



Analytics

Global Rates, FX & Commodities Strategy

4 October 2023

► ENERGY & METALS

► COMMODITIES

► GLOBAL MARKETS

Advanced CTA Position Tracker

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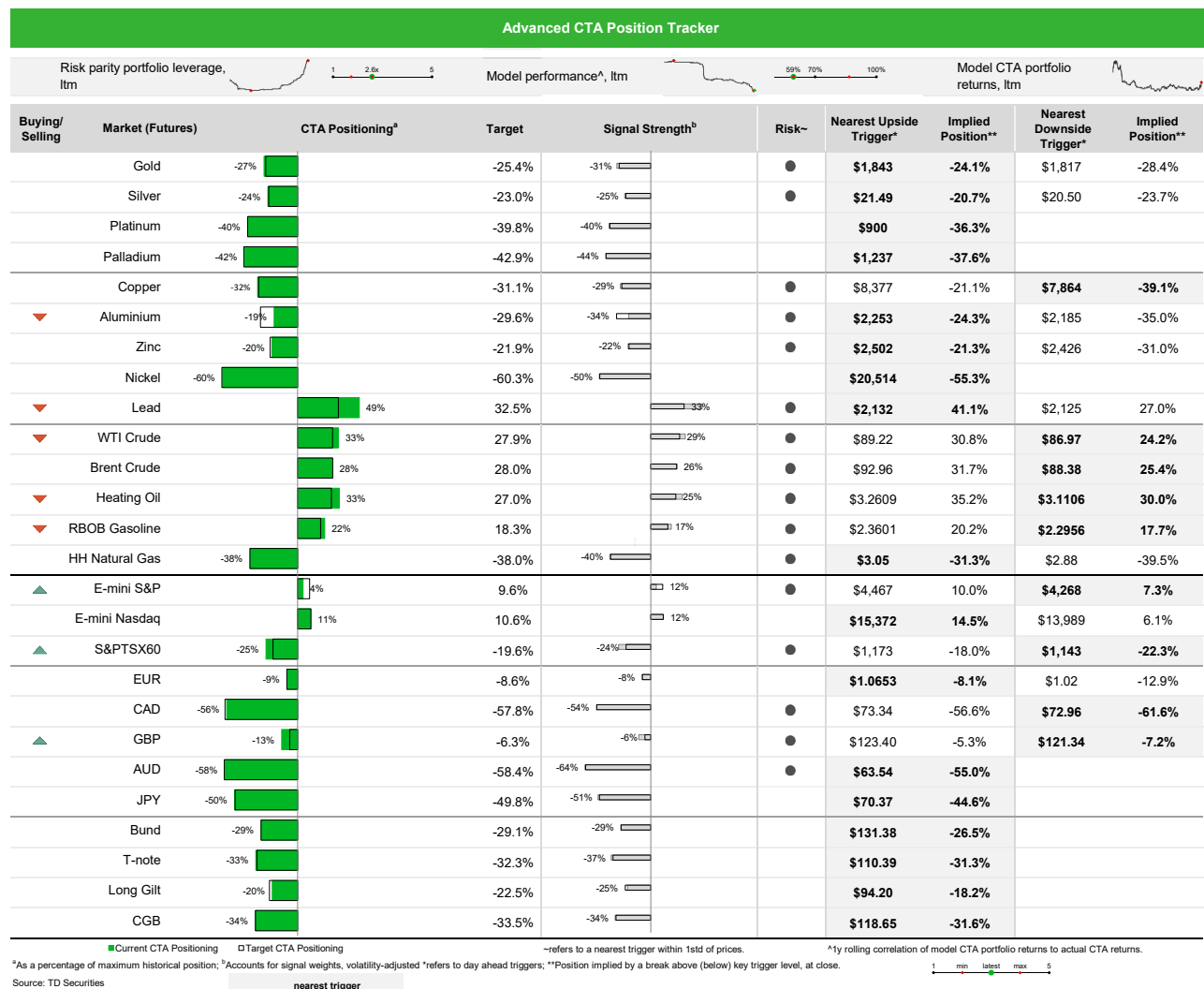
- For **base metals** traders, the job's not done. The momentary relief in global markets this morning has raised hopes of selling exhaustion across the complex. Our advanced positioning analytics, however, continue to argue for substantial downside convexity, with prices nearing critical thresholds for a change in trend signals that could catalyze large-scale algorithmic selling activity. This could be particularly impactful for prices given the liquidity drain associated with Golden Week celebrations will be shortly followed by LME week.
- **Copper** prices are particularly vulnerable, with a break below the \$7865/t range on a third-Wednesday futures basis likely to catalyze the first of several selling programs that could nearly double the algos' net short position. This should help to sap the idiosyncratic premium that has remained embedded into prices over the course of this year, likely related to optimism surrounding China's reopening and subsequent stimulus. While this should help to realign copper's price action with recent supply and demand dynamics, the market-led tightening is also weighing on demand trends into the largest expected surplus in years. Meanwhile, while net speculative positioning has notably declined, this has been driven primarily by an increase in short open interest, suggesting the bulls have yet to capitulate. This should continue to support our short LME copper position with rising downside convexity over the coming months.
- Elsewhere in the LME complex, there is more widespread evidence that the recent short squeeze has already run its course. CTA trend followers are re-accumulating their **aluminium** shorts at a fast clip, following last week's aggressive rally. We expect CTA trend followers to add -10% of their max size to their net short this session in response to firming downtrend signals. **Lead** markets may also see additional downside as CTA trend followers shed their long positions following the strong price action over the last months.
- In **precious metals markets**, we saw signs of imminent selling exhaustion in **silver** markets. After all, CTA selling activity may now be running on fumes, with the next meaningful selling program requiring a break below the \$19.50/oz range, only to spark limited selling activity before the cohort reaches its effective 'max short' position size. Meanwhile, a break north of \$21.50/oz could kick off the first buying program as trend follower shorts are whipsawed once more. Meanwhile, the global macro liquidity drain has been notably impactful for **gold** markets, as rising yields sap capital from all assets, but CTA selling activity is unlikely to accelerate above the \$1800/oz mark. At the same time, while

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the yellow metal's price is under pressure, it is also trading particularly strong against the aggressive price action in US yields, as strong central bank buying activity persists through August with +77t of buying activity from the official sector. The risk of subsequent liquidations is highest in Shanghai, where traders have accumulated a bloated position size in gold and silver, and will come back from their holidays to substantial declines in prices.

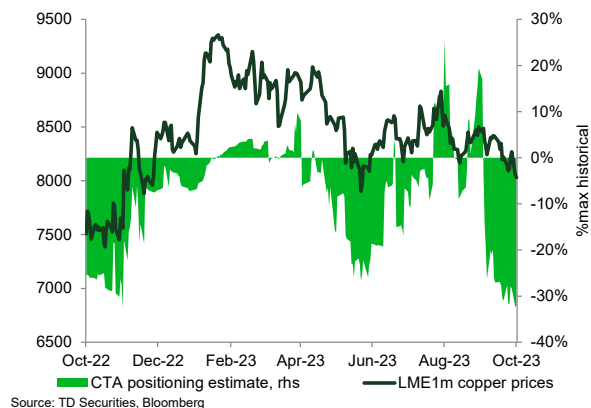
- Buying exhaustion in the **petroleum complex** ultimately made way to CTA selling activity, after money manager buying activity helped **crude oil** prices overshoot to the upside. After all, while we continue to expect tight crude markets into year-end, producers, consumers and merchants were widely expecting a period of steep deficits, and appear to have been well-positioned against recent upside risks to prices, which dampens the risks against continued upside momentum in crude markets. Ultimately, this fits with our Supercycle On/ Supercycle Off view of energy markets, which argues for flatter right tail risks following the sharp summer rally in crude markets, and instead suggests that broadly range-bound price action may ensue. However, we only expect modest selling activity from algo trend followers for the time being.

[Read more about CTAs here.](#)

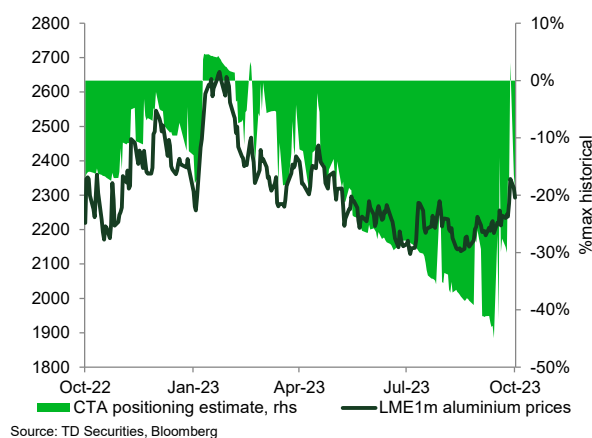


Positioning Chart Pack

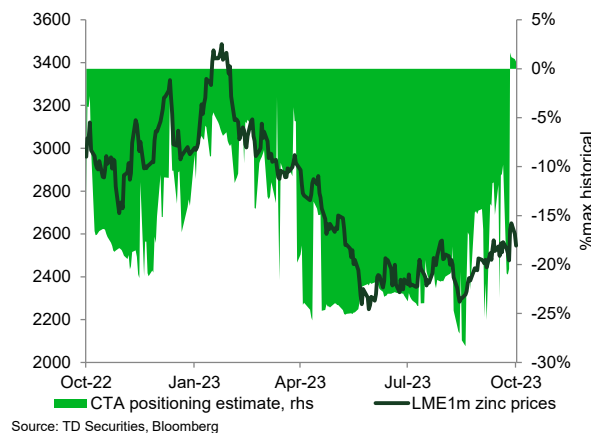
CTA Positioning, Copper



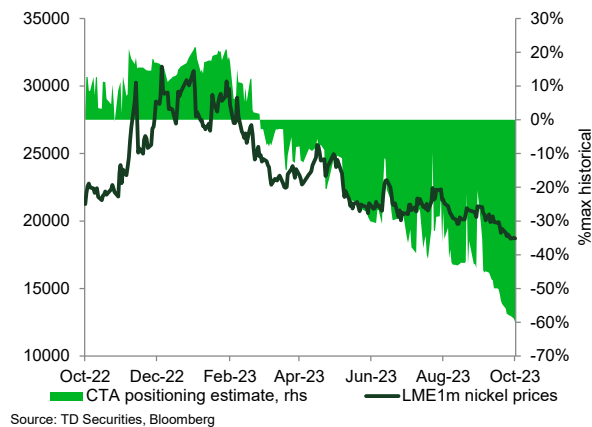
CTA Positioning, Aluminium



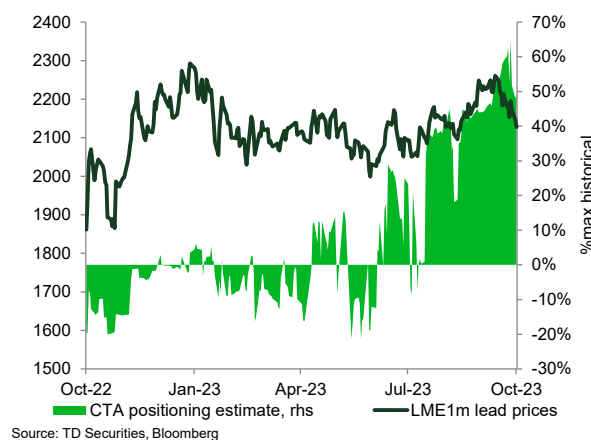
CTA Positioning, Zinc



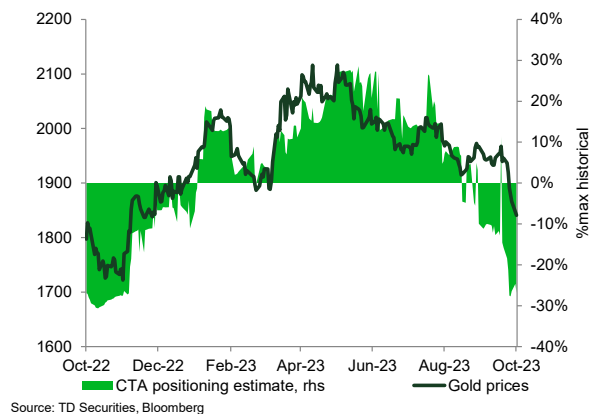
CTA Positioning, Nickel



CTA Positioning, Lead



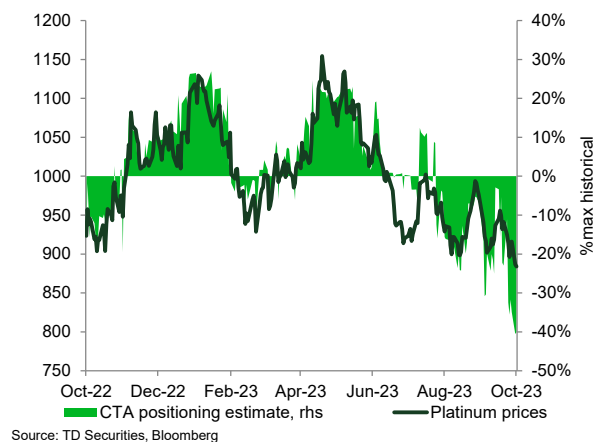
CTA Positioning, Gold



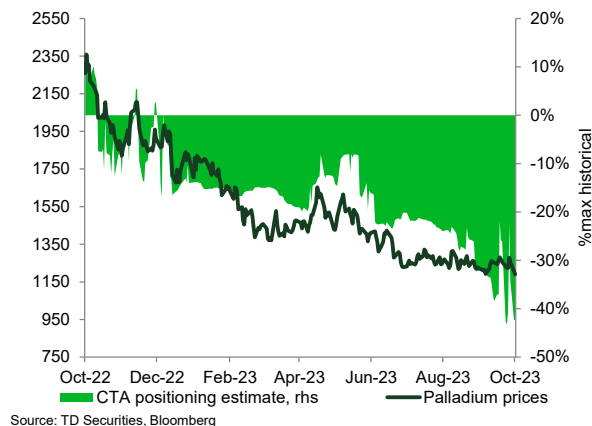
CTA Positioning, Silver



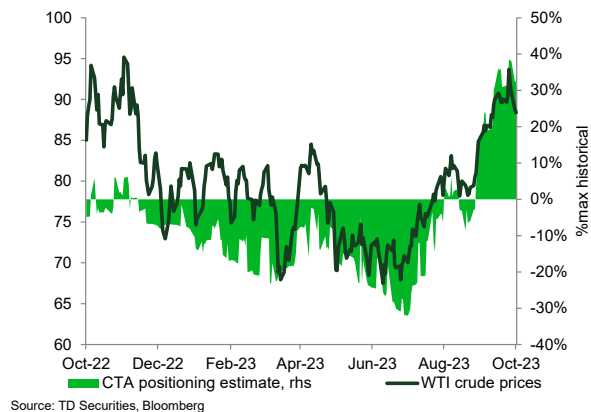
CTA Positioning, Platinum



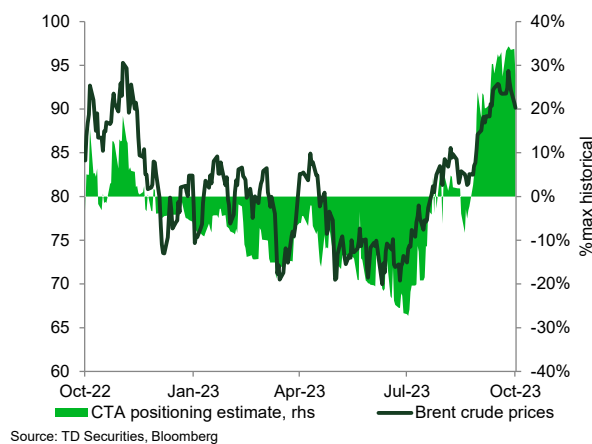
CTA Positioning, Palladium



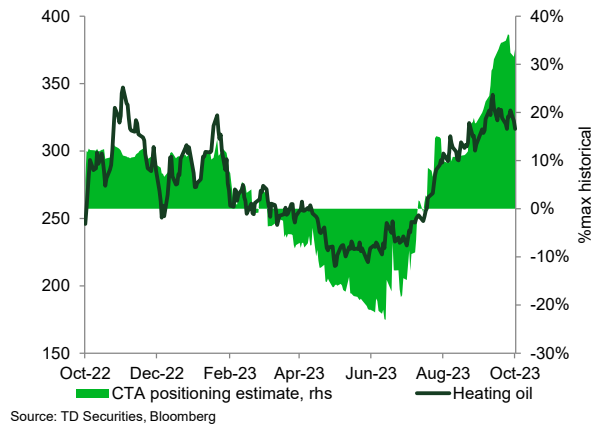
CTA Positioning, WTI Crude



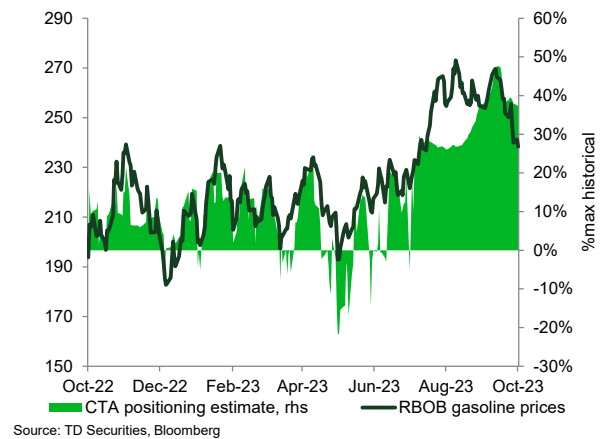
CTA Positioning, Brent Crude



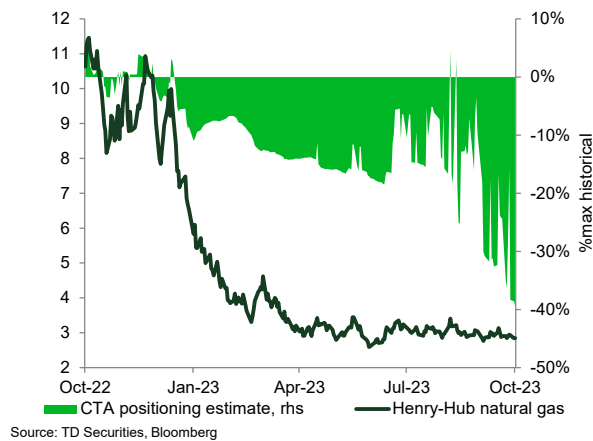
CTA Positioning, Heating Oil



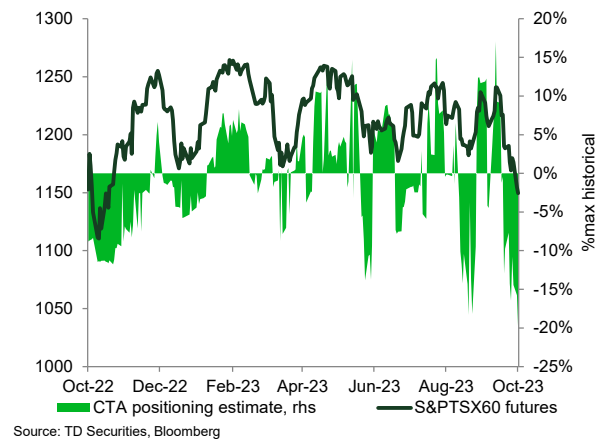
CTA Positioning, RBOB Gasoline



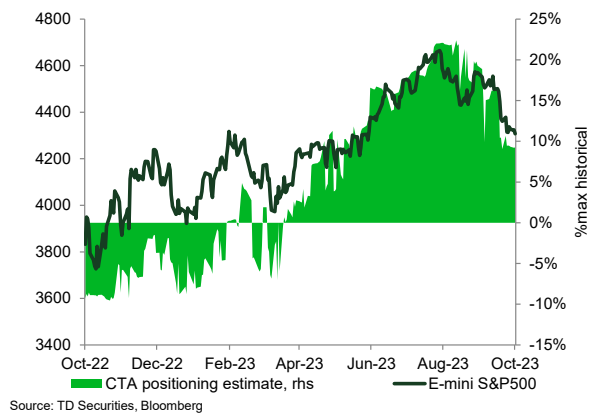
CTA Positioning, HH Natural Gas



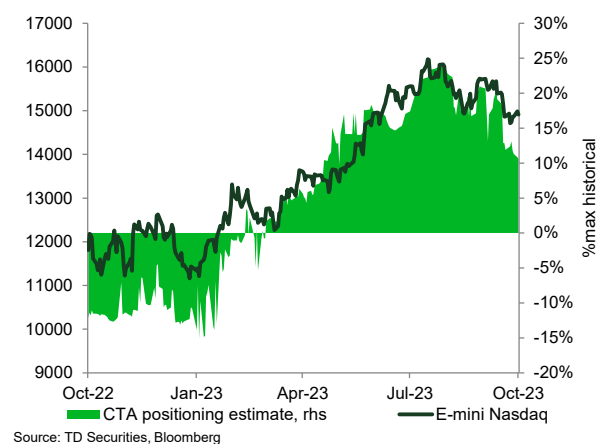
CTA Positioning, S&PTSX60



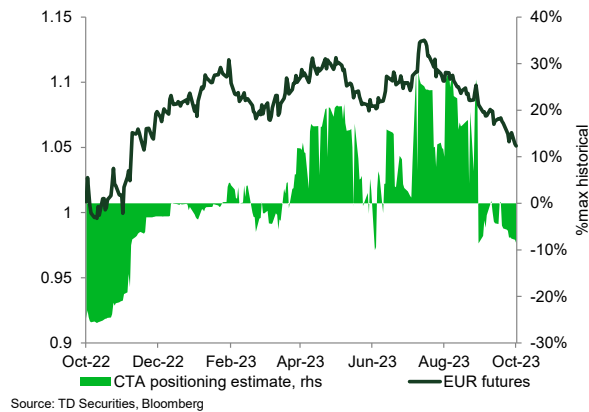
CTA Positioning, E-mini S&P500



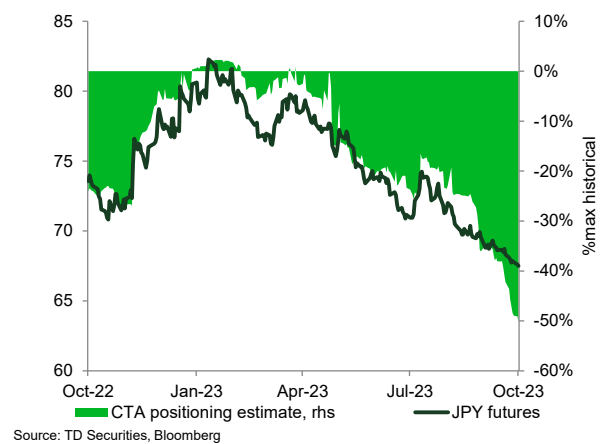
CTA Positioning, E-mini Nasdaq



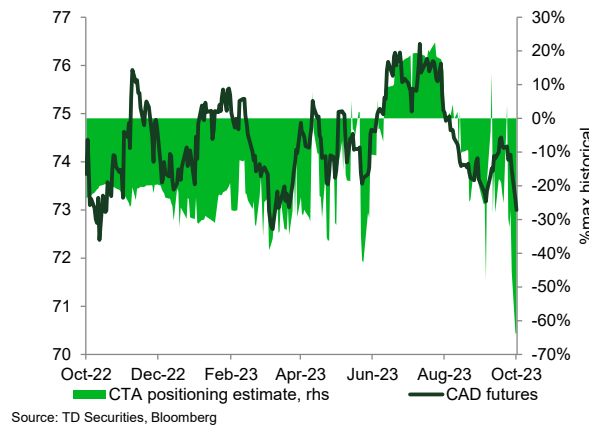
CTA Positioning, EUR futures



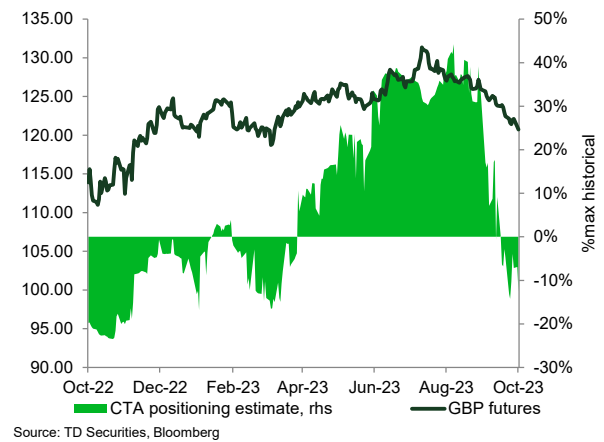
CTA Positioning, JPY futures



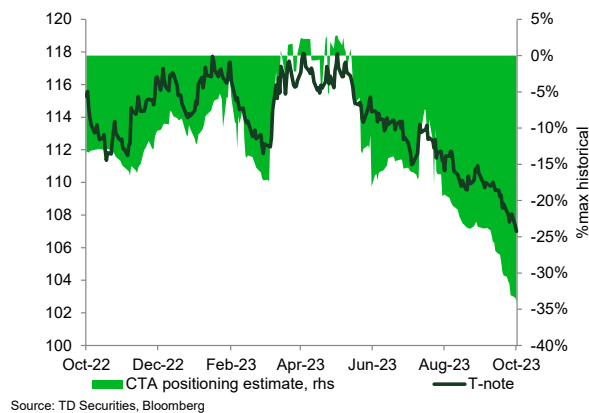
CTA Positioning, CAD futures



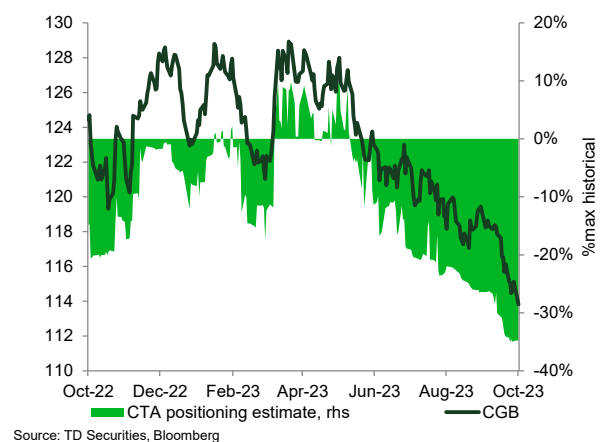
CTA Positioning, GBP futures



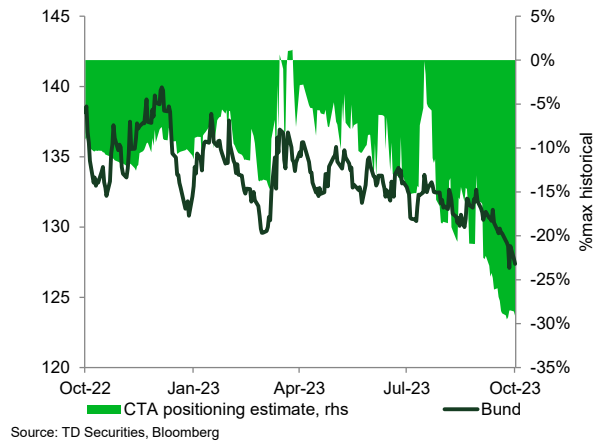
CTA Positioning, TY futures



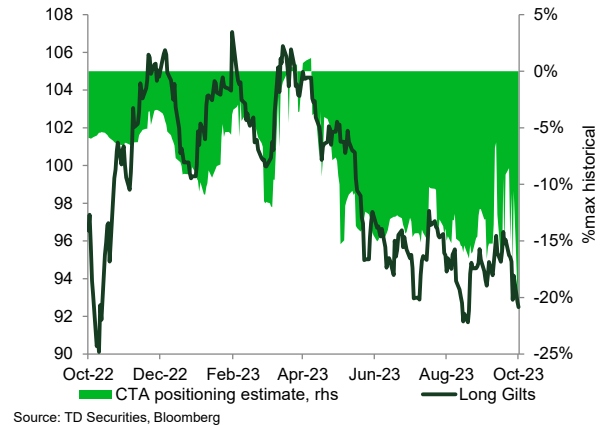
CTA Positioning, CGB



CTA Positioning, Bund futures



CTA Positioning, Long Gilts



Commodities Model Portfolio

Open Model Trades						
Trade	Entry Date	Entry	Stop	Current/notional	Target	P/L
Short LME1m copper	6-Jun-23	\$8,472.00	\$9,000.00	8123.00	\$7,500	\$349,000
*open model trades pnl as of 25/Sep/23						
Closed Model Trades						
Trade	Entry Date	Entry	Exit	Exit Date	Target	P/L
Long active gold	16-May-23	\$1,994.00	\$1,918.60	8/17/2023	\$2,100	(\$557,560)
Long/Short Zinc/Copper	15-Nov-22	\$3149/\$8374	(\$431,110.00)	3/13/2023	\$800,000	(\$431,110)
Short LME3m Copper	9-Aug-22	\$8,000.00	\$8,589.50	1/6/2023	\$7,150	(\$368,438)
Short active Platinum	23-Nov-22	\$993.20	\$1,106.50	1/6/2023	\$850	(\$300,245)
Long active Brent Crude	15-Nov-22	\$92.54	\$79.00	12/7/2022	\$120	(\$473,900)
Short active Silver	17-Aug-22	\$20.04	\$22.99	12/1/2022	\$17	(\$279,775)
Short active gold	29-Jul-22	\$1,773.30	\$1,720.00	10/4/2022	\$1,580	\$171,140
Long Dec23 Brent Crude	22-Jun-22	\$88.91	\$88.43	7/29/2022	\$100	(\$13,440)
Long LME1m Zinc	7-Jul-22	3142 (roll adj.)	\$3,345	7/29/2022	\$3,320	\$227,913
Long LME1m Aluminium	7-Jul-22	2437.33 (roll adj.)	\$2,468	7/29/2022	\$2,690	\$27,257
Long Active Brent Crude	7-Jul-22	96.78 (roll adj.)	\$104	7/29/2022	\$115	\$118,720
GCQ2 Jul22 1750/1600 bear put spread	8-Feb-22	(\$292,541)	(\$292,541)	6/27/2022	1.6m	(\$292,541)
Short LME1m Copper	31-May-22	\$9,510	\$8,331	6/24/2022	\$8,050	\$589,500
Long Dec23 Brent Crude	19/Apr/22	\$88.90	\$97.55	6/9/2022	\$100	\$250,850
Copper Dec22 \$8500/\$9500 Bear Call Spread	16/Nov/21	\$860,000	\$733,513	5/13/2022	\$860,000	\$126,487
Long Dec23 Brent crude	17-Mar-22	\$82.67	\$91.83	4/7/2022	\$100.00	\$96,330
COQ2 \$100/90 bull put spread	28-Mar-22	\$251,138	\$332	4/7/2022	\$251,138	(\$11,762)
Short Brent Crude Dec22-Dec23	15-Feb-22	\$5.62	\$8.18	3/1/2022	\$3.50	(\$435,200)
Short LME aluminium Dec22-Dec23	8-Feb-22	\$248	\$220	2/28/2022	\$150	\$168,000
Short gold active futures	27-Jan-22	\$1,821	\$1,871	2/14/2022	\$1,740	(\$400,000)
Long LME 1m aluminium	10-Jan-22	\$2,930	\$3,092	1/31/2022	\$3,200	\$129,200
Copper Dec21 \$9000/\$8250 Bear Call Spread	31/Aug/21	816,000	516,000	16/Nov/21	816,000	(\$300,000)
Long/Short Gold/Silver	31/Aug/21	1813/23.97	6%	7/Dec/21	15%	\$95,095
Long/Short HO/XB	30/Sep/21	229.37/221.39	5%	7/Dec/21	20%	\$32,374
Long Brent Z2-Z3 Timespread	23/Nov/21	3.88	2.03	26/Nov/21	5.50	(\$232,500)
Long \$1850/\$2000 GCJ2 gold call spread	13/Oct/21	-306,000	-561,310	16/Nov/21	1,470,000	\$255,310
Long/Short Aluminium/Nickel	30/Sep/21	\$2850/ \$18030	-8%	20/Oct/21	20%	(\$177,500)
Long/Short Aluminium/Copper	31/Aug/21	2713/9525.25	14%	30/Sep/21	20%	\$325,131
Short gold active futures	23/Jul/21	1,800	1,707	9/Aug/21	1,730	\$251,100

Source: Bloomberg, TD Securities

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Global Rates, FX & Commodities Strategy

Global Macro		
Region	Publication	Date
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	Week Ahead: US Macro Market Movers	2 Oct
Commentary	RBA: Don't Rock The Boat	3 Oct
	Shutdown Averted: What's Next?	1 Oct
	Canadian GDP: Good News for People Who Like Bad News	29 Sep
	BoE Commentary: None and Done	21 Sep
US	US Government Shutdown: Déjà Vu All Over Again	20 Sep
Europe	EUR FI: Heads You Lose, Tails I Win	27 Sep
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	Weekly Fund Flows — Bonds Suffer the Biggest Outflow in Nine Months	29 Sep
	US Rates: The Beatings Will Continue Until Morale Deteriorates	27 Sep
	Global Govies - UK is Swappin AUD is Rollin	26 Sep
Canada	Canada Mortgage Bond Limit Increases from \$40bn to \$60bn	27 Sep
	Global Govies - UK is Swappin AUD is Rollin	26 Sep
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	Weekly Fund Flows — Bonds Suffer the Biggest Outflow in Nine Months	29 Sep
	EUR FI: Heads You Lose, Tails I Win	27 Sep
Asia-Pacific	Global Govies - UK is Swappin AUD is Rollin	26 Sep
Trades	Take Profit CAN-US 5s30s Box (CAN Flatteners)	3 Oct
	Entering SFRM4-M5 Flatteners	28 Sep
	Extend Stop on 5s30s Gilt Flatteners	26 Sep
	Enter 5s30s Gilt Flatteners	21 Sep
	Take Profit on Long 10y Gilts vs. Bunds	20 Sep
FX		
Trades	Stopped Out of Long AUDUSD	3 Oct
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	Weekly Fund Flows — Bonds Suffer the Biggest Outflow in Nine Months	29 Sep
	Weekly Fund Flows — Wobbly Flows on "Higher for Longer" Paradigm	22 Sep
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Global Rates, FX & Commodities Strategy

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