Base Morning Technical Report

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China

Copper was roughed up on Monday as commodities were exposed to the wider tumult, and prices remain under pressure. Part of the reason lies in bulging stockpiles, which suggest the global market is too amply supplied for the material to stage a serious comeback.

Overall inventories in LME-tracked warehouses have expanded by 50% YTD and stand at the highest level in three years. Should they attract just a few more tons — which seems likely — stockpiles will reach the largest since mid-2020, when the world was shutting down because of the pandemic.

The bulk of this build-up has been seen in sheds in Asia, with holdings ballooning in South Korea and Taiwan. The root cause seems to lie in nearby China, which remains oversupplied, with traders shipping out refined metal.

Within China itself — which isn't home to any LME-tracked warehouses — local metrics point to the same dynamic. Holdings in sheds followed by the Shanghai Futures Exchange are at their highest level for this time of year in data going back to 2003. (Bloomberg).

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	8,772	R1	8,913	8,825	Stochastic oversold	RSI below 50
S2	8,642	R2	8,946			
S3	8,457	R3	9,017			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI above 50 (34)
- Stochastic is oversold
- Price is below the daily pivot point USD 8,913
- Technically bearish yesterday, the futures were finding support off the daily 200-period MA (USD 9,023) aided by a weakening USD. The MA on the RSI was flat, implying momentum was neutral, whilst intraday Elliott wave analysis suggested that upside moves should in theory be countertrend. A close on the daily chart above the high of the last dominant bear candle (USD 9,322) would imply that buyside pressure was increasing, warning we could see the USD 9,572 resistance come under pressure. Above this level, the probability of the futures trading to a new low would start to decrease. Likewise, failure to close above the USD 9,322 level would leave support levels vulnerable. The technical was bearish, the Elliott wave cycle implied that we should trade below the USD 8,900 fractal low; however, the futures were finding support on the daily 200-period MA, a benchmark average that was being respected on the higher timeframe. The futures needed to see a daily close below the higher timeframe average for downside continuation.
- The futures sold to new lows with price closing below the 200-period MA (USD 9,026). Having found bid support into the close, we are now moving lower in the late Asian day session, price is below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 8,913 with the RSI at or above 43 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 9,115 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 momentum is weak; however, the futures are now in divergence with the RSI. Not a buy signal, it is a warning that we have the potential to see a momentum slowdown which will need to be monitored. Lower timeframe Elliott wave analysis is suggesting that intraday upside moves should be considered as countertrend in the very near-term, making USD 9,115 the key resistance to follow. Above this level, the probability of the futures trading to a new high will start to decrease. We are in divergence, but the USD 8,714 fractal low remains vulnerable. We are cautious on downside breakouts below this level.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,234	R1	2,257	2,245		RSI below 50
S2	2,209	R2	2,349			
S3	2,152	R3	2,394			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is below 50
- Price is below the daily pivot point USD 2,257
- Technically bearish yesterday, the MA on the RSI was flat, meaning momentum was neutral. The futures had held above key support, having produced a 3-wave move lower, warning that we still had the potential to produce and intra-day move higher. A close on the 4-hour candle above the high of the last dominant bear candle (USD 2,276.5) would indicate that intraday buyside pressure was starting to increase, leaving resistance levels vulnerable in the near-term. However, intraday Elliott wave analysis suggested that upside moves should be considered as countertrend, making USD 2,394 the key resistance to follow. If broken, then the probability of the futures trading to a new low would start to decrease. Price action implied that we could move higher in the near-term, in what the wave cycle would consider a countertrend move; if we did trade below USD 2,249, then the depth the of the pullback would indicate that the corrective phase was less complex, meaning we should in theory trade below the USD 2,209.5 support, in line with the wave cycle.
- The futures failed to close above the USD 2,276.5 level resulting in the USD 2,249 support being broken. 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 2,257 with the RSI at or above 46 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,394 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 have light momentum weakness. The downside moves below USD 2,249 implies that the USD 2,209.5 fractal low is now vulnerable; however, below this level the futures will be divergence with the RSI. Not a buy signal it is a warning that we have the potential to see a momentum slowdown which will need to be monitored. Near-term price action suggests we should move lower, intraday Elliott wave analysis continues to imply that upside moves should be considered as countertrend at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,684	R1	2,763	2,616		RSI below 50
S2	2,615	R2	2,809			
S3	2,565	R3	2,871			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (38)
- Stochastic is below 50
- Price is below the daily pivot point USD 2,632
- Technically bearish yesterday, the MA on the RSI was flat, implying momentum was neutral. We noted previously that the futures need to trade above and close above the USD 2,724 fractal resistance to signal that buyside pressure was increasing; if we did, then the USD 2,871 resistance could come under pressure, above this level the probability of the futures trading to a new low would start to decrease. However, our intraday Elliott wave analysis implied that upside moves looked like they could be countertrend. The futures were finding support on the daily 200-period MA (USD 2,655), a close below this level (on the daily candle) would warn that the USD 2,615 fractal low could be tested and broken. We noted that in theory, we should move lower, but we had a note of caution on downside moves whilst above the higher timeframe average.
- The futures sold lower with price closing below the daily 200-period MA (USD 2,656); however, the daily chart has produced a long leg Doji, warning that there is indecision in the market. We are 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 2,632 with the RSI at or above 45.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,669 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 implying that we have light momentum weakness at this point. The new low has created a positive divergence with the RSI, not a buy signal, it is a warning that we could see a momentum slowdown which will need to be monitored. However, lower timeframe Elliott wave analysis is implying that intraday upside moves should be considered as countertrend, making USD 2,669 the key resistance to follow. Above this level the probability of the futures trading to a new low will start to decrease. The USD 2,563 fractal low remains vulnerable in the near-term: however, we a cautious on downside breakouts below this level.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	16,195	R1	16,494	16,225		RSI below 50
S2	16,006	R2	16,775			
S3	15,600	R3	16,920			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is below 50
- Price is above the daily pivot point USD 16,195
- Technically bearish yesterday, the MA on the RSI implied that momentum was weak. The rejection of the USD 16,562 resistance warned that the USD 16,192 – USD 16,006 Fibonacci support zone was now vulnerable. Below USD 16,006 would warn that we could trade to new lows, in line with the intraday Elliott wave cycle. We maintained our view that upside moves look like they could be countertrend.
- The futures sold to a low of USD 15,950 before finding light bid support, the futures are back trading at yesterday mornings levels. We are below the EMA resistance band with the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 16,195 with the RSI at or above 53.5 will mean price and momentum are aligned to the buyside; likewise, a close below this level will mean it is aligned to the sell side. Upside moves that fail at or below USD 16,920 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 starting to flatten, implying momentum is turning neutral. The downside move below USD 16,006 does suggest that the USD 15,600 low is starting to look vulnerable. We maintain our view based on intraday Elliott wave analysis that upside moves look like they should be considered as countertrend.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,926	R1	1,974	1,943	Stochastic oversold	RSI below 50
S2	1,876	R2	1,990			
S3	1,813	R3	2,044			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (27)
- Stochastic is oversold
- Price is below the daily pivot point USD 1,974
- Technically bearish yesterday, the MA on the RSI indicating that we have light momentum weakness. Our intraday Elliott wave analysis suggested that we have the potential to trade as low as USD 1,965 within this phase of the cycle. However, the futures were in divergence with the RSI, not a buy signal, it warned that we could see a momentum slowdown which needed to be monitored.
- The futures sold to a low of USD 1,917 on the open before finding buyside support. We are below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 1,974 with the RSI at or above 38.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,044 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 momentum remains weak. The futures are still in divergence with the RSI, not a buy signal it is a warning that we could see a momentum slowdown, which needs to be monitored. However, the downside move yesterday has created a bearish Elliott wave extension, implying upside moves should be considered as countertrend at this point. We are seeing a rejection of the downside this morning, implying the futures have overextended a little, warning we are starting to look vulnerable to an intraday test to the upside.