Base Morning Technical Report

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Metals

(Bloomberg) -- Copper and aluminum edged lower as rising stockpiles of the red metal and tariff uncertainty weighed on sentiment, with many Asian traders away from their desks for the Lunar New Year break.

Copper fell as much as 0.8% to dip below $12,800 a ton, as global inventories tracked by the London Metal Exchange rose to the highest in more than two decades. Aluminum slipped as much as 0.6%, with investors awaiting further information about the scope of US import tariffs. American markets will return on Tuesday after observing the Presidents' Day holiday on Monday.

Near-record prices have cooled industrial demand for metals such as copper in China, the world's largest consumer. Exchange inventories have started to rise, helping rebuild reserves after large volumes were shipped to the US ahead of anticipated tariffs.

Readily available inventories tracked by the LME rose on Monday, bringing total copper stocks at exchanges in Shanghai, London and New York further above 1 million tons.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	12,675	R1	12,853	12,737	Stochastic oversold	RSI below 50
S2	12,469	R2	12,837			
S3	12,220	R3	13,012			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI is below 50 (42)
- Stochastic is oversold
- Price is below the daily pivot point USD 12,853
- A failed downside move previously resulted in price trading just below the 200-period MA at USD 12,842, meaning we remained at a bearish inflection point. For the downside to continuation, we needed to see a sustained close below the 200-period moving average. A confirmed break would open the way toward the USD 12,414.5 fractal support level. Conversely, a close that held above the average would imply there is an underlying support in the market, warning the Fibonacci resistance zone could come under pressure. We identified USD 13,809 as a key resistance to monitor, upside moves that failed at or below this level would warn that the correction remained complex, leaving the technical open for further downside. The RSI moving average implied that momentum remained weak; however, there was a minor positive divergence on the 1-hour timeframe that is warned sell side momentum was starting to slow, suggesting a cautious approach is needed on lower moves while the divergence was in play.
- The futures have seen a small move below the 200-period MA at USD 12,837, we are below all key moving averages supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 12,853 with the RSI at or above 46.5 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: Cautious bear
- The futures have seen a small move below the 200-period MA, suggesting the near-term fractal support at USD 12,675 could be tested and broken. However, as highlighted yesterday, although a fractal break has bearish connotations, below USD 12,675 price will be divergent on both the 1-and-4-hour timeframes. Not a buy signal, the divergence is a warning that we could see a momentum slowdown, which needs to be monitored. With the divergence below us, we are cautious on downside breakouts.

Aluminium Morning Technical (4-hour)

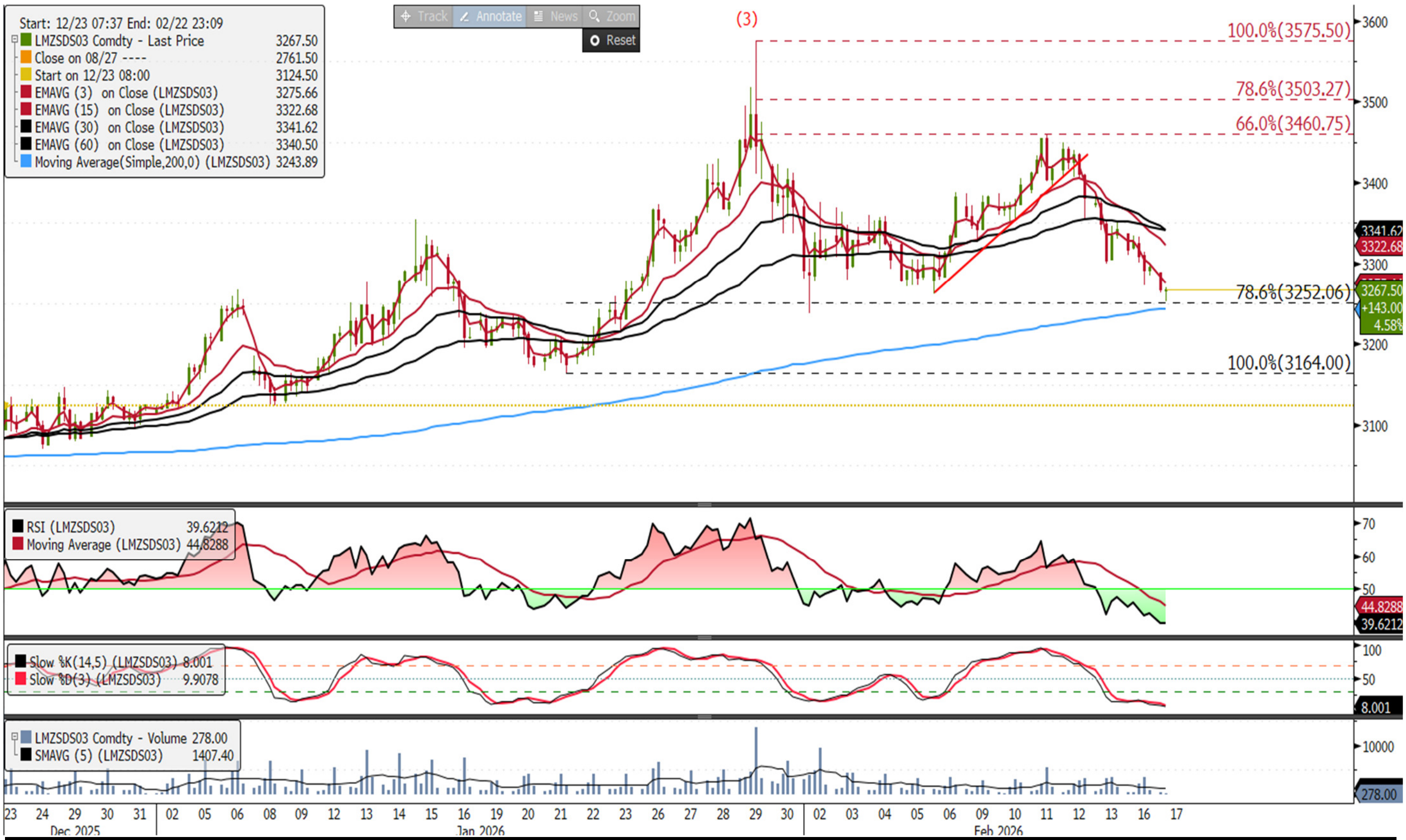
Support		Resistance		Current Price	Bull	Bear
S1	3,015.5	R1	3,062	3,033	Stochastic oversold	RSI below 50
S2	2,990	R2	3,087			
S3	2,979.5	R3	3,163.5			

Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (41)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,062
- Technical outlook Monday: Evidence of buyside support. The futures remained in a bearish trend yesterday; however, the failed downside move on Friday had resulted in a bullish support candle forming on the daily timeframe, indicating market buyer's at lower levels. We remained below the 200-period MA at USD 3,088 at that point, failure to close above the average would open the technical for further downside, warning the USD 3,015.5 fractal low could come under pressure. For downside continuation we will need to see a sustained daily close below this level; conversely, a close that holds back above the intraday 200-period MA would confirm that there is underlying support in the market. A bullish close will leave Fibonacci resistance vulnerable. Higher timeframe support implied caution on lower moves while above USD 3,015.5.
- The futures failed to close above the intraday 200-period MA at USD 3,087 yesterday resulting in price selling lower; however, we remain above the USD 3,015.5 support at this point. We are below all key moving averages supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,062 with the RSI at or above 47.5 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: Approaching support—high risk area,
- The futures have rejected the 200-period MA, suggesting price action weakness. However, we are going to maintain and enhance our stance that there is evidence of support in the market. We have bull support highlight on the chart on the 30/01 at USD 2,979.5, the 06/02 at USD 2,990, and finally on the 13/02 at USD 3,015.5. We also have secondary trend support at USD 2,988. We noted yesterday that a daily close below the low of the bull support candle at USD 3,015.5 was needed for downside continuation; in theory, this remains the case. We also note that the Elliott wave correction has failed to make a low below USD 2,979.5, warning it might not have completed. Our issue is, the fractal support zone and trend support, coupled with intraday price being divergent on the 1-and-4-hour timeframes below USD 3,015.5. There is traffic below us, making this a high risk area to be short.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,252	R1	3,300	3,267.5	Stochastic oversold	RSI below 50
S2	3,243	R2	3,365			
S3	3,238	R3	3,460			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (39)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,300
- Technical outlook Monday. Cautious bear. The upside rejection of the USD 3,460 resistance continued to suggest that the USD 3,238 support remained vulnerable yesterday, while the RSI moving averages implied that momentum remained weak. Countering this, downside breakouts below USD 3,299 would potentially create a positive divergence on both the 4-and-1-hour timeframes, meaning caution was warranted on moves below this level. A daily close above the weekly pivot level at USD 3,365 would imply an increase in buy-side pressure, warning resistance could become vulnerable. Technically, near-term support remained vulnerable; however, for downside continuation we will need to see divergence failure.
- The futures sold lower resulting in the 4-hour divergence failing. 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 3,300 with the RSI at or above 47 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. Caution below USD 3,238
- We had momentum confirmation yesterday with the RSI making a new low alongside price; however, this has not translated to the lower timeframe as the 1-hour RSI is divergent. Technically, having rejected the USD 3,460 resistance alongside the 4-hour divergence failing, the USD 3,238 fractal low could be tested and broken. However, with evidence of sell side momentum slowing, we are cautious on downside moves below USD 3,238.