

China

The official gauge of China's manufacturing activity edged up in August but remained in contraction for a fifth straight month, pointing to continued weakness in the world's second-largest economy.

China's official manufacturing purchasing managers' index rose to 49.7 in August from 49.3 in July, the National Bureau of Statistics said Thursday. A reading above 50 indicates an expansion in activity while a reading below that indicates contraction.

The result was above the forecast of 49.1 compiled in a Wall Street Journal poll of economists.

The production subindex rose to 51.9 in August from 50.2 in July. The index for total new orders rose to 50.2 from 49.5 over the period, while that for new export orders improved to 46.7 from 46.3.

China's nonmanufacturing PMI, which covers both service sector and construction activity, fell to 51.0 in August from 51.5 in July, the statistics bureau said.

The subindex tracking service activity declined to 50.5 in August from 51.5 in July, while the construction subindex rose 53.8 from 51.2 in July. (Bloomberg).

base

Industrial metals were mixed in early trading in Asia, after data from China offered some tentative signs that the worst of a factory slump may be over.

The official manufacturing purchasing managers' index stood at 49.7 for August. While that's still in contraction territory, some sub-indices such as production and new orders moved higher.

Aluminum on the London Metal Exchange gained 0.3% to \$2,208 a ton as at 1:03 p.m. in Singapore, heading for its highest close since August 7. Copper and zinc fell 0.4%

Citigroup Inc. remains neutral-to-bearish on base metals, according to an analyst note dated August 30.

"The common bearish theme is our expectation for a continued deterioration in developed market demand over the next 6-9 months amid the current restrictive monetary policy environment, with China growth likely to remain sluggish amid a lack of meaningful stimulus." (Bloomberg)

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,420	R1	8,429.5	RSI above 50	Stochastic overbought
S2	8,402	R2			
S3	8,376	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (54)
- Price is below the daily pivot point USD 8,452
- Stochastic is overbought
- Technically bearish with a neutral bias yesterday. Lower timeframe Elliott wave analysis continued to suggest that the USD 8,465 fractal resistance was vulnerable. However, a new high looked like it could create a negative divergence with the RSI on the 1-hour chart, suggesting caution on upside breakouts, the MA on the RSI was also flat, implying momentum was neutral. A cautious bull as upside moves could struggle to hold. The futures traded to a new high, but the move is struggling to hold with price trading back at yesterday morning's values. We remain above the EMA support band with the RSI above 50, intraday price and momentum is aligned to the buy side, as the opening candle closed on the daily pivot point with the RSI above its MA (both are now lower, but the candle is open).
- A close on the 4-hour candle below USD 8,452 with the RSI at or below 53 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 8,376 will support a near-term bull argument, below this level the USD 8,322 fractal low will be vulnerable.
- We remain bearish with a neutral bias as the futures remain below the USD 8,494 fractal high. The futures have moved lower on the back of a negative divergence, warning support levels are vulnerable, whilst the MA on the RSI remains neutral. A close on the 4-hour candle below USD 8,418 will be below the low of the last dominant bull candle, warning the USD 8,376 support could be tested and broken. Likewise; failure to close below this level will mean we could still see the USD 8,494 fractal resistance broken.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,185	R1	2,207	RSI above 50	Stochastic overbought
S2	2,190	R2	2,224		
S3	2,178	R3	2,245		

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (60)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,190
- We remained technically bullish with the MA on the RSI starting to turn higher, meaning momentum was showing early signs of support; however, the EMA band was flat, implying a lack of directional bias in the market. The technical needed to show more at this point, we were bullish, but not in a bull trend. The futures have seen a good move higher with price now trading at the USD 202 resistance that we had previously highlighted, this is a potential area of interest for market sellers. Price is above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the buy side.
- A close on the 4-hour candle below USD 2,190 with the RSI at or below 52 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,168 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures are now trading around the USD 2,202 level. This is a natural area of interest to market sellers based on the 30-day market profile chart, suggesting caution. If we do see the futures close above and hold above the USD 2,207 Fibonacci resistance, it will warn that the USD 2,224 and USD 2,245 resistance levels could come under pressure. Likewise, if the futures trade below and hold below the daily pivot level, then market sellers could look to test the USD 2,168 support.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear	
S1	2,391	R1	2,426.5	RSI above 50		
S2	2,367	R2				2,444
S3	2,334	R3				2,490

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (58)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,444
- Bearish with a neutral bias yesterday, the futures remained in divergence with the RSI on the 1-hour chart; not a sell signal it warned that we had the potential to see a momentum slowdown and needed to be monitored. For this reason, we remained cautious on upside moves as we had the potential to see an intraday technical pullback, making USD 2,327 the key support to follow. Initially the futures had a test to the upside, but the move failed to hold resulting in the futures entering a corrective phase. Price is 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 2,444 with the RSI at or above 64 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 2,334 will support a bull argument, below this level the USD 2,275 support will start to look vulnerable.
- We are technically bullish with a neutral bias, the RSI is now below its moving average, the recent high in the RSI is warning that the current downside moves is potentially countertrend, making USD 2,334 the key support to follow. Note: the USD 2,391 USD 2,367 is an area of support on the market profile charts, warning we could struggle to test key support. We should highlight that the daily technical is trading in its EMA resistance band, supporting the move lower; however, the daily MA on the RSI is starting to turn higher, implying we are seeing momentum support on the higher timeframe, warning we could yet see one more test to the upside within this phase of the intraday cycle.

Nickel Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	20,605	RSI above 50	
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is on the EMA support band (Black EMA's)
- RSI is above 50 (50)
- Stochastic is oversold
- Price is on the daily pivot point USD 20,598
- Technically bullish with price in a corrective phase yesterday. The MA on the RSI was bearish and acting as a resistance to the RSI, implying support levels were vulnerable, meaning we had a neutral view on the market. This was supported by a neutral RSI and a flat EMA band. The futures have breached the USD 20,439 fractal support meaning the technical although bullish now has a neutral bias. Price is on the EMA support band with the RSI neutral at 50, intraday price and momentum are aligned to the sell side, as the opening candle closed below the daily pivot point.
- A close on the 4-hour candle above USD 20,598 with the RSI at or above 52.5 will mean price and momentum are aligned to the buy side.
- Technically bullish with a neutral bias, the MA on the RSI continues to suggest that momentum is weak, warning support levels remain vulnerable. We also highlight that there is potentially a bearish head and shoulders pattern in play that needs to be monitored. Upside moves that close above the USD 20,825 level will indicate that momentum based on price is increasing, warning resistance levels could start to come under pressure.

Lead Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,159	R1	2,194	RSI above 50	
S2	2,149	R2	2,210		
S3	2,132	R3	2,232		

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (53)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,185
- Technically bullish yesterday, the new high had created a negative divergence with the RSI, not a sell signal it warned that we had the potential to see a momentum slowdown. For this reason, the futures were not considered a technical buy. The intraday Elliott wave cycle was very unclear, it could be an irregular top formation, where the wave B had surpassed the high of the wave 5; however, due to the lack of clarity it meant we were neutral on the wave cycle. The futures traded higher but due to the divergence the move failed to hold. Price is above the EMA support band with the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,185 with the RSI at or below 51.5 will mean price and momentum are aligned to the sell side. Likewise, a close above this level with the RSI at or above 56 will mean it is aligned to the buyside. Downside moves that hold at or above USD 2,159 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish but in a corrective phase, due to the futures moving lower on the back of a negative divergence, we maintain our view that price is not considered a technical buy at this point, as support levels are starting to look vulnerable.