



Base Morning Intraday Note

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Copper

Having risen on the back of a weakening USD yesterday the futures have entered a corrective phase in the Asian session. The pullback is being attributed to China's low seasonal demand ahead of the Lunar New Year holidays and elevated prices (Bloomberg). The upside move has created a higher high in the market resulting in a small negative divergence, price is below the daily pivot (USD 9,734), intraday price and momentum are conflicting. If the 4-hour candle closes below this level with the RSI at or below 54 (currently 54.5) then P&M will be aligned to the sell side; likewise, a close above this level with the RSI at or above 58.5 would mean it is aligned to the buy side. The RSI and its moving average are above 50 with the 1-hour candle looking to test the longer period EMA's (30—60) and its Starc band (Stollinger Average Range Channel Band) indicating we are nearing a lower timeframe support zone; this would suggest that support levels could hold in the near-term. The trend is technically bullish based on higher highs with the potential to test upside resistance, however the momentum will need to be monitored. Resistance is at USD 9,734, USD 9,812, USD 9,884 with support at USD 9,706, USD 9,694, and USD 9,676.

Alu

An expected deficit in the aluminum market will likely widen to 1 million tons this year after power-related supply curtailments in the last few weeks of 2021, Morgan Stanley analysts including Amy Sergeant and Carlos De Alba say in a note. This compares with the analysts' previous projection of 700,000 tons. Aluminum supply disruptions over recent weeks included Alcoa's plan to shut down its San Ciprián smelter by the end of January for two years, Norsk Hydro's capacity reduction at its Slovalco smelter, and production curtailment at Romania's Alro (Bloomberg). The futures remain stable and supported but continue to produce sideways action with price rallying in the U.S session on the back of a weakening USD. Intraday P&M are conflicting with price above the daily pivot (USD 2,818) but the RSI is below its moving average. A close on the 4-hour candle above this level with the RSI at or above 63 (currently 61) would mean P&M are aligned to the buy side. Likewise, a close below this level would mean it is aligned to the sell side. Resistance is at USD 2,851, USD 2,867, USD 2,886 with support at USD 2,818, USD 2,777, and USD 2,770.

Zinc

Zinc futures edge higher on robust demand. Marketmen said widening of positions by participants following a pick-up in demand from consuming industries supported zinc futures prices (Bloomberg). As highlighted yesterday the upside move on the 4-hour candle has created a negative divergence with the RSI resulting in a corrective pullback. The 4-hour trend remains stable based on its EMA's with intraday P&M aligned to the buy side. A close below USD 3,561 with the RSI at or below 57.5 (currently 59.8) would mean P&M are aligned to the sell side. The RSI on the 1-hour chart has made a higher high whilst the 4-hour RSI and its MA are above the 50-level, suggesting we still have the potential for another test to the upside in the near-term. Resistance is at USD 3,611, USD 3,634, USD 3,653 with support at USD 3,561, USD 3,543, and USD 3,519.

Nickel

Nickel retreated from its highest close in almost a decade as the spread of the omicron virus variant hurt the demand outlook. Infections are soaring worldwide, with Singapore cases increasing at the fastest pace in nearly two months and the U.S. adding more than 1 million people to its virus count on Monday. That's resulted in canceled flights, closed schools and offices, overwhelmed hospitals and strangled supply chains. On the supply side, Tsingshan Holding Group Co., the world's biggest stainless steel producer, started its first nickel matte production line in Indonesia last month. The technology breakthrough allows the company to use its existing smelters in the country to supply large quantities of nickel matte, an intermediate product ready for processing into battery grade material (Bloomberg). Price traded through our upper resistance levels yesterday to create a higher high, but the move has failed to hold. A downside move in the Asian session means that intraday P&M are aligned to the sell side; however, the candle is still open and needs confirmation. A close below USD 20,876 on the 4-hour candle with the RSI below 61.5 (currently 59.5) will confirm this. Likewise, a close above this level with the RSI at or above 66 would mean it is aligned to the buy side. The 4-hour technical remains bullish with stable EMA's at this point suggesting the pullback is currently technical and not driven by a change in sentiment, if we trade below USD 20,425 then we will have made a lower low. Resistance is at USD 20,876, USD 21,165, USD 21,262 with support at USD 20,704, USD 20,425, and USD 20,252.

Lead

We continue to see a lack of trend in the market with the 4-hour EMA's remaining flat, this is giving false signals with the daily pivot point (currently 2,291). The technical is neutral with the RSI at 50, with resistance at USD 2,328, USD 2,339, USD 2,349 and support at USD 2,268, USD 2,257, and USD 2,247.