

Al

(Bloomberg) -- Aluminum and zinc fell as investors fretted over the impact of a prolonged Middle East war on energy costs, inflation and global growth.

Iran has stepped up its response to US-Israeli attacks by targeting US allies in the region, and President Donald Trump has said there is no fixed timeline for his military action. Risk assets including equities deepened their losses on Tuesday, feeding a more solid downbeat in the metals complex.

Aluminum had surged on Monday in the aftermath of the sudden escalation of the Iran crisis, as investors focused on potential supply dislocations or production cuts in a region responsible for about 9% of global output. But there's also a risk that protracted hostilities could hurt major economies.

"Pricing reflects the competing forces of short-term geopolitical risk premiums versus concerns that sustained energy inflation could weaken global industrial demand," analysts from CreditSights wrote in an emailed note. The dollar rose further on Tuesday, adding to pressure on materials priced in the US currency.

Aluminum in London rose as much as 1.1% on Tuesday, before reversing course to trade 0.6% lower at \$3,182.50 a ton by 3:33 p.m. Shanghai time. Zinc dipped 0.5% and copper was flat. Singapore iron ore futures fell 0.8% to \$98.50 a ton, while Shanghai steel futures were little changed.

Trump said the US had planned for four to five weeks of military action, but could go longer, even as Defense Secretary Pete Hegseth dismissed the idea of an "endless war." Any prolonged conflict could leave aluminum smelters in countries like the United Arab Emirates and Saudi Arabia starved of raw materials and unable to export metal.

The region accounts for about a fifth of production outside China. Most of the metal produced in the Gulf states is exported, largely through the Strait of Hormuz that's all but shut down as a trade route in the aftermath of the attacks. And while smelters will have stockpiles of raw materials like bauxite and alumina, production cuts may be necessary if those start to dwindle.

"Although Middle Eastern smelters may have close to one month of feedstock inventory, they may already be forced to cut production if the war drags on for around two weeks," said Zhang Meng, an analyst with Shandong Aize Business Information Consulting Co. "They need to plan ahead, rather than waiting until all inventories are exhausted and then shutting down in a panic."

Shipowners and insurers are already reluctant to deal with shipments to the Gulf, and many ports are closed in the region, Zhang added.

A month of fully lost production — together with spiking energy costs in Europe — could see aluminum prices shoot up to \$3,600 a ton, according to Goldman Sachs Group Inc. The bank's base case is still for aluminum to average \$3,150 in the first half of the year.

There are emerging signs of how the situation in the Gulf is shaking up the aluminum sector. Emirates Global Aluminum — the UAE's top producer — acknowledged delays to its exports and said it may draw on stockpiles outside the region to meet customer demands. Rio Tinto Group withdrew an initial offer to Japanese customers for second-quarter supply, as the hostilities threatened to raise regional fees.

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	13,054	R1	13,204	13,065	Stochastic oversold RSI below 50
S2	12,903	R2	13,241		
S3	12,784	R3	13,527		

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 13,204
- Technical Outlook Monday: Positive reversal on the RSI, momentum support
- The futures were back trading within the rising channel yesterday while the RSI moving average implied that momentum was weakening. Countering this, the move lower had resulted in the RSI making a new low, we noted this was not being replicated by price which remained above the USD 13,168 fractal support, meaning we had a positive reversal in play (highlighted by the black lines on the chart). The reversal indicates that there was an underlying support in the futures, suggesting caution on intraday moves lower while above the USD 13,168 level.
- The futures sold below the USD 13,168 level resulting in the positive reversal pattern failing. We are below the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 13,204 with the RSI at or above 59.5 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: Inflection point, testing the 200-period MA
- Having sold lower yesterday the futures opened with bid support but rejected the lower channel support (now resistance at USD 13,251), resulting in price trading to a new low. The futures are at an inflection point, as price is testing the 200-period MA at USD 13,063 (note: this is also Bollinger band support), while the RSI moving average continues to warn that momentum remains weak. However, we are testing support while in divergence with the RSI on the 1-and-4-hour timeframe, meaning we have a note of caution while on the 200-period MA. For downside continuation, we need to close and hold below the average with the divergences failing. The technical needs further confirmation, while on the average with the divergence in play we are cautious on lower moves.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,162	R1	3,182	RSI above 50	
S2	3,134	R2			
S3	3,096	R3			

Source Bloomberg

Synopsis - Intraday

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (54)
- Stochastic is above 50
- Price is below the daily pivot point USD 3,202
- Technical outlook Monday: Bullish, buy-side pressure increasing
- The futures had broken the symmetrical triangle to the upside on volume support, resulting in key resistance being broken. The RSI was making new highs alongside price, signaling momentum confirmation, suggesting downside moves had the potential to be countertrend. We identified USD 3,096 as the key support to follow, downside moves below this level would reduce the probability of the futures trading to a new high. The break above the USD 3,227 level warned that price was entering a bullish impulse wave 5 on the higher timeframe cycle.
- The futures entered a corrective phase yesterday resulting in a 3-wave pattern lower. We remain above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the buy-side, as the previous candle close was above the daily pivot level while the RSI was above its average.
- A close on the 4-hour candle below USD 3,202 with the RSI at or below 59 will mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,096 will support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Testing trend support
- The failed swing high yesterday has resulted in a 3-wave corrective move lower with price testing the trend support line from the symmetrical triangle. This technical is starting to conflict; a rejection candle on the daily chart at Bollinger band resistance is warning that resistance levels could come under pressure. Countering this, price is on trend support having produced a 3-wave corrective pattern, if we hold, it will also create a polarity support that will have bullish connotations going forward. We also note that the upside move above the USD 3,227 resistance warns that the probability of price trading to a new low has started to decrease. Price is currently in balance, if we close and hold above the trend support line from the symmetrical at USD 3,163 then we will not get polarity support forming, leaving price to target the 200-period MA at USD 3,126. For upside continuation price needs to avoid a close and hold below USD 3,163.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,337	R1 3,336	3,299	Stochastic oversold	RSI below 50
S2	3,313	R2 3,088			
S3	3,303	R3 3,438			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (40)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,336
- Technical outlook Monday. Sell-side pressure increasing
- The move below the USD 3,313 support yesterday warned that the probability of price trading to a new high had started to decrease; however, the futures were holding above the 200-period MA at USD 3,303; last week we noted that the average held more weight than the Fibonacci level. A mixed technical, the depth of the pullback alongside the RSI making new lows alongside price suggested caution on upside moves. However, for downside continuation, the futures would need to close and hold below the 200-period MA.
- The futures continued to come under pressure with price trading just below the intraday 200-period MA at USD 3,307. 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 3,336 with the RSI at or above 47 will mean price and momentum are aligned to the buy side.
- Technical outlook. Caution, positive divergence in play
- The downside move in the futures means that price is trading below but yet to close below the intraday 200-period MA at USD 3,307, if we do it should weaken the technical further. However, the new low means that we have a positive divergence with the RSI in play on both the 1-and-4-hour timeframes. Not a buy signal, the divergence is a warning that we could see a momentum slow-down that needs to be monitored. For downside continuation, we need a close and hold below the average with the divergence failing. Conversely, a close on the 4-hour candle above USD 3,353 with the RSI closing above 39.2 will signal an increase in buy side pressure. While in divergence the technical warrants a cautious approach on lower moves at these levels.