FIS

Base Morning Technical Report

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(Bloomberg) -- The global copper market is facing major upheaval, triggered by supply-demand imbalances, the shifting role of China and the uncertainty surrounding US President Donald Trump's trade agenda.

Against that backdrop, pricing talks were unusually fierce during a major industry gathering in Shanghai this week. Miners heaped pressure on smelters to accept record-low fees for processing ore. For refined metal shipped to China, yearly premiums jumped to an all-time high.

"This is a historic point of tightness" for the copper supply chain, Nicholas Snowdon, head of metals research at Mercuria Energy Group, said during a conference.

Here are three major themes from Asia Copper Week in Shanghai:

Smelters Versus Miners

An executive from German copper smelter Aurubis AG said he was prepared to reject any excessively low annual benchmark for processing fees. He was also less than complimentary about the notion of negative fees – an unusual scenario whereby smelters effectively pay miners to treat raw material, rather than the other way around. China's main metals industry association also railed against "unsustainable" sub-zero fees as the two sides began annual contract talks.

Miners have the whip hand after years of unchecked smelting expansion, exacerbated this year by a series of unexpected supply outages. Spot charges — often a guide to the direction of annual contracts — have been negative for much of this year.

The result has been a difficult series of negotiations, with the possibility that some parties could walk away from the system under which global smelters coalesce around an initial benchmark agreed between a major miner and processors in China. This would make it harder both parties to plan supply throughout the year.

Tim Kurth, chief operating officer for custom smelting at Aurubis, urged miners to think of the longer term and avoid "a kind of war." If this conflict can be sidestepped, the benchmark can be preserved – particularly as smelters begin to rein in excess capacity growth and more mine supply emerges, he said.

Read More: Copper Crunch Puts China's Smelters Under Strain: Energy Daily

The American Premium

Traders and producers are once more expecting substantial flows of refined metal to the US, where prices are higher because of lingering expectations for import tariffs. Mercuria's Snowdon said the US is likely to hold 90% of global copper inventories by the first quarter of 2026.

This will have knock-on consequences elsewhere. The more copper cathode that America sucks up, the greater the shortage in other markets – meaning suppliers such as Chile's Codelco, for example, have not been shy in offering some customers in China a record-high premium of $350 a ton.

Snowdon calls it "extreme dislocation" and said "there should be no underestimation of the strength of this pull and the scarcity risk" that is set to afflict the copper market outside the US over the next three to six months.

Read More: Codelco Offers Record Premiums for 2026 Copper Sales to China

China Slowdown

For all the talk about supply stress and future demand growth, China's appetite for copper is experiencing a lull. This has been especially true since prices on the London Metal Exchange surged to a record $11,200 a ton in late October. The world's second-biggest economy is having a shaky period: While sectors like renewables remain strong, others like consumer goods and construction are suffering.

"The risk to China demand next year or in the medium term is that the downturn in the property sector is irreversible," Tianyu He, senior analyst at CRU Group, told the conference.

Helen Amos, managing director for commodities research at BMO Capital Markets, also said that a looming acceleration in supply – including the potential for fast-tracking mine projects in the US, Canada and Chile – should ease pressures. There's also more potential for copper substitution, she said.

"We're successful in taking copper out of applications and also we're seeing quite decent investment in the supply side," Amos said. After noting that prices on an inflation-adjusted basis were well within their historic range, she added: "If we were really experiencing supply constraints today, the price would already be telling us this."

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	10,937	R1	11,001	11,001	RSI above 50	Stochastic overbought
S2	10,838	R2	11,066			
S3	10,743	R3	11,151			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- The RSI is above 50 (62)
- Stochastic is overbought
- Price is above the daily pivot point USD 10,937
- Technically bearish with a neutral bias yesterday, the probability of the futures trading to a new low had started to decrease. The upside move had found resistance at the linear regression line, resulting in a small move lower; however, our lower timeframe Elliott wave analysis suggested that downside moves should be considered as countertrend. Bullish
- The futures traded to a low of USD 10,892.5 before finding bid support, 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 10,937 with the RSI at or below 57 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 10,838 will support a bull argument, below this level the technical will have a neutral bias.
- Technically bullish, the MA on the RSI implies that momentum is supported at this point; however, price is now trading on the linear regression line (USD 11,001). A close that holds above the line will target the USD 11,151 Fibonacci resistance, and potentially the USD 11,200 fractal high. Conversely, if rejected the USD 10,838 support could come under pressure. If broken, then the probability of the futures trading to a new high will start to decrease. Whilst trading below the USD 11,025 high from the 26/10, our lower timeframe Elliott wave analysis suggests that downside moves should in theory be countertrend.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	2,839	R1	2,869	2,846	RSI above 50	Stochastic overbought
S2	2,803	R2	2,887			
S3	2,781	R3	2,920			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (55)
- Stochastic is overbought
- Price is above the daily pivot point USD 2,844
- Technically bearish yesterday, the futures tested but remained below the USD 2,869 resistance; if broken, then the probability of the futures trading to a new low would start to decrease. The upside move had volume support, whilst the MA on the RSI was moving higher, indicating we also had momentum support. The Elliott wave remains in bearish territory; however, the technical warned that resistance levels could be tested and broken, suggesting the downside cycle did truncate.
- The futures traded to a low of USD 2,822 before finding 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 2,844 with the RSI at or above 57.5 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. Upside moves that fail at or below USD 2,869 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technically bearish with price in a corrective phase. Downside moves that hold at or above USD 2,803 will support a near-term bull argument, below this level will indicate that sell side pressure is increasing. Price and momentum are conflicting; however, the RSI continues to warn that momentum remains supported at this point. As highlighted yesterday, the downside corrective cycle looks to have truncated, whilst the upside move has volume support, meaning we continue to be cautious on corrective moves lower at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,024	R1	3,060	3,026	RSI above 50	Stochastic overbought
S2	3,020	R2	3,080			
S3	3,007	R3	3,115			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (51)
- Stochastic is above 50
- Price is b below the daily pivot point USD 3,029
- Technically bearish on Tuesday, the futures tested but remained below the USD 3,060 resistance. However, like Al, the upside move had volume support, whilst a rising MA on the RSI implied that we also had momentum support. With the corrective phase looking like it has already completed, we were cautious on downside moves.
- The futures traded to a low of USD 3,011.5 before finding light bid support. We remain above all key moving averages with the RSI near neutral at 51, intraday price and momentum are aligned conflicting, as the previous candle closed above the daily pivot level.
- A close on the 4-hour candle below USD 3,029 with the RSI at or below 52 will mean price and momentum are aligned to the sell side. Likewise, a close above this level with the RSI at or above 56.5 will mean it is aligned to the buyside. Upside moves that fail at or below USD 3,060 will leave the futures vulnerable to further tests to the downside, above this level the technical will be back in bullish territory.
- Technically bearish, price and momentum are conflicting but the RSI warns that momentum remains supported. As highlighted previously, with the correct phase of the cycle looking like it has completed, whilst the upside move had volume support, we have a note of caution on downside moves. However, price is at an inflection point, as trend support and the 200-period MA are at USD 3,024. If we hold above this level, then upside resistance levels could come under pressure. Conversely, a close that holds below USD 3,024 will target our key support at USD 2,990. Below this level the probability of the futures trading to a new high will start to decrease, warning the USD 2,954.5 fractal low could be tested.