



# Base Morning Intraday Note

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## Copper

Strong upside moves in the futures yesterday created a bullish breakout above the USD 10,289 high to USD 10,290 before correcting. The upside moves yesterday was a technical breakout as the market looked to test selling resilience, the subsequent pullback held above the 38.2% Fibonacci support at USD 10,100, this was key as the pullback looks to have been shallow, supporting a bull argument. The increased intensity of the attack on the Ukraine has caused western consumers to shun Russian oil, fuel costs are rising with Brent hitting our near-term target at USD 117 this morning, we now target USD 125.00 with the potential to trade as high as USD 134.00. Commodity markets were already in an inflationary rally, with China moving to secure commodity supplies yesterday the copper futures have rallied on the open. Intraday price and momentum are aligned to the buy side with price trading at USD 10,409, a new high on the 21 period RSI would suggest that downside moves should be countertrend at this point. A close on the 4-hour candle below USD 10,178 with the RSI at or below 56 (currently 68) will mean price and momentum are aligned to the sell side. However, corrective moves lower that hold at or above the USD 10,013 level will support a bull argument, below this level the technical is neutral. We noted last week that the intraday Bollinger bands had warned we could see a volatility breakout, this is now in play. Resistance is at USD 10,474, USD 10,569, USD 10,690 with support at USD 10,178, USD 10,116, and USD 10,013. Technically bullish.

## Alu

Aluminium is likely to rally to a record \$4,000/ton as the war in Ukraine sends shock waves through what was an already tight market. Before Moscow's assault, trading giant Trafigura warned that deep shortages meant the world was already on course to deplete stockpiles by 2024. Last month, LME holdings not tagged for removal collapsed to the lowest since 2001. Backwardated pricing, a bullish pattern, was widening. Now, with prices over \$3,600, the situation is critical. Russian producer Rusal suspended operations at a plant in Ukraine that makes alumina, the semi-processed material used to make Aluminium. In addition, many shipping lines are shunning Russian ports, snarling the supply chains, even though Aluminium -- like oil -- hasn't been targeted by sanctions. And far higher energy costs will constrain supplies (Bloomberg). The technical supports the fundamental with the Elliott wave cycle implying that the futures are on a bullish impulse wave 3, meaning corrective moves should be considered as countertrend. Near-term resistance is at USD 3,705, this is the 161.8% projection of the current wave one, a typical target level for a wave 3. However, this is not a typical market or a typical time, this wave 3 is extended, indicating we expect this phase of the technical to surpass the USD 3,705 level. A close on the 4-hour candle below USD 3,547 with the RSI at or below 61 (currently 73) will mean price and momentum are aligned to the sell side; corrective moves lower that hold at or above the USD 3,468 level will support a bull argument, below this level the technical will have a neutral bias. Resistance is at USD 3,705, USD 3,767, USD 3,846 with support at USD 3,547, USD 3,522, and USD 3,468. Technically bullish.

## Zinc

Zinc hits USD 4,000 a ton as metals rally on supply fears, costs (Bloomberg). The trend remains technically bullish with the futures trading above the USD 4,002 level, we are on an Elliott wave 3 meaning the futures should in theory trade above the USD 4,123 in the near-term, above this level we target the USD 4,276 level. Downside moves that close on the 4-hour candle below USD 3,849 with the RSI at or below 70 (currently 77) will mean price and momentum are aligned to the sell side, however corrective moves lower that hold at or above the USD 3,767 will support a bull argument, below this level the technical will have a neutral bias. Downside moves should be considered as countertrend, we should note there is a large mean reversion gap forming with the 55 period EMA suggesting we could see a technical pullback (maybe profit taking) in the short term. Support is at USD 3,849, USD 3,825 and USD 3,767. Technically bullish.

## Nickel

The biggest risk in battery materials from Russia's increasing economic isolation centres on supplies of top-notch Arctic nickel controlled by the country's richest man. Russia is a major producer of the metal that will be needed in huge quantities as the world's auto fleet goes battery powered. That means the electric-vehicle industry has much at stake as global businesses rejig ties in the wake of the invasion of Ukraine. Mining giant BHP Group on Monday warned of nickel supply shocks. The key lies with giant mines in far northern Siberia that were first dug in Stalin's time, and which are now run by MMC Norilsk Nickel PJSC. Norilsk makes 17% of the world's so-called "Class 1" nickel, a high-purity form that's more suitable for batteries and can be sourced in large quantities from only a few other locations. The company is controlled by multi-billionaire Vladimir Potanin (Bloomberg). Like the rest of the base complex the futures are technically on a bullish impulse wave 3, downside moves should be considered as countertrend. A close on the 4-hour candle below USD 25,871 with the RSI at or below 61.5 (currently 75) will mean price and momentum are aligned to the sell side; however, corrective moves lower that hold at or above USD 25,231 will support a bull argument. Resistance is at USD 27,650, USD 28,662, USD 29,082 with support at USD 26,319, USD 25,871, and USD 25,231.

## Lead

Like the rest of the base complex the futures remain supported with price above all key moving averages. However, intraday price and momentum are conflicting with the futures and is likely to produce a negative divergence above USD 2,435, and from a technical perspective we are starting to look vulnerable. A close on the 4-hour candle below USD 2,415 will mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 63 (currently 60) will mean it is aligned to the buy side. The technical is bullish but there are warning signs that we could enter a corrective phase soon. Upside moves above USD 2,435 will target the USD 2,460 level, at this point it is possible we are potentially in the early stages of a corrective wave 4, however this is on a 100 min intraday chart (Elliott wave), so we are talking at a micro timescale. Support is at USD 2,415, USD 2,411, USD 2,369.5. bullish but potentially in a corrective phase.