



# Base Morning Intraday Note

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## Copper

Industrial metals were mixed as investors braced for the Federal Reserve's rate decision and the impact of the expected monetary tightening, along with knocks to demand from China's Covid lockdowns. The Fed is widely expected to raise rates by 50 basis points Wednesday and detail plans for the reduction of its balance sheet. Key for markets will be whether Chair Jerome Powell's commentary contains any hawkish surprises that could stoke concerns about the threat of a slowdown in the U.S. as borrowing costs climb. A big rate hike could damp demand for non-yielding assets like commodities. A gauge of the dollar held near the highest in almost two years amid tightening financial conditions, lockdowns in China and Russia's war in Ukraine. A stronger dollar makes commodities less appealing for other currency holders. "For base metals, our near-term outlook is biased to the downside given the outsized demand impact of China's Covid-19 lockdowns," Vivek Dhar, commodities analyst at Commonwealth Bank of Australia, wrote in a note. "Aggressive monetary policy is another downside risk for global commodity demand" (Bloomberg). The trend remains technically weak with price below all key moving averages supported by the RSI below 50. A small upside move overnight has resulted in price trading above the daily pivot point, price and momentum are conflicting. A close on the 4-hour candle above USD 9,476 with the RSI at or above 38.5 (currently 34) will mean price and momentum are aligned to the buyside. Likewise, a close below this level it is aligned to the sell side. Upside moves that fail at or below USD 9,731 will leave the futures vulnerable to further tests to the downside, whilst above USD 9,900 the futures will be bullish based on price. Technically bearish the positive divergence remains in play. Resistance is at USD 9,593, USD 9,651, USD 9,731 with support at USD 9,476, USD 9,403.50, and USD 9,135. All eyes will now be on the Fed later today, until then the market could lack direction.

## Alu

Aluminium falls in the Asian morning session amid concerns over demand. China remains the central worry, as Covid-19 lockdowns continue to weigh on the demand outlook for base metals, says CBA analyst Vivek Dhar in a research report. China accounts for 40%-60% of base-metal demand, 70%-75% of the world's iron ore imports and 15%-16% of global oil consumption, the analyst notes. Also, the recent surprise drop in the U.S. ISM manufacturing index spurred concerns that U.S. manufacturing demand may be slowing, the analyst adds. The three-month LME aluminium contract is down 0.2% at \$2,906.00 a ton (WSJ/Bloomberg). The futures continue to come under pressure with price in a bearish trending environment, price is below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the sell side. Upside moves that fail at or below USD 3,052 will leave the futures vulnerable to further tests to the downside, above USD 3,135 the futures will be bullish based on price; however, price will be below/in the EMA resistance band, which is well spaced, implying the trend is stable. A close on the 4-hour candle above USD 2,950 with the RSI at or above 37 (currently 31.5) will mean price and momentum are aligned to the buyside. The RSI continues to remain in divergence with price, not a buy signal it does warn of the potential for a momentum slowdown. Resistance is at USD 2,950, USD 2,984, USD 3,013, USD 3,052 with support at USD 2,894, USD 2,824, and USD 2,795. Technically bearish the divergence will need to be monitored.

## Zinc

The futures continue to move lower with price trading below the daily (and intraday) EMA support band whilst the RSI is below 50, intraday price and momentum are aligned to the sell side. The futures have come under pressure on the Asian open, but price is now off its lows. A close on the 4-hour candle above USD 3,963 with the RSI at or above 35.5 (currently 29) will mean price and momentum are aligned to the buyside; however, upside moves that fail at or below USD 4,129 will leave the futures vulnerable to further tests to the downside. The intraday EMA's remain well spaced, implying a stable trend whilst the RSI has made a new low, suggesting upside moves could be countertrend. Resistance is at USD 3,963, USD 4,012, USD 4,062 with support at USD 3,884, USD 3,744, and USD 3,706. Technically bearish and in trend, we are seeing a disparity gap form with the EMA resistance band warning we could be a little overextended to the downside at this point.

## Nickel

We noted yesterday that the futures had traded below the USD 31,785 support, its lowest close since the 29/03/22. The futures did trade to a low of USD 30,500 before finding some buying support late on. Volume remains minimal, but at least we are starting to see some movement in the futures.

## Lead

The futures remain technically bearish with the futures in a consolidation phase, an inverted hammer Doji yesterday signals that although there is indecision in the market, we could be finding a base at these levels. Price remains below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the buy side. A close on the 4-hour candle below USD 2,260 with the RSI at or below 36.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,314 will leave the futures vulnerable to further tests to the downside. Resistance is at USD 2,286, USD 2,298, USD 2,314 with support at USD 2,260, USD 2,240, and USD 2,230.50. Technically bearish, the inverted hammer Doji will need to be monitored as it is warning that we could be forming a base here.