Base Morning Technical Report

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Cu

(Bloomberg) -- China's refined copper production rose to a record last month, despite a slump in ore processing fees that eroded margins for smelters, with the gain likely driven by increased supplies of scrap used as feedstock.

Output climbed to 1.33 million tons in December, eclipsing the previous all-time high set in June, according to data from the National Bureau of Statistics on Thursday. Annual production surged 10% to 14.7 million tons.

Processing fees for copper concentrate plunged after refining expansions led by China resulted in cut-throat competition for a dwindling supply of ore from mines. The surge in Chinese output reflects the resilience of the nation's often state-backed smelters, while rivals in other regions have been forced to scale back production.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	12,828	R1	13,028	12,852		RSI below 50
S2	12,680	R2	13,159			
S3	12,532	R3	13,485			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- The RSI is below 50 (47)
- Stochastic is below 50
- Price is above the daily pivot point USD 12,828
- Technical outlook yesterday: bullish—Caution on further corrections. Futures remained in a corrective phase, with volume confirming the dominant bearish candle that traded to a low of USD 12,680. However, warning signs were emerging that sell-side momentum may be slowing. Yesterday's low formed a positive divergence with RSI, suggesting waning downside pressure. While this divergence was not a buy signal in itself, when viewed alongside our Elliott wave analysis—which indicated that further downside should be treated as countertrend—it did warrant caution on additional corrective moves. A close above the high of the most recent high-volume bearish candle at USD 12,940 would signal a pickup in buy-side pressure and increase the likelihood of a test, and potential break, of the USD 13,159 Fibonacci resistance. This level was technically significant, as a move above USD 13,159 would indicate that price had re-entered bullish territory.
- The futures are now consolidating. We are below the EMA support band with the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 12,828 with the RSI at or above 50 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 13,159 will warn that there could be further downside within the corrective phase.
- Technical outlook: bullish– positive divergence.
- Bullish with downside moves considered as countertrend, the divergence does imply caution on breakouts below the USD 12,680 level. However, the futures are consolidating in a rectangular pattern (USD 13,028—USD 12,680), indicating near-term directional bias will come from a close that holds outside of the pattern. Breakouts below USD 12,680 will need to see divergence failure, otherwise the could struggle to hold.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,123	R1	3,181	3,127		RSI below 50
S2	3,116	R2	3,225			
S3	3,082	R3	3,233			

Source Bloomberg

Synopsis - Intraday

- Price is between the EMA support band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,123
- Technical outlook yesterday: Bullish throwback. We noted that we had a corrective three-wave decline, which often preceded a bullish impulse move, warning that USD 3,181 resistance was becoming increasingly vulnerable. A close above the high of the most recent high-volume dominant bear candle at USD 3,146.5 would signal strengthening buy-side pressure and indicate that the USD 3,181 Fibonacci resistance could be tested and potentially broken. A successful breach would suggest that price had re-entered bullish territory. Conversely, rejection at the USD 3,181 level would carry bearish implications and warn that the corrective phase may be evolving into a more complex structure. Given the presence of a three-wave correction, a cautious approach to further corrective moves was warranted at that stage.
- The futures traded up to a high of USD 3,151.5 but the move failed to hold. We remain between the EMA support band with the RSI below 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 3,123 with the RSI at or above 51 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 3,037 will support a bull argument, below this level the technical will have a neutral bias, suggesting we could be entering a higher timeframe corrective wave 4.
- Technical outlook: bullish throwback.
- Price moved sideways with a falling channel yesterday. As highlighted previously, a close above the high of the last high volume dominant bear candle at USD 3,146.5 would indicate buy-side pressure is increasing—this would also put price above channel resistance at USD 3,140—and signal strengthening buy-side pressure, indicating that the USD 3,181 Fibonacci resistance could be tested and potentially broken. A successful breach would suggest that price had re-entered bullish territory. Conversely, rejection at the USD 3,181 level would carry bearish implications and warn that the corrective phase may be evolving into a more complex structure. Given the presence of a three-wave correction, a cautious approach to further corrective moves was warranted at that stage.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,183	R1	3,236	3,195		RSI below 50
S2	3,176	R2	3,259			
S3	3,157	R3	3,290			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,183
- Technical Outlook yesterday: Cautious bear. Momentum remained bearish, with the RSI moving average indicating weakness. However, technical signals were emerging that warranted caution on further downside at those levels. Yesterday's decline had formed a three-wave corrective structure, a pattern that could precede a bullish move. Notably, the sell-off occurred on reduced volume, suggesting a lack of conviction. From a technical perspective, price appeared vulnerable to an intraday upside move, making USD 3,239 the key level to monitor. A rejection at this level would signal that the correction was becoming structurally more complex and warn that price remained vulnerable to further bearish impulse moves. Conversely, a break above USD 3,239 would represent a deep retracement of the recent bearish leg, reducing the probability of price making a new low.
- The futures sold to a low of USD 3,164 before finding light bid support on a minor positive divergence. Price is below the EMA support band while the RSI is below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 3,183 with the RSI at or above 49 will mean price and momentum are aligned to the buyside; likewise, a close below this level with the RSI at or below 44.5 will mean it is aligned to the sell side.. Upside moves that fail at or below USD 3,290 will leave the futures vulnerable to further tests to the downside, above this level price will re-enter bullish territory.
- Technical outlook. Cautious bear. Price and momentum are now conflicting while we have a minor divergence in play, indicating we are witnessing a momentum slowdown. As highlighted previously, the move to new lows on the 20/01 had been on lower volume, indicating a lack of sell side intensity, coupled with the slowing momentum, we continue to have a note of caution intraday moves lower in the near-term. Downside pressure on increased volume with the divergence failing is now needed to signal bearish continuation.