Base Morning Technical Report

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China

(Bloomberg) -- China's ramp-up in liquidity injections has failed to alleviate a squeeze in the money market, keeping borrowing costs elevated.

The People's Bank of China added a net 84 billion yuan ($11.6 billion) of short-term funds in daily open market operations on Friday, according to Bloomberg calculations. That's the largest single-day infusion so far in February, when the central bank has been draining liquidity in most sessions.

Money market rates barely budged following the action, underscoring the intensity of liquidity tightness. The seven-day repo rate gained 14 basis points to 2.2%, while the overnight repo rate hovered near an eight-month high touched earlier this week. Government bond yields edged up in most tenors.

The PBOC has been tolerating a surge in repo rates this year and kept liquidity conditions tight, aiming to support the yuan amid economic headwinds. That, however, has pressured the bond market with the 10-year benchmark yield reaching the highest since December. Investors shifting money into stocks to ride a tech-driven rally was also behind the debt selloff.

"Given we've seen relatively tighter liquidity recently with interbank rates moving higher, a shift to net injections is reasonable," said Lynn Song, chief Greater China economist at ING Bank NV. But as the reverse repos are a seven-day operation, the impact on markets should be relatively muted, Song added.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,481	R1	9,527	9,509	RSI above 50	Stochastic overbought
S2	9,310	R2	9,573			
S3	9,176	R3	9,697			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above 50 (54)
- Stochastic is overbought
- Price is below the daily pivot point USD 9,527
- Technically bullish with a neutral bias yesterday, the MA on the RSI implied that we had light momentum support. The futures closed above the daily 200-period MA previously (USD 9,434), whilst holding above the regression line, suggesting the USD 9,573 resistance could be tested and broken. If it was, then the technical would be back in bullish territory. As noted previously, higher timeframe Elliott wave analysis continued to suggest that downside moves should be considered as countertrend.
- We traded above the USD 9,573 resistance; however, the move has failed to hold with price selling lower in the Asian day session. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 9,527 with the RSI at or below 53.5 will mean price and momentum are aligned to the sell side. Likewise, a close above this level with the RSI at or above 58 will mean it is aligned to the buyside. Downside moves that hold at or above USD 9,176 will warn that there is potentially a larger, bullish Elliott wave cycle coming into play.
- The breach in the USD 9,573 support means that the technical is back in bullish territory; however, we are selling lower in the Asian day session, bringing the linear regression line at USD 9,481 into focus. If we hold above the line, it will further support a buyers argument, if broken, then support levels could come under pressure. Our Elliott wave analysis continues to suggest that downside moves should be considered as countertrend. Bullish but moving lower, the futures are approaching the linear line and the EMA support band, implying caution on moves lower in the near-term.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,715	R1	2,728	2,721	RSI above 50	Stochastic overbought
S2	2,677	R2	2,755			
S3	2,659	R3	2,768			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (64)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,715
- Technically bullish yesterday, the MA on the RSI implied that momentum was supported. The upside move had resulted in the RSI breaking its resistance that formed on the 10/02, supporting the move higher. This suggested that downside moves should be considered as countertrend in the near-term, making USD 2,625 the key support to follow. A move below this level would warn that the probability of the futures trading to a new high had started to decrease.
- The futures continued to move higher, resulting in price breaking the USD 2,728 Fibonacci resistance; however, we have seen a small move lower in the Asian day session. 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 2,715 with the RSI at or below 60 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,635 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the MA on the RSI implies that momentum is supported. As noted yesterday, the RSI has supported the move higher, implying downside moves should be considered as countertrend at this point, making USD 2,635 the key support to follow. If broken, then the probability of futures trading to a new high has started to decrease. If price and momentum become aligned to the sell side, it will warn that the futures are entering a corrective phase.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,906	R1	2,926	2,912.5	RSI above 50	Stochastic overbought
S2	2,850	R2	2,936			
S3	2,823	R3	2,986			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (58)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,906
- The futures were technically bullish yesterday with the probability of price trading to a new low decreasing; however, we were in divergence with the RSI. Not a sell signal, warned that we could see a momentum slowdown, which needed to be monitored. Due to the divergence, we were cautious on upside moves as they could struggle to hold.
- A very small move higher has failed to hold, resulting in price back trading just above yesterday mornings levels. 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 2,906 with the RSI at or below 55.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,785 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish. The upside move yesterday has resulted in the divergence failing, warning downside moves have the potential to be countertrend in the very near-term, making USD 2,785 the key support to follow. If broken, then the probability of the futures trading to a new high will start to decrease. A small bearish rejection candle has formed on the Asian open, if we close below the low of this candle (USD 2,915.5), it will warn that price action is starting to weak-en. Likewise, upside moves above the high of the rejection candle (USD 2,940), will indicate upside continuation. We are bullish, but there are signs of near price action could be starting to weaken in the near-term.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,431	R1	15,613			
S2	15,375	R2	15,662	15,485		Stochastic overbought
S3	15,280	R3	15,898			

Synopsis - Intraday Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is below 50 (49)
- Stochastic is overbought
- Price is below the daily pivot point USD 15,613
- Technically bullish yesterday due to the breach in the USD 15,662 resistance, the probability of the futures trading to a new low had started to decrease. The MA on the RSI implied that we had light momentum support, whilst price was above the 200-period MA (USD 15,526), if we held above the average it will warn that resistance levels could be tested and broken.
- The upside moves has failed to hold with price producing a bearish rejection candle, followed by a move lower. A weak open, means the we are trading below the 200-period MA (USD 15,552); however, the current candle is still open. We are below the EMA support band with the RSI near-neutral at 49, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 15,613 with the RSI at or above 53.5 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 15,431 will support a bull argument, below this level the technical will have a neutral bias.
- The upside breach in the USD 15,662 resistance yesterday warned that the probability of the futures trading to a new low had started to decrease. However, weak price action on the open means that the USD 15,431 support is starting to look vulnerable. If we hold above this level, then we could see an intraday move higher; if broken, our technical view will become neutral, as the pullback will be deeper than we were expecting.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,995	R1	2,001	1,997.5	RSI above 50	Stochastic overbought
S2	1,991	R2	2,007			
S3	1,984	R3	2,018			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is overbought
- Price is below the daily point USD 2,001
- Technically we were bullish yesterday. Due to the RSI pullback previously, the upside move had created a negative divergence with the RSI; not a sell signal, it warned that we could see a momentum slowdown, which needed to be monitored. Countering this, the upside move above USD 2,006.5 had followed a bullish daily rejection candle yesterday. The mixed technical meant that we were neutral; however, if the divergence failed, then resistance levels would be vulnerable.
- The divergence failed resulting in the upside move failed to hold, resulting in price selling lower. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 2,001 with the RSI at or below 50.5 will mean price and momentum are aligned to the sell side. Likewise, a close above this level with the RSI at or above 55 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 1,984 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish but in a corrective phase, the MA on the RSI implies that we have light momentum support. Corrective moves lower that hold at or above USD 1,984 will warn that resistance levels could come under pressure. However, if broken, then the probability of the futures trading to a new high will start to decrease. With price moving lower on the divergence, we have a not of caution on moved higher as upside moves could struggle to hold, meaning focus needs to be on the USD 1,984 level.