

FIS Copper Technical Report

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Synopsis:

The Elliott Wave

The rolling 3—month contract is showing a 5 wave pattern that has the wave 4 corrective finishing within 2 days of our time zone (Williams). The wave 5 is just over .618% in length of the wave 1 (Frost—Prechter) with the RSI showing a negative divergence. All of which would support an Elliott Wave cycle completion. **In theory this is unchanged. However, the intraday technical is creating a 5th wave on the upside move which is impulsive and not corrective. See intraday note.**

Aggregate Open Interest (OI)— Lower Low

The aggregate open interest continues to drop on upside moves. This is telling us that market longs are exiting into bullish upside movement. This is not a bullish signal and warns of a potential market reversal (Murphy)

The intraday

In theory we look like we have seen cycle completion and this might still be the case. The issue we have is the current intraday upside move as it is showing a 5 wave pattern. If this is a countertrend upside move it should really be only 3 waves. The 5th wave has made a new high with the Oscillator in divergence, meaning we have met the minimum requirement for wave completion. However, this also means that because it is an impulse pattern, then it does have the potential to trade as high USD 6,978. As highlighted on the intraday chart this is not a usual year and the psychological market footprint is understandably a little different. The fact that is impulse needed to be highlighted as it could lead to price trading above USD 6,877.50.

Synopsis

OK, the technical is now conflicting, the long-term technical and the 249 min chart all indicate that we have potentially seen wave completion. However, the fact the current upside move is showing 5 waves instead of 3 means it is impulsive and not corrective. Could we go on to make a new high, or is it an Elliott wave anomaly? Time will tell. If the technical has not completed already, based on wave analysis it should exhaust soon.

USD 6,710 is the key support (based on the USD 6,657—USD 6,815 move) if we trade below USD 6,710 before we trade above USD 6,815 then the chances of cycle completion greatly increase. If we trade above USD 6,815 the USD 6,710 level needs to be revised higher.

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Copper—Rolling 3 month (Front End Technical)



	Support	Resistance	Current Price	Bull	Bear
S1	6,710	R1	6,877.5	RSI above 50	Negative Divergence
S2	6,604	R2	6,951		
S3	6,540	R3	7,149		

Synopsis - Intraday

Chart source Bloomberg

- Price is above the 8—21 period EMA's
- RSI is above 50 (56)
- RSI has a negative divergence (price is making higher highs but the RSI is not)
- The RSI is above 50 having already pullback on a negative divergence. Upside moves above the 6,877.50 would create a secondary divergence. Not a sell signal it does warn of a potential momentum slowdown
- Price continues to rise on falling aggregate open interest. This would indicate that market longs are exiting into the upside move
- The daily chart has broken fractal resistance meaning it is near-term bullish
- The Elliott wave cycle does warn that we have seen potential wave completion and are in a transitional phase
- Intraday Elliott wave is also in divergence but upside targets do open the possibility of one more test at the highs
- Downside moves below USD 6,453 would be considered as deep into the bull wave that started on the 02-10-20, meaning the near-term technical is considered as neutral and would support wave completion

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Copper Intraday



Synopsis - Intraday

Chart source Bloomberg

- On the last report we highlighted the intraday Elliott wave count on a 249 min chart looked to have completed. In theory this looks to be the case however, on the lower time frame 68 min chart we are seeing another bullish 5 wave pattern (marked in red)

Why is this 5 wave pattern potentially significant?

- Impulse moves are 5 waves and corrective moves are 3 waves. In theory we have a negative divergence on the 68 min chart with the futures completing the minimum for an Elliott wave completion. However, if we have completed the cycle as previously stated this really should only be a 3 wave pattern, the fact it is a 5 wave pattern means it is an impulse move and opens up the possibility of trading to an upside target of USD 6,978
- Now, it is important to note that this year is a little different to most so there is always the possibility that it is an impulse move that does not make a new high above the USD 6,877.50 and fits in with the longer -term count. The fact that it is there means it has to be noted as a possibility
- The intraday is technically bullish and on an impulse wave 5. It has completed the minimum wave requirement and is now showing a negative divergence. It does however have the potential to trade as high as USD 6,978.
- If the intraday technical trades below USD 6,710 then the probability of a wave completion has increased due to the depth of the pullback on the 68 min chart

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