

Metals

Copper and other industrial metals edged higher as market watchers weighed the likelihood of a consumption recovery in China after the Lunar New Year holidays.

The price of copper rose for a second day with signs that the global market is tightening, while China's intensified rescue efforts last week to combat its equity rout signaled Beijing authorities are becoming more urgent to support the nation's stumbling economic rebound.

In China, increasing commodity demand from the infrastructure and manufacturing sectors will likely continue to offset the downturn in the property sector, analysts at RBC Capital Markets wrote in a note. Further stimulus is likely to be announced when China's national legislature meets in March, while domestic post-holiday demand is seen as returning mid-to-late March, they said.

A deficit in copper this year, exacerbated by low inventory levels, is expected to support prices in the near term, according to RBC Capital Markets. It expects iron ore to be supported over the first half, citing a pick up in blast-furnace utilization post-holidays, and seasonally weak shipment volumes and stockpile levels.

On the macro front, traders are also awaiting the US inflation data due later Tuesday, which could provide an indication of when the Federal Reserve may start pivoting to monetary easing. Chinese markets remain closed for the holidays.

Copper on the London Metal Exchange rose 0.7% to \$8,288.50 a ton as of 10:51 a.m. Singapore time, while aluminum was up 0.5% and zinc jumped 1%. Iron ore futures in Singapore dipped 0.1% to \$127.95 a ton. (Bloomberg).

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,220	R1	8,315.5		RSI below 50
S2	8,192	R2			
S3	8,127	R3			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA Resistance band (Black EMA's)
- The RSI below 50 (48)
- Price is above the daily pivot point USD 8,220
- Stochastic is above 50
- Technically bearish yesterday, the MA on the RSI warned of Momentum weakness; however, we had a positive divergence on the lower timeframe, warning we could see a momentum slowdown. We noted previously that we were still on the extended wave A, but now believe this may not be the case, as the high on the 21/01/23 at USD 8,704.5 did not break the USD 8,715 level. This meant that the corrective move lower is part of a higher timeframe wave C, meaning we have moved our Fibonacci resistance levels lower. The downside wave has still seen an extension, meaning upside moves are still considered as countertrend, but we now think a move higher will be wave 4 of wave C, and not wave B. Due to the lower timeframe divergence, we now have a note of caution on downside moves at these levels, as we are vulnerable to an intraday pullback. The futures have moved higher on divergence with price now testing our key resistance. Price is between the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the buy side.
- A close on the 4-hour candle below USD 8,220 with the RSI at or below 33 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 8,325 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 are now trading in the Fibonacci resistance zone whilst the MA on the RSI is turning higher, implying momentum support. We are now at an inflection point, in theory, based on our intraday Elliott wave cycle the upside moves is potentially countertrend. However, if we do trade above USD 8,325, then the probability of the futures trading to a new high will start to decrease.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	2,222	R1	2,240	RSI above 50	Stochastic overbought
S2	2,203	R2			
S3	2,145	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 2,222
- Unchanged on the technical yesterday, we remained bearish with upside moves still looking like they could be countertrend. We continued to hold below the daily 200-period MA (USD 2,224); however, as noted last week, the break was still not definitive due to the long legged Doji on the daily chart. A move below USD 2,180 on the higher timeframe would warn that the USD 2,152.5 fractal low could be tested and broken. A close back above the USD 2,224 average would suggest caution on downside moves whilst the average was in play. The futures closed back above the daily 200-period MA, resulting in the futures moving higher overnight. We are above the EMA resistance band with the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 2,222 with the RSI at or below 45.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,316 will leave the futures vulnerable to further test to the downside, above this level the technical will have a neutral bias.
- We have closed back above the daily 200-period average (USD 2,223) with price now testing the intraday 4-hour 200-period average (USD 2,245). A close above that holds above this level will further support an intraday bull argument, warning that the USD 2,251 and USD 2,278 resistance levels could come under pressure in the near-term. If we fail to close above the intraday average, there is a chance we could consolidate between USD 2,223 – USD 2,245 over the coming days. The longer-term technical is still bearish with key resistance at USD 2,316, above this level the probability of the futures trading to a new low will start to decrease.

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,341		RSI below 50
2,317	2,403			
S2	R2			
2,255	2,441			
S3	R3			
2,204	2,494			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (39)
- Stochastic is above 50
- Price is above the daily pivot point USD 2,317
- Technically bearish yesterday, the MA on the RSI continued to warn that momentum was weak whilst the intraday Elliott wave cycle suggested that upside moves could be countertrend. However, both the 4-and-2-hour RSIs were in divergence, suggesting caution on downside moves at these levels, as we are vulnerable to an intraday move higher. The futures have seen a move higher, 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 2,317 with the RSI at or below 25.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,494 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 is indicating that we are seeing momentum support at this point. The futures are moving higher on the intraday divergences we highlighted yesterday; however, the intraday Elliott wave cycle continues to suggest that upside moves should be considered as countertrend, making USD 2,494 the key resistance to follow. If broken, then the probability of the futures trading to a new low will start to decrease.

Nickel Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	16,080		RSI below 50
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is below 50 (49)
- Stochastic is above 50
- Price is above the daily pivot point USD 16,035
- We remained bearish yesterday with the MA on the RSI starting to flatten, warning momentum was becoming neutral. Upside moves continued to look like they would be countertrend based on the intraday Elliott wave cycle. However, based on price and momentum and the MA on the RSI, there is a neutral bias creeping into the market. The futures have moved higher with price now trading in the EMA resistance band, the RSI is near neutral at 49 whilst price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 16,035 with the RSI at or below 44.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 16,308 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish with upside moves considered as countertrend. The MA on the RSI remains flat with price trading in the EMA resistance band, this is also flat. Like yesterday, there is currently a more neutral bias in the market, despite the small move higher.

Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,026	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 (34)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,037
- Technically bearish, intraday Elliott wave analysis continues to suggest that upside moves should be considered as countertrend, meaning we maintained our view that the USD 2,016 fractal low remained vulnerable. The MA on the RSI continued to warn of momentum weakness. The futures traded to a new low with price below the EMA resistance band, the RSI is below 50 but price and momentum are conflicting as the RSI is above its average.
- A close on the 4-hour candle below USD 2,037 with the RSI at or below 31 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 2,125 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the move higher previously was followed by the move to a new low, creating a positive divergence with the RSI, implying resistance levels could come under pressure. However, our intraday Elliott wave analysis continues to suggest that upside moves should be considered as countertrend still.