



Base Morning Intraday Note

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Copper

China's blowout lending figures suggest the central bank's pivot toward easier policy is making its way into the real economy. But a deeper look suggests the picture is far less optimistic. Much of the growth in credit came from state and corporate bond issuance, with lending mainly benefiting the government. Local authorities are borrowing to shore up infrastructure projects, while state-owned enterprises need the credit to fund acquisitions in the property sector, according to Craig Botham, chief China economist at Pantheon Macroeconomics. China's narrow-gauge money supply dropped 1.9% year-on-year in January, the first decline on record, according to data released Thursday by the People's Bank of China. That compares to 3.5% in December and is below the average economists' prediction for 3.2% growth. M1 mainly represents liquid deposits by households and businesses (Bloomberg). When it rains it pours bad news out of China has been followed by another bond redemption concern after Zhenro Properties Group. Ltd.'s shares and dollar bonds plunged Friday, with traders citing concern that the Chinese builder won't redeem a \$200 million bond next month as planned, resulting in the shares dropping 81%. We also have stockpiles in Shanghai doubling to USD 106,572 (Bloomberg). The intraday copper trend has gone from bullish with an expectation of higher pricing, to neutral due to the economic woes from China. The futures are now over USD 300 lower having traded down to USD 9,902, intraday price and momentum are aligned to the sell side, however the technical does remain in bull territory above USD 9,720. Upside moves that fail at or below USD 10,156 remain vulnerable to further tests to the downside, above this level the futures will target the USD 10,289 high. Ultimately, there remains a global shortage of copper suggesting this downside move could be an over exaggerated. The technical remains bullish but with a neutral bias with resistance at USD 10,048, USD 10,094, and USD 10,156. **Support is at USD 9,906, USD 9,720, and USD 9,680. Technically we are neutral/bullish, price remains extremely volatile.**

Alu

Aluminum's march toward a record high took a breather after faster-than-expected U.S. inflation damped the outlook for industrial metals. The U.S. consumer price index rose 7.5% year-on-year in January, the highest in four decades. That prompted St. Louis Federal Reserve President James Bullard to call for the central bank to raise interest rates by a percentage point over the next three meetings, although not all Fed officials are that hawkish. An increase in aluminium stockpiles tracked by the London Metal Exchange also contributed to Friday's price drop (Bloomberg). Price entered a corrective phase on the back of the CPI index yesterday and came under further pressure in the Asian session with a deep pullback, meaning the intraday technical has a neutral bias with price and momentum aligned to the sell side. Downside moves below USD 3,162 will create a lower low taking the 4-hour intraday technical into bearish territory, upside moves above USD 3,268 with the RSI at or above 67.5 (currently 55) would mean price and momentum are aligned to the buy side. Upside moves that fail at all below USD 3,278 will leave the technical vulnerable to further tests to the downside. Yesterday we noted that if momentum indicators moved up much higher, we could see further wave extensions within this phase. Technically this is still viable as we remain above the USD 3162 level, however the deep pullback is leaving the technical vulnerable. Support is at USD 3,183, USD 3,162, and USD 3,147. **The technical is neutral/bullish but price is now looking vulnerable to further downside moves.**

Zinc

The futures came under pressure in the US session on the back of the CPI numbers and have continued to move lower in the Asian session, crucially the downside move has held above the USD 3,640 support level, keeping the technical in bull territory. Intraday price and momentum are conflicting, upside moves on the 4-hour candle that close at or above USD 3,692 will mean P&M are aligned to the buy side. Likewise, a close below this level with the RSI at or below 53.5 (currently 55) would mean it is a line to the sell side. Upside moves that fail at or below USD 3709 will remain vulnerable to further tests to the downside, above this level the futures will target the USD 3,744.50 high. Resistance is at USD 3,681, USD 3,692, USD 3,709 with support at USD 3,640, USD 3,621, and USD 3,588. **Technically bullish providing we hold above the USD 3,640 level.**

Nickel

Price traded up above the USD 23,685 level in the European session supporting a near-term bull argument. However, the new high created a negative divergence with the RSI, coupled with negative figures in the US the futures have entered a corrective phase. Downside moves that hold at or above USD 22,889 will support a bull argument, below this level the futures will target the USD 22,717 and USD 22,425 support levels. Upside moves on the 4-hour candle that close above USD 23,466 with the RSI at or above 57 (currently 51) will mean P&M are aligned to the buy side, above this level the futures will target the USD 23,790 and USD 24,350 resistance levels. **The Intraday technical is now bullish, the fact we are pulling back on the back of a negative divergence we will need to be monitored.**

Lead

Like the rest of the base complex the futures have entered a corrective phase, resulting in intraday price and momentum becoming conflicting. Upside moves on the 4-hour candle that close above USD 2,274 with the RSI at or above 55.5 (currently 52) would mean price of momentum are aligned to the buy side; likewise, a close below this level with the RSI below 51 would mean it is aligned to the sell side. Downside moves that hold at or above USD 2,231 will support a bull argument, below this level the technical will have a neutral bias, only below USD 2,201 is the intraday technical bearish. Resistance is at USD 2,274, USD 2,290, USD 2,324 with support at USD 2,245, USD 2,231, and USD 2,201. **Technically bullish.**