



Base Morning Intraday Note

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Copper

Most industrial metals from aluminum to copper rose as investors weighed weaker-than-expected economic data from China and some hopeful signs of demand from the top metal consuming country. Metals rose broadly after the country's central bank on Sunday effectively cut interest rates on new mortgages in the latest step to arrest a deep property slump. Meanwhile, Shanghai moved closer to easing lockdown measures that have squeezed the city's economy and snarled regional supply chains. Metals have plunged in recent weeks on uncertainty over China's flagging commodities demand as well as monetary tightening and slowing growth in the rest of the world. Goldman Sachs Senior Chairman Lloyd Blankfein said a US recession was a "very, very high risk." Copper pared gains after official data Monday showed China's economy contracted sharply in April, with covid outbreaks and lockdowns dragging the industrial and consumer sectors down to the weakest levels since early 2020. Industrial output, retail sales and the unemployment rate all missed estimates (Bloomberg). The futures traded higher on the rate move but found resistance at the 4-hour EMA resistance band, intraday price and momentum are aligned to the buy side. A close on the 4-hour candle below USD 9,131 with the RSI at or below 35.5 (currently 44) will mean price and momentum are aligned to the sell side, above USD 9,408.50 the futures will have made a higher high. The trend is technically bearish, but we remain cautious due to the positive divergence that is warning we have the potential to see a momentum slowdown soon. Resistance is at USD 9,390, USD 9,408.50, USD 9,526 with support at USD 9,131, USD 8,988, and USD 8,938.

Alu

China, the world's top aluminum producer, lifted its output of the metal to a record in another bad sign for prices after a rapid retreat amid growing demand fears. Primary aluminum production rose to 3.36 million tons in April, the highest since data back to 2002, according to the National Bureau of Statistics. That's up 0.3% from a year earlier (Bloomberg). The upside move in the futures means we are now in the 4-hour EMA resistance band with price and momentum aligned to the buy side. Upside moves that fail at or below USD 2,920 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. A close on the 4-hour candle below USD 2,787 with the RSI at or below 39.5 (currently 48.5) will mean price and momentum are aligned to the sell side. Intraday Elliott wave analysis would suggest the current upside move is countertrend with the expectation that we have the potential for another test to the downside. Resistance is at USD 2,866, USD 2,920, USD 2,962 with support at USD 2,787, USD 2,725, and USD 2,698.

Zinc

The trend remains technically bearish with the futures trading below the EMA resistance band. Downside moves to new low continue to create positive divergences with the RSI, warning we have the potential to see a momentum slowdown. Upside moves that fail at or below the USD 3,853 level will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias, only above USD 4,066 level is the intraday technical bullish. A close on the 4-hour candle below USD 3,500 with the RSI at or below USD 29.5 (currently 34) will mean price and momentum are aligned to the sell side. Intraday wave analysis would suggest that upside moves have the potential to be countertrend, indicating we remain vulnerable to further tests to the downside. Resistance is at USD 3,684, USD 3,756, USD 3,853 with support at USD 3,451, USD 3,473, and USD 3,448.

Nickel

The London Metal Exchange's demand for details of private deals between its members and their clients marks a line in the sand by chief Matthew Chamberlain, as he seeks to repair the market's reputation and avoid a repeat of this year's nickel-market chaos. Yet it's likely to reverberate far beyond the metals world. The LME's proposal represents the first major move to increase oversight of global commodity markets as wild price swings following Russia's invasion of Ukraine leave regulators increasingly uneasy. There's a growing worry about the risks hidden in opaque corners of the trade in natural resources — and the vast ecosystem of privately negotiated over-the-counter derivatives deals is a prime example. In the nickel crisis in early March, most of the massive short bet at the center of the squeeze was held in OTC deals with banks, so the LME didn't grasp the scale and potentially systemic nature of the position. Prices spiked 250% over two days, bringing a handful of dealers to the brink of failure before the LME suspended the market and controversially canceled billions of dollars of trades. While Bloomberg reported last week that the "big short" has been reduced by more than half, Friday's proposal that members submit weekly reports on OTC positions is the latest evidence that the crisis will leave an indelible mark on the London metals market. The changes would dramatically expand the LME's surveillance abilities, going beyond its regulatory obligations and setting it apart from other commodity exchanges. The experience in nickel shows that reform is needed now, Chamberlain says, and he's committed to seeing it through (Bloomberg). As noted last week, the futures remain technically bearish but the new low means we are now in divergence with the RSI. This is not a buy signal but does warn of the potential for a momentum slowdown meaning the futures are not a technical sell at these levels. Volumes in the futures are slowly starting to increase but are not back to levels before the big squeeze.

Lead

The futures remain in a bearish trending environment having come under pressure due to the strong USD on Friday. The upside move on the open means price and momentum are aligned to the buy side; however, we remain vulnerable below USD 2,238 and neutral above. A close on the 4-hour candle below USD 2,071 with the RSI at or below 29 (currently 36) will mean price and momentum are aligned to the sell side. Resistance is at USD 2,162, USD 2,194, USD 2,238 with support at USD 2,071, USD 2,056, and USD 2,018.