

China

The offshore yuan weakened toward its lowest on record against the dollar, as a cut to the daily reference rate for the managed currency stoked bets China is comfortable with a gradual depreciation.

China's currency declined to about 7.36 per dollar in overseas trading, beyond the psychologically important level of 7.35 and close to the weakest since the creation of the offshore yuan market in 2010. The move came after the People's Bank of China set its so-called fixing at a two-month low on Friday.

The PBOC is faced with a daunting task of maintaining the so-called impossible trinity, where it needs to stabilize the exchange rate and prevent capital outflows while keeping an independent monetary policy. But China's sluggish economy and dovish policy is heaping pressure on the yuan, especially as resilient US data and a high interest-rate differential there has traders favoring the dollar. (Bloomberg).

Cu

Copper is heading for a big weekly decline, after a stronger dollar and fears for Chinese growth piled pressure on industrial commodities in recent days.

All base metals fell in London Friday, with copper heading for a third daily drop amid gyrations in currency markets. Bloomberg's dollar index hit its highest since March on Thursday, while the offshore Chinese yuan plunged toward a record low, reflecting the gloomy outlook for Asia's biggest economy.

"Macro-economic news is dominating metals trading right now," China's Citic Futures Co. said in a note. Base metals have come under pressure from yuan depreciation, a stronger dollar and mixed Chinese trade data, it wrote (Bloomberg).

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,241	R1	8,317	Stochastic oversold	RSI below 50
S2	8,214	R2	8,353		
S3	8,186	R3	8,417		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (37)
- Price is below the daily pivot point USD 8,317
- Stochastic is oversold
- Technically bearish yesterday, the MA on the RSI, alongside the RSI making new lows suggested that momentum is weak, implying that upside moves have the potential to be countertrend. We noted that downside moves below USD 8,322 would break a daily fractal support, which would have further bearish implications for the technical. Key resistance to follow was at USD 8,443, above this level the pullback would be considered as deep, meaning the probability of the futures trading to a new low would decrease. The futures continued to move lower before finding light bid support into the close, price is 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 8,317 with the RSI at or above 46.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 8,417 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the MA on the RSI continues to suggest that momentum is weak at this point with lower time timeframe Elliott wave analysis suggesting that we have a potential downside target at USD 8,186. However, countering this, both the 4-hour and 1-hour charts are in divergence with the RSI, warning we have the potential to see a momentum slowdown. A cautious bear due to the divergences in play.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,171	R1	2,176	Stochastic oversold	RSI below 50
S2	2,147	R2			
S3	2,140	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,190
- Technically bullish with a neutral bias yesterday, the MA on the RSI continued to suggest that momentum was weak with the RSI below 50. We noted that a move below USD 2,181 would potentially create a positive divergence with the RSI on the 1-hour technical, implying caution on downside breakouts. The futures were vulnerable to a move lower in the near term, but downside moves have the potential to be limited. The futures traded to a low of USD 2,176.5 before finding light bid support into the close; however, we have sold lower on the Asian open. 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 2,190 with the RSI at or above 52.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,204 will leave the futures vulnerable to further tests to the downside, above this level the futures will target the USD 2,197.50 fractal resistance.
- We remain bullish with a neutral bias; however, like copper we have a positive divergence on both the 1 and 4-hour charts, not a buy signal it does warn that we have the potential to see a momentum slowdown and will need to be monitored. Upside moves above used 2,197.5 will warn that momentum based on price is turning back to the buyside.

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,457	RSI above 50	
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- RSI is above 50 (51)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,476
- Technically bullish with a neutral bias yesterday. The MA on the RSI continued to suggest momentum was weak whilst the RSI was making a new low, warning that upside moves could potentially be countertrend in the near-term. However, we noted that on the daily chart that the MA on the RSI suggested that momentum was supported on the higher timeframe. Technically we continued to conflict, the near-term price action looked vulnerable to further tests to the downside, but we could see buying support at lower levels, if the daily RSI failed to close below its average. The futures moved higher into the close below selling lower on the Asian open. Price is between 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 2,476 with the RSI at or above 59 will mean price and momentum are aligned to the buyside.
- Technically bullish with a neutral bias, the MA on the RSI continues to suggest that momentum is weak; this is countered by the daily chart that suggest we have momentum support. We maintain a neutral view on the technical due to the clack of clarity on the Elliott wave cycle whilst momentum is conflicting.

Nickel Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	20,625	R1	20,406	Stochastic oversold RSI below 50
S2	19,970	R2	20,528	
S3	19,700	R3	20,796	

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (39)
- Stochastic is oversold
- Price is below the daily pivot point USD 20,406
- Technically bullish with a neutral bias yesterday, the MA on the RSI suggested that momentum was weak, whilst the RSI was making new lows, implying upside moves could be countertrend in the near-term. The futures traded below the USD 20,265 support before finding light bid support into the close. Price is 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 20,406 with the RSI at or above 47 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 20,796 will leave the futures vulnerable to further tests to the downside, above this level the technical the USD 21,125 fractal resistance has the potential to be tested.
- A small revision on the technical today, the downside move below USD 20,270 means we are bearish; however, below USD 20,160 the futures will create a positive divergence with the RSI. Not a buy signal it is a warning that we have the potential to see a momentum slowdown on a new low, suggesting caution on downside breakouts. The Ma on the RSI implies that momentum remains weak at this point, implying we could see the fractal low come under pressure.

Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,218.5	RSI above 50	
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is below 50
- Price is below the daily pivot point USD 2,227
- Technically bullish yesterday, the futures were moving higher with the RSI back above its MA, warning the USD 2,264 resistance was vulnerable. Key support was unchanged at USD 2,187, if broken it would indicate that the pullback was deep, meaning the probability of the futures trading to a new high would decrease. Technically bullish, we did have a concern around the sector weakness which warned we could see upside moves struggle to hold. Having opened with buy-side support the futures did sell lower before closing unchanged on the day. Price is down on the open today with the futures trading in the EMA support band, the RSI is above 50 with intraday price and momentum aligned to the sell side.
- A close on the 4-hour candle above USD 2,227 with the RSI at or above 56.5 will mean price and momentum are aligned to the buy-side. Downside moves that hold at or above USD 2,187 will support a bull argument, below this level the technical will have a neutral bias; likewise, upside moves that fail at or below USD 2,264 will leave the futures vulnerable to further tests to the downside.
- Technically bullish with intraday Elliott wave analysis suggesting downside moves should be considered as countertrend. Price is in the EMA support band with the RSI just above 50, if we move below 50 then we could see the USD 2,187 support come under pressure.