LME Daily Metals Report

EDWARD MEIR • SEPTEMBER 8, 2015
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As of 9/7	High	LOW	CLOSE	CSH/3	LME STOCKS - CH	SUP	RESIS	RSI	VOL	O/I ('000)	10 MAV	40 MAV	100 MAV
CU	5208	5081	5148	15	346200 (-6125)	4855	5363	49	38,030	329	5093	5227	5689
AL	1627	1595	1601	-20	3213025 (-6925)	1506	1670	50	18,185	821	1581	1616	1713
PB	1684	1661	1668	-12	172250 (-2200)	1618	1767	42	5,629	147	1689	1734	1849
ZN	1806	1769	1772	-6	553425 (+775)	1673	1920	42	16,912	310	1769	1884	2055
NI	9940	9700	9750	-23	451356 (-606)	9100	10400	37	9,016	233	9815	10726	12056
SN	15100	14850	14925	233	5735 (-60)	13365	16200	50	266	19.2	14541	15194	15252
NAA	1675	1655	1660	-24	44440 (-80)	NA	NA	48	3	6.10	1629	1688	1762

Shanghai 3rd Active Month (Last) in Yuan: CU: 39,530(+270) **AL**: 11,915(+50) **PB**: 13,130(-210) **ZN**: 14,630(-125)

Shanghai Stocks – Sep 4: **CU**: 128887 MT(+5664) **AL**: 307328 MT(-4059) **PB**: 14114 MT(0) **ZN**: 153597 MT(-3790)

	CU	AL	PB	ZN	NI	SN
2015 HIGH / LOW	6481 / 4855	1978.25 / 1506	2162.5 / 1618.5	2404.5 / 1673	15677 / 9100	20100 / 13365
2014 HIGH / LOW	7460 / 6230	2119.5 / 1671.25	2307 / 1815.25	2416 / 1937	21625 / 13334	23849 / 18345

This commentary was written by Edward Meir (edward.meir@intlfcstone.com) at 9:50 a.m. on September 8 US EST.

Metals finished mostly mixed yesterday in rather quiet trading given the fact that the US markets were closed. Most of the attention was focused on copper, which ended only slightly higher despite reports that Glencore announced plans to shut down some 400,000 tons of copper cathode capacity over the next 18 months, part of an initiative that also includes suspending the dividend, selling assets and raising $2.5 billion in new equity in an effort to pare down debt.

Glencore's copper cut was substantial, but hardly moved the needle on price, which is something of a surprise. However, we seem to be making up for some lost ground today, with copper up by about $130/ton, as we suspect the markets are giving the Glencore initiative a second look. Other metals are also up modestly for the day, with aluminum, zinc and tin being especially strong. All this is occurring against more disappointing news out of China, this time on the trade front. It was reported that China's August imports fell 13.8% on the year, much higher than forecasts, although exports performed slightly better than expected, dipping 5.5% compared to the same period in 2014 and improving from July's 8.3% decline. Imports were down sharply from Australia, the EU and Japan, each off by 29.6%, 21.7% and 14.7% respectively, while those from the US fell by nearly 6%. The numbers left China with a trade surplus of $60.24 billion for the month, far higher than forecasts calling for a $48.20 billion net gain.

Among the individual categories, coal imports fell nearly 18% from a 10-month high hit in July, while iron ore deliveries were off some 14%. Crude oil shipments were down nearly 13.5% percent compared to July levels. Copper was one of the few exemptions, coming in at 350,000 tons during August, basically flat from July. For the year as a whole through August, copper imports totaled 2.94 million tons, down 8% from the same period last year. One category that did not see any drawdown was copper concentrates, rising 18.6% in August from the month prior and now up almost 20% from a year ago (and 12% higher on a year-to-date basis).

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For its part, the Chinese government has been pitching an optimistic story on the economy of late, saying over the weekend that power usage, rail freight and the property market have all improved in the last month, an indication that the economy is stabilizing and that the country is on track to hit 7% growth target. Separately, Chinese officials said that the stock market correction was also pretty much over given that an admitted "bubble" had burst. Indeed, the Shanghai composite finished 3% higher overnight after falling by almost the same amount yesterday. The government also announced plans to install circuit breakers in the system to prevent wild swings (a somewhat more market-friendly strategy than locking up short sellers).

Outside of China, we had relatively decent news coming out of Europe, with reports indicating that the Eurozone economy grew faster than expected in Q2, rising 0.4% quarter-on-quarter for a 1.5% annualized rate of growth. Germany grew by 0.4% on a quarterly basis, Italy came in just under that, but France saw no growth at all in the quarter. The Germans also reported that both their exports and imports hit record highs in July, a rather impressive achievement considering the slowdown in China, but many analysts, including ones at the prestigious Ifo Institute, are forecasting a moderation in exports in the months ahead. (Germany has the greatest exposure to China of all EU members).

Outside of the GDP numbers, a separate report revealed that German industrial output rose in July at its fastest pace so far this year-- up some .7% on the month and the strongest increase since December. Other data out of Germany has also been broadly positive, with retail sales climbing at the strongest pace in nine months in July and private sector growth also picking up.

Meanwhile, G-20 finance ministers, meeting over the weekend agreed to step up efforts to increase growth, saying reliance on near-zero interest rates will not be enough. “Monetary policies will continue to support economic activity consistent with central banks’ mandates, but monetary policy alone cannot lead to balanced growth,” the weekend communiqué said. Privately, many officials were disappointed that last year's more ambitious targets were not met, but it was not clear what else could be tried this time around to get growth to crank up a gear. The communiqué also noted that “...in line with the improving economic outlook, monetary policy tightening is more likely in some advanced economies” obviously referring to the US and to the September 17th Federal Reserve meeting. As we wrote in our latest monthly outlook released over the weekend, we expect to see a modest rate hike, coupled with an extremely dovish policy statement. This should set the stage for a rather robust advance in most commodity markets given that we expect that the dollar to also weaken in the aftermath of the Fed decision.

In macro news, it should be a relatively quiet week, with consumer credit for July out later today (expected at 18 billion), while tomorrow brings us the MBA mortgage index, followed by weekly initial claims out on Thursday (expected at 275,000). Friday brings us August PPI data (expected at -.1%), followed by September Michigan sentiment readings (expected at 91.5).

US stocks have opened sharply higher, heartened by the fact that the Chinese markets were up despite the disappointing trade data. The Dow is now up some 300 points.

Not much is happening in the currency markets, with the dollar generally mixed right now, trading at $1.1170 against the euro, $1.5380 against sterling and at 120 against the yen.

In corporate news, Kataman Metals said it is opening an office in New Orleans this month to focus on trading aluminum products and has hired three former Noble executives to lead the team, Reuters reports. " Kataman is thrilled that such an experienced and well-respected team has agreed to join us and lead this effort," the firm’s President and CEO told Reuters.

Separately, JPMorgan Chase said it will leave the LME floor and give up its Cat-1 status, reverting to a Cat-2 standing instead, Bloomberg reports. “Our client preferences have shifted and a very high percentage of our LME contract volumes are now traded electronically," an officer at JPMorgan was quoted as saying.

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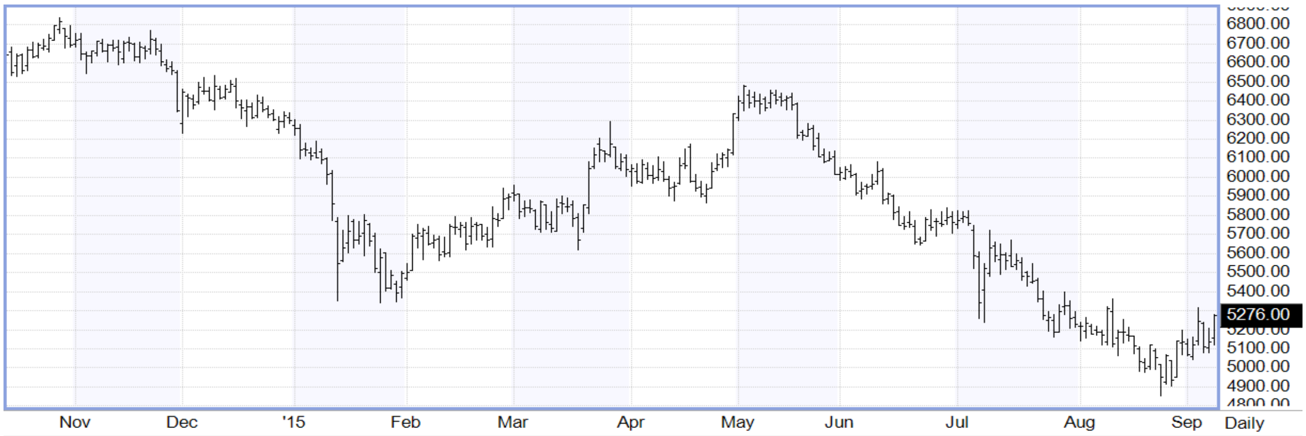
COPPER SUPPORT : $4855 / RESISTANCE: $5363

Copper is at $5296, up $148 and on close to our highs for the day; we have been trading between $5121-$5310 so far today; LME stocks were off some 6,100 tons overnight.

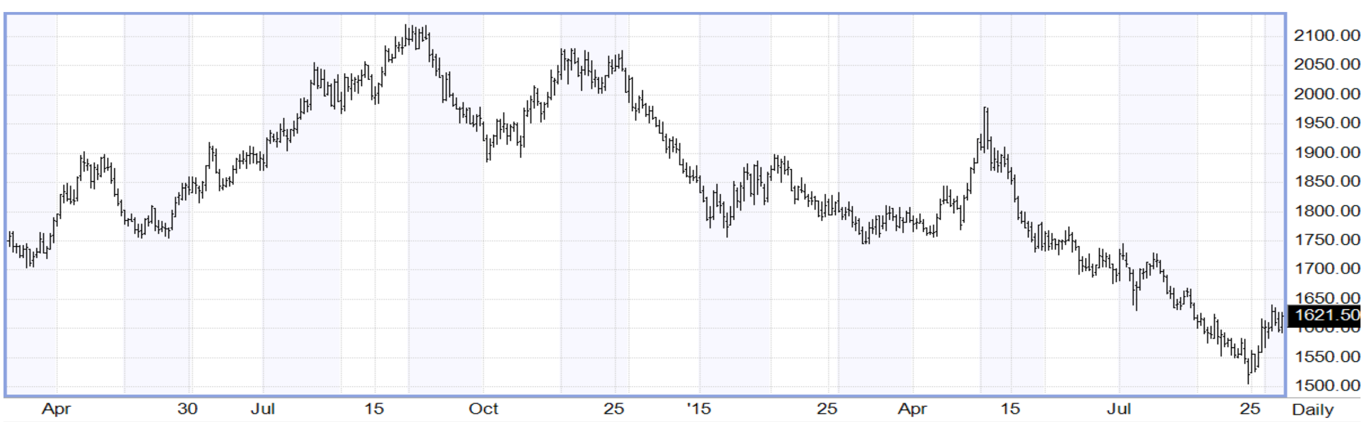


* **Goldman Sachs** sees copper prices sinking to $4,800 in the next 12 months and expects prices to be around $4,500 by year-end 2016.

* The **CFTC** reports that funds trimmed their net short position in copper by 2,460 contracts to 15,806 contracts, cutting it for the fourth straight week to the smallest level since mid-June.

ALUMINUM SUPPORT : $1506 / RESISTANCE: $1670

Ali is at $1625, up $25 and trading between $1592-$1628.



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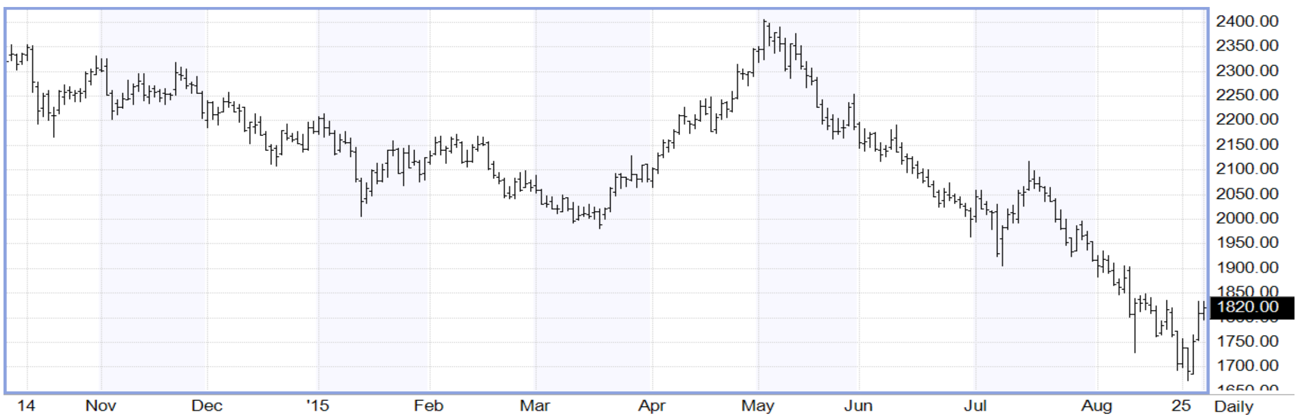
* **Canada** is set to dominate **North American primary aluminum product**ion over the next decade, surpassing the US, Metal Bulletin reports. This year, the Canada's production of the metal will amount to more than 60% of the North American market.

* The **Chicago Mercantile Exchange** has launched a new **European aluminum premium duty-unpaid futures contract** to be settled against *Metal Bulletin's* assessment of spot transactions in Europe. The contract will begin trading on September 21st, pending regulatory approval, and will be 25 metric tons in size, trading through CME Globex and clearing through ClearPort.

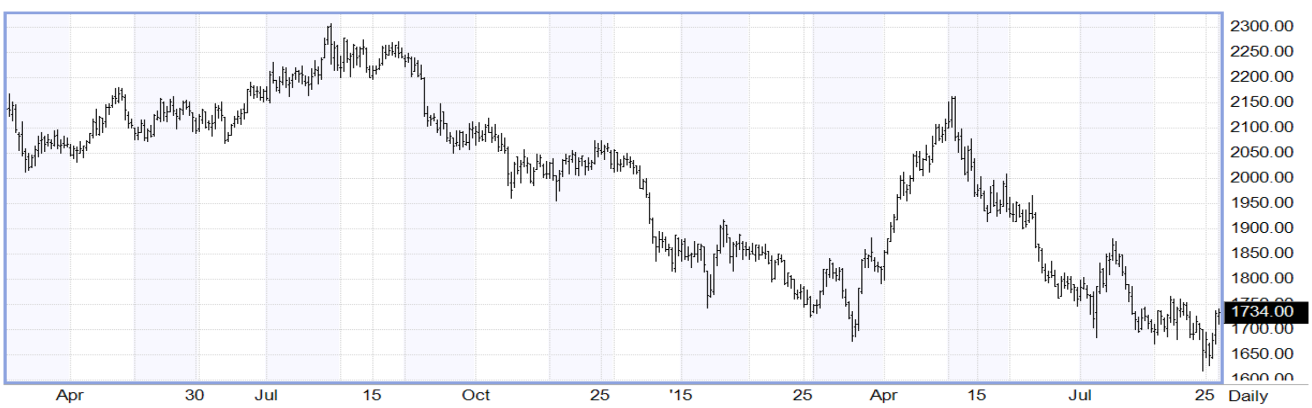
ZINC SUPPORT: $1673 / RESISTANCE: $1920

Zinc is at $1807, up $35, on our highs for the day and trading between $1758-$1807.



LEAD SUPPORT: $1618 / RESISTANCE: $1767

Lead is at $1687, up $19 and trading between $1656-$1694.



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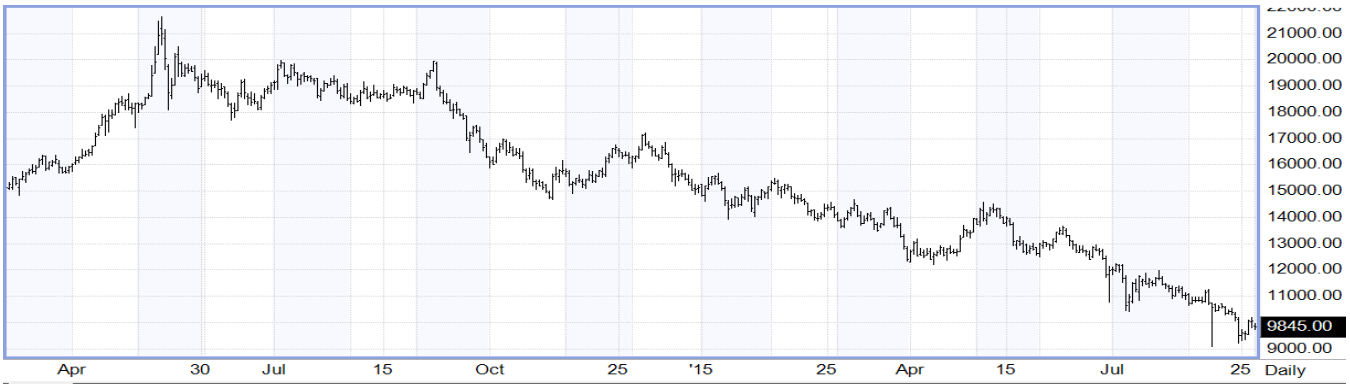
NICKEL **SUPPORT: $9,100 / RESISTANCE: $10,400**

Nickel is at $9,960, up $210, on our highs for the day and trading between $9,640-$9,960.



TIN **SUPPORT: $13,600 / RESISTANCE: $15,800**

Tin is at $15,075, up $150 and trading between $14,825-$15,160.