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(Bloomberg) -- Copper is vulnerable to further declines if the Strait of Hormuz remains blocked, Goldman Sachs Group Inc. warned, as metals markets brace for President Donald Trump's deadline for Iran to agree a deal or face sweeping attacks on civilian infrastructure.

"We see the near-term risks as skewed to the downside if strait flows remain disrupted for longer than our base case, which would keep energy prices higher for longer and likely slow global economic growth," analysts including Aurelia Waltham said in a note.

Most base metals have come under growing pressure in the past month, as soaring oil and gas prices threaten to stifle economic growth and erode demand for industrial commodities. There's intense uncertainty across markets on Tuesday as investors weigh Trump's escalating threats against Tehran.

While Goldman's base case is for the strait to begin re-opening from mid-April, the analysts said that copper was already trading well above its estimated fair value of about \$11,100 a ton. Prices have already fallen about 7% since the US and Israel launched attacks on Iran.

Copper is still getting support from a tight market outside the US and the prospect of widespread strategic stockpiling, the analysts said. But those factors could become less decisive in the event of the bank's "severely adverse" scenario for the global economy, they added.

"The copper price is not being supported at the current level by fundamentals, making it vulnerable to another move lower should the economic outlook deteriorate and investors de-risk," they wrote. The bank trimmed its base-case forecast for copper this year to an average of \$12,650 a ton, down from \$12,850. The metal has averaged about \$12,850 a ton so far this year.

Copper was up 0.3% at \$12,400 a ton on the London Metal Exchange at 11:25 a.m. in Shanghai, while other metals were mixed.

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	12,189	R1	12,463	RSI above 50	
S2	12,096	R2	12,689		
S3	11,969	R3	12,748		

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- The RSI is at 50 (57)
- Stochastic is above
- Price is above the daily pivot point USD 12,336
- Technical Outlook Thursday: Testing support
- The rejection of the trend line previously had resulted in price and momentum testing a support zone. We noted that if we held above it then the USD 12,689 Fibonacci resistance would become vulnerable, while a move above this level would reduce the probability of the futures trading to a new low. Conversely, if the futures traded below the USD 12,121 fractal support with the RSI moving below 40, it would signal an increase in sell-side pressure, leaving the USD 11,700 fractal low vulnerable. Our Elliott wave analysis continued to suggest that we remained in a corrective phase, indicating upside moves had the potential to be countertrend while below USD 12,689. However, if this support area held, it would signal a change in polarity, supporting a buyside argument.
- The futures are holding above the support zone with the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 12,336 with the RSI at or above 60 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. 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: Neutral
- A neutral stance this morning. Price is holding above the support zone, meaning we have a potential change in polarity, warning the USD 12,689 resistance could be tested and broken; if it is, then the probability of the futures trading to a new low will begin to decrease. However, above USD 12,492.5 the futures will be divergent with the RSI, warning we could see a momentum slowdown. For upside continuation, we will need to see momentum confirmation, meaning the divergence is going to need to fail. Market buyer's will need to be cautious on a move below USD 12,021, as it will signal an increase in sell side pressure, implying the USD 11,969 Fibonacci support could be tested. Our Elliott wave analysis does suggest that upside moves should in theory be countertrend, providing we remain below the USD 16,689 level.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,471	R1 3,546	3,516	RSI above 50	
S2	3,425	R2 3,682			
S3	3,375	R3 3,835			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (63)
- Stochastic is at 50
- Price is above the daily pivot point USD 3,471
- Technical outlook Thursday: caution above USD 3,546.5
- Both price and momentum remained supported in the last report, warning the USD 3,546.5 fractal high could be tested and broken. However, we had a note of caution on upside breakouts above USD 3,546.5 as the RSI would be divergent with price. Not a sell signal, it warned that buyside momentum could slow, which needed to be monitored.
- The futures traded to a low of USD 3,425 which has created an intraday tweezers bottom, resulting in the futures moving higher. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,471 with the RSI at or below 59 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,258 will support a bull argument, below this level the futures will have re-entered bearish territory.
- Technical outlook: Resistance vulnerable
- The tweezers bottom has also created a second positive reversal pattern, warning the USD 3,456.5 fractal high could be tested and broken. However, we maintain a note of caution on upside breakouts above USD 3,456.5, as the RSI has the potential to be divergent with price. If it is, then it will warn that buyside momentum could slow down, which will need to be monitored.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,269	R1 3,353	3,325	RSI above 50	Stochastic overbought
S2	3,246	R2 3,386			
S3	3,213	R3 3,432			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (69)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,269
- Technical outlook Thursday: Resistance vulnerable
- The upside move above USD 3,263 previously meant that the probability of the futures trading to a new low had begun to decrease. We noted that the pullback in the Asian day session had created a positive reversal pattern, meaning the USD 3,300.5 fractal high could be broken. However, if a new high was achieved with the RSI in divergence, market longs should be cautious. If a divergence is followed by a close and hold below the intraday 200-period MA at USD 3,271, support levels would become vulnerable.
- We have traded to new highs on the positive reversal pattern. Price is above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting, as the RSI was below its average on the previous candle close.
- A close on the 4-hour candle above USD 3,259 with the RSI at or above 70.5 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 3,131 will support a near-term bull argument, below this level price will re-enter bear territory.
- Technical outlook. In divergence
- The upside move on the positive reversal pattern means that price is now in divergence with the RSI. Not a sell signal, it is a warning that we could see a momentum slowdown, which will need to be monitored. If the divergence fails, then the positive momentum confirmation will warn that resistance levels could come under further pressure. Conversely, a throwback that closes and holds below the intraday 200-period MA at USD 3,269 will indicate that sell side pressure is on the increase.