

# LME Q3 2022 Update



SETTING THE GLOBAL STANDARD



# Agenda

Section	Title
1.	Topical updates
2.	Market overview
3.	Ferrous markets
4.	LME electronic liquidity
5.	LME trading volumes by venue
6.	LME options
7.	Responsible sourcing & sustainability
8.	Upcoming events schedule



# Topical updates

# Topical updates

## Russia Origin Metal

- A Discussion Paper on Russian Metal has been issued
- The LME believes it is appropriate to seek market views on the expected acceptability of Russian metal in 2023
- Market users are invited to provide feedback by 28 October 2022
- The LME notice 22/240 regarding the Discussion Paper can be found [here](#)

## Nickel

- The Independent Review by Oliver Wyman and the section 166 reviews by the FCA and Bank of England continue
  - Oliver Wyman have concluded a market engagement exercise capturing the views of market participants
  - The LME has implemented the requirement for Members to report all OTC positions on a weekly basis, effective 5 September 2022
- All LME notices relating to measures taken in the LME Nickel market can be found [here](#)



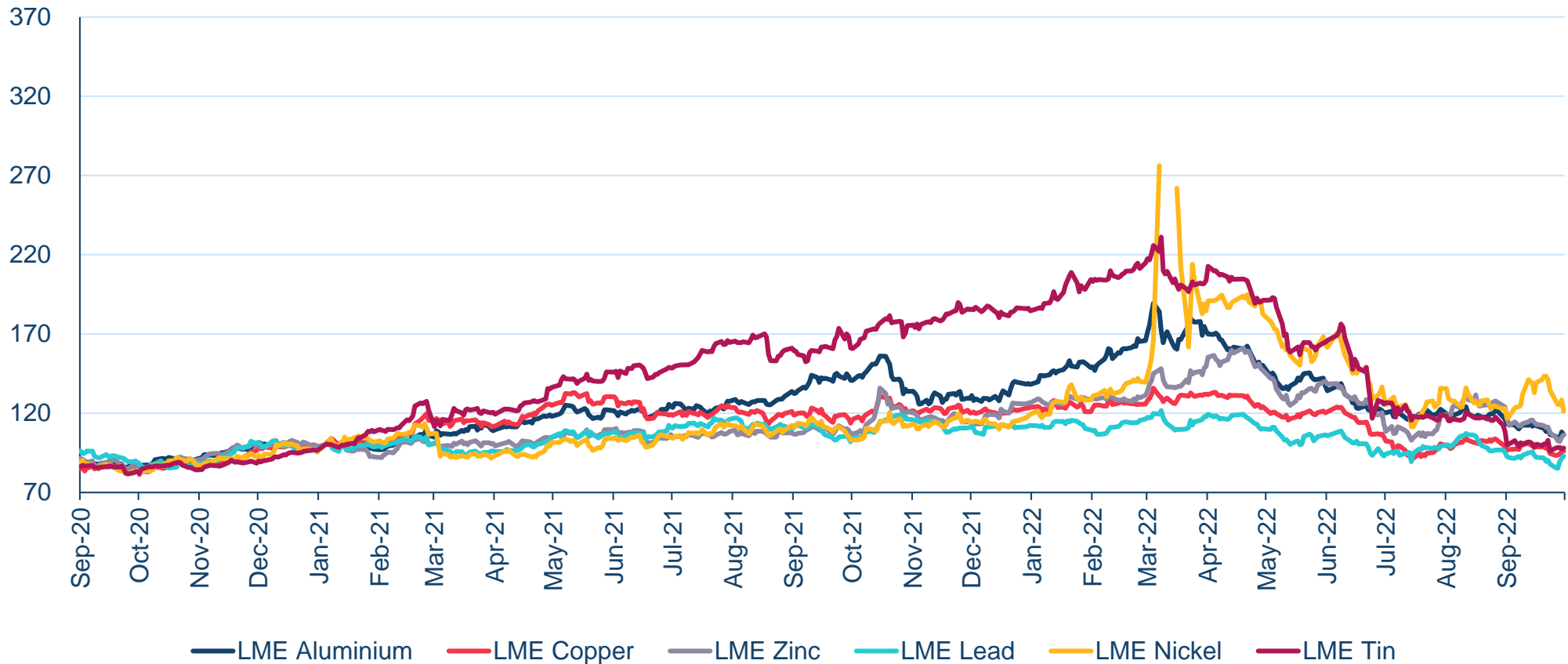
# Market overview

# LME Base Metals – price activity

Base metals have been trending lower since Q1

## LME prices YTD

3M prices rebased to 100; 4 Jan 21



Data up to 30-09-2022

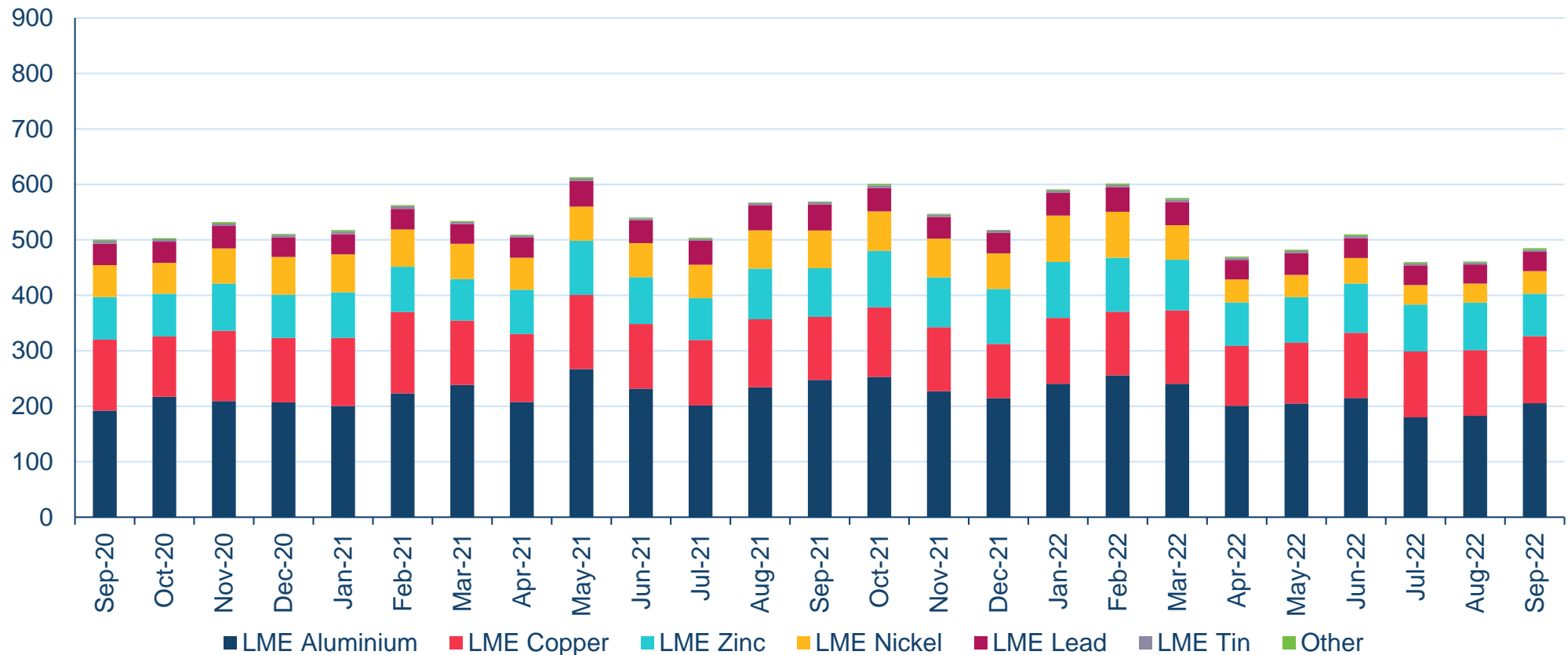


# LME average daily monthly volume

Volumes remained in a stable range during the 2nd and 3rd quarters

## LME average daily monthly volume

(Thousand lots per day)



Data up to 30-09-2022



# Ferrous markets

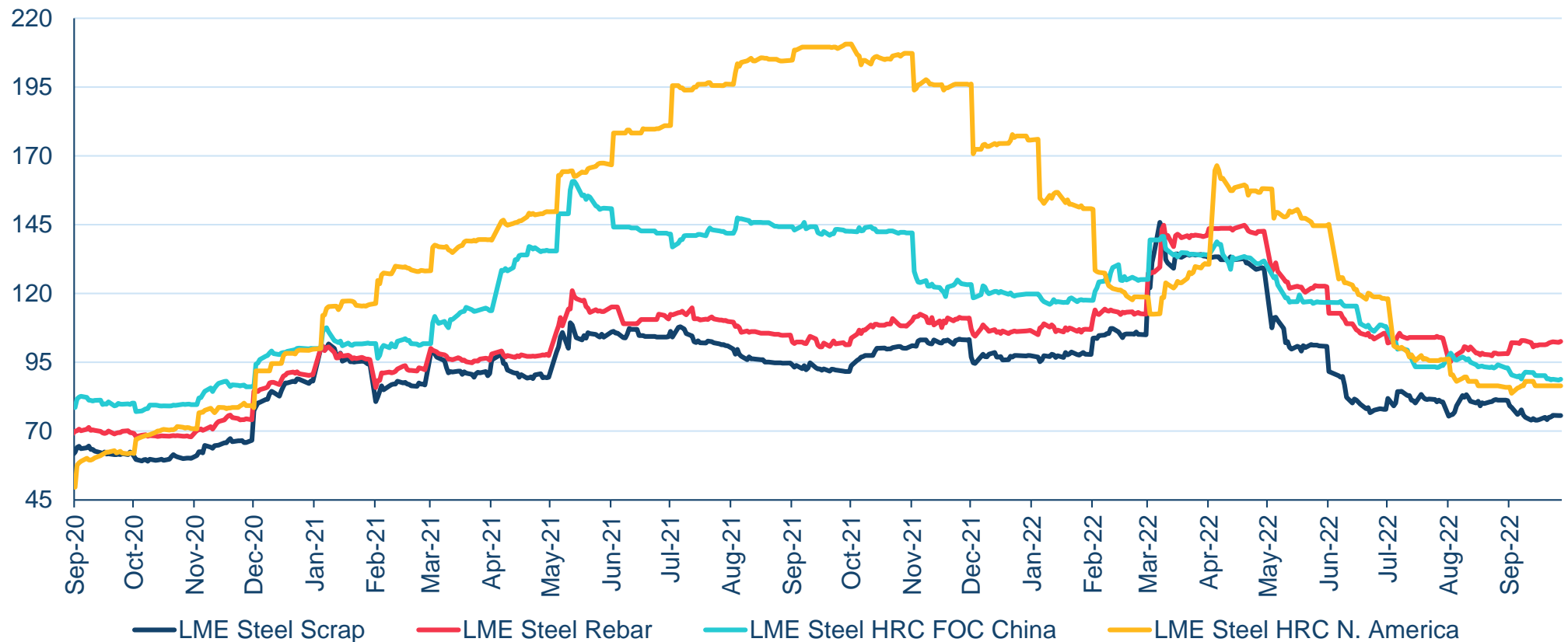


# LME ferrous market price summary

Ferrous has trended lower in tandem with broader commodity market activity

## LME prices YTD

Prices rebased to 100; 4 Jan 21



Data up to 30-09-2022

Month 2 prices

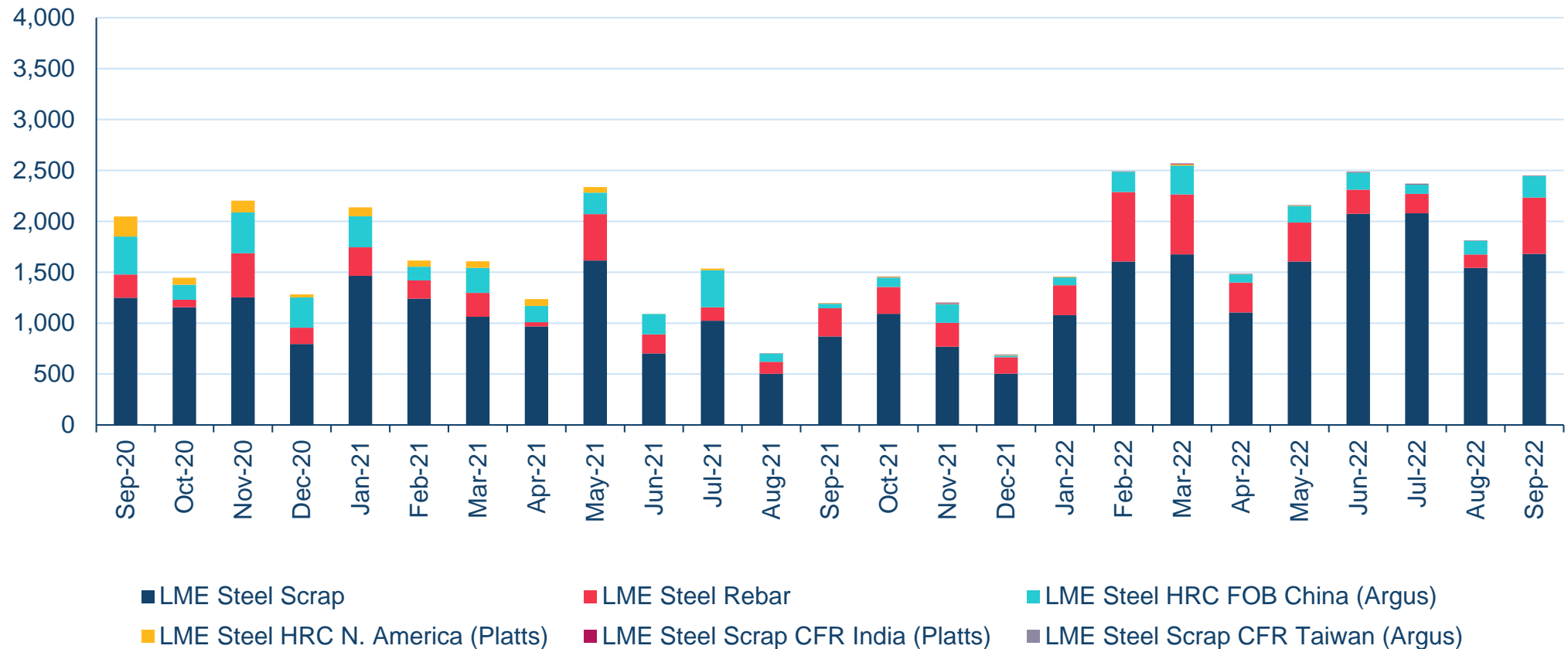


# LME ferrous monthly volume

YoY volumes have increased significantly, led by Steel Scrap

## LME ferrous monthly volume

(Lots per day)



Source: LME

Data up to 30-09-22

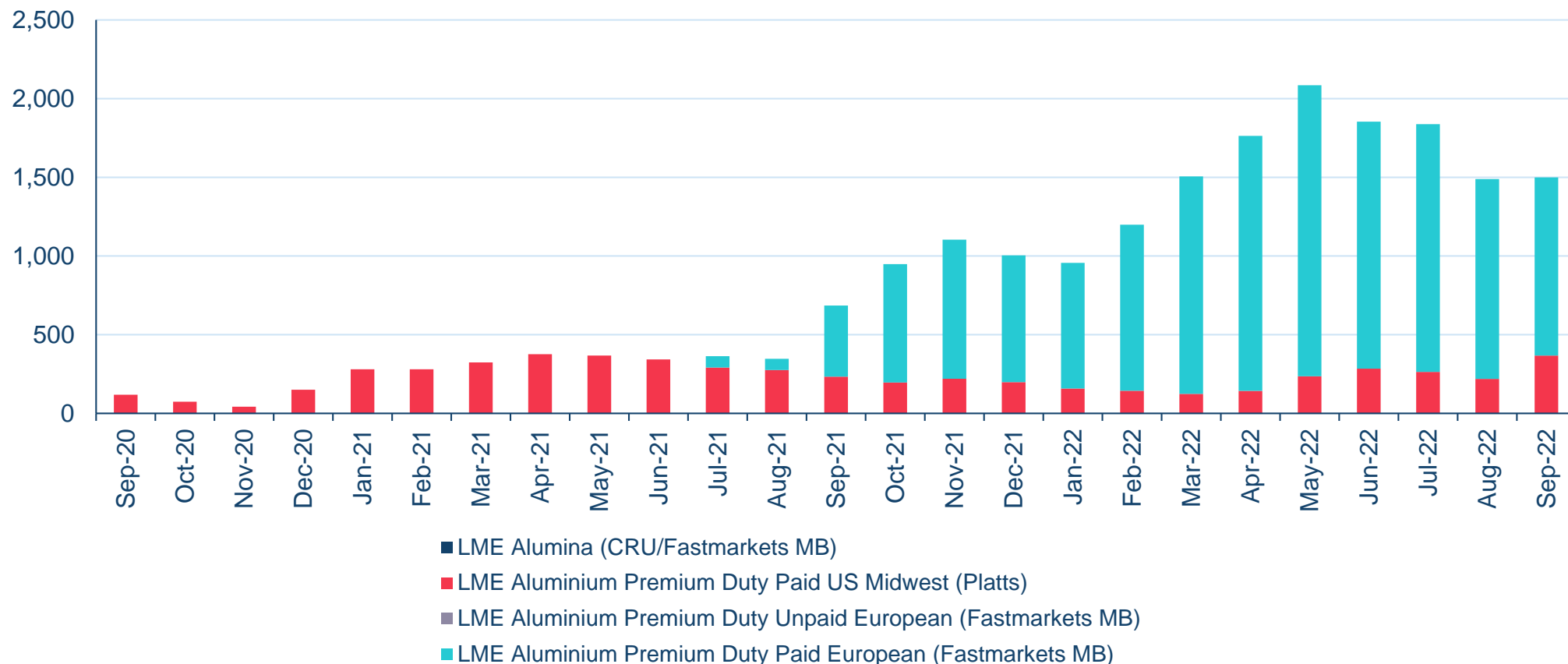


# LME Aluminium cash-settled products open interest

Aggregate Premium Open Interest remained strong through Q2 & Q3

## Open interest

Lots, last business day per month



Source: LME EOI

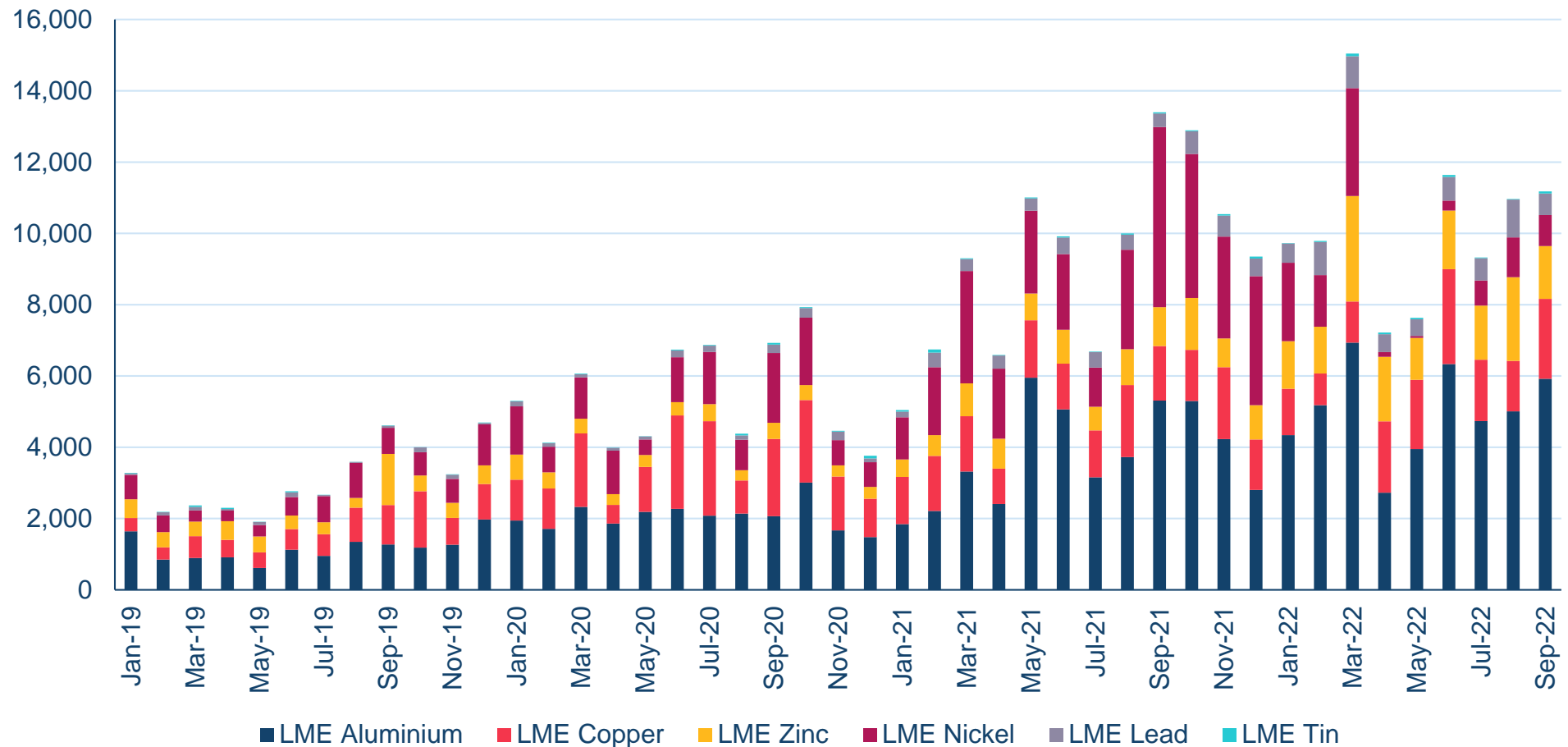
Data up to 30-09-22



# LME electronic liquidity

# LME monthly (3<sup>rd</sup> Wednesday) electronic volumes

**LME 3rd Wednesday volume**  
(Volume per month)



- 3<sup>rd</sup> Wednesday volumes include implied (counted in sides) and non implied trades (counted in lots)

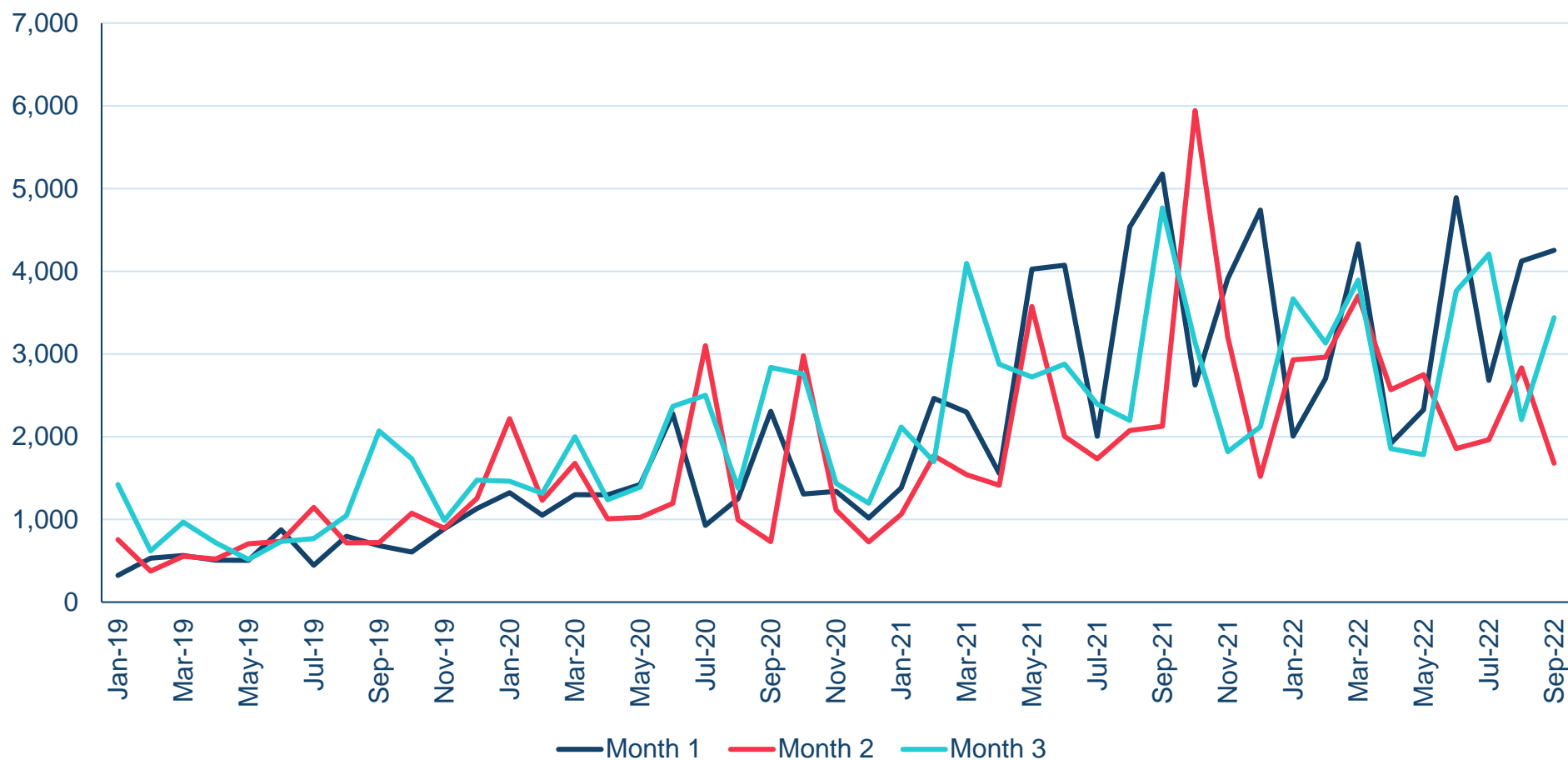
Data up to 30-09-22



# LME monthly activity by prompt

Electronic liquidity continues to grow, increasing led in 2022 by Month 1 contracts

**LME 3rd Wednesday volume**  
(Volume per month)



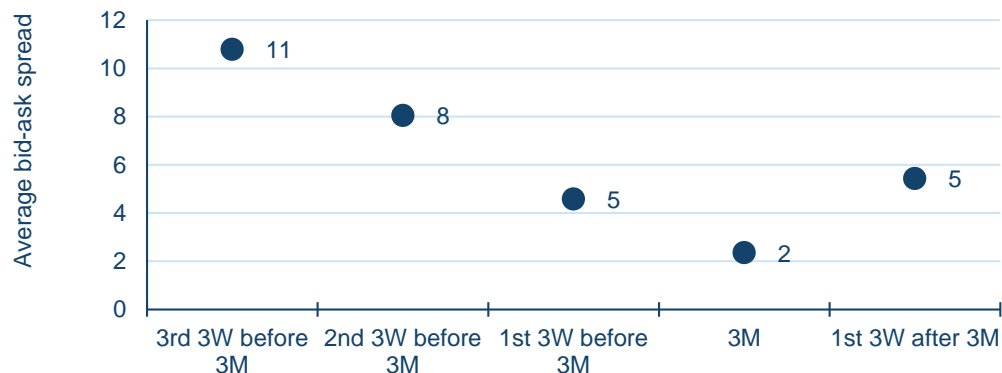
- 3<sup>rd</sup> Wednesday volumes include implied (counted in sides) and non implied trades (counted in lots)



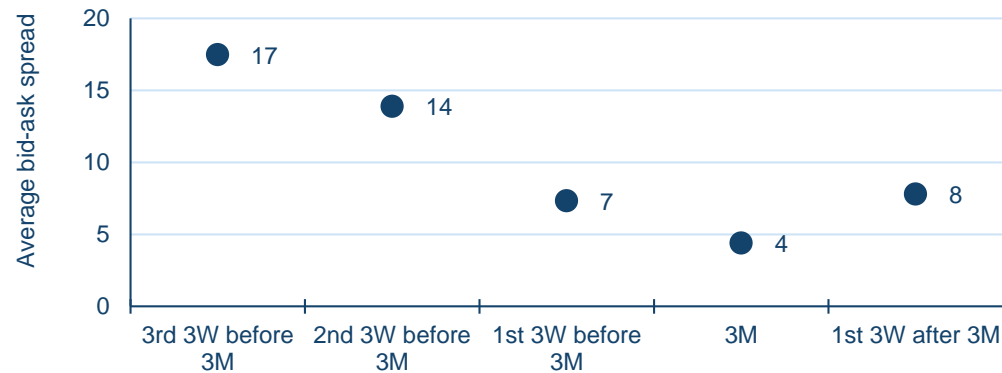
# LME monthly contracts – bid/offer spreads (ticks)

Monthly (3<sup>rd</sup> Wed) contracts have robust on-screen liquidity, combining implied pricing and direct bids and offers in the contracts

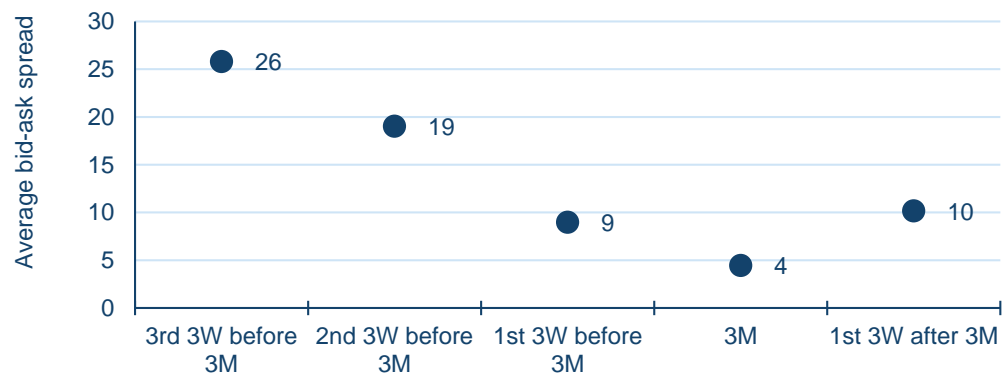
## LME Aluminium 3rd Wednesdays



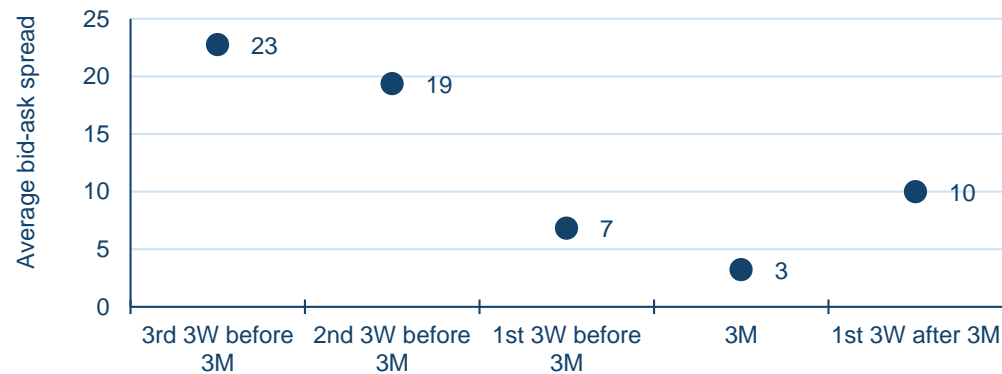
## LME Copper 3rd Wednesdays



## LME Zinc 3rd Wednesdays



## LME Lead 3rd Wednesdays



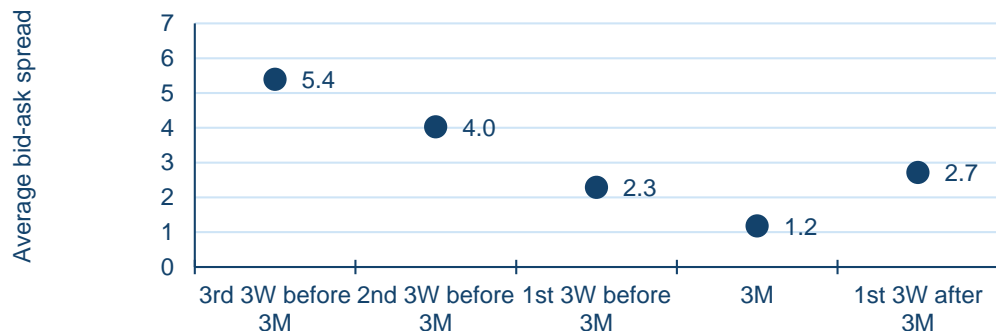
Source LME, Q3 2022 median of daily average achieved spread between 9am-5pm UK  
Data up to 30-09-22



# LME monthly contracts – bid/offer spreads (bps)

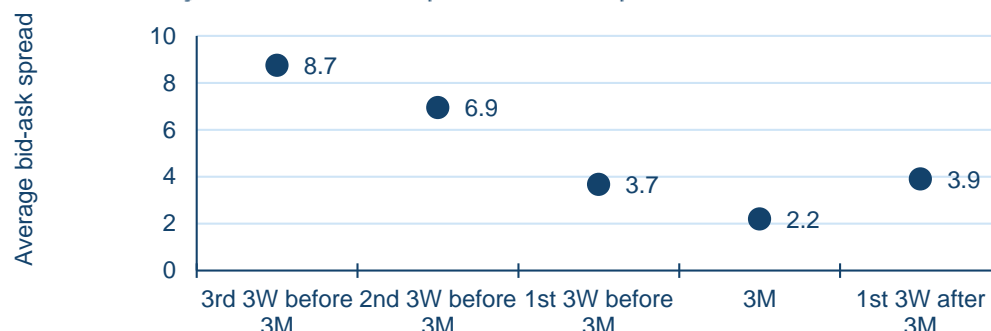
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## LME Aluminium 3rd Wednesdays

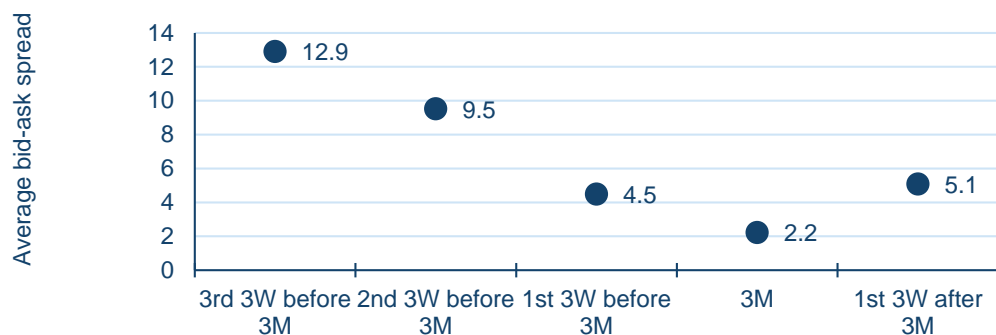


## LME Copper 3rd Wednesdays

3<sup>rd</sup> Wednesday volumes include implied and non implied trades

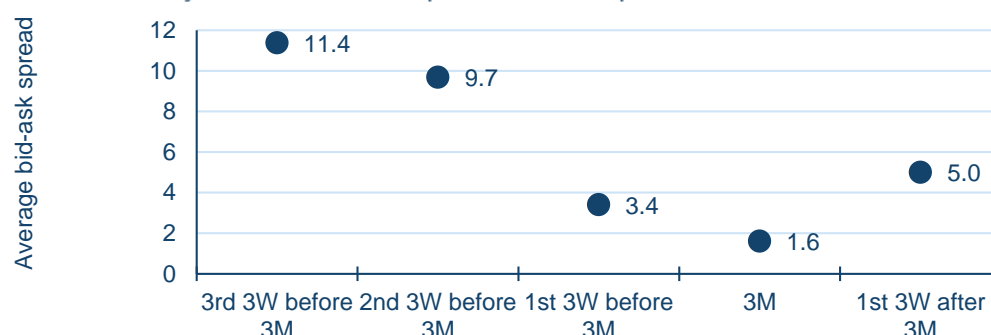


## LME Zinc 3rd Wednesdays



## LME Lead 3rd Wednesdays

3<sup>rd</sup> Wednesday volumes include implied and non implied trades

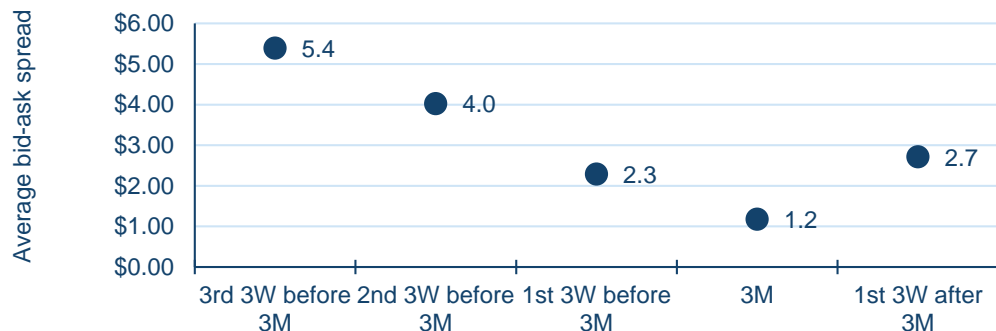




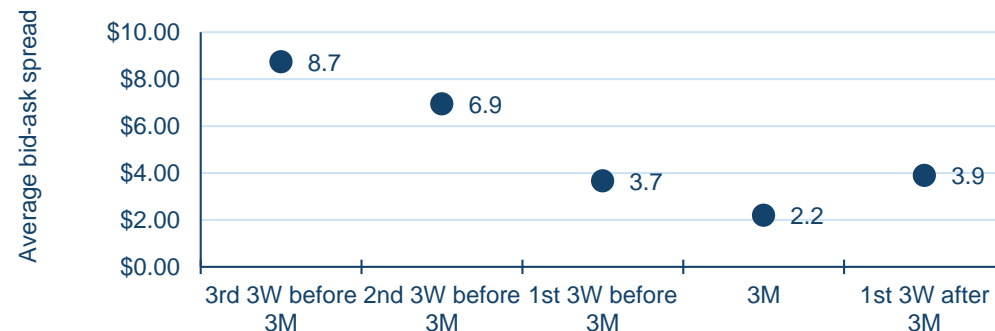
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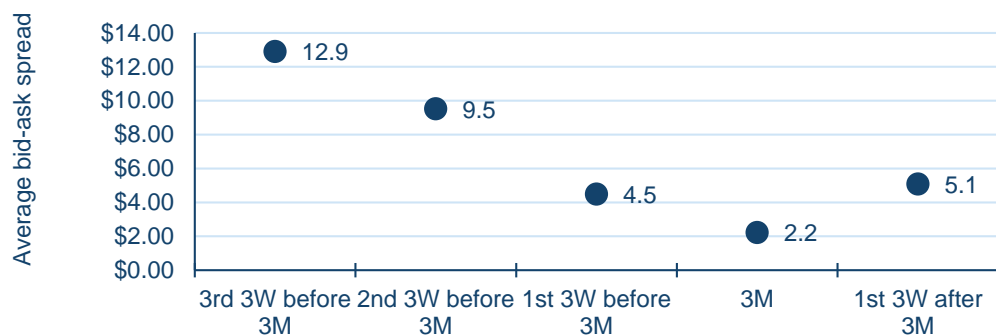
## LME Aluminium 3rd Wednesdays



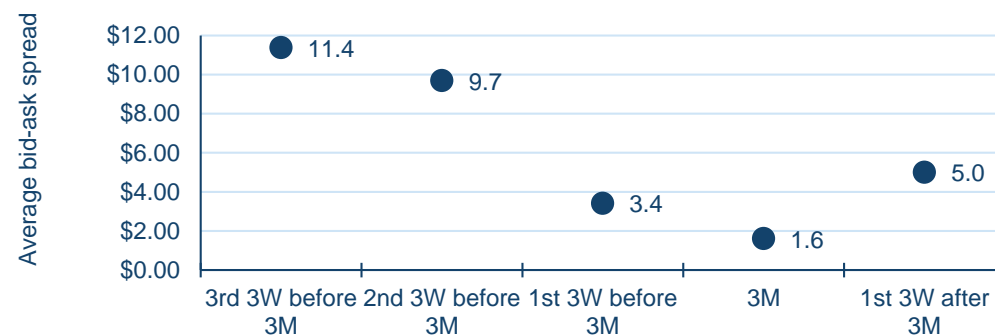
## LME Copper 3rd Wednesdays



## LME Zinc 3rd Wednesdays



## LME Lead 3rd Wednesdays



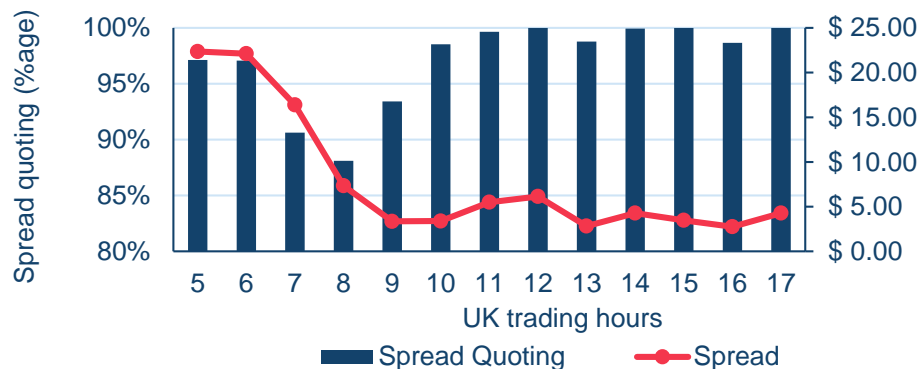
Source LME, Q3 2022 median of daily average achieved spread between 9am-5pm UK  
Data up to 30-09-22



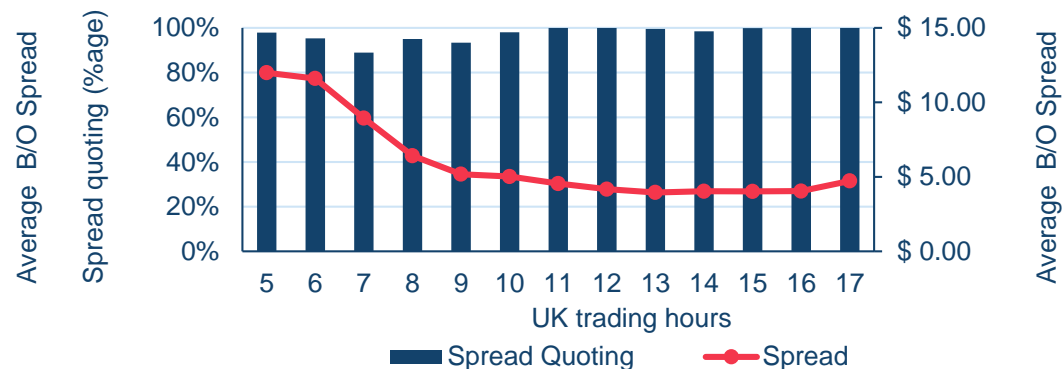
# LME electronic liquidity – quoted periods

Monthly (3<sup>rd</sup> Wed) markets are actively quoted throughout UK trading hours

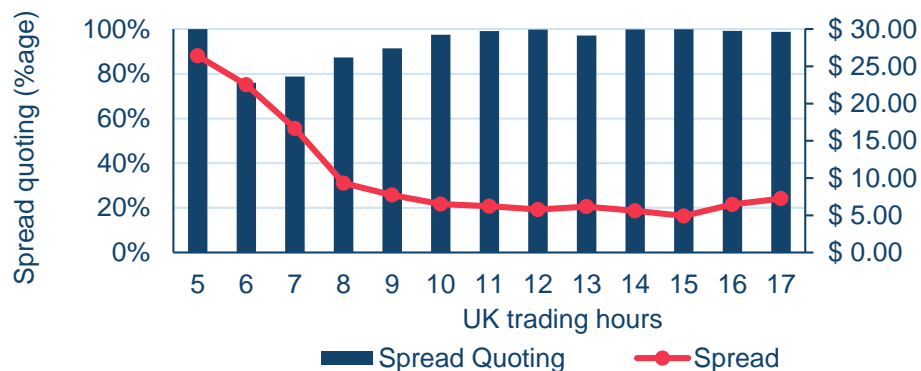
## LME Aluminium



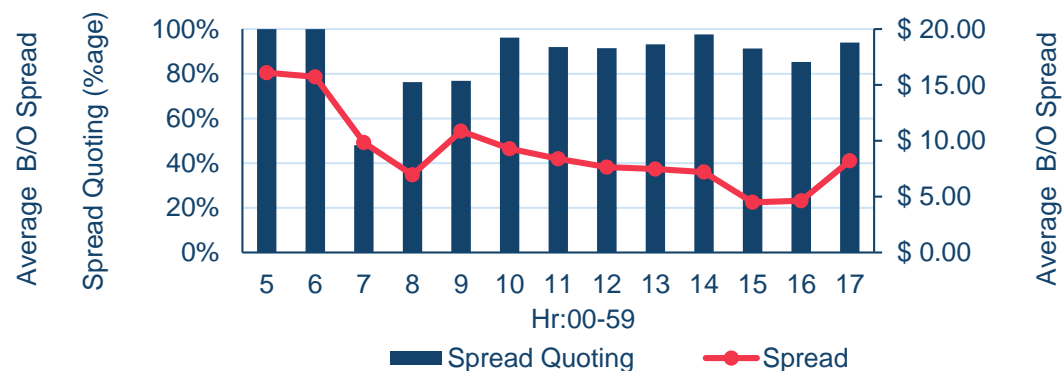
## LME Copper



## LME Zinc



## LME Lead



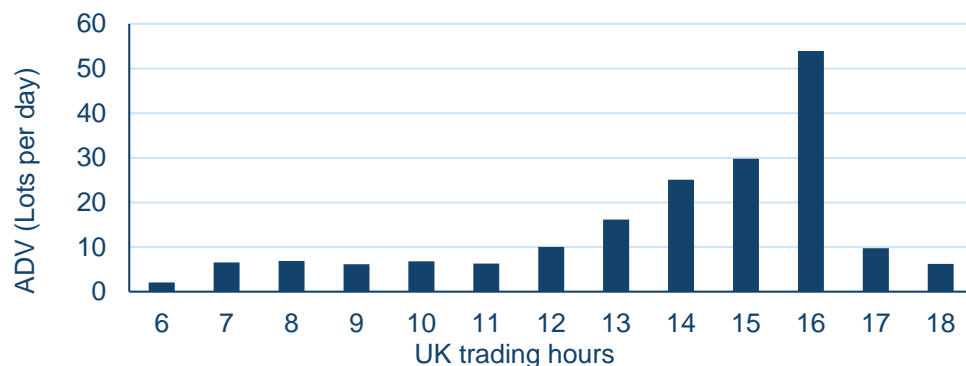
Data for 3rd Wednesday prompt following the 3M contract; Q3 2022  
Data up to 30-09-22



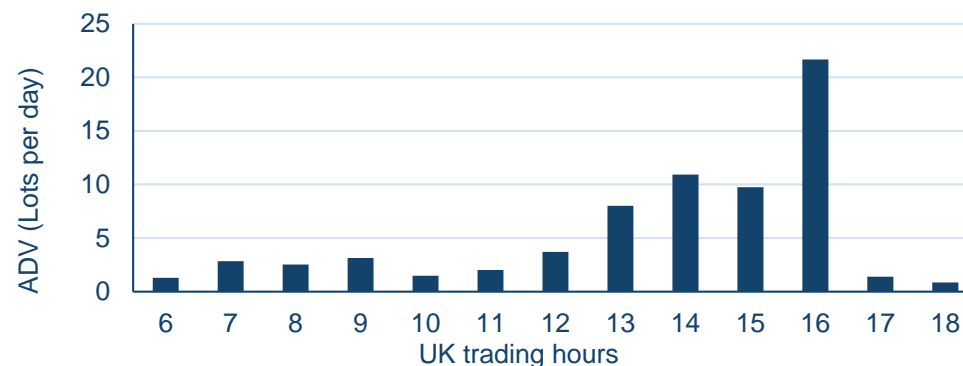
# LME electronic liquidity – liquidity clusters

On-screen liquidity is available throughout UK trading hours, with heavier trading in afternoon trading

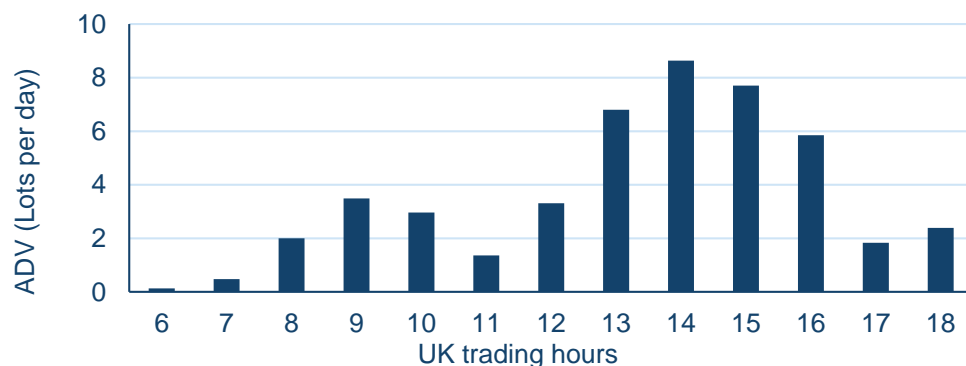
## LME Aluminium



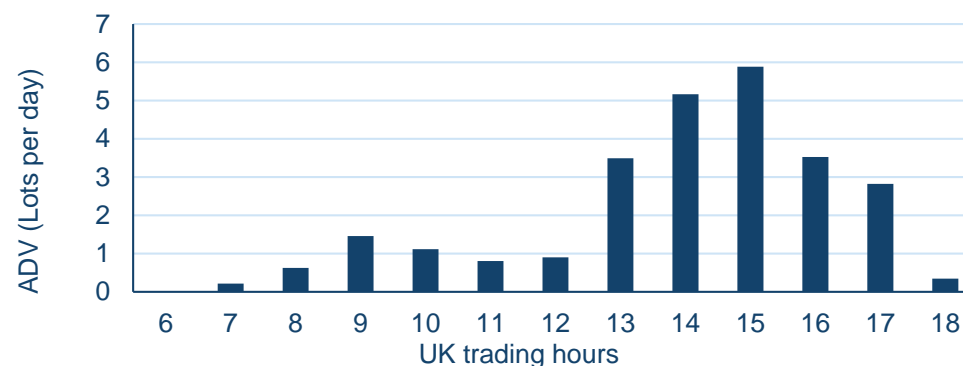
## LME Copper



## LME Zinc



## LME Lead



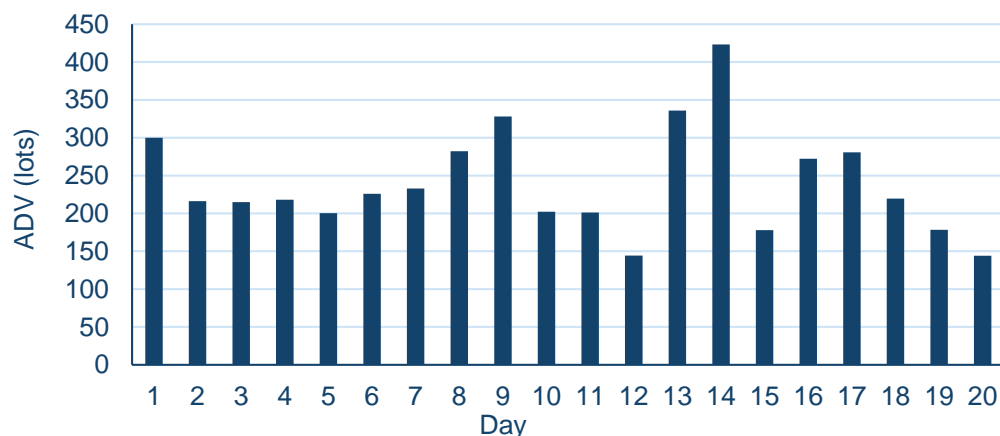
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Data up to 30-09-22



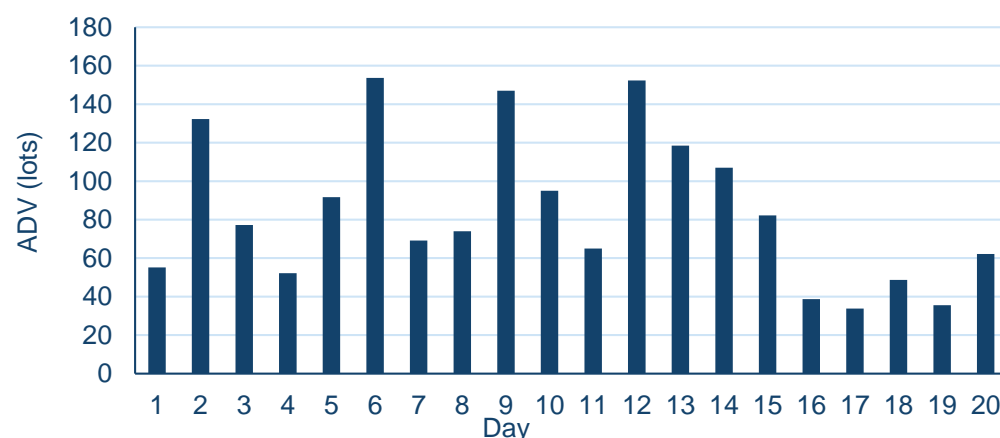
# LME electronic liquidity – monthly contracts

On-screen liquidity for monthly (3<sup>rd</sup> Wed) contracts peaks around roll period days in the early part of the month

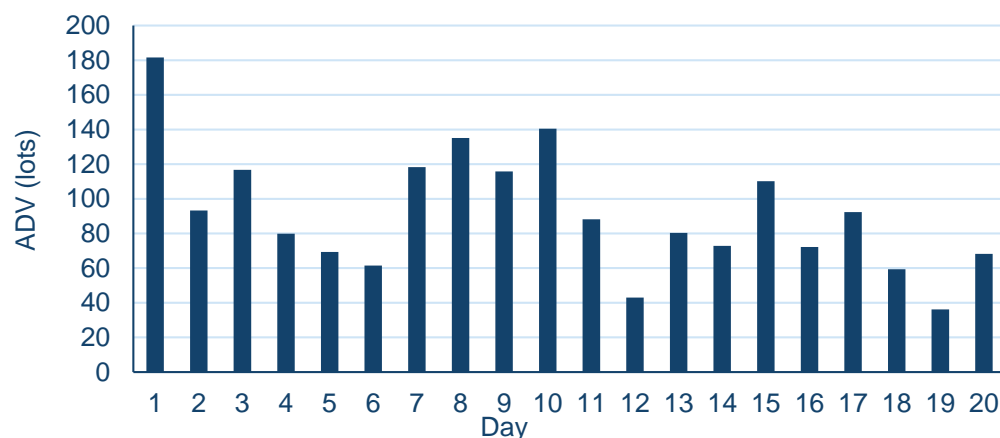
## LME Aluminium 3rd Wednesdays



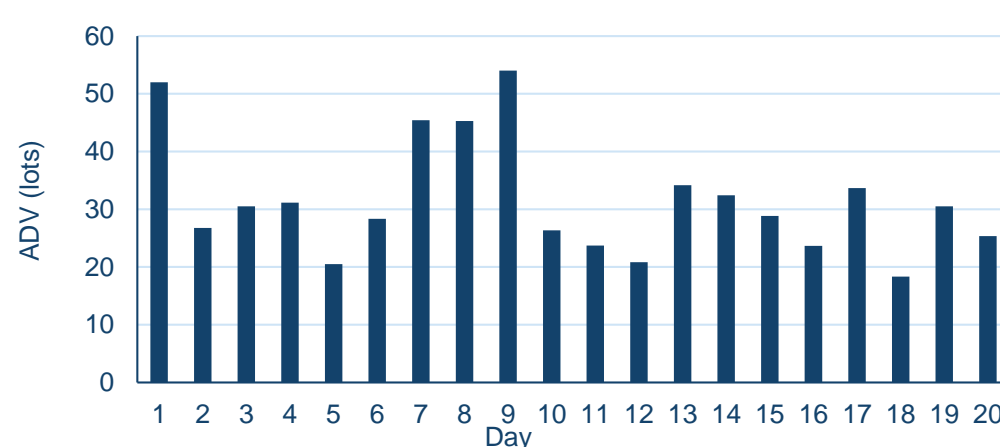
## LME Copper 3rd Wednesdays



## LME Zinc 3rd Wednesdays



## LME Lead 3rd Wednesdays



Source LME, 2022 average daily volume per day (implied in sides, non-implied lots)  
Data up to 30-09-22

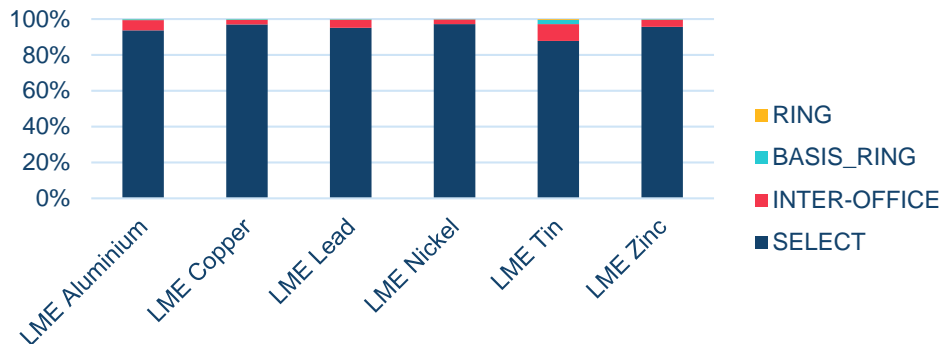


# LME trading volumes by venue

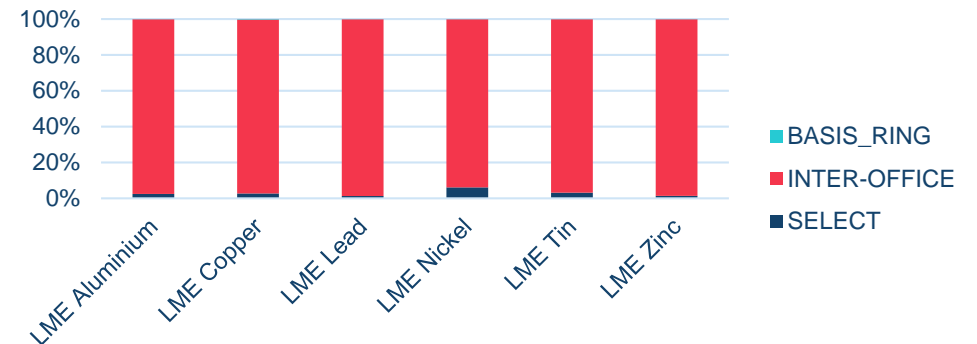
# LME trading by venue

~65 per cent of medium dated spreads (carries) volume trades on LMEselect, while long carries are mostly traded in the inter-office (broker) market

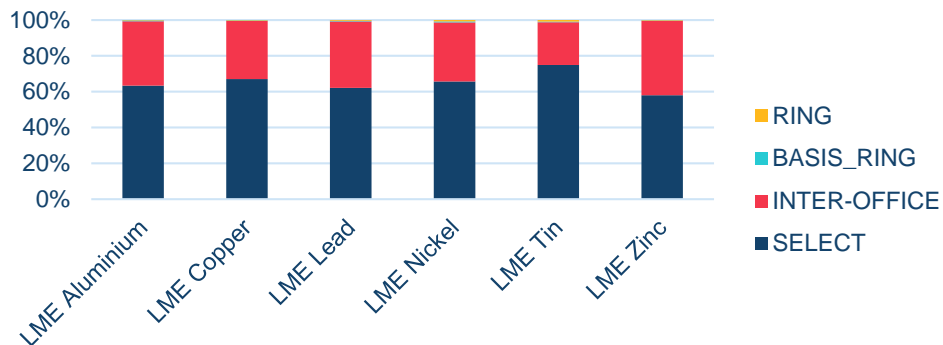
## 3M outright



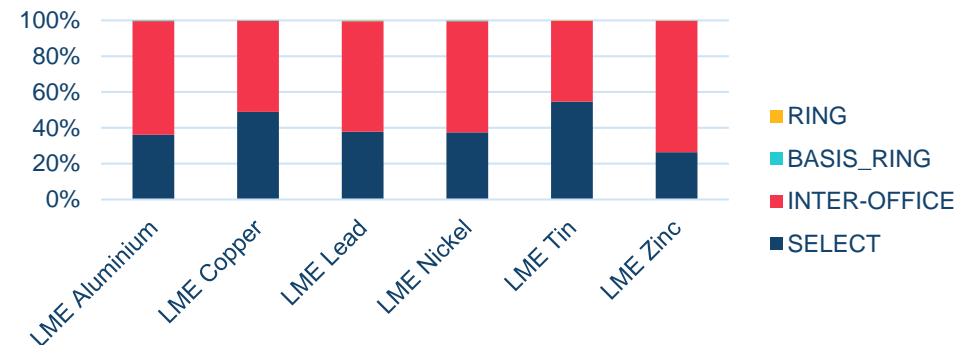
## 3<sup>rd</sup> Wednesday outright



## Medium carries



## Long carries



Source LME, Data for member trades excluding Give-ups and admin.

Data up to 30-09-22



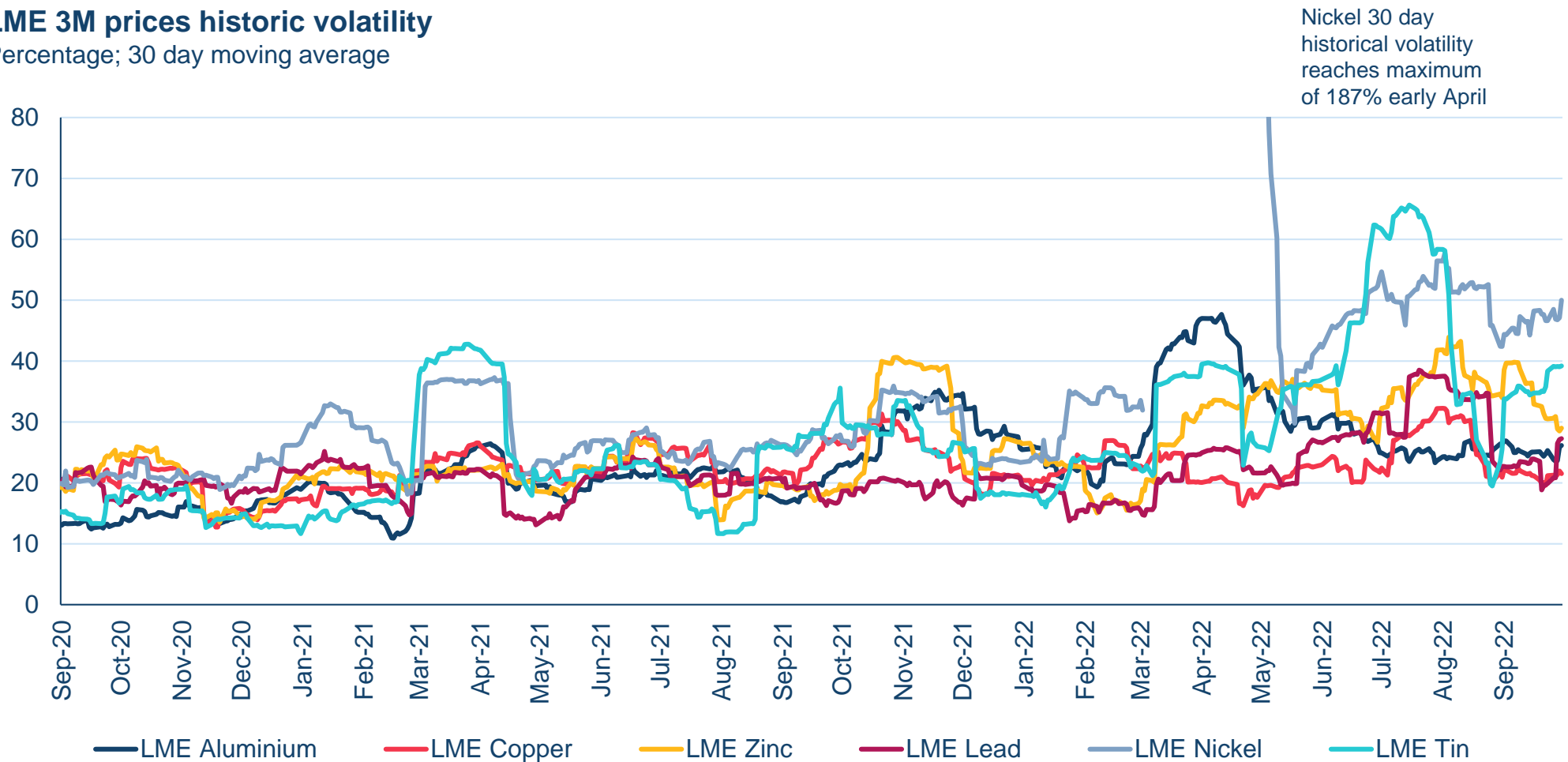
# LME options

# LME prices historic volatility

Volatility has trended higher during 2022

## LME 3M prices historic volatility

Percentage; 30 day moving average



Data up to 30-09-22

Note LME Nickel suspended 8-16 Mar 22



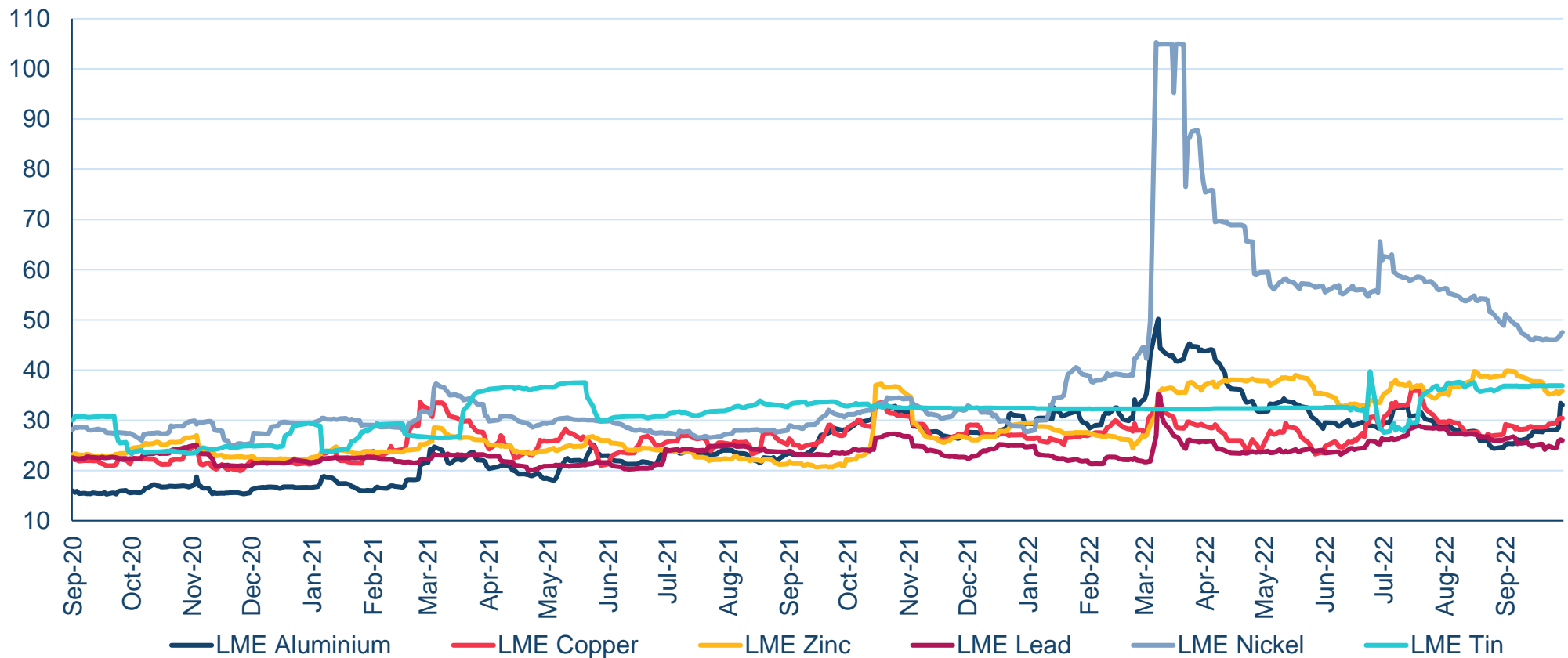


# LME base ATM volatility

ATM Vol (ex Nickel) has traded in a broad 20-40 range for the past two years

## ATM Volatility

Percentage; Second forward month



Data up to 30-09-22

Note LME Nickel suspended 8-16 Mar 22  
25

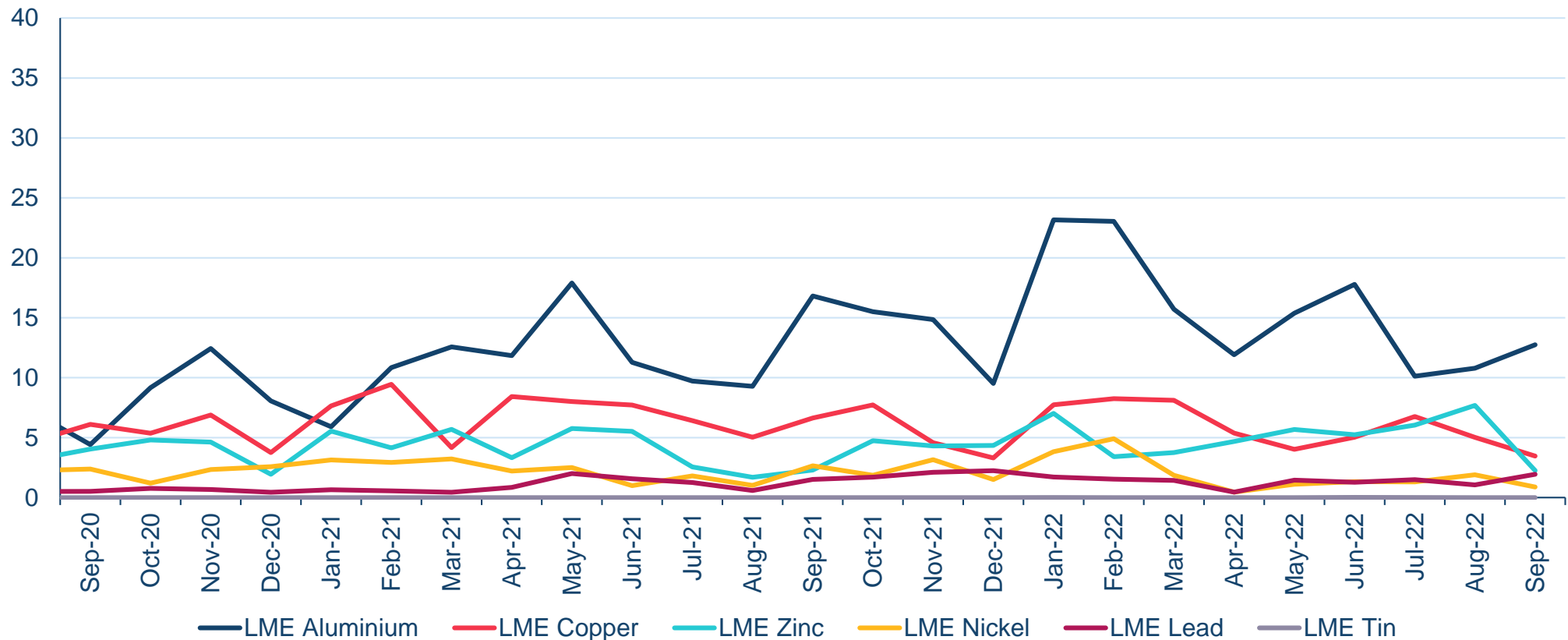


# Average daily monthly volumes

Aluminium option volume increased during the summer trading period

## Average daily monthly volume

(Thousand lots per day); LME Options and TAPOs



Data up to 30-09-22

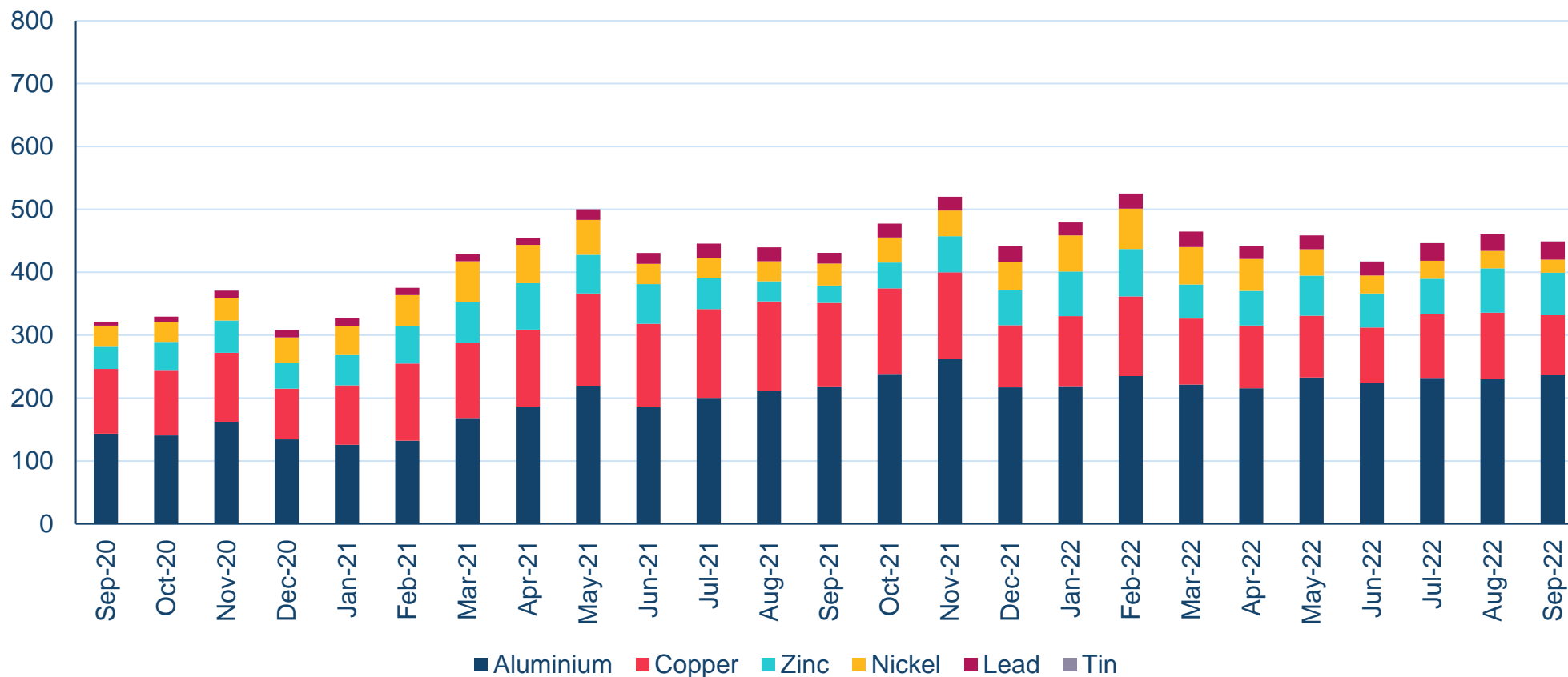


# LME Options and TAPOs open interest

Aluminium options OI has increased ~60 per cent over past two years

## Open interest

Average thousand lots per day; LME Options and TAPOs



Data up to 30-09-22



# LME Realised vs Implied Volatility

## Aluminium

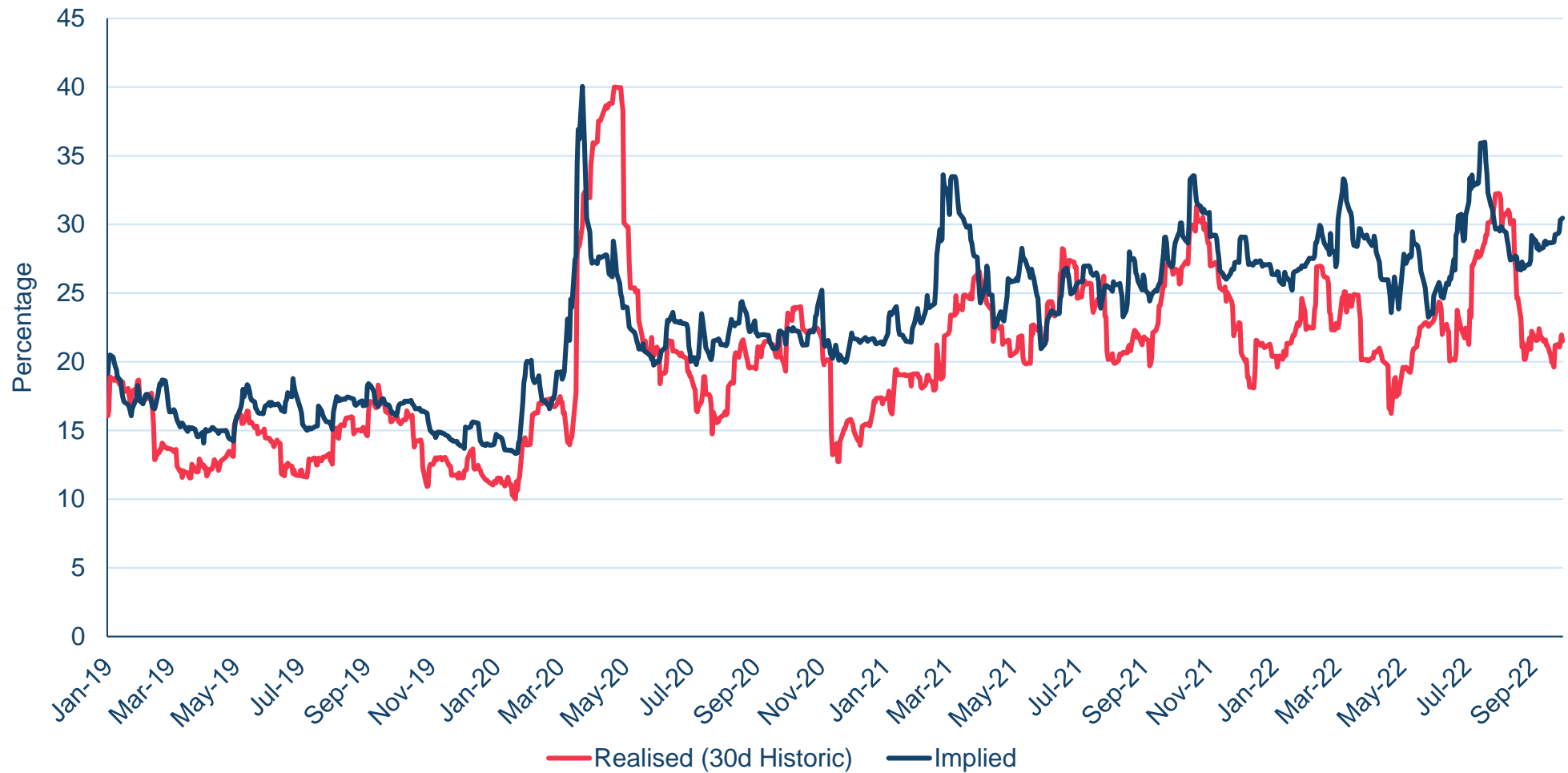


Data up to 30-09-22



# LME Realised vs Implied Volatility

## Copper

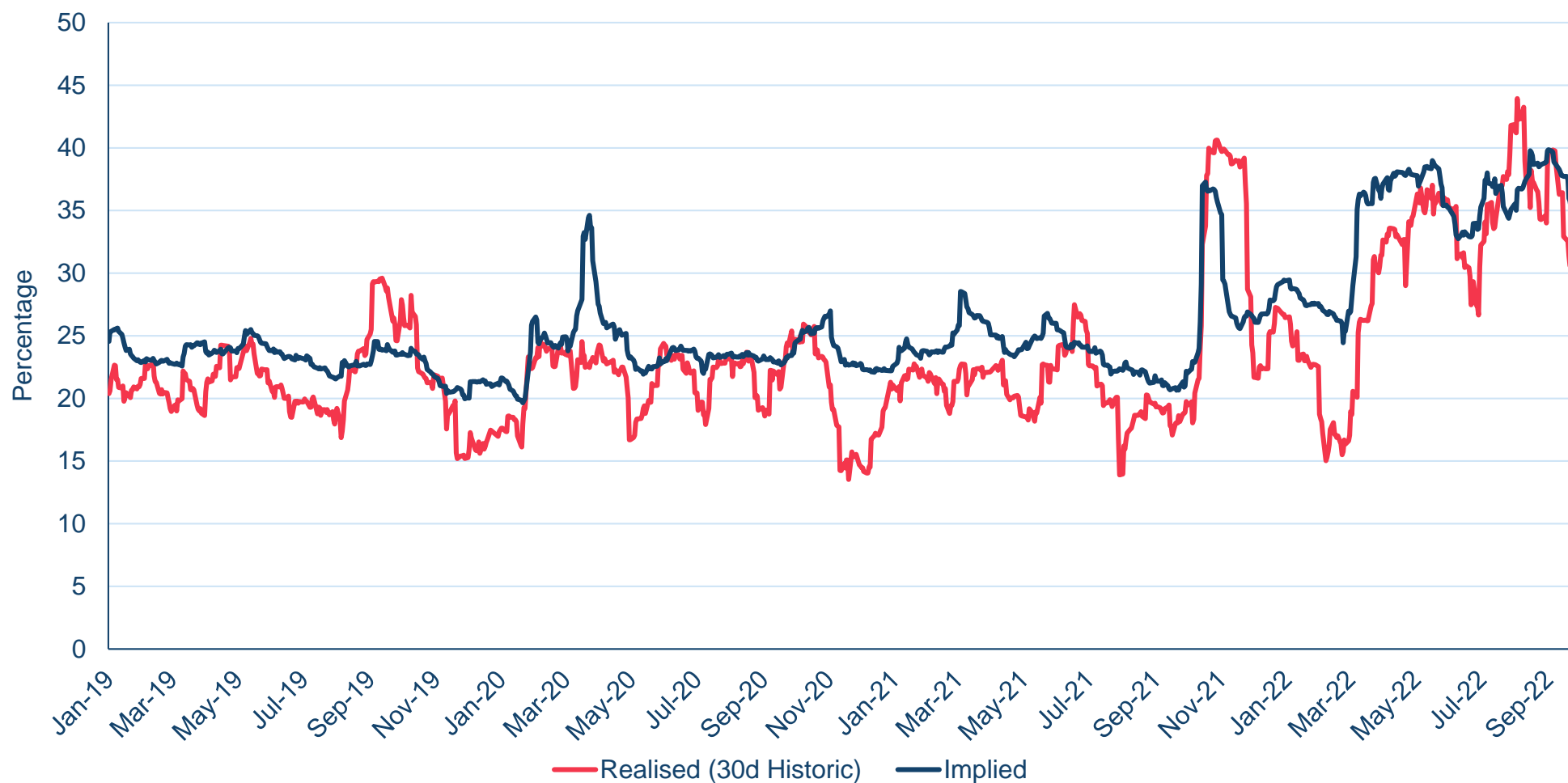


Data up to 30-09-22



# LME Realised vs Implied Volatility

Zinc

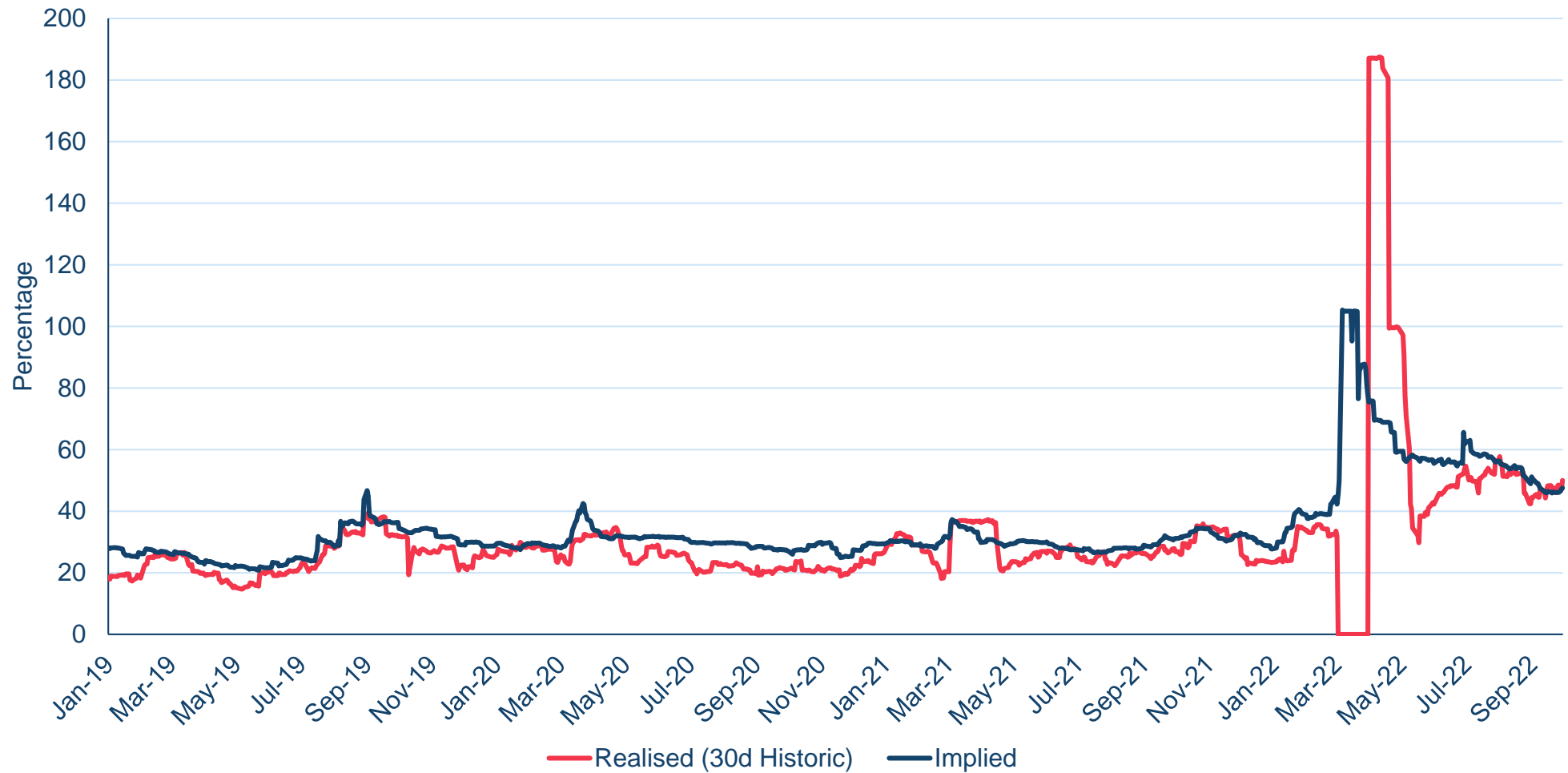


Data up to 30-09-22



# LME Realised vs Implied Volatility

Nickel

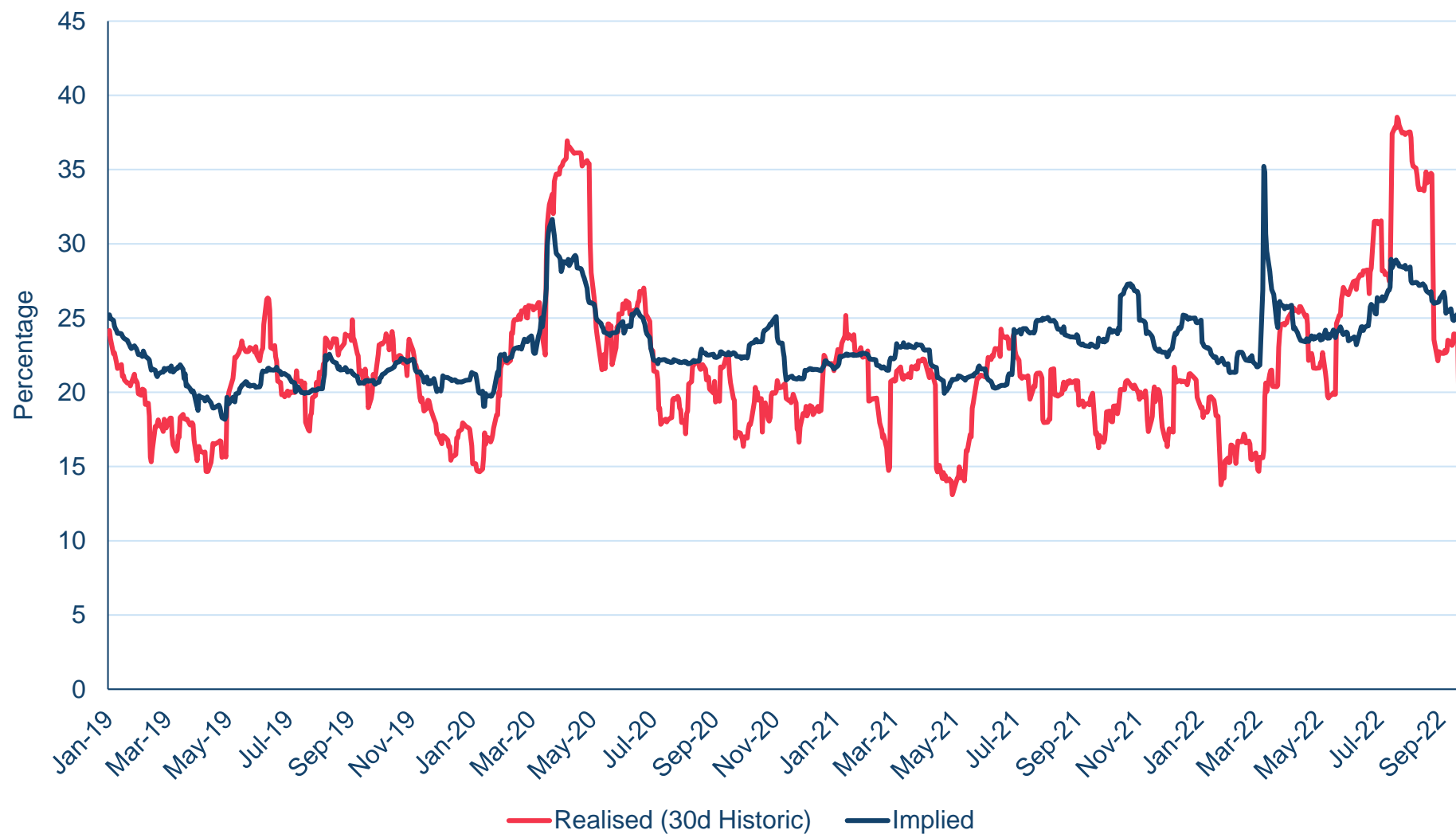


Data up to 30-09-22



# LME Realised vs Implied Volatility

Lead



Data up to 30-09-22





# Responsible sourcing & sustainability

# LME responsibility and sustainability initiatives

The LME has several initiatives underway to support these goals

## Initiatives

### Responsible Sourcing

- The 1<sup>st</sup> responsible sourcing deadline passed on 30 June 2022; 96% of LME brands submitted information to comply
- The new initiative spans nine metals across 55 countries
- Those that were not able to comply have been suspended or delisted

### LMEpassport

- The roll out of the requirement for warehouse companies to register COAs of warranted material continues. From 01 Jan 2023 the requirement will expand to all physically delivered metals
- ~2M cast numbers registered, over 25,000 COA documents since launch
- Producers voluntarily add sustainability credentials to LMEpassport. Corporate and Brand level data disclosed and can be linked to cast level
- Total of 31 producers disclose voluntarily, ~200 disclosures now listed on LMEpassport across 25 ESG disclosure types

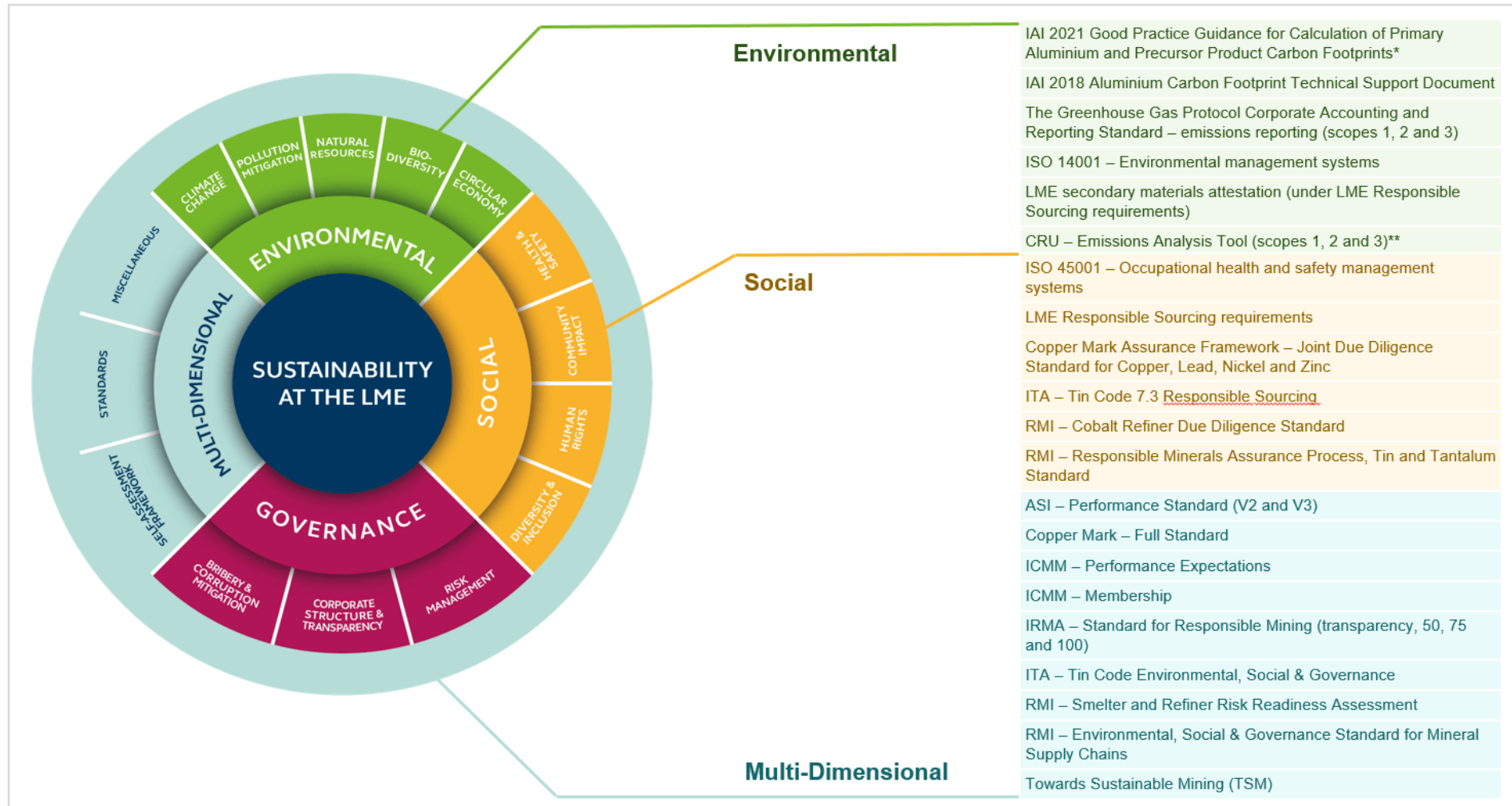
### LME Sustainability Afternoon

- The Sustainability Afternoon will be held on Monday 24<sup>th</sup> October during LME Week
- The LME Sustainability team plan to announce new developments
- Details regarding this free event can be found [here](#)



# Sustainability data on LMEpassport

## Available sustainability disclosures on LMEpassport



\* In August 2021, the IAI published its "Good Practice for Calculation of Primary Aluminium and Precursor Product Carbon Footprints" (available for disclosure on LMEpassport). For future disclosures related to IAI emissions guidance, the LME encourages producers of LME aluminium brands to use this most recent guidance.

\*\* The CRU Emissions Analysis Tool provides independently assessed smelter emission ranges for scopes 1 & 2 along with an additional scope 3 category related to purchased anodes



# Upcoming events schedule

# The LME Team will attend the following events

Please contact [sales@lme.com](mailto:sales@lme.com) to set up a meeting at one of them

Date	Venue	Conference
17-19 Oct	Lisbon	International Nickel Study Group
24 Oct	London	LME Week Seminar
24 Oct	London	LME Sustainability Afternoon
25 Oct	London	LME Dinner
27 Oct	London	LME Focus Day
2 Nov	Australia	LME Down Under
14-15 Nov	Chicago	FIA Expo
28 Nov	Singapore	LME Singapore Forum
29 Nov – 1 Dec	Cairo	Arab International Aluminium Conference



# Contacts

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**Head of Sales**

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**VP Sales**

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**Head of Financial Sales, Asia**

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