

Metals

Base metals rose along with Chinese equities, even as analysts warned of oversupply.

Nickel and aluminum led gains while copper ticked higher. Citigroup Inc. is maintaining a low price target for nickel due to a “structural global surplus,” although the metal rose 7% last week due to short covering, the bank’s analysts said in a note.

Exchange inventories for all base metals increased in China last week, with copper spiking in warehouses monitored by the Shanghai Futures Exchange. In another sign of a slow recovery in demand, China’s refined copper has been trading at a discount to the futures benchmark.

Chinese smelters are also facing pressure from a sharp drop in processing fees, in a trend that could prompt some to curtail output in the months ahead. But so far, domestic producers have failed to implement voluntary production cuts, according to ING Groep NV.

Helping to boost sentiment, the Shanghai equity benchmark is on track for a monthly gain. While China’s state-backed funds have helped support the economy, broadly weak sentiment has also weighed on industrial metals. ING said commodity-intensive stimulus is needed to boost demand in the short-to-medium term.

Copper rose 0.1% to \$8,478 a ton on the London Metal Exchange by 10:43 a.m. local time, while aluminum gained 0.7% and nickel advanced 1%. (Bloomberg).

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	8,447	R1	8,473	Stochastic oversold	RSI below 50
S2	8,398	R2			
S3	8,331	R3			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- The RSI below 50 (49)
- Price is below the daily pivot point USD 8,486
- Stochastic is oversold
- Technically bullish but in a corrective phase yesterday, momentum indicators were conflicting, as the MA on the RSI is indicating it was weak; however, the RSI was above 50 with the stochastic in overbought territory, implying we could move higher providing the RSI held above 50. Based on the intraday Elliott wave cycle, the move lower looks to be countertrend, meaning market bulls will need to see price and momentum become aligned to the buyside, if we do, then resistance levels will start to look vulnerable. If we closed back above the weekly pivot level (USD 8,524) it would further support a bull argument. The futures have moved sideways with price remaining between the EMA support band. The RSI is near neutral at 49 with price and momentum aligned to the sell side.
- A close on the 4-hour candle above USD 8,486 with the RSI at or above 54 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 8,331 will support a bull argument, below this level the technical will have a neutral bias.
- Unchanged on the technical, we maintain our view based on intraday Elliott wave analysis that downside moves look to be countertrend. However, the MA on the RSI is warning of momentum weakness with price remaining below the weekly pivot, suggesting support levels are still vulnerable in the near-term. A move below USD 8,331 will mean that 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	2,184	R1	2,187		RSI below 50
S2	2,175	R2			
S3	2,146	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,197
- Technically bearish yesterday, as noted previously the intraday Elliott wave cycle was very unclear. We were finding bid support on the positive divergence with the RSI, meaning we had a cautious view on downside moves. If we closed above the weekly pivot level on the daily chart (USD 2,209), it would imply that momentum based on price was increasing, warning that USD 2,236 resistance could be tested and broken. If it was, then the probability of the futures trading to a new low will start to decrease. The futures traded to a high of USD 2,208.5, meaning the weekly pivot level was rejected, resulting in the futures seeing a small move lower in the Asian day session. We are below the EMA resistance band (also rejected) with the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,197 with the RSI at or below 42 will mean price and momentum are aligned to the sell side. Likewise, a close above this level will mean it is aligned to the buy side. Upside moves that fail at or below USD 2,236 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the rejection of the weekly pivot level is warning that support levels are vulnerable in the near-term. However, as highlighted yesterday, a move below USD 2,175 will create another positive divergence with the RSI. Not a sell signal, it is a warning that we could see a momentum slowdown on a new low, suggesting caution on downside breakouts. If we close above the USD 2,209 level, it will imply that momentum based on price is increasing, meaning we could see the USD 2,236 resistance come under pressure.

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,402.5		
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- RSI is at 50 (50)
- Stochastic is at 50
- Price is below the daily pivot point USD 2,428
- Technically bearish yesterday with upside moves considered as countertrend based on the Elliott wave cycle, the move higher previously had resulted in the 4-hour divergence with the RSI failing; however, the 1-and-2-hour timeframes remained in divergence. The MA on the RSI was showing light momentum support, as it was just starting to turn higher. The futures were above the daily and weekly pivot levels, meaning momentum based on price warned that we could move higher. A conflicting technical, the RSI divergences suggested caution, but price had bull support due to the pivot levels and the MA on the RSI. In the near term we are still vulnerable to a move higher; however, we continued to have a note of caution due to the lower timeframe divergences. The futures failed to hold with price moving lower on the back of the divergences. We are between the EMA support band with the RSI neutral at 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 2,428 with the RSI at or above 59 will mean price and momentum are aligned to the buy 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. Downside moves that hold at or above USD 2,335 will support a near-term bull argument, below this level the USD 2,278 fractal low will start to look vulnerable.
- Technically bearish, we highlighted a concern last week that the intraday upside move looked to have consisted of 5-waves, warning it was potentially bullish impulse, and not a corrective move higher. We did continue to rally, with the intraday pattern now looking like it is a double 3 (corrective, rather than bullish). The futures are testing the weekly pivot support (USD 2,398), a close below this level on the daily chart will warn that the USD 2,378 fractal support could be tested and broken. If it is, then the technical is warning that the USD 2,335 support will become vulnerable. This is a key level, if broken, then the probability of the futures trading to a new high will start to decrease, implying we should in theory see downside continuation.

Nickel Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	17,188	R1	17,365	17,330	RSI above 50	Stochastic overbought
S2	17,064	R2	17,600			
S3	16,899	R3	16,673			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (58)
- Stochastic is overbought
- Price is below the daily pivot point USD 17,365
- Technically bullish with downside moves continuing to look like they could be countertrend yesterday. The MA on RSI warned of momentum weakness, but the RSI was above 50 with the stochastic in oversold territory, meaning we had a conflict, as it also suggests that it could move higher. Having held above the EMA support band, weekly pivot level, and Fibonacci support zone, we were seeing warning signs that we had support at lower levels. Market bulls would now want to see price and momentum become aligned to the buy side, if we did, then resistance levels could be tested and broken. If however, we closed below the weekly pivot level, market bulls would need to be cautious as the balance would become more bearish, warning that the USD 16,675 support could come under pressure. The futures traded to a high of USD 17,545 before selling lower in the Asian day session. We are 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 17,365 with the RSI at or above 62.5 will mean price and momentum are aligned to the buy side. Downside moves that hold at or below USD 16,675 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures have moved higher but failed to trade above the USD 17,600 level. The MA on the RSI continues to warn of momentum weakness whilst the RSI is rejecting the average. In theory, if our Elliott wave analysis is correct, then we need to trade above USD 17,600; if we do, then we have a potential upside target at USD 18,086. However, a new high will create a negative divergence with the RSI, not a sell signal it is a warning that we have the potential to see a momentum slowdown on a new high, suggesting caution on upside breakouts. We highlight USD 17,188 as an area of near-term interest, if we hold above this level, then we should test the USD 17,600 high. If it is broken, then it will imply that we are still in the corrective phase of the cycle. We should note that wave cycles can and do fail at times, it is not a certainty that we will trade to a new high.

Lead Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,071.5	Stochastic oversold	RSI below 50
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,090
- Technically bearish yesterday, the futures had moved higher but remained in divergence on the lower timeframe, meaning we maintained a cautious view on upside moves. However, the downside move previously did hold above the weekly pivot level (USD 2,077), implying there was buy-side support in the market. We were conflicting, the intraday Elliott wave cycle continued to warn that the upside move was counter-trend; the divergences suggested caution, but we were countered by price being above the daily/weekly pivot levels, which suggested that we could move higher. We were neutral, as the futures were not a technical buy at these levels, but were supported, meaning they would need to move lower to suggest they were a technical sell. The futures traded to a high of USD 2,110 before entering a corrective phase. We are below the EMA support 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 2,090 with the RSI at or above 57.5 will mean price and momentum are aligned to the buy-side. Upside moves that fail at or below USD 2,116 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias. Likewise, downside moves that hold at or above USD 2,057 will support a near-term bull argument, if broken the USD 2,031 support will start to look vulnerable.
- Technically bearish, the futures are rejecting the key resistance (USD 2,116) with intraday price trading just below the weekly pivot level (USD 2,077). A close on the daily chart below this level will further weaken the technical, warning that the USD 2,057 support could be tested and broken. If it is, then the probability of the futures trading to a new high will start to decrease, implying there will be further downside to follow.

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