



Base Morning Intraday Note

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Copper

The futures opened higher yesterday due to mine disruptions in Peru before coming under pressure due to the IMF downgrading global growth prospects. This is the fourth time the futures have traded above but failed to close above the USD 10,500 level making this a key area of resistance. Aggregate open interest has been rising since mid-March and is now at its highest levels this year, price is continuing to hold above the daily EMA support bands with the RSI above 50 and the stochastic over-sold. The technical daily technical is bullish but the failure to hold these upside moves will be a concern to market longs, if price can trade above and close above the USD 10,580 level, then the USD 10,764.50 and USD 10,845 resistance levels could be tested. However, a downside test of the support bands (USD 9,725 – USD 9,668) could result in a futures unwind, if this is the case then the trend could come under pressure. Intraday price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 10,363 with the RSI at or above 54.5 (currently 49.5) will mean price and momentum are aligned to the buy-side. Support is at USD 10,229, USD 10,268.5, and USD 10,240. Technically bullish, the failure to hold above the USD 10,500 level would suggest that market bulls should be monitoring the Aggregate open interest.

Alu

Like copper, Alu opened higher before coming under pressure on the back of the IMF downgrade yesterday. The intraday futures rallied on the open but stalled at the EMA resistance band on the 4-hour technical, resulting in intraday price and momentum becoming aligned to the sell side. A close on the 4-hour candle above USD 3,284.50 with the RSI at or above 45.5 (currently 40.5) will mean price and momentum are aligned to the buy-side. As noted yesterday the upside move failed below the USD 3,357 resistance leaving the technical vulnerable to a downside move, below USD 2,319.50 the daily technical will have made a lower low; however, this still only means the technical is corrective, only below the key fractal support at USD 3,136.5 is the daily technical bearish. Price is trading below and holding below the daily EMA support band but the downside break is yet to convince, we have a note of caution at these levels as below USD 3,221 the 4-hour RSI has the potential to create a positive divergence, warning we still have the potential to base around these levels. We highlighted this technical scenario last week on the Brent futures resulting in price moving USD 17.00 higher, for this reason the futures are not considered a technical sell at these levels. Resistance is at USD 3,284.5, USD 3,357, and USD 3,383.

Zinc

Trevali announced that its Perkoa zinc mine in Burkina Faso, West Africa, has now suspended operations following a flooding accident. Heavy rainfall last Saturday triggered flooding. At present, the mine staff have been evacuated, and rescue work is still underway, and eight miners may have been missing underground. Trevali produced 161,700 mt of zinc concentrates in zinc content in 2021. And it owns 90% of the Perkoa mine, whose production in 2021 was about 73,000 mt in zinc content. However, the closure of the zinc mine was not immediately reflected in the performance of futures prices. The current futures prices are still driven by the shutdown of smelters caused by overseas energy problems. Although the price of natural gas in Europe has recently fallen, zinc inventory in Europe remains low. A short squeeze is likely to occur in Europe (SMM). The intraday futures remain technically bullish and in trend with price above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the buy-side. A close on the 4-hour candle below USD 4,489.5 with the RSI at or below 59 (currently 61.5) will mean price and momentum are aligned to the sell side; corrective moves lower that hold at or above USD 4,434 will support a bull argument, below USD 4,380.5 the intraday technical is bearish. The intraday EMA support band is well spaced (30-60) signaling the trend is stable, but yesterday's high has created a negative divergence with the RSI, not a sell signal it does warn that we have the potential to see a momentum slowdown soon. Resistance is at USD 4,540, USD 4,585, USD 4,641 with support at USD 4,489, USD 4,479, and USD 4,460. Technically bullish the divergence will need to be monitored.

Nickel

Exporting nickel from Russia to China is profitable again, after falling prices on the London Metal Exchange reopened the arbitrage window. The difference between nickel prices on the Shanghai Futures Exchange and in London has largely returned to historical levels. The effects of last month's epic short squeeze on the LME have eased and the global benchmark has tumbled nearly 40% from a record high. That's reopened the arbitrage window for flows into China, the world's largest consuming market of the metal used in stainless steel and electric vehicle batteries, according to researcher Shanghai Metals Market (Bloomberg). The futures however continue to see little movement at this point with all EMA's now flat.

Lead

A bearish rejection candle on the open yesterday resulted in the EMA support band being tested, price held but the result was a long legged Doji on the daily technical, signaling indecision in the market. Price is coming under pressure on the E.U open with intraday price and momentum aligned to the sell side, downside moves below USD 2,405 will warn the USD 2,385 and USD 2,365 support levels could be tested. A close on the 4-hour candle above USD 2,447 with the RSI at or above 57 (currently 49.5) will mean price and momentum are aligned to the buy side. Resistance is at USD at USD 2,447, USD 2,488, and USD 2,509. The intraday is technically bullish but with a neutral bias, price is in the EMA support band which remain compressed, implying this is not a stable trend at this point.