FIS

Base Morning Technical Report

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News

China brought back a tool to make it more expensive to bet against the yuan via onshore derivatives, after the currency edged close to the weak end of its trading band.

The People's Bank of China will impose a risk reserve requirement of 20% on banks' foreign-exchange forward sales to clients, it said in a statement on Monday. The reserve ratio has been zero since 2020.

That's after the yuan depreciated on Friday to a level closest to the weak end of its allowed trading band since a shock currency devaluation in 2015. Pressure on the exchange rate has worsened lately due to the dollar's surge and as the local economy gets hit by Covid curbs and a slowdown in the property sector.

"By imposing the risk reserve requirement, the PBOC aims to slow the pace of depreciation but it will unlikely turn the tide," said Peiqian Liu, an economist at NatWest Markets. "The currency weakness is in line with most major currencies and the broad dollar strengthens." (Bloomberg)

Metals

Gold plumbed its lowest since 2020 while copper and iron ore slumped, as the dollar's rally to a fresh record added to fears for the global economic outlook.

The greenback surged in a tumultuous start to the week that also saw Britain's pound hit a record low and China's currency neared its weakest since 2008. Investors are turning to US currency as a haven -- rather than gold -- as monetary tightening clouds growth prospects.

"Recessionary concerns are gripping the market, with the fact that the US dollar is scaling higher and likely to continue to rise," said Jessica Amir, a strategist at Saxo Capital Markets in Sydney. Gold and copper fell more than 1%, while iron ore futures extended a two-week decline. (Bloomberg)

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	7,173	R1	7,522	7,302.5	Stochastic oversold	RSI below 50
S2	7,112	R2	7,589			
S3	7,047	R3	7,680			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (30)
- Stochastic is oversold
- Price is below the daily pivot point USD 7,510
- The futures traded lower on Friday with price trading below and closing below the USD 7,632 – USD 7,590 area, resulting in the support zone being broken. Price is below all key moving averages supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 7,510 with the RSI at or above 42.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 7,676 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The technical is bearish, the support zone failed to hold on the second test with the RSI divergence potentially about to fail. If it does, then we target the USD 6,955 low, if it does now, then resistance levels could be tested.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,124	R1	2,179	2,171	Stochastic oversold	RSI below 50
S2	2,099	R2	2,191			
S3	2,087	R3	2,207			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (38)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,186
- We were cautious on the downside move on Friday due to the potential for a second divergence as price approached the Fibonacci support. This proved to be incorrect as the futures traded through the support zone whilst the divergence is still in play. Price is below the EMA resistance 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 2,186 with the RSI at or above 40.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,207 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The technically is bearish, the intraday divergence is still in play, this will need to be monitored; however, the Elliott wave cycle is warning we could see another test to the downside, making USD 2,207 the key resistance to follow.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,873	R1	3,026	2,974.5	Stochastic oversold	RSI below 50
S2	2,751	R2	3,059			
S3	2,596	R3	3,104			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (37)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,046
- Technically bearish on Friday but in divergence as price was starting to test downside support levels, the futures moved lower with price trading within the Fibonacci support zone. Price is below the EMA resistance band supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,046 with the RSI at or above 43 will mean price and momentum are aligned to the buyside. upside moves that fail at or below USD 3,104 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The technical is bearish, the futures remain in divergence which will need to be monitored. Lower timeframe Elliott wave analysis would suggest that this upside move in the futures are potentially countertrend, implying we have another test of the downisde to come.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	22,875	R1	23,967	23,030	Stochastic oversold	RSI below 50
S2	21,971	R2	24,298			
S3	21,259	R3	24,747			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is oversold
- Price is below the daily pivot point USD 23,610
- Technically bullish with price on an Elliott wave-5 whilst the futures were in divergence, suggesting the futures were not consider a technical buy on new highs. The futures continued to move lower with price trading below the USD 22,995 support on the open, the intraday technical is now bearish. 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 23,610 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 24,747 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- We have now completed the bullish intraday wave cycle with the technical now in bearish territory, suggesting upside moves should be considered as countertrend at this point. Downside moves that hold at or above USD 2,1971 will warn that there could be a larger bull cycle in play, making this a key support to follow. If broken, we target the USD 2,1259 and USD 18,230 levels.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,834	R1	1,816	1,797	Stochastic oversold	RSI below 50
S2	1,803	R2	1,863			
S3	1,763	R3	1,884			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (31)
- Stochastic is oversold
- Price is below the daily pivot point USD 1,816
- Technically bearish on Friday with downside moves below USD 1,834 looking to create a second divergence, warning the technical had the potential to exhaust soon. The futures moved lower to create the divergence with price trading into the Fibonacci support zone. Price is below the EMA resistance band supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 1,816 with the RSI at or above 38 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 1,913 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- We remain technically bearish with a marginal divergence in play. This will need to be monitored as it continues to warn we could see a momentum slowdown. However, the strong downisde move on Friday meanslower timeframe Elliott wave analysis is suggesting that intraday upside moves should be considered as countertrend at this point, making USD 1,913 the key resistance to follow. If the divergence fails, it could have further bearish implications going forward.