

China

The onshore yuan fell to the weakest level against the dollar since the global financial crisis in 2008, amid an incessant advance in the greenback and speculation China is toning down its support for the local currency.

The onshore yuan weakened 0.2% to 7.1955 per dollar, a level unseen in 14 years, while the offshore unit slid to the lowest level in data going back to 2010. The People's Bank of China set a daily reference rate that was 444 pips stronger than the average estimate in a Bloomberg survey with analysts and traders. The bias was the smallest in two weeks, a sign that Beijing could be easing its support for the currency amid a surge in the greenback and plunge in global exchange rates (Bloomberg).

Metals

Losses for copper and aluminum deepened as the dollar reached a fresh high, piling pressure on commodities as the global economy falters.

The greenback surged to another record after a flurry of hawkish comments from Federal Reserve officials that underlined the prospect of aggressive monetary policy to tame inflation. That's fueling more risk aversion after one gauge of base metals on Tuesday hit its lowest since February 2021.

Commodities are stuck in a "negative feedback loop" driven by rising US interest rates, the stronger dollar and weaker growth outside the US, according to Goldman Sachs Group Inc. Softening metals demand in Europe and a lack of clarity on China's economy "keeps us convicted of our bearish tilt across the sector this winter," the bank's analysts wrote in a note.

Aluminum -- one of the worst-hit base metals in recent months -- fell to its lowest in 19 months, with significant smelter cuts in Europe failing to offset slumping demand. Europe's economy could shrink as much as 5% amid an especially icy winter and poor coordination of scarce fuel supplies, according to Bloomberg Economics.

The global aluminum market will tilt into a surplus next year, with global output expected to rise 2% on Chinese smelter expansions, although Europe's energy woes and the fighting in Ukraine remain wild cards, Bloomberg Intelligence analyst Zhu Yi wrote in a note on Wednesday.

The spot aluminum contract has been trading at a discount to three-month futures on the London Metal Exchange since Sept. 6, in a so-called contango that points to ample immediate supply.

Aluminum on the LME fell as much as 1.6% to \$2,080.50 a ton, its lowest since Feb. 16, 2021, before trading at \$2,089 as of 11:45 a.m. in Shanghai. Copper was down 1.3% and zinc fell 0.8%. (Bloomberg)

Copper Morning Technical (4-hour)



| | Support | Resistance | Current Price | Bull | Bear |
|----|---------|------------|---------------|---------------------|--------------|
| S1 | 7,119 | R1 | 7,335 | Stochastic oversold | RSI below 50 |
| S2 | 7,018 | R2 | 7,471 | | |
| S3 | 6,916 | R3 | 7,548 | | |

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (34)
- Stochastic is oversold
- Price is below the daily pivot point USD 7,335
- As previously noted, upside moves in the futures looked to be countertrend. Price moved higher yesterday but failed to hold, confirming we have entered a lower time frame wave 5. The futures are 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 7,335 with the RSI at or above 38.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 7,652 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The new low in the futures has created a positive divergence with the RSI, not a buy signal it does warn that we have the potential to see a momentum slowdown. We are now on an Elliott wave 5 on a lower timeframe, the new low means that the minimum requirement for wave/phase completion has been achieved; however, using the Williams approach we do have a potential downside target as low as USD 6,916. Technically bearish the divergence will need to be monitored.

Aluminium Morning Technical (4-hour)



| | Support | Resistance | Current Price | Bull | Bear |
|----|---------|------------|---------------|---------------------|--------------|
| S1 | 2,062 | R1 | 2,094 | Stochastic oversold | RSI below 50 |
| S2 | 2,046 | R2 | | | |
| S3 | 2,029 | R3 | | | |

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (29)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,119
- We have noted over the last couple of days that the downside move looks to be an Elliott wave 3 on a lower timeframe. The futures traded lower yesterday meaning the intraday divergence has failed. With the RSI making new lows, upside moves should be considered as countertrend at this point. 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 2,119 with the RSI at or above 34 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 2,187 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The futures are on a bearish Elliott wave 3 with the current wave just over 100% in length compared to the previous wave with lower timeframe momentum indicators in divergence; suggesting we have the potential to see a momentum slowdown. If we do trade below and hold below the USD 2,080.50 low then support levels could come under pressure, with the potential to trade as low as 2,013.
- Technically bearish with a lower timeframe divergence whilst trading around a 100% projection level, would suggest caution at this point.

Zinc Morning Technical (4-hour)



| | Support | Resistance | Current Price | Bull | Bear |
|----|---------|------------|---------------|---------------------|--------------|
| S1 | 2,783 | R1 | 2,841 | Stochastic oversold | RSI below 50 |
| S2 | 2,751 | R2 | | | |
| S3 | 2,596 | R3 | | | |

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (27)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,886
- The futures continue to move lower with price 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 2,886 with the RSI at or above 33.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 3,073 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Little has changed on the technical, the futures remain in divergence; however, lower timeframe wave analysis would suggest upside moves should be considered as countertrend at this point. The futures are now approaching a support zone between USD 2,783 and USD 2,751 which has the potential to be an area of interest.

Nickel Morning Technical (4-hour)



| | Support | Resistance | Current Price | Bull | Bear |
|----|---------|------------|---------------|---------------------|--------------|
| S1 | 21,437 | R1 | 21,978 | Stochastic oversold | RSI below 50 |
| S2 | 21,259 | R2 | 23,138 | | |
| S3 | 20,050 | R3 | 23,627 | | |

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (36)
- Stochastic is oversold
- Price is below the daily pivot point USD 21,978
- Technically bearish with the futures continuing to move lower, price remains below the EMA support band (the averages are yet to cross) with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 21,978 with the RSI at or above 45 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 24,290 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. The futures have now traded below the USD 21,971 support, indicating the pullback is considered as deep on the daily technical, suggesting support levels remain vulnerable.
- Technically bearish, intraday Elliott wave analysis would suggest that upside moves should be countertrend at this point as we are yet to see a countertrend wave B to the upside. (unchanged)

Lead Morning Technical (4-hour)



| | Support | Resistance | Current Price | Bull | Bear |
|----|---------|------------|---------------|---------------------|--------------|
| S1 | 1,757 | R1 | 1,775 | Stochastic oversold | RSI below 50 |
| S2 | 1,746 | R2 | | | |
| S3 | 1,720 | R3 | | | |

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (35)
- Stochastic is oversold
- Price is below the daily pivot point USD 1,757
- The futures moved sideways yesterday before moving higher today, the RSI has made a new low suggesting this upside move is potentially countertrend. Price is below the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 1,757 with the RSI at or below 27.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 1,846 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish the futures are now moving higher in what looks to be a countertrend wave 4, making USD 1,846 key resistance to follow; however if this is a wave 4 it should exhaust between the 38.2% and 50% retracement level (USD 1,804 – USD 1,822), splitting the difference that gives us USD 1,813.