



Base Morning Intraday Note

info@freightinvestor.asia | freightinvestorservices.com | (+65) 6535 5189

Copper

Base metals extended their rebound from the lowest level this year on signs the current wave of virus outbreaks in China may be easing. Shanghai reported three days of zero community transmission, a milestone that may allow officials to start unwinding a punishing two-month lockdown that helped dragged the Chinese economy into a sharp contraction last month. The number of provinces with at-risk areas fell to five from 11 in the previous week, according to Bloomberg Economics. The People's Bank of China said over the weekend that it would cut rates on new mortgages. The central bank in the world's largest metals consumer kept its key lending rate unchanged on Monday, however, amid inflation pressures and worries about capital outflows (Bloomberg). As noted last week and yesterday, the trend remains technically bearish; however, based on the Elliott wave cycle and the recent divergence, we remained cautious, as the technical warned of the potential to see a momentum slowdown. Price action in the futures is now supporting this on the back of the new mortgages rate cut in China yesterday, the upside move is deep into the last bear wave, meaning we now have a neutral bias, above the USD 9,390 – 9,408.50 resistance zone the intraday futures will be bullish. Downside moves that close on the 4-hour candle below USD 9,234 with the RSI at or below 40.5 (currently 51) will mean price and momentum are aligned to the sell side; however, corrective moves lower that hold at or above the USD 9,071 level will support a bull argument, below this level the futures will target the USD 8,938 low. Technically we remain bearish but with a neutral bias, the intraday EMA resistance band is now starting to flatten, warning the bear trend is less stable. Resistance is at USD 9,390, USD 9,408.5, USD 9,526 with support at USD 9,234, USD 9,177, and USD 9,128.

Alu

Supportive measures from China have had a positive response with the futures moving higher again yesterday. Price and momentum are aligned to the buy side with the intraday EMA resistance band starting to flatten, indicating the trend is becoming less stable. However, the RSI is below 50 (48) with the stochastic in overbought territory, if the RSI can hold below 50 then momentum is vulnerable to a test to the downside if we move above 50 the stochastic is less relevant. Upside moves that fail at or below USD 2,920 will leave the futures vulnerable to a test to the downside; likewise, a close on the 4-hour candle below USD 2,833 with the RSI at or below 44 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,754 will support a near-term bull argument, below this level the futures will target the USD 2,717 and USD 2,697.50 fractal support levels. Upside moves that trade above 3,035 will create a higher high on the intraday, indicating the technical is bullish. The Elliott wave cycle is implying that this upside move is possibly countertrend and warns we remain vulnerable below USD 3,131, suggesting caution on an upside breakout above USD 3,035, as there is a potential bearish wave to follow based on our wave analysis. Technically bearish, the futures are moving higher on what looks to be a corrective wave 4, implying there is a bearish wave 5 to come, making the key resistance to follow at USD 3,131.

Zinc

The futures continue to move higher with price trading into the EMA resistance band, price and momentum are aligned to the buy side. The RSI is below 50 (45) with the stochastic in overbought territory, momentum is warning the futures are vulnerable to a test to the downside. Upside moves that fail at or below USD 3,853 also leaves the futures vulnerable to a downside move, above this level the technical will have a neutral bias. A close on the 4-hour candle below USD 3,559 with the RSI at or below 33.5 will mean price and momentum are aligned to the sell side. Intraday Elliott wave analysis is implying this upside move is potentially countertrend. Technically bearish with resistance at USD 3,684, USD 3,756, USD 3,853 with support at USD 3,559, 3,507.50, and USD 3,451.

Nickel

The trend is technically bearish, but a positive divergence is warning that we have the potential for a momentum slowdown, meaning that from a technical perspective the futures are not a 'technical' sell at these levels. A mixed day in the futures with price moving lower in the European session before finding some buy-side support later in the day. Volumes in May are higher than April but remain low.

Lead

Like the rest of the base complex the futures moved higher yesterday with price now at the base of the EMA resistance bands. Price and momentum are aligned to the buy-side, but the futures remain vulnerable below USD 2,238, above this level the technical will have a neutral bias. Intraday Elliott wave Analysis indicates that this upside move looks to be a countertrend Wave 4, suggesting we have the potential for further tests to the downside. Resistance is at USD 2,162, USD 2,194, USD 2,238 with support at USD 2,095, USD 2,056, and USD 2,018.