FIS

Base Morning Technical Report

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China

It started with a cryptic quote from President Xi Jinping buried in a 172-page book on the financial sector. Three months later, plans for potentially the biggest shift in years in how China conducts monetary policy are starting to surface.

Pan Gongsheng, governor of the People's Bank of China, on Wednesday gave the clearest acknowledgment that the monetary authority is looking into trading government bonds in the secondary market as a way to regulate liquidity. The PBOC is studying the implementation with the finance ministry and it will be a gradual process, he said in a speech.

That responds to Xi's directive to "enrich the monetary policy toolbox" and "gradually increase government bond buying and selling in central bank open market operation" in a speech during a financial policy meeting last year, made public only in the book published in March.

On top of that, Pan hinted at other changes to the interest-rate system. The bank may consider moving to using a single short-term rate to guide markets. It's also considering narrowing the corridor within which market rates are allowed to fluctuate to signal a clearer policy target. (Bloomberg).

Cu

Chilean miner Antofagasta Plc and Chinese copper smelters are negotiating dramatically lower refining fees for the second half of the year, underscoring a widening mismatch between China's inflated capacity to process the metal and tightening global supplies of ore.

Antofagasta, which is leading the world's miners, has offered to pay treatment charges at an unusually low $10 a ton, according to people with knowledge of the talks, who declined to be named discussing sensitive matters. Meanwhile, Chinese smelters are asking for a number in the high-$30s, they said, which is equally rare.

Miners and smelters layer their agreements on a spot, half-yearly and annual basis. The current talks are heavily influenced by an unprecedented collapse in spot treatment charges to below zero, which has given the upper hand to Antofagasta and is likely to produce an agreement that sets term fees at a record low.

The last round of annual talks concluded at $80 a ton. The lowest-ever yearly contract was fixed at $43 a ton in 2004, while for the half-year it was $39 in 2010, according to metals consultancy CRU Group, which has data going back to 1992.

Antofagasta, and China's two biggest smelters, Jiangxi Copper Co. and Tongling Nonferrous Metals Group Co., all declined to comment.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,764	R1	9,856	9,796.5		RSI below 50
S2	9,567	R2	9,822			
S3	9,496	R3	9,919			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- The RSI below 50 (49)
- Stochastic is overbought
- Price is above the daily pivot point USD 9,764
- Technically bearish yesterday, the longer-term Elliott wave cycle had a neutral bias due to the USD 9,567 support being breached. The MA on the RSI was flat indicating momentum was neutral; however, we remained in divergence with the RSI. Not a buy signal, it warned that we could see a momentum slowdown which needed to be monitored. As previously noted, due to the divergence now in play, the futures were not considered a technical sell.
- We have moved high on the positive divergence with price now between the EMA resistance band. The RSI is near neutral at 49 with price and momentum aligned to the buyside.
- A close on the 4-hour candle below USD 9,764 with the RSI at or below 43 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 9,856 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, near-term price action is turning to the buyside. The MA on the RSI is indicating that momentum is supported with price now starting to test the weekly pivot resistance (USD 9,822), a close above this level on the daily chart will imply that buyside pressure is increase. A move above USD 9,856 (intraday high USD 9,852) will warn that the probability of the futures trading to a new low will start to decrease. The move higher is on the back of a positive divergence with the RSI, a rejection candle on the 18/06 has been followed by a bullish daily close (19/06), whilst intraday momentum is supported, suggesting resistance levels are now vulnerable.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,497	R1	2,516	2,499		RSI below 50
S2	2,451	R2	2,538			
S3	2,418	R3	2,549			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA Resistance band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is above 50
- Price is on/above the daily pivot point USD 2,497
- Technically bearish yesterday, the MA on the RSI was flat, implying momentum was neutral. We remained in divergence with the RSI on multiple intraday timeframes, not a buy signal, it warned that we had the potential to see a momentum slowdown, which needed to be monitored. With the downside move failing to hold previously, we now had two small rejection candles on the daily chart, implying sell side momentum was slowing based on price. A close on the daily chart above USD 2,520 (the high of the low candle), would imply that buyside pressure was increasing. Based on the divergence and rejection candles, the futures are not considered a technical sell at these levels.
- Price is moving sideways with the futures yet to close above the USD 2,520 level. We remain below the EMA resistance band with the RSI below 50, intraday price and momentum are conflicting, as the previous candle closed above the daily pivot level.
- A close on the 4-hour candle below USD 2,497 with the RSI at or below 37.5 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 2,549 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Unchanged on the technical today based on price movement. We are bearish with the MA on the RSI indicating that momentum is seeing light bid support, with price holding yesterday's values due to the positive divergence with the RSI. A close on the daily candle above USD 2,520 (the high above the low candle) will indicate that buyside pressure is increasing. We maintain our view that the futures are not considered a technical sell at these levels.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,862	R1	2,888	2,866.5	RSI above 50	Stochastic overbought
S2	2,809	R2	2,899.5			
S3	2,737.5	R3	2,930			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,862
- Technically bearish yesterday, the futures were consolidating between USD 2,737.5 – USD 2,899.5, implying price action was neutral. However, the MA on the RSI implied that momentum was supported, with the RSI moving above the 50 level. If we traded above USD 2,930, it would warn that the corrective phase had the potential to become more complex; likewise, below USD 2,737.5 the futures would be in divergence with the RSI, implying the corrective phase was nearing exhaustion. We maintained our view that support levels were vulnerable whilst below USD 2,930.
- The futures have moved USD 2.5 higher, meaning we remain in the consolidation phase. We are between 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 2,862 with the RSI at or below 48 will mean price and momentum are aligned to the sell side. Upside moves that trade above USD 2,930 will mean the intraday technical is bullish based on price.
- Unchanged again today, we remain bearish with the futures are consolidating between USD 2,737.5 – USD 2,899.5, implying price action is neutral, the MA on the RSI is indicating that momentum is supported. If we trade above USD 2,930 it will warn that the corrective phase has the potential to become more complex; likewise, below USD 2,737.5 the futures will be in divergence with the RSI, implying the corrective phase is nearing exhaustion. We maintain our view that support levels are vulnerable whilst below USD 2,930.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	17,325	R1	17,765	17,425		RSI below 50
S2	17,138	R2	18,546			
S3	16,717	R3	18,995			

Synopsis - Intraday Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (41)
- Stochastic is below 50
- Price is above the daily pivot point USD 17,325
- Technically bearish on the previous report, the MA on the RSI warned that momentum was supported, whilst the RSI was in divergence. This suggested caution on downside moves in the near-term; however, as highlighted previously, there looked to be an Elliott wave extension to the downside, implying intraday moves higher should be considered as countertrend.
- The futures have seen a small move higher on the momentum support. However, we remain below all key moving averages with the RSI below 50, intraday price and momentum are now aligned to the buyside.
- A close on the 4-hour candle below USD 17,325 with the RSI at or below 35 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 19,508 will leave the futures vulnerable to further tests to the downside.
- Technically bearish with upside moves looking like they could be countertrend based on our intraday Elliott wave analysis. The MA on the RSI continues to suggest that momentum is supported with price seeing light bid support on the back of the positive divergence. We remain cautious on downside moves at this point.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,186	R1	2,208	2,194.5		
S2	2,167	R2	2,242			
S3	2,153	R3	2,263			

Source Bloomberg

Synopsis - Intraday

- Price is between the EMA resistance band (Black EMA's)
- RSI is at 50 (50)
- Stochastic is above 50
- Price is below the daily pivot point USD 2,208
- Technically we were bearish yesterday, the MA on the RSI implied that momentum was supported with the RSI making new highs, suggesting intraday support levels should hold if tested. We remained below the USD 2,242 resistance (note: I had USD 2,263 yesterday, this was an error, it should have been the 66% retracement level), meaning in theory we are still vulnerable to a move lower. We noted yesterday that there looked like there could be one more move lower, as there had been an Elliott wave extension to the downside. In theory this is still the case; however, the RSI high and momentum support is warning that the USD 2,242 resistance could now be tested and broken. We are more neutral today, as the upside move had been higher than expected.
- We breached the USD 2,242 resistance before moving lower, meaning that probability of the futures trading to a new low has started to decrease; however, we have seen a strong rejection of the upside move. Price is between the EMA resistance band with the RSI neutral at 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,208 with the RSI at or below 48.5 will mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 53 will mean it is aligned to the buyside. Downside moves that hold at or above USD 2,167 will support a near-term bull argument, below this level the technical is back in bearish territory.
- Technically bearish with a neutral bias, The MA on the RSI is indicating that momentum remains supported. The RSI is now testing its average, if price and momentum become aligned to the sell side, then support levels could come under pressure. As noted yesterday, we had been expecting one more test to the downside, but the breach in the USD 2,242 resistance means the technical is neutral. However, we are looking at a large rejection candle on the daily chart that suggests we still have the potential to move lower from here.