



# Base Morning Intraday Note

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## Copper

Metals trading on the Shanghai futures market has started to go quiet, with investors growing cautious as China battles to control the spread of Covid-19 in its industrial heartland. Trading volumes in copper, aluminium and zinc on the Shanghai Futures Exchange all fell to the lowest level since Feb. 7, while turnover in nickel also dropped below average. China, the world's largest base metals producer and consumer, is fighting its worst coronavirus outbreak in two years. Lockdowns -- in the country's industrial bases such as the top steelmaking hub of Tangshan, as well as the commercial centre of Shanghai -- have hit all aspects of life, from logistics to manufacturing to consumption (Bloomberg). As noted on the E.U close report, the rally on the Asian open yesterday above the USD 10,380 level (High USD 10,385) created a negative divergence with the RSI, resulting in the futures trading to a low of USD 10,230 for the day. Moving averages are flat, indicating the potential for a lack of trend with price and momentum aligned to the sell side. Upside moves on the 4-hour candle that close above USD 10,298 with the RSI at or above 56.5 (currently 54) will mean price and momentum are aligned to the buy side. The intraday technical is bullish but we remain below the USD 10,486 resistance with the potential for further divergences ahead, warning the technical remains vulnerable to further tests to the downside. Resistance is at USD 10,298, USD 10,385, USD 10,486 with support at USD 10,166, USD 10,100, and USD 10,010.

## Alu

The global aluminium market may be headed for a crisis that could lift prices far above \$4,000/ton if trends persist. Consumption is outstripping supply, key stockpiles are sinking, and the war in Ukraine and its far-flung repercussions are making matters even worse. Stockpiles tracked by the LME have sunk to the lowest since 2007. Critically, volumes still available for removal -- known as on-warrant holdings -- are set for the biggest ever quarterly draw. China may not offer much relief. Inventories tracked by the Shanghai bourse have risen this quarter on seasonal trends, but the increase has been paltry at a little over 3%. Current holdings are below the 10-year average (Bloomberg). Like copper, we witnessed a technical pullback from the high yesterday, leaving the futures trading near the low of the day into the close. An upside move on the Asian open has put price above the daily pivot point, price and momentum are now conflicting. A close above USD 3,520 with the RSI at or above 57.5 (currently 55.5) will mean price and momentum are aligned to the buy side. Likewise, a close below this level with the RSI at or below 53.5 will mean it is aligned to the sell side. The intraday technical is bullish but there is a small 5-wave pattern that warns we could be vulnerable to a technical pullback; however, downside moves that hold at or above USD 3,434 will support a bull argument, below this level the futures will have a neutral bias. Resistance is at USD 3,619, USD 3,641, USD 3,666 with support at USD 3,520, USD 3,495, and USD 3,469.

## Zinc

Speculators have decreased their bullish LME zinc bets by 1,145 net-long positions to 34,041, weekly bourse data on futures and options show. The net-long position was the least bullish in more than two years. Long-only positions fell 10,971 lots to 236,418 in the week ending March 18. The long-only total was the lowest in more than 17 months (Bloomberg). The technical remains in neutral territory in a range between USD 3,966.50 and USD 3,730.

## Nickel

Nickel volumes surged as prices traded within the London Metal Exchange's daily limits for the first time since reopening last week, in a sign that the market is starting to stabilize after an unprecedented squeeze sent prices spiking. The flurry of deals on Tuesday came as LME prices moved back into line with nickel contracts trading on the Shanghai Futures Exchange, which remained open during a weeklong suspension of trading in London in the wake of the short squeeze. More than 11,300 contracts, or 67,800 tons of nickel, had traded by 2:18 p.m., while LME prices pared sharp early losses as the evening session got underway on the rival Chinese bourse (Bloomberg). There is no technical view to have on the market at this point due to the lack of data since the 07/03/22.

## Lead

The trend is bearish with a neutral bias, but we are seeing the longer period EMA's (30-60) being tested. The futures remain in the EMA band at this point with the RSI moving just above 50 (50.7), intraday price and momentum are aligned to the buy side. Upside moves that fail at or below USD 2,371 remain vulnerable to further tests to the downside, above this level price will target the USD 2,437 fractal resistance. A close on the 4-hour candle below USD 2,276 with the RSI at or below 43 will mean price and momentum are aligned to the sell side. Resistance is at USD 2,311, USD 2,336, and USD 2,371 with support at USD 2,230.5, USD 2,220, and USD 2,161.