Base Morning Intraday Note

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

Copper

Copper declined along with most industrial metals as the prospect of a swift reduction in the Federal Reserve's debt holdings and surging covid cases in China dent the demand outlook for raw materials. Fed Governor Lael Brainard said Tuesday curbing inflation is "paramount," adding the central bank may start trimming its balance sheet rapidly as soon as May. Investors fear that a more restrictive central bank policy could tip the world's largest economy into a downturn. In China, the country reported 20,472 new daily Covid cases with widespread lockdowns and mass testing in the financial centre Shanghai. Caixin China's purchasing managers index in March showed a contraction and slowdown from the previous month, highlighting the economic blow from the virus-related lockdowns. While heightened risks in the world's top two economies are hurting the demand outlook, worries remain that Russia's growing isolation may disrupt commodity flows further. Wild swings in commodities from wheat to crude oil are here to stay with global supply chains getting reassessed in the wake of Russia's invasion of Ukraine, said Gregory Broussard, global head of financial trading for agriculture giant Cargill Inc.'s risk management unit (Bloomberg). As noted on the close report last night, the upside move in the morning failed to hold resulting in the futures producing a bearish rejection candle to match the one from the 30/03, suggesting the futures would move lower today. As expected, price has weakened with the intraday technical now neutral with price and momentum aligned to the sell side, downside moves below USD 10,234 will put the technical in bearish territory. A close on the 4-hour candle above USD 10,392 will warn the daily pivot point at USD 10,475 could be tested, a close above this level with the RSI at or above 56.5 (currently 50) will mean price and momentum are aligned to the buyside, further resistance is at USD 10,580. The intraday futures are now testing the EMA support band (30-60), if we see price move below and hold below the USD 10,333 level then we target the USD 10,308 and USD 10,234 support levels. The intraday technical is again neutral.

Ali

Trades in spot market in south China was relatively brisk as downstream producers stocked up. The domestic resumed aluminium capacity will be releasing output on a large scale in the second quarter, and it is expected that the domestic operating aluminium capacity will exceed 40 million mt in April. Domestic demand was affected by the pandemic and high aluminium prices. Downstream operating rates declined. The social inventory in the consumption areas stopped falling, and the overall consumption was weak. On the cost side, alumina prices will have limited room for growth, and coal prices will remain stable under the policy of ensuring supply and stabilising prices. In the short term, given the accelerated resumption of production at smelters and weak demand, it is expected that the domestic aluminium ingot inventory will maintain a slight increase, and thus aluminium prices will continue to face downward pressure (SMM). Price is below the intraday EMA support bands, but these are compressed indicating the intraday bear move is not stable, the futures are now consolidating as price is testing the daily trend support, these averages are well spaced and relatively stable. Downside moves that hold at or above USD 3,397 will support a bull argument, below this level the daily technical will have a neutral bias; further support is at USD 3,331 and USD 3,219.50. Intraday price and momentum are conflicting, a close on the 4-hour candle above USD 3,459 with the RSI at or above 47.5 (currently 46) will mean it is aligned to the buyside; likewise, a close below this level with the RSI at or below 43 will mean it is aligned to the sell side. Three-year seasonality is leaning to the buyside, but this is partly skewed by the large upside moves last year; however, the daily RSI is above 50 with the stochastic oversold, providing the RSI can hold above 50 momentum is warning the futures are vulnerable to a test to the upside. Resistance is at USD 3,459, USD 3,56, and USD 3,538. Corrective/consolidating on daily bull support band.

Continued on next page

Zinc

In the sprawling clan that is commodities, zinc is usually overshadowed by oil, copper and other tribal elders. But in the weeks to come, the base metal may command a bit more attention with scope for a surge to a record above $5,000/ton. Zinc has a scarcity problem after power-driven smelting curbs spurred shortages of finished metal. Overall holdings in LME-tracked sheds sank almost 30% in 1Q, and there's effectively none left at all in European warehouses. Elsewhere, Asian holdings are dropping fast too. In the last few days, orders to remove inventory -- known as cancelled warrants -- almost doubled. Given the evident tightness, the market is backwardated, a bullish structure in which cash prices command a premium to futures. Benchmark prices were last near $4,300/ton after spiking to a record $4,896/ton in March. If the holdings shrink further this quarter, further gains look to be on the cards (Bloomberg). The technical is in a bullish trending environment with daily and intraday EMA support bands stable; however, we still have concerns over the negative divergence on the line graph based off market closes (note: the candle chart is not in divergence). Little movement yesterday with the price and momentum aligned to the sell side, corrective moves lower that hold at or above USD 4,157 will support a bull argument, below this level the futures will have a neutral bias. Upside moves on the 4-hour candle that close above USD 4,302 with the RSI at or above 64.5 (currently 55) will mean price and momentum are aligned to the buyside, further resistance is at USD 4,360, and USD 4,435. Support is at USD 4,274 (on it now), USD 4,224, and USD 4,157. Technically bullish, we maintain our concerns over the divergence on the line graph as it is a conflicting signal to the candle chart.

Nickel

The futures continue to flatline with little or no market volume.

Lead

The intraday technical is bullish but we are seeing little movement in the futures with price testing the intraday support bands, the daily pivot point is flat to yesterday, price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,331 will support a bull argument, below this level the futures will have a neutral bias, on the daily technical this support is at USD 2,306. Price is above the EMA support bands on the daily technical; however, these are flat and compressed suggesting a lack of trend in the futures. Mixed signals on the seasonality chart with 3-year average prices flat until around the 12/05, but we are conscious that the futures started to rally hard on the 09/04 last year. The intraday technical is holding in bull territory but the momentum slowdown is on the back of a negative divergence that will need to be monitored, as the RSI is at 52 with the stochastic oversold, if the RSI holds above 50 then momentum would suggest a test to the upside. A close on the 4-hour candle above USD 2,413 with the RSI at or above 58 (currently 52) will mean price and momentum are aligned to the buyside. Resistance is at USD 2,438, USD 2,453.50, and USD 2,509 with support at USD 2,372, USD 2,355, and USD 2,331. Conflicting signals on the chart as there is no established trend on the daily technical, price has retreated on an intraday divergence, but momentum is suggesting a test to the upside, meanwhile 3-year seasonality is flat whilst this time last year we were preparing for a strong rally. I must put a neutral hat on for this one!