



# Base Morning Intraday Note

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## Copper

Base metals extended their rebound from a five-month low as the demand outlook was bolstered by a weaker US dollar and China's loan-rate cut. The Bloomberg Dollar Spot Index fell to the lowest level in more than two weeks, making commodities priced in the US currency relatively cheaper for many buyers. Base metals are capping their first weekly advance in eight, boosted after Chinese authorities cut a key interest rate for long-term loans by a record amount, while concerns are easing about demand in the top metals consumer which is battling a property slump and Covid lockdowns. The recent rally comes after metals fell to the lowest level since December on May 12, when China's bid to tackle the worst coronavirus outbreaks in more than two years roiled demand. Prices this month have also been impacted by concerns of a recession in the US and Europe, as central banks tighten policy to deal with the hottest inflation in decades (Bloomberg). The intraday technical is bullish based on price with the futures holding above their moving average band. The new high on the Asian open means we have a negative divergence on the 1-hour technical, not a sell signal it is warning the futures are vulnerable to a momentum slow-down. A close on the 4-hour candle below USD 9,429 with the RSI at or below 50.5 (currently 56) will mean price and momentum are aligned to the sell side; however, if the futures hold above USD 9,286 it will support a bull argument, below this level the technical will have a neutral bias. Resistance is at USD 9,549, USD 9,655, USD 9,789 with support at USD 9,345, USD 9,286, USD 9,239. Technically bullish but vulnerable to an intraday test to the downside based on the lower timeframe divergence.

## Alu

The average cost of Aluminium smelters slid 3 yuan/mt from a week ago to 18,239 yuan/mt as of last Friday due to a slight drop in alumina prices in Henan and Shanxi. The SMM spot Aluminium prices rebounded slightly to 20,770 yuan/mt, expanding smelters' profits by 667 yuan/mt to 2,531 yuan/mt. On the one hand, power costs declined thanks to the rainy season in Yunnan. On the other hand, as the power consumption peak in east and south China is about to come, energy prices such as coal could potentially rise. The prices of other raw materials and auxiliary materials are expected to be little changed. In this context, Aluminium costs are likely to increase in the short term (SMM). The futures continue to move higher with price now looking to test the daily EMA resistance band, price is however above the intraday band. Price and momentum are aligned to the buy-side, a close on the 4-hour candle below USD 2,957 with the RSI at or below 54 (currently 62) will mean it is aligned to the sell side. Downside moves that hold at or above USD 2,882 will support a bull argument, below this level the futures will have a neutral bias, only below USD 2,822.50 is the intraday technical bearish. The daily RSI is below 50 with the stochastic in over-bought territory, momentum is warning the futures are vulnerable to further tests to the downside. Technically bearish with a neutral bias, above USD 3,035 the futures will have made a new high; however, as previously noted, based on our wave analysis the futures remain vulnerable below USD 3,131. Resistance is at USD 3,026, USD 3,034, USD 3,131 with support at USD 2,957, USD 2,930, and USD 2,910.

## Zinc

Data released by the International Lead and Zinc Study Group (ILZSG) on Friday showed that in March 2022, the global zinc market was in short supply by 6,300 mt, and the surplus in February was revised to 26,500 mt. The ILZSG had previously reported a supply surplus of 14,300 mt in February. The zinc market was oversupplied by 11,000 mt in January-March, compared with a surplus of 108,000 mt in the same period last year. In March 2022, the global lead market was in short supply by 9,600 mt, and the surplus in February was revised to 3,600 mt. The ILZSG had forecast a lead market surplus of 7,800 mt in February. The lead market was in short supply by 23,000 mt in January-March, compared with a surplus of 5,000 mt in the same period last year (SMM). A small rise on the Asian open means price and momentum remains aligned to the buy-side; however, the futures are failing to convincingly move above and hold above the intraday EMA resistance band. Upside moves that fail at or below USD 3,853 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 3,716 with the RSI at or below 49 (currently 55) will mean price and momentum are aligned to the sell side, below USD 3,564 the intraday technical is bearish, warning the USD 3,451 low could come under pressure. Wave analysis is warning that the futures remain vulnerable to further tests to the downside, it is worth noting that price is currently trading in and finding support in the weekly EMA band. Technically bearish with the Elliott wave suggesting there is the potential for another test to the downside to come, with price trading in the weekly support band it would suggest market sellers should be cautious. Resistance is at USD 3,764.50, USD 3,853, USD 3,930.

## Nickel

The Upside move on Thursday last week has failed to gain further upside momentum with price finding resistance in the intraday EMA band. Upside moves that fail at or below USD 31,243 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias; likewise, downside moves that hold at or above USD 27,047 will support a near-term bull argument. The RSI is below 50 with the stochastic in overbought territory, momentum is warning that intraday support levels could be vulnerable. Resistance is at USD 29,087, USD 29,997, USD 31,243 with support at USD 27,514, USD 27,047, and USD 26,055.

## Lead

We noted on Friday that the upside move in the futures suggested that we had seen the bearish Elliott wave cycle complete. The futures continue to move higher with price moving above the intraday EMA band, price and momentum are aligned to the buy side, a close on the 4-hour candle below USD 2,138 with the RSI at or below 44.5 (currently 63) will mean it is aligned to the sell side. Corrective moves lower that hold at or above USD 2,082 will support a bull argument, below this level the futures will have a neutral bias, warning the USD 2,025 support could be tested. Resistance is at USD 2,228, USD 2,267, USD 2,333.