FIS

Base Morning Technical Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

Metals

(Bloomberg) -- Metals including aluminum and copper edged higher after President Donald Trump played down recession concerns, with markets having largely priced in US metals tariffs before they came into effect.

Trump's blanket 25% tariffs on aluminum and steel kicked in on Wednesday, without any exemptions. Traders had been given some relief earlier when the president pushed back against the chances of a recession, after markets were rattled by the potential impactfrom duties and a run of soft data.

Global metals markets — along with other major commodities including crude oil and key farm goods — have been transfixed by the rapid-fire US moves on trade, as well as the accompanying rhetoric from the White House. Copper — a vital metal that's used in pipes and wiring — is the subject of a US probe that may result in levies being applied in the quarters to come.

Some nations are still hoping ultimately to gain exemptions from the steel and aluminum duties. But others, including China, face levies on metals, as well as tariffs that apply to all their goods. After the US introduced the latest levies, the European Union hit back with a range of counter-measures.

Read More: Trump's Trade War Expands as Metal Tariffs Spur EU Retaliation

Markets are likely to continue to "price in" more potential changes to Trump's tariff policies, along with the chance they could create a recession, according to Jinshan Xie, an analyst at Horizon Insights.

"The US is still in a negotiation phase, threatening to escalate tariffs for countries like Canada, EU, and Mexico," she said. "These are mainly bullish for US steel prices."

Copper also rose after Shanghai Metals Market reported that Tongling Nonferrous Metals Group Co., a Chinese smelter, is cutting output and planning maintenance to stem losses. A company representative declined to comment.

Investors are monitoring possible output cuts from other Chinese smelters, which collectively churn out more than half of the world's refined copper, after processing fees plunged to unprecedented levels. At the same time, exports of refined metal may rise.

Copper rose as much as 0.9% to $9,748.50 a ton on the London Metal Exchange, the highest intraday level since early November, before trading at $9,721 at 7:20 a.m. local time. Futures for metal on the Comex in New York were several hundred dollars more expensive.

In other metals, aluminum climbed 0.2% to $2,709 a ton, heading for the seventh gain in eight sessions.

Iron ore in Singapore fell 1% to $99.75 a ton, while rebar and hot-rolled coil steel contracts in Shanghai advanced.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,634	R1	9,789	9,741.5	RSI above 50	Stochastic overbought
S2	9,604	R2	9,899			
S3	9,553	R3	10,055			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above 50 (65)
- Stochastic is overbought
- Price is above the daily pivot point USD 9,604
- Technically bullish with a neutral bias yesterday, the probability of the futures trading to a new high had started to decrease. The MA on the RSI implied that momentum remained weak ; however, we noted that we had a bullish rejection candle on the Asian open that had been followed by a move higher. A close above that held above the linear regression line (USD 9,594) will warn that the USD 9,642 resistance could come under pressure. If broken, then the technical would be back in bullish territory; likewise, a rejection of either the linear line or the USD 9,642 level would warn that there is a larger corrective phase coming into play. Due to the pullback, we were cautious on moves higher whilst below the USD 9,642 level.
- The futures closed above the linear regression line and traded above the USD 9,642 resistance resulting in the USD 9,739 fractal high being broken. 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 9,604 with the RSI at or below 54 will mean price and momentum are aligned to the sell side . Downisde moves that hold at or above USD 9,553 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the new high means the futures are in divergence with the RSI, not a sell signal, it is a warning that we could see a momentum slowdown. We look to be on a wave 5 of an Elliott wave 5; however, the divergence is marginal whilst there is an ongoing saga with trade tariffs; if we move higher and the divergence fails, it will suggest we are seeing a lower timeframe Elliott wave extension, meaning downside moves would then be considered as countertrend. A cautious bull, this cycle could be about to extend.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,698	R1	2,714	2,709.5	RSI above 50	Stochastic overbought
S2	2,694	R2	2,727			
S3	2,684	R3	2,740			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA Support band (Black EMA's)
- RSI is above 50 (60)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,694
- Technically bullish yesterday, the corrective move on the open held the EMA support band, and the weekly pivot level (USD 2,665), before closing back above the linear regression line (USD 2,679). This implied that we had an underlying support in the market at this point, warning the USD 2,711 fractal resistance remained vulnerable. The MA on the RSI indicated that momentum remained weak at that point, meaning price and momentum would need to become aligned to the buyside for upside continuation. Lower timeframe Elliott wave analysis continued to suggest that downside moves should be considered as countertrend, making USD 2,636 the key support to follow. A move below this level would indicate that the probability of the futures trading to a new high had started to decrease.
- Price and momentum became aligned to the buyside, resulting in the futures trading above the USD 2,711 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 2,694 with the RSI at or below 57.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,684 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures have entered a lower timeframe Elliott wave 5, with Fibonacci projection levels suggesting we could trade as high as USD 2,740 within this phase of the cycle. However, the RSI is now in divergence with price, warning we could see a momentum slowdown, this will need to be monitored. If we do trade below USD 2,684, then the probability of price trading to a new high will start to decrease.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,890	R1	2,931	2,904	RSI above 50	Stochastic overbought
S2	2,849	R2	2,940			
S3	2,833	R3	2,957			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA Support band (Black EMA's)
- RSI is above 50 (56)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,890
- Technically bullish with a neutral bias yesterday, the probability of the futures trading to a new high had started to decrease. The MA on the RSI implied that momentum remained weak at that point; however, we noted that we had a bullish rejection candle off the intraday 200-period MA (USD 2,850) that had been followed by a move higher, indicating that there was support in the market at lower levels. We were neutral on this technical as the deep pullback and weak momentum were being countered by price holding above the longer-term average. For upside continuation we were going to need to see price back above the USD 2,897 resistance.
- The futures did move higher on the MA support and the bullish rejection candle, resulting in the USD 2,897 resistance being tested and broken, the intraday technical is back in bullish territory. 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 2,890 with the RSI at or below 51 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,849 will support a bull argument, below this level the technical will have a neutral bias. Note: this support is back in play due to the move above USD 2,897 resistance.
- Technically bullish, the upside move off the 200-period MA support yesterday means we are back in bullish territory, suggesting the USD 2,931 fractal high is vulnerable. However, have seen a small move lower on the open as price is finding resistance at the daily 200-period MA (USD 2,915). A close above that holds above the average will signal upside continuation, failure to do so will leave support levels vulnerable. The technical suggests we should trade to a new high, the daily average is a concern. If we do trade above USD 2,931, there is a chance that the futures will be in divergence with the RSI, suggesting price could struggle to hold above the longer-term daily average.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	16,475	R1	16,690	16,540	RSI above 50	
S2	16,171	R2	16,955			
S3	16,002	R3	17,161			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (61)
- Stochastic is below 50
- Price is above the daily pivot point USD 16,475
- Technically bullish yesterday, the close below the low of the last dominant bull candle (USD 16,465) warned that we could potentially be in the early stages of a corrective phase. However, our intraday Elliott wave analysis did suggest that downside moves should still be considered as countertrend. We had warning signs of technical weakness, meaning we had a note of caution on upside moves in the near-term.
- The futures found light bid support yesterday but price has not traded above the 16,720 fractal high. We are above all key moving averages with the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 16,475 with the RSI at or above 65 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 15,772 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures remain in a corrective phase with the MA on the RSI implying momentum is weak. If we close above the high of the last dominant bear candle (USD 16,570) it will warn that the USD 16,720 fractal high could be tested and broken; if it is, then we are looking at a lower timeframe Elliott wave extension, as the pullback is not yet considered as deep enough. However, a new high will create a negative divergence with the RSI, implying caution on upside breakouts above this level. As noted previously, higher timeframe Elliott wave analysis continues to suggest downside moves should be considered as countertrend.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,048	R1	2,074	2,061	RSI above 50	Stochastic overbought
S2	2,043	R2	2,102			
S3	2,029	R3	2,114			

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 point USD 2,048
- Technically bullish yesterday, the new high had created a negative divergence with the RSI, meaning we were cautious on upside moves above USD 2,055, as the technical suggests we could struggle to hold.
- The futures continue to see bid support with price moving to new highs, the divergence has subsequently failed. 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 2,048 with the RSI at or below 58 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,029 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. The divergence failure means the RSI is testing the upper resistance level; however, downisde moves are now considered as countertrend. A close below the low of the last dominant bull candle (USD 2,051) will warn that sell side pressure is increasing, leaving the futures vulnerable to a technical pullback.