

China

HONG KONG -- China's consumer prices tipped into deflationary territory in July for the first time in two years, as a deepening economic malaise in the world's second-largest economy enters a potentially dangerous new phase.

The data released Wednesday adds to a darkening picture for China, where the economic recovery has been losing momentum because of a host of problems. A drop in exports is accelerating, youth unemployment has hit record highs and the housing market is mired in a protracted downturn.

Now, the country is suffering an unusual bout of falling prices on a range of goods, from commodities such as steel and coal to daily essentials and consumer products such as vegetables and home appliances. It is the opposite of what happened in most of the rest of the world when Covid-19 restrictions eased, with many countries still trying to tame inflation. (Bloomberg).

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,285	R1	8,417		RSI below 50
S2	8,177	R2	8,478		
S3	8,086	R3	8,543		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (41)
- Price is below the daily pivot point USD 8,417
- Stochastic is below 50
- The move lower previously had been more aggressive than expected, whilst the divergence failure resulted in the RSI making a new low, implying the Elliott wave cycle had extended to the downside. This suggested that intraday upside moves should be considered as countertrend, making USD 8,543 the key resistance to follow. The futures traded to a high of USD 8,488 before moving lower into the U.S close. The futures remain 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 8,390 with the RSI at or below 39 will mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 43.5 will mean it is aligned to the buyside. Upside moves that fail at or below USD 8,543 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 remain below key resistance with price rolling over to the sell side, warning support levels are starting to look vulnerable; however, price and momentum will need to be aligned to the sell side to support a move lower. Based on RSI making a new low on the 08/08, we maintain our view that intraday upside moves look to be countertrend at this point.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,193	R1	2,204	Stochastic oversold	RSI below 50
S2	2,182	R2	2,224		
S3	2,164	R3	2,230		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA Resistance band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,204
- Even though we had broken fractal support yesterday the longer-term technical was still bullish with a neutral bias, as we remained within the bull wave that formed in early July. The low yesterday had been replicated by the RSI, warning that the upside move had the potential to be countertrend, suggesting caution. Key resistance to follow was at USD 2,224, above this level the pullback would be considered as deep, warning that the probability of the futures trading to a new low will have decreased. The futures traded to a high of USD 2,222 before selling lower in the U.S session, we remain 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 2,204 with the RSI at or above 48 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,224 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The longer-term technical remains bullish with a neutral bias. The RSI move lower on the 08/08 had warned that intraday upside moves should be considered as countertrend, the rejection of key resistance is now warning that the USD 2,190.5 – 2,164 is starting to look vulnerable. The MA on the RSI is implying momentum is weak at this point; however, if we do see price close above and hold above the daily pivot point, it will warn that buyside momentum is increasing based on price. Only below USD 2,164 is the longer-term intraday technical bearish.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,416	R1	2,474		
S2	2,387	R2	2,488		RSI below 50
S3	2,350	R3	2,501		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,474
- The downside move yesterday broke fractal support, meaning the intraday technical and the Elliott wave cycle were both bearish. The RSI had made a new low suggesting that upside moves had the potential to be countertrend; however, we were approaching our key resistance at USD 2,488, if breached the pullback would be considered as deep, meaning the probability of the futures trading to a new low would have decreased. If resistance held, then support levels remained vulnerable. The futures traded to a high of USD 2,490.5, meaning that the technical now has a neutral bias. We remain 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 2,474 with the RSI at or below 45 will mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 49.5 will mean it is aligned to the buy side.
- In theory, the intraday Elliott wave analysis would suggest that the USD 2,417.5 fractal low remains vulnerable; however, the deep pullback means that the probability of price making a new low has decreased, leaving us with a more neutral view.

Nickel Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	20,495	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 (37)
- Stochastic is oversold
- Price is below the below pivot point USD 20,685
- We remained technically bearish yesterday. The divergence had failed, but the futures continued to trade within the consolidation zone that formed in July, we also had a divergence on a lower timeframe. Technically we still had the potential to see another intraday move to the downside; however, due to the consolidation zone and divergence we maintained a cautious view on downside moves. The futures did move lower with price remaining below the EMA resistance band with the RSI still below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 20,685 with the RSI at or above 42.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 20,872 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, we have now seen the wave to the downside that we noted could happen yesterday. The RSI remains in divergence on a lower timeframe, warning we are potentially now nearing an exhaustion point, implying caution on downside moves. For this reason, the futures are no longer considered a technical sell at these levels.

Lead Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,113	R1	2,134		
S2	2,100	R2	2,146	2,134	RSI below 50
S3	2,078	R3	2,157		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is below 50
- Price is below the daily pivot point USD 2,131
- We noted yesterday that the deep pullback meant that the probability of the futures trading to a new high had decreased, meaning we had a neutral bias. Key resistance to follow was at USD 2,157. The futures traded higher but remain below key resistance levels with price below the EMA resistance band. The RSI is below 50 with price and momentum continuing to conflict.
- A close on the 4-hour candle above USD 2,131 will mean price and momentum are aligned to the buy side; likewise, a close below this level with the RSI at or below 43.5 will mean it is aligned to the sell side. Upside moves that fail at or below USD 2,157 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 2,181 fractal high.
- Technically bullish with a neutral bias, we maintain a more neutral view whilst price is below the USD 2,157 based on the depth of the pullback two days ago.