

China

Business confidence in factory output going forward strengthened in China to a 10-month high upon expectations of waning COVID-19 disruptions even as a rise in infections dented manufacturing activity in December, a private survey said on Tuesday.

The Caixin China General Manufacturing Purchasing Managers' Index - which gauges operating conditions in the manufacturing sector - fell to a three-month low of 49 in December, versus 49.4 in November, indicating a further slight deterioration in overall business conditions, media group Caixin said on Tuesday.

Staying below the 50-point mark for the fifth straight month, the latest PMI reading indicates that manufacturing activity continued to shrink in December as COVID-19 outbreaks weighed on output and demand, Caixin said in a report.

Manufacturers, however, expressed stronger optimism for the new year.

The level of positive sentiment improved to the highest level in 10 months, with surveyed companies anticipating output to increase as the pandemic situation improves and market conditions strengthen, the report said (Bloomberg).

Cu

Copper edged higher — snapping a three-day drop — on speculation Chinese buyers will ramp up purchases ahead of the Lunar New Year holidays in late January.

The metal has rebounded since late October due to a series of stimulus measures from Beijing and the abandonment of Covid Zero policies. While that's setting up copper for more gains, a vicious virus wave in China is crimping economic activity in the short term.

The dollar's decline since early November has added another tailwind to copper and other metals as it makes them cheaper for buyers outside of the US.

Despite seasonally low demand over winter and manufacturers being hit by the virus wave, the replenishment of inventories ahead of the holidays should aid copper demand, First Futures said in a note. (Bloomberg)

Note: The upside move on the Asian open has failed to hold so far with copper trading flat to the previous days close.

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,305	R1	8,378	Stochastic oversold	RSI below 50
S2	8,257	R2	8,406		
S3	8,248	R3	8,440		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is oversold
- Price is above the daily pivot point USD 8,378
- Technically bullish yesterday, we had the potential to create a negative divergence above USD 8,520, suggesting caution on upside breakouts. The futures failed to break resistance with price moving lower during the session, resulting in a move below the EMA support band. The RSI is below 50 with price and momentum aligned to the sell side.
- A close on the 4-hour candle above USD 8,378 with the RSI at or above 52.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 8,440 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 8,520 fractal resistance. Only below USD 8,257 is the intraday technical bearish.
- Technically bullish with a neutral bias due to the depth of the pullback, the EMA support band is now flat indicating a lack of trend in the market. However, the daily trend remains bullish above USD 8,114 and neutral below. Key support on the intraday is at USD 8,257, if broken then daily support levels could come under pressure (USD 8,239, USD 8,114, and USD 8,016). Intraday support levels are now looking vulnerable, warning the daily EMA support band could be about to be tested.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,298	R1	2,338	Stochastic oversold	RSI below 50
S2	2,263	R2	2,351		
S3	2,234	R3	2,366		

Source Bloomberg

Synopsis - Intraday

- 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 2,338
- Technically bearish with a neutral bias yesterday, we had a cautious approach due to the futures lacking directional bias. Price has broken to the downside with the EMA band starting to turn lower again, the RSI is below 50 with price and momentum aligned to the sell side.
- A close on the 4-hour candle above USD 2,338 with the RSI at or above 46.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 2,385 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 left the consolidation phase with both the intraday and daily technical now bearish. We are testing the 100% projection level of the symmetrical triangle breakout from last year, which is an important support level; downside moves that close below USD 2,298 will leave the USD 2,263 and USD 2,234 support levels vulnerable. We highlight USD 2,249 as an area of interest on the daily technical, if this level holds then it warns we are potentially in the early stages of a larger bull cycle, as this is the 66% retracement of the upside move from the 28/09/22- 05/12/22.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,965	R1	2,995		RSI below 50
S2	2,920.5	R2	3,080		
S3	2,876	R3	3,129		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is below 50
- Price is below the daily pivot point USD 2,995
- Little has changed since yesterday with the futures moving sideways to slightly lower. Price is below the EMA resistance band with the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 2,995 with the RSI at or above 47.5 will mean price and momentum are aligned to the buy side. Likewise, a close below this level with the RSI at or below 43 will mean it is aligned to the sell side. Upside moves that trade above USD 3,095 will mean the intraday technical is bullish based on a higher high; however, key resistance is at USD 3,196, upside moves that fail at or below this level will leave the longer-term technical vulnerable to further tests to the downside, above this level the futures will have a neutral bias. (Unchanged other than price and momentum).
- The daily technical is bullish with a neutral bias but flat EMA's indicate a lack of trend on the higher timeframe. The intraday technical is respecting the EMA resistance band but holding in the support zone. Technically we remain bearish on the intraday but due to the support and resistance being so close we must maintain a neutral view here until one of them is broken. We continue to highlight the potential for a positive divergence with the RSI below USD 2,920.5, suggesting caution on downside breakouts.

Nickel Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	31,004	R1	31,373	RSI above 50	
S2	30,112	R2	32,189		
S3	29,537	R3	33,575		

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (59)
- Stochastic is above 50
- Price is above the daily pivot point USD 31,004
- Technically bullish due to the futures previously breaching the USD 31,373 resistance, price had closed the year in a small corrective phase, making USD 28,585 the key support to follow. The futures continue to move higher; price is still above the EMA support band with the RSI above 50, intraday price and momentum are now aligned to the buy side.
- A close on the 4-hour candle below USD 31,004 with the RSI at or below 54.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 28,757 will support a bull argument, below this level the technical will have a neutral bias.
- Technically we remain bullish; however, the upside moves did create a minor divergence with the RSI yesterday, not a sell signal it will need to be monitored as it warns that momentum has the potential to slow down. Market buyers will want to see the 4-hour RSI close above 60.14 for divergence failure. A close on the 4-hour candle below USD 29,920 will warn the USD 28,757 support could come under pressure.

Lead Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,277	R1	2,267	RSI above 50	
S2	2,253	R2			
S3	2,221	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (53)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,277
- Technically bullish yesterday, we have previously seen two technical pullbacks due to negative divergences on a new high. Upside moves above USD 2,302.50 will create a third divergence, for this reason we did not consider the futures as a technical buy at these levels. Price moved sideways yesterday, as highlighted by the unchanged pivot point. The futures are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 2,277 with the RSI at or above 57.5 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 2,221 will support a bull argument, below this level the technical will have a neutral bias.
- We remain technically bullish but maintain our view that upside breakouts should be treated with caution due to the previous divergences.