



Base Morning Intraday Note

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Copper

Copper leaped past \$9,800 a ton in early trading on Monday to its highest since April, with sentiment across industrial metals bolstered by the latest signs of China reining in its tough measures to fight Covid-19. In Beijing, authorities allowed public transport to restart in most areas, and let offices and restaurants re-open. Single-digit case counts in the capital and in Shanghai on Sunday also pointed to relief from the curbs that have taken a huge toll on the economy in the past two months (Bloomberg). The futures have gapped higher on the open but are currently trading near the low of the day. The intraday candles are bullish having made higher highs with price above the EMA support band; however, the band remains compressed indicating the trend is not stable at this point. Price and momentum are aligned to the buy side, a close on the 4-hour candle below USD 9,480 with the RSI at or below 52.5 (currently 63) will mean it is aligned to the sell side. The futures are now trading in the daily EMA resistance band with the stochastic overbought, whilst the RSI at 51 is near neutral, momentum is warning that the futures could be vulnerable to a technical pullback here. Resistance is at USD 9,791, USD 9,826, USD 9,863 with support at USD 9,644, USD 9,594, and USD 9,527.

Alu

The upside move in the futures failed to trade above the USD 3,035 resistance whilst the downside move below USD 2,821 fractal support has resulted in the futures trading to a low of USD 2,720. Technically bearish, the upside move on the open means price and momentum are aligned to the buy side; however, upside moves that fail at or below USD 2,851 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 2,753 with the RSI at or below 39 (currently 42) will mean price and momentum are aligned to the sell side. Elliott wave analysis would suggest we are on wave 5 of wave C suggesting we should create a positive divergence below USD 2,697.50. Not a buy signal it does warn that we have the potential to see a momentum slowdown on a new low. Resistance is at USD 2,819, USD 2,851, USD 2,919 with support at USD 2,593, USD 2,469, and USD 2,346.

Zinc

For LME zinc, the electricity prices returned to €200/MWh after a small drop last week. While the USD/EUR rate rose to 1.07, the costs of smelters in Europe moved around \$4,000/mt. If spot premiums in Europe are considered, the profits of smelters will be lucrative. However, with the energy crisis between Russia and Europe, it is difficult for smelters to resume the production until the crisis is resolved. And LME inventory reduced steadily in a small amount. The backwardation structure of LME expanded, but a short squeeze is not expected in consideration of the poor liquidity of LME and transparent management. In general, LME zinc is expected to move between \$3,780-4,000/mt (SMM). The upside move on the intraday technical remains below the USD 4,065 fractal resistance, meaning we are bearish with a neutral bias. However, the futures remain vulnerable to further tests to the downside on the daily chart below USD 4,169, above this level the technical will have a neutral bias. Downside moves that hold at or above USD 3,793 will support a near-term bull argument, below USD 3,690 will warn that the USD 3,564 and USD 3,451 fractal support levels could come under pressure. Intraday price and momentum are conflicting, a close on the 4-hour candle below USD 3,880 with the RSI at or below 59.5 (currently 63) will mean it is aligned to the sell side. Likewise, a close above this level with the RSI at or above 64 will mean it is aligned to the buy side. Resistance is at USD 3,995.50, USD 4,065, and USD 4,169. Bearish with a neutral bias, the futures remain vulnerable to a test to the downside.

Nickel

Paul Singer's Elliott Investment Management is seeking \$456 million in damages from the London Metal Exchange over its move in March to cancel nickel trades after a massive, short squeeze. The suit was filed by two Elliott vehicles against the LME and its clearing house in the English High Court on June 1, according to a statement issued by Hong Kong Exchanges & Clearing Ltd., the parent company of the defendants. "The LME management is of the view that the claim is without merit and the LME will contest it vigorously," it said in the statement. The move by the activist investor ratchets up pressure against the LME, which has been widely criticized for its decision to halt trading and cancel bets. The LME is also facing a review by UK regulators after it undid billions of dollars of transactions and halted trading for over a week. The nickel market has been stuck in an extended limbo of low liquidity and volatility since the crisis (Bloomberg). The upside move in futures have failed to trade above the USD 31,243 resistance, meaning we remain vulnerable to further tests to the downside, below USD 27,600 will warn that the USD 27,025 and USD 26,050 support levels could be tested. Volume remains light suggesting market participants continue to remain on the sidelines. Resistance is at USD 29,078, USD 29,997, and USD 31,243.

Lead

Today's lead prices dropped, testing the cost support and secondary refined lead smelters were very reluctant to sell amid the wait-and-see sentiment. The quotation of secondary refined lead was few and was in discounts of 100-0 yuan/mt (tax including) over the SMM average price while the downstream was unwilling to pick up goods and to purchase on dips. Therefore, there were few transactions in the spot market (SMM). The intraday futures remain technically bullish based on price with our Elliott wave analysis suggesting the downside move has potentially completed. However, price remains below the daily EMA resistance band leaving the futures vulnerable to a corrective move lower. Downside moves that hold at or above USD 2,114 will support a bull argument, below this level the futures will have a neutral bias. Intraday price and momentum are aligned to the buy side, a close on the 4-hour candle below USD 2,167 with the RSI at or below 52.5 (currently 56.5) will mean price and momentum are aligned to the sell side. Resistance is at USD 2,228, USD 2,267, USD 2,333 with support at USD 2,167, USD 2,148, and USD 2,133.