



# Base Morning Intraday Note

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## Copper

Copper declined for a third day in London as China's top producer of the metal warned prices could fall, while the country's virus outbreak clouds the demand outlook. Shanghai, the nation's largest commercial and financial center, started locking down the city of 25 million residents in two phases to conduct a mass testing blitz for Covid-19, as authorities scramble to staunch a spiraling outbreak. Virus-related restrictions are straining the supply of commodities and posing an increasing threat to demand. The impact for base metals, which initially hit the logistics of both raw materials and finished products, is now extending to consumption as Shanghai is a major trading hub of the metal used in everything from electricity wires to window frames to electric-vehicle batteries (Bloomberg). The futures are back in a corrective phase with price trading below the USD 10,230 and USD 10,180 fractal supports. The RSI is below 50 with price below all key moving averages, intraday price and momentum are aligned to the sell side. A close on the 4-hour candle above USD 10,316 with the RSI at or above 56.5 (currently 45.5) will mean price and momentum are aligned to the buy-side; likewise, upside moves above USD 10,420 would create a higher high meaning the intraday technical would be considered as bullish. Technically bearish with resistance at USD 10,316, USD 10,420, USD 10,505 with support at USD 10,162, USD 10,052, and USD 9,906.

## Alu

In terms of fundamentals, the domestic Aluminium supply was largely stable last week. SMM estimates that the domestic aluminium output will be 3.3 million mt in March, which is still lower than in the same period last year. The domestic aluminium production is still in the ramp-up stage, and the output is expected to increase on a YoY basis in Q2. As the import window of aluminum ingots was still closed, the import volume fell sharply. The total aluminium supply was relatively low in Q1. The social inventory of aluminum ingots continued to decline. Recently, there have been outbreaks of COVID in many parts of China. Aluminium processing enterprises in Shandong's Binzhou, Fujian's Quanzhou, Tianjin and other regions were forced to reduce their production due to the pandemic. Transportation in many regions has been disrupted by the pandemic (SMM). The futures moved sideways on Friday having previously produced a deep pullback, meaning we have a neutral bias on the technical. Intraday price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 3,604 with the RSI at or above 60.5 (currently 54) will mean it is aligned to the buy-side. Technically neutral the RSI is above 50 with the stochastic nearing oversold territory, momentum is vulnerable to a test to the upside. Downside moves below USD 3,478 will create a lower low in the market meaning the intraday technical is bearish; likewise, a close below 3,499 on the daily chart will warn we could witness a technical pullback on the higher timeframe. Resistance is at USD 3,604, USD 3,742, USD 3,771 with support at USD 3,534, USD 3,499, and USD 3,478.

## Zinc

Copper could hit \$12,000 a ton and aluminum and zinc could rise to \$5,000 in 1-2 months if Russian metal disruptions intensify, Goldman Sachs Group Inc. said in a note. Time lags in freight mean it's only now that restrained Russian export flows are starting to tighten already near depleted Western markets, analysts including Nicholas Snowden said. Any remapping of the dislocated volume to China will take several quarters - not weeks - to achieve, and incremental policy risks to market functioning also remain high. Global copper, aluminum stockpiles have extended counter-seasonal declines, driven by large Chinese draws, with the much earlier-than-normal inventory inflection signaling the true fundamental tightness in onshore markets (Bloomberg). The futures remain technically bullish but in a corrective phase, downside moves that hold at or above USD 3,976 will support a bull argument, below this level the futures will have a neutral bias; likewise, a close on the daily chart below USD 3,905 will warn the daily technical could be about to enter a corrective phase. Intraday price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 4,060 with the RSI at or above 62 (currently 55.5) will mean price and momentum are aligned to the buy-side. Resistance is at USD 4,060, USD 4,195, USD 4,320 with support at USD 3,976, USD 3,934, USD 3,863.

## Nickel

The futures sold lower on Friday on thin volumes. In theory downside moves on lower volume are normally a bullish signal; however, after recent events the upside move has been on below average volume, suggesting this indicator is unlikely to be reliable. Intraday price and momentum are conflicting, a close below USD 37,166 with the RSI at or below 52 (currently 54) will mean price and momentum are aligned to the sell side; likewise, a close above this level will mean it is aligned to the buy side. A close on the daily candle below USD 34,100 would suggest the daily technical could be entering a corrective phase. Resistance is at USD 37,166, USD 40,700 with support at USD 31,671, USD 29,947, and USD 27,020.

## Lead

The intraday trend remains bearish with a neutral bias. The futures are moving higher with intraday price and momentum aligned to the buy side. A close on the 4-hour candle below USD 2,328 with the RSI at or below 52 (currently 56.5) will mean price and momentum are aligned to the sell side. A close on the daily chart below USD 2,272 will warn that the USD 2,230.50 low could be tested. Resistance is at USD 2,389, USD 2,403, USD 2,450 with support at USD 2,328, USD 2,313, and USD 2,291.