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(Bloomberg) -- Copper eased from its highest close since early February, as peace talks between Washington and Tehran were thrown into uncertainty after the US seized an Iranian ship in the Strait of Hormuz.

Coming off four weeks of gains, the red metal dropped as much as 1.1% in Asian trading before paring losses.

The US capture of an Iranian-flagged vessel capped a weekend of deepening uncertainty over the next stage of the conflict now in its eighth week. Oil prices spiked on Monday — reversing some of last week's steep declines — and metals were mixed as fears for the global economy once again steered trade.

The major risk for metals is a prolonged closure of the strait, which would magnify the energy shock already rippling through the world economy. That could force central bankers into a more hawkish stance, hitting global manufacturing and damaging demand for industrial commodities.

However, prices are getting some support from optimism over demand in China, where inventories have declined rapidly in recent weeks. Stockpiles monitored by the Shanghai Futures Exchange have dropped by almost 200,000 tons since this year's peak on March 13.

"We are currently in peak consumption season in China and demand has maintained a high growth rate," said Jia Zheng, trading manager at Suzhou Chuangyuan Harmony-Win Capital Management Co. "China's copper prices have begun to move away from the impact of the situation in the Middle East."

Aluminum, which was down more than 5% at one point on Friday after US President Donald Trump struck an optimistic tone on ending the war, climbed slightly on Monday. The dynamic in the aluminum market has been different from other base metals because the conflict has forced smelter closures and production cuts across the Middle East, pushing up prices.

Copper was 0.4% lower at \$13,289 a ton as of 1:39 p.m. Singapore time, after notching its third-highest close on record on Friday. Aluminum gained 0.1% to \$3,566.50 a ton, while other metals were mixed.

Copper Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	13,275	RSI above 50	Stochastic overbought
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (60)
- Stochastic is above 50
- Price is below the daily pivot point USD 13,304
- Technical Outlook Previously: Downside moves considered as countertrend
- Unchanged on the technical on Friday. The futures remained supported with lower timeframe Elliott wave analysis indicating that downside moves should be considered as countertrend, making USD 12,613 the key support to follow. Corrections below USD 12,613 would be considered as deep into the last bull wave, warning that the probability of the futures trading to a new high would begin to decrease. Price remains supported but below the high of the gravestone Doji that formed on the open yesterday. A close above USD 13,392.5 on the 4-hour timeframe will signal renewed buy-side pressure; conversely, a close below the low of the last dominant bull candle at USD 13,139.5 will signal an increase in intraday sell-side pressure. (Rhetoric unchanged)
- The futures are currently consolidating but supported. We are above all key moving averages with the RSI above 50, intraday price and momentum are conflicting as the previous candle closed above the daily pivot level.
- A close on the 4-hour candle above USD 13,304 with the RSI at or above 69 will mean price and momentum are aligned to the buy-side; likewise, a close below this level will mean it is aligned to the sell side. Downside moves that hold at or above USD 12,613 will support a bull argument, below this level price will have a neutral bias
- Technical Outlook: Downside moves considered as countertrend
- The RSI has broken trend support while the RSI moving average warns of momentum weakness, meaning support levels are considered as vulnerable. However, Elliott wave analysis suggests that downside moves should be considered as countertrend, providing we hold above the USD 12,613 support. If breached, the probability of price trading to a new high will begin to decrease. We are currently cautious on upside breakouts above USD 13,392.5, as the RSI will be divergent with price. Note a sell signal, it is a warning that buy-side momentum could slow, which will need to be monitored.

Aluminium Morning Technical (4-hour)



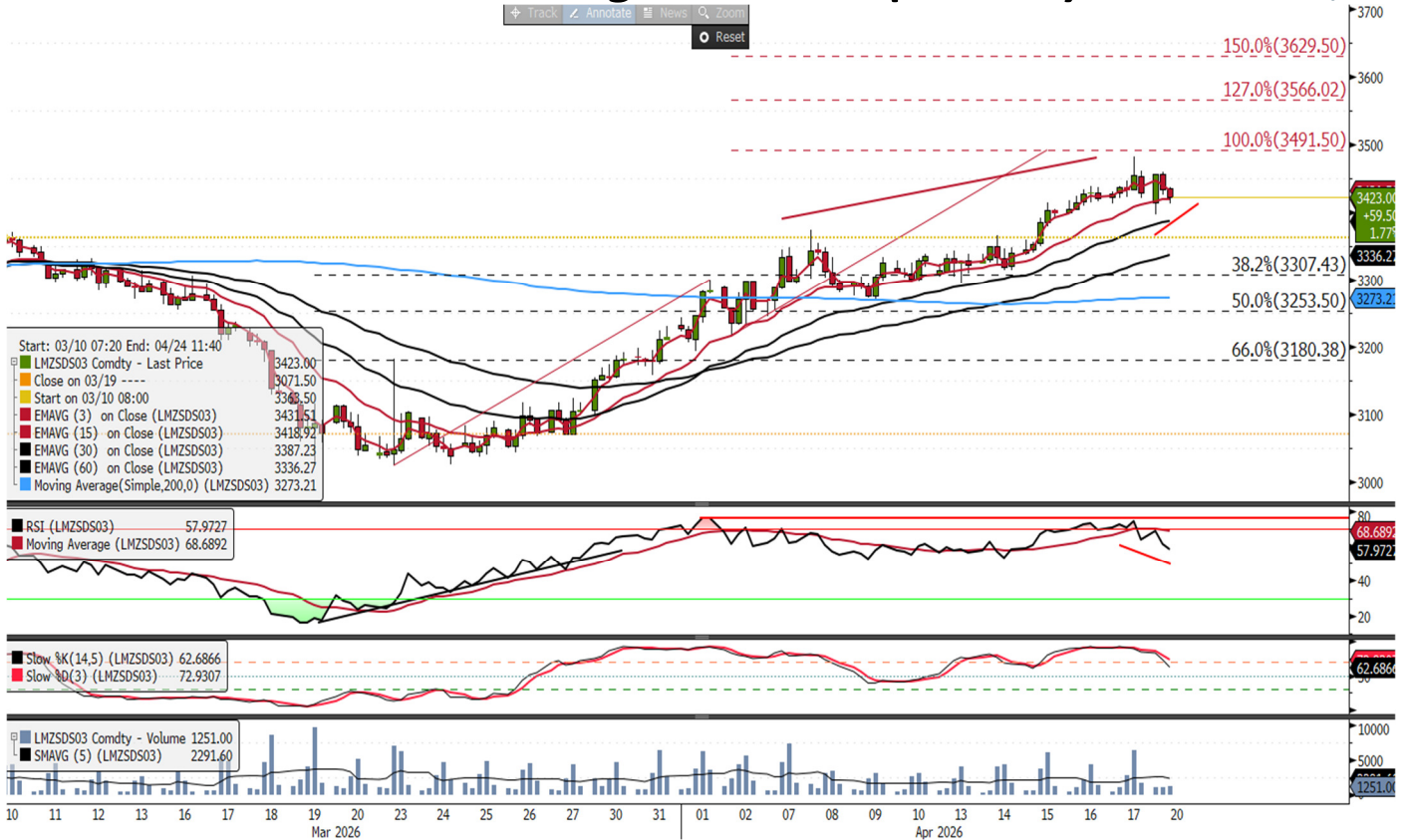
	Support	Resistance	Current Price	Bull	Bear
S1	3,459	R1	3,545		RSI below 50
S2	3,393	R2	3,591		
S3	3,361	R3	3,621		

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA support band (Black EMA's)
- RSI is below 50 (42)
- Stochastic is above 50
- Price is below the daily pivot point USD 3,545
- Technical outlook Previously: Negative divergence—caution
- We remained cautious on upside moves due to the negative divergence in play. Lower/higher timeframe Elliott wave analysis gave us a potential upside target zone between USD 3,680—USD 3,690, warning of potential sell-side resistance at higher levels. Corrections that held at or above USD 3,514 would warn of underlying support in the market, leaving the Elliott wave cycles open to possible bullish extensions. Conversely. Below USD 3,514 the pullback will be considered as deep into the last bull wave, reducing the probability of a new high being achieved.
- The futures sold lower on the re-opening of the straight; however, price found bid support into the close. Having seen a small gap higher on the open due to the straight closure by Iran, price is now coming back under pressure. We are between the EMA support band with the RSI below 50, intraday price and momentum are conflicting, as the previous candle closed above the daily pivot level.
- A close on the 4-hour candle above USD 3,545 with the RSI at or above 58 would 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 3,304 would warn that there could be a larger, bullish wave cycle coming into play.
- Technical outlook: Upside moves considered as countertrend
- The downside move to a low of USD 3,435 on Friday indicates that the technical is bearish based on price. The correction was supported by the RSI also making a new low, meaning we have bearish momentum confirmation, suggesting upside moves should be considered as countertrend. We identify USD 3,304 as a potential key support going forward, as corrections that hold at or above this level would suggest there could be a larger, bullish Elliott wave cycle coming into play.

Zinc Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	3,423	RSI above 50	Stochastic overbought
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (57)
- Stochastic is overbought
- Price is below the daily pivot point USD 3,441
- Technical outlook Previously: Negative divergence, cautious bull
- Technically bullish on Friday, Elliott wave analysis continued to suggest that downside moves should be considered as countertrend. We noted that we had a small momentum conflict, as the RSI was divergent having produced a failed swing high, warning price is vulnerable to a technical pullback. However, the same RSI had produced a positive reversal pattern, meaning market sellers would need to see price trade below the USD 3,413 level for the reversal pattern to fail. While above USD 3,413 the USD 3,445.5 fractal high was considered as vulnerable. Corrections that held above USD 3,168 would support a longer-term bull argument, below this level the probability of the futures trading to a new high will begin to decrease.
- The futures traded to a high of USD 3,482 on the positive reversal pattern, before entering a corrective phase. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,441 with the RSI at or above 71 will mean price and momentum are aligned to the buy side. Downside moves that hold at or above USD 3,180 will support a near-term bull argument, below this level the technical will have a neutral bias.
- Technical outlook. Negative divergence, cautious bull
- Technically we are unchanged. The upside move in the futures is struggling to hold due to the negative divergence in play; however, the pullback has resulted in a second positive reversal pattern forming, meaning resistance levels remain vulnerable while above the USD 3,396 level. Due to the divergence, we are cautious on upside breakouts above USD 3,482.