FIS

Base Morning Technical Report

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Cu

Copper declined as demand from China's construction industry continues to disappoint, while zinc extended losses as supply tightness dissipates.

Copper's use in the building sector, a key pillar of demand in the top metal consuming country, may remain weak even during the traditional peak season in the fourth quarter, said Michelle Leung, an analyst with Bloomberg Intelligence, citing a survey of Chinese firms last week. Property and infrastructure companies said they had few or even no new projects in September, amid tight funding conditions at local governments.

Copper has traded in a narrow range this month, after retreating from a record high in May, as investors assess China's demand outlook and the central government's battery of stimulus measures to shore up confidence.

The latest data point to weak conditions persisting. Profits at Chinese industrial firms extended declines last month, according to data on Sunday, as deflationary pressure sap the strength of corporate finances.

Copper fell 0.5% to $9,553 a ton on the London Metal Exchange as of 10:42 a.m. in Shanghai. Zinc dropped 1.3% to $3,060 a ton, following a 2.3% decline in the prior session, after two days of inventory inflows into LME warehouses mitigated worries of supply tightness. (Bloomberg).

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,476	R1	9,551	9,536		RSI below 50
S2	9,435.5	R2	9,592			
S3	9,354	R3	9,777			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI below 50 (46)
- Stochastic is below 50
- Price is below the daily pivot point USD 9,551
- Having broken the bearish channel to the upside last week, the futures were consolidating in a symmetrical triangle. We noted that near-term directional bias should in theory come from a close outside that holds outside of the symmetrical pattern, making USD 9,470 – USD 9,624 the support/resistance levels to follow. As highlighted previously, our Elliott wave analysis suggested that downside moves looked like they could be countertrend; however, if we did trade below USD 9,354, then the probability of the futures trading to a new high would start to decrease. The technical was bullish but in a corrective phase, price action was neutral.
- The futures remain within the symmetrical triangle. 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 below USD 9,551 with the RSI at or below 44 will mean price and momentum are aligned to the sell side; likewise, a close above this level will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 9,354 will support a bull argument, below this level the technical will have a neutral bias. Conversely, upside moves that fail at or below 9,887 will warn that there could be a larger bearish Elliott wave cycle in play.
- Unchanged on the technical this morning. We remain bullish but in a corrective phase with intraday Elliott wave analysis suggesting that downside moves look like they could be countertrend, making USD 9,354 the key support to follow. A move below this level will warn that the probability of the futures trading to a new high will start to decrease. Price action is neutral as we remain within the symmetrical triangle, suggesting direction bias will come on a close outside that holds outside of the pattern (USD 9,476 – USD 9,551).

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,649	R1	2,673	2,660	RSI above 50	
S2	2,601	R2	2,689			
S3	2,579	R3	2,715			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (47)
- Stochastic is above 50
- Price is above the daily pivot point USD 2,649
- Technically bullish with a neutral bias on Friday. We noted previously that the Elliott wave cycle had gone up, against our expectations, meaning the cycle was unclear; however, the technical warned that downside moves had the potential to be countertrend in the near-term. The futures sold lower due to a divergence on the daily chart, resulting in key support being broken, meaning the probability of the futures trading to a new high had started to decrease. We could in theory still move higher from here, but due to the divergence on the daily timeframe, and the deep pullback, we were cautious on upside breakouts.
- The futures found bid support resulting in price trading back above the USD 2,973 resistance, meaning the technical is back in bullish territory. We are above the 8-21 period EMA's with the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 2,649 with the RSI at or above 58 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. Downside moves that hold at or above USD 2,601 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, as noted previously, it looks like we have seen an Elliott wave cycle extension to the upside; however, the wave cycle is unclear at this point, as our lower timeframe oscillators do not currently support the move higher. We have broken key support and key resistance, with a lack of clarity on the wave cycle, we now have a neutral bias.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,043	R1	3,105	3,053.5	Stochastic oversold	RSI below 50
S2	2,977	R2	3,129			
S3	2,955	R3	3,199			

Source Bloomberg

Synopsis - Intraday

- 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 3,105
- Technically bullish on Friday, the futures were in a corrective phase. We noted previously that downside moves looked like they could be countertrend, making USD 3,081 the key support to follow. If broken, then the probability of the futures trading to a new high would start to decrease. In theory, the wave cycle was unchanged, meaning we still have the potential for one more intraday move higher. However, the daily chart had produced a strong bullish rejection candle on Thursday with price selling lower on Friday morning, technically, we had a note of caution, as it looked like that USD 3,081 support could be tested and broken due to the higher timeframe rejection candle. The rejection candle indicated that we had higher timeframe sellers in the market, the lower high and lower low on the daily candle today, meant our expectations of one more wave higher were very low.
- The futures sold below the USD 6,081 support on the back of the rejection candle, meaning the probability of the futures trading to a new high has started to decrease. 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 3,105 with the RSI at or above 55 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below 3,199 will leave the futures vulnerable to further tests to the downside, above this level the technical will be back in bullish territory.
- Technically bullish with a neutral bias, the probability of the futures trading to a new high has started to decrease. The MA on the RSI is implying that momentum is weak, warning support levels remain vulnerable. The deep pullback, daily rejection candle and weak momentum means we are cautious on moves higher, as the technical is warning that support levels remain vulnerable.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,714	R1	16,185	16,165	Stochastic oversold	RSI below 50
S2	15,502	R2	16,803			
S3	15,209	R3	17,022			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (35)
- Stochastic is oversold
- Price is below the daily pivot point USD 16,185
- Technically bearish on Friday, the upside move previously had not confirmed it was the move higher that we are looking for, meaning we maintained our view that upside moves should be considered as countertrend. Downside moves below USD 16,150 had the potential to create a positive with the RSI, not a buy signal it warned that we could see a momentum slowdown, implying caution on moves below this level if the divergence was in play. However, if the divergence failed, support levels would become vulnerable.
- The futures have seen a small move lower but remain in divergence. We are below all key moving averages supported by the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 16,185 with the RSI at or above 36.5 will mean price and momentum are aligned to the buyside. Likewise, a close below this level with the RSI at or below 32 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below 17,319 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 flat, implying momentum is neutral; however, we remain in divergence, implying caution on downside moves in the near-term. Intraday Elliott wave analysis continues to suggest that upside moves look like they will be countertrend at this point.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,021	R1	2,053	2,036.5	Stochastic oversold	RSI below 50
S2	1,993	R2	2,096.5			
S3	1,946	R3	2,119			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (40)
- Stochastic is oversold
- Price is below the daily point USD 2,053
- Technically bullish on Friday, in theory the bullish Elliott wave cycle had completed, suggesting support levels are vulnerable. However, as noted previously, the longer we consolidated, the greater the chance we could see a bullish Elliott wave extension to the upside. Near-term price action continued to consolidate, meaning it was neutral. We noted that there looked to be a symmetrical triangle in play with trend support at USD 2,056 coming under pressure. If we closed below and held below the trend line, then support levels would start to look vulnerable.
- The futures have broken the symmetrical triangle to the downside. 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 2,053 with the RSI at or above 47.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,119 will leave the futures vulnerable to further tests to the downside, warning that the corrective phase had the potential to become more complex. Likewise, downside moves that hold at or above USD 2,021 will warn that there is potentially a larger bullish Elliott wave cycle in play, below this level, the technical will have a neutral bias.
- Technically bullish, the MA on the RSI is implying that momentum is weak, whilst the symmetrical break to the downside is implying that the USD 2,021 support could be tested and broken. Having broken the consolidation phase to the downside, we now have a note of caution on moves higher.