

## China

On the surface, China's property sector seems to be stabilizing, with funding pressures easing and housing sales rebounding. Beneath the relative calm, though, we see a mountain of debt — equal to about 12% of GDP — at risk of default. This poses a risk to financial stability. And the burden could drag on growth for years, as developers direct resources to repairing their balance sheets.

Our analysis is based on a sample of China's 186 listed developers, which account for 30% of total developer debt.

We estimate default risks by assessing leverage, debt repayment capacity and short-term liquidity positions.

Assuming the sample is representative of the wider property sector, our estimates suggest 13.6 trillion yuan of debt — 11.9% of GDP — is at risk of default. (Bloomberg).

## Cu

Copper rose for a second day as investors weigh the demand outlook in China and optimism over US debt-ceiling talks.

Copper on Wednesday jumped the most since January on expectations of a breakthrough in the US debt-ceiling impasse. President Joe Biden expressed confidence there won't be a default, while House Speaker Kevin McCarthy said reaching an agreement this week is "doable."

Copper, a barometer of the global economy, has wiped out this year's gains after China failed to deliver a strong rebound following its reopening and the Federal Reserve's monetary-tightening cycle sapped demand.

Chinese output of copper rods, a product used in wires, fell to 828,000 tons in April, down 3.5% from March, declining for the first time this year amid muted orders, according to researcher Shanghai Metals Market. Output may drop further in May, though a pullback in prices will limit the drop, it said. (Bloomberg)

# Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,245	R1	8,327		
S2	8,173	R2	8,401		RSI below 50
S3	8,088.5	R3	8,501		

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA Resistance band (Black EMA's)
- RSI is below 50 (46)
- Price is above the daily pivot point USD 8,245
- Stochastic is overbought
- Technically bearish yesterday, the futures were in divergence with the RSI, not a buy signal, it was a warning that we had the potential to see a momentum slowdown and needed to be monitored. Above USD 8,346.5 the technical is bullish. We were a cautious bear. The futures have moved higher with price breaking upside resistance, meaning we now have a neutral bias based on price. We remain 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 8,245 with the RSI at or below 37.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 8,173 will support a near term bull argument, below this level we target the USD 8,088.5 low.
- Technically bearish with a neutral bias, we look like we could potentially be completing this phase of the cycle that started on the 14/04/23. However, we will need to see the futures trade above USD 8,346.5 for confirmation, as this recent downside move looks to be a higher timeframe wave 3. We should highlight that the downside move lower that started on the 14/04 is greater in time than the previous move, but shorter in price, for a higher timeframe wave 3, this is unusual, as a wave 3 is normally greater in price. This is why we remain cautious on the wave completion in case we see the current wave 3 extending. Momentum would suggest we are still vulnerable to another move lower, providing the RSI remains below 50, as the stochastic is overbought. At this point based on the Analysis in front of us, resistance levels look vulnerable; but this technical is subjective, meaning we have a neutral view within a higher timeframe bearish wave 3.

# Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,289	R1	2,290.5	Stochastic overbought	
S2	2,267	R2			
S3	2,238	R3			

## Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (54)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,289
- The technical was unchanged yesterday, the MA on the RSI indicated that momentum remained supported at this point; however, intraday Elliott wave analysis suggested that upside moves should be considered as countertrend, implying caution on upside moves. The futures have moved higher with price above the EMA resistance band whilst the RSI has moved above 50, intraday price and momentum are aligned to the buy side.
- A close on the 4-hour candle below USD 2,289 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 2,238 will support a near-term bull argument, below this level the futures will target the USD 2,202 fractal low.
- The upside move above USD 2,258 means the pullback is considered as deep, meaning the technical although bearish has a neutral bias. However, the futures are now trading within a resistance zone whilst intraday Elliott wave analysis would suggest that this upside move is a countertrend. Despite the strength of the upside move, we remain vulnerable to a pullback at this point, making USD 2,238 the key support to follow. If this level holds then it could be an early warning that we might not get the bear wave lower that Elliott wave analysis is suggesting. Likewise, if we trade above the USD 2,338 resistance, then the intraday technical is bullish.

# Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,521	R1	2,548		
S2	2,483	R2	2,582.5		RSI below 50
S3	2,449	R3	2,598		

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (41)
- Stochastic is above 50
- Price is above the daily pivot point USD 2,521
- The new low yesterday meant that the futures were in divergence with the RSI, not a buy signal, it was a warning that we had the potential to see a momentum slowdown and needed to be monitored. We were a cautious bear; upside moves above USD 2,582.5 would mean that the intraday technical was bullish. The futures have moved higher, the technical although bearish now has a neutral bias. 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 2,521 with the RSI at or below 35.5 will mean price and momentum are aligned to the sell side.
- Technically bearish with a neutral bias, the futures have traded above but remain below the USD 2,548 resistance at this point, meaning we remain vulnerable to downside moves due to the rejection. However, a new low will create further positive divergences with the RSI, meaning we remain cautious on downside moves at this point.



# Nickel Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	20,808	R1	21,195	Stochastic oversold	RSI below 50
S2	20,329	R2			
S3	19,720	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 21,378
- Technically bearish with a neutral bias yesterday, the futures remained on a wave 5 of an extended Elliott wave 3, meaning we maintained our view that upside moves should be considered as countertrend. Despite the divergence failure, we remained cautious on downside moves as the RSI at 32 was nearing oversold levels. We did see a small test to the upside, but price remains 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 21,378 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 buyside.
- Technically bearish, the futures remain on a wave 5 of an extended Elliott wave 3, meaning we maintain our view that upside moves should be considered as countertrend at this point. Despite the divergence failure, we remain cautious on downside moves at this point. (unchanged)

# Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,052		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 (38)
- Stochastic is below 50
- Price is below the daily pivot point USD 2,053
- Technically bearish yesterday, the lower timeframe divergence had failed. However, the futures were on a wave 5 of the corrective wave 3, suggesting we should remain cautious on the downside moves. We maintained our view that upside moves should be considered as countertrend. The futures traded to a new low before moving higher, 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 2,053 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.
- Technically bearish, we maintain our view that upside moves should be considered as countertrend. We remain cautious on downside moves at this point due to the futures being on an Elliott wave 5 of a larger wave 3.