

Metals

(Bloomberg) -- Copper gave up its gains for this year as the worsening war in the Middle East pushed energy prices higher and increased the risk of damage to the global economy.

There were broad declines on the London Metal Exchange after Iran and Israel traded strikes on energy facilities in the Middle East. Iran targeted the world's biggest liquefied natural gas plant, after the Israelis hit Iran's South Pars gas field.

The latest hostilities prompted US President Donald Trump to press for a de-escalation of attacks. With no resolution to the war in sight and oil prices soaring, risk assets including industrial commodities are coming under severe selling pressure.

Copper, which started this year in bullish form and reached an all-time high in late January, has shed more than 9% this month. It dropped 2.5% to \$12,086 a ton as of 2:56 p.m. in Shanghai on Thursday.

"It's about concerns over the economy and inflation," said Wu Kunjin, head of base metals research at Minmetals Futures Co. "The longer crude oil stays at elevated levels, the more it feeds into inflation. Rising oil prices don't necessarily mean interest rates will be hiked, but it is possible."

The Federal Reserve's latest policy meeting fanned worries about possible rate hikes. While the bank left rates unchanged for a second straight meeting, Chair Jerome Powell's commentary dwelled on signs that inflationary pressures were still lingering even before the Iran war erupted.

Metals traders are weighing the potential for supply disruptions — especially in the aluminum market — against the threat to manufacturing activity worldwide if the conflict triggers a broader economic slowdown. Chinese metals demand was already soft before the US and Israel attacked Iran.

However, the metals rout might also help to stimulate some buying, especially among Chinese consumers who had balked at the high prices earlier this year. Stockpiles of aluminum and copper in China had surged to record levels.

"After prices fell, expectations for consumption in China have improved quite a bit, which is also helpful for inventory draw-downs going forward," Wu from Minmetals said.

Aluminum dropped 2% to \$3,330.50 a ton, although it's still up 11% for this year. Zinc, nickel and tin all declined by at least 1 percent, while in Singapore, iron ore fell 0.2% to \$107.05 a ton.

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	11,940	R1	12,493	Stochastic oversold	RSI below 50
S2	11,644	R2	12,504		
S3	11,284	R3	12,632		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI is below 50 (18)
- Stochastic is oversold
- Price is below the daily pivot point USD 12,493
- Technical Outlook Wednesday: The Block
- We noted yesterday that in theory the rejection of the triangle implied that we move lower. However, we had an intraday positive divergence and a daily positive reversal pattern in play, meaning we are cautious on lower moves at that point. For downside continuation, we will need a daily close below USD 12,583.
- The futures broke to the downside with price closing below the USD 12,583 level. 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 12,493 with the RSI at or above 38 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 11,940 will support a longer-term bull argument, below this level the technical will have a neutral bias.
- Technical Outlook: Intraday upside moves considered as countertrend
- The divergence failure on the intraday timeframe alongside the close below USD 12,583 means that the positive reversal pattern has also failed. Price and the RSI are now making new lows, the momentum confirmation suggests that upside moves should be considered as countertrend in the near-term, meaning the USD 12,940 Fibonacci support is vulnerable. If broken, then the broader trend will shift from bullish to neutral.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,265	R1	3,391		
S2	3,172	R2	3,400	3,349	RSI below 50
S3	3,100	R3	3,466		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (41)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,391
- Technical outlook Wednesday: Neutral
- The depth of the pullback yesterday implied that the probability of the futures trading to a new low had started to decrease. However, both the daily and intraday timeframes had a positive reversal pattern in play, meaning we remained cautious on lower moves while above USD 3,265. If price and momentum became aligned to the buy side, we would target the USD 3,475 resistance.
- The Bid support in the futures yesterday had failed to hold this morning with price giving up yesterdays gains. We are below the EMA resistance band with the RSI below 50, intraday price and momentum are conflicting, as the RSI was above its average on the previous candles close.
- A close on the 4-hour candle above USD 3,391 with the RSI at or above 47 will mean price and momentum are aligned to the buy side. Likewise, a close below this level with the RSI at or below 42.5 will mean it is aligned to the sell side. Upside moves that fail at or below USD 3,466 will leave the futures vulnerable to further tests to the downside, above this level the futures will be back in bull territory
- Technical outlook: Cautious on downside moves.
- If you had to commit on the technical, then a cautious approach to downside moves is warranted; having traded to an intraday low at USD 3,310 price is finding light bid support on an intraday divergence, and positive reversal pattern. The counter argument is the RSI rejection below the 60 level (highlighted on the chart), this brings neutrality as it warns of momentum weakness. If the divergence holds, with the RSI also holding above the 40 level, then the USD 3,466 level will become a near-term upside target.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,069	R1, 3,163	3,093	Stochastic oversold	RSI below 50
S2	3,029	R2, 3,184			
S3	2,972	R3, 3,221			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (16)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,163
- Technical outlook Tuesday: Bearish—oversold
- We noted yesterday that the close below the trend support with the divergence failing had bearish connotations going forward, providing we did not see a daily close back above the USD 3,247 level. However, the RSI at 28 was oversold, leaving price vulnerable to an intraday move higher.
- Sell side pressure is increasing due to the longer-term trend break, resulting in the RSI pushing lower. 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 3,163 with the RSI at or above 32.5 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,272 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical outlook. Bearish—Upside moves considered as countertrend.
- The RSI moving average implies momentum weakness; however, the RSI is at 16, meaning it is still in oversold territory. If price and momentum become aligned to the buyside, or the RSI moves and holds above 30, then it will warn of intraday bid support. This should not be considered as bullish, as our Elliott wave analysis, coupled with the bearish momentum confirmation, suggests upside moves should be considered as countertrend.