



Base Morning Intraday Note

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Copper

In an encouraging sign for the tightening copper market, the world's biggest supplier appears to be staging a production recovery after a disappointing start to the year. Chile, which accounts for more than a quarter of the world's mined copper, just reported a 29% jump in export revenue from the metal in March from February. To be sure, some of that increase is price related, with copper rising 6.7% in New York during the same period. Variances in monthly shipment schedules may explain another portion. But volume also appears to be higher than January and February numbers, which were dragged down by water shortages, disappointing ore quality and technical issues. The nation's statistics bureau is scheduled to report March production toward the end of this month (Bloomberg). Good news on supply was met with a bullish candle as price tested the support band yesterday, which has held. This technical is consolidating along the support band on the daily chart which remains stable. The USD 10,505 to USD 10,580 is clearly an area of resistance. If we trade above and close above this level, then the USD 10,845 high could come under pressure. Intraday price and momentum are conflicting, a close on the 4-hour candle above USD 10,293 (Currently 10,343) with the RSI at or above 51 (currently 49) will mean price and momentum are aligned to the buy side. Likewise, a close below this level with the RSI at or below 46.5 will mean it is aligned to the sell side; further support is at USD 10,230 and USD 10,166.

Alu

Aluminum and zinc led declines as China's worst virus restrictions in two years threaten demand for metals, outweighing supply strains caused by escalating sanctions on Russia for its invasion of Ukraine. "There's a bit of a shifting towards China" in market focus, said Wenyu Yao, senior commodities strategist at ING Bank. As Russia's supply disruptions and Europe's energy crisis continue with no new developments, investors are pivoting to "profit-taking" in China, she said. Shanghai, the epicenter of the latest virus flareup, reported a record high of nearly 20,000 cases for Wednesday. China's cabinet signaled it will step up monetary stimulus for the economy, acknowledging that domestic and global risks are now bigger than previously expected. China is the world's biggest consumer of aluminum, which is used in a range of goods including car parts, beverage cans, home appliances and infrastructure (Bloomberg). The downside move in the futures yesterday on the back of growing Covid cases in the world's second largest economy has put the daily technical below the USD 3,397 support, meaning we now have a neutral bias. Price however is holding in the daily support band with the RSI at 50 and the stochastic oversold, if the RSI holds above 50 then momentum is vulnerable to a test to the upside. Having rallied off their lows yesterday, intraday price and momentum are conflicting, as price is back above the daily pivot (USD 3,398). A close on the 4-hour candle this level with the RSI at or above 46 (currently 43) 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. Upside moves that fail at or below USD 3,464 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 3,500 fractal resistance. The technical has a neutral bias, it is not a technical sell due to the daily support band and momentum but will need to do more on the buy side to confirm that the market is supported. Resistance is at USD 3,418, USD 3,444, USD 3,464 with support at USD 3,340, USD 3,331, and USD 3,219.

Zinc

As noted on the Alu report, the futures came under pressure due to the rising Covid cases in China. The downside move in the futures is below the USD 4,157 meaning the intraday technical has a neutral bias, the daily technical remains bullish. Price is in the intraday EMA support band, but price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 4,192 with the RSI at or above 54.8 (currently 48) will mean it is aligned to the buy side. Upside moves that fail at or below USD 4,262 will leave the futures vulnerable to further tests to the downside, above USD 4,320 the technical will have a bullish bias. Support is at USD 4,157, USD 4,017 and 3,962. The near-term technical is vulnerable to further tests to the downside but the daily trend is stable with price bullish above USD 3,888.

Nickel

Limited price action on minimal volume.

Lead

In March, the most-traded SHFE lead contract showed a "V-shaped" trend, which once jumped to 16465 yuan/mt on March 8, creating a new high since August 10, 2020 and then fell rapidly. As of March 31, the most traded SHFE lead contract quoted 15815 yuan/mt, with an increase of 1.48% in the month. The spot prices had the same trend as futures prices. According to SMM prices, the average spot price of SMM 1# lead ingot was 15400 yuan/mt at the beginning of the year. After a "V-shaped" trend, it finally surged to a new high since October 27, 2021 on March 31, quoting 15625 yuan/mt. In terms of fundamentals, the output of primary lead smelters gradually recovered and the operating rates increased significantly in March. According to SMM weekly report, as of March 25, the average operating rate of primary lead rallied to 56.4%, 4.19% higher than the beginning of the month, while that of secondary lead significantly declined to 37.77%. The change was mainly caused by the new value-added tax for battery scraps, the disturbance of the pandemic and the routine maintenance of enterprises in March (SMM). Technically bullish but in a neutral phase with price and momentum aligned to the sell side, we noted yesterday that the EMA's were flattening indicating the trend was not stable. Price came under pressure in the U.S session to close near the low of the day, intraday price and momentum are aligned to the sell side. A close on the 4-hour candle above USD 2,386 with the RSI at or above 53.5 (currently 47) will mean price and momentum are aligned to the buy side. Downside moves the hold at or above the USD 2,331 level will support a bull argument. However, price is below the intraday EMA support band leaving the technical vulnerable. Support is at USD 2,372, USD 2,355, USD 2,331 with resistance at USD 2,386, USD 2,423, and USD 2,438.