FIS

Base Morning Technical Report

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Cu

(Bloomberg) -- Copper climbed toward $13,000 a ton, rising along with other metals on dollar weakness and a broad investor rotation away from currencies and sovereign bonds.

The industrial metal advanced as much as 1.4% on the London Metal Exchange, while nickel and tin jumped. President Donald Trump's shakeup of the geopolitical order and renewed attacks on the Federal Reserve are spurring a flight to safety. While that would normally only benefit gold and silver, the impact has recently been spilling over into base metals.

That's adding further impetus to copper, which has been rallying since the middle of last year on sluggish mine output, booming demand from electrification and a surge in shipments to the US ahead of possible tariffs. The industrial metal is now up 15% since the end of November.

While benchmark copper prices rose, spreads between different contracts continued to loosen on the London Metal Exchange as deliveries to warehouses in the US and Asia helped ease pressure on buyers after a sharp squeeze earlier this week.

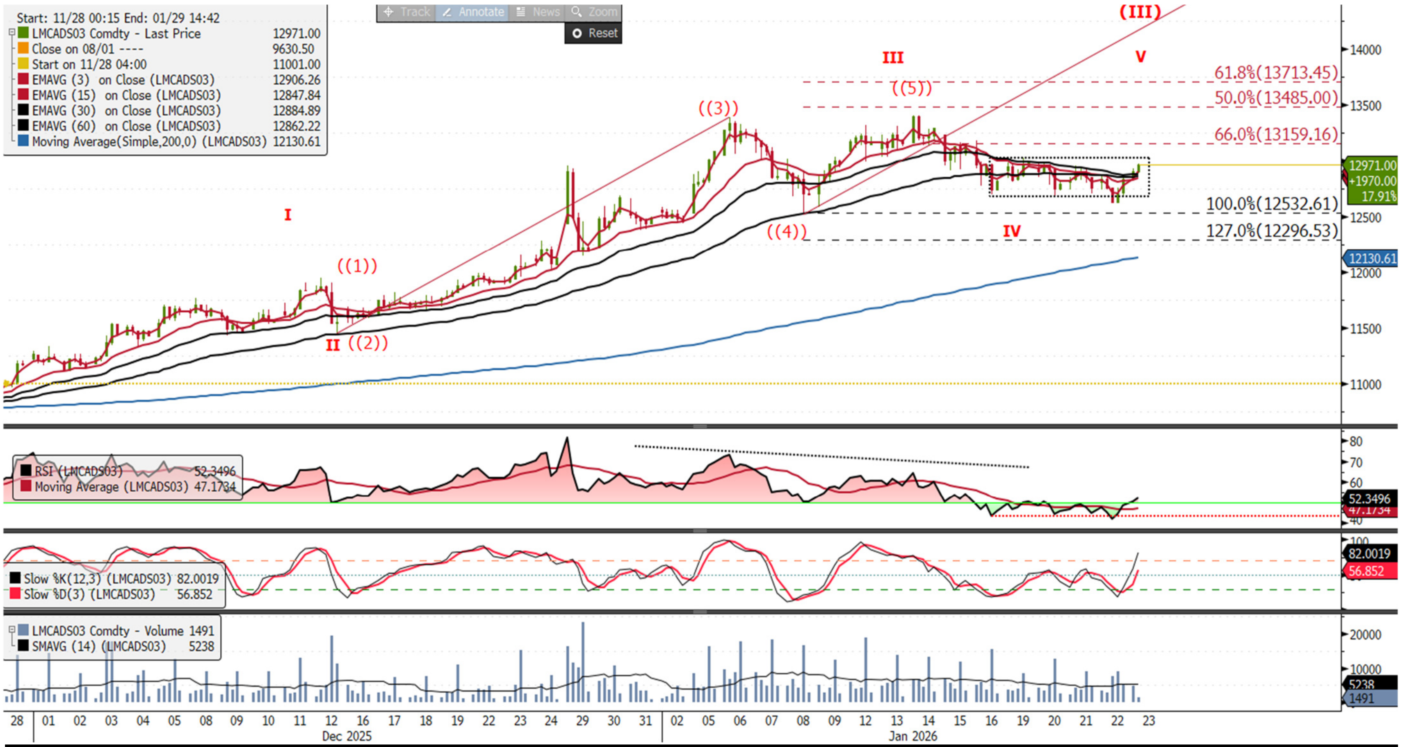
Spot copper traded at a discount of $82.84 a ton to the LME's three-month benchmark as of Thursday in a market structure known as contango, pointing to improving supply conditions. That was a sharp shift from Tuesday, when it was more than $100 in backwardation, the opposite market pattern.

Inflows into Asian warehouses were partly fueled by deliveries from Chinese smelters booked earlier when the arbitrage trade was profitable, according to traders familiar with the matter who declined to be named because the transactions are private.

Chinese smelters have stepped up exports via deliveries to LME warehouses this year after gains in benchmark prices outpaced domestic rates, as a slowdown in the property sector dragged down domestic consumption. More deliveries are expected in the coming weeks, though the arbitrage window is currently closed, said the traders.

Copper rose 1.1% to $12,890.50 a ton on the LME as of 11:27 a.m. Shanghai time. Tin jumped 3.5%, nickel was up 2.6% and zinc climbed 1.6%. Iron ore advanced 1% to $104.65 a ton in Singapore.

Copper Morning Technical (4-hour)



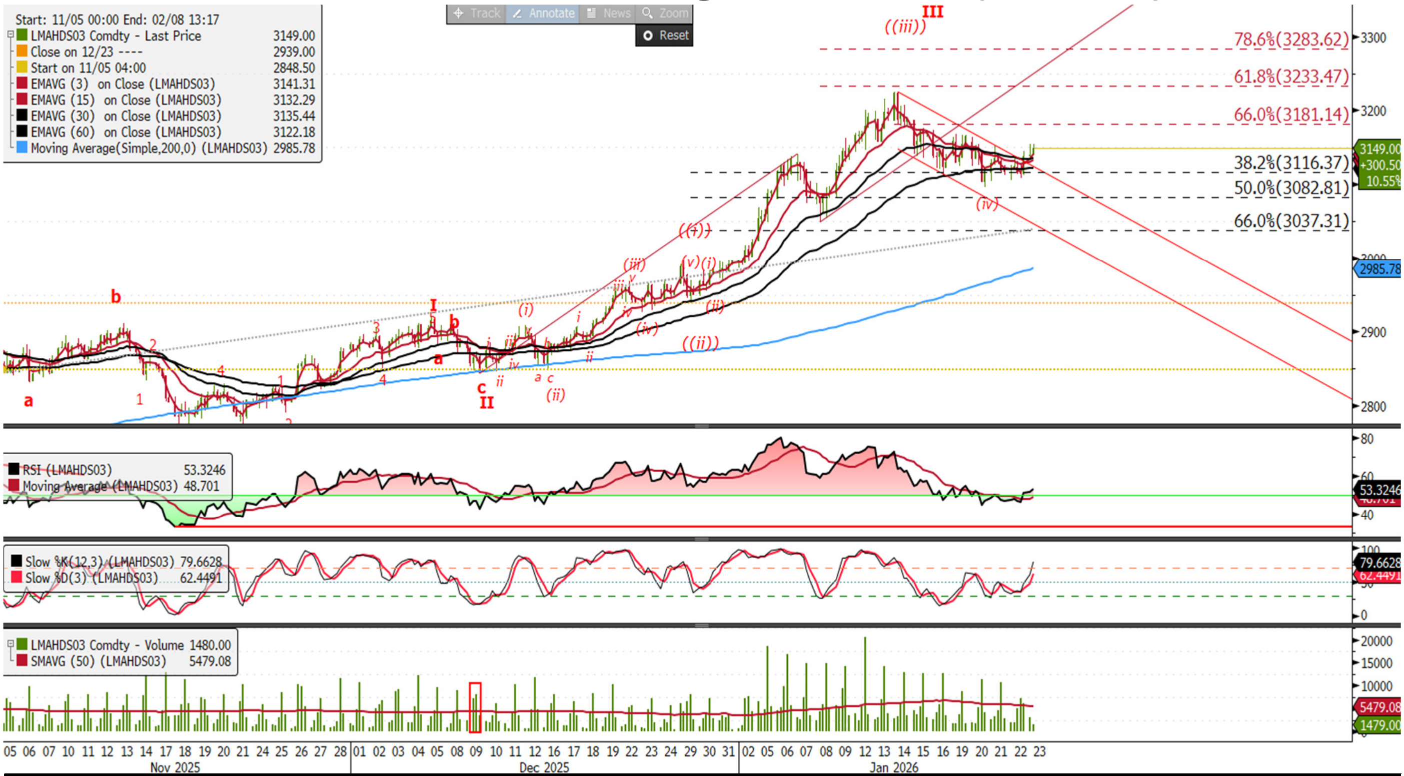
Support		Resistance		Current Price	Bull	Bear
S1	12,750	R1	13,028	12,971	RSI above 50	
S2	12,621	R2	13,159			
S3	12,532	R3	13,485			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (52)
- Stochastic is above 50
- Price is above the daily pivot point USD 12,750
- Technical outlook yesterday: bullish– positive divergence. Bullish with downside moves considered as countertrend, the divergence did imply caution on breakouts below the USD 12,680 level. However, the futures were consolidating in a rectangular pattern (USD 13,028—USD 12,680), indicating near-term directional bias would come from a close that held outside of the pattern. Breakouts below USD 12,680 would need to see divergence failure, otherwise the could struggle to hold.
- The futures sold to a low of USD 12,621 with the divergence failing. However, the following candle closed back above the USD 12,680 level, putting price back in the neutral rectangular pattern. 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 12,750 with the RSI at or below 50 will mean price and momentum are 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—Price action currently has neutral bias
- Technically, Elliott wave analysis indicates downside moves should be considered as countertrend. Price action remains within rectangular pattern, implying near-term neutral bias. A close that holds above USD 13,028 is needed to indicate increasing in buy-side pressure. We identify USD 13,159 as key resistance; if rejected, the technical has potential to become wore complex, warning support levels could come back under pressure. Above USD 13,159 the probability of price trading back below USD 12,621 will be reduced. Note: below 98.246 the USD Basket will be divergent on the 1-hour timeframe; the divergence could hamper near-term upside moves in commodities.

Aluminium Morning Technical (4-hour)



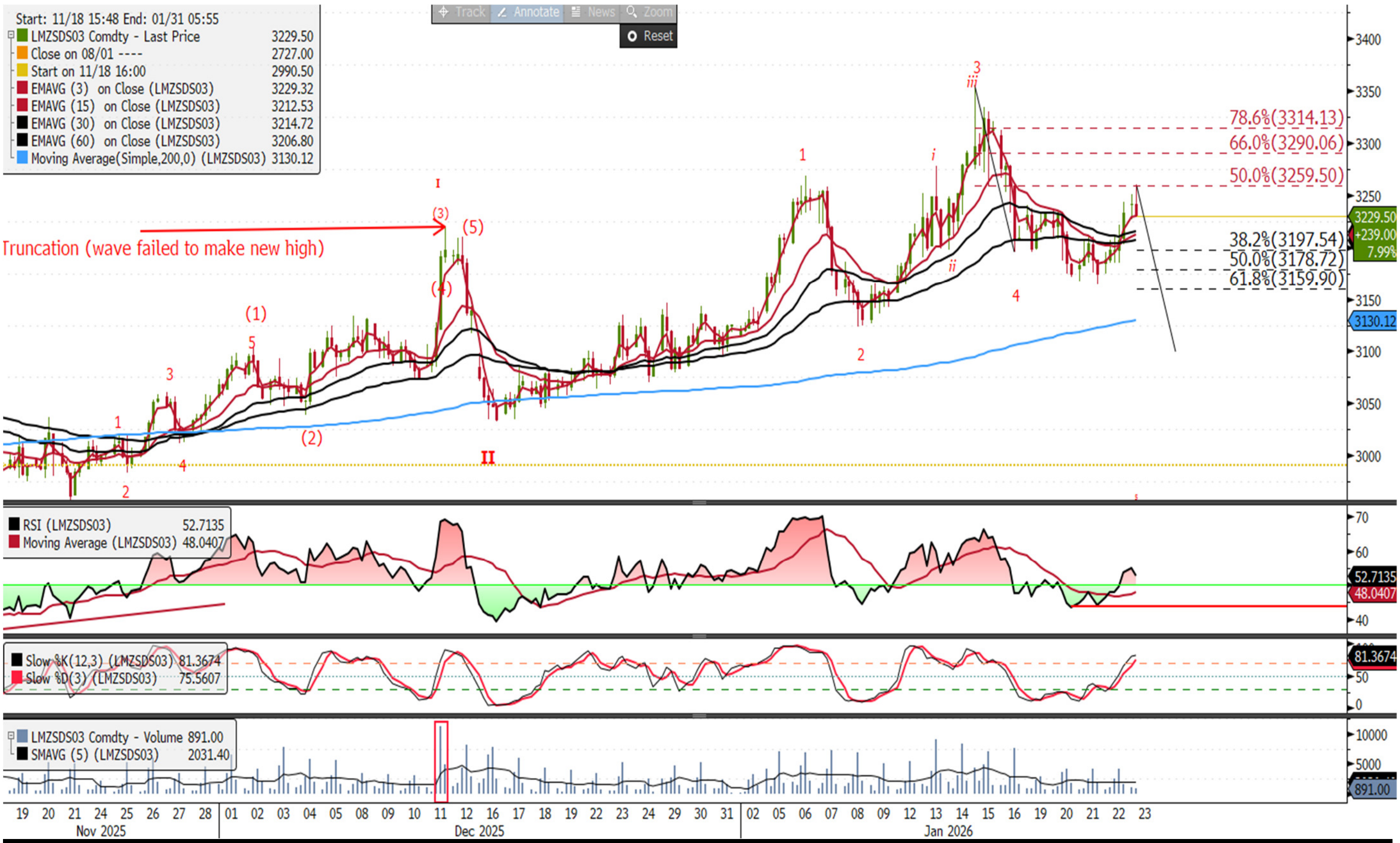
Support		Resistance		Current Price	Bull	Bear
S1	3,128	R1	3,181	3,149	RSI above 50	
S2	3,116	R2	3,225			
S3	3,082	R3	3,233			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (53)
- Stochastic is above 50
- Price is above the daily pivot point USD 3,128
- Technical outlook yesterday: bullish throwback. Price had moved sideways with a falling channel. We had highlighted previously that a close above the high of the last high volume dominant bear candle at USD 3,146.5 would indicate buy-side pressure was 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.
- The futures have have moved outside of the bearish channel put price is yet to close above the USD 3,146.5 level. 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 3,128 with the RSI at or below 46.5 will mean price and momentum are aligned to the sell side. 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.
- Elliott wave analysis continues to suggest that downside moves should be considered as countertrend; however, while below USD 3,181 we have a note of caution on upside moves, as a rejection here would imply a more complex corrective phase, in the form of a W, X, Y, pattern. The RSI moving average, has flattened, indicating a slowdown in sell side momentum, but price is yet to close above the USD 3,146.5 level highlighted previously. If we do, it will signal increased buy-side pressure, warning the USD 3,181 resistance could be tested. Sell side momentum has slowed, but the technical is not yet showing enough to suggest resistance is vulnerable.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,209	R1	3,259	3,229.5		RSI below 50
S2	3,197	R2	3,290			
S3	3,178	R3	3,314			

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 3,209
- Technical outlook yesterday. Cautious bear. Price and momentum were conflicting while we had 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 continued to have a note of caution intraday moves lower in the near-term. Downside pressure on increased volume with the divergence failing was needed to signal bearish continuation.
- The futures have moved high on the divergence and reduced volume. 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 3,209 with the RSI at or below 46 will mean price and momentum are 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. Bearish.
- A cautious bear yesterday the futures have moved higher with price trading in the Fibonacci resistance zone. The depth of this pullback has been deep, meaning the probability of price achieving new highs has been reduced, suggesting upside moves should in theory be countertrend, meaning we are now cautious on higher moves providing we do not trade above the USD 3,290 resistance. If we do, then we become neutral.