FIS

Base Morning Intraday Note

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Copper

Copper prices in China have barely budged since the central bank cut interest rates and the government announced 33 measures to rescue the economy from the clutches of its Covid Zero policy. Given the wide range of copper's applications, from construction to white goods and renewable power, it might seem odd that such a broad response from the authorities has failed to provoke much enthusiasm among buyers. However, it may be that the bulk of the stimulus, particularly around freeing up lending, has been skewed to bandaging Beijing's self-inflicted wounds in the real estate sector (Bloomberg). The downside move in the futures failed to hold yesterday warning that market sellers are becoming emboldened, suggesting we could be about to enter a corrective phase. The futures have moved lower on the Asian open meaning price and momentum are aligned to the sell side, downside moves that hold at or above USD 9,246 will support a bull argument, below this level the futures will have a neutral bias. A close on the 4-hour candle above USD 9,469 with the RSI at or above 58 (currently 53) will mean price and momentum are aligned to the buyside. The intraday is technically bullish but the daily chart is holding below the EMA resistance band with the futures edging lower, suggesting we could be about to roll over into a corrective phase, making USD 9,246 the key level to follow. Resistance is at USD 9,469, USD 9,565, USD 9,655 with support at USD 9,362, USD 9,297, and USD 9,246.

Alu

Total aluminium inventories in warehouses tracked by the London Metal Exchange fell 2% to 487,475 tons, the lowest since May 2001, according to data from the bourse. Decline driven by withdrawals from warehouses in Malaysia's Port Klang. Stockpiles were previously at the lowest since 2005. NOTE: Total figure includes metal already earmarked for withdrawal. Readily available inventory fell to a record low earlier this month (Bloomberg). The futures continue to move lower with price trading below the USD 2,882 support, warning the USD 2,822.50 fractal could be tested. Price and momentum are aligned to the sell side, a close on the 4-hour candle above USD 2,904 with the RSI at or above 57.5 (currently 47) will mean it is aligned to the buyside. The daily technical is failing at the EMA resistance band, a spinning top followed by a lower close yesterday would suggest support levels are vulnerable. Technically bearish with resistance at USD 2,904, USD 2,998, USD 3,035 with support at USD 2,860, USD 2,822.50, and USD 2,813.

Zinc

Buyside momentum is slowing as the daily technical approaches its resistance band with price now in consolidation, warning we could be about to roll over into a corrective phase. Intraday price and momentum are conflicting, as price is on the daily pivot whilst the RSI is on its moving average. A close on the 4-hour candle above USD 3,766 with the RSI at or above 59 (currently 57) will mean it is aligned to the buyside; likewise, a close below this level with the RSI at or below 54.5 will mean it is aligned to the sell side. Corrective moves lower that hold at or above USD 3,643 will support a near-term bull argument, below this level we target the USD 3,564 fractal support. Upside moves above USD 3,798 have the potential to create a negative divergence on the lower timeframe chart (1-hour). Resistance is at USD 3,798, USD 3,853, USD 3,930 with support at USD 3,708, USD 3,681, and USD 3,643. Looking vulnerable to a downside move.

Nickel

Nickel led declines as most industrial metals retreated on signs of demand softness emerging in China and weak US economic data. Sales of new US homes nosedived in April, falling to a two-year low as mortgage rates soared. Meanwhile, a measure of business activity dropped to a four-month low in early May as costs ballooned and high selling prices tempered demand at service providers. Prices for nickel, a metal used in stainless steel and batteries slumped as much as 5.4%, while copper and aluminium also dropped on the London Metal Exchange (Bloomberg). The futures continue to reject the intraday EMA resistance band with price trading near its lows. Below USD 26,055 the futures will create a positive divergence with the RSI, not a but signal it does warn we have the potential to see a momentum slowdown on a new low, meaning the futures are not considered a technical sell at these levels. Volume, already low is now decreasing, look for a bullish day on higher volume, as it could signal that resistance levels could soon be tested. Resistance is at USD 28,985, USD 29,997, USD 31,243 with support at USD 26,055, USD 25,583, and USD 25,283.

Lead

According to data released by the London Metal Exchange (LME), since mid-March, LME lead inventories have fluctuated in a wide range. LME lead inventories stabilised at 38,850 mt for three days in a row, the lowest in over 14 years. According to data released by the Shanghai Futures Exchange, SHFE lead inventories fell in the week of May 20, with weekly inventories decreasing by 2.48% to 90,650 mt as of May 20 (SMM). We have a similar pattern in lead to some of the other base products today with price stalling at the daily resistance band, warning we could soon enter a corrective phase. Price and momentum are now aligned to the sell side, downside moves that hold at or above USD 2,082 will support a bull argument, below this level the futures will have a neutral bias. A close on the 4-hour candle above USD 2,175 with the RSI at or above 61.5 (currently 55.5) will mean price and momentum are aligned to the buyside. Technically bullish but looking vulnerable to a corrective pull-back, Resistance is at USD 2,175, USD 2,195, USD 2,228 with support at USD 2,129, USD 2,109, and USD 2,082.