Base Morning Technical Report

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(Bloomberg) -- Some of the new London Metal Exchange-registered warehouses in Hong Kong are expected to receive their first batch of copper next week, ahead of an official launch of the network in July.
Refined copper from mainland China and other regions in Asia will be shipped to the city by traders and Chinese smelters, according to people familiar with the delivery who asked not to be identified because the matter is private. Operators of the storage sites are currently in talks with clients on fees, they added.
Separately, banks in Hong Kong have been looking into trade financing deals using metals in the warehouses as collateral, and have approached the storage companies about potential collaboration, the people said.
The LME approved the first three operators of warehouses across Hong Kong in April, and later expanded that list to five, as the exchange seeks a foothold close to mainland China — the world's biggest metals market. The sheds will house all of its main products, including copper and nickel.
While the warehouses are expected to have high storage fees, they will help market participants in mainland China handle volatility more effectively, LME Chief Executive Officer Matthew Chamberlain said last month. He added that they probably won't host long-term storage of low-value metals "like aluminum."
The operators are evaluating incentives to lure traders to their warehouses in Hong Kong, as well as so-called "rent sharing" agreements, which can result in storage costs being shared with trading companies, the people said.
The LME approved companies are GKE Metal Logistics Pte, PGS (East Asia) Pte, Henry Diaper & Co. — which will only store aluminum alloy, lead, tin and zinc — C. Steinweg Asia Pte, and Access World Logistics (Singapore) Pte.
PGS and the LME declined to comment. The remaining warehouse operators didn't immediately respond to requests for comment.
The LME warehouses are part of a wider commodities push by Hong Kong to help revive an economy battered by pandemic disruption and political unrest. Chief Executive John Lee also wants the city to play a bigger role in precious metals, signaling a goal of building "an international gold-trading center."

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,683	R1	9,827			
S2	9,595	R2	9,933	9,694	RSI above 50	
S3	9,555	R3	10,066			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- The RSI above 50 (51)
- Stochastic is oversold
- Price is above the daily pivot point USD 9,683
- Near-term price action remained bullish yesterday with the futures forming a second, smaller ascending tringle. The pattern warned that the USD 9,809.5 fractal high could be tested and broken; however, we had a note of caution on upside breakouts, as it would create a negative divergence with RSI. Not a sell signal, it warned that upside moves above USD 9,809.5 could struggle to hold. As with the previous ascending triangle, if we did break to the upside on increased volume and volatility with the divergence failing, then it would suggest upside continuation. At this point, we would have had a potential divergence in play, meaning although bullish, we had a note of caution. As highlighted on Monday, if we closed and hold below the USD 9,664 level, it would imply that the initial breakout had failed.
- The futures sold lower resulting in price trading below the USD 9,664 level; however, the downisde move has failed to hold so far, meaning we are back above the USD 9,664 level. Wee are between the EMA support band with the RSI near-neutral at 51, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 9,683 with the RSI at or above 56.5 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 9,595 will support a bull argument, below this level the technical will have a neutral bias.
- The downside move yesterday had breached near-term trend support with the MA on the RSI implying momentum was weak. However, the corrective move has held above the USD 9,595 Fibonacci support , meaning the technical is still in bullish territory. If broken, then the probability of price trading to a new high will start to decrease, warning we have the potential for further downside. Although we remain cautious on moves higher, as the upside move yesterday failed to make a new high, due to the threat of a divergence; as long as we are above the USD 9,595 support, resistance levels will still be considered as vulnerable.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,510	R1	2,543.5	2,525	RSI above 50	Stochastic overbought
S2	2,498	R2	2,557			
S3	2,456	R3	2,607			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA support band (Black EMA's)
- RSI is above 50 (61)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,510
- The longer-term Elliott wave cycle remained bearish, above USD 2,557 it would become neutral, warning that the probability of price trading to a new low would start to decrease. Price held both trend and MA support, the upside move meant that we were above the linear regression line, all of these were bullish signals that indicate that the USD 2,557 resistance was starting to look vulnerable. The RSI was approaching a resistance line, leaving us vulnerable to an intraday pullback. However, we noted that this move had started having held trend support on increased volume, which remained high, suggesting support levels should hold if tested in the near-term.
- Having moved higher on the open, the futures did find selling resistance, creating some high volume candles; however, we have so far failed to see any form of significant pullback. Price has moved to a new high in the Asian day session, but the move has been on light volume. 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 2,510 with the RSI at or below 55.5 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,557 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Near-term price action remains bullish whilst the longer-term Elliott wave cycle is bearish below USD 2,557 and neutral above. The MA on the RSI does imply that we are seeing momentum support; however, high volume selling around these levels yesterday has been followed by a minor negative divergence with the RSI, meaning we continue to have a note of caution on moves higher today, as price still looks vulnerable to an intraday pullback.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,631	R1	2,664	2,663		RSI below 50
S2	2,617	R2	2,699			
S3	2,590	R3	2,752			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA support band (Black EMA's)
- RSI is above 50 (47)
- Stochastic is below 50
- Price is on/below the daily pivot point USD 2,664
- Technically bearish yesterday, the futures had found buyside support two standard deviations below the linear regression line for the second time, creating a downside failure swing (higher low). The downside rejection indicated that we had buyside support in the market, the close back above the intraday 200-period MA (USD 2,663) also suggested this. We noted that the key level on this technical in the near-term would be the linear regression line at USD 2,702; if rejected, the 200-period MA could come back under pressure. However, a close that held above the line would further support a buyers argument, warning the USD 2,730—USD 2,752 resistance levels could come under pressure. The continuation of downside support in the market did warn that corrective moves lower could struggle to hold.
- The futures traded to a high of USD 2,692, before selling lower, meaning we rejected the linear regression line (currently USD 2,699). 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 2,664 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. Upside moves that fail at or below USD 2,752 will leave the futures vulnerable to further tests to the downside.
- Technically bearish, the MA on the RSI implies that we have light momentum support. The futures are trading on the 200-period MA (USD 2,664), meaning we are at an inflection point, implying neutrality. As noted yesterday, there is an underlying support in the market at lower levels due to price holding the two standard deviation line below the linear regression, meaning for downside continuation we need to see a close below the low of last dominant bull candle on the daily chart (USD 2,627).

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,000	R1	15,237	15,140		RSI below 50
S2	14,922	R2	15,405			
S3	14,585	R3	15,565			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (38)
- Stochastic is oversold
- Price is below the daily pivot point USD 15,237
- We noted that the downside move in the futures had resulted in price moving below the 200-period MA (USD 15,491) and fractal support, warning the intraday technical condition had weakened. The new low was matched by the RSI making new lows, suggesting upside moves could struggle to hold in the near-term. Alongside the inverse H&S pattern failing, we remained cautious on moves higher at that point.
- The futures continued to sell lower with price 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 15,237 with the RSI at or above 45 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 14,584 will support a bull argument, below this level the technical will be back in bearish territory.
- Technically we remain bearish with a neutral bias, the MA on the RSI indicates that momentum remains weak. there is a very minor positive divergence with the RSI, leaving the futures vulnerable to an intraday upside moves; however, with the recent move lower being supported by the RSI, we maintain our view that upside moves could struggle to hold in the near-term.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,987	R1	2,006	1,989	RSI above 50	Stochastic overbought
S2	1,963	R2	2,009			
S3	1,946	R3	2,039			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (53)
- Stochastic overbought
- Price is above the daily point USD 1,987
- Technically neutral yesterday, the futures were consolidating within the consolidation zone (a box within the dominant bear candle USD 1,995—USD 1,973.5). We noted that ultimately, directional bias should come from a close outside of the USD 1,957—USD 2,009 range.
- The futures continue to consolidate. We are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 1,987 with the RSI at or below 51 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,006 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Unchanged again today, we remain technically neutral, the futures continue to consolidate within the consolidation zone (a box within the dominant bear candle USD 1,995—USD 1,973.5). Ultimately, directional bias should come from a close outside of the USD 1,957—USD 2,009 range.