Base Morning Technical Report

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(Bloomberg) -- Copper held this week's gains in London, with investors weighing the impact of the US-China trade war. Chinese markets reopened following the Lunar New Year break.

Beijing imposed retaliatory tariffs on a range of US products on Tuesday and announced an investigation into Google, moments after US President Donald Trump imposed a 10% levy on Chinese imports. China put export controls on several niche metals — most notably tungsten — in a further show of its dominance in critical minerals.

Base metals have endured a bumpy start to the year, buffeted by trade-war fears, as well as concerns about tepid demand in China, the top consumer. While a prolonged trade war could damp economic growth in Asia's largest economy, there's also speculation that Beijing will step up stimulus efforts, which may be positive for metals consumption.

It will take a while for Chinese demand to recover after the holidays, Shanghai Metals Market said in a note. And there are concerns around global trade frictions and economic growth, it said.

Read More: China Wields Commodities Leverage with LNG and Tungsten Tariffs

Copper was up 0.3% at $9,178 a ton on the London Metal Exchange as of 9:01 a.m. local time after gaining for two days. Aluminum fell 0.8% while tin climbed 1%.

On Chinese markets, zinc led declines, falling by 1.7% to the lowest since September in the first session since Jan. 27. Copper dropped 0.3% in Shanghai and aluminum was steady.

Copper is the only metal where there is a significant trade between China and the US. Around 40% of American copper scrap exports and 16% of concentrate shipments go to China, Macquarie analysts led by Marcus Garvey said in a note.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,146	R1	9,205	9,148.5	RSI above 50	Stochastic overbought
S2	9,090	R2	9,261			
S3	9,057	R3	9,335			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- The RSI above 50 (56)
- Stochastic is overbought
- Price is above the daily pivot point USD 9,146
- Technically bullish based on price yesterday, the MA on the RSI implied that we had light momentum support. The move below USD 8,960 previously warned that the probability of there being a larger bullish wave cycle in play had started to decrease. If we moved higher and rejected the USD 9,205 level, it would indicate that there could be a larger, bearish wave cycle in play. However, a move above this level would negate the USD 8,960 breach, meaning we could see the USD 9,355.5 fractal high come under pressure. The upside moves on the divergence with price entering bullish territory warned that the USD 9,205 resistance could be tested and broken. Countering this, if we closed below the low of the high candle (USD 9,118), it would imply sell side momentum was increasing, meaning we could see the Fibonacci support zone come under pressure in the near-term, making USD 9,002 the key support to follow. If broken, then the probability of the futures trading above the USD 9,172.5 intraday high would start to decrease.
- The futures remained supported with price trading to a new high; however, we remain below the USD 9,205 resistance. We are above all key moving averages supported by the RSI above 50. Intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 9,146 with the RSI at or below 47 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 9,011 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the MA on the RSI is implying momentum is supported. The futures are in divergence on the 1-hour timeframe, warning we could see a momentum slowdown. The linear regression line (red line on the chart USD 9,198) has the potential to act as a resistance here. If we close above and hold above this line, then resistance levels could be tested and broken. Conversely, if rejected it will leave the futures vulnerable to further tests to the downside. In theory, if we trade above USD 9,205 then resistance levels will become vulnerable; however, we highlight holding above the linear line as the stronger of the two signals at this point. We are cautious on upside moves whilst below the regression line with the divergence in play.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,563	R1	2,629	2,627.5	RSI above 50	Stochastic overbought
S2	2,536	R2	2,653			
S3	2,490	R3	2,672			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (53)
- Stochastic is overbought
- Price is below the daily pivot point USD 2,631
- We remained bullish with a neutral bias yesterday, the MA on the RSI was flat, implying momentum was neutral. Previously we had been cautious on upside moves due to the lower timeframe Elliott wave analysis on the corrective move lower, whilst price is below USD 2,653 this remains the case. However, when we looked at the daily technical, we had two bullish engulfing candle patterns above the daily 200-period MA (USD 2,623). We had previously highlighted the original engulfing candle, which left us cautious on moves lower; however, the sell off on Monday on trade tariffs resulted in price trading to new lows. Having held the average for a second time, we are once again cautious on moves lower, as the daily technical suggests that there is underlying support in the market, meaning the USD 2,653 resistance is again vulnerable. we noted that if we looked at this like a game of cards, the better hand looked to be on the daily timeframe.
- The futures remain support with price above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the buyside, as the previous candle closed above the daily pivot level.
- A close on the 4-hour candle below USD 2,631 with the RSI at or below 48 will mean price and momentum are aligned to the sell side. 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.
- Unchanged on the technical this morning, we remain bullish with a neutral bias. Due to the two bullish engulfing candles above the 200-period MA (USD 2,538) on the daily timeframe, we have a note of caution on downside moves at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,785	R1	2,808	2,797		Stochastic overbought
S2	2,749	R2	2,846			
S3	2,706.5	R3	2,890			

Source Bloomberg

Synopsis - Intraday

- Price is between the EMA resistance band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is overbought
- Price is below the daily pivot point USD 2,808
- Technically bearish yesterday, above USD 2,824 the intraday price would be bullish; however, the Elliott wave cycle was bearish below USD 2,890 and neutral above this level. We noted previously that the 5-wave pattern lower suggested that upside moves should be considered as countertrend, if we rejected the USD 2,890 level, it would warn that support levels could come under pressure. However, we have highlighted the larger Elliott wave correction on the technical. The 5-wave pattern lower that we highlighted previously, looks like it could be wave 5 of C; if my interpretation of the cycle was correct, then it suggested that the corrective move lower may have completed. Based on this, we were cautious on moves lower, as it implied that resistance levels were now vulnerable, making USD 2,890 a very important level.
- The futures traded to a high of USD 2,834 yesterday, meaning the intraday technical is now bullish. We remain between the EMA resistance band with the RSI now below 50; however, a small move lower on in the Asian day session means price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,808 with the RSI at or below 43.5 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. Downside moves that hold at or above USD 2,749 will support a bull argument, below this level the technical will have a neutral bias. Upside moves that fail at or below USD 2,890 will warn that there could be a larger bearish wave cycle in play (I.E. a wave extension).
- Technically bullish based on price, the MA on the RSI is implying momentum is supported. As noted yesterday we now have a note of caution on moves lower as there is a chance that the bearish Elliott wave cycle may have completed, making USD 2,890 the key resistance to follow. If we reject this level, it will warn that we could see a wave extension to the downside; if broken, it will increase the probability that the bear cycle has potentially completed.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,087	R1	15,218	15,280		RSI below 50
S2	14,905	R2	15,335			
S3	14,785	R3	15,430			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is overbought
- Price is above the daily pivot point USD 15,218
- Unchanged on the technical yesterday, we remained bearish with the MA on the RSI implying momentum was weak; countering this, we were still in divergence on the 1-hour timeframe. Upside moves that fail at or above USD 15,759 will warn that there could be a larger bearish Elliott wave cycle in play, due to the divergence, we maintained a note of caution on moves lower in the near-term.
- The futures traded to a high of USD 15425 on the divergence; however, we seen a small move lower in the Asian day session. We are below the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 15,218 with the RSI at or below 37.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below 15,558 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish, the futures have moved higher on the positive divergence with the RSI whilst the MA on the RSI is implying momentum is supported, suggesting caution on downside moves in the near-term. Above USD 15,558 the technical will have a neutral bias; however, upside moves that reject the USD 15,579 level will warn that there could be a larger, bearish Elliott wave cycle in play.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,961	R1	1,995	1,982	RSI above 50	Stochastic overbought
S2	1,929	R2	2,014			
S3	1,917	R3	2,039			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (59)
- Stochastic is overbought
- Price is above the daily point USD 1,961
- The futures remained in consolidation yesterday, meaning the technical was considered as neutral.
- An upside move in the futures yesterday mean price action is considered as bullish due to the move above the USD 1,984 fractal resistance. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 1,961 with the RSI at or below 48.5 will mean price and momentum are aligned to the sell side.
- Technically bullish, the MA on the RSI is implying momentum is supported at this point. However, faster moving oscillators are overbought, momentum is warning that we are vulnerable to an intraday pullback. The longer-term technical remains in consolidation, meaning the higher timeframe is neutral.