FIS

# Base Morning Intraday Note

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Copper

Copper prices are lower in Asian trade, as the commodity extends a downturn from last week amid growing concerns over demand from China, one of the world's top copper consumers, given the country's latest pandemic resurgence and tightened movement curbs. The country's latest weaker-than-expected manufacturing PMI is likely to further exacerbate such worries, ANZ analysts say in a research note. They reckon the base metal is likely to remain under pressure in the near term. Three-month LME copper is 2.2% lower at $9,556.50 a ton (Dow Jones/Bloomberg). Closed yesterday due to the U.K holiday, the futures failed to hold onto the gains made in the Asian open on Friday with price closing the week on its low. The futures have gapped lower on the Asian open meaning we have a bearish breakaway gap between USD 9,589 and USD 9,714, this area is now considered a resistance zone. A close on the 4-hour candle above USD 9,790 with the RSI at or above 40.5 (currently 33) will mean price and momentum are aligned to the buyside, above USD 9,900 the intraday futures will be bullish based on price. However, the trend remains bearish with the futures below the EMA resistance band which is well spaced. indicating it is stable, suggesting we need to see upside moves closing above and holding above the EMA band (USD 10,001) for the trend to be seen as transitioning to the buyside. The RSI remains in divergence despite the downside move, warning of the potential for a momentum slowdown, support is at USD 9,422, USD 9,458, and USD 9,135.

Ali

China's stringent lockdowns to curb Covid-19 infections have wreaked havoc on consumer spending and supply chains. The nation last month posted manufacturing and services activity at their worst levels since 2020. While China's top leaders have vowed to boost stimulus, fears of a lockdown in Beijing are growing. The nation's markets are shut for a public holiday. "Covid‐19 lockdowns will remain a key risk to China's economy for the foreseeable future," Vivek Dhar, commodities analyst at Commonwealth Bank of Australia, wrote in a note. "With policymakers keen to provide a soft landing for China's property sector as well, the stage is set for China's commodity demand impulse to lift in" the year's second half, it said (Bloomberg). As noted last week the technical pattern in Alu is like the one in copper. On Friday we did not benefit from the same strong upside move on the Asian open that copper had with price following it lower on the Asian open today, despite the public holiday in China. Price is below all key moving averages indicating the intraday trend is stable, but we remain in divergence with the RSI, warning the futures have the potential to see a momentum slowdown. Note, this is not a buy signal, it is a warning as divergences cand and do fail at times. The daily technical continues to weaken but the weekly chart is now in the EMA support band, the averages have started to flatten implying that the trend although bullish is less stable that it has previously been. A close on the 4-hour candle above USD 3,046 with the RSI at or above 39 (currently 35.5) will mean price and momentum are aligned to the buyside; however, corrective moves higher that fail at or below USD 3,084 will leave the futures vulnerable to further tests to the downside, above this level the futures will have a neutral bias. Technically bearish on the intraday with the futures in divergence whilst in the weekly support band. Resistance is at USD 3,046, USD 3,061, USD 3,084 with support at USD 2,950, USD 2,894, and USD 2,824.

Zinc

Like the rest of base complex, a strong USD alongside a manufacturing slowdown in the worlds two largest economies has resulted in the futures trading lower on the Asian open. The intraday divergence has failed on the move lower whilst price is trading below the daily EMA support band; although these have started to flatten, they remain well spaced implying the trend is yet to transition to the sell side. Upside moves on the 4-hour candle that close above USD 4,116 with the RSI at or above 39 (currently 30.5) will mean price and momentum are aligned to the buyside; however, upside moves that fail at or below USD 4,159 will leave the futures vulnerable to further tests to the downside. The technical continues to weaken with the 4-hour EMA support band starting to separate, indicating that the seller's argument is starting to strengthen on the lower timeframe, we remain cautious as the break in the daily band still needs further confirmation. Resistance is at USD 4,067, USD 4,116, USD 4,159 with support at USD 3,925, USD 3,831, and USD 3,792.

Nickel

Volume and price movement remain limited; however, the downside move on Friday followed by the lower open today means the futures have traded below the USD 31,785 support, its lowest level since the 29/03/22, if we close below this level, we could see a further breakdown in price. Likewise, a close above this level would suggest we are seeing range expansion. Needs to be monitored.

Lead

The downside move in the futures on the open has created a positive divergence with price, warning of the potential for a momentum slowdown. Intraday price and momentum are conflicting, but price is trading back above the daily pivot point (USD 2,268.50), if we close above this level l it will be aligned to the buyside. Likewise, a close below this level with the RSI at or below 34.5 (currently 41.5) will mean it is aligned to the sell side. Upside moves that fail at or below 2,314 will leave the futures vulnerable to further tests to the downside. Technically bearish but not considered a technical sell due to the divergence. Resistance is at USD 2,286, USD 2,298, USD 2,314 with support at USD 2,230.50, USD 2,183, and USD 2,170.