FIS

Base Morning Technical Report

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China

(Bloomberg) -- China's consumer prices slipped below zero for the first time in three months but factory deflation showed signs of easing, as the government cracks down on excessive competition and overcapacity.
The consumer-price index fell 0.4% last month from a year earlier, the National Bureau of Statistics said Wednesday.
The median forecast of economists surveyed by Bloomberg was for a 0.2% drop, after inflation dipped to zero in July.
The producer-price index decreased 2.9%, remaining in negative territory for the 35th straight month but narrowing its decline from July's 3.6% drop. In month-on-month terms, output prices rose in a number of industries for the first time in months.
Market reaction to the data was muted. China's 30-year government bond yield was little changed at 2.17%, while the yuan was steady against the dollar.
China is in its third straight year of deflation for the first time since it started to transition away from central planning in the late 1970s. Nine straight quarters of economy-wide price declines reflect a mismatch between supply and demand, weighing on the balance sheets of companies and pushing down the earnings of both households and the government.
A drop in food prices and the effect of a high base from last year were the main cause of the CPI decline, according to Dong Lijuan, chief statistician at the NBS. Food costs declined 4.3% year-on-year while consumer goods prices dropped 1%, the statistics agency said.
Core CPI, which excludes volatile items such as food and energy, rose to an 18-month high of 0.9%. Dong said its increase shows policies to boost demand and consumption are taking effect.

Whether consumer and producer prices will continue to rebound is a question with profound implications for markets from equities to bonds.

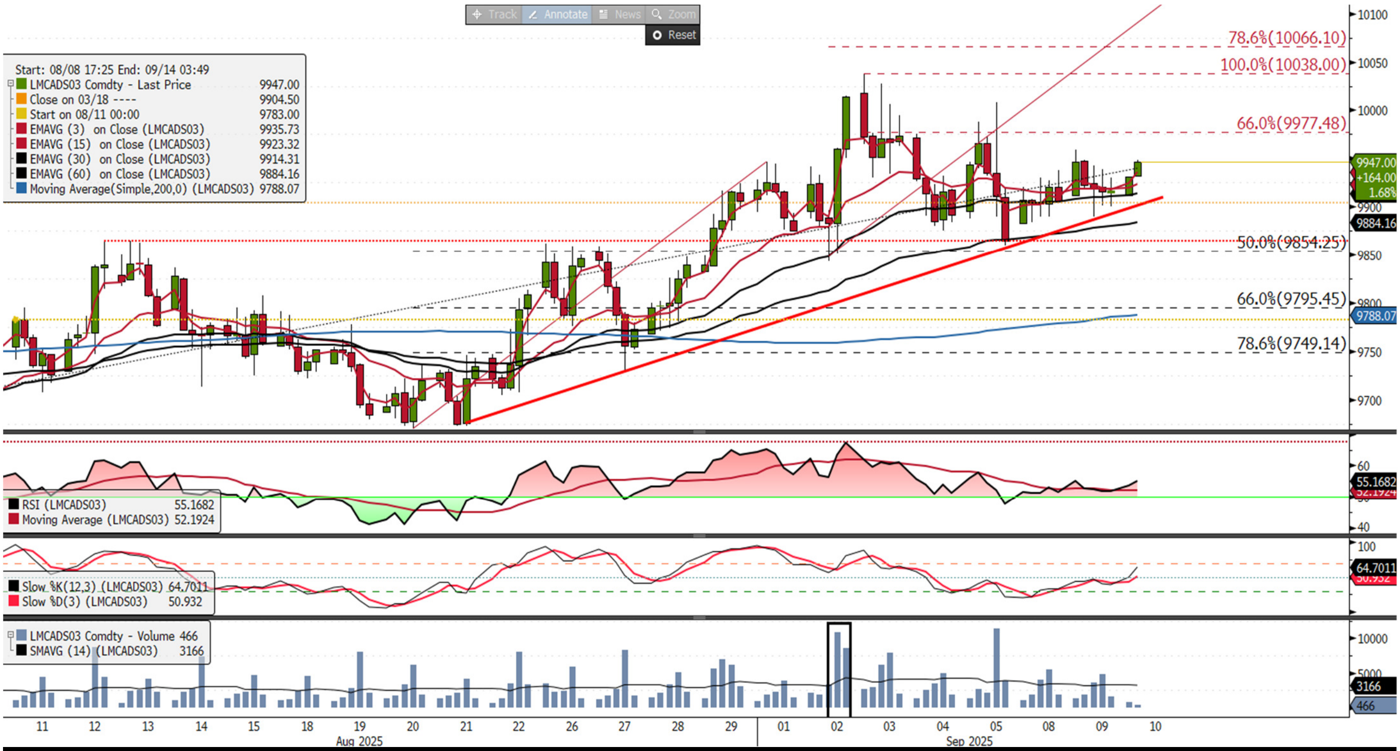
Frail domestic demand will be an obstacle to a government effort to reverse deflation. And although there are early signs of output reductions for some commodities such as coal, steel and copper, it's not yet clear if the turnaround can be sustained and lead to a long-term rebound in prices.

A Chinese lithium mine that pushed up battery-metal prices when it halted production last month is now gearing up to restart sooner than previously anticipated, a person with direct knowledge of the matter told Bloomberg, underlining the uncertainty around the policy push.

China's economy meanwhile began to decelerate across the board this summer and appears to have lost even more traction in the second half of August, according to Bloomberg Economics.

Retail sales of cars and home appliances were among the items that registered the biggest drops because of poor demand. Export growth also slowed to the weakest in six months in August, as a slump in shipments to the US deepened again.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	9,939	R1	9,977	9,947	RSI above 50	
S2	9,921	R2	10,038			
S3	9,901	R3	10,066			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above 50 (55)
- Stochastic is above 50
- Price is above the daily pivot point USD 9,921
- Technically bullish yesterday, the futures closed above the linear regression line, we noted that if we held above it, then it would signal buyside pressure was increasing, leaving the USD 9,977 resistance vulnerable. This was the key near-term resistance, if rejected, it would warn that there could be further downside within the corrective phase. Conversely, above this level, market bulls would look to test the USD 10,038 fractal high. Failure to hold above the linear regression line would warn that trend support at USD 9,891 could be tested.
- We failed to hold above the liner regression line yesterday (USD 9,939), resulting in price seeing a small move lower; however, we failed to test the trend support line (USD 9,901). Price is 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 9,921 with the RSI at or below 50 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 9,795 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures are above (but have not closed or held above) the linear regression line. If we do, then the USD 9,977 resistance could be tested. If broken, it will imply that buyside pressure is increasing, warning the USD 10,038 fractal high could be tested. Failure to hold above the line will warn that the trend support at USD 9,901 could come back under pressure; if broken, we target the USD 9,956 polarity support. Technically, we still remain vulnerable to another intraday test to the upside.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,620	R1	2,646	2,627.5	RSI above 50	Stochastic overbought
S2	2,607	R2	2,656			
S3	2,587	R3	2,683			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (57)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,620
- Technically bearish yesterday, the futures had tested but remained below the USD 2,625 resistance; a close that held above this level would imply buyside pressure was increasing, warning resistance levels could come under pressure. We noted that the technical continued to lack bull structure, meaning we remained cautious on upside moves. A close that held below the 200-period MA (USD 2,605) would warn that the USD 2,587 support could come under pressure. If broken it would signal sell side pressure was increasing. A cautious bull, USD 2,625—USD 2,587 are the key levels to follow.
- The futures have trade above the USD 2,625 resistance, implying buyside pressure is increasing. 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 2,620 with the RSI at or below 51.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,587 will support a bull argument, below this level the technical will warn that support levels could be tested.
- The upside move above USD 2,625 means that we have a 3-wave corrective pattern, followed by an upside move and a fractal break, warning the USD 2,643 level could be tested and broken. Near-term intraday structure is starting to look bullish; however, the daily/weekly structure continues to trade within a consolidation zone. The MA on the RSI implies momentum is supported, this underpins the bullish breakout, leaving resistance levels vulnerable. Market bulls should cautious on intraday pullbacks that close and hold below the 200-period MA (USD 2,607), as it will neutralize the bull breakout.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,863	R1	2,900	2,872	RSI above 50	
S2	2,826	R2	2,903			
S3	2,802	R3	2,925			

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 2,863
- Technically bullish yesterday, the futures were approaching the linear regression line (USD 2,858), a close that held below this level would leave Fibonacci support levels vulnerable in the near-term. However, our Elliott wave analysis continues to suggest that downside moves should be considered as countertrend, making USD 2,802 the key support to follow, if broken, then the probability of price trading to a new high would start to decrease. If we held above the USD 2,858 level, it would warn that the USD 2,900 fractal high could be tested and broken. We did have a note of caution on upside breakouts above USD 2,900, as price is likely to be divergent with the RSI.
- The futures had an intraday test to the downside yesterday; however, the move has failed to hold with price now seeing light bid support. 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 above USD 2,863 with the RSI at or above 58.5 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 2,802 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the futures have seen a downside rejection with price above the linear regression line (USD 2,863), if we hold above it, then we should test the USD 2,900 fractal resistance. Intraday Elliott wave analysis continues to suggest that downside moves should be considered as countertrend.

Nickel Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	15,146	R1	15,201	15,190	Stochastic oversold	RSI below 50
S2	15,107	R2	15,314			
S3	15,028	R3	15,373			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is oversold
- Price is above the daily pivot point USD 15,146
- Technically bullish but in a corrective phase yesterday, price was at an inflection point. A close that held below the USD 15,198 level would warn that the USD 15,107 support was vulnerable; if broken, then the probability of the futures trading to a new high would start to decrease. Our Elliott wave analysis did suggest that downside moves should be considered as countertrend; however, we were cautious yesterday, as the daily chart had produced a bearish rejection candle, whilst below the daily 200-period MA (USD 15,505). The lower swing high (daily chart) warned that the USD 15,107 support was looking vulnerable, making this the key level to follow.
- The futures did sell lower on the daily rejection candle, resulting in the USD 15,107 support being breached. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the sell side, as the previous candle closed below the daily pivot level.
- A close on the 4-hour candle above USD 15,279 with the RSI at or above 52 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 15,314 will leave support levels vulnerable, above this level the technical will be back in bullish territory.
- Technically bullish but with a neutral bias, the probability of the futures trading to a new high has started to decrease, whilst the MA on the RSI implies that momentum is weak. We are neutral on the technical today, as the pullback has been deeper than expected;. However, we do have a 3-wave pattern lower that could have bullish connotations going forward. If we close and hold above the intraday 200-period MA (USD 15,201), then we could see the USD 15,314 re-sistance come under pressure. This is the key level on the technical, as a rejection at or below this level will warn that there is a larger bear cycle in play. Conversely, if broken, we enter back into bull territory. Neutral.

Lead Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	1,965	R1	1,981	1,978.5	Stochastic oversold	RSI below 50
S2	1,958	R2	2,007			
S3	1,936	R3	2,012			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (41)
- Stochastic is oversold
- Price is below the daily point USD 1,981
- Technically neutral yesterday, the futures were tracking the intraday 200-period MA (USD 1,994) and the daily 200-period MA (USD 1,992). The EMA support band was flat, the averages were within USD 1.00 of each other, confirming the lack of trend. We also highlighted the intraday/daily Bollinger contraction, implying a low volatility environment. Bollinger noted the low volatility begets high volatility, highlighting the cyclical nature of the market. There were signs that the market is getting ready for a breakout, I was just not sure of its direction, meaning I was neutral.
- The futures have sold lower with price trading below the USD 1,979 support. We are below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 1,981 with the RSI at or above 48.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 2,012 will warn there could be a larger, bearish, Elliott wave cycle in play.
- The downside move below USD 1,982 means the futures are technically bearish, whilst the move below USD 1,979 confirms the upside rejection of the USD 2,012 level, suggesting there is a larger bearish cycle coming into play. The move lower yesterday means that price has rejected the daily 200-period MA (USD 1,992), this also supports a sellers argument, meaning we are cautious on upside moves whilst below the USD 1,992 level.