



Base Morning Intraday Note

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Copper

the futures continued to move lower yesterday with price trading to a low of USD 9,947, the futures are below all key moving averages supported by the RSI below 50. An upside moves on the Asian open has seen the intraday candle close above daily pivot point (USD 10,089), however the RSI remains below its moving average, meaning price and momentum are conflicting. A close above this level with the RSI at or above 51 (currently 45.5) will mean price and momentum are aligned to the buy side; likewise, a close below this level will mean it is aligned to the sell side. The technical remains bullish but with a neutral bias due to the deep pullback, below USD 9,947 it will be bearish. The downside move in oil yesterday resulted in a pullback that was at one point 24% below the USD 139 high, this will also have had an effect on the base commodity sector lower. Upside moves that fail at or below USD 10,486 will leave the technical vulnerable to further tests to the downside. Neutral/bullish resistance is at USD 10,259, USD 10,355, USD 10,486 with support at USD 10,018, USD 9,794, and USD 9,780.

Alu

Like copper we saw a strong downside move in the futures yesterday. Part of this will be that speculative buy side moves that have created the move are no longer there to support it, the technical remains bullish but has a neutral bias due to the depth of the pullback. The deeper the pullback the lower the probability of the futures trading to a new high. Elliott wave analysis does still support a bull argument, but the cycle has been significantly weakened. Intraday price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 3,427 with the RSI at or above 51 (currently 54) will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 3,811 will leave the technical vulnerable to further tests to the downside, above this level the futures will target the USD 4,073.5 high. Resistance is at USD 3,427, USD 3,596, USD 3,687 with support at USD 3,314, USD 3,108, and USD 3,002. The technical is bullish but with a neutral bias, the deep pullback is asking question of these bull cycles, suggesting caution at these levels.

Zinc

It seems to be the same story across the board, A bullish Elliott wave 3 driven by short covering in the market, followed by a deep pullback. Wave psychology generally sees short covering at the beginning of the cycle (wave 1), wave 2, the first down leg, is market sellers looking for lower prices believing the trend is still bearish whilst not realising that trend is now transitioning to the buy side. Wave 3 is usually the longest wave, where the market enters a trending environment, driven by a strong fundamental argument. Wave 4 is profit taking, whilst wave 5 is often speculative as the fundamental is priced in. Obviously, the market environment has changed due to the Russian invasion into the Ukraine; however, this has created a situation where the wave 3 is not fundamentally driven, it is a cross between short covering and speculation. Yes, there is a supply issue, but the speed of the upside move followed by an equally fast and deep pullback is unusual. This wave 3 is effectively a big wave without any form of real trend (remembering this is an intraday cycle) and brings into question the usual psychology of the market. Technically bullish, supply issues are a factor, meaning we do have a fundamental argument, we are potentially in a corrective wave 4; but as mentioned, the psychological behaviour does not match that of a wave 3 and leads us to be cautious about these recent bullish waves. A close on the 4-hour above USD 3,975 with the RSI at or above 58.5 (currently 47) will mean price and momentum are aligned to the buy side, upside moves that fail at or below USD 4,533 will leave the technical vulnerable to further tests to the downside, above this level the futures will target the USD 4,896 high. Resistance is at USD 3,975, USD 4,237, USD 4,363 with support at USD 3,834, USD 3,546, and USD 3,504. The technical is bullish with a neutral bias, to be clear I am not saying this is not a wave 3, but I am saying that the speed and shape of the move do not fit in with wave psychology, leaving us to be cautious about these current Elliott wave cycles that we are seeing.

Nickel

Market closed

Lead

The deep pullback into the current wave 3 means the technical has a neutral bias, intraday price and momentum are aligned to the sell side with price below all key moving averages supported by the RSI below 50. A close on the 4-hour candle above USD 2,419 with the RSI at or above 57.5 (currently 46.5) will mean price and momentum are aligned to the buy side. Upside moves above that fail at or below USD 2,581 will leave the technical vulnerable to further tests to the downside. Resistance is at USD 2,419, USD 2,483, USD 2,525 with support at USD 2,387, USD 2,350, and USD 2,301. Technically bullish but with a neutral bias, see zinc for our concerns around the current wave cycles.

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