FIS

Base Morning Technical Report

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(Bloomberg) -- Copper steadied as traders weighed mixed economic signals from China alongside a weaker dollar and reduced expectations for Federal Reserve rate hikes.

China's economy slowed more than expected last quarter to the weakest pace in more than three years. Still, industrial production in June beat forecasts, while a smaller drop in new home prices fueled hopes that the nation's battered real estate market is stabilizing.

The dollar weakened against all of its Group-of-10 peers after cooler-than-expected US inflation data prompted traders to pare bets on further Fed rate hikes, making metals prices in the currency cheaper for most buyers.

Some indicators also pointed to tightness in the physical market. Canceled warrants — orders to withdraw metal from London Metal Exchange warehouses — climbed to the highest since December in Asian sheds. Meanwhile, prompt copper contracts on the Shanghai Futures Exchange traded at a premium to later-dated contracts, a sign of tightening near-term availability.

The red metal, seen as a proxy for global growth, has traded in a relatively narrow range over the past couple of weeks. However, the resumption of fighting in the Middle East war is now exposing it to the risk of slowing world economy.

Copper was little changed at $13,622.5 a ton on the LME as of 1:03 p.m. in Singapore. Aluminum gained 0.2%, rising for a third day. Lead dropped 0.4%, following a record delivery into LME warehouses by trading house Trafigura.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	13,588	R1	13,699	13,616	RSI above 50	Stochastic overbought
S2	13,522	R2	13,742			
S3	13,425	R3	13,893			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (59)
- Stochastic is overbought
- Price is above the daily pivot point USD 13,588
- Technical Outlook Previously: Neutral
- We noted yesterday that the upside move in the futures had breached the USD 13,585 resistance, warning that the probability of price trading to a new low had started to decrease. We were above the intraday 200-period MA at USD 13,535; however, we are yet to close and hold above the average. If we did, then it would support a buyers argument. The new high had created a minor negative divergence with the RSI, not a sell signal, it was a condition that warns we could see a momentum slowdown, the divergence needed confirmation from price that it was being respected. Our Elliott wave analysis had indicated that upside moves should be considered as countertrend, the breach in the USD 13,585 resistance did bring this into question. For upside continuation, the futures would need a close and hold above the 200-period MA, alongside the divergence failing. Technically, we are neutral as the pullback had been deeper than expected.
- The futures continue to see bid support, resulting in the divergence failing, we are above all key moving averages with the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 13,588 with the RSI at or below 56.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 13,337 would support a bull argument, below this level the technical will have a neutral bias
- Technical Outlook: Neutral
- On the buyside, we have higher highs and higher lows, a divergence failure, volume support, bullish momentum confirmation, alongside positive velocity and zero acceleration, plus the probability that price trading to a new low has started to decrease. From a technical perspective, resistance should be considered as vulnerable. However, our issue is the structure of the move higher, as the shape implies it is corrective rather than motive. Why? Impulse moves (motive) should consists of 5-waves, whereas the move higher looks to be a double A,B,C pattern, marked as W, X, Y (double 3). Because of the structure, despite a strong bull argument, and the upside continuation on the divergence failure that has created bullish momentum confirmation, my view remains neutral. Market bulls should be cautious on a close and hold below the trend support line at USD 13,522, as it would warn that sell side pressure was increasing.

Aluminium Morning Technical (4-hour)

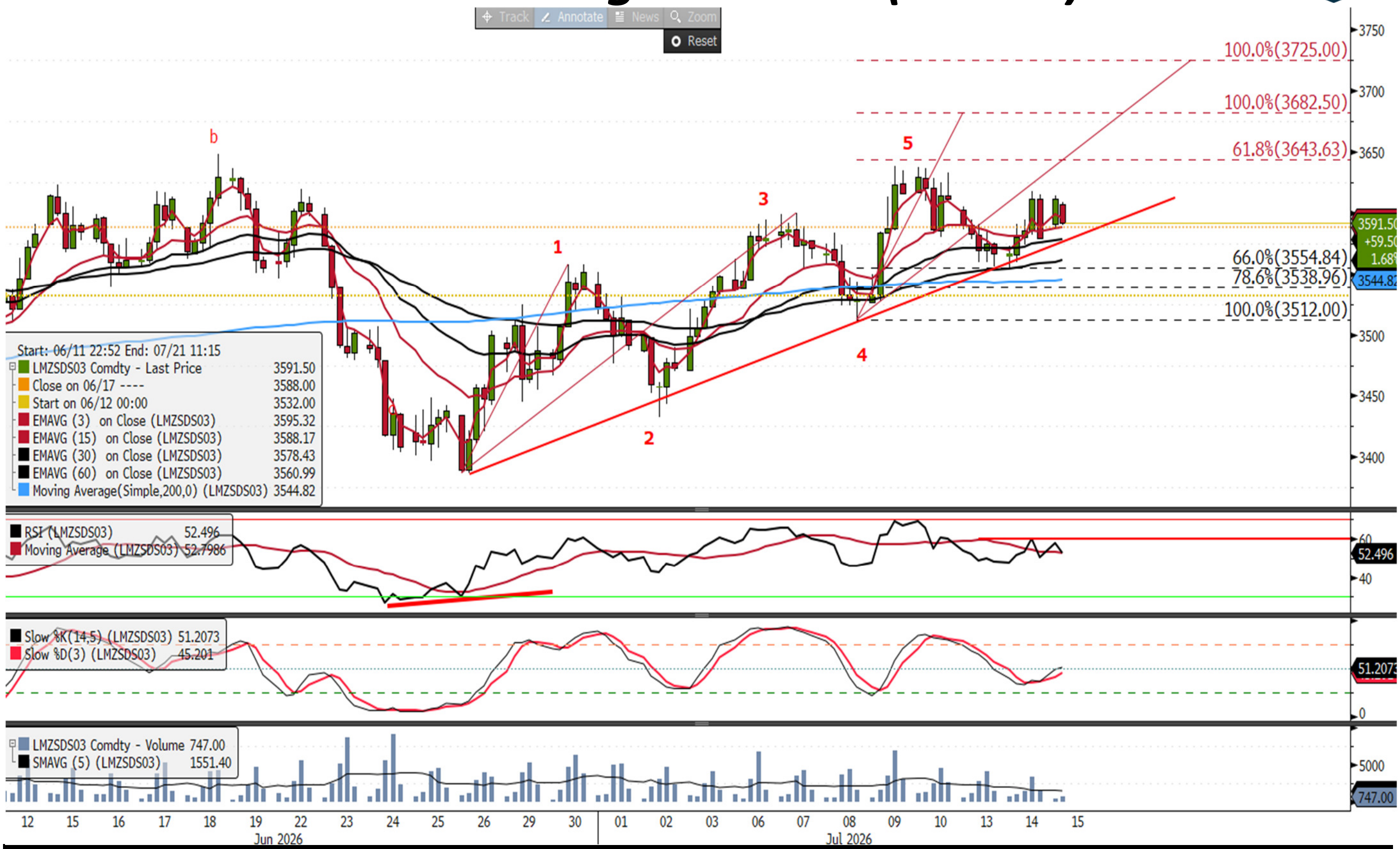
Support		Resistance		Current Price	Bull	Bear
S1	3,174	R1	3,232	3,179.5	RSI above 50	
S2	3,143	R2	3,294			
S3	3,102	R3	3,379			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (54)
- Stochastic is above 50
- Price is above the daily pivot point USD 3,174
- Technical outlook Previously: supported
- The futures had held the USD 3,102 support previously while the RSI held above the 40 level, suggesting there was an underlying support in the market. We were 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 would need to close and hold below the USD 3,094 level. We are cautious on lower moves, but needed to follow the daily closes above the 3,175 level for bullish confirmation.
- We failed to produce a definitive close above the daily 200-period MA yesterday (currently at USD 3,178). Price is 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 3,174 with the RSI at or below 50.5 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: inflection point
- Price is still supported above the trend support line at USD 3,143, while the RSI has held the 40 level; however, we are seeing warning signs that suggest caution on higher moves. Firstly, the RSI is potentially in the process of rejecting the 60 level, suggesting momentum weakness. Secondly, the slope of this upside move is shallow, implying we are lacking in positive energy. This will be because price is unable to commit to the daily 200-period MA, meaning we are at an inflection point. There are reasons to be cautious on this higher move, as it is not behaving like it is impulse. Market longs should act with caution on a close and hold below the trend support line, as it would signal that sell-side pressure could be increasing. For upside continuation, we are going to need to close and hold above the daily 200-period MA at USD 3,178, preferable with a bullish thrust that breaches the USD 3,379 resistance.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,583	R1	3,643	3,591.5	RSI above 50	
S2	3,575	R2	3,682			
S3	3,554	R3	3,725			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,583
- Technical outlook Previously: Supported
- The futures had held the USD 3,554 level previously, while the RSI has held above 40, this warned that there was 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 was the case, it would 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 needed to hold above the USD 3,554 level.
- We are holding above the USD 3,554 support but have failed to close above the USD 3,605 level. Price is above the EMA support band with intraday price and momentum aligned to the buyside.
- A close on the 4-hour candle below USD 3,583 with the RSI at or below 50 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 are supported; however, we have not seen a close above the USD 3,605 level that would suggest we could be looking at a bullish Elliott wave extension. The upside move yesterday failed to hold with the RSI remaining below the 60 level, this RSI failure needs to be monitored, as it could be an early warning of momentum weakness. A close and hold below the trend support line at USD 3,575 would imply sell side pressure is increasing, while a close below the low of the dominant bull candle at USD 3,526 would weaken the technical further. USD 3,605 is the bull close that we need to see, if we get it, there is a high chance that the RSI could reclaim the 60 level. Failure to produce the bull close would suggest caution is required.