

THE COPPER JOURNAL

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Conflicted

They say when we can't make up our mind about something, we should make a list of pros & cons to help in the decision process. There are a few big questions about markets and the economy, and by extension, how nonferrous metals will fare going forward. Admittedly, we are quite confused by the current state of base metals and particularly copper, because many things don't make much sense right now, fundamentally, and from the technical perspective as well.

Taking the technical issue first, the question is: Are we facing a correction within a bear market, or the beginning of a new bull market? On the numbers, the weekly bar chart had copper posting a high close at \$4.93 on March 4th, with the subsequent low close at \$3.21 on July 14th. Thus, the market fell \$1.72, or 35% from high to low.

On Friday, Spot copper closed at a seven-week high of \$3.68, up 47¢, or 15% from the low. From this perspective, one might conclude that we are simply looking at a correction, and we will await more evidence before thinking otherwise.

The fundamental side is considerably more complex and confusing, so we'll look at the bull & bear arguments to see if that helps, or if it makes things more obscure. So here we go -

Bullish	Bearish
1. Critically Low Inventories	1. Global Economy Slowing
2. Green Energy Transition	2. China Property Sector Problems
3. Expectation of Long-Term Shortage	3. Energy Crisis in Europe
4. Reduced Production Guidance	4. Rising Interest Rates
5. Current 'Low Price' Unsustainable	5. Softer Sentiment & Price Outlook

Undoubtedly there are many other considerations to add to this brief list, but these are the major points that come to mind. On balance, it seems to us the near-term bearish points outweigh the longer-term positive influences; thus, we lean toward the weaker scenario going forward. One more point – the economy in China overall is concerning.

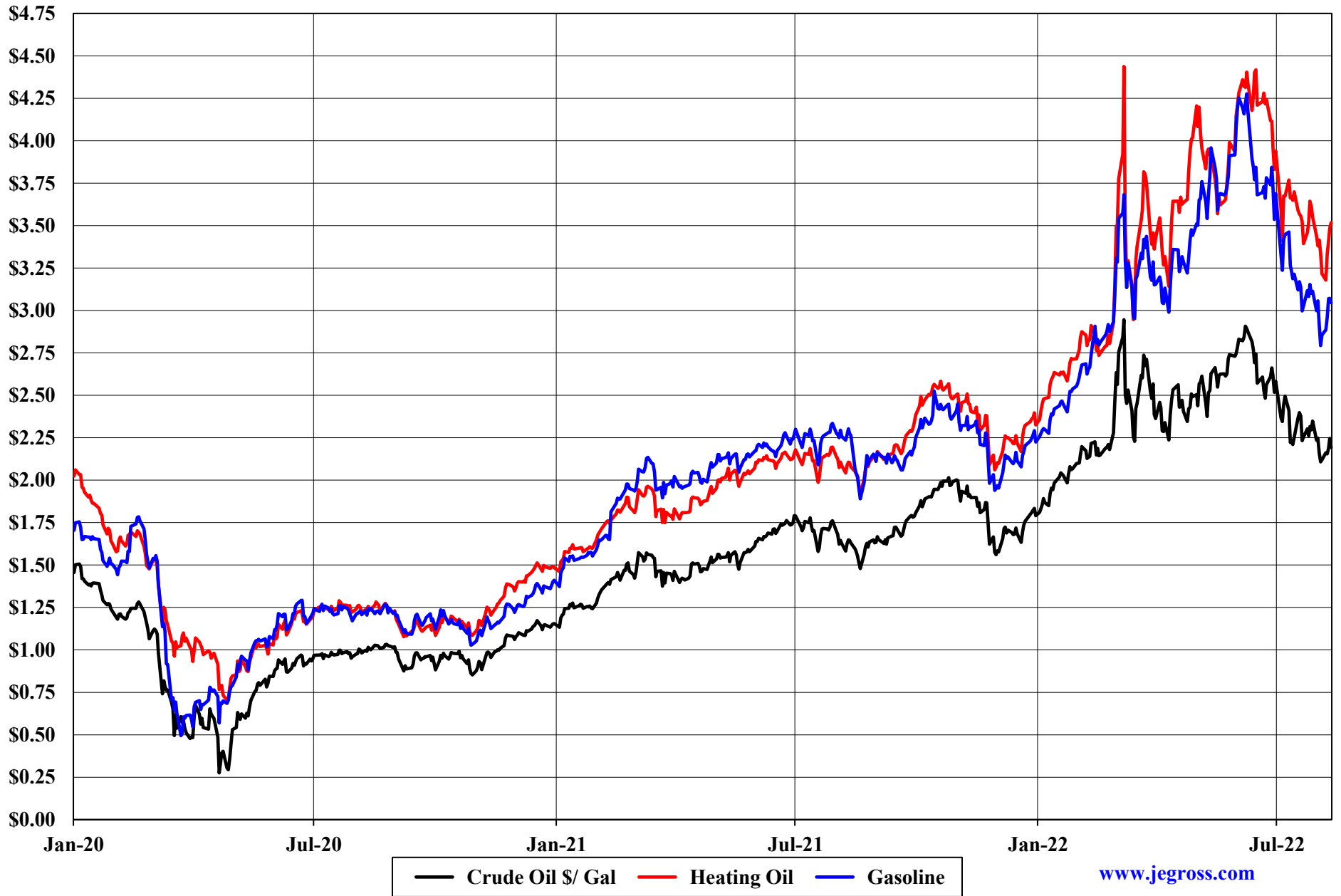
In terms of prices, the good people at Reuters recently published a survey of price forecasts, with the average price for copper coming in at \$4.06 for 2022, and \$3.85 in 2023. As it stands through July, the year-to-date Comex copper average price is \$4.29, putting it just 5¢ over the full year average of \$4.24 during 2021. If in fact the high annual average price was posted last year, more often than not, the following years see further weakness, which would coincide with the lower forecast for 2023. Things can change in a flash, but this is the way they look right now.

Shifting gears to inflation and energy, the chart below shows crude oil (in \$ per gallon) off from its high, with heating oil and gasoline following suit. The lower price of gasoline was a contributing factor to the slight improvement in the Consumer Price Index in July, and we may see lower prices ahead, as crude and its products are now making lower highs and lower lows, on both a daily and monthly average basis.

Unfortunately though, the fundamental outlook for lower energy prices is also predicated upon lower demand, which coincides with weaker economic conditions. If it isn't one thing, it's another -

Regards,
John

The Copper Journal
Nymex Energy
2020 - August 12, 2022



The Copper Journal
Weekly Report
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**Charts represent week ending closing prices and inventory levels,
unless otherwise noted**

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The Copper Journal
Weekly Price and Inventory Report

	Prices									
	Week Ending				Change					
	8/13/21	12/31/21	8/5/22	8/12/22	Wk / Wk		YTD		Yr / Yr	
ICE U.S. \$ Index	92.51	95.67	106.49	105.51	(0.98)	(0.9%)	9.84	10.3%	13.00	14.1%
\$1 US = € Euro	€ 0.8477	€ 0.8793	€ 0.9819	€ 0.9748	(€ 0.0071)	(0.7%)	€ 0.0955	10.9%	€ 0.1271	15.0%
1 Euro = \$ US	\$1.1797	\$1.1373	\$1.0184	\$1.0259	\$0.0075	0.7%	(\$0.1114)	(9.8%)	(\$0.1538)	(13.0%)
Cx Silver	\$23.77	\$23.33	\$19.82	\$20.68	\$0.86	4.3%	(\$2.65)	(11.4%)	(\$3.09)	(13.0%)
Cx Gold	\$1,775.20	\$1,827.50	\$1,772.90	\$1,798.60	\$25.70	1.4%	(\$28.90)	(1.6%)	\$23.40	1.3%
NYM Platinum	\$1,025.50	\$964.40	\$921.90	\$958.30	\$36.40	3.9%	(\$6.10)	(0.6%)	(\$67.20)	(6.6%)
NYM Palladium	\$2,656.10	\$1,908.10	\$2,126.30	\$2,216.80	\$90.50	4.3%	\$308.70	16.2%	(\$439.30)	(16.5%)
Cx Copper	\$4.3870	\$4.4550	\$3.5530	\$3.6760	\$0.1230	3.5%	(\$0.7790)	(17.5%)	(\$0.7110)	(16.2%)
LME Copper	\$4.2769	\$4.3962	\$3.5516	\$3.6582	\$0.1066	3.0%	(\$0.7380)	(16.8%)	(\$0.6187)	(14.5%)
LME Aluminum	\$1.1802	\$1.2728	\$1.1099	\$1.1195	\$0.0096	0.9%	(\$0.1533)	(12.0%)	(\$0.0607)	(5.1%)
LME Lead	\$1.1104	\$1.0560	\$0.9489	\$0.9870	\$0.0381	4.0%	(\$0.0690)	(6.5%)	(\$0.1234)	(11.1%)
LME Tin	\$16.38	\$17.98	\$11.23	\$11.34	\$0.11	1.0%	(\$6.64)	(36.9%)	(\$5.04)	(30.8%)
LME Nickel	\$8.91	\$9.49	\$10.06	\$10.53	\$0.47	4.7%	\$1.04	11.0%	\$1.62	18.2%
LME Zinc	\$1.3640	\$1.6465	\$1.6103	\$1.6656	\$0.0553	3.4%	\$0.0191	1.2%	\$0.3016	22.1%
Base Metals Barometer	2.17	2.30	1.98	2.04	0.06	3.0%	(0.26)	(11.3%)	(0.13)	(6.0%)
CME HRC Steel	\$1,880	\$1,435	\$818	\$812	(\$6)	(0.7%)	(\$623)	(43.4%)	(\$1,068)	(56.8%)
CME Busheling Scrap	\$647	\$580	\$440	\$485	\$45	10.2%	(\$95)	(16.4%)	(\$162)	(25.0%)
NYM Crude Oil	\$68.44	\$75.21	\$89.01	\$92.09	\$3.08	3.5%	\$16.88	22.4%	\$23.65	34.6%
NYM Natural Gas	\$3.861	\$3.730	\$8.064	\$8.768	\$0.704	8.7%	\$5.038	135.1%	\$4.907	127.1%
S&P 500	4,468.00	4,766.18	4,145.19	4,280.15	134.96	3.3%	(486.03)	(10.2%)	(187.85)	(4.2%)
Shanghai Composite	3,516.30	3,639.78	3,227.03	3,276.89	49.86	1.5%	(362.89)	(10.0%)	(239.41)	(6.8%)
2 Year Treasury Yield	0.22%	0.73%	3.25%	3.26%	0.01%	0.4%	2.53%	346.6%	3.04%	1381.8%
10 Year Treasury Yield	1.30%	1.51%	2.84%	2.85%	0.01%	0.4%	1.34%	88.7%	1.55%	119.2%
10 Year Minus 2 Year	1.08%	0.78%	(0.41%)	(0.41%)	0.00%	(0.0%)	(1.19%)	(152.6%)	(1.49%)	(138.0%)

	Inventories MT									
	Week Ending				Change					
	8/13/21	12/31/21	8/5/22	8/12/22	Wk / Wk		YTD		Yr / Yr	
Cx Copper	41,991	63,201	53,900	51,842	(2,058)	(3.8%)	(11,359)	(18.0%)	9,851	23.5%
LME Copper	235,650	88,950	128,600	131,850	3,250	2.5%	42,900	48.2%	(103,800)	(44.0%)
Shanghai Copper	93,032	38,182	34,768	41,811	7,043	20.3%	3,629	9.5%	(51,221)	(55.1%)
Total Copper	370,673	190,333	217,268	225,503	8,235	3.8%	35,170	18.5%	(145,170)	(39.2%)
LME Aluminum	1,323,825	939,200	289,125	277,225	(11,900)	(4.1%)	(661,975)	(70.5%)	(1,046,600)	(79.1%)
LME Lead	57,725	54,550	38,875	39,000	125	0.3%	(15,550)	(28.5%)	(18,725)	(32.4%)
LME Tin	2,115	2,020	4,015	4,065	50	1.2%	2,045	101.2%	1,950	92.2%
LME Nickel	202,896	101,886	57,624	56,118	(1,506)	(2.6%)	(45,768)	(44.9%)	(146,778)	(72.3%)
LME Zinc	239,700	199,575	73,925	74,500	575	0.8%	(125,075)	(62.7%)	(165,200)	(68.9%)

The difference in copper prices between Comex and LME is the arbitrage, and time of day in establishing official settlement prices.
The Base Metals Barometer is a weighted average of nonferrous metal prices, based on a percentage of total metal consumption.

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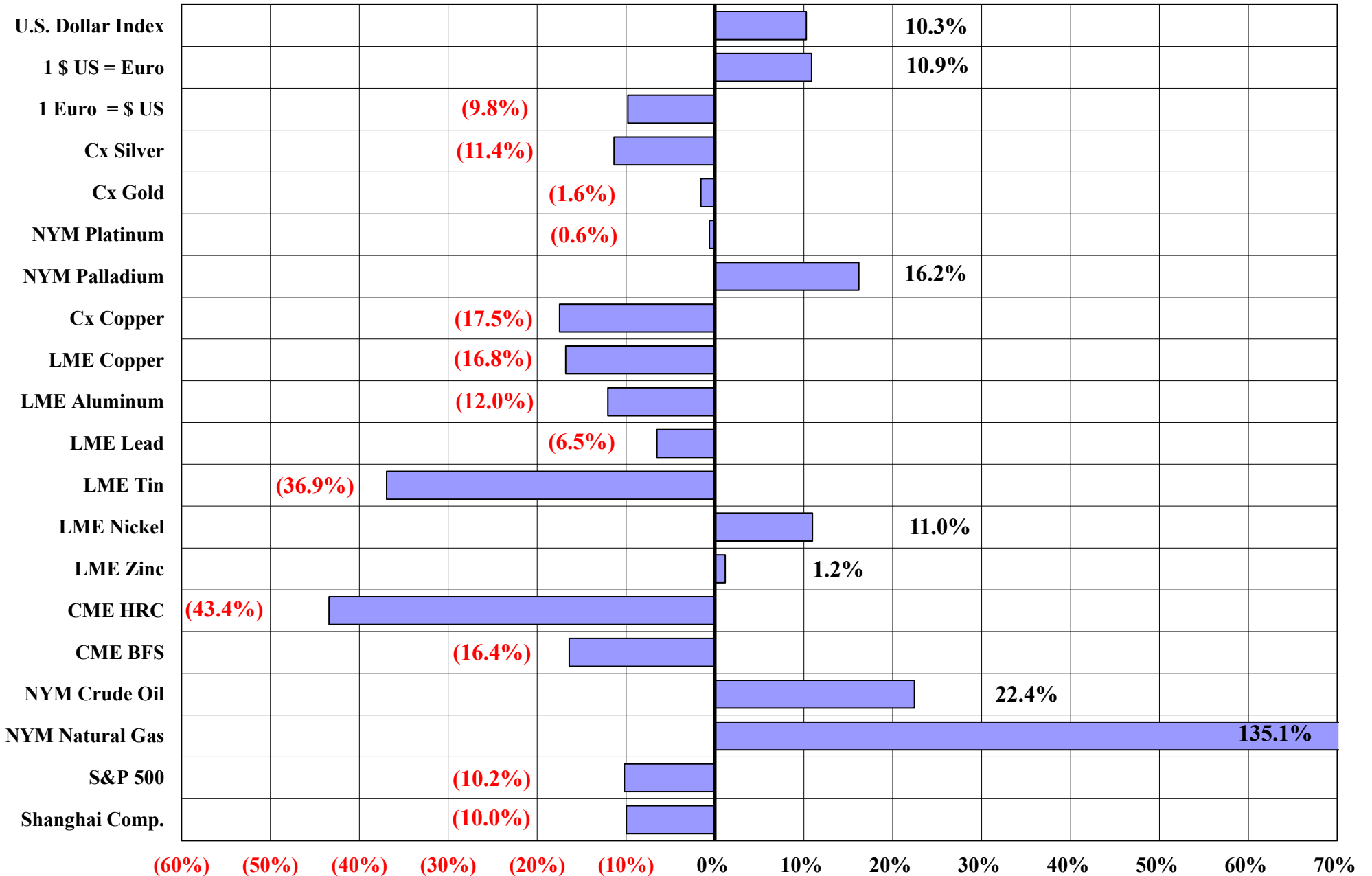
The Copper Journal
Base Metals Barometer
At Close 8/12/2022



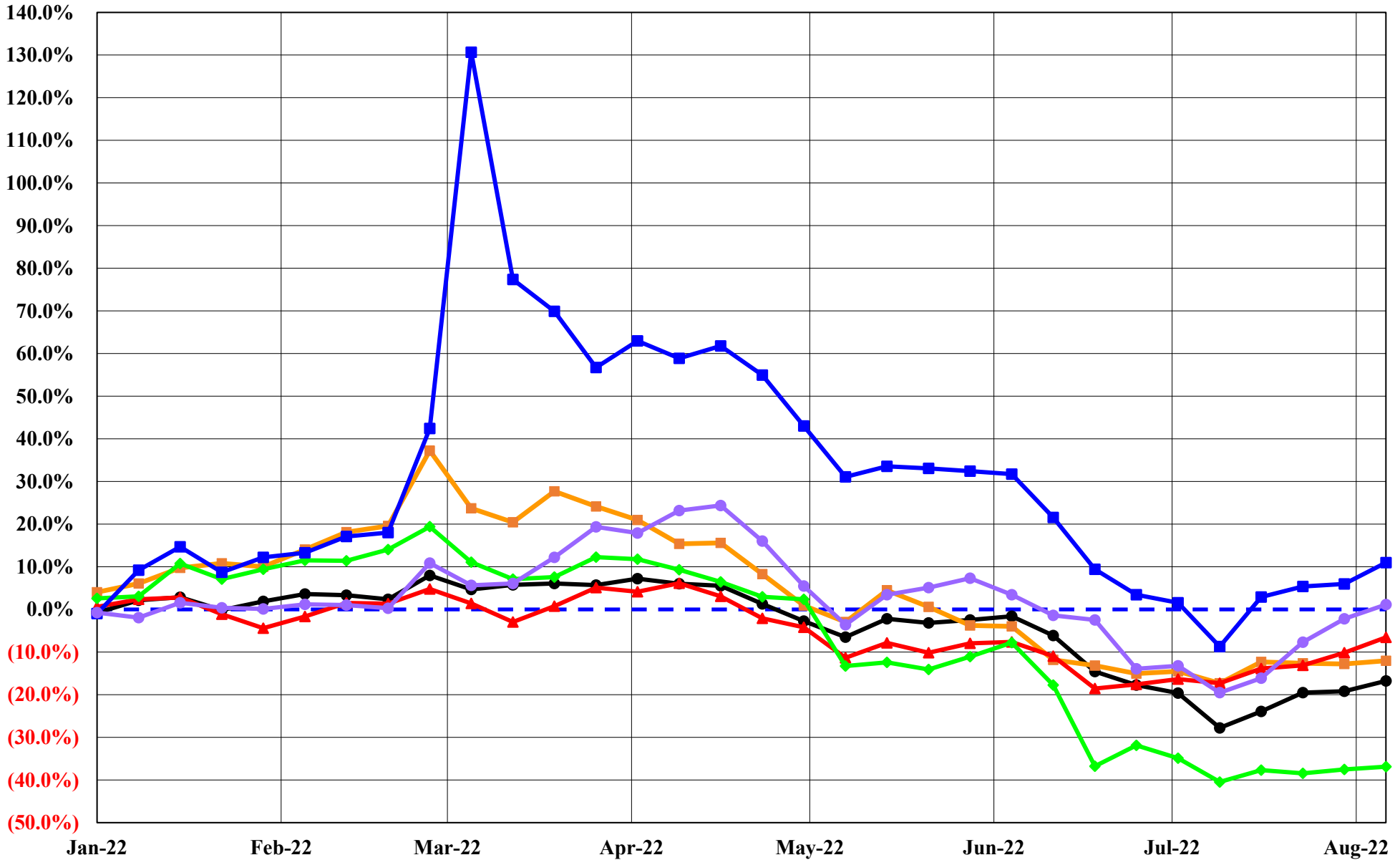
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The Base Metals Barometer is an index representing the weighted average of nonferrous metal prices, based on a percentage of total metal consumption.

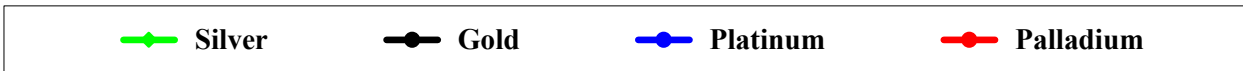
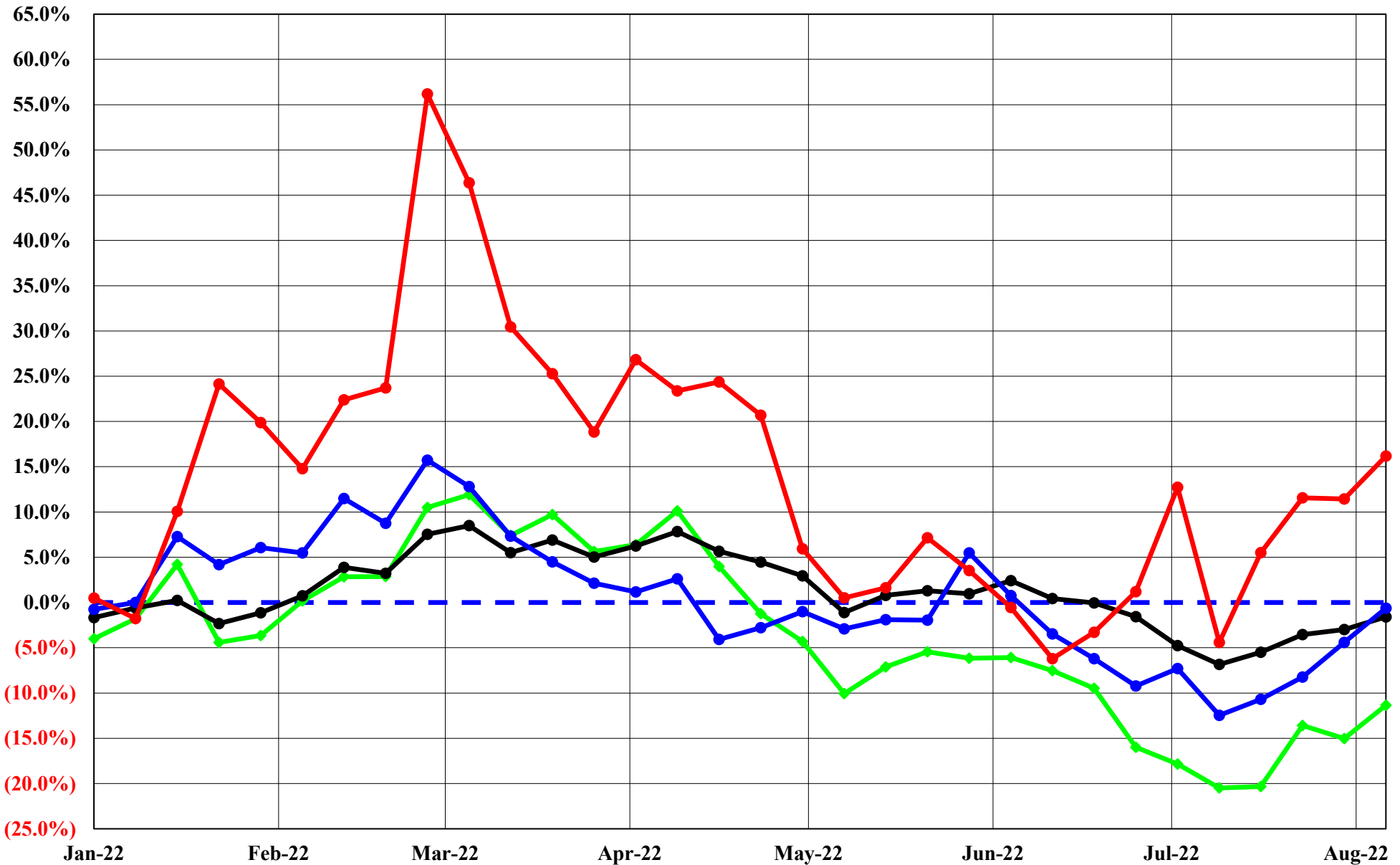
The Copper Journal
2022 Year To Date % Price Change
At Close 8/12/2022



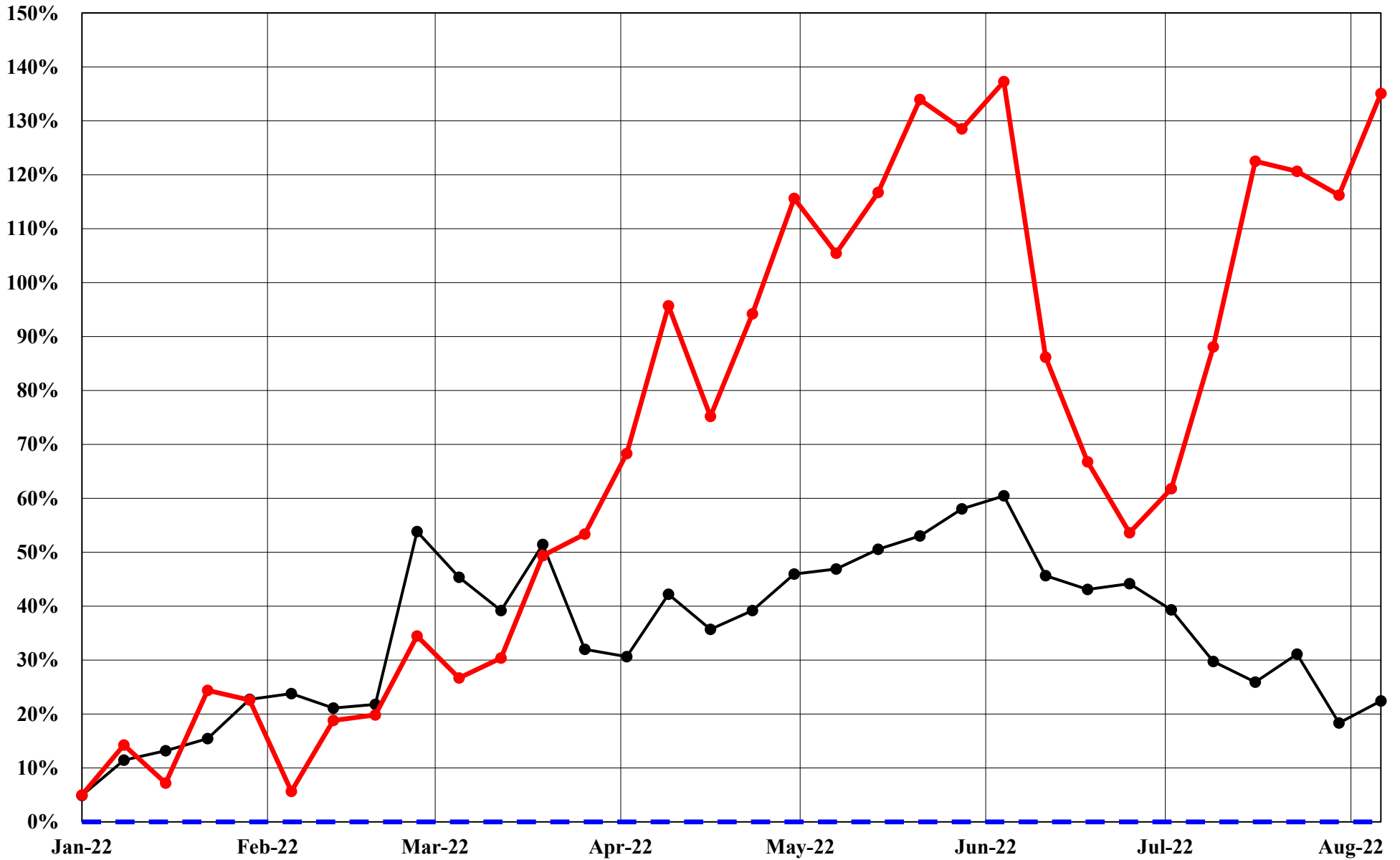
The Copper Journal
LME Nonferrous Metals
2022 YTD % Price Change
At Close 8/12/2022



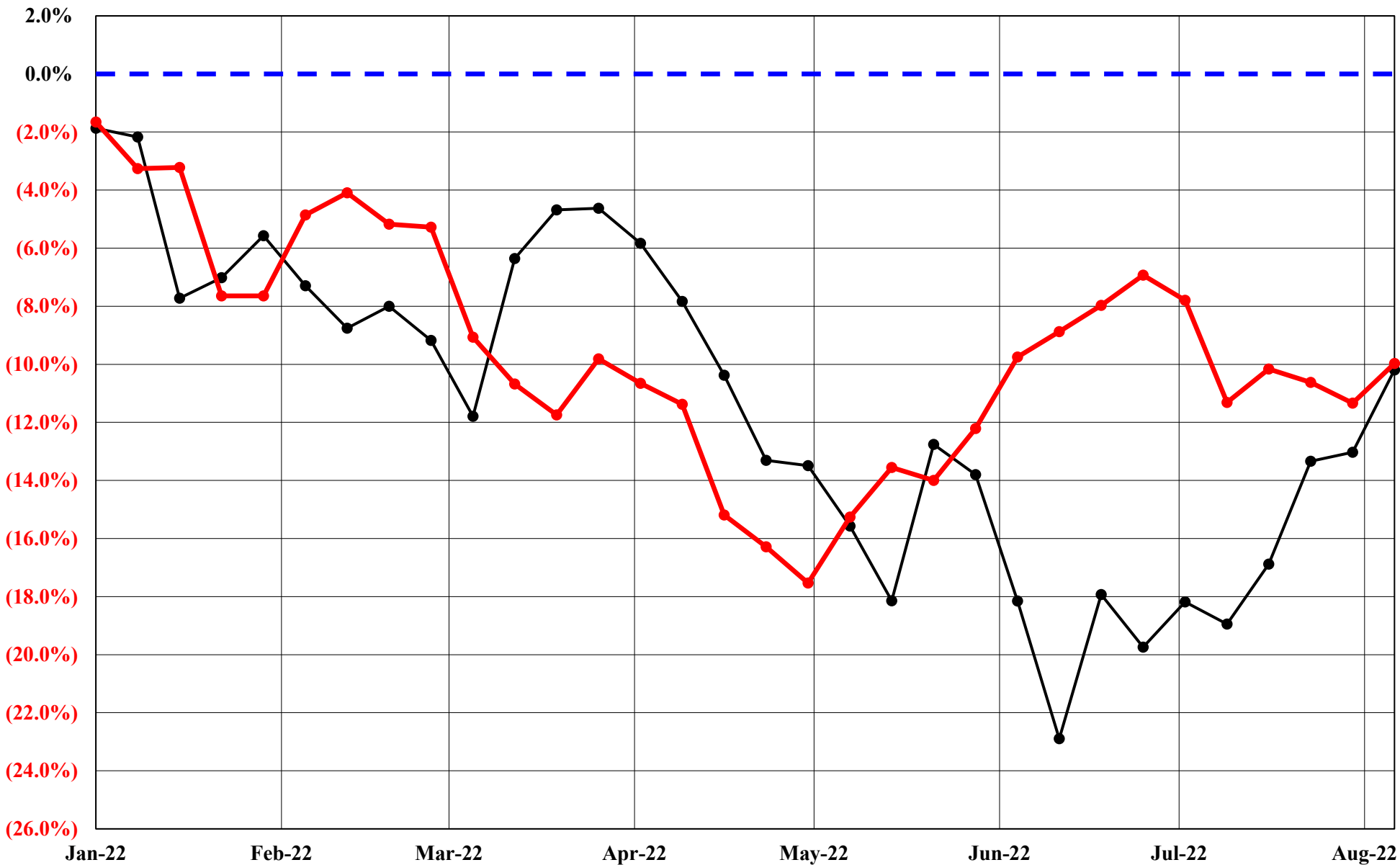
The Copper Journal
Comex & Nymex Precious Metals
2022 YTD % Price Change
At Close 8/12/2022



The Copper Journal
Nymex Energy
2022 YTD % Price Change
At Close 8/12/2022



The Copper Journal
Equities
2022 YTD % Point Change
At Close 8/12/2022



—●— S&P 500 —●— Shanghai Composite

The Copper Journal
ICE U.S. \$ Index
At Close 8/12/2022



The Copper Journal
\$1 U.S. = Euro
At Close 8/12/2022



The Copper Journal

1 Euro = \$ U.S.

At Close 8/12/2022



The Copper Journal
Comex Copper Vs Euro = \$ U.S.
At Close 8/12/2022



— Cx Spot Copper \$ / LB — 1 Euro = \$ US

The Copper Journal
Comex Spot Copper
At Close 8/12/2022

10 Week Moving Average of Closing Prices



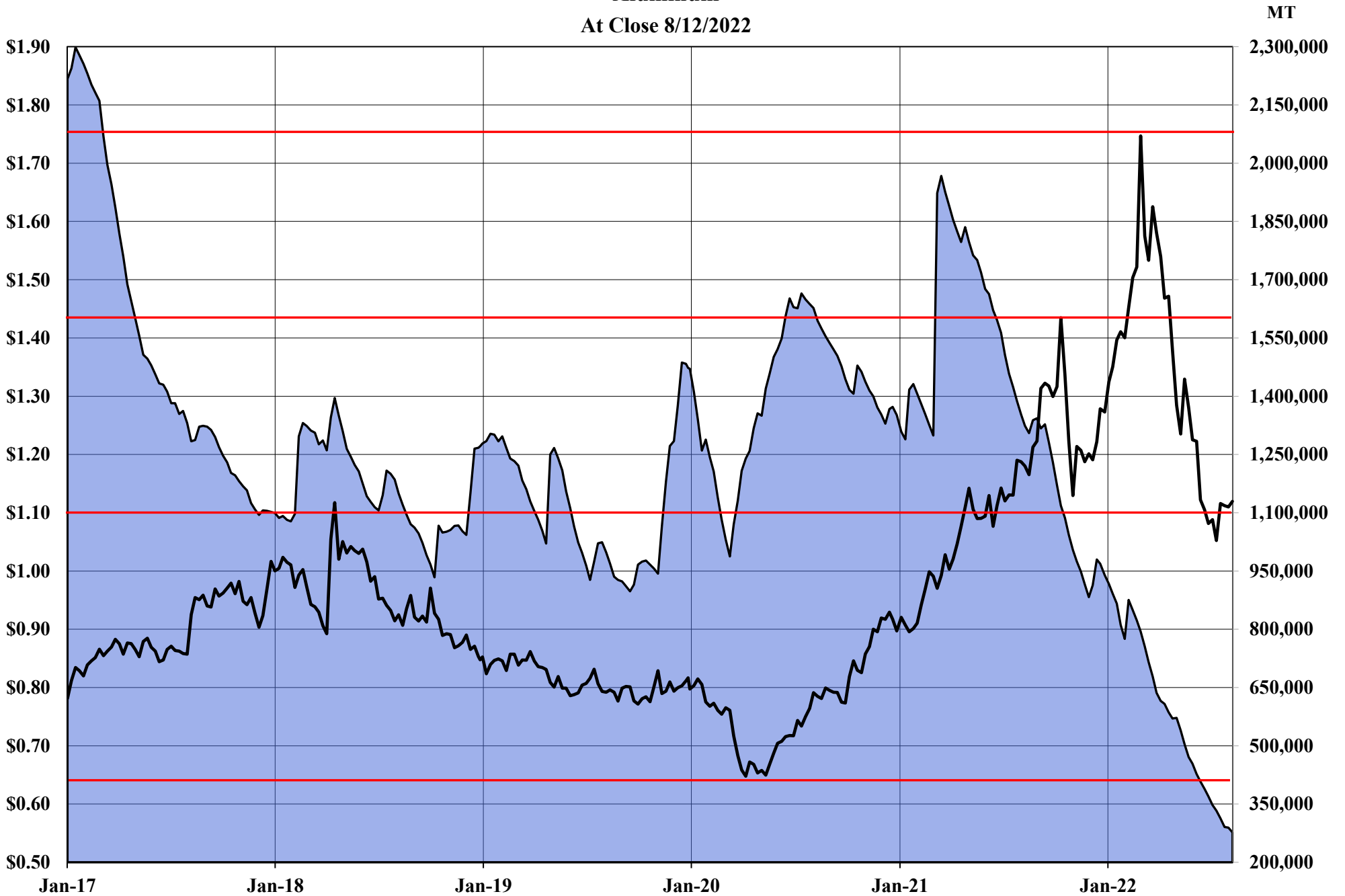
Spot Close With Trading Range of The Active Month

The Copper Journal
Copper
At Close 8/12/2022



Comex, LME & Shanghai Inventories Cx Spot Copper \$ / LB 52 Week MA

The Copper Journal
Aluminum
At Close 8/12/2022



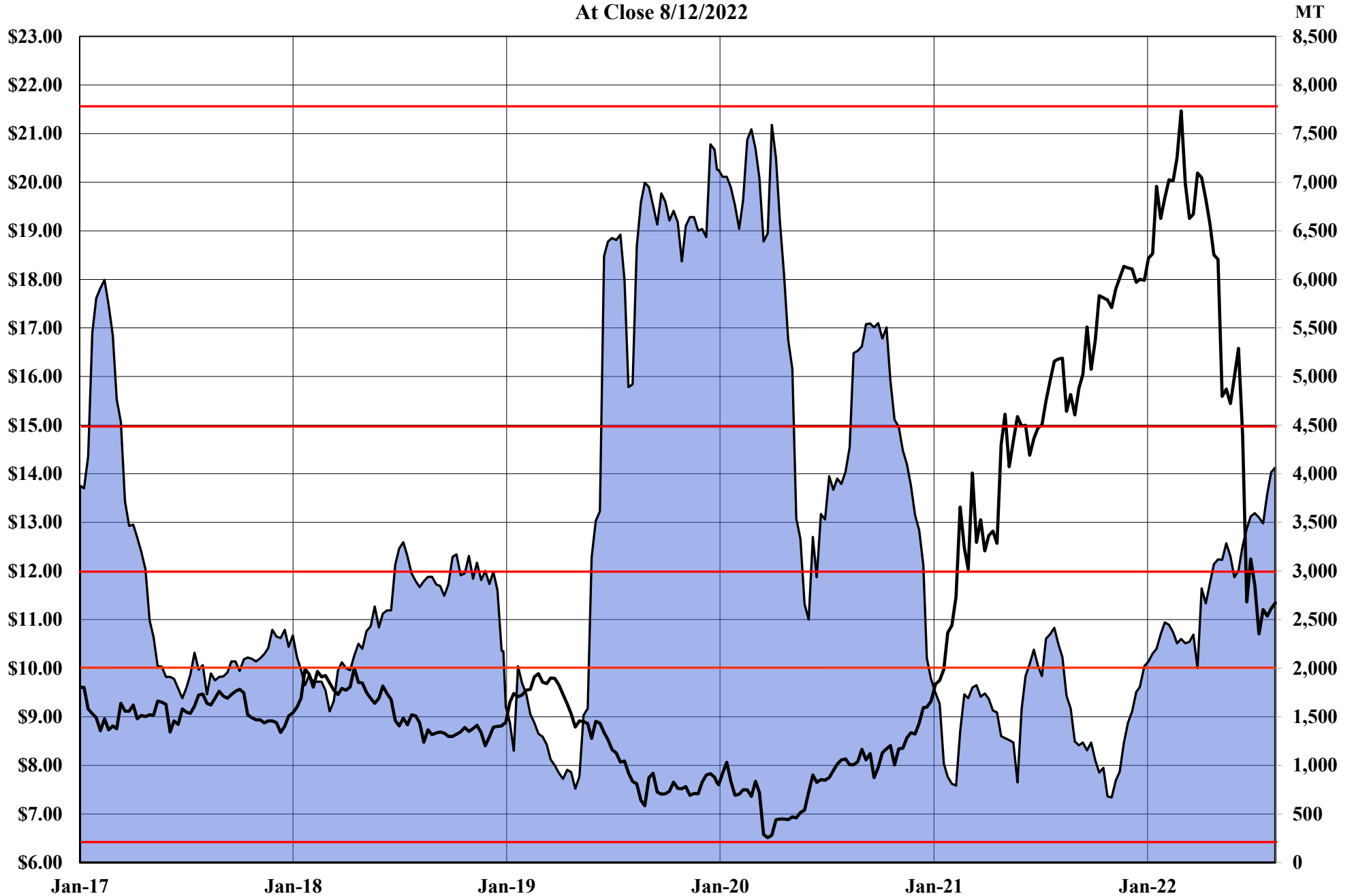
■ LME Inventories — LME Cash \$ / LB

The Copper Journal
Lead
At Close 8/12/2022



LME Inventories LME Cash \$ / LB

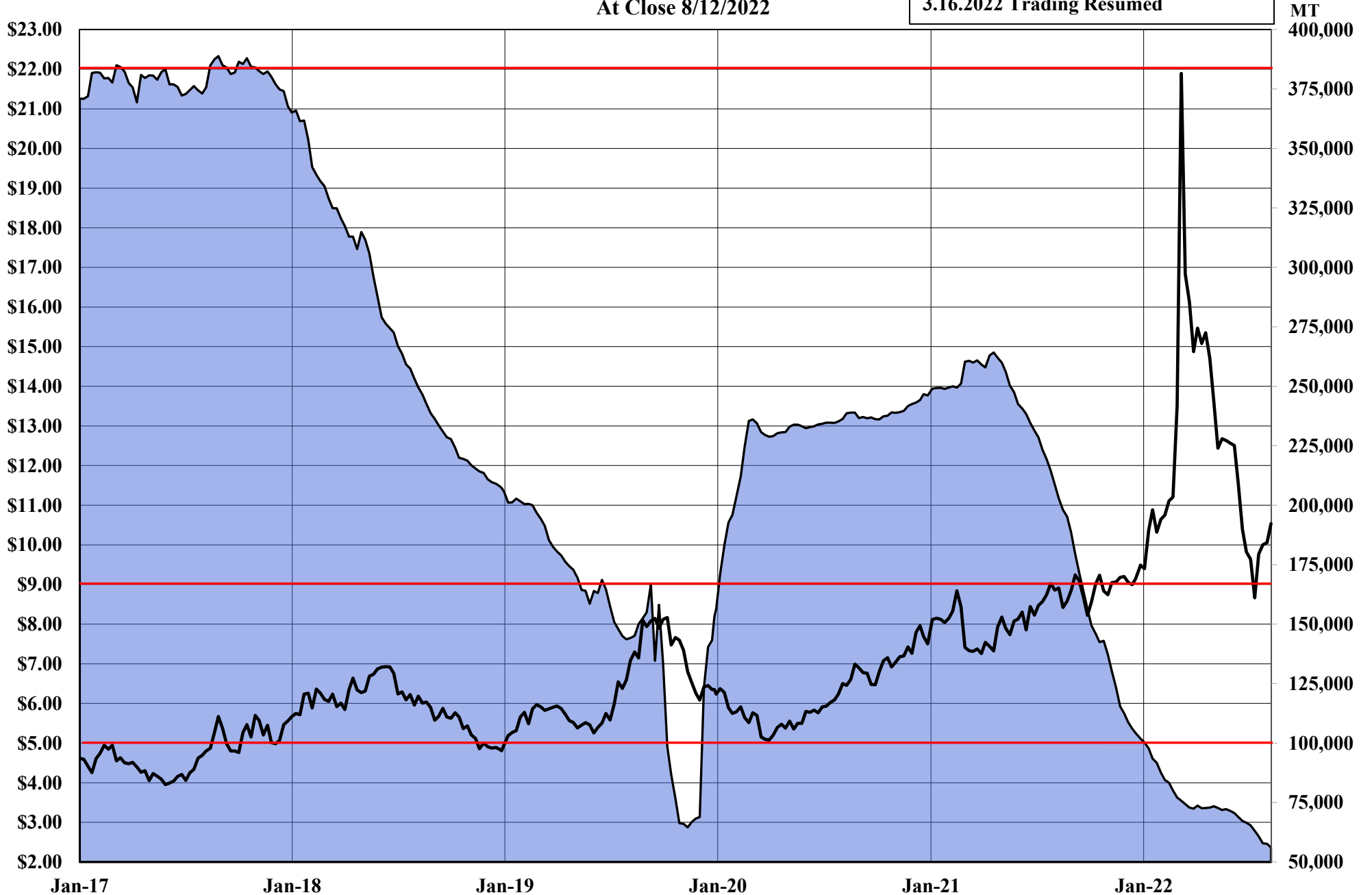
The Copper Journal
Tin
At Close 8/12/2022



■ LME Inventories — LME Cash Tin \$ / LB

The Copper Journal
Nickel
At Close 8/12/2022

3.8.2022 Trading Suspended - Nominal
value generated by LME internally
3.16.2022 Trading Resumed



■ LME Inventories — LME Cash Nickel \$ / LB

The Copper Journal
Zinc
At Close 8/12/2022



■ LME Inventories — LME Cash \$ / LB

The Copper Journal
260 Brass
At Close 8/12/2022

70% Copper & 30% Zinc



■ 260 Equivalent Inventories — LME Equivalent Cash \$ / LB

The Copper Journal
CME U.S. Midwest Domestic
Hot-Rolled Coil Steel
At Close 8/12/2022



CME (CRU) Index Futures Settlement - \$ / Short Ton

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CME U.S. Midwest
Busheling Ferrous Scrap
At Close 8/12/2022



CME (AMM) Futures Settlement \$ / Gross Ton

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The Copper Journal
Comex Spot Silver
At Close 8/12/2022



The Copper Journal
Comex Spot Gold
At Close 8/12/2022

52 Week Moving Average



The Copper Journal
Nymex Spot Platinum
At Close 8/12/2022



The Copper Journal
Nymex Spot Palladium
At Close 8/12/2022



The Copper Journal
Nymex Crude Oil
At Close 8/12/2022

52 Week Moving Average



The Copper Journal
Nymex Natural Gas
At Close 8/12/2022



The Copper Journal
2 Year & 10 Year Treasury Yields
At Close 8/12/2022



— 2 Year Treasury Yield — 10 Year Treasury Yield

The Copper Journal
10 Year Minus 2 Year Treasury Yields
At Close 8/12/2022



The Copper Journal S&P 500

At Close 8/12/2022

52 Week Moving Average



The Copper Journal
Shanghai Composite
At Close 8/12/2022

52 Week Moving Average

