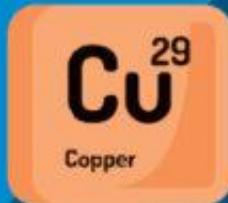


**TechnoMental
Component Report
Base Metals & Industrial
Commodities**



**05/18/22
Andy Hecht**

Base Metals & Industrial Commodities

Comments:

Base metal, mineral, and lumber prices were mostly lower since May 11. Iron ore, nickel, tin, lead, zinc, and lumber fell, while aluminum moved higher. The Baltic Dry Index moved higher as freight rates reflect higher energy and increased insurance expenses.

Copper stocks on the LME continued to rise, while aluminum stocks have been falling for years. The metals face higher production costs, and increasing demand for green initiatives, but the lockdowns in China have weighed on prices in the short term. Bullish and bearish forces are pulling the industrial commodities in opposite directions. While higher interest rates increase the cost of carrying inventories, and a rising US dollar typically weighs on prices, 2022 is anything but an ordinary year. Demand for most industrial commodities continues to rise, while higher input costs and inflationary pressures are weighing on output. Industrial metals play a substantial role in green energy initiatives, which will support prices. I am bullish on copper and believe the red metal will continue to make a series of higher record peaks. Other base metals and industrial metals tend to follow copper. An end to Chinese lockdowns could light a bullish fuse under the industrial metals.

Trends:

The short-term trends remain bearish after reaching highs in early March. Copper is the leader of the sector, and the price action has been like the period following the May 2021 record high that led to a bottom in August 2021. Since copper probed above the \$5 level in early March, the price corrected. Copper tends to respect technical levels; it has not challenged the August 2021 low at just below the \$4 level as of May 18, but it came close. The medium and long-term trends in the base metals, lumber, and uranium prices remain higher. I believe lumber is approaching levels where the price will bottom.

Recommendations:

- We are long FCX at \$11.37. At \$35.34 I rate the position a hold but recommend protecting profits.
- We are long the PICK ETF product at \$23.38 per share. I rate PICK a hold at \$41.96 but recommend protecting profits.
- We are long CCJ below the \$20 level and rate the uranium producer a buy below the \$23 per share level. I would leave room to add to the position on further declines.
- I recommend buying the dip in metals with the DBB ETF product at below the \$23 level. DBB holds long copper, aluminum, and zinc positions. I would leave room to add to the position on further declines.
- I am a buyer of GLCY, BHP, and RIO on any significant price corrections.

A Final Note

I have changed the weekly report to create a more actionable approach to trading and investing in the commodity asset class and the other markets I follow. I would appreciate any comments on how I can improve the report or your experience as a subscriber.

I remain bullish on commodities but expect lots of two-way volatility over the coming weeks and months. The economic and geopolitical landscapes present unprecedented challenges, which will impact asset prices across all asset classes.

Approach markets with a plan for risk and reward when trading and investing and stick to the program. Remember that you are long or short at the current market price level, not the original execution price. Markets are living and breathing animals, so adjust risk-reward when the price move in your favor. When they move contrary to expectations, take those small losses that allow you to remain in the game. Never put all your eggs in one basket. Wealth accumulation depends on a series of investment and trading decisions that create signals and doubles. Those looking to hit a grand slam every time they put a position on tend to strike out and have a very short career. The service will include a weekly report on most weeks. You will still receive the same Friday summary and article, and I will post a daily summary of the price action and highlights with any new recommendations when appropriate. The quarterly report will cover the highlights of the commodity asset class, including a review of the best bets from the previous quarter and best bets for the coming quarter.

Thank you for your continued support!

I look forward to your comments and suggestions.

Until next week,

Andy Hecht

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