FIS

# Base Morning Technical Report

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Metals

(Bloomberg) -- Base metals retreated after renewed hostilities between the US and Iran fueled concerns over global economic growth, clouding the outlook for industrial commodities.

The latest flare-up has raised fears of higher energy costs and prolonged supply disruptions from the Persian Gulf stoking inflation, resulting in interest-rate hikes. Investors are awaiting US inflation data this week for clues on the Federal Reserve's policy path.

The status of shipping through the Strait of Hormuz remains unclear. Traffic through the channel was almost nonexistent on Monday, after the Islamic Republic's forces launched retaliatory drone and missile assaults on American allies in the region. The US said it is prepared to ensure freedom of navigation through the critical waterway, even as Iran declared it closed "until further notice."

Rate hike expectations have diverged, leading to higher market volatility, due to the escalation in tensions again, Galaxy Futures wrote in a note on Monday. Still, fundamentals for copper remain "relatively healthy" for long-term prices, supported by supply outlook and demand from AI and energy storage, it said.

Copper, seen as a proxy for global growth, has traded in a tight range since the US and Iran reached an interim peace agreement last month. Traders have raised bets on further tightening with swaps pricing in almost 40 basis points of Fed rate hikes by December, up from about 15 basis points in early June. Higher borrowing costs for manufacturers typically hamper demand for industrial metals.

Copper fell 0.8% to $13,378.50 a ton on London Metal Exchange as of 12:30 p.m. in Singapore. Lead dropped 1% while zinc was down 0.9%. Aluminum was little changed.

Iron ore on the Singapore Exchange fell 0.8% to $98.50 a ton, while Dalian futures dropped 1% to 743.5 yuan a ton. Shanghai steel futures also declined.

# *Copper Morning Technical (4-hour)*

| Support | | Resistance | | Current Price | Bull | Bear |
|---|---|---|---|---|---|---|
| S1 | 13,351 | R1 | 13,490 | 13,377 | | Stochastic overbought |
| S2 | 13,285 | R2 | 13,545 | | | |
| S3 | 13,233 | R3 | 13,585 | | | |

**Synopsis - Intraday**

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI is below 50 (48)
- Stochastic is overbought
- Price is below the daily pivot point USD 13,490
- Technical Outlook Previously: Inflection point
- We noted on Friday that the technical had moved from one inflection point to another, as price was testing but remained below the intraday 200-period MA at USD 13,563. If we traded above the USD 13,585 resistance, then the probability of the futures trading to a new low would begin to decrease. However, the 200-period MA held more weight than the Fibonacci resistance, meaning a breach in the USD 13,585 level must be supported by a close and hold above the 200-period MA at USD 13,563. Market bulls should act with caution if we see a significant rejection of the longer-term average, while a close and hold back below the trend support line at USD 13,404 would indicate that sell side pressure was increasing. The close and hold above the USD 13,452—USD 13,482 resistance zone has already signaled that buyside pressure has increased, resulting in the test of the second inflection point. We noted that the RSI was seeing bullish momentum confirmation, but the RSI was at 61; from a momentum perspective, failure to hold above 60 would be a warning sign that momentum could weaken. We are cautious on higher moves while at resistance, for upside continuation we need to close and hold above the 200-period MA, breach the USD 13,585 resistance with the RSI holding above 60.
- The futures rejected the 200-period MA at USD 13,545, the RSI is now below 50 while price has broken trend support at USD 13,440. We are below all key moving averages with price and momentum aligned to the sell side.
- A close on the 4-hour candle above USD 13,490 with the RSI at or above 57.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 13,585 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical Outlook: Support vulnerable.
- The RSI has negative velocity and negative acceleration, implying momentum weakness. The futures rejected the 200-period MA and key resistance at USD 13,585, followed by a close below the trend support line, warning the USD 13,285 support could be tested and broken. If it is, then it will signal an increase in sell side pressure.

# Aluminium Morning Technical (4-hour)

| Support | | Resistance | | Current Price | Bull | Bear |
|---|---|---|---|---|---|---|
| S1 | 3,102 | R1 | 3,167 | 3,126.5 | | RSI below 50 |
| S2 | 3,079 | R2 | 3,232 | | | |
| S3 | 3,040 | R3 | 3,294 | | | |

**Synopsis - Intraday**

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,167
- Technical outlook Previously: Buyside pressure increasing
- The fractal break above USD 3,207.5 on Friday was supported by the RSI breaching the 70 level, signaling that buyside pressure was increasing. We had seen a rise in volume on the upside move, supporting a buyers argument, warning resistance levels were becoming vulnerable. We identified USD 3,379 as a key level on the technical, as a rejection at or below this level would signal a more complex bearish corrective phase. We continued to be cautious on downside moves at that point; however, caution would be required if the USD 3,102 support was breached, as it would indicate that the technical structure was starting to weaken.
- The futures have rejected the base of the Fibonacci resistance zone, resulting in price selling lower. 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 3,167 with the RSI at or above 59 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,379 (revised lower) would signal that the corrective phase is becoming more complex, warning support levels could come under pressure.
- Technical outlook: Neutral
- The upside move has rejected the Fibonacci resistance zone, this is supported by bearish momentum confirmation, negative velocity and negative acceleration, warning support levels are becoming vulnerable. We also highlight that the intraday fractal support at USD 3,123.5 has been breached. This brings the USD 3,102 level into focus, if we hold, it will signal underlying support; however, if breached, market sellers will target the USD 3,040 fractal low. We have upside rejection and weakening momentum, waring the corrective phase is becoming more complex.

# *Zinc Morning Technical (4-hour)*


| Support | | Resistance | | Current Price | Bull | Bear |
|---|---|---|---|---|---|---|
| S1 | 3,554 | R1 | 3,609 | 3,583.5 | RSI above 50 | Stochastic overbought |
| S2 | 3,538 | R2 | 3,643 | | | |
| S3 | 3,512 | R3 | 3,679 | | | |

**Synopsis - Intraday**

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is overbought
- Price is below the daily pivot point USD 3,609
- Technical outlook Previously: Neutral
- From a technical perspective we hade bullish momentum confirmation supported by volume on Friday, warning that resistance levels remained vulnerable. Countering this, we had a 5 wave pattern higher with price at the 61.8% Fibonacci projection of waves 1 - 3, projected from the low at 4. We also noted that wave 3 was shorter than the wave 1. Unless there is some form of bullish Elliott wave extension that had not yet apparent, our wave analysis suggested that we had a maximum potential upside target of USD 3,682.5. Momentum and volume were bullish, our wave analysis implied caution on higher moves at these levels, meaning we are neutral, unless a wave extension becomes apparent.
- The futures have entered a corrective phase. We remain above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,609 with the RSI at or above 61.5 would mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 3,554 would support a buyers argument, below this level the technical will have a neutral bias.
- Technical outlook: neutral
- Price has entered a corrective phase on a 5-wave pattern lower, this is warning that the USD 3,554 support could be tested. Throwbacks that hold above the USD 3,554 support will leave the Elliott wave cycle open to a potential bullish extension; however, if breached, the probability of price trading to a new high within this phase of the cycle would begin to decrease. At this point, market sellers will target the base of the wave 4 at USD 3,512 for a more conventional pullback.