



Base Morning Intraday Note

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Copper

The rejection candle two days ago resulted in a weakening of price yesterday, putting the futures into the daily EMA support band. An upside move on the Asian open means intraday price and momentum are conflicting, a close on the 4-hour candle above USD 10,246 with the RSI at or above 52 (Currently 45) will mean P&M are aligned to the buy side. Likewise, a close below this level will mean it is aligned to the sell side. The daily RSI is above 50 with the stochastic in oversold territory, momentum is warning the futures are vulnerable to a move to the upside, as previously highlighted the futures have been failing to hold above the USD 10,500 level, making this a key area of resistance. The longer-term trend is bullish with price on its support band whilst momentum is warning we have the potential to see a test to the upside, the market is not a technical sell. However, until we see a close above the USD 10,500 level (above USD 10,580 would be preferable) we do not consider the futures a technical buy either. Resistance is at USD 10,246, USD 10,306, USD 10,346 with support at USD 10,177, USD 10,153, and USD 9,820.

Alu

The domestic Aluminium ingot social inventory totalled 1.02 million mt as of April 21, down 42,000 mt from last Thursday. Wuxi registered an increase of 2,000 mt as poor transportation curbed the pick-up of cargoes. The inventories in other regions declined amid increased shipments out of warehouses. Gongyi saw normal arrivals and increased sales. Buyers in other areas where cargo pick-up was hindered made purchases from Gongyi, allowing the local inventory to drop by 33,000 mt. The inventory in Nanhai continued to fall and decreased by 6,000 mt due to limited arrivals and strong demand. Aluminum smelters were enthusiastic about resuming their production, but the pandemic continued to disrupt their shipments. Downstream producers became more willing to stock up after the pandemic situation improved slightly, allowing the inventories of Aluminum ingots and billets to continue to fall. The market shall closely watch the impact of pandemic control measures on transportation and sustainability of downstream restocking after their production recovers (SMM). Sideways action in the futures yesterday with price remaining below the intraday EMA resistance band but showing signs that we are potentially forming a base around these levels. As noted yesterday, the daily futures are below their EMA support band but the 4-hour technical will produce a positive divergence below USD 3,219.50, meaning price is not considered a sell at these levels. Aggregate open interest is now below Nov 21 level indicating the market has exited its long position supporting a neutral bias. OI and volume will now need to be monitored to see if it supports the next directional move. The daily pivot point is starting to cluster meaning price and momentum is currently giving false signals. Resistance is at USD 3,357, USD 3,383, USD 3,427 with support at USD 3,219.50, USD 3,192, and USD 3,148.

Zinc

As noted yesterday the futures were technically bullish with price above all key moving averages supported by the RSI above 50; however, the negative divergence with the RSI warned we had the potential to see a momentum slowdown soon. Fractal support has been broken meaning the futures have created a lower low in the market indicating we are bearish based on price; however, we are now trading in the EMA support band on the intraday chart making this a higher risk area to enter from the short side. The RSI is at 49 with the stochastic in oversold territory, if the RSI moves back above 50 the futures could be vulnerable to another test to the upside. Intraday price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 4,444 with the RSI at or above 60.5 will mean it is aligned to the buy side. The technical is weakening based on the lower low but is not considered a technical sell at this point due to price being in the support band.

Nickel

Importing Russian nickel into China has again become loss-making after the trade window for the metal, which is critical for electric-vehicle battery production, opened briefly earlier this week. Nickel prices slumped 2.5% on Shanghai Futures Exchange overnight, outpacing the 0.8% decline of contracts on London Metal Exchange and shutting the so-called arbitrage window that makes exporting the metal into China profitable, according to Jinrui Futures Co. The import window for the metal opened briefly on Wednesday, potentially clearing the way for Russian supplies to come into the Asian country after being shunned by western traders (Bloomberg). Still neutral.

Lead

The futures traded into and remain in the intraday support band with price and momentum aligned to the sell side. A close on the 4-hour candle above USD 2,425 with the RSI at or above 55 (currently 49) will mean price and momentum are aligned to the buy side. The stochastic is oversold, if the RSI moves above 50 then momentum would imply, we could see further tests to the upside. Technically we are neutral based on the averages being flat, indicating the trend has not established itself yet; however, with price holding in the support band focus this market is not a technical sell and could soon produce a buy signal.