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(Bloomberg) -- Aluminum tumbled by more than 4%, and other metals posted sharp declines, after a bearish turn for equities weighed on sentiment in commodities markets.

Global stocks slumped as investors rotated out of technology stocks and investors mulled further hawkish comments from a Federal Reserve official. Metals have been keyed to shifts in equities markets in recent months as investors bet on growing demand from artificial intelligence and power infrastructure.

That backdrop piled pressure on metals, with all main contracts on the London Metal Exchange sharply lower. Aluminum is under additional strain as the US and Iran make progress on peace talks, spurring bets of a recovery in Middle Eastern supply.

Aluminum fell as much as 4.1% to \$3,226 a ton and traded at \$3,242.50 a ton by 3:14 p.m. Shanghai time. Other metals correlated with technology trades also sold off, with copper down 1.3% and tin falling 3.8%.

The US issued a 60-day license allowing Iran to sell oil on the international market, offering economic relief to Tehran and signaling relatively smooth negotiations. Traders are monitoring how quickly flows of aluminum can recover from the Middle East, a major supplier until the war began in late February.

"Geopolitical risks have eased with agreements signed between the US and Iran," Chaos Ternary Futures Co. said in a note. "The Strait of Hormuz is likely to open, fueling expectations for resumption of aluminum smelters in the Middle East."

Read More: [Aluminum's War Shock Blunted by Dark Transits and Chinese Supply](#)

For the broader metals complex, inflation fears and the likelihood of higher interest rates also pose downside risks. Federal Reserve Bank of Chicago President Austan Goolsbee said Monday he was concerned about inflation, following hawkish comments last week from Fed Chair Kevin Warsh.

Aluminum is still up over 8% this year, but this month's sharp declines have dragged prices back to levels just prior to the US and Israeli attacks on Iran in late February. One of the biggest supply shocks to ever hit the market has been blunted by record exports from China.

Copper Morning Technical (4-hour)



Support	Resistance	Current Price	Bull	Bear
S1	R1	13,457.5		RSI below 50
S2	R2			
S3	R3			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI is below 50 (32)
- Stochastic is below 50
- Price is below the daily pivot point USD 13,659
- Technical Outlook Previously: Neutral
- We noted on the last report that the daily rejection candle had been countertrend by a Doji with a downside wick, meaning the two candles were offsetting each other, meaning we maintained a neutral bias. Support was at USD 13,640.5 with resistance at USD 13,893.5, a close outside of the range on the daily timeframe should indicate near-term directional bias.
- The futures broke the daily support at USD 13,640.5 resulting in price selling lower, while the move below USD 13,562 means the technical has re-entered bearish territory. We are 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 13,659 with the RSI at or above 45 would mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 13,825 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical Outlook: Caution on upside moves.
- The futures have re-entered bearish territory, this is supported by the RSI making new lows. The bearish momentum confirmation is warning that upside moves have the potential to be countertrend, while the high volume bear candle in the Asian day session warns that support levels remain vulnerable. Market sellers should act with caution on a 4-hour close above the high of the last dominant bear candle at USD 13,581, as it would suggest that intraday sentiment is turning to the buy side.

Aluminium Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,233.5	R1	3,353	Stochastic oversold	RSI below 50
S2	3,145	R2	3,383		
S3	3,108	R3	3,393		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (20)
- Stochastic is oversold
- Price is above the daily pivot point USD 3,383
- Technical outlook Previously: caution on upside moves
- The futures had found light bid support previously on increased volume due to the RSI divergence highlighted previously, this resulted in price closing above the USD 3,358 level, suggesting near-term price action is beginning to exhaust. Key longer-term resistance on the technical was at USD 3,633, upside moves that failed at or below this level would signal that there was a larger, bearish corrective phase in play. Upside moves with volume support today would warn that resistance levels were becoming vulnerable. Our Elliott wave analysis suggested that upside moves should be considered as countertrend; however, we were lacking a little clarity on whether we had entered wave B, or remained in wave A, we hoped that the strength of the pullback would help us identify which wave we were on.
- The futures have sold lower in line with the wave cycle that suggested upside moves should be considered as countertrend. In terms of wave clarity, this could still be 5 waves into A, or W, X, Y. Price is 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 3,383 with the RSI at or above 40.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,446 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: Near-term caution on lower moves
- Technically we are bearish with lower timeframe Elliott wave analysis suggesting upside moves have the potential to be countertrend. However, USD 3,233.5 is the 100% Fibonacci projection level of the initial intraday 3 wave move lower (Think A-B = C-D), meaning we are cautious on lower moves while testing the support area. We do have high volume bear candle supporting our lower timeframe Elliott wave analysis; a sustained move below the USD 3,233.5 level is likely to create a bearish lower timeframe Elliott wave extension. If we do, then we could be looking at USD 3,031 as a potential downside target. We should note that there looks to be primary trend support on the daily chart around the USD 3,139 level, this will be the near-term downside target if we do see further breakdowns.

Zinc Morning Technical (4-hour)



	Support	Resistance	Current Price	Bull	Bear
S1	3,511	R1	3,556		RSI below 50
S2	3,486	R2	3,573	3,513	
S3	3,442	R3	3,591		

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (36)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,591
- Technical outlook Previously: Neutral—Inverse head and shoulders pattern?
- We noted previously that the downside move had held at the weekly pivot point (USD 3,542), resulting in price failing to close below the daily Doji highlighted. We had the potential pattern to form an inverse head and shoulders, it is very important to note that confirmation comes from a daily close above USD 3,623. We highlighted that the buy-side support that entered the market could attract the attention of market bulls, as a risk stop below USD 3,539 would produce an attractive risk reward if the pattern came into play. Although we had highlighted the pattern, I wanted to see volume support on bull candles, as this would give it more conviction. Technically we were neutral, but that inverse H&S pattern could have bullish implications.
- The futures produced a daily close above the USD 3,623 fractal resistance with volume support; however, we failed to see bullish follow through as price rejected the trend resistance line. The subsequent break to the downside means that the pattern has failed. Price is below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,591 with the RSI at or above 52 would mean price and momentum are aligned to the buy-side. Upside moves that fail at or below USD 3,597 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical outlook: Caution on upside moves
- The failed break out has resulted in the USD 3,512 support being breached. The depth of the pullback warns that the probability of the futures achieving new highs has started to decrease, meaning we now have a cautious approach to higher moves. Price is currently testing the intraday 200-period MA at USD 3,511, a close and hold below the average will warn that support could come under further pressure. Conversely, failure to close and hold below the average will leave price vulnerable to a near-term intraday move higher.