Base Morning Technical Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

Copper

(Bloomberg) -- Copper extended losses as investors focused on rising inventories and waning appetite from Chinese buyers, even after some dip-buying emerged earlier this week.

The decline followed a 3.2% slump in the previous session as fresh signs emerged of demand softness in the Chinese spot market, while stockpiles in London Metal Exchange warehouses in Asia jumped. Industrial metals also followed a plunge in silver, which was down nearly 16% as it struggled to find a price floor following a historic market rout.

Rising stockpiles suggest that traders diverted supplies bound for the US into LME warehouses elsewhere instead, after US price premiums disappeared, said Fan Rui, an analyst with Beijing-based Guoyuan Futures Co.

Premiums on Comex contracts over those on the LME, which peaked last summer, have now eased, discouraging metal flows to the US ahead of potential import tariffs.

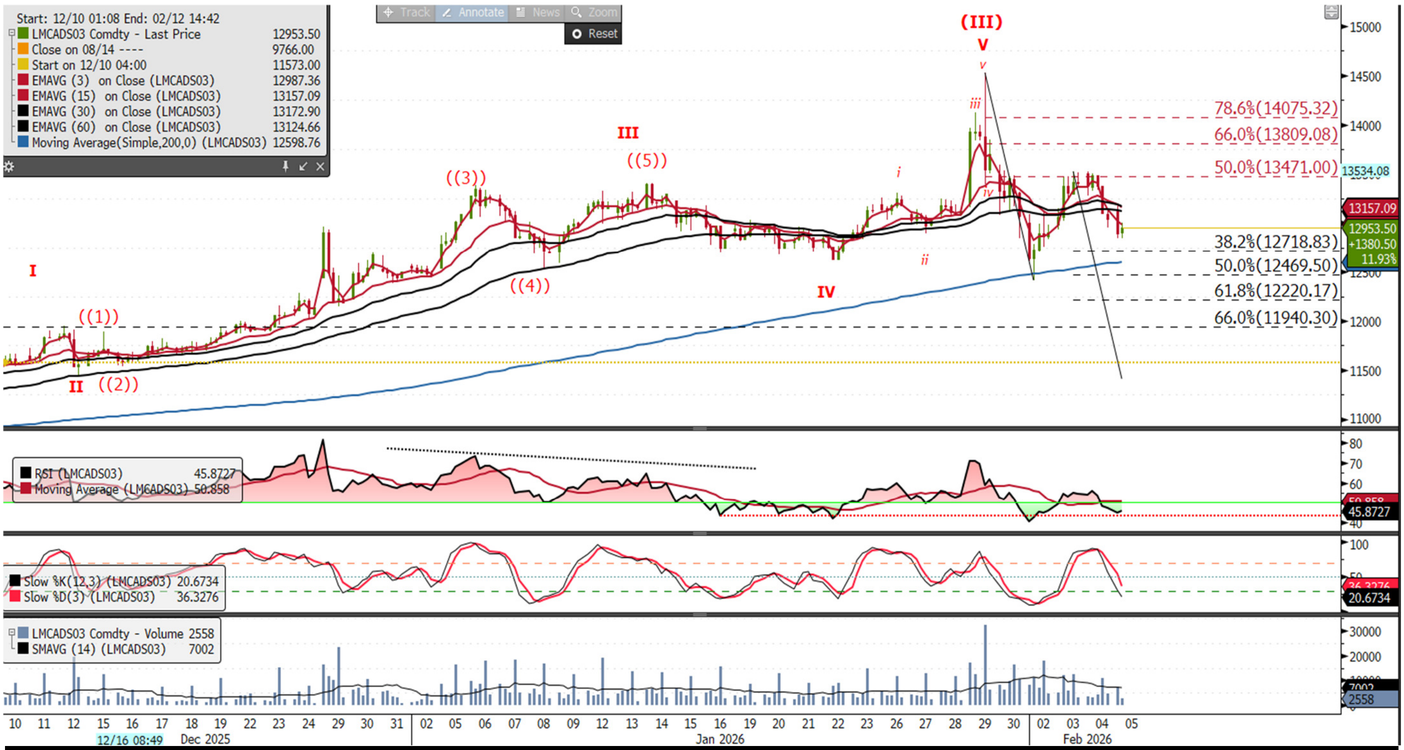
In China, buying from fabricators and manufacturers slowed following dip-buying on Monday. Daily refined copper spot trading volumes across the country totaled 25,300 tons on Wednesday, down a second day from a three-month peak of 38,121 tons on Monday, according to consultancy Mysteel Global Ltd.

Still, there are signs of resilient demand from Chinese power grids. State Grid Corporation of China, the country's largest copper buyer, announced a 35% jump in fixed-asset investment to 30.8 billion yuan ($4.4 billion) in January on ultra-high voltage grids and pumped storage power stations, kicking off a strong start for the year.

This is in line with a 40% jump in its spending budget for the next five years, which could give a boost to copper demand. Investors are waiting for an annual breakdown to be released later on the investment allocations to gauge actual copper usage.

Copper fell 0.8% to $12,953.50 a ton as of 11:18 a.m. in Shanghai, with other industrial metals broadly lower along with silver and gold.

Copper Morning Technical (4-hour)



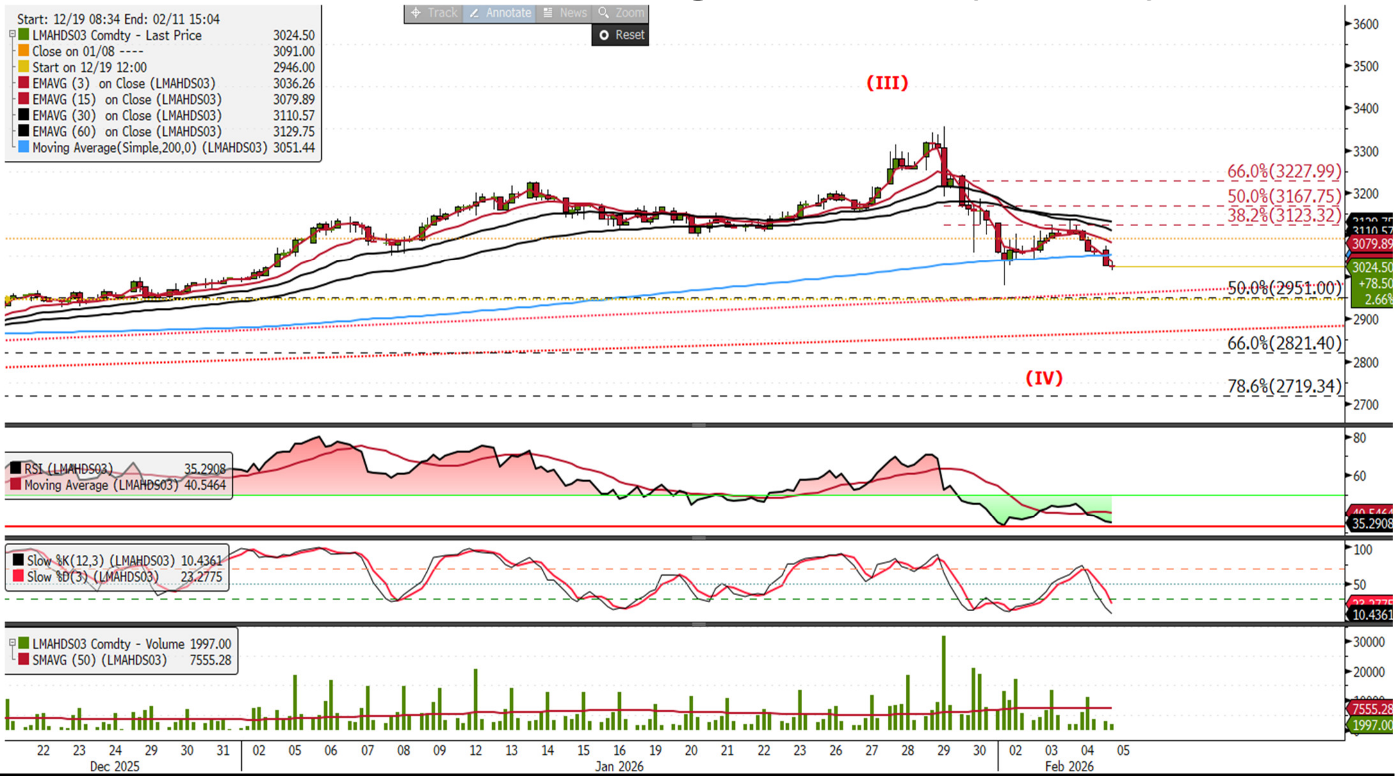
Support		Resistance		Current Price	Bull	Bear
S1	12,718	R1	13,171	12,953.5		RSI below 50
S2	12,469	R2	13,471			
S3	12,220	R3	13,809			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- The RSI is below 50 (45)
- Stochastic is overbought
- Price is below the daily pivot point USD 13,171
- Technical outlook Wednesday : Buyside pressure within the corrective Elliott wave 4. The technical footprint was unchanged yesterday, intraday price was considered as bearish due to a fractal break; however, the broader Elliott wave cycle remains bullish above USD 11,940 and neutral below. We remained supported with the corrective wave 4 in what looks to be an intraday countertrend wave B, meaning we had a cautious approach on higher moves while below USD 13,809. A sustained breach above USD 13,809 would indicate we are seeing an increase in buy-side pressure, warning we could be in the early stages of a bullish impulse wave 5.
- The futures rejected the 50% Fibonacci retracement, resulting in price selling lower. 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 13,171 with the RSI at or above 53 will mean price and momentum are aligned to the buyside. 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: Bullish/corrective—selling lower in what looks to be an Elliott wave C
- The upside rejection suggests that the futures could now be entering its third wave of the corrective phase (wave C) , within a broader bullish Elliott wave cycle. In theory, downside moves should target the USD 12,414.5 fractal low from the 02/02; however, we have the intraday 200-period MA at USD 12,599 that could potentially attract buyside support. Sell side pressure is increasing, warning support could be tested in the near-term, but our wave analysis indicates that the broader tend is bullish.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	2,960	R1	3,081	3,024.5	Stochastic oversold	RSI below 50
S2	2,951	R2	3,123			
S3	2,865	R3	3,167			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (35)
- Stochastic is oversold
- Price is above the daily pivot point USD 3,081
- Technical outlook Wednesday: Corrective. The futures remained supported within the corrective wave 4. We noted that if we looked at the candles within the upside move, we could see that they were small bodied with the majority of the candles producing upside wicks. These small bodies and wicks warned that price action is lacking bullish momentum, supporting our Elliott wave analysis that implied that the current intraday upside moves looked to be counter-trend, within a broader bullish structure. While below USD 3,227 we continued to take a cautious approach on upside moves, a sustained breach of this level would imply that price was in a bullish impulse wave 5. Technically, we remain vulnerable to further downside at that point.
- With price lacking buyside momentum the futures have sold lower. We are below the EMA resistance 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 3,081 with the RSI at or above 43 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 2,821 will support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Corrective
- The futures now look to have entered a corrective Elliott wave C within a broader bullish cycle. Price has closed below the intraday 200-period MA (USD 3,051), if we hold below it then we will look to test secondary trend support at USD 2,960. Market sellers should be cautious around the trend support line as the RSI is also approaching support, a logical area for buyers to enter the market and manage risk. We also highlight that price is selling lower on decreased volume, implying there is a lack of intensity on the downside move at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,252	R1	3,319	3,288		RSI below 50
S2	3,197	R2	3,366			
S3	3,164	R3	3,407			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,319
- Technical outlook Tuesday. Neutral. We had a neutral bias previously with a cautious approach on higher moves due to the depth of the pullback, we noted that a sustained move above the USD 3,460 level would indicate that price is re-entering a bullish impulse wave 5. Price had formed a symmetrical triangle pattern, this was also considered a neutral due to its nature, as it had both a rising and declining trend lines. A close that holds outside of the pattern (USD 3,324—USD 3,357) should in theory give the technical a near-term directional bias.
- Futures have broken the symmetrical pattern to the downside. 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 3,319 with the RSI at or above 51 will mean price and momentum are aligned to the buyside. 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. Bearish symmetrical breakout.
- The breakout from the symmetrical pattern to the downside warns that the USD 3,238 fractal low and the 200-period MA at USD 3,197 are becoming vulnerable. On the buyside, the RSI is on support which needs to be monitored, a break below the RSI is needed for downside continuation. A close above the high of the last dominant bear candle at USD 3,327.5 will indicate an increase in buy-side pressure, this would negate the bearish breakout. The RSI support is the key focus on this technical.