FIS

Base Morning Intraday Note

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Copper

Gold and copper steadied as traders assessed whether a better-than-expected U.S. jobs report is likely to prompt the Federal Reserve to tighten monetary policy more aggressively. U.S. employers added more jobs than forecast last month despite a spike in Covid-19 infections and related business closures, government figures showed Friday. There were also substantial upward revisions to the prior two months. Treasury yields and the dollar jumped, weighing on commodities including metals. Higher interest rates tend to reduce demand for gold, which doesn't offer a yield. The odds of a 50-basis-point hike by the Fed in March have moved up after the jobs report, according to Bloomberg data. Still, none of the six Fed officials speaking earlier this week backed the idea of a half-point rate increase in March (Bloomberg). A test to the downside on Friday failed to hold with price closing the day marginally higher. The futures have come under pressure in the Asian session resulting in intraday price and momentum being aligned to the sell side, the intraday technical itself remains bullish. Upside moves on the 4-hour candle that close above USD 9,830 with the RSI at or above 55 (currently 52) will mean price and momentum are aligned to the buyside. Corrective moves lower that hold at or above USD 9,610 will support a bull argument, below this level the intraday pullback is considered as deep and the technical phase neutral. Downside moves below USD 9,720 will warn that the USD 9,610 support could be tested; However, the futures remained bullish above USD 9,458. Resistance is at USD 9,830, USD 9,906, and USD 9,964. **Bullish but in a corrective phase.**

Ali

Aluminum rose to the highest level in more than three months after Chinese inventories increased by less-than-expected during the week-long Lunar New Year break. Inventories of aluminum ingots rose 19% to 866,000 tons on Monday, according to researcher Shanghai Metals Market. The buildup was slowed partly because a resurgence of Covid-19 cases in Baise, Guangxi province, has disrupted transportation of the metal and supply constraints may worsen if the lockdown of the city persists, said SMM analyst Li Jiahui. China put the city of 4 million into lockdown on Sunday after 98 people tested positive for Covid-19, CCTV reported. It follows a one-month lockdown in the much larger city of Xi'an. Baise's aluminum capacity was 1.7 million tons as of 2020, according to the local government, compared with about 40 million tons for the country (Bloomberg). The futures traded above the USD 3,070 fractal resistance on Friday taking the technical into bullish territory, resulting in the futures trading to a new high. Intraday price and momentum are aligned to the buyside, a close on the 4-hour candle below USD 3,069 with the RSI at or below 49 (currently 63) would mean price and momentum are aligned to the sell side. Corrective moves lower that hold at or above USD 3,022 will support a bull argument, below this level the technical will have a neutral bias, whilst below USD 2,964 it is bearish. The new high means that we are seeing the wave three extend with price now looking like it is on wave-5 of wave-3, meaning near-term resistance is at USD 3,175 and USD 3,240 with a potential upside target as high as USD 3,305. **Bullish**

Zinc

Total zinc inventories across seven Chinese markets stood at 217,900 mt as of February 7, up 57,400 mt from Friday January 28, and 72,600 mt from Monday January 24. The inventory rose sharply during the Chinese New Year (CNY) holiday, which was like the market performance last year. Among them, the inventory in Shanghai rose the most with significant shipments from smelters. Guangdong saw rising inventories as well as the pre-holiday consumption fell short of expectation, and the shipments kept arriving at local market. The inventory in Guangdong has exceeded the post-holiday peak in 2021. The inventory in Tianjin also rose amid sluggish downstream demand, though the shipments from smelters dropped slightly (SMM). The intraday technical continues to move sideways with price considered as bullish/neutral, the futures have sold off in the Asian session meaning price and momentum are aligned to the sell side. Upside moves on the 4-hour candle that close above USD 3617 with the RSI at or above 53.5 (currently 51.5) would mean price and momentum are aligned to the buy side. Downside moves below USD 3,583 would warn the USD 3,563 fractal support could be tested, further support can be found at USD 3,541. Upside moves above USD 3,657 will target the USD 3,667 and USD 3,681.5 resistance levels. **In range.**

Nickel

The most-traded SHFE 2203 nickel contract closed at 163750 yuan/mt on the last trading day before the Chinese New Year (CNY) holiday, marking a weekly drop of 7.16%. LME nickel rallied, and closed at $22920/mt as of February 4, up 3.34% on a weekly basis. SHFE nickel is expected to rise to above 170,000 yuan/mt. There were no transactions of pure nickel during the holiday. On a global scale, pure nickel supply was still tight, with LME nickel inventory falling 3096 mt or 3.5% to 87504 mt during the holiday, a historical low. Though there will be some arrivals post the holiday, the short supply of pure nickel will sustain (SMM). The futures moved higher on the open but have since given up some of the early gains, however intraday price and momentum are aligned to the buy side. Upside moves that trade above USD 23,566 will be considered as deep into the last bear wave, meaning the technical has a neutral bias; Likewise, downside moves on the 4-hour candle that close below USD 22,883 with the RSI at or below 53 (currently 56) would mean price and momentum are aligned to the sell side. Below USD 22,645 the intraday technical will target the USD 22,565 and USD 21,880 fractal supports. Resistance is at USD 23,566, USD 24,350, and USD 24,435. **The technical is bullish/neutral, near-term price action is bullish.**

Lead

LME lead prices dropped during the Chinese New Year (CNY) holiday. As of February 4, LME lead closed at $2210.5/mt, down $39.5/mt or 1.76% on a weekly basis. The overseas demand was moderate during the holiday, and LME lead inventory dropped to a low in three months. However, domestic consumption stagnated in this period, and the supply side is likely to see greater increases when compared with 2021, suppressing LME lead. After the CNY, the primary and secondary lead smelters gradually resumed the production, and the downstream battery companies have also started their restocking. Nonetheless, the first two quarters are the traditional low for secondary lead, hence the demand is unlikely to improve significantly. Overall, post-CNY holiday lead prices are likely to rally though slightly (SMM). The futures remain technically bearish and in trend, however in today price and momentum are conflicting. A close on the 4-hour candle above USD 2,207 will mean P&M are aligned to the buyside; Likewise, a close below this level with the RSI at or below 35 (currently 39) will mean it is aligned to the sell side. we are seeing a positive divergence in the futures, not a buy signal this does warn of the potential to see a momentum slow down. Upside moves above USD 2,228 will be considered as bullish with further resistance at USD 2,245 and USD 2,254. Support is at USD 2,180, USD 2,168, and USD 2,151. **Technically bearish the futures are not considered a technical sell on a new low.**