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(Bloomberg) -- Copper dropped with other industrial metals on Thursday, as sporadic fighting threatened to derail a fragile ceasefire between the US and Iran.

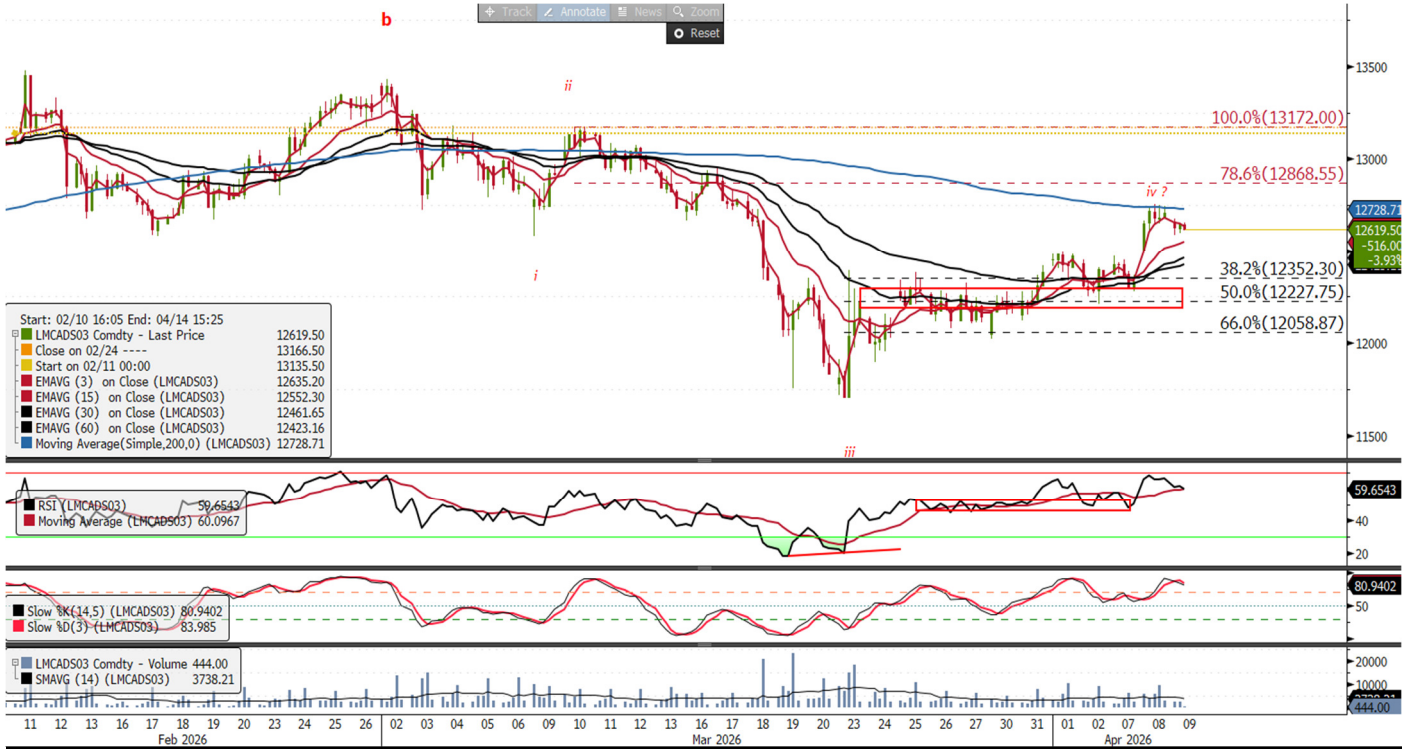
Copper retreated as much as 1% on the London Metal Exchange, after surging to a three-week high in the previous session, as the initial boost to risk appetite from the halt to hostilities faded. The White House said the US would hold direct talks with Iran, while Tehran criticized Israeli strikes in Lebanon as a breach of the ceasefire and maintained its attacks on Gulf states.

On the supply side, rising inventories continue to cast a shadow over the market. Stockpiles of copper in LME-tracked warehouses have climbed to an eight-year high, suggesting that consumption remains muted despite the recent improvement in sentiment.

Copper looks vulnerable despite trading below fair value, Bloomberg Intelligence analysts including Grant Sporre said in a note. While proxies for demand including gauges of global manufacturing remain resilient, they are likely to soften as elevated crude oil, disruption to the Strait of Hormuz, rising input costs and weaker confidence weigh on industrial demand, they added.

Copper slipped 0.5% to \$12,641.50 a ton at 3:04 p.m. in Singapore, while most other base metals were lower.

Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	12,352	R1	12,655	RSI above 50	Stochastic overbought
S2	12,227	R2	12,728		
S3	12,058	R3	12,868		

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (59)
- Stochastic is overbought
- Price is below the daily pivot point USD 12,655
- Technical Outlook Previously: Inflection point
- The upside move on the open above the USD 12,689 resistance yesterday meant that the probability of the futures trading to a new low had begun to decrease. However, we noted that price was at an inflection point, as we were testing the 200-period MA at USD 12,741. A close and hold above the average would reinforce the resistance break, further supporting a buyer's argument. We noted that the 200-period MA held more weight than the USD 12,689 resistance, meaning markets buyer's should act with caution if the average is rejected, as it would suggests market sellers remained dominant.
- The futures remain below the intraday 200-period MA at USD 12,728. We are above the EMA support band with the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 12,655 with the RSI at or below 58 will mean price and momentum are aligned to the sell side; likewise, a close above this level will mean it is aligned at the buy side. Downside moves that hold at or above USD 12,058 will support a near-term bull argument, below this level price will re-enter bearish territory.
- Technical Outlook: vulnerable to an intraday pullback
- We continue to see some conflicts on the technical as the RSI moving average implies that momentum is supported. However, the upside moves is finding resistance at the intraday 200-period MA at this point; if price momentum become aligned to the sell side, then support levels will become vulnerable. Conversely, for upside continuation the futures will need to close and hold above the 200-period MA.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,425	R1	3,457.5		
S2	3,375	R2			
S3	3,326	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is at 50 (50)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,476
- Technical outlook Previously: positive reversal in play
- The RSI moving average implied that momentum was weak yesterday; countering this, we had a positive reversal pattern in play, meaning resistance remained vulnerable. However, as highlighted previously, above USD 3,546.5 the futures would be in divergence with the RSI, meaning we continued be cautious on upside breakouts above this level.
- Sideways action yesterday, we remain above the EMA support band with the RSI neutral at 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,476 with the RSI at or above 57 would mean price and momentum are aligned to the buyside. 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: Neutral
- The technical is now conflicting, as the positive divergence remains in play, indicating that resistance levels are vulnerable. However, the RSI moving average implies momentum is weak, while the RSI has breached its support zone. A move below USD 3,425 will indicate the positive reversal pattern has failed; if it does, then the USD 3,258 support become vulnerable. If broken, then the probability of price trading to a new high within this phase of the cycle will begin to decrease. If we hold above the USD 3,425 level with price and momentum becoming aligned to the buyside, it will signal an increase in buy-side pressure.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,270	R1	3,322.5	RSI above 50	
S2	3,240	R2			
S3	3,199	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (53)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,313
- Technical outlook Previously: In divergence
- The futures traded to new highs previously; however, we noted that the RSI remained in divergence while below its moving average. Not a sell signal, the divergence warned that we could see a momentum slowdown, meaning we remained cautious on upside moves at those levels.
- The futures have entered a corrective phase with price now testing the intraday 200-period MA at USD 3,270. We remain above all key moving averages with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,313 with the RSI at or above 63.5 will mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 3,143 will support a near-term bull argument, below this level price will re-enter bear territory.
- Technical outlook. In divergence - Inflection point
- Having sold lower on the divergence we are now at an inflection point, as price is testing the intraday 200-period MA. A close and hold below the average will signal an increase in sell side pressure, warning support levels could come under pressure. While above the MA we remain cautious on downside moves, as we note that the RSI is moving lower faster then price, warning there remains an underlying support in the market.