

China

China took the most aggressive step in its recent battle to bolster the yuan, setting its reference rate for the currency with the second strongest bias on record.

The People's Bank of China fixed the yuan at 6.8802 per dollar, 249 pips stronger than the average estimate in a Bloomberg survey. The bias was the second largest on the strong side since the daily survey of traders and analysts was initiated in 2018.

"The strengthening bias suggests the PBOC is becoming more cautious now given the rapid buildup of speculative positioning," said Becky Liu, head of China macro strategy at Standard Chartered Bank Plc in Hong Kong. "The fixing and verbal intervention will remain the main tool for now, and we will also watch out for an increase of PBOC bill issuance in Hong Kong." (Bloomberg).

Cu/Al

Copper retreated from a two-week high and aluminum fell amid concerns that virus lockdowns will impede China's economic recovery, and as supply disruptions in the country eased.

Beijing's ongoing battle to contain Covid-19 is damaging confidence in the nation's economy, with the Covid Zero policy causing many US companies to delay or cancel investments. That's on top of a property crisis that's taken a hefty toll on metals demand in the top consumer.

On the supply side, aluminum smelters in China's Sichuan province are restarting units following two weeks of stoppages due to a heatwave and subsequent power shortage. The southwestern province eased emergency energy measures during the weekend and restored power supply to most industries after rains helped lower temperatures.

Prices of copper, seen as a bellwether for metals demand, have been wavering in the past two weeks as traders monitor supply losses. Still, the metal has gained more than 10% since hitting a 20-month low in mid-July.

China's economic recovery has been slow amid a lack of domestic financing, a weakening property sector and covid flareups, First Futures Co. said in a note. Domestic spot copper trading is relatively muted after prices rebounded since July, it added.

Copper fell 2.2% to \$7,981.50 a ton on the London Metal Exchange as of 9:33 a.m. in Shanghai, while aluminum dropped 2.9%. Other base metals were also lower, with tin down 3.7%. (Bloomberg).

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear	
S1	7,852	R1	7,958.5		RSI below 50	
S2	7,836	R2				8,118
S3	7,602	R3				8,182

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (43)
- Stochastic is below 50
- Price is above the daily pivot point USD 8,192
- As noted last week the futures looked like they could trade to new highs, suggesting we could be seeing some form of wave extension rather than a new bull cycle. The divergence implied caution on a bullish breakout. The futures moved higher; however, the upside move failed to hold resulting in the futures gapping lower on the Asian open. Price is below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 8,192 with the RSI at or above 56.5 will mean price and momentum are aligned to the buyside. The futures have traded below the USD 7,995 fractal support meaning the intraday technical is now bearish, upside moves that fail at or below USD 8,182 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The futures have broken a fractal support meaning the intraday technical is bearish; however, if this is a wave extension then the key support level is at USD 7,852, if broken it will confirm that we have seen cycle/wave completion, indicating the higher timeframe technical is vulnerable to further downside moves.
- Technically bearish with price moving lower on the back of a negative divergence having produced a bearish breakaway gap on the back of a daily rejection candle. Downside moves below USD 7,852 will target the USD 7,602 and USD 6,955 support levels.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,407	R1	2,427		RSI below 50
S2	2,373	R2			
S3	2,358	R3			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (49)
- Stochastic is above 50
- Price is above the daily pivot point 2,476
- We had been consolidating in a symmetrical triangle indicating the futures although bearish had a neutral bias. Price did break to the upside and closed outside of the symmetrical; however, like copper, we have seen a move to the downside on the open resulting in price trading below the triangle. The pattern is now obsolete. Price is below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 2,476 with the RSI at or above 57 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 2,481 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish with a neutral bias the upside breakout has failed to hold, resulting in the futures entering back into the consolidation zone. The RSI is near neutral at 49 having rejected the resistance area highlighted on the chart. The upside move has rejected the daily EMA resistance band, warning downside support level could be vulnerable.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,450	R1	3,475		RSI below 50
S2	3,413.5	R2			
S3	3,375	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,576
- Having broken the consolidation zone to the upside we have rejected the USD 3,616 Fibonacci resistance, resulting in the futures trading back into the zone. Price is below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,576 with the RSI at or above 55 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,681 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The futures are now trading in the consolidation zone but below the USD 3,490 level (POC). This is warning that the USD 3,450 and USD 3,413.50 support levels are vulnerable, if broken it will further support a bearish argument on the daily technical.

Nickel Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	21,020	R1	21,633		RSI below 50
S2	20,616	R2			
S3	18,230	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (46)
- Stochastic is at 50
- Price is above the daily pivot point USD 21,753
- Technically bullish with a neutral bias, the upside move in the futures has failed at the EMA resistance band, resulting in price moving lower on Friday. The RSI is below 50 with price and momentum are conflicting.
- A close on the 4-hour candle below USD 21,753 with the RSI at or below 44 will mean price and momentum are aligned to the sell side. Likewise, a close above this level with the RSI at or above 48.5 will mean it is aligned to the buyside. Upside moves that fail at or below USD 23,277 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 24,090 fractal resistance.
- Technically bullish with a neutral bias, the futures are starting to reject the resistance band warning support levels could be vulnerable on the open, as the rest of the complex is also coming under pressure.

Lead Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	1,943	R1	1,988		RSI below 50
S2	1,935	R2			
S3	1,845	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is above 50
- Price is below the daily pivot point USD 1,989
- Having previously rolled to the downside the futures had a bit of a volatile day on Friday with price whipping both higher and lower. Price remains below the EAM resistance band with the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 1,989 with the RSI at or below 38 will mean price and momentum are aligned to the sell side. Likewise, a close above this level will mean it is aligned to the buyside. Upside moves that fail at or below USD 2,123 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The futures are now starting to consolidate with the RSI above its moving average, which is pointing higher, suggesting support levels could hold in the near-term. We did have a bullish breakaway gap (highlighted on the report on the 25/08/22), however, for some reason we now have this area filled with data, suggesting the USD 1,935—USD 1,985 area is not a support zone after all. I cannot explain why we now have data in the missing area. From a technical perspective we still see this upside move as countertrend due to the RSI making new lows on the 24/08.