



Base Morning Intraday Note

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Copper

Copper and nickel paced gains in base metals after China vowed to use more monetary policy tools to spur the economy just as supplies tighten. In China, the world's biggest buyer of metals, the central bank this week cut its key interest rate for the first time in almost two years, signalling the beginning of an easing cycle that could brighten the outlook for raw-materials demand. The dollar weakened, making commodities cheaper for investors holding other currencies (Bloomberg). The futures have traded above the USD 9,778 level signalling that upside resistance levels could be tested, resulting in the futures trading to a high of USD 9,905. The technical is bullish, intraday price and momentum are aligned to the buy side supported by the RSI above 50. As noted on the evening report, there was some form of bullish Gartley pattern in play which would suggest the USD 9,975, USD 10,008, and USD 10,072 resistance levels could be tested. A close on the 4-hour candle below USD 9,785 with the RSI below 48 (currently 57) would mean P&M are aligned to the sell side. Downside moves below USD 9,797 will target the USD 9,707 and USD 9,630 support levels.

Aluminum

Two of the six main base metals have hit all-time highs in the current upswing, with mighty copper notching a record last year and tiny tin setting a fresh peak on a near-daily basis for some months. A third may soon join them: aluminum. The lightweight metal roared 42% higher last year and has found a foothold north of \$3,000/ton. To venture into new territory, prices need to surpass the \$3,380.15/ton set way back in 2008. The omens look positive, with bullish backwardated pricing, decent demand, and supplies hobbled by roaring energy costs. It's notable that the volume of metal not yet tagged for withdrawal from LME sheds has collapsed to the lowest since 2005 (Bloomberg). The trend remains technically bullish with price above the longer period EMA's (30-60) which remain well spaced, indicating the trend is stable. Intraday price and momentum are conflicting having seen a technical pullback on the Asian open. A close on the 4-hour candle below USD 3,038 with the RSI at or below 60.5 (currently 62.5) would mean P&M are aligned to the sell side; likewise, a close above this level with the RSI at or above 65 would mean it is aligned to the buy side. Downside moves that hold at or above USD 2,974 will support a bull argument, below this level the pullback is considered as deep meaning the technical would be neutral/bullish, only below USD 2,937 will price have made a lower low. Resistance is at USD 3,054, USD 3,101, USD 3,118 with support at USD 3,038, USD 3,007, and USD 2,993.

Zinc

The futures have traded above the USD 3,600 resistance, the technical is now bullish based on the higher high. However, having traded above the USD 3,611 level the futures have created a negative divergence with the RSI, not a sell signal it does warn that we have the potential to see a momentum slowdown (note: divergences can and do fail at times). Technically bullish, a close on the 4-hour candle below USD 3,582 with the RSI at or below 51 (currently 60) would mean P&M are aligned to the sell side. Intraday Elliott wave analysis would suggest we have entered a bullish impulse wave 5 with resistance at USD 3,659, USD 3,717, USD 3,774. Support is at USD 3,582, USD 3,550, and USD 3,504.

Nickel

Base metals are heating up yet again, with nickel reaching \$24,000 a ton for the first time in more than a decade and tin notching up a fresh record on supply snarls and China's monetary easing (Bloomberg). A strong upside move yesterday is supported by the RSI above 50, longer-period EMA's remain well spaced (30-60) indicating the trend is stable. However, the shorter period EMA's (3-15) are starting to bubble warning that we could enter a corrective wave soon, on the daily chart the futures have tagged the Stoller Average Range channel upper band, indicating we are in a resistance area. A close on the 4-hour candle below USD 22,825 with the RSI at or below 60.5 (currently 74.5) would mean P&M are aligned to the sell side. Resistance at USD 24,019, 24,718, USD 25,553 with support at USD 23,485, USD 23,192, and USD 22,825.

Lead

Like the rest of the base complex, we have seen price moving higher in the last 24-hours. Intraday price and momentum are aligned to the buy side, but the technical is still considered as bearish based on the downside move below USD 2,330 on the 18/01. Intraday Elliott wave analysis would suggest that the current upside move is potentially a bullish impulse wave 5, if this is the case the futures should in theory soon trade above the USD 2,380.50 high. Downside moves on the 4-hour candle that close at or below USD 2,349 with the RSI at or below 52 (currently 59) would mean P&M are aligned to the sell side. Corrective moves lower that hold at or above USD 2,335 will support a bull argument, below this level the USD 2,316 fractal support could come under pressure. Resistance is at USD 2,380, USD 2,398, USD 2,408 with support at USD 2,349, USD 2,344, and USD 2,335.