FIS

Base Morning Technical Report

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Metals

(Bloomberg) -- Copper, aluminum and iron ore led metals lower after President Donald Trump imposed tariffs on China, Canada and Mexico, threatening a trade war that could sap global economic growth.
The red metal, an industrial bellwether, fell as much as 1.5% on the London Metal Exchange, and aluminum was down by a similar amount. Steelmaking staple iron ore dropped by as much as 3.5% in Singapore, while Chinese markets remained closed for the Lunar New Year holidays.
Trump announced a 10% levy on imports from China, as well as 25% tariffs on Canada and Mexico, that will take effect from Tuesday. The impact on the dollar, with a gauge up by as much as 1.2%, also weighed on metals as a costlier US currency makes them more expensive for most buyers. China's commerce ministry vowed "corresponding countermeasures," without elaborating, and also said it would file a complaint at the World Trade Organization.
A global trade war may spur inflation, keep interest rates higher for longer, and will be a headwind for global growth and metals demand. It could also lead to nations restricting exports of critical minerals. China, the world's largest consumer of most metals, is still struggling to revive economic growth that hasn't fully recovered from Covid-19, although it will now likely step up measures to stimulate expansion.
"While the energy transition and a recovery in economic growth in Europe would support metals demand, Trump's proposed tariffs will limit demand growth" as business confidence will stay subdued, ANZ Group Holdings Ltd. said in a note by analysts Daniel Hynes and Soni Kumari. Credit growth in China remains depressed, but deployment of additional stimulus will be a "wild card for metals demand," they said.
Copper fell 1.3% to $8,929.50 on the LME as of 10:57 a.m. in Singapore, after dropping 2.5% last week. Aluminum slumped 1.4% to $2,559 and zinc declined 1.2%. Iron ore lost 1.1% to $104.55 a ton in Singapore.
China's domestic markets reopen on Wednesday.
The impact of tariffs on commodity prices depends on several factors, the most important of which is how if affects the economies of China and other emerging markets, Jefferies analyst Christopher LaFemina said in a note. The one market that is likely to benefit is US steel, as more expensive imports should support higher domestic prices, he said.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	8,917	R1	9,009	8,937		RSI below 50
S2	8,885	R2	9,039			
S3	8,757	R3	9,056			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI below 50 (45)
- Stochastic is below 50
- Price is below the daily pivot point USD 9,056
- Technically bearish on Friday, the MA on the RSI implied that momentum was supported. We were trading back below the 200-period MA, if we closed below and held below the average it would indicate that sell side pressure was increasing. Likewise, if price and momentum became aligned to the sell side, it would further weaken the technical, warning the USD 8,957 fractal low could come under pressure. Failure to close below the longer-term average would imply the market remains supported. If we did trade above USD 9,221 then the probability of price selling to new lows would start to decrease.
- The futures remained below the 200-period MA (USD 9,072) with price trading to new lows this morning on the back of a rising US dollar; this is due to the implementation of tariffs against Canada, China, and Mexico. 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 9,056 with the RSI at or above 47 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 9,079 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, we have some conflictions this morning. The MA on the RSI is implying that we have light momentum weakness, countering this, the futures are in divergence with the RSI, warning we could see a momentum slowdown. However, lower timeframe Elliott wave analysis is indicating that intraday upside moves should be considered as countertrend, making USD 9,079 the key resistance to follow. If broken, then the probability of the futures trading to a new low will start to decrease. Technically, we are going to follow the lower timeframe with cycle, meaning we have a note of caution on intraday moves higher.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,563	R1	2,598	2,571	Stochastic oversold	RSI below 50
S2	2,536	R2	2,611			
S3	2,490	R3	2,629			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (40)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,598
- The futures remained bullish with a neutral bias on Friday; however, as noted yesterday, the conflicting technical between the intraday and the daily candle pattern meant we had a neutral view. A deep pullback on the intraday technical was countered by a bullish engulfing candle above the 200-period MA (USD 2,538) on the daily chart.
- Having sold lower on Friday, the futures have gapped lower this morning on the implementation of tariffs by the US. 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 2,598 with the RSI at or above 50.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,653 will warn that there could be further downside within the corrective phase, above this level the technical will be back in bullish territory.
- Technically bearish with a neutral bias, the futures have held the USD 2,553 support whilst the RSI is also holding support. Upside moves that close above and hold above the 200-period MA (USD 2,581) will warn that we could close the bearish gap that formed on the open (USD 2,588.5); if we do, then the Fibonacci resistance zone could come under pressure in the near-term, making USD 2,653 the key resistance to follow. If broken the probability of the futures trading to a new low will start to decrease. However, our lower timeframe Elliott wave analysis (on the corrective phase) is suggesting that intraday upside moves should be countertrend in the near-term.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,706	R1	2,756	2,734.5	Stochastic oversold	RSI below 50
S2	2,678	R2	2,813			
S3	2,638	R3	2,846			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (36)
- Stochastic is oversold
- Price is below the daily pivot point USD 2,756
- Technically bearish on Friday, the futures had tested but remained above the USD 2,771 level; if broken, it suggested that the USD 2,750 fractal low could be tested and broken. We looked like they could be in the early stages of a bearish Elliott wave 5 for this phase of the cycle; however, if we did trade above the USD 2,845 resistance, then the probability of futures trading to a new low would start to decrease.
- We traded below the USD 2,771 level, resulting in price trading below the USD 2,750 fractal support on the open. 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 2,756 with the RSI at or above 42 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,890 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the RSI is currently holding support with the futures looking like they are on an Elliott wave for this phase of the cycle, suggesting caution on downside moves in the near-term. However, this also suggests that upside moves should in theory be countertrend, making USD 2,890 the key resistance to follow. If broken, then the probability of the futures trading to a new low will start to decrease. We have a note of caution on moves lower at these levels in the near-term, as they could struggle to hold.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,087	R1	15,270	15,115	Stochastic oversold	RSI below 50
S2	14,905	R2	15,381			
S3	14,785	R3	15,467			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (32)
- Stochastic is oversold
- Price is below the daily pivot point USD 15,270
- Technically bearish on Friday, the futures had breached the USD 15,323 support, meaning the probability of there being a larger bull cycle in play had started to decrease. The divergence meant we now have a note of caution on moves lower at those levels, as they could struggle to hold.
- We have continued to sell lower meaning we remain 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 15,270 with the RSI at or above 41 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below 15,583 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 momentum remains weak; countering this, we remain in divergence on the 1-hour timeframe. Upside moves that fail at or above USD 15,784 will warn that there could be a larger bearish Elliott wave cycle in play, due to the divergence in play, we maintain a note of caution on moves lower in the near-term.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,929	R1	1,954	1,956	Stochastic oversold	RSI below 50
S2	1,917	R2	1,971			
S3	1,895	R3	1,980			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is oversold
- Price is below the daily point USD 1,954
- Technically bullish but in a corrective phase on Friday, the MA on the RSI implied that momentum was supported; however, the RSI was below the average. If price and momentum became aligned the buyside, then resistance levels could come under pressure. The daily technical continued to consolidate, meaning we were very cautious on intraday signals. The daily technical was going through a phase of accumulation/distribution, meaning directional bias was not yet defined.
- The futures have sold back below the USD 1,945 support. 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 1,954 with the RSI at or above 53.5 will mean price and momentum are aligned to buyside.
- The intraday technical is bullish with a neutral bias. However, the daily technical is neutral. Due to the consolidation, we are seeing random price movement on the intraday, resulting in false signals. Whilst in consolidation on the daily timeframe, we will maintain a neutral bias going forward.