	18,935
NI	11,895	3,920	7,373	17,929	18,614
SN	1,029	752	2,431	292	633
Open Int (3-Mnth/lots)					
CU	235,027	237,267	240,687	286,964	310,473
AL	557,633	564,113	580,041	790,983	667,276
PB	87,792	89,036	87,060	105,662	108,520
ZN	190,612	191,699	192,168	191,756	229,431
NI	146,758	147,107	148,535	201,811	277,215
SN	11,665	11,400	11,725	16,173	16,093
Moving Averages & Implied Price Direction					
	Cash	10 MAV	40 MAV	100 MAV	200 MAV
CU ↓	7,749	7,893	7,909	8,387	9,166
AL ↓	2,178	2,256	2,370	2,517	2,836
PB ↓	1,820	1,897	2,002	2,043	2,187
ZN ↓	3,112	3,187	3,418	3,476	3,634
NI ↑	24,882	23,933	22,425	24,151	25,093
SN ↓	21,225	21,288	23,398	28,180	35,344
Support & Resistance					
	S1	S2	R1	R2	RSI
CU	7,600	7,520	8,153	8,214	46
AL	2,198	2,150	2,370	2,515	36
PB	1,843	1,828	1,975	2,010	41
ZN	3,056	2,940	3,322	3,430	39
NI	23,050	20,275	25,325	26,350	65
SN	19,760	19,250	22,345	25,170	45
Market Round-up (Data as on 9:30 am GMT)					
	Today	1 day	1 month	6 month	Yr Ago
Gold	1,670	1,661	1,734	1,922	1,777
Silver	19.34	19.10	18.88	24.89	22.87
Platinum	907	923	868	1,025	1,001
Palladium	2,109	2,156	1,982	2,473	2,036
WTI	83.81	84.45	90.23	111.76	72.23
Brent	90.63	90.62	96.48	115.48	76.19
WTI Inv (mdbl)	431	431	418	410	419
Sterling	1.1303	1.1381	1.1767	1.3262	1.3622
Euro	0.9866	0.9971	0.9943	1.1029	1.1687
CNY	7.08	7.02	6.85	6.37	6.46
Dollar Index	110.80	110.22	109.05	98.49	93.46
Physical Premiums (Aluminium)					
	Today	1 day	1 month	6 month	Yr Ago
US (\$/lb)	0.245	0.245	0.269	0.392	0.347
JP (\$/MT)	87.10	87.16	90.98	103.13	172.33
EU (\$/MT)	438.83	439.83	528.02	544.29	382.08

Source: EDF Man Capital Markets/ Bloomberg