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(Bloomberg) -- Chinese copper inventories had their biggest weekly drop this year, according to Mysteel Global, as a rapid slump in prices of the metal due to the Iran war buoyed demand.

Refined copper inventories across the country fell by 78,700 tons in the week through Monday to 486,200 tons, the Chinese researcher said. Fabricators had stepped up purchases due to a "surge" in new orders, Mysteel said in a statement.

Copper has fallen about 12% on the London Metal Exchange this month as the conflict in the Middle East raises fears about surging inflation and slowing global growth. Chinese demand has also been helped by manufacturers increasing buying after returning from the Lunar New Year holidays in late February.

Zhejiang Hailiang Co., a major Chinese producer of copper tubes and rods, has tripled its daily purchases of refined metal from last year's average after domestic prices dropped below the key level of 100,000 yuan (\$14,480) a ton, said Yan Yuhao, a senior analyst at the company. Many fabricators, especially rod producers, are seeing full orders into next month, and some are considering running beyond their designed capacities, he said.

Processing fees for copper rods rose last week due to a surge in orders, according to Mysteel.

# Copper Morning Technical (4-hour)



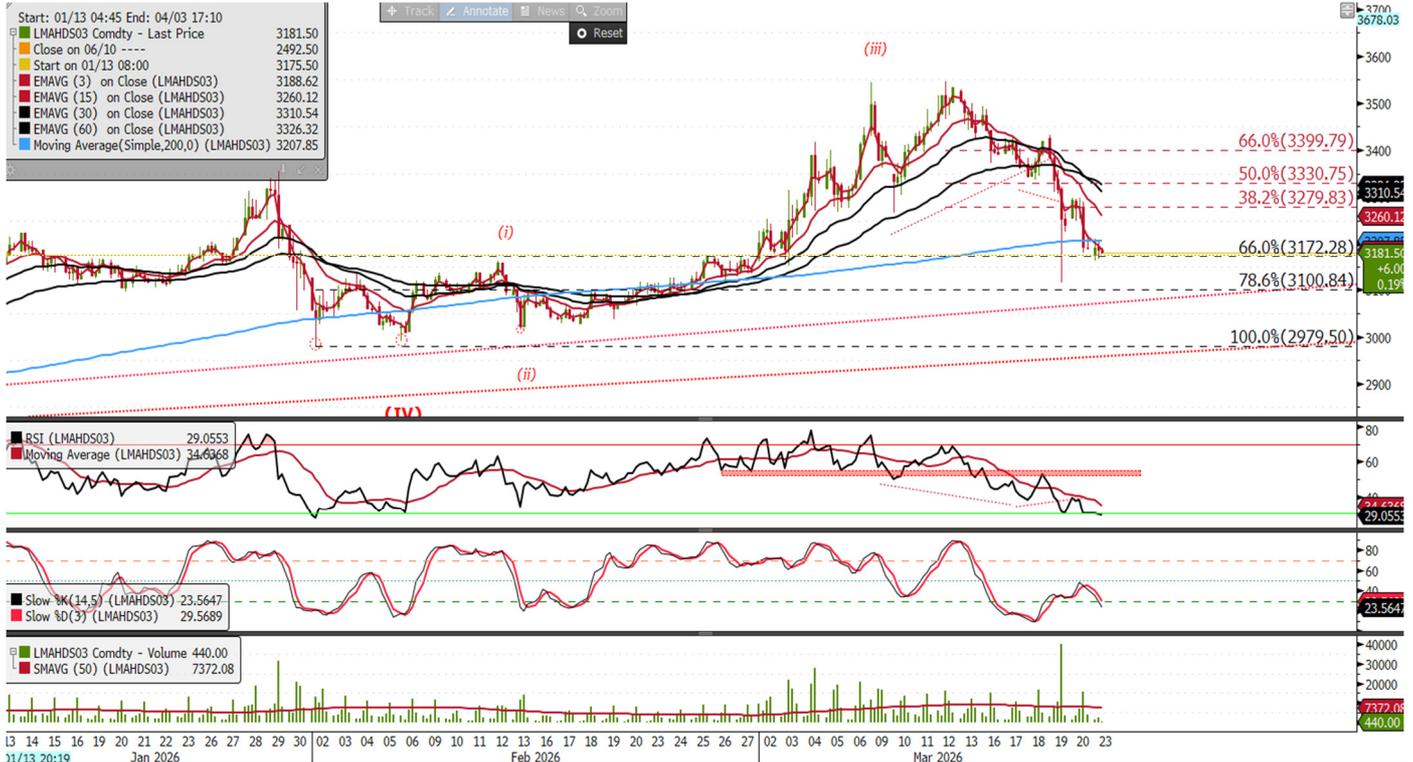
	Support	Resistance	Current Price	Bull	Bear
S1	11,644	R1	11,729.5	Stochastic oversold	RSI below 50
S2	11,284	R2			
S3	11,061	R3			

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI is below 50 (20)
- Stochastic is oversold
- Price is below the daily pivot point USD 12,007
- Technical Outlook Thursday: Intraday upside moves considered as countertrend
- We noted previously that the divergence failure on the intraday timeframe, alongside the close below USD 12,583 meant that the positive reversal pattern had also failed. Price and the RSI were making new lows, the momentum confirmation suggested that upside moves should be considered as countertrend in the near-term, meaning the USD 11,940 Fibonacci support was vulnerable. If broken, then the broader trend would shift from bullish to neutral.
- The futures traded below the USD 11,940 support to a low of USD 11,754 before rallying USD 600; however, upside price action has failed to hold, resulting in price trading to new lows. The broader trend is now neutral, the near-term technical remains corrective. 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 12,007 with the RSI at or above 27 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 12,689 will leave the future vulnerable to further tests to the downside, above this level the corrective phase will enter neutral territory.
- Technical Outlook: Intraday upside moves considered as countertrend
- Despite the USD 600 rally last week the upside move was part of a lower timeframe corrective wave cycle, meaning upside moves should still be considered as countertrend. Price is now in divergence with the RSI, not buy signal, it is a warning that we could see sell side momentum slowdown, which will need to be monitored. USD 11,644 is a level of interest, as it is the 161.8% Fibonacci projection, a level that market sellers will want to test in the near-term to see if it has buyside support.

# Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,172	R1	3,181.5	Stochastic oversold	RSI below 50
S2	3,100	R2			
S3	3,065	R3			

**Synopsis - Intraday**

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (29)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,224
- Technical outlook Thursday: Cautious on downside moves.
- We noted on Thursday that if you had to commit on the technical, then a cautious approach to downside moves was warranted; having traded to an intraday low at USD 3,310 price was finding light bid support on an intraday divergence, and positive reversal pattern. The counter argument was the RSI rejection below the 60 level (highlighted on the chart), as this brought neutrality, as it warned of momentum weakness. If the divergence holds, with the RSI also holding above the 40 level, then the USD 3,466 level would become a near-term upside target.
- An aggressive collapse resulted in the divergence and reversal patterns 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 3,224 with the RSI at or above 37 will mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,399 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical outlook: Upside moves considered as countertrend.
- The move below the USD 3,265.5 fractal support means that the technical is bearish based on price, while the move below USD 3,172 indicates that the broader Elliott wave cycle is now neutral. We are trading just below the intraday 200-period MA at USD 3,207, implying we are at an inflection point. If we hold below the average, support levels will remain vulnerable; conversely, a close and hold back above the 200 MA would indicate that there is an underlying support entering the market, warning resistance levels could come under pressure in the near-term. Based on the depth of the pullback, upside moves are considered as countertrend while below the USD 3,399 resistance. We are a little cautious on downside moves at these levels due to the high volume rejection from the low at USD 3,115.

# Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,029	R1	3,052.5	Stochastic oversold	RSI below 50
S2	3,015	R2			
S3	2,972	R3			

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (29)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,069
- Technical outlook Thursday: Bearish—Upside moves considered as countertrend.
- The RSI moving average implied momentum weakness last week; however, the RSI was at 16, meaning it was still in oversold territory. If price and momentum become aligned to the buyside, or the RSI moved and held above 30, then it would warn of intraday bid support. We noted that 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.
- The futures found light bid support before coming back under pressure, we are below all key moving averages with the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 3,069 with the RSI at or below 21 will mean price and momentum are aligned to the sell side. Likewise, a close above this level will mean it is aligned to the buyside. Upside moves that fail at or below USD 3,263 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical outlook. Upside moves considered as countertrend.
- Bearish with upside moves considered as countertrend, we are cautious on downside breakouts below USD 3,025 in the near-term, as price will be divergent with the RSI. Not a buy signal, it is a warning that sell side momentum could slow down. We also noted that the daily 200-period MA is at USD 3,015, a benchmark average that could see buyside support.