



Base Morning Intraday Note

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Copper

As noted yesterday GS sent out a note indicating higher prices in the base sector resulting in copper having one of its biggest upside moves since October 21, this coincided with the fed comments on inflation and Trafigura's comments on the low inventory in the sector as a whole (Bloomberg). The upside move means we have seen a breakout of the longer-term range resulting in price and the RSI producing new highs, this would indicate the current move is bullish impulse and suggest corrective moves should be considered as countertrend. Intraday price and momentum are aligned to the buy side but price is trading around the daily pivot (USD 9,921), a close below this level with the RSI at or below 56 (currently 61) would mean P&M are aligned to the sell side. Key support is currently at USD 9,707, downside moves that hold at or above this level will support a bull argument, below this level the pullback is deep into the last bull wave meaning there is a neutral bias in the market, below USD 9,535 the technical is bearish. Resistance is at USD 10,072, USD 10,111, USD 10,152 with support at USD 9,861, USD 9,796, USD 9,707.

Aluminum

At bit of a technical play in Aluminum yesterday, we noted that although bullish and making new highs the futures were showing a negative divergence with the RSI, resulting in the futures producing a downside move. The trend remains bullish with the futures holding above the longer-period EMA's (30-60), these averages are well spaced suggesting the trend is considered as stable at this point. Intraday P&M are aligned to the sell side, a close on the 4-hour candle above USD 2,972 with the RSI at or above 64.5 (currently 56) would mean P&M are aligned to the buy side. The pullback is deep into the last bull wave that started on the 10/01 meaning we have a neutral bias on the technical, if we trade below USD 2,925.50 then the intraday will be considered as bearish based on price; however, the daily technical remains bullish. Resistance is at USD 2,972, USD 3,016, USD 3,030 with support at USD 2,925, USD 2,898, and USD 2,877.

Zinc

Bullish price and momentum yesterday but a bearish intraday technical due to the break in fractal support on Monday. The upside move in the futures failed to break the USD 3,600 level, meaning we remain bearish. A compression in the longer period EMA's means (30-60) which are now flat would imply the market is neutral and not in trend. Intraday P&M is aligned to the sell side, a close on the 4-hour candle above USD 3,551 with the RSI at or above 52.5 (currently 49.5) would mean it is aligned to the buy side. The moving average on the RSI is neutral at 50.2 but is holding above the 50-level, meaning that if P&M does become aligned to the buy side we have the potential to test the USD 3,600 fractal resistance. Bearish on price, neutral in terms of the trend. Resistance is at USD 3,551, USD 3,600, USD 3,612 with support at 3,473, USD 3,457, and USD 3,437.

Nickel

Indonesia's pledge to be more than a raw-materials supplier is set to pile pressure on China's steel to electric vehicles industries that are already grappling with rising cost volatility. The Southeast Asian country said Wednesday it's studying a progressive levy on exports of nickel pig iron and ferronickel that could be imposed as soon as this year. Concerns about lower shipments from the world's biggest nickel supplier sent the London Metal Exchange benchmark surging to the highest in more than a decade. That risks increasing costs for Chinese stainless-steel mills -- the top users -- as well as joining a raft of commodities that are becoming an increasing headache for battery makers as prices climb (Bloomberg). As noted yesterday the upside moves looked to be bullish impulse and we maintain this view which is supported by Indonesia's export levy. The futures have entered a corrective phase with intraday P&M aligned to the sell side, a close above USD 22,118 on the 4-hour candle with the RSI at or above 68.5 (currently 64) would mean P&M are aligned to the buy side. Corrective moves lower that hold at or above USD 21,400 will support a bull argument, below this level the futures will have a neutral bias based on the depth of the pull-back. Upside moves that fail at or below USD 22,394 will warn that the technical is in a complex corrective phase. Technically bullish resistance is at USD 22,118, USD 22,394, USD 22,745 with support at USD 21,726, USD 21,400, and USD 21,144.

Lead

The LME lead fundamentals have not changed much after the New Year's Day holiday. The energy risks are fermenting in the Europe, which have had limited impact on the supply and demand of lead, but the impact may deepen in the future. The LME inventory kept falling slightly, but its support for lead prices has been insignificant. The LME lead is expected to remain rangebound between \$2,265-2,335/mt in the short term (SMM). Expectations that the futures will remain rangebound are conflicting with price which has traded above the USD 2,344.50. At this point it is too early to call this a technical breakout, as price is failing to hold above this level; however, the upside move is significant and needs to be monitored, if price can hold above this level then it will be bullish for lead. If it does not, then the SMM observations are likely to be correct. Intraday P&M are aligned to the sell side, a close on the 4-hour candle below USD 2,329 with the RSI at or below 53 (currently 59.5) would mean it is aligned to the sell side. Corrective moves lower that hold at or above USD 2,298 will support a bull argument, below this level will increase the probability of the market staying within range. Resistance is at USD 2,352, USD 2,359, USD 2,366 with support at USD 2,329, USD 2,320, and USD 2,311.