FIS

Base Morning Intraday Note

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Copper

BHP (BHP.L) lowered the production guidance for the fiscal year ending June 30 for copper and metallurgical coal, according to a Tuesday filing. The diversified miner expects copper production in fiscal 2022 to be at the lower end of its guidance range of 1.6 million tonnes to 1.8 million tonnes. The metallurgical coal forecast was lowered to between 38 million tonnes and 41 million tonnes (Bloomberg). Although supply issues continue, copper futures remain subdued on the back of the rising USD basket which has closed higher for the past 3 sessions. The upside move in the futures has so far failed to hold with price failing to trade above the USD 9,988 Fibonacci's resistance. Intraday price and momentum are conflicting as price is trading on the daily pivot point (USD 9,853), a close below this level will mean P&M are aligned to the sell side; likewise, a close above this level with the RSI at or above 53.5 (currently 48) will mean it is aligned to the buyside. The intraday technical remains neutral/ bullish with key resistance at USD 10,123, upside moves that fail at or below this level remain vulnerable to further tests to the downside, above this level price will target the USD 10,289 high. Downside moves below USD 9,780 will target the USD 9,720 fractal support, below this level the intraday technical is bearish, further support is at USD 9,680. Resistance is at USD 9,988, USD 10,045, and USD 10,123. Bullish/neutral, if we see upside continuation in the USD basket the futures could test key support levels.

Ali

Aluminium traded near the strongest level since 2008 amid a tight global supply outlook on rising energy costs and as traders monitor the development of geopolitical tensions over Ukraine. The spot contract on the London Metal Exchange commands the widest premium over three-month delivery since 2018, signalling a shortage of nearby supplies. The potential for a conflict between Russia and Ukraine poses fresh risks for production that's already been curbed by smelter closures in Europe and China (Bloomberg). Having traded to new highs on Thursday last week the futures entered a corrective phase on Friday with the intraday technical making a lower low. Price is holding above the longer-period EMA's (30 – 60) but these are starting to flatten warning that the trend is becoming less stable. The upside move yesterday failed below the USD 3,256 level yesterday, warning we have the potential to see further technical weakness, above this level the futures will have a neutral bias. Price and momentum are aligned to the sell side, upside move that close on the 4-hour candle above USD 3,208 with the RSI at or above 56.5 (currently 52.5) will mean it is aligned to the buyside. Technically bearish, both the RSI and its moving average are above the 50-level supporting a bull argument, if they go below 50 we could weaken further. Resistance is at USD 3,208, USD 3,220, USD 3,256 with support at USD 3,167, USD 3,147, and USD 3,126. Technically bearish, the rejection candle on the daily chart is still in play; however, downside moves below the USD 3,108 level will be considered a technical sell (Larry Williams).

Zinc

Zinc prices on Monday fell 0.13 per cent to Rs 304.35 per kg in the futures trade, as speculators reduced their exposure on negative cues from the spot market. On the Multi Commodity Exchange, zinc contracts for the February delivery traded lower by 40 paise, or 0.13 per cent, to Rs 304.35 per kg in 2,061 lots. Analysts said offloading of positions by participants, owing to slackened demand from consuming industries in the physical market, mainly weighed on zinc prices here (Bloomberg). The deep pullback had already put a neutral bias on the market, the upside move on the open failed to trade above technical resistance resulting in the futures trading below the USD 3,588 support, the intraday technical is now bearish with P&M aligned to the sell side. A close on the 4-hour candle above USD 3,601 with the RSI at or above USD 52 (currently 42.5) will mean P&M are aligned to the buyside. Price is below all key moving averages supported by the RSI below 50, upside moves that fail at or below USD 3,647 will leave the technical vulnerable to further tests to the downside, above USD 3,661 the technical is bullish. Resistance is at USD 3,601, USD 3,614, USD 3,628 with support at USD 3,531, USD 3,516, and USD 3,501. Technically bearish based on the lower low, since the 06/12/21 we have not had 3 consecutive days of lower closes, if we close lower today it could prove to be significant.

Nickel

In Chinese commodity circles, he's known as "big shot" -- the man who controls the world's largest nickel producer and isn't afraid to place big derivatives bets on where prices are headed next. Now Xiang Guangda has emerged at the centre of a market drama that's fueling some of the largest price swings in years for a key ingredient in the fight against climate change. On one side is Xiang and several of his Chinese peers, who've amassed short positions in nickel derivatives to hedge their production against the risk of falling prices, according to people familiar with the matter. On the other is an unidentified nickel stockpiler who controlled at least half of the inventories on the London Metal Exchange as of Feb. 9 (Bloomberg). Fun and games in the futures between a couple of large players has not detracted the technical in any shape or form. Yesterday we noted that the upside move although bullish had created a negative divergence, warning the futures were vulnerable to a test to the downside. Price traded lower yesterday resulting in fractal support being broken on the open today, intraday price and momentum are now aligned to the sell side, the intraday technical is now bearish. A close on the 4-hour candle above USD 23,336 with the RSI at or above 56 (currently 50.5) will mean that price and momentum are aligned to the buyside; However, upside moves that fail at or below USD 23,618 will remain vulnerable to further tests to the downside. Above this level the futures will have a neutral bias and target the USD 23,850 high. We are currently seeing a very large bullish rejection candle in play; however, the candle is still open, this current upside move may not hold. It is worth noting that a new high will likely create further negative divergences in the market. The intraday technical is bearish, there is buying support in the market but based on the positioning of the RSI, upside moves could see further selling from hedgers in the market.

Lead

The futures remain technically bullish with price trading to a new high on the open, intraday price and momentum are aligned to the buyside. A close on the 4-hour candle below USD 2,284 with the RSI at or below 54 (Currently 57.5) would mean P&M are aligned to the sell side, below USD 2,264 the intraday technical will be bearish. The new high has created a minor negative divergence with the RSI, not a sell signal it is warning that we have the potential for a momentum slowdown. Note: divergence can and do fail, this will need to be monitored to see if it comes into play or not. Resistance is at USD 2,329, USD 2,341, USD 2,352 with support at USD2,284, USD 2,264, and USD 2,247. Technically bullish, there are warning signals that we could soon enter a corrective phase.