

China

The yuan dropped for a second day after PBOC set its reference rate broadly in line with economists' estimates, indicating tolerance for further currency weakness.

USD/CNH rises 0.2% to 7.0601; USD/CNY gains 0.2% to 7.0479

Bloomberg CFETS RMB Index Tracker falls 0.2% to 98.67; Bloomberg's gauge of Asian currencies declines 0.1%

PBOC set its yuan fixing at 7.0326 per dollar, vs average estimate of 7.0322 in a Bloomberg survey of analysts and traders

"The market is encouraged by the lack of a strong pushback in terms of the daily USD/CNY fixing, and sees it as indicating that the authorities won't push back too hard," says Alvin Tan, head of Asia FX strategy at RBC Capital Markets in Singapore

"I still expect that the PBOC will act if the move threatens to accelerate again" (Bloomberg).

Cu

The copper market continues to throw up points of interest that suggest all is not well. Most notably, the cash-three month spread on the London Metal Exchange has sunk further into contango, pointing to ample spot supply and, potentially, scope for lower prices.

Spot metal was almost \$66/ton cheaper than benchmark three-month prices on Monday. That's the widest gap in data going back as far as 1994. At the same time, stockpiles in LME-tracked sheds have expanded for the past 21 days, the longest run of increases since 2013 (Bloomberg).

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,053	R1	8,170	Stochastic oversold	RSI below 50
S2	7,985	R2	8,327		
S3	7,888	R3	8,401		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA Resistance band (Black EMA's)
- RSI is below 50 (39)
- Price is below the daily pivot point USD 8,170
- Stochastic is oversold
- Technically bearish with upside moves considered as countertrend yesterday, we looked like we are on a wave 4 of the Elliott cycle, meaning the USD 8,088.5 fractal support remained vulnerable. Wave analysis suggested that we have a potential downside target at USD 7,985. The futures continue to move lower with price 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 8,170 with the RSI at or above 44.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 8,501 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- We remain technically bearish with upside moves considered as countertrend, we are on an Elliott wave 4, meaning the USD 8,088.5 fractal support remains vulnerable. Wave analysis using the William's approach would suggest we have a potential downside target at USD 7,985. However, a new low will create a positive divergence with the RSI, not a buy signal, it does warn that we have the potential to see a momentum slow-down on downside breakouts, suggesting caution.

Aluminium Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,259	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 (45)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,267
- Technically bearish with a neutral bias yesterday, the second rejection of the resistance zone warned that the USD 2,238 support level was vulnerable. Likewise, the intraday Elliott wave cycle implied that we could see another move to the downside, whilst the MA on the RSI indicated that momentum was showing signs of weakness. The futures did move lower but held around the USD 2,255 support, this level has once again been tested in the Asian day session. 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 2,267 with the RSI at or above 50.5 will mean price and momentum are aligned to the buy 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.
- Technically unchanged from yesterday, the futures remain bearish with a neutral bias. Intraday Elliott wave analysis continues to suggest that support levels are vulnerable, implying upside moves could be counter-trend, whilst the MA on the RSI would suggest that momentum remains weak at this point.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,417	R1	2,446	Stochastic oversold	RSI below 50
S2	2,380	R2	2,422		
S3	2,332	R3	2,515.5		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (32)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,446
- We were a cautious bear yesterday as the futures remained in divergence with the RSI, warning we had the potential to see a momentum slowdown. We have seen another move lower with price 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 2,446 with the RSI at or above 37.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,482 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Only above USD 2,515.5 is the technical bullish.
- Technically unchanged, the futures remain in a bearish trending environment but in divergence with the RSI. Not a buy signal, it does warn that we have the potential to see a momentum slowdown and will need to be monitored. For this reason, we remain cautious on downside moves.

Nickel Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear	
S1	20,895	R1	21,150		RSI below 50	
S2	19,910	R2				22,363
S3	19,315	R3				22,818

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is below 50
- Price is below the daily pivot point USD 21,332
- Technically bearish with upside moves considered as countertrend yesterday, as we looked to be in an Elliott wave 4. The futures were rolling to the downside on the open, meaning the USD 20,895 fractal low was vulnerable; if broken it would confirm that we were on a bearish wave 5, giving us a potential downside target as low as USD 18,179. However, a new low would create a positive divergence with the RSI, not a buy signal, it would warn that we could see a momentum slowdown and needed to be monitored. Having moved lower on the Asian open the futures found light bid support in the European morning session. Price has moved a little lower this morning with the futures still 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 21,332 with the RSI at or below 40 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 23,427 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- We remain in a countertrend Elliott wave 4, meaning the USD 20,895 fractal low remains vulnerable. As noted previously, a new low will confirm that we are on a bearish wave 5; however, this will also create a positive divergence with the RSI. Not a sell signal, it will warn that we have the potential to see a momentum slowdown and will need to be monitored.

Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	2,074	2,082.5		Stochastic overbought
S2	2,067			
S3	2,056			
	R1	2,087		
	R2	2,107		
	R3	2,121		

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is at 50 (49.9)
- Stochastic is overbought
- Price is below the daily pivot point USD 2,087
- Technically bearish with upside moves still considered as countertrend yesterday, making USD 2,107 the key level to follow. The MA on the RSI suggested that momentum remained supported; however, the last two candles on Friday were Doji's, indicating there was a degree of uncertainty in the upside move. The futures have move lower but remain above the Fibonacci support band, we are still above the Fibonacci support zone with the RSI neutral at 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,087 with the RSI at or below 48 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 2,107 will leave the futures vulnerable to further testes to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the Elliott wave cycle continues to suggest that we are in a countertrend move, meaning we have the potential to move lower. However, we should highlight that we have a 3-wave pattern higher (low on the 17/05, followed by a pullback and a move higher on the 18/05). The second wave of this move traded to a high USD 2,099, before moving lower. If we had traded above USD 2,101, then the second wave would have been 161.8% the length of the initial move higher on the 17/05, indicating the move was bullish impulse. We are bearish, but there is a degree of uncertainty in the intraday technical, that would suggest caution going forward at this point, making USD 2,056 the key level to follow. A cautious bear, from a technical point of view, this is probably one to monitor at this point.