

China

China's faltering economy forced commodities producers to cut output in April from the previous month as consumption of raw materials continues to fall short of expectations.

Although production of many items increased markedly from a year ago, that comparison is flattered by the impact on activity from the extended lockdown of Shanghai in the spring of 2022. The broadly weaker month-on-month figures suggest that China's patchy economic recovery, borne out by a lackluster set of import data for April, has yet to ignite demand.

As a case in point, electricity output, which underpins commodities production, rose 6.1% year-on-year, but dropped 8.2% from March. That coincided with a contraction in the factory sector in April, as well as general weakness in other economic data.

Among metals, aluminum output edged higher on-year to 3.33 million tons, but fell from March. Production was supported last month by the restart of capacity in southern regions that had been idled earlier in the year due to drought. Steel output, however, dropped outright on both a yearly and monthly basis to 92.64 million tons as the peak construction season continues to disappoint. (Bloomberg).

Zn

The global zinc market faces a shortage of 1.7 million tons a year by 2030 as constrained supply falls short of growing demand from new-energy infrastructure, according to Trafigura Group.

"Zinc is an energy transition metal too," Graeme Train, head of metals and minerals analysis, said at an LME Asia Metals Seminar

Rebuilding of world's capital stock will require big quantities of galvanized steel that uses zinc

While zinc may not get the same intensity of demand-gain compared with battery metals or copper and nickel, it still gets a definite boost from energy-transition investment

Every ton of new demand has to be met with a ton of new supply given inventories are no longer available

A significant increase in committed projects is needed in the second half of this decade, Train said in Hong Kong

The zinc market will be relatively balanced in the next couple of years if existing projects are delivered on time

NOTE: Zinc stockpiles in LME-tracked warehouses hit 15,600 tons in February, the lowest level since 1975 (Bloomberg)

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,110	R1	8,357		RSI below 50
S2	7,947	R2	8,425		
S3	7,808	R3	8,517		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA Resistance band (Black EMA's)
- RSI is below 50 (38)
- Price is below the daily pivot point USD 8,269
- Stochastic is above 50
- Technically bearish yesterday, we maintained our view that upside moves look like they could be countertrend at this point, making USD 8,517 the key resistance to follow. The futures traded to a high of USD 8,346.5 before heading lower on the Asian open. 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 below USD 8,269 with the RSI at or below 34 will mean price and momentum are aligned to the sell side; likewise, a close above this level will mean it is aligned to the buy side. Upside moves that fail at or below USD 8,517 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 starting to roll over to the sell side with price trading below the daily pivot point having rejected the EMA resistance band, warning that the USD 8,136.50 fractal low is starting to look vulnerable. We maintain our view that upside moves look like they could be countertrend at this point.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,253	R1	2,259.50	Stochastic overbought	RSI below 50
S2	2,228	R2			
S3	2,200	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (46)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,253
- We remained technically bearish yesterday with the upside move looking like it could be countertrend based on our intraday Elliott wave analysis. The MA on the RSI had flattened, meaning sell side momentum was showing signs that it was slowing down, making USD 2,292 the key resistance to follow. The futures did move higher, but price remains 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 2,253 with the RSI at or below 46 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,292 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 trading at the base of the EMA resistance band with the RSI below 50. However, the MA on the RSI has started to turn higher, implying momentum is showing signs of support at this point. Intraday Elliott wave analysis continues to suggest that upside moves should be considered as countertrend, making USD 2,292 the key resistance to follow. If our wave analysis is correct, it would suggest caution on upside moves.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,517.5	R1	2,547	Stochastic oversold	RSI below 50
S2	2,503	R2	2,585		
S3	2,449	R3	2,607		

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 2,547
- Technically bearish yesterday, the futures were seeing light bid support on the open with the RSI above its MA. However, lower timeframe Elliott wave analysis (37 min cycle – this is now a 43 min cycle) was warning that intraday moves to the upside had the potential to be countertrend, making USD 2,635 the key resistance to follow. This also meant that the USD 2,517.50 fractal low remained vulnerable. The futures rejected the based of the Fibonacci resistance zone resulting in price closing on the days lows. We remain below all key moving averages supported by the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,547 with the RSI at or below 33 will mean price and momentum are aligned to the sell side; likewise, a close above this level will mean it is aligned to the buy side.
- Technically bearish, we are yet to trade below the USD 2,517.5 fractal support. Intraday Elliott wave analysis suggests we have a downside target zone between USD 2,503 – USD 2,407. However, a new low will create a positive divergence with the RSI on a downside breakout, suggesting caution.

Nickel Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	21,145	R1	21,165	Stochastic oversold	RSI below 50
S2	20,808	R2			
S3	20,329	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (36)
- Stochastic is oversold
- Price is below the daily pivot point USD 21,859
- We remained technically bearish yesterday with intraday Elliott wave analysis continuing to suggest that upside moves should be considered as countertrend. However, the MA on the RSI had flattened implying downside momentum was slowing, warning the Fibonacci resistance zone could come under pressure in the near-term. We noted that we looked to be on an Elliott wave 3 that was extending to the downside. The upside move on the open failed to hold with the futures trading to a new low, price is below all key moving averages supported by the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 21,859 with the RSI at or below 34 will mean price and momentum are aligned to the sell side; likewise, a close above this level will mean it is aligned to the buyside. Upside moves that fail at or below USD 23,653 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The move to a new low on the Asian open means the futures are now in divergence with the RSI, not a buy signal it is warning that we have the potential to see a momentum slowdown. However, intraday Elliott wave analysis would suggest that we remain on an extended wave 3 at this point, meaning we maintain our view that upside moves should be considered as countertrend.

Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,069	Stochastic oversold	RSI below 50
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- 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 2,079
- The break in fractal support yesterday meant that the technical had entered bearish territory. The MA on the RSI continued to suggest that momentum was weak whilst the RSI had made a new low, implying that upside moves should be considered as countertrend, making USD 2,119 the key resistance to follow. The futures traded to a high of USD 2,098 but the move failed to hold, resulting in the futures trading to a low of USD 2,067. 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 2,079 with the RSI at or above 42 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,118 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the new low means we now have a positive divergence on the 1-hour technical, not a buy signal it is a warning that we have the potential to see a momentum slowdown. However, intraday Elliott wave analysis continues to suggest that upside moves should be considered as countertrend at this point, meaning we are a cautious bear due to the divergence.