FIS

Base Morning Intraday Note

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Copper

Industrial metals from copper to iron ore recouped some of Monday's losses after China pledged more support to help revive an economy that's been imperiled by an escalating virus outbreak. The country's central bank vowed to increase monetary support to the real economy, especially for industries and small businesses hit hard by the pandemic, it said in a statement on Tuesday. That follows the People's Bank of China's decision Monday to cut the amount of money that banks need to have in reserve for their foreign currency holdings, an attempt to help limit the drop in the yuan. Strict lockdowns are wreaking havoc on consumer spending and snarling supply chains at the world's second-largest economy, putting its gross domestic product growth target of about 5.5% this year under increasing threat. Chinese authorities have already taken some steps to stem the economic damage, including accelerating government borrowing and spending to boost infrastructure investment (Bloomberg). As highlighted yesterday, the downside move below USD 10,153 indicated we targeted the USD 9,820 level. Price moved lower yesterday with the futures trading below this level and the USD 9,778 fractal support, a key level as it is the base of the short squeeze that started in late Feb, meaning the daily technical is now bearish. Price has moved higher on the Asian open on the back of China's vow to support the economy, putting the futures above the daily pivot point, intraday price and momentum are now conflicting. Upside moves on the 4-hour candle that close above USD 9,902 with the RSI at or above 40.5 (currently 38) will mean price and momentum are aligned to the buyside. Likewise, a close below this level will mean it is aligned to the sell side. Momentum indicators have made new lows alongside price, suggesting any upside moves is potentially countertrend at this point. Corrective moves higher that fail at or below USD 10,144 will leave the futures vulnerable to further tests to the downside. Resistance is at USD 9,981, USD 10,050, USD 10,144 with support at USD 9,902, USD 9,756, and USD 9,680.

Ali

Like the rest of the base sector the futures moved lower yesterday resulting in the positive divergence failing as the RSI has now made a new low. The downside move has broken three fractal support levels, meaning the daily technical is bearish based on price, resulting in a price moving below the daily EMA support bands which have now compressed and look to be crossing to the downside. There has been a small upside move on the Asian open as traders look to rebalance their books, price is now trading just above the daily pivot point (USD 3,126), intraday price and momentum are conflicting. A close on the 4-hour candle above this level with the RSI at or above 40.5 (currently 35) will mean P&M are aligned to the buyside; likewise, a close below it will mean it is aligned to the sell side. Upside moves that fail at or below USD 3,227 will leave the futures vulnerable to a test to the downside, above this level the trend will have a neutral bias. Technically bearish with the RSI trading on the daily pivot point, if we close below it, then we have the potential to test the USD 3,061 low from yesterday. resistance is at USD 3,157, USD 3,187, USD 3,227 with support at USD 3,061, USD 3,045, and USD 3,020.

Zinc

Base metals are springing back after Monday's mauling even as concerns persist over the outlook for demand in China. As they do so, there's good cause to track zinc closely given fundamentals remain exceedingly tight. That suggests there's potential for futures to hit a record $5,000/ton this quarter. Front and center is the fast-declining volume of on-warrant holdings in the global network of LME sheds, or the amount of metal not yet tagged for removal. Over the past year, that buffer has contracted by 87% and now stands at about 34,000 tons. That's barely above the record low set in 2019. While there is metal to be had in Chinese sheds -- which are not part of the LME network -- getting hold of it right now is a harder-than-usual task given the logistical problems that come with the nation's recurrent lockdowns. Unsurprisingly, zinc remains in backwardation, a bullish pattern marked by a willingness of traders to pay a premium to get spot metal. A price recovery could well be in the offing (Bloomberg). An interesting bull argument for zinc as it brings back the question from previous reports, is this a negative divergence or not? On the line chart (Close only) it is a clear divergence, whilst on the candle chart there is no divergence. Just to make the technical a little more uncertain, intraday price is below the EMA support bands which are starting to cross, the downside move below USD 4,150 yesterday is also bearish for the intraday technical. The RSI is making lower lows implying that intraday upside moves are likely to be countertrend, all quite simple!

Continued on next Page

Zinc (Continued)

Well, it would be if price were not sitting on the top of the daily EMA support band with the daily technical in bullish territory above USD 3,989, and neutral below. The futures may have an intraday downside move to come but based on the daily technical this is a high-risk area to go short, indicating it is not a technical sell at this point. Intraday price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 4,244 with the RSI at or above 47.5 (currently 39.5) will mean it is aligned to the buyside, however, upside moves that fail at or below USD 4,364 will leave the futures vulnerable to further tests to the downside. Resistance is at USD 4,244, USD 4,267, USD 4,308 with support at USD 4,123, USD 3,989, and USD 3,884.

Nickel

Volumes remain minimal, but even nickel, the metal that no longer trades could not avoid a small sell off yesterday, resulting in price trading to a low of USD 32,220. Averages are flat with price still neutral.

Lead

Technically bearish yesterday with the futures trading lower on the back of economic concerns in the worlds second largest economy. The futures did find buying support late on with price holding above the daily pivot point into the Asian open (USD 2,352); however, price remains weak and is again trading lower, a close below this level will mean price and momentum are aligned to the sell side. Likewise, a close above this level with the RSI at or above 45 (currently 39.5) will mean it is aligned to the buyside. Upside moves that fail at or below USD 2,431 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Downside moves below USD 2,321 will have further support at USD 2,281.5 and USD 2,253. Technically bearish.