



Base Morning Intraday Note

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Copper

China's metals stockpiles are in focus after a jump in Malaysian aluminum inventories tracked by the London Metal Exchange wrong-footed traders and sent prices skidding lower. The conundrum for base metals markets in China in recent weeks is how low visible stockpiles have been able to peacefully coexist with weak demand. Copper inventories monitored by the Shanghai exchange, which will deliver its weekly update later Friday, have remained near their lowest levels in over a decade, in defiance of slumps in factory activity and the housing market. But a turning point may be close. Smelters are expected to ramp up production this month to ensure annual targets are met, according to Shanghai Metals Market, which would coincide with the usual drop-off in consumption seen over the winter. Lackluster seasonal demand should also see Shanghai aluminum inventories extend their build-up of the past 10 weeks, SMM said. The futures found support yesterday with price producing an inside day candle, the breakout has been to the upside which has resulted in intraday P&M being aligned to the buy side. Upside moves above USD 9,600 will create a higher indicating the intraday technical is bullish. A close on the 4-hour candle below USD 9,445 with the RSI at or below 43.5 (currently 47.5) would mean intraday P&M are aligned to the sell side. The upside move is deep into the last corrective wave, meaning the trend is bearish/neutral. If the daily technical closes above USD 9,457 it will indicate that momentum is increasing based on price and warn the USD 9,600 resistance could come under pressure. Resistance is at USD 9,600, USD 9,631, USD 9,684 with support at USD 9,457, USD 9,445, and USD 9,349.

Aluminum

We noted yesterday the futures looked to be in a complex correction with price in a small rising channel which to us suggested the futures were vulnerable to a test to the downside. The futures came under pressure yesterday when Malaysian aluminum inventories tracked by the LME wrong-footed the market (Bloomberg). Price held just above the USD 2,592 support with intraday P&M aligned to the buy side; however, the candle is open and needs to close above USD 2,624 with the RSI at or above 46.5 (currently 48.5). If we close below this level with the RSI at or below 44.5 then P&M will be aligned to the sell side. Although under pressure due to the surprise stockpile, price is recovering as overall inventories are at their lowest since 2007. The trend itself on the intraday is bearish, price is back in the rising channel, but the futures did not make a lower low. This means the technical remains vulnerable to further downside moves below USD 2,687 and is only considered as bullish above USD 2,736. Downside moves below USD 2,592 will have the potential to create a positive divergence with the RSI, not a sell signal it would warn of the potential for a momentum slowdown. Resistance is at USD 2,664, USD 2,687, USD 2,705 with support at USD 2,624, USD 2,592, and USD 2,563.

Zinc

The futures did target a downside move yesterday with price trading just above our USD 3,136 fractal support. The futures have moved higher in the Asian session alongside the rest of the base complex resulting in intraday P&M becoming aligned to the buy side. Upside moves that fail at or below USD 3,230 remain vulnerable to further tests to the downside, above this level the intraday technical is considered neutral/bearish, above USD 3,276.5 it is considered as bullish. The 4-hour longer period EMA's (30-60 periods) have started to space, however the downside trend is not yet established. Resistance may hold in the near-term, but if the futures base around these levels resistance will be tested. Downside moves on the 4-hour candle that close below USD 3,172 with the RSI at or below 43 (currently 48) would mean intraday P&M are aligned to the sell side. Resistance is at USD 3,209, USD 3,230, USD 3,276.5 with support at USD 3,172, USD 3,136, and USD 3,091.

Nickel

The futures remained flat yesterday with price spending the bulk of the day just below the daily pivot. Price did see a spike in the late Asian session on the news that SHFE nickel stockpiles fell 584 tons to USD 5,563. The upside move has failed to hold leaving a rejection candle in play (I.E., the candle is still open), however as the market is not in a range this candle is not a sell signal. Upside moves that fail at or below USD 20,718 remain vulnerable to further tests to the downside, above this level the futures are regarded as neutral/bearish. The technical is currently bearish but the flat EMA's highlight that we are not in a trending environment. Resistance is at USD 20,291, USD 20,472, USD 20,718 with support at USD 19,975, USD 19,830, and USD 19,705.

Lead

The downside move in lead yesterday took the technical from bullish to neutral/bullish based on the depth of the pullback. Price has rallied a little in Asian hours on the back of SHFE lead stockpiles dropping 6,439 tons to 124,036 tons. This has put price above the daily pivot resistance, however intraday P&M are currently conflicting. A close on the 4-hour candle above USD 2,262 with the RSI at or above 51.5 (currently 47) would mean intraday P&M are aligned to the buy side. Likewise, a close below this level would mean it is aligned to the sell side. Technically neutral bullish, resistance is at USD 2,301, USD 2,313, USD 2,335 with support at USD 2,257, USD 2,237, and USD 2,212.

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