



Base Morning Intraday Note

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Copper

The U.S. has become a more attractive market for copper traders—and for the actual metal. Copper futures on the Comex have been trading at a premium to those on the London Metal Exchange in recent weeks, attracting more copper cathode, especially from South America, the world's largest producing region. Imports of cathode to the U.S. from Chile rose 37% during the first three months of the year from the prior quarter, according to data from S&P Global. The stronger pricing in New York points to a robust economy in the U.S., where the Federal Reserve is now laser-focused on bringing down rising inflation, as well as the ongoing logistics woes that still keep materials from going to where they're immediately needed. "The U.S. economy is relatively performing better than other economies, certainly than Europe," said Bart Melek, global head of commodity strategy at TD Securities (Bloomberg). As noted on the close report the futures were moving to the downside yesterday with price action below USD 10,166 signalling a breakout; however due to price being in the daily EMA support band with the RSI neutral at 50 and the stochastic oversold, we indicated the futures would not be a technical sell at these levels. Having traded below USD 10,166 in the late U.S session the futures have found buying support on the Asian open with price closing above the daily pivot point (USD 10,227), meaning price and momentum are conflicting. A close on the 4-hour candle above this level with the RSI at or above 48.5 (currently 43) will mean price and momentum are aligned to the buy side; likewise, a close below this will mean it is aligned to the sell side. Technically bearish based on the downside breakout we maintain our view that the futures are not considered a sell at this point. Resistance is at USD 10,252, USD 10,283, USD 10,325 with support at USD 10,155, USD 10,047, and USD 9,963.

Alu

Aluminium slumped close to a two-month low as Shanghai enters its third week of Covid-19 lockdowns, darkening the outlook for demand and setting the stage for a loosening in spot supplies. Prices fell 3.8% along with most base metals Monday on the London Metal Exchange while virus infections in Shanghai, China's financial centre, hit record levels amid extended restrictions on the city's 25 million residents. The lockdown threatens to exacerbate supply-chain snarls, further stoking costs and hitting consumer spending and manufacturing demand (Bloomberg). The downside move in the futures broke all key support levels other than USD 3,219.5, further enhancing the bear argument. Price has closed below the daily support band, again highlighting a weakening technical, a close below USD 3,219.5 will mean the daily technical is bearish based on the futures making a lower low. Intraday price and momentum are bearish, a close on the 4-hour candle above USD 3,280 with the RSI at or above 39.5 (currently 35.5) will mean price and momentum are aligned to the buy side. Technically weak, and potentially about to enter bearish territory if we confirm a close below USD 3,219.5. The futures are not showing buy signals at this point. Resistance is at USD 3,280, USD 3,324, USD 3,352 with support at USD 3,219.5, USD 3,108, and USD 3,078.

Zinc

The futures came under pressure alongside the rest of the base complex yesterday before following the sector higher on the Asian open. However, the futures are now reversing gains on the European open with price trading below the daily pivot point, intraday price and momentum are conflicting. A close on the 4-hour candle above USD 4,287 with the RSI at or above 56 (currently 52) will mean price and momentum are aligned to the buy side; likewise, a close below this level with the RSI at or below 51.5 will mean price and momentum are aligned to the sell side. The futures are now testing the longer-period EMA support band (USD 4,257 – USD 4,204), downside moves that close below the intraday band will target the daily band that starts at USD 3,883. Resistance is at USD 4,338, USD 4,435, USD 4,504. Technically bull but in a corrective phase, the daily RSI although bullish is below its moving average suggesting the intraday support band could be tested here.

Nickel

The futures continue to flat line.

Lead

Lead prices fell slightly in the early trading. Some smelters held firm to prices and reluctant to sell. Spot prices quoted at premiums. With low inventory, most traders purchased cautiously. The market transactions have improved compared to yesterday, with more downstream inquiries and purchases on rigid demand. Long-term orders were the main form in Henan. The impact of the pandemic on the transport of raw materials and products lasted, and there were few inquiries for bulk orders. Quotations of Warrants in the market were stable. The delivery of the April contract is approaching. Despite the enthusiasm for delivery in the market, the downstream picked up goods in the surrounding. The growing space of social inventory is expected to be limited (SMM). Unlike the rest of the base complex the futures have found further support on the E.U open with price and momentum aligned to the buy side. A close on the 4-hour candle below USD 2,385 with the RSI at or below 47 (currently 51.5) will mean it is aligned to the sell side. Price has held the daily EMA support band; however, the band is flat and still compressed, meaning the trend although bullish is not considered as stable at this point. The intraday RSI is now above 50 with the stochastic in oversold territory, if the RSI can hold above 50 then the futures are vulnerable to further tests to the upside. If the RSI goes below 50 then the oversold stochastic is less relevant, warning price could trade into the daily support band. Resistance is at USD 2,410, USD 2,425, USD 2,438 with support at USD 2,385, USD 2,355, and USD 2,331.