Base Morning Technical Report

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OPEC

Treasuries slid on concern a rally in oil will keep inflation elevated and put pressure on the Federal Reserve to go on raising interest rates.

Shorter maturities led declines as Brent crude jumped as much as 8% in early Asian trade after the oil cartel said over the weekend it would reduce production from next month. The dollar strengthened against all its major peers except the currency of oil supplier Norway, reflecting bets on more Fed rate hikes.

OPEC's desire to halt the decline in oil prices "will simply cause some of the expectations for a slowdown in inflation to be faded away," said Hidehiro Joke, a senior bond strategist at Mizuho Securities in Tokyo. "Since inflation is likely to remain the biggest driver of the Fed's monetary policy, the market will be less likely to assume an early shift to lower rates or a faster pace of rate cuts." (Bloomberg)

China

OUR TAKE: March's bigger-than-expected drop in the Caixin manufacturing PMI reinforces our view that China's recovery after the exit from Covid Zero remains patchy. The main drivers of growth — services spending and government investment — don't appear to be boosting the smaller businesses and exporters tracked in the Caixin survey.

The Caixin manufacturing PMI dropped to 50 — the threshold between contraction and expansion — from 51.6 in February. This was significantly lower than the consensus forecast of 51.4 and our forecast of 51.5.

Exporters are facing weaker external demand due to slowing growth in the US, Europe and Japan.

The poor Caixin survey result — which points to trouble at the smaller companies that play a key role in employment — raises the likelihood that the government will deliver more support for smaller firms in the near future. (Bloomberg)

Metals

Base metals dropped with other risk assets after OPEC+ delivered a surprise cut to oil output that threatens more headwinds for the global economy.

Aluminum, zinc and nickel all dropped as oil prices spiked on Monday morning. OPEC and its allies plan to reduce production by more than 1 million barrels a day, going against previous assurances that supply would be held steady.

The move may complicate efforts by major central banks to tackle inflation while avoiding damaging economic recessions. That risks stifling investor appetite for metals, which had steadied in the past two weeks after being roiled by the US banking crisis. The LMEX Index of six metals finished last week at its highest since March 3.

Aluminum dropped 0.4% on Monday to $2,404 a ton by 9:48 a.m. Shanghai time, while nickel declined 1.4%. Copper lost 0.3% and zinc fell 0.4%.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	8,928	R1	8,965	8,935		RSI below 50
S2	8,897	R2	9,093			
S3	8,844	R3	9,170			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- RSI is below 50 (49)
- Price is below the daily pivot point USD 8,965
- Stochastic is below 50
- Technically we remained bullish with price moving lower on Friday. This was the 6th day where the daily pivot point had been flat, indicating the futures were consolidating. In theory we had not traded to a new high, meaning the Wave cycle has not achieved its minimum requirement for cycle/phase completion. We did however produce a new high close on the 4-hour candle yesterday. The technical is bullish based on price, the daily pivot point cluster suggests it has more of a neutral bias at this point. The downside move breached the EMA support band but held the USD 8,844 fractal support before moving higher, the technical although bullish now has a neutral bias. The futures have moved lower on the Asian open (on inflation and growth concerns linked to the OPEC cut), price is now trading in the EMA support band with the RSI neutral at 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 8,965 with the RSI at or above 55.5 will mean price and momentum are aligned to the buyside. Upside moves above USD 9,023 will warn the USD 9,092 – USD 9,095 fractal resistance zone could come under pressure.
- Technically bullish with a neutral bias, the EMA support band is flat whilst the RSI and stochastic are near neutral. However, the pivot point as dropped with the move lower on Friday suggesting the USD 8,844 support is now vulnerable. A weakening MA on the RSI would support this.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,367	R1	2,401	2,393	RSI above 50	
S2	2,350	R2	2,423			
S3	2,336	R3	2,452			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (56)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,401
- We remained technically bullish on Friday but noted there were too many warning signs for the futures to be considered a 'technical' buy. The futures did move higher with price closing on/below the trend resistance line; however, the futures have come under pressure on the open due to the rising USD on the OPEC cut. We remain 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 2,401 with the RSI at or above 61.5 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 2,350 will support a bull argument, below this level the technical will have a neutral bias.
- We have had concerns regarding the technical for the last couple of sessions due to the trend break, the potential divergence, and the upside rejection candle. The rising USD and the rejection of the trend resistance line would suggest that the USD 2,350 support has the potential to come under pressure. We technical is bullish but in a corrective phase, we however have a cautious view on upside moves at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,861	R1	2,907	2,895.5	Stochastic oversold	RSI below 50
S2	2,834	R2	2,916			
S3	2,818	R3	2,932			

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 2,907
- Technically bullish on Friday, the futures were correcting with the MA on the RSI moving lower, indicating momentum was weakening, warning the USD 2,907 support could come under pressure. The futures traded below the support but held above the USD 2,861 fractal, resulting in price finding bid support into the close. The futures are lower on the Asian open with price below the EMA resistance band whilst the RSI is now below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 2,907 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 2,953 will leave the futures vulnerable to further tests to the downisde, above this level we target the USD 2,989 – USD 2,999 fractal resistance zone.
- Technically bullish but with a neutral bias, the MA on the RSI is moving lower, indicating buyside momentum is weakening. This would suggest that resistance levels should in theory hold in the near-term if tested, meaning the USD 2,861 support is now vulnerable, if broken the intraday technical is bearish.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	23,460	R1	23,876	23,600	RSI above 50	
S2	23,211	R2	2,4070			
S3	22,860	R3	24,400			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (51)
- Stochastic is at 50
- Price is above the daily pivot point USD 23,460
- Technically bullish but with the neutral bias last week. The RSI had moved below 50 with its MA turning lower, suggesting the USD 22,690 support could be tested and broken, this would also imply that resistance levels should hold in the near-term if tested. The support held with price trading above the USD 23,876 resistance, warning that the USD 24,400 fractal resistance was vulnerable; however, although broken the upside move failed to hold resulting in a bearish resistance candle forming. The futures are lower on the Asian open but are currently trading in the EMA resistance band, the RSI is back above 50 with intraday price and momentum aligned to the buyside.
- A close on the 4-hour candle below USD 23,460 with the RSI at or below 47.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 23,211 will support a near-term bull argument, below this level the technical will have a neutral bias. Only below USD 22,690 is the technical bearish.
- Mixed signals today, the breach in the USD 23,876 resistance means the technical is bullish; however, the intraday rejection candle is suggesting caution, the MA on the RSI is flat, implying momentum is neutral, as is the EMA resistance band. If we trade above USD 23,895 (the high of the intraday rejection candle) then it will warn that the USD 24,400 resistance could come under pressure. At this point we are technically bullish, but momentum and the averages are neutral; until we see more from the technical we also have a neutral

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,092	R1	2,118	2,100	Stochastic oversold	RSI below 50
S2	2,076	R2	2,125			
S3	2,065	R3	2,134			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is at oversold
- Price is below the daily pivot point USD 2,116
- Technically bullish but in a corrective phase on Friday, we maintained our view that support levels looked vulnerable as the futures had rejected resistance levels again. The futures have moved lower with support levels being broken; the futures now have a neutral bias. 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 4-hour candle above USD 2,116 with the RSI at or above 54 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,134 will leave the futures vulnerable to further tests to the downisde, above this level we target the USD 2,154 resistance.
- Technically bullish but with a neutral bias due to the depth of the pullback, the MA on the RSI is now turning lower, warning buyside momentum is weakening. This would also suggest that resistance levels should in theory hold if tested, warning that the USD 2,092 and USD 2,076 support levels are vulnerable.