

Metals

(Bloomberg) -- Copper extended its slump from a record — and other base metals posted big losses — as bulls in China stepped back from a tumultuous few days that have rocked global metals markets.

The industrial metal sank as much as 5.7% to \$12,414.50 a ton on the London Metal Exchange before paring losses to trade about 2% lower by mid-morning in Europe. Aluminum, tin, nickel and silver also tumbled.

Copper had spiked to a record above \$14,500 just last Thursday, before plunging below \$13,000 a ton on Friday and continuing its slide on Monday. Metals — both base and precious — had surged in January as bullish Chinese investors piled into commodities amid doubts about the dollar and a shift away from currencies and sovereign bonds.

The current selloff was triggered by the nomination of a known inflation fighter to lead the US Federal Reserve last week, and a key question in copper is when manufacturers who've been put off by high prices will step back in and buy.

"The selloff is being accelerated by forced stop-losses — falling prices triggering even more selling," said Harry Jiang, a trader at China-Base Ningbo Group Co. "The market probably won't stop easing until sentiment stabilizes."

The volatile trading came on the heels of a heady year for copper, with futures surging more than 40% in 2025 following mine disruptions, speculation about demand from the energy transition, and the possibility of US import tariffs.

The latest outsized moves surprised seasoned observers, with some traders exiting the market, citing heightened risks and a disconnect with softening physical markets. But inside China, talk of dip-buying still filled chat groups and social media over the weekend and analysts are not ruling out another swing higher.

"Some funds are exiting ahead of the Lunar New Year to avoid risk amid such high volatility," said Gao Yin, an analyst at Shuhao Asset Management Co., referring to the annual holiday that starts later this month. "But the medium- to long-term logic behind this round of rally remains intact. There is a unanimous, bullish consensus among Chinese investors."

That hasn't materialized yet, and open interest across all of the Shanghai Futures Exchange's copper contracts dropped by about 8% on Monday as investors exited positions.

January was the busiest month ever for metals trading on the Shanghai bourse, and copper volumes surged on Friday to a record amid the sharp selloff. Copper is viewed as an attractive bet because of a strong demand outlook and tight supplies, but last week's spike came even as manufacturing activity in China stalled. Copper, nickel and tin all fell by their daily limits on the SHFE on Monday.

Industrial Outlook

On the industrial side, buying by fabricators remains muted despite the price slump, according to traders with knowledge of the industry, who declined to be named given business confidentiality. Purchases slowed also because many users were going to close during the Lunar New Year, they said.

That contrast — between soft on-the-ground consumption and huge investor activity — was underscored by the unexpected deterioration in China's factory activity in December, according to data on Saturday. Copper bulls have based optimism more on other macro factors, including looser global monetary policies, a softer dollar and a surge in fiscal spending in developed economies.

"The near-term correction will provide a good window to buy," Li Yaoyao, an analyst at Xinhua Futures Co., wrote in a note. Copper is entering a "supercycle" of sustained high prices and could trade between 100,000 yuan (\$14,385) and 150,000 yuan a ton this year in Shanghai, according to Xinhua.

Copper fell 2.1% to \$12,886 a ton on the LME at 9:59 a.m. London time, after ending 3.4% lower on Friday. Aluminum lost 2.3%, while tin was down by nearly 9%.

Copper Morning Technical (4-hour)



Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- The RSI is below 50 (42)
- Stochastic is oversold
- Price is below the daily pivot point USD 13,197
- Technical outlook Thursday: bullish. The futures had made new highs alongside the RSI, on a very high volume move. Technically, downside moves were considered as countertrend, providing we held above the USD 13,311 support. In terms of Elliott wave, starting on the lowest cycle, we looked to be on a 3, of a higher 5, of a higher 3.
- The futures had a small intraday pullback on Thursday to a low of USD 13,835.5 before trading to a high of USD 14,527.5, this pullback followed by the new high completed the lower timeframe Elliott wave cycle, which in turn completed the high 5 of the larger 3. We are currently in a corrective phase with price below the EMA support band while the RSI is below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 13,197 with the RSI at or above 58 will mean price and momentum are aligned to the buy side. Downside moves that hold at or above USD 11,940 will support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: corrective
- The upside move to a high and subsequent rejection signaled the completion of two lower timeframe Elliott wave cycles, indicating price has entered a corrective Elliott wave (V). RSI moving averages imply momentum weakness; however, price is seeing a bullish reaction to the intraday 200-period MA at USD 12,476, warning intraday resistance could come under pressure in the near-term. We are cautious on lower moves at these levels but consider upside moves as part of the larger correction, making USD 13,916 as a key level on the technical. Upside moves that fail to trade above this level would warn of further downside to come.

Aluminium Morning Technical (4-hour)



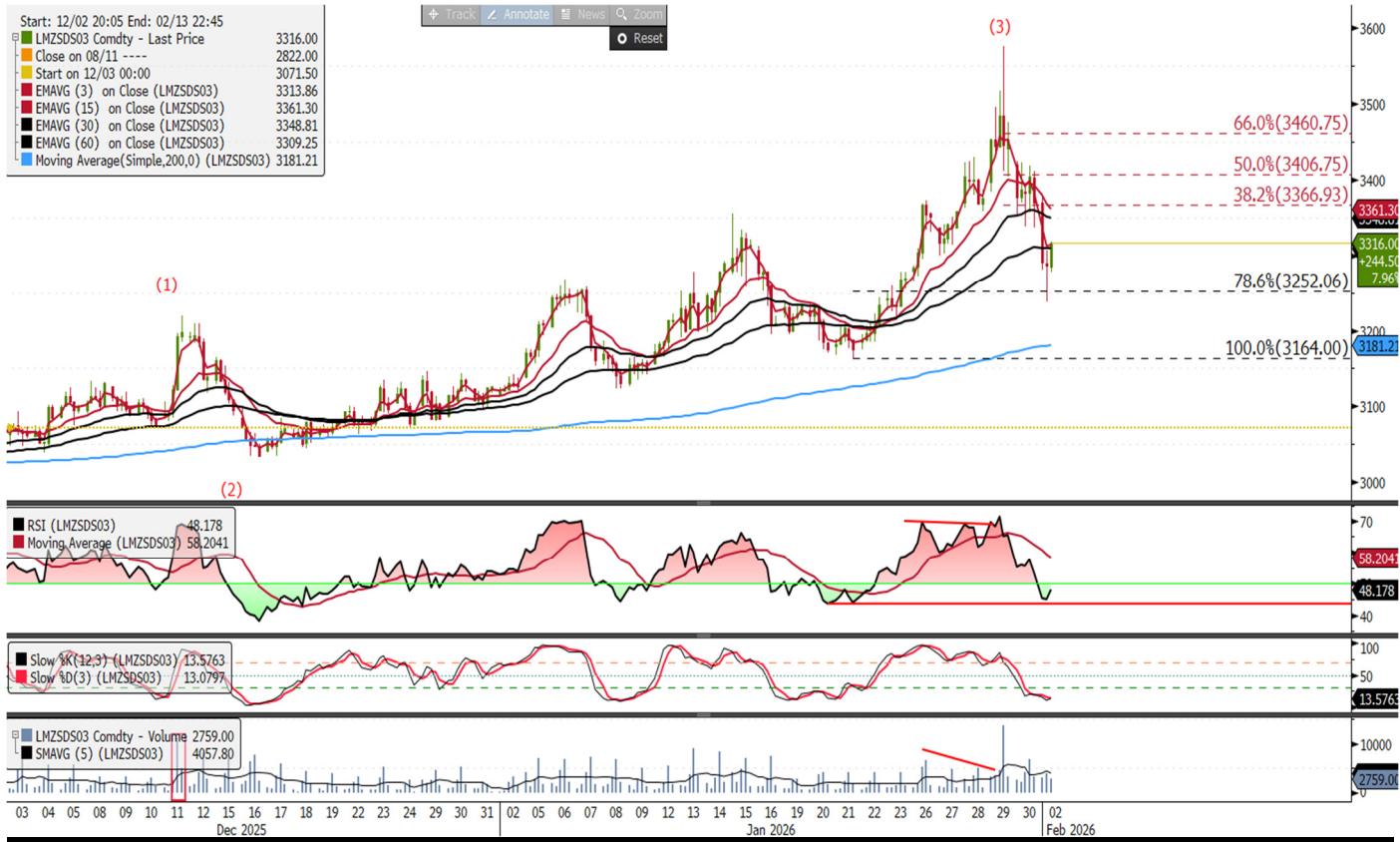
Support	Resistance	Current Price	Bull	Bear
S1	3,046	R1	3,123	Stochastic oversold
S2	2,951			
S3	2,858			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (37)
- Stochastic is overbought
- Price is below the daily pivot point USD 3,147
- Technical outlook on Thursday: Bullish. The futures remained supported having traded to a new high on the open. We had highlighted previously that the RSI had broken near-term resistance on the move higher, implying we had witnessed a lower timeframe Elliott wave extension, suggesting intraday downside moves should be considered as counter-trend, making USD 3,179 the key support to follow. If broken, it would signal that we could potentially be entering a higher timeframe Elliott wave 4.
- The futures entered a corrective phase, resulting in price entering the higher timeframe Elliott wave 4. To avoid noise on the chart, we have deleted the lower timeframe Elliott wave cycle, leaving only the largest cycle on show at this point. We are below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,147 with the RSI at or above 52 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 32,821 will support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Corrective
- The move lower on the open tested but held above the intraday 200-period moving average at USD 3,039. A close that remains above this level would leave nearby resistance levels vulnerable in the near term. Conversely, market longs should exercise caution if price begins to close and hold below the average. Momentum remains weak, as indicated by the RSI moving average. From a technical perspective, USD 3,227 is identified as the key resistance level; upside moves that are rejected at this level would suggest scope for further downside. From a higher-timeframe perspective, price action appears to be unfolding within a corrective wave 4. Our analysis suggests that any upside moves should be viewed as counter-trend in the near term, as price still appears to be in the early stages of a three-wave corrective structure (A-B-C). With price sitting on the intraday 200 MA and RSI holding support, we note a degree of caution on downside follow-through at current levels, as price remains vulnerable to an intraday bounce higher.

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	3,252	R1	3,366	
S2	3,181	R2	3,387	
S3	3,164	R3	3,406	RSI below 50

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,387
- Technical outlook Thursday: Cautious bull. We noted last week that the futures were moving higher with a small uptick in volume; however, although volume remained subdued the RSI had made a new high, warning intraday downside moves could be counter-trend in the near-term. The broader technical structure remained bullish, while intraday downside moves should be considered as counter-trend. However, we continued to maintain a note of caution due to the low volume, and suggested monitoring for rejection candle or momentum slowdowns based on price.
- We rejection candle proved to be very clear and significant as it has been followed by a strong move lower. We are between the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,387 with the RSI at or above 60.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below the USD 3,460 will leave the futures vulnerable to further tests to the downside, above this level the Elliott wave cycle will re-enter bullish territory.
- Technical outlook. Neutral.
- The corrective move lower has breached the USD 3,252 support, suggesting that the probability of price trading to a new high has started to decrease, meaning the higher timeframe Elliott wave cycle is neutral. Outside of Elliott, the sell off has been on increased volume, the RSI has made new lows while its moving average implies momentum weakness, indicating upside moves have a greater chance of being counter-trend. We identify USD 3,460 as the key resistance to monitor, as a rejection here will indicate the technical will be vulnerable to further moves lower. A volatile open has resulted in bull support on the open, while the RSI is also testing support, indicating we are vulnerable to an intraday move higher in the near-term.