

Zn

(Bloomberg) -- China's zinc producers are pushing for better supply terms from overseas miners as they benefit from smelter closures elsewhere in the world.

Spot treatment charges for zinc concentrate delivered to China — a key indicator of smelter profitability — have improved markedly since the start of the year, rising from subzero levels to their highest in more than 18 months. Meanwhile, harsh conditions in the global market have forced production cuts including in Japan and Australia.

Now, the group that negotiates overseas supplies is aiming for treatment fees of \$120 to \$140 a ton in the fourth quarter, state-backed researcher Beijing Antaike Information Technology Co. said in a social media post. Spot fees climbed above \$80 a ton at the end of last month, Fastmarkets Ltd. data shows.

Mine output is "relatively smooth this year and is increasing at a high rate," resulting in looser supply, said Zeng Tong, an analyst at Jinrui Futures Co. Ltd. Supplies from Russia in particular have surged, more than doubling in the first seven months.

The dynamic in zinc, a metal used to galvanize steel, mirrors developments in copper, where China's tightening grip on global supply is worrying competitors and governments. This year's annual benchmark for zinc treatment charges outside of China slumped to the lowest ever in inflation-adjusted terms, at \$80 a ton.

Last month, Trafigura Group's zinc subsidiary won state funding to prevent the closure of a smelter in Australia in the face of tougher competition from China.

China's output of refined zinc in the first seven months of the year hit a record, while the country's imports of zinc concentrate in July also rose to their highest ever. Russia accounted for 12% of those cargoes, behind Australia at 24% and Peru at 18%.

The bifurcation between Chinese and global markets is also increasingly obvious in prices, with levels on the Shanghai Futures Exchange steady since April even as the international benchmark on the London Metal Exchange recovers. That underscores tight conditions outside China after smelting reductions: LME stockpiles fell this week to their lowest in more than two years.

"Under conditions where demand is relatively stable, there has been a focus on clearing inventories overseas this year," said Jinrui's Zeng.

On the Wire

Vitol Group expects sanctioned Russian liquefied natural gas shipments to increasingly make their way to China, bringing an "important change" to the global trade of the fuel.

The Zambian government refuted an independent estimate of how much toxic acid spilled from a Chinese state-owned copper mine in the southern African nation in February, and said a cleanup had begun.

Goldwind Science & Technology Co., the world's largest wind-turbine maker, plans to invest about 18.9 billion yuan (\$2.7 billion) on a wind power project in Inner Mongolia.

At Singapore's glitzy annual oil get-together, a single meme is capturing this year's subdued mood: Atlas is shown carrying the weight of the heavens — a broad-shouldered figure representing China's muscular buying for its strategic petroleum reserve.

# Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	9,979	R1	10,038	RSI above 50	Stochastic overbought
S2	9,955	R2	10,066		
S3	9,918	R3	10,125		

## Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above 50 (57)
- Stochastic is overbought
- Price is above the daily pivot point USD 9,979
- Technically bullish yesterday, the futures were above (but had not closed or held above) the linear regression line. We noted that if we did, then the USD 9,977 resistance could be tested. If broken, it would imply that buyside pressure was increasing, warning the USD 10,038 fractal high could be tested. Failure to hold above the line would warn that the trend support at USD 9,901 could come back under pressure; if broken, we would target the USD 9,956 polarity support. Technically, we still remained vulnerable to another intraday test to the upside.
- The futures have moved higher with price now above the USD 9,977 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 9,979 with the RSI at or below 52.5 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 move above USD 9,977 indicates that buyside pressure is increasing, leaving the USD 10,038 fractal high vulnerable, as it could be tested and broken. However, we have a note of caution on upside breakouts to a new high, as the RSI will be divergent with price. Not a sell signal, it warns we could see a momentum slowdown. Market longs should be cautious on a close that holds below the linear regression line (USD 9,955), as it will imply that sell side pressure is increasing, meaning trend and polarity support could come under pressure (USD 9,918—USD 9,856).

# Aluminium Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,628	RSI above 50	Stochastic overbought
S2	R2			
S3	R3			

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 2,624
- The upside move above USD 2,625 yesterday meant that we had 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 was starting to look bullish; however, the daily/weekly structure continued to trade within a consolidation zone. The MA on the RSI implied that momentum was supported, underpinning the bullish breakout, leaving resistance levels vulnerable. We noted that market bulls should cautious on intraday pullbacks that closed and held below the 200-period MA (USD 2,607), as it would neutralize the bull breakout.
- Sideways action yesterday with price only 50 cents higher, 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 2,624 with the RSI at or below 53.5 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.
- Intraday price action is bullish with the MA on the RSI implying we have light momentum support, the daily and weekly structure remains neutral. As highlighted yesterday, the 3-wave correction followed by the move above the USD 2,625 fractal resistance is warning that the USD 2,646 level is vulnerable. We continue to be cautious of a close that holds below the 200-period MA (USD 2,608), as it will neutralize the bullish breakout.

# Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,881	RSI above 50	Stochastic overbought
S2	R2			
S3	R3			

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 2,878
- Technically bullish yesterday, the futures had seen a downside rejection with price above the linear regression line (USD 2,863), we noted that if we held 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.
- The futures traded to a high of USD 2,893.5 before seeing bids fade a little, we remain 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 2,878 with the RSI at or below 54 will mean price and momentum are 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, as noted previously, the futures are holding above the linear regression line (USD 2,867), whilst our Elliott wave analysis suggests that downside moves should be considered as countertrend. This suggests that the upside move is bullish impulse, warning the USD 2,900 fractal high could be tested and broken. However, we have a note of caution on upside breakouts above this level, as the RSI will be divergent with price, warning buyside momentum could slow.



# Nickel Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	15,107	R1	15,132	15,130	Stochastic oversold	RSI below 50
S2	15,028	R2	15,204			
S3	14,895	R3	15,302			

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is oversold
- Price is below the daily pivot point USD 15,132
- Technically bullish but with a neutral bias yesterday, the probability of the futures trading to a new high had started to decrease, whilst the MA on the RSI implied that momentum was weak. We were neutral on the technical, as the pull-back had been deeper than expected;. However, we noted that we had a 3-wave pattern lower that could have bullish connotations going forward. If we closed and held above the intraday 200-period MA (USD 15,201), then we could see the USD 15,314 resistance come under pressure. This was the key level on the technical, as a rejection at or below this level would warn that there was a larger bear cycle in play. Conversely, if broken, we would enter back into bull territory. Neutral.
- The futures sold to a low of USD 15,055 before seeing light bid support. Price is below the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the sell side, as the RSI was below its average on the previous candles close.
- A close on the 4-hour candle above USD 15,055 with the RSI at or above 47.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 15,302 will leave support levels vulnerable, above this level the technical will be back in bullish territory.
- The futures remain bullish with a neutral bias, the depth of the pullback previously means that the probability of price trading to a new high has started to decrease. Countering this, we have a 3-wave corrective pattern lower that potentially has bullish connotations going forward; if the futures close and hold above the 200-period MA (USD 15,204), it will warn that the USD 15,302 resistance could come under pressure. This remains the key resistance on the technical, if rejected, it will imply there is possibly a larger bearish correction coming into play; conversely, if broken, the technical will be in bullish territory. We maintain a neutral view due to the depth of the pullback.

# Lead Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	1,982	R1	1,991	1,991	RSI above 50	
S2	1,965	R2	1,993			
S3	1,958	R3	2,007			

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is above 50
- Price is above the daily point USD 1,982
- The downside move below USD 1,982 yesterday meant the futures were technically bearish, whilst the move below USD 1,979 confirmed the upside rejection of the USD 2,012 level, suggested that there was a larger bearish cycle coming into play. The move lower previously meant that we had rejected the daily 200-period MA (USD 1,992), this also supported a sellers argument, meaning we were cautious on upside moves whilst below the USD 1,992 level.
- Having traded to a low of USD 1,972 yesterday, the futures caught a bid resulting in price closing USD 15 above its low at USD 1,987. We have seen light support in the Asian day session, meaning price is above the EMA resistance band. We are above all key moving averages supported by the RSI above 50,
- A close on the 4-hour candle above USD 1,982 with the RSI at or above 43 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,012 will warn there could be a larger, bearish, Elliott wave cycle in play.
- Technically bearish, the futures have mean reverted back to the daily 200-period MA (USD 1,991), meaning price is at an inflection point. A close that holds above the average will warn the USD 2,007 and USD 2,012 resistance levels could come under pressure. Conversely, if rejected, it will leave support levels vulnerable. We have mean reverted, but whilst on, or below the average, we continue to be cautious on higher moves.

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