FIS

Base Morning Technical Report

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(Bloomberg) -- Copper advanced as traders looked beyond demand concerns stemming from renewed hostilities between the US and Iran and instead focused on near-term supply tightness in top consumer China.

The red metal gained 0.4% to settle at $13,541 a metric ton on the London Metal Exchange. The latest flare-up in the Middle East has raised fears of higher energy costs and prolonged supply disruptions from the Persian Gulf stoking inflation, which could result in interest-rate hikes. Higher borrowing costs for manufacturers typically hamper demand for industrial metals.

President Donald Trump said the US would reinstate its blockade of Iranian ships transiting the Strait of Hormuz and demanded a 20% reimbursement on all other cargo shipped through the waterway.

But the physical market has been tight in China in recent days with stockpiling taking place ahead of Typhoon Bavi, which has driven up physical premiums higher there, according to Ryan McKay, senior commodity strategist at TD Securities. Cancelled warrants — orders to withdraw metal from LME warehouses, often a last resort for securing supply — surged to the highest since December at Asian warehouses.

“Copper is shrugging off the broader risk-off mood as investors remain focused on tight supply and trade-related disruptions,” said Ewa Manthey, commodity strategist at ING Bank.

The red metal, 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.

Federal Reserve Governor Christopher Waller said Monday that policymakers may need to raise rates in the near term if underlying inflation continues to signal broad price pressures. The dollar and Treasury yields pushed higher in response to Waller’s prepared remarks at an event in New York, with traders pricing in a 41% chance of a rate hike at the Fed’s meeting later this month.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	13,351	R1	13,585	13,574		Stochastic overbought
S2	13,285	R2	13,699			
S3	13,233	R3	13,893			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (61)
- Stochastic is overbought
- Price is below the daily pivot point USD 13,470
- Technical Outlook Previously: Support vulnerable.
- We noted yesterday that the RSI had negative velocity and negative acceleration, implying momentum weakness. The futures had 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 was, then it would signal an increase in sell side pressure.
- The futures held the USD 13,351 Fibonacci support yesterday with the RSI reclaiming the 50 level, resulting in price trading to new highs. We are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 13,470 with the RSI at or below 55.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 13,285 will support a bull argument, below this level the futures will re-enter bearish territory.
- Technical Outlook: Neutral
- The upside move in the futures has breached the USD 13,585 resistance, this is a warning that the probability of the futures trading to a new low has started to decrease. Price is above the intraday 200-period MA at USD 13,535; however, we are yet to close and hold above the average. If we do, then it would support a buyers argument. The new high has created a minor negative divergence with the RSI, not a sell signal, it is a condition that warns we could see a momentum slowdown, the divergence will need confirmation from price that it is being respected. Our Elliott wave analysis had indicated that upside moves should be considered as countertrend, the breach in the USD 13,585 resistance does bring this into question. For upside continuation, the futures will need a close and hold above the 200-period MA, alongside the divergence failing. Technically, we are neutral as the pullback has been deeper than expected.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,150	R1	3,232	3,194	RSI above 50	
S2	3,102	R2	3,294			
S3	3,079	R3	3,379			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (59)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,150
- Technical outlook Previously: Neutral
- The upside move yesterday had rejected the Fibonacci resistance zone, this was supported by bearish momentum confirmation, negative velocity and negative acceleration, warning support levels were becoming vulnerable. We also highlight that the intraday fractal support at USD 3,123.5 has been breached. This brought the USD 3,102 level into focus, if we held, it will signal underlying support; however, if breached, market sellers would target the USD 3,040 fractal low. We had upside rejection and weakening momentum, warning the corrective phase was becoming more complex.
- The throwback yesterday held above the USD 3,102 level, resulting in a small move higher this morning. We are above the EMA resistance band with the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,150 with the RSI at or below 53.5 would mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 3,379 would signal that the corrective phase is becoming more complex, warning support levels could come under pressure.
- Technical outlook: supported
- The futures held the USD 3,102 support yesterday while the RSI held above the 40 level, suggesting there is an underlying support in the market. We are holding the 50-period weekly SMA at USD 3,094, while in the process of reclaiming the daily 200-period MA at USD 3,175. A close and hold above the daily 200 MA would renew buyside support, warning resistance could be tested. For downside continuation, we will need to close and hold below the USD 3,094 level. We are cautious on lower moves, but need to follow the daily closes above the 3,175 level for bullish confirmation.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,554	R1	3,643	3,589	RSI above 50	
S2	3,538	R2	3,682			
S3	3,512	R3	3,725			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA’s)
- RSI is above 50 (53)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,576
- Technical outlook Previously: Neutral
- Price had entered a corrective phase on a 5-wave pattern lower yesterday, warning that the USD 3,554 support could be tested. Throwbacks that held above the USD 3,554 support would 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 would target the base of the wave 4 at USD 3,512 for a more conventional pullback.
- The futures traded down to but held the USD 3,554 support on the open, resulting in price moving higher. We are above the EMA support band with the RSI above 50; however, the previous candle closed below the daily pivot candle while the RSI was below 50, meaning price and momentum are still classed as being aligned to the sell side.
- A close on the 4-hour candle above USD 3,576 with the RSI at or above 58.5 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: Supported
- The futures have held the USD 3,554 level while the RSI has held above 40, this is warning that there is underlying support in the market. We have a dominant bull candle on the 09/07 that has been followed by a small two day pullback. A close above the high of yesterdays bear candle at USD 3,605 will signal renewed buyside pressure. If this is the case it will warn that we could be looking at a bullish 5th wave extension, warning the USD 3,638 fractal high could be tested. Warning signs of market support and an Elliott wave extension, price now needs to hold above the USD 3,554 level.