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(Bloomberg) -- Copper fell to a three-week low as fresh fighting in the Middle East raised concern around faster inflation, higher interest rates and slower economic growth.

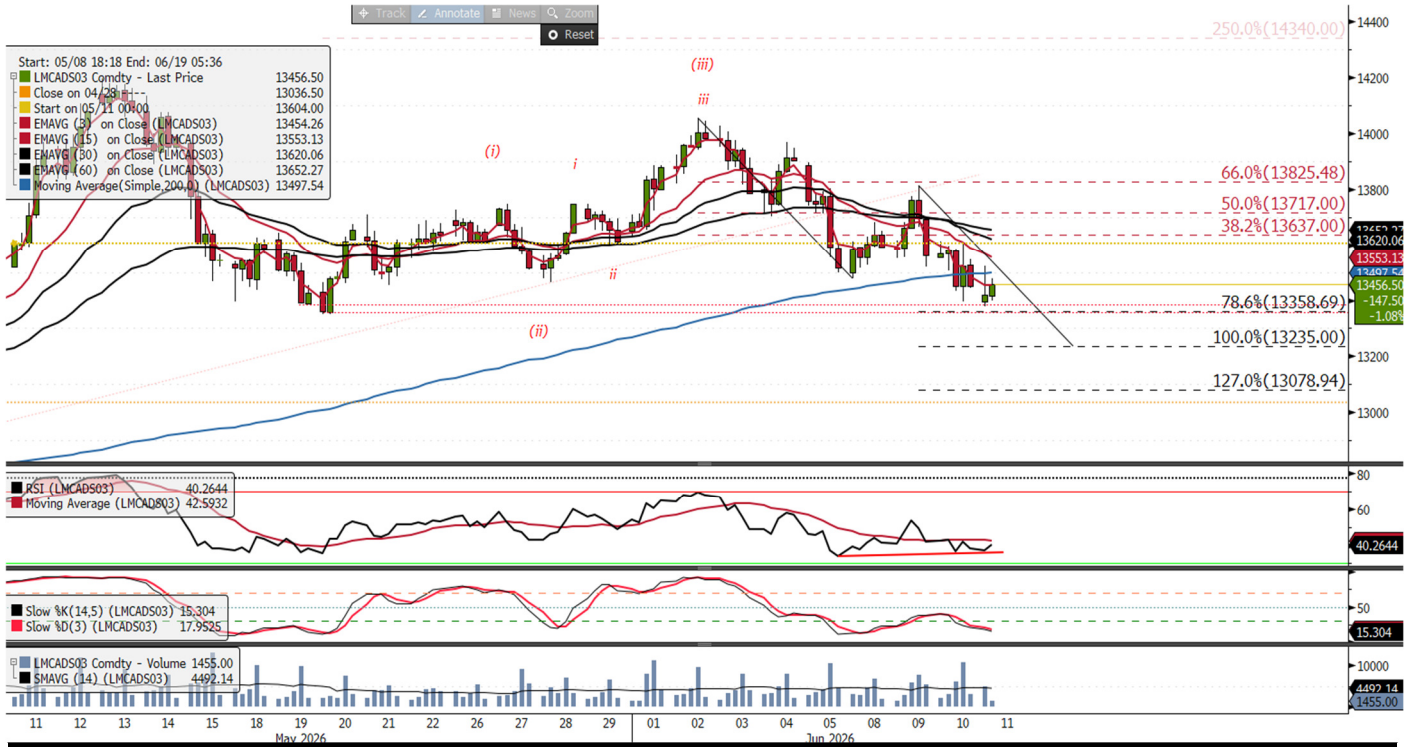
The US Central Command carried out what it called "additional self-defense strikes," which followed action on Tuesday in retaliation for the downing of an American helicopter. The moves underscored President Donald Trump's growing impatience that the US and Iran have so far failed to reach a peace agreement.

The latest US strikes injected more volatility into global financial markets and pushed up oil prices. That raised fears of faster inflation, especially after US consumer-price gains accelerated at the fastest pace in more than three years in May.

Expectations of Federal Reserve rate hikes due to the escalation in fighting are pressuring base metals, Zhan Dapeng, an analyst at Everbright Futures Co., said in a note. The volatility in copper prices is also making Chinese buyers cautious ahead of the seasonal summer lull, he said.

Copper dropped 0.6% to \$13,431 a ton on the London Metal Exchange as of 11:40 a.m. in Shanghai, after falling to \$13,378 earlier, the lowest since May 20. Zinc was down 1%, while aluminum rose 0.5% after tumbling 2.3% on Wednesday.

# Copper Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	13,358	R1	13,507	Stochastic oversold	RSI below 50
S2	13,235	R2	13,637		
S3	13,078	R3	14,717		

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI is below 50 (40)
- Stochastic is oversold
- Price is below the daily pivot point USD 13,507
- Technical Outlook Previously: Approaching inflection point.
- The upside rejection of the USD 13,859 resistance yesterday signaled a more complex corrective phase. Price was approaching the 200-period MA at USD 13,482, meaning we were nearing an inflection point. Downside moves that breached the USD 13,464 fractal low from the 27/05, but fail to hold below the intraday 200-period MA would warn of underlying support in the market. However, a close and hold below the USD 13,454 level (61.8% Fibonacci projection) would warn that the USD 13,235 support could be tested.
- The futures have sold below the 200-period MA at USD 13,497, we are below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 13,507 with the RSI at or above 44.5 will mean price and momentum are aligned to the buyside. Upside moves that hold at or above USD 13,825 will leave the futures vulnerable to further tests to the downside.
- Technical Outlook: holding support
- Price is holding support from mid-May, this has resulted in an inverted hammer candle, while the RSI is in divergence. The intraday technical currently suggests caution on downside moves; however, for upside continuation, the futures will need to close and hold back above the 200-period MA. If it does, it will leave resistance levels vulnerable.

# Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,456	R1	3,490	Stochastic oversold	RSI below 50
S2	3,411	R2	3,522		
S3	3,354	R3	3,566		

**Synopsis - Intraday**

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (26)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,490
- Technical outlook Previously: Cautious on upside moves
- The futures had tested but held the USD 3,491 Fibonacci projection level yesterday; however, bearish momentum confirmation warned that upside moves had the potential to be countertrend, providing we remained below USD 3,570. Above USD 3,570 the probability of price trading to new lows will begin to decrease. A close and hold below the USD 3,491 level will warn that the USD 3,411 support could be tested, as this is the 100% projection of the initial move lower.
- The futures closed below the USD 3,491 level this morning; however, we are not seeing downside follow through. We are below all key moving averages with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,490 with the RSI at or above 31.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,566 will leave the futures vulnerable to further tests to the downside, above this level the probability of the futures trading to a new low will begin to decrease.
- Technical outlook: Positive divergence
- We had four failed test to the downside yesterday, resulting in bullish wicks and a positive RSI divergence, this suggests sell side pressure is showing signs of exhaustion. We have closed below the USD 3,491 level but have yet to see if we will hold below it; If we do, price is now going to hold below the low of the support candle at USD 3,491 as well. From a technical perspective, there is evidence of buyside support, implying caution on downside moves in the near-term, this brings the USD 3,566 resistance into focus. Pullbacks that reject the USD 3,566 level will leave support vulnerable; conversely, if broken, then the probability of new lows being achieved will begin to decrease.

# Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,455	R1	3,455	Stochastic oversold	RSI below 50
S2	3,415	R2			
S3	3,382	R3			

## Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (30)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,504
- Technical outlook Previously: Support vulnerable
- The upside rejection of the USD 3,608 resistance previously meant that the USD 3,513 fractal low was vulnerable. However, we had a note of caution on downside breakouts below USD 3,513 as price could be divergent with the RSI. This was not a buy signal, it was a warning that sell side momentum could slow, which needed to be monitored.
- The futures have sold to a low of USD 3,451 with price 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 3,504 with the RSI at or above 43.5 will mean price and momentum are aligned to the buy side. Downside moves that hold at or above USD 3,420 will support a longer-term bull argument, below this level the higher timeframe Elliott wave cycle will have a neutral bias.
- Technical outlook: Sell side pressure increasing
- The downside move yesterday resulted in price closing and holding below the intraday 200-period MA at USD (3,483), while the stochastic divergence has failed. The RSI is crossing the 30 line meaning we have negative velocity and negative acceleration, signaling we have bearish momentum confirmation. This is a warning that upside moves have the potential to be countertrend, meaning momentum will need to be monitored. A close and hold back above the 200-period MA will signal intraday buy-side support; however, upside moves that fail at or below USD 3,587 will warn of a more complex corrective phase coming into play.