



Base Morning Technical Report

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Cu

(Bloomberg) -- Copper remained near the highest in more than a year after Freeport-McMoRan Inc. declared force majeure on contracted supplies from the giant Grasberg mine in Indonesia following an accident.

Futures were steady after surging as much as 3.9% on Wednesday, as Freeport cut its copper and gold sales guidance amid a search for five workers who went missing in an underground tunnel accident at its site in eastern Indonesia.

"This creates more uncertainty over the supply outlook, from operating mines to future projects," said Craig Lang, a principal analyst at CRU International Ltd., based in Singapore. "It's difficult to quantify an estimate of how much it will add to copper prices but is likely to add some upward pressure."

Read More: [Copper Jumps as Freeport Declares Indonesia Mine Force Majeure](#)

The incident at Grasberg, in which two workers were killed, highlights how vulnerable the copper market is to global supply shocks as tightness increases. It's the latest disruption to the industry after Hudbay Minerals Inc. said this week it was shutting operations at a mill in Peru due to political protests.

Analysts at UBS Group AG reiterated a bullish outlook for the metal, saying news of the force majeure at Grasberg pushes up the magnitude of predicted deficits for next year, according to a research note. Macquarie Group's commodity strategist Alice Fox said the impact would be around 210,000 tons in the second half of this year.

Copper was up 0.3% to \$10,368 a ton on the London Metal Exchange at 8:58 a.m. London time. Other metals on the exchange were mixed.

Copper Morning Technical (4-hour)



	Support		Resistance	Current Price	Bull	Bear
S1	10,196	R1	10,413	10,309	RSI above 50	Stochastic overbought
S2	10,144	R2	10,546			
S3	10,074	R3	10,713			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above 50 (68)
- Stochastic is overbought 50
- Price is above the daily pivot point USD 10,209
- Unchanged on the technical yesterday, the technical remains bullish but in a corrective phase with price below the linear and trend resistance lines (USD 10,070—USD 10,078). Elliott wave analysis continued to suggest that downside moves should be considered as countertrend, making USD 9,847 the key support to follow; below this level, the probability of the futures trading to a new high would start to decrease. As noted previously, for upside continuation the futures needed to close and hold above the USD 10,078 level, and trade above the USD 10,098 Fibonacci resistance.
- The accident at the Grasberg mine and the subsequent force majeure has resulted in a very strong move higher. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the buy side.
- A close on the 4-hour candle below USD 10,209 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 10,074 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, price and the RSI are making new highs, suggesting downside moves should be considered as countertrend in the near-term, making USD 10,074 the key support to follow. Below this level the probability of the futures trading to a new high will start to decrease. Not really a technical market today, suggesting focus should be on the news wire.

Aluminium Morning Technical (4-hour)



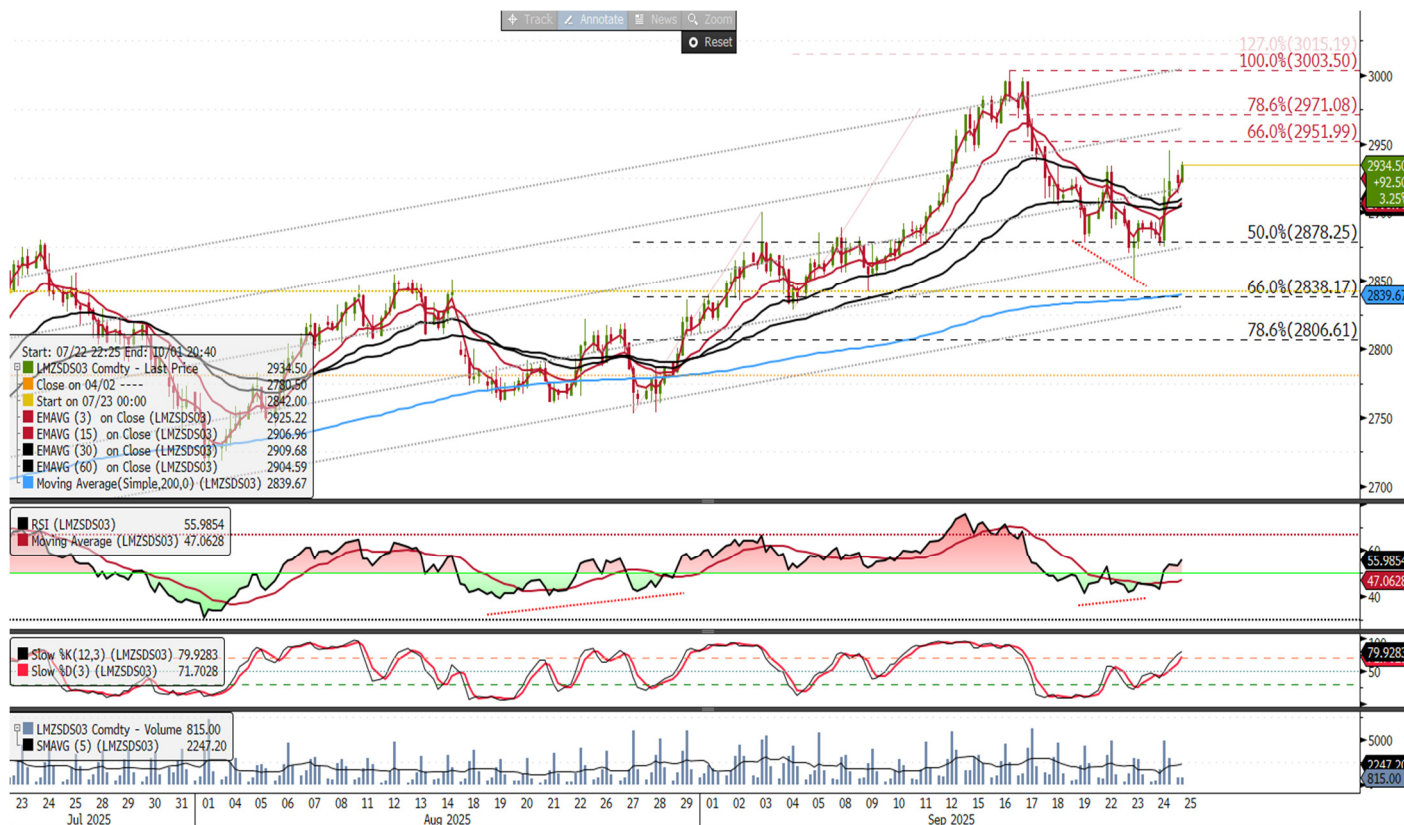
Support		Resistance		Current Price	Bull	Bear
S1	2,645	R1	2,662	2,652		RSI below 50
S2	2,633	R2	2,673			
S3	2,620	R3	2,688			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is above 50
- Price is above the daily pivot point USD 2,645
- We remain bullish but in a corrective phase yesterday, the MA on the RSI continued to suggest that momentum remains weak, warning the USD 2,633 support was still vulnerable. Below this level the probability of price trading to a new high would start to decrease; however, we noted that this would also create a positive divergence on the 1-hour timeframe, meaning we were cautious on moves below this level. Elliott wave analysis continued to suggest that downside moves looked to be countertrend.
- The futures traded to a low of USD 2,625.5 before finding bid support on the lower timeframe divergence. We are below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 2,645 with the RSI at or below 41 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 2,688 will leave the futures vulnerable to further tests to the downside, above this level the technical will be back in bullish territory.
- Technically bearish with a neutral bias, due to the depth of the pullback the probability of the futures trading to a new high has started to decrease. However, we have found bid support on a lower timeframe divergence, resulting in a high volume bull candle. Our lower timeframe corrective phase also looks like it has completed, suggesting resistance levels have now become vulnerable, meaning we are cautious on corrective moves lower. Although we have a deep pullback, the technical is warning that resistance levels are now vulnerable. For downside continuation, we will need to see a close that holds below the intraday 200-period MA (USD 2,620).

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	2,882.5	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 (55)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,819
- We remain bullish but in a corrective phase yesterday with Elliott wave analysis suggesting downside moves should be considered as countertrend, making USD 2,838 the key support to follow; if broken, then the probability of price trading to a new high would start to decrease. The failed breakout previously due to the positive divergence had created a bullish rejection candle, meaning we continued to be cautious on downside moves. As highlighted previously, upside moves that failed at or below USD 2,951 would warn that there could be a more complex corrective phase in play, above this level market buyer's would look to target the USD 3,003.5 fractal high.
- The futures continued to find bid support on the bullish rejection candle and divergence, resulting in price moving higher. We are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the buy side.
- A close on the 4-hour candle below USD 2,819 with the RSI at or below 45 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 2,838 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the MA on the RSI implies we are now seeing light momentum support. Price is now above the linear regression line (USD 2,917), if we hold above this level then it will warn that the USD 2,951 resistance could be tested. If broken, market bulls will target the USD 3,003.5 fractal high; conversely, a rejection at or below this level will warn that there could be a more complex corrective phase coming into play.

Nickel Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	15,430	RSI above 50	Stochastic overbought
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- 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 15,377
- We remained bearish with a neutral bias yesterday having held above the 200-period MA (USD 15,200) on the positive divergence. Due to the depth of the pullback, the probability of the futures trading to a new high had started to decrease; however, price was holding above the EMA support band. If we traded above USD 15,335, it would warn that we could be looking at a failed swing low, warning the USD 15,407 level could be tested and broken. If it was, then the futures would be back in bullish territory. Conversely, if rejected, it would indicate that we were looking at a more complex corrective phase.
- The futures traded to above the USD 15,353 level to a high of USD 15,475, meaning the technical is now in bull territory. We are above all key intraday moving averages supported by the RSI at 57, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 15,377 with the RSI at or below 50.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 15,267 will leave resistance levels vulnerable, below this level the technical will have a neutral bias.
- Technically bullish, the MA on the RSI implies that momentum is supported with the futures approaching a double top formation between USD 15,520—USD 15,535, suggesting caution as we approach this area. However, we also have the daily 200-period EMA at USD 15,466, meaning we are at an inflection point. If we close and hold above the USD 15,466 level on the daily timeframe, it will further support a buyers argument. With price at a higher timeframe inflection point, we have a more neutral bias but we do have a note of caution on upside moves due to the intraday double top.

Lead Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	1,992	R1	2,002	1,998.5		RSI below 50
S2	1,989	R2	2,007			
S3	1,982	R3	2,020			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is overbought
- Price is below the daily point USD 2,002
- Bullish but with a neutral bias yesterday, the probability of the futures trading to a new high had started to decrease. However, we had a bullish rejection candle whilst price had closed back above the daily 200-period MA, warning there was an underlying support in the market, leaving the USD 2,007 resistance vulnerable. The technical continued to conflict, the pullback indicated that the probability of the futures trading to a new high had decrease; the technical warned of underlying support. Although our bias is neutral, we do lean to caution on downside moves at that point.
- The futures traded above the USD 2,007 level, meaning price is back in bull territory; however, we are selling lower this morning. We are below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the buy side, as the RSI was above its average with price above the daily pivot level on the previous candles close.
- A close on the 4-hour candle below USD 2,002 with the RSI at or below 47.5 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 1,988 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, if we look at the daily chart we can see that the futures are consolidating above the 200-period MA (USD 1,989). Whilst above the average, resistance will remain vulnerable; however, if we close and hold below it, market buyers will need to be cautious. Price action on the daily chart is neutral due to the consolidation.