FIS

Base Morning Technical Report

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Metals

(Bloomberg) -- Base metals retreated on Friday as traders weighed the likelihood of higher interest rates and their negative impact on demand.

A growing chorus of Federal Reserve officials are warning the central bank may soon need to lift rates, which would raise borrowing costs for manufacturers.

Although softer-than-expected US inflation figures this week have eased expectations of an immediate hike, the renewed hostilities across the Middle East are fanning price concerns, as well as threatening global economic growth and the outlook for industrial commodities.

Copper slipped 0.7% to $13,499 a ton on the London Metal Exchange as of 10:09 a.m. in Singapore. Aluminum dropped 0.4% while zinc fell 0.8%. Lead slipped 0.1%, on track for a 1.4% weekly drop after deliveries from Trafigura Group help lift LME stockpiles to a record.

Iron ore futures in Singapore were 0.1% higher.

Copper Morning Technical (4-hour)

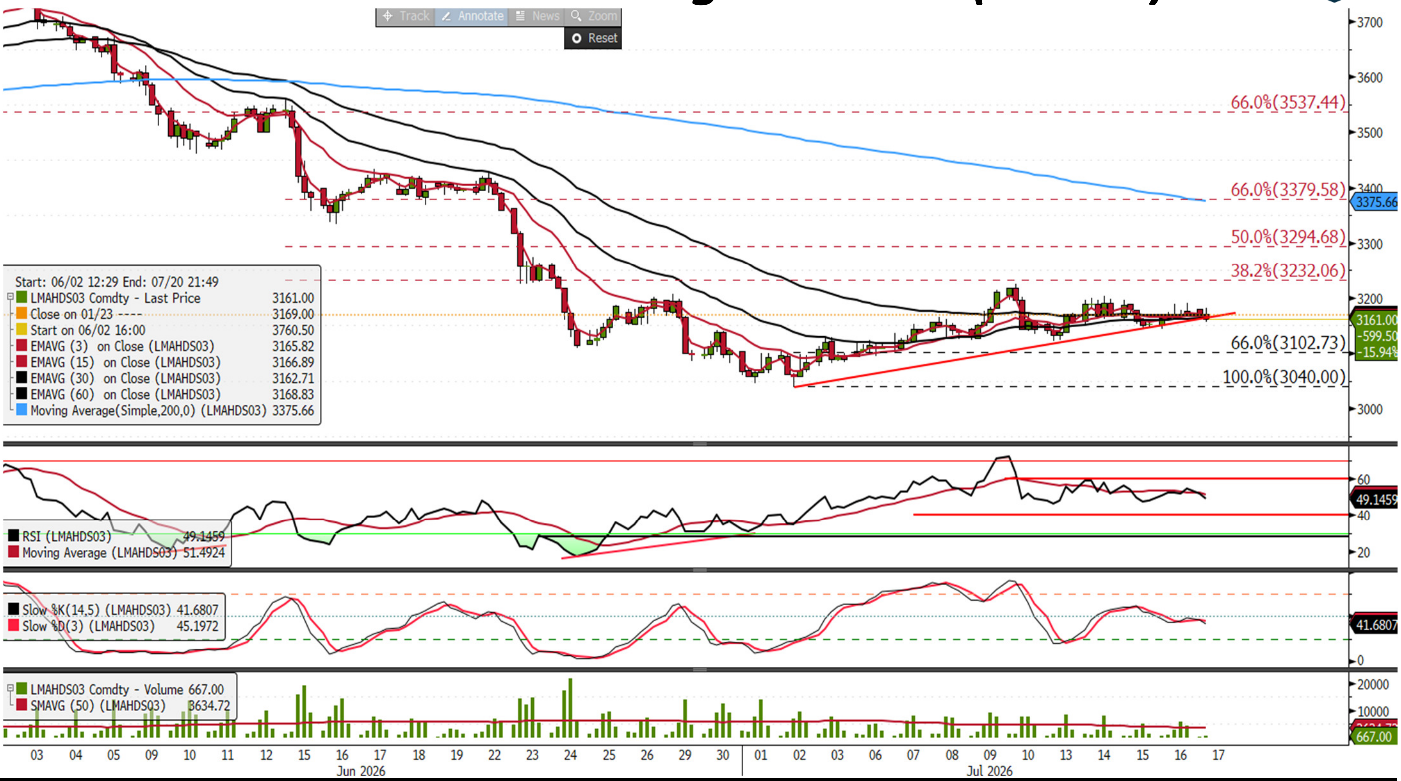
Support		Resistance		Current Price	Bull	Bear
S1	13,427	R1	13,575	13,450		RSI below 50
S2	13,337	R2	13,613			
S3	13,266	R3	13,699			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- The RSI is below 50 (42)
- Stochastic is below 50
- Price is above the daily pivot point USD 13,575
- Technical Outlook Previously: Inflection point
- As highlighted previously, we noted that the upside move was looking more like a W, X, Y pattern, rather than impulse, meaning we had a note of caution on higher moves at that point. Saying that, we were at an inflection point, as price was trading on the trend support line at USD 13,604. If we held the support line, resistance would remain vulnerable; conversely, a close an hold below the line would signal an increase in sell-side pressure, warning support levels could be tested.
- The futures broke trend support, 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 13,575 with the RSI at or above 57.5 would mean price and momentum are aligned to the buyside. 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: Sell side pressure increasing.
- The trend support break has resulted in price selling lower. The RSI is below 50, we now have negative velocity and negative acceleration; However, having rejected the 60 level, we are testing 40, if momentum is bullish within a broader trend, we should hold around this level. We think we are looking at a W, X, Y pattern, suggesting the RSI should move and hold below the 40 level, as our pattern analysis implies the futures are corrective. Upside moves that fail at or below USD 13,613 would leave support levels vulnerable; market sellers should take a cautious approach if the RSI holds 40 and the USD 13,613 level is breached.

Aluminium Morning Technical (4-hour)



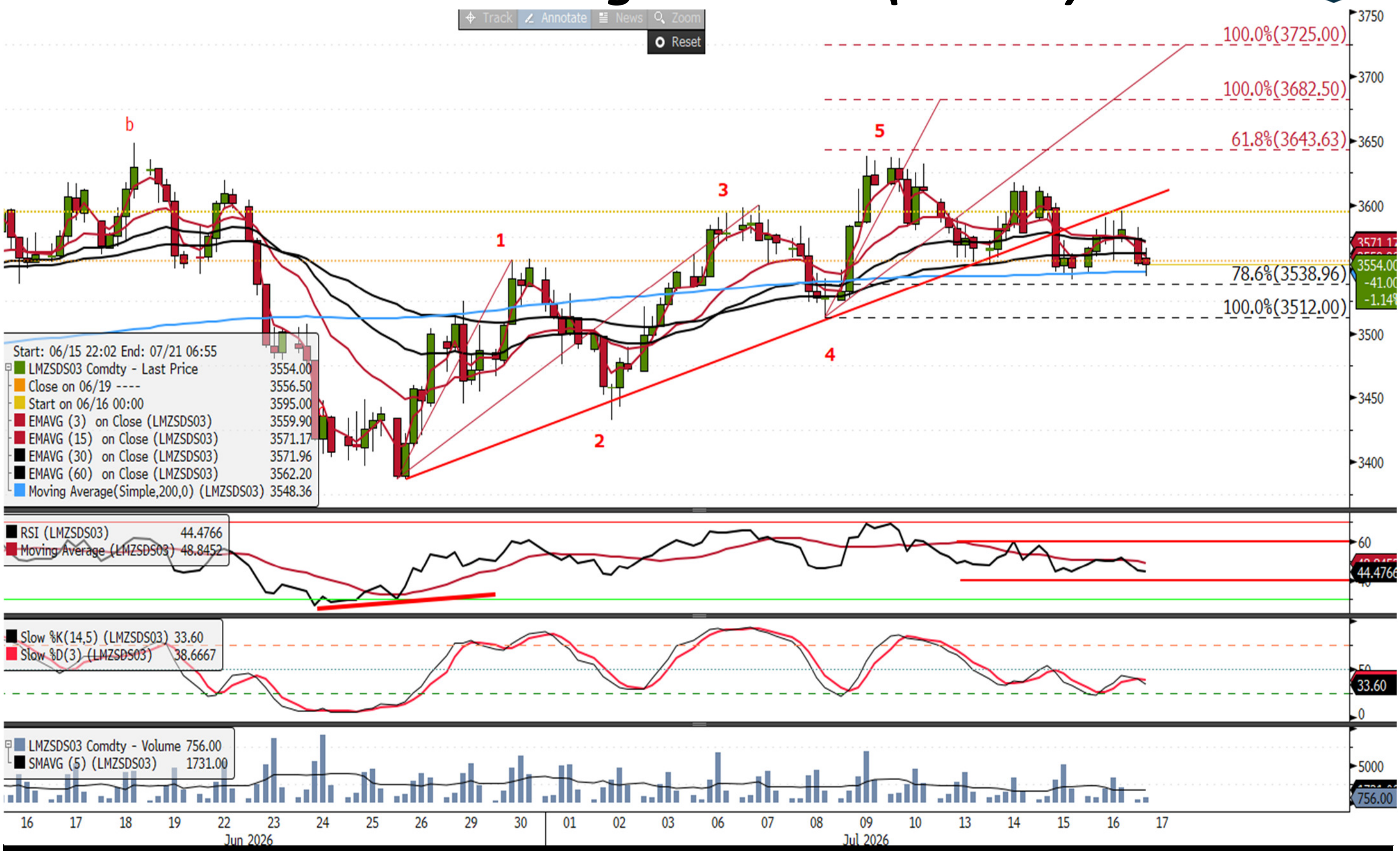
Support		Resistance		Current Price	Bull	Bear
S1	3,102	R1	3,170	3,161		RSI below 50
S2	3,040	R2	3,182			
S3	2,979.5	R3	3,232			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (49)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,170
- Technical outlook Previously: inflection point
- The futures remained at an inflection point yesterday, as price was on the trend support line at USD 3,154. A close and hold below the support line would signal an increase in sell side pressure, warning support levels could be tested. Conversely, for upside continuation, price would need to close and hold above the daily 200-period MA at USD 3,180. As highlighted previously, there were warning signs that upside moves could struggle to hold 1) the RSI had failed to hold the 60 level, signaling momentum remained weak at this point 2) the upside slope on the move higher remained slight, indicating price action was lacking in energy. A high volume bull candle that closed above the 200-MA and breach the USD 3,379 level was needed to signal a sentiment change at that point.
- We continue to consolidate on the trend support line at USD 3,162. Price is below the EMA support band with the RSI near-neutral at 49, intraday price and momentum are aligned to the sell side, as the previous candle closed below the daily pivot level.
- A close on the 4-hour candle above USD 3,170 with the RSI at or above 53.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,379 would signal that the corrective phase was becoming more complex, warning support levels could come under pressure.
- Technical outlook: inflection point
- Unchanged on the technical this morning, the futures remain at an inflection point as price is on (just below) the trend support line at USD 3,162. A close and hold below the support line would signal an increase in sell side pressure, warning support levels could be tested. Conversely, for upside continuation, price would need to close and hold above the daily 200-period MA at USD 3,182. As highlighted previously, there are warning signs that upside moves could struggle to hold 1) the RSI has failed to hold the 60 level, it is now crossing 50 2) the trajectory of the upside slope on the move higher remains slight, indicating price action is lacking in energy. We still need to see a high volume bull candle that closes above the 200-MA, and breaches the USD 3,3379 level to signal a sentiment change at this point.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,548	R1	3,575	3,554		RSI below 50
S2	3,538	R2	3,605			
S3	3,512	R3	3,643			

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 below the daily pivot point USD 3,575
- Technical outlook Previously: Weakening
- The close below the trend support line yesterday warned of weakness, while the move below the USD 3,554 level implied that the probability of price trading to a new high had started to decrease. However, the low of the last dominant bull candle was at USD 3,546, as was the intraday 200-period MA (correction * the low of the last dominant bull candle is USD 3,426*). Although the technical was weakening, for downside continuation, we would need to see a close and hold below this level. Conversely, a close back above the trend support line at USD 3,590 would warn that price remained supported. We were seeing technical weakness, but would prefer the bearish close below USD 3,546 at this point.
- The futures have sold to a low of USD 3,545 but remain above the intraday 200-period MA at USD 3,548. 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 3,575 with the RSI at or above 51 would mean price and momentum are aligned to the buyside.
- Technical outlook: Weakening
- The technical continues to come under pressure; however, for downside continuation we will need to see a close and hold below the intraday 200-period MA at USD 3,548. If we do, then we target the USD 3,512 fractal support. A close below the low of the last dominant bull candle at USD 3,526 (revised lower) would signal an increase in sell side pressure, as would an RSI close and hold below the 40 level. Market sellers should act with caution on a close back above the trend resistance at USD 3,605, as it would indicate that buyside pressure is increasing. Price action continues to weaken; however, we are entering a support zone between USD 3,548 and USD 3,526 that we will need to close below for downside continuation.