Base Morning Intraday Note

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Copper

Copper headed for a fifth weekly loss, its longest losing streak in more than two years, as U.S. monetary tightening and China's Covid-19 outbreaks darkened the demand outlook. Base metals were mostly lower as stocks and bonds slid and the U.S. dollar rose, while accelerating inflation, rising borrowing costs and lockdowns in China also depressed sentiment. The U.S. central bank on Wednesday raised interest rates by the most since 2000 while pushing back against talk of super-sized increases. China's virus outbreaks are stoking angst around the top metals-consuming economy. The country's leaders warned against questioning Xi Jinping's Covid-zero policy, reaffirming support for the lockdown-dependent approach despite pressure to relax restrictions and protect economic growth (Bloomberg). The upside move in the futures failed at the EMA resistance band, resulting in the futures closing the day below its pivot point, this also means we did not get the island reversal pattern on the daily chart. Intraday price and momentum are conflicting, a close on the 4-hour candle below USD 9,554 with the RSI at or below 35.5 (currently 38) will mean P&M are aligned to the sell side; likewise, a close above this level will mean it is aligned to the buyside. Downside moves below USD 9,375 will create a positive divergence with the RSI, not a buy signal it does warn of the potential for a momentum slowdown. The intraday trend is bearish with the averages well-spaced suggesting it is stable, but any further divergence will need to be monitored as technically we have been in divergence since the 28/04. Resistance is at USD 9,554, USD 9,770, USD 9,793 with support at USD 9,375, USD 9,315, and USD 9,135. Bearish, but we continue to see warning sign we could soon base around these levels.

Ali

Nickel and aluminum prices retreated in London, reversing early gains as the dollar climbed and traders weighed fast-shifting risks to both supply and demand. Risks remain for metals demand from China, the world's top metals consumer, as the country grapples with coronavirus outbreaks and lockdowns. The dollar rebounded after Wednesday's Federal Reserve rate decision, driven upward by concerns on China growth and high oil prices. A higher greenback makes commodities priced in the U.S. currency expensive for some buyers. "Given the current weakened demand outlook both within Europe and within China, the downward pressure on near-term prices is unlikely to be altered," Natalie Scott-Gray, an analyst at StoneX Group, said Thursday in an emailed note. "This is especially true if we look at the current strength of the U.S. dollar" (Bloomberg). We needed to see more from the technical yesterday, but it didn't happen, the upside moves failed below the USD 3,052 level (and the EMA resistance band), leaving the futures vulnerable to a downside move. Price held at the low from the opening on 04/05 meaning we now have a double bottom support forming, below this level the futures will create a positive divergence with the RSI, warning of the potential for a momentum slowdown. Intraday price and momentum are conflicting, a close on the 4-hour candle below USD 2,954 with the RSI at or below 35 (currently 38) will mean price and momentum are aligned to the sell side. Likewise, a close above this level will mean it is aligned to the buyside. The EMA resistance band remains well spaced implying the trend is stable, but with price already in divergence with the potential to produce further divergences at lower levels, there are warning signs that momentum could slow down. Resistance is at USD 2,954, USD 3,035, USD 3,052 with support at USD 2,891.50, USD 2,824, and USD 2,795. The upside moves failed this time, if the next move lower is not comprehensive, then we could see market buyers looking to test resistance levels once again.

Zinc

According to the data released by the London Metal Exchange (LME), inventory of zinc continued to fall last week after surging to 144,425 mt on March 15, with the latest stocks at 93,175 mt, hitting a new low within 2 years. According to SHFE data, SHFE zinc stocks fell in the week of April 29, with weekly stocks decreasing by 3.75% to 169,598 mt, hitting a new low within 2 months. Note: In general, declining stocks in SHFE and LME will be supportive of futures prices (SMM). The upside move in the futures did move above the 1-hour EMA resistance band yesterday but failed to test the 4-hour band, resulting in the futures moving lower. Intraday price and momentum are conflicting with the futures showing a positive divergence on a new low. Not a sell signal it is a warning of the potential for a momentum slowdown. A close on the 4-hour candle below USD 3,942 with the RSI at or below 32.5 (currently 33.50) will mean P&M are aligned to the sell side. Likewise, a close above this level with the RSI at or above 37 will mean it is aligned to the buyside. Upside moves that fail at or below USD 3,984 will leave the futures vulnerable to further tests to the downside, above this level the futures will have a neutral bias. Resistance is at USD 3,912, USD 3,942, USD 3,984 with support at USD 3,835, USD 3,730, and USD 3,706. Technically bearish with the EMA's well-spaced, the positive divergence with P&M conflicting are warning that resistance levels could be vulnerable.

Nickel

We noted on the 03/05 that the futures were breaking to the downside, resulting in price trading to a low of USD 30,000 yesterday. The intraday EMA resistance band is now turning lower with the bands starting to separate, the bear trend is not stable, but it is showing signs that it is weakening. Price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 30,673 with the RSI at or above 40 (currently 34.5) will mean price and momentum are aligned to the buyside. Volumes remain light but we are starting to see price movement in the futures, suggesting we are potentially seeing participants coming back to the market.

Lead

SMM survey found that the spot lead market was relatively calm, despite the sharp spike in SHFE lead prices. Downstream buyers rejected higher lead prices. Primary lead and secondary lead flowed into the market at large discounts against SHFE front-month lead contract, but downstream producers were still cautious about buying. Some traders made purchases in preparations for delivery of futures contract (SMM). Like the rest of the base complex the upside move failed to trade above the EMA resistance band on the intraday yesterday; however, the futures do have a neutral bias. Intraday price and momentum are conflicting, a close on the 4- hour candle below USD 2,292 with the RSI at or below 43 (currently 45) will mean it is aligned to the sell side. Likewise, a close above this level with the RSI at or above 47.5 will mean it is aligned to the buyside. Resistance is at USD 2,292, USD 2,314, USD 2,327 with support at USD 2,253, USD 2,240, and USD 2,230.50. Technically bearish with a neutral bias, the trend has been showing signs it could be basing around these levels, below USD 2,240 the futures will create a positive divergence with the RSI.