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	12,680	R1	12,888	12,711.5	Stochastic oversold	RSI below 50
S2	12,469	R2	13,012			
S3	12,220	R3	13,471			

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 above the daily pivot point USD 12,680
- Technical outlook Tuesday: Cautious bear
- The futures had seen a small move below the 200-period MA yesterday, suggesting the near-term fractal support at USD 12,675 could be tested and broken. However, as highlighted previously, although a fractal break had bearish connotations, below USD 12,675 price would be divergent on both the 1-and-4-hour timeframes. Not a buy signal, the divergence is warned that we could see a momentum slowdown, which needed to be monitored. With the divergence below us, we are cautious on downside breakouts.
- The futures traded to a low of USD 12,582 before moving higher on the 1-hour divergence, the 4-hour divergence has failed. We are below all key moving averages supported by the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 12,680 with the RSI at or above 46 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.. 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 Tuesday: Cautious bear
- Although the 4-hour divergence has failed due to the RSI making a new low, it has held the support while the 1-hour RSI is still divergent, this has resulted in price finding light bid support. Upside moves that reject the 200-period MA will leave price vulnerable to further tests to the downside; conversely, market sellers should be cautious on a close that holds above the average, as it will indicate that there is underlying support entering the market. With price moving higher on the 1-hour divergence, we continue to take a cautious approach on downside moves while it is in play.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,015.5	R1	3,062	3,045	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 (44)
- Stochastic is oversold
- Price is above the daily pivot point USD 3,043
- Technical outlook Tuesday: Approaching support—high risk area,
- The futures had rejected the 200-period MA yesterday, suggesting price action weakness. However, we maintained and enhanced our stance that there was evidence of support in the market. We had bull support highlighted 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 had secondary trend support at USD 2,988. We noted previously 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 remained the case. We also note that the Elliott wave correction had failed to make a low below USD 2,979.5, warning it might not have completed. Our issue was 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 was traffic below us, making this a high risk area to be short.
- Sideways action yesterday with price slightly higher on the open this morning. We remain below all key moving averages supported by the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 3,043 with the RSI at or above 46.5 will mean price and momentum are aligned to the buyside. Likewise, a close below this level with the RSI at or below 42.5 will mean it is aligned to the sell side. 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, neutral
- Price action remains bearish while the Elliott wave cycle has failed to trade below the USD 2,979.5 fractal low, warning there is still the potential for further downside. However, as noted previously, due to three fractal support levels and trend support at USD 2,992, we maintain our view that price is in a high risk area. A close below the low of the daily bull support candle at USD 3,015.5 will indicate that sell side pressure is increasing, which in theory leaves support levels vulnerable. With a support zone below us, and potential divergence below USD 3,015.5, we maintain our view that the technical warrants caution on downside moves at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,277	R1	3,388	3,296.5	Stochastic oversold	RSI below 50
S2	3,252	R2	3,365			
S3	3,238	R3	3,460			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is oversold
- Price is above the daily pivot point USD 3,277
- Technical outlook Tuesday. Caution below USD 3,238
- We had momentum confirmation previously with the RSI making a new low alongside price; however, we noted that this had 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 were cautious on downside moves below USD 3,238.
- The futures held the intraday 200-period MA at USD 3,251 yesterday, this has resulted in a small move higher. We are below the EMA resistance band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,238 with the RSI at or below 41 will mean price and momentum are aligned to the sell side. Upside moves that fail at or below the USD 3,388 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. Cautious bear
- Having held the 200-period MA at USD 3,251 yesterday the futures have broken an intraday trendline on the move higher. Lower timeframe Elliott wave analysis indicates we have seen a 5-wave pattern lower. However, we remain above the USD 3,238 level, meaning this could still be part of a larger corrective wave C, making USD 3,388 the key near -term resistance to monitor. An upside rejection at or below this level will warn that there could be a larger corrective phase in play; conversely, a move above USD 3,238 will reduce the probability of the futures trading to a new low. Although we have seen a break in trend resistance, be mindful that a bear flag is potentially forming. If we see a sustained break to the downside below trend support, the move has the potential to be aggressive (based on the initial move lower—the flag pole), this will signal that a larger bearish wave cycle could be in play. At this point, based on the 5-wave pattern lower, and
- the futures moving higher on a positive divergence with the RSI, we do have a cautious approach on downside moves.