Base Morning Technical Report

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

Cu

(Bloomberg) -- US President Donald Trump's plans to impose 50% import tariffs on copper imports are set to include the kinds of materials used for power grids, the military and data centers.
Plans involve including semi-finished products, according to people familiar with the matter who asked not to be named as discussions are private. That comes as few details of Trump's plans for copper tariffs have been revealed so far. The tariff measures haven't yet been formalized and they could change.
It has been widely expected that refined copper would be tariffed, but it was unclear what would happen with semi-finished products — a category that includes wires, sheets, tubes and plates. Including semi-fabricated goods would ramp up the impact of the levies. Copper on Comex in New York rose as much as 1.3% in early Asia trading on Friday.
The levies, which Trump said will come Aug. 1, will have far-reaching impacts for the US. The move is expected to raise costs across a swath of the US economy due to the myriad of industries and applications reliant on the metal. Copper is used in everything from consumer electronics and automobiles to construction and the military.
Trump is pursuing the tariffs as part of his effort to bolster America's copper supply chain, which encompasses mining, refining and processing, recycling and making semi-finished goods and end products.
Read More: Trump's 50% Copper Tariff Risks Squeezing American Metal Buyers
The biggest category imported by the US is refined copper, which has a metal content of more than 99.993%. The US imported 908,000 metric tons last year, with that raw material consumed by fabricators to make rods, cables and alloys.
North America's biggest fabricator is Southwire Co., which supplies wires for US military installations and naval vessels. Southwire didn't immediately respond to a request for comment.
The Copper Development Association describes copper semi-products as the key link in the US military-industrial supply chain in its March 31 submission to the US Commerce Department for this year's copper investigation under Section 232 of the Trade Expansion Act. The industry group presented its comments on behalf of 90% of US copper semi-producers.
Domestic copper production isn't enough for the US — forcing the country to source a significant amount of semi-finished copper from abroad. An estimated 800,000 tons of copper and copper alloy semi-fabricated products were imported last year, on top of refined copper, according to MM Markets, a consultancy working with American fabricators and recyclers.
Krisztina Kalman, the co-founder of the firm, expects the 50% tariff to extend to semi-products for security reasons. Any disturbance in foreign supply of copper and semi-finished products could expose the US to significant issues in delivering electricity, she said.
Imposing tariffs on semi-finished copper could also bring disruption to fabricators, since wire rod mills rely on primary imports and levies would drive up their costs.
"The local fabricators will not be able to produce 800,000 tons more semi-products with current capacity, and it could take up to seven years to install new capacity," Kalman said.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	9,692	R1	9,720	9,712		RSI below 50
S2	9,684	R2	9,773			
S3	9,625	R3	9,816			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI below 50 (44)
- Stochastic is below 50
- Price is above the daily pivot point USD 9,692
- Technically bearish yesterday, the depth of the pullback suggested that upside moves should in theory be counter-trend, making USD 9,773 the key resistance to follow. A move above this level would warn that the probability of price trading to a new high had started to decrease. We were trading just below the 200-period MA, meaning price was at an inflection point; if we closed above it with price and momentum aligned to the buyside, then resistance levels could come under pressure in the near-term. Likewise, a rejection of the average will leave support levels vulnerable.
- The futures have seen a small move higher with price currently above the intraday 200-period (MA 9,684). We reman 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 9,692 with the RSI at or below 45 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 9,773 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 are currently holding above the 200-period MA with price trading in the Fibonacci resistance zone. If we hold above the average the USD 9,773 resistance could come under pressure; if broken, then the probability of the futures trading to a new low will start to decrease. Conversely, a close below that holds below the average will leave the USD 9,553.5 fractal support vulnerable. The depth of the pullback previously does suggest that upside moves have the potential to be countertrend, whilst price is nearing the two standard deviation resistance of the linear regression line at USD 9,723, which has the potential to act as resistance. The longer-term average will be key going forward, market buyers will want to see price hold above this average.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,601	R1	2,608	2,607.5	RSI above 50	Stochastic overbought
S2	2,573	R2	2,617			
S3	2,548	R3	2,624			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (56)
- Stochastic is overbought
- Price is on the daily pivot point USD 2,608
- Bearish with a neutral bias yesterday, the futures were trading above the USD 2,601 resistance; however, price was on the trend resistance line (USD 2,610). A close that held above the line would target the USD 2,624.5—USD 2,654.5 fractal resistance levels. Conversely, a rejection of the resistance followed by a close that holds below the linear regression line (2,596) would warn that the daily 200-period MA at USD 2,567 could come under pressure. The MA on the RSI was rising, momentum was supported, but whilst the trend resistance was in play, we had to have a note of caution on moves higher.
- The futures did see another small test to the upside resulting in price closing above but failing to hold above the trend resistance line. 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 2,608 with the RSI at or below 52.5 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 2,514 will support a bull argument, below this level the Elliott wave cycle will be back in bear territory.
- Bearish with a neutral bias, the MA on the RSI continues to suggest that momentum is supported. However, the upside move yesterday has failed to hold above the trend resistance line USD 2,617, suggesting caution on moves higher. If we do move higher and trade above the USD 2,624.5 fractal high it will create a negative divergence with the RSI, not a sell signal, it is a warning that we could see a momentum slowdown, which will need to be monitored. Like yesterday, whilst below the trend resistance we continue to take a cautious view on upside moves.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,759	R1	2,786	2,778	RSI above 50	Stochastic overbought
S2	2,743	R2	2,801			
S3	2,713	R3	2,835			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (61)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,759
- Technically bullish yesterday, the MA on the RSI implied that momentum was supported. The upside breakout warned that the USD 2,785 fractal resistance could be tested and broken. If it was, then the Fibonacci projection levels suggested we trade at USD 2,800 and potentially higher. USD 2,786 was a double top on the daily timeframe, if we broke and held above this level, then we would look for further wave extensions within this phase of the cycle.
- The futures have traded to a high of USD 2,785 with price 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 2,759 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 2,713 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the MA on the RSI implies momentum is supported. Upside moves that trade above the USD 2,785 level will create a negative divergence with the RSI; not a sell signal, it is a warning we could see a momentum slowdown. However, lower timeframe Elliott wave analysis suggests that intraday downside moves should be considered as countertrend, making USD 2,713 the key support to follow. If broken, then the probability of the futures trading to a new high will start to decrease. USD 2,786 is the double top formation on the daily technical, warning we could see some profit taking from recent market longs on the near-term.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,279	R1	15,480	15,310	RSI above 50	Stochastic overbought
S2	15,196	R2	15,555			
S3	14,933	R3	15,720			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (59)
- Stochastic is overbought
- Price is above the daily pivot point USD 15,196
- Technically bearish with a neutral bias yesterday, above USD 15,296 the futures would be back in bullish territory, making this the key resistance to follow. If broken, then the probability of price trading to a new low would start to decrease. We noted that we had not traded below the USD 14,940 support previously, warning this upside move had the potential to be a countertrend wave B, meaning we were cautious on upside moves whilst below that level.
- The futures have moved higher and traded above the USD 15,296 level. Price is 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 15,196 with the RSI at or below 45 will mean price and momentum are aligned to the sell side.
- Technically bearish with a neutral bias, the probability of the futures trading to a new low will start to decrease. The MA on the RSI is implying momentum is supported with price just above the intraday 200-period MA (USD 15,279). The average will be key going forward, if we close and hold below it, then support levels could still come under pressure. Conversely, if we hold above it, then it will further support a buyers argument. We are seeing market support; however, the close above the average was an intraday Doji cross, meaning there is some indecision in the market.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,024	R1	2,049	2,069.5	Stochastic oversold	RSI below 50
S2	2,010	R2	2,071.5			
S3	1,990	R3	2,078			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is oversold
- Price is below the daily point USD 2,049
- Technically bullish yesterday, the futures were moving higher in line with the Elliott wave cycle, warning the USD 2,073 resistance should be broken. If it was, then based on Fibonacci projection levels we had a potential upside target at USD 2,108. However, a new high would create a negative divergence with the RSI, not a sell signal it did warn that we could see a momentum slowdown, which would need to be monitored. The upside move meant that we had not seen the intraday bear wave that the technical warned about on the 8th July.
- The futures failed to trade above the USD 2,073 fractal resistance, resulting in price entering a corrective phase. We are below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 2,049 with the RSI at or above 53.5 will mean price and momentum were aligned to the buyside. Downside moves that hold at or above USD 1,990 (revised lower) will support a longer-term bull argument.
- Technically bullish but in a corrective phase, the MA on the RSI implies that we have light momentum weakness. Elliott wave analysis continues to suggest that downside moves should be considered as countertrend, making USD 1,990 a key support to follow. A move below this level will mean that the probability of the futures trading to a new high will start to decrease. As the futures have failed to make a new high, we have a note of caution on downside moves at this point.