

China

China's annual National People's Congress, the first since Beijing brought an abrupt end to three years of crippling Covid Zero restrictions, has begun with a modest target for economic growth and few hints of past stimulus extravagance.

Here's a rundown of what commodities and energy markets need to know after the first day of the meeting.

What are Beijing's plans for the post-Covid economy?

The government reiterated it wants to boost growth by raising domestic consumption, alongside proactive fiscal policies. But the 2023 targets underlying that stance will disappoint bulls hoping for more ambitious support as the economy reopens.

Although Beijing promised increased state spending and a wider budget deficit, the headline GDP growth figure of around 5% is at the low end of expectations. The target for local government bond sales — the backbone of infrastructure investment that drives much of China's raw materials demand — was modest too, suggesting the government is seeking to strike a balance between supporting the economy and strained finances, plus the need to prevent runaway commodities inflation.

None of the official documents released on Sunday suggested appetite for the kind of massive boost deployed to right the economy after the financial crisis or even at the beginning of the pandemic, when Beijing drove markets for materials like copper and iron ore to record highs in 2021, forcing authorities to intervene.

Metals Feel Chill as Beijing Shies Away From Major Stimulus

There was some solace to be found in the rhetoric around China's need to increase consumption — good news for commodities that benefit from consumer spending, including oil and agricultural products — but there were few concrete measures to point to. The central bank has also reiterated that it won't roll out excessive stimulus, relying instead on consumer confidence and investment to improve as the economy strengthens.

What are the priorities for commodities markets?

China's anxieties over its reliance on overseas suppliers to feed its vast population and supply the raw materials it needs are never far from the forefront of government policy, but the combination of Covid disruptions and Russia's invasion of Ukraine placed both toward the top of the list of this year's concerns.

Some of extra spending will be deployed on projects to enhance energy and food security, including an increase in the country's capacity to produce grain. The government also wants to bolster the domestic supply of materials like iron ore, for the steel industry, and lithium, for electric vehicle batteries, which are deemed crucial to promoting self-sufficiency.

Beijing will maintain tight price controls on energy and agricultural commodities to help meet this year's 3% consumer inflation target, the top economic planning agency's vice chairman told a briefing on Monday. And it will continue to expand domestic oil and gas output to avoid becoming too dependent on foreign sources.

Raising defense spending has also emerged as a top priority, and while procurement is likely to be highly secretive, it could lift demand for rare earths and other metals used in weaponry. (Bloomberg).

The key industrial metal has been supported after data earlier this week showed a recovery in the country's manufacturing and property sectors. China's manufacturing purchasing managers' index for February rose to the highest since 2012 and topped economists' estimates, while home sales also advanced.

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,902	R1	8,954	Stochastic oversold	RSI below 50
S2	8,828	R2	8,914		
S3	8,780	R3	9,168		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (46)
- Stochastic is oversold
- Price is below the daily pivot point USD 8,954
- The technical was bearish neutral on Friday with a flat EMA band which were compressed, indicating a lack of trend in the market, whilst the MA on the RSI was also flat, implying momentum was a little neutral. The technical looked like it was well placed for the National People's Congress in Beijing that began on Sunday. I.E., in a holding mode. The futures moved lower into the U.S with price coming under light pressure in the Asian session on an underwhelming economic growth target was set for around 5%. 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 8,954 with the RSI at or above 51.5 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 8,828 will support a near-term bull argument, below this level we target the USD 8,670 fractal low. Only above USD 9,168 is the technical bullish.
- We remain technically bearish with a neutral bias with the RSI back below 50, its MA remains above 50 but is now starting to weaken, warning support levels are vulnerable. The daily technical is trading in its EMA support band, suggesting a little caution; however, the bands are flattening, indicating a lack of trend on the higher timeframe. Downside moves below USD 8,881 will further support a seller's argument, warning the USD 8,828 support could come under pressure.

Aluminium Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,391	Stochastic oversold	RSI below 50
S2	R2			
S3	R3			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,403
- Technically bearish last week, but with a neutral bias on the back of the recent upside move. Momentum on the RSI remained supported, but the EMA resistance band were flat, warning we were no longer in trend. We also highlighted that the futures were trading between the green dotted lines, an area where the futures have traded the most over the last 15 days, supporting a neutral view (USD 2,398 – USD 2,418). The futures moved sideways for the bulk of the session before coming under light pressure into the close and on the Asian open. The futures are 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 2,403 with the RSI at or above 54 will mean price and momentum are aligned to the buy side. Downside moves that hold at or above USD 2,377 will support a near-term bull argument, below this level we target the USD 2,338 fractal support.
- We remain bearish with a neutral bias; like copper, the RSI is now below 50 with its MA starting to weaken, warning support levels are becoming vulnerable. A close on the 4-hour candle above USD 2,418 will imply that momentum based on price is starting to strengthen, indicating the USD 2,455 fractal high from the 02/03 could come under pressure. Key support to follow is at USD 2,377.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,018	R1	3,034	Stochastic oversold	RSI below 50
S2	2,944	R2			
S3	2,954	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,061
- Technically bearish with a neutral bias on Friday, the futures had produced a rejection candle off the USD 3,018 support on Thursday, making this a key level going forward, if broken we targeted the USD 2,954 – USD 2,939 fractal support zone. Again, price was trading in a flat EMA resistance band, indicating a lack of directional bias. The futures rejected the USD 3,096 resistance resulting in move lower in the last session with price coming under further tressure on the Asian open. The futures are back 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 3,061 with the RSI at or above 54.5 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 3,018 level, supporting a near-term bull argument, below this level we target the USD 2,954 – USD 2,939 fractal support zone.
- Technically bearish with a neutral bias, we noted last week that USD 3,018 will be a key level going forward, as this is a key support and the low of the rejection candle, this level is vulnerable but remains intact at this point. Like Cu and Al, the RSI is below 50 with its MA starting to weaken, implying support levels are vulnerable. A close on the 4-hour candle above USD 3,083.5 will indicate that momentum based on price is starting to strengthen, whilst a move above USD 3,100 would suggest that the USD 3,143 – USD 3,149 fractal resistance levels could be tested and broken.

Nickel Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear	
S1	24,012	R1	24,597	Stochastic oversold	RSI below 50	
S2	23,644	R2				25,204
S3	23,121	R3				25,505

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is oversold
- Price is above the daily pivot point USD 24,560
- Technically bearish last time, the futures were in divergence, meaning we did not consider the technical a sell at that point. The downside move in the futures failed to hold resulting in price moving higher for the session, the futures remain below the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the buy side.
- A close on the 4-hour candle below USD 24,560 with the RSI at or below 39 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 25,027 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Only above USD 25,505 is the technical bullish.
- Technically bearish with the futures moving higher on the back of a positive divergence, downside moves below USD 24,100 will create a second divergence with the RSI. For this reason, we maintain our view that the futures are not considered a technical sell at these levels.

Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,115.50	RSI above 50	
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (50)
- Stochastic is above 50
- Price is above the daily pivot point USD 2,120
- Technically bullish on Friday, the downside move in the futures had held above the USD 2,096 level, supporting a bull argument, if price and momentum became aligned to the buy side, then resistance levels would be vulnerable. If the support was broken, then the futures would be considered as neutral once again. A mixed session as the futures gave up early gains last time, resulting in price closing slightly lower on the day. Price is 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 2,120 with the RSI at or above 55.5 will mean price and momentum are aligned to the buy side. Downside moves that hold at or above USD 2,096 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures are holding above key support with the RSI neutral at 50; however, its MA is showing signs that momentum is weakening. The futures are now consolidating in the form of a symmetrical triangle, this is a neutral pattern with directional bias coming from a breakout from the opposing trend lines.

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