Base Morning Technical Report

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(Bloomberg) -- Aluminum dropped to its lowest since March after weaker-than-expected economic data from China dragged on metals, while investors assessed lingering questions over the execution of a peace deal between Iran and the US.

Chinese consumer spending and investment slumped to levels unseen since the pandemic, highlighting how domestic market conditions remain challenging even as metals benefit from growth in exports and some high-tech sectors. How quickly the Strait of Hormuz can reopen even if Iran and US sign their agreement on Friday is another source of uncertainty.

The London Metal Exchange's main contracts were lower as a cautious mood took hold, including in equities markets. Aluminum, which closed more than 4% lower on Monday, fell 1% to trade at $3,345.50 a ton by 1:49 p.m. Shanghai time. Copper was down 0.3%.

"Our focus this week is what has actually been agreed by the US and Iran," David Wilson, head of metals strategy at BNP Paribas, said in an interview. "There's market excitement of course, they're pricing in that it's a peace deal, but the fact is there's still a lot of uncertainty."

At the Group of Seven meeting in France, differences emerged between US President Donald Trump and other leaders on when trade might resume from the Persian Gulf. There are also divergences between the White House and Iran over what exactly is in their agreement, and how it will go into effect.

Aluminum's big drop on Monday was largely an immediate response to the prospect of a US-Iran deal, which offers a pathway for the Middle East's substantial aluminum industry to begin its supply recovery. Smelters in the region were targeted by missiles and the Hormuz blockade cut off export of metals and inbound supplies of raw materials.

Still, some analysts are skeptical about supplies bouncing back any time soon.

"Aluminum supply chains remain fragile, and any short‑term price correction should reflect market sentiment rather than genuine improvements in shipping flows or supply conditions," Michelle Leung, senior industry analyst at Bloomberg Intelligence, said in a note.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	13,720	R1	13,783	13,720	RSI above 50	Stochastic overbought
S2	13,701	R2	13,910			
S3	13,608	R3	14,000			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- The RSI is above 50 (53)
- Stochastic is overbought
- Price is below the daily pivot point USD 13,783
- Technical Outlook Previously: Inflection point.
- We noted previously that he futures were testing a trend resistance line at USD 13,703, if we closed and held above it, then it would further support a buyers argument. Momentum was conflicting, the RSI trend break (red dotted line) signals that it was starting to strengthen, warning the futures trend resistance could be broken; however, the counter to this is a negative reversal pattern. The RSI was making new highs, price was not, this warned that support levels could come under pressure in the near-term, bringing into focus the USD 13,504 support. Throwbacks that held above this level would signal that there was an underlying support in the market; conversely, if broken, the USD 13,378 support becomes a target. The negative reversal pattern at trend resistance meant that we were cautious on upside moves in the near-term, unless we saw a confirmed trend breakout that resulted in the USD 13,825 resistance being broken.
- The futures closed above the support line at the close on Friday before gapping higher and trading above the USD 13,825 resistance on the open dur to the announcement of the ceasefire agreement. We are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side due to a pullback.
- A close on the 4-hour candle below USD 13,783 with the RSI at or below 42 would mean price and momentum are aligned to the buyside side. Downside moves that hold at or above 13,562 will support a near-term bull argument, below this level the technical will re-enter bearish territory.
- Technical Outlook: Neutral
- In theory, the gap higher and breach in key resistance signals an increase in buyside pressure. However, having broken resistance price sold low for the remainder of the session, before closing near its lows. The rejection candle yesterday is not classified as a shooting star; however, it does have an upside wick and a lower close, it has the characteristic of a shooting star. For this reason, we remain cautious on upside moves until we see a daily close above USD 13,893.5.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,303	R1	3,420	3,348	Stochastic oversold	RSI below 50
S2	3,233	R2	3,432			
S3	3,145	R3	3,483			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (23)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,432
- Technical outlook Previously: Negative reversal pattern in play
- We noted on Friday that the upside move had resulted in the RSI making new highs, however, price had not. This warned that price action was weaker than momentum, meaning resistance levels were still considered as vulnerable. We were cautious on upside moves while below the USD 3,566 level.
- The futures failed to trade above the USD 3,566 resulting in price selling lower. 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 3,432 with the RSI at or above 38.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,483 will leave the futures vulnerable to further tests to the downside, above this level the probability of the futures trading to a new low within this phase of the cycle will begin to decrease.
- Technical outlook: Caution on downside moves in near-term
- The move to a new low means that the 1-hour RSI is divergent with price; not a buy signal, it does warn that sell side momentum could slow, the divergence will need to be monitored. A four hour close back above the USD 3,358 level (this is the 61.8% downside Fibonacci projection) would suggest that sell side price action could be starting to exhaust due to the lower timeframe divergence. Conversely, if price holds below the USD 3,358 level it will imply that the USD 3,145 fib support could be tested, as this is the 100% projection level. We identify USD 3,633 as the key longer-term resistance on this technical, as failure to trade above it would indicate a larger bearish corrective phase is in play. Based on the shape of the corrective move, it does look like we could be looking at a larger bearish corrective cycle.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,553	R1	3,593	3,555.5		Stochastic overbought
S2	3,503	R2	3,613			
S3	3,442	R3	3,658			

Synopsis - Intraday

Source Bloomberg

- Price is on the EMA support band (Black EMA's)
- RSI is at 50 (50)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,432
- Technical outlook Previously: Neutral
- In theory we remained cautious on upside moves due to the bearish momentum highlighted previously, alongside price remaining below the USD 3,587 resistance; however, we acknowledge that momentum is turning neutral, as the RSI is now at 50. Price had close above the intraday 200-period MA, signaling an underlying support in the market, this was the counter to the bearish momentum, hence the neutrality.
- The futures traded above the USD 3,587 resistance to a high of USD 3,623; however, intraday price has entered a corrective phase. We are on 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 3,432 with the RSI at or above 59 will mean price and momentum are aligned to the buyside. 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.
- Bid support on the open yesterday failed to hold, resulting in a Doji candle forming on the daily timeframe, this candle represents indecision due to the open an close being near identical. Downside pressure on the open today means that we are trading below the low of the daily Doji at USD 3,568; if we close below this level it will confirm that we are seeing an increase in sell side pressure, warning the intraday 200-period MA at USD 3,496 could come back under pressure. .