Base Morning Technical Report

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Cu

BHP's copper production will slide by up to 15 per cent in the year ahead, challenging an investment narrative that has driven its shares to record highs this year.

The global miner revealed on Thursday that an unexpected mechanical failure at one of its South Australian mines would compound an expected decline in the quality of ore it produces in Chile.

The twin challenges mean BHP's copper production in the year ahead will be between 1.65 million and 1.8 million tonnes, down from the 1.95 million tonnes achieved in the year to June.

Investors have been keen to boost their exposure to copper on the back of surging demand for the conductive, malleable metal from the construction of data centres, electric vehicles and other products linked to urbanisation and decarbonisation.

The price for copper has surged from less than $US9000 a tonne in April 2025 to $US13,643 a tonne on July 15 at the London Metal Exchange, and the rally has this year carried BHP shares to a record market valuation above $300 billion.

But this year's landmark result for BHP's copper revenue to exceed the company's Australian iron ore revenue may be short-lived, based on production forecasts issued by BHP on Thursday.

Volumes from BHP's best copper mine, Chile's Escondida, will decline by more than 10 per cent in the year ahead because of a long-predicted trend for the copper grades in the ore to decline with the mine's age.

Less expected was the failure of an underground conveyor belt earlier this month at the Carrapateena copper and gold mine in South Australia. BHP said that failure would halt production for eight weeks while a replacement is found.

The South Australian mines will collectively produce between 290,000 tonnes and 320,000 tonnes in the year ahead, down from just over 320,000 tonnes produced in the past year.

BHP's prediction for copper volumes to slide goes further than the 1.74 million tonnes that Barclays had forecast for the year to June 2027. Barclays expected BHP's copper volumes to continue sliding to less than 1.6 million tonnes in the 2028 financial year.

BHP is not the only miner facing lower copper production volumes from existing mines. Rivals such as Glencore and Rio Tinto also face shrinking output if they do not invest in new supply.

New BHP chief executive Brandon Craig used his first major presentation in May to outline $US44.7 billion of potential growth projects that BHP may invest in over the next decade.

The volume decline in copper will be offset by higher production in Australian iron ore, for which BHP expects output to grow incrementally in the year ahead.

Craig, who only took over at the helm from Mike Henry on July 1, also has industrial action to contend with. Around 200 BHP workers are expected to strike at Port Hedland for eight hours on Thursday afternoon.

The workers are members of the Electrical Trades Union and the Australian Manufacturing Workers Union.

They include welders, boilermakers and electricians who typically work in industrial yards around the port, where BHP and other miners have large premises for receiving, storing and blending ore, plus servicing the trains that carry the ore to port.

Craig has vowed to retain BHP's diversified portfolio structure, rather than separate into individual commodity businesses.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	13,604	R1	13,699	13,605	RSI above 50	
S2	13,596	R2	13,742			
S3	13,427	R3	13,893			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (57)
- Stochastic is above 50
- Price is above the daily pivot point USD 13,596
- Technical Outlook Previously: Neutral
- On the buyside yesterday we had 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 had started to decrease. From a technical perspective, resistance was considered as vulnerable. However, our issue was the structure of the move higher, as the shape implies it was corrective rather than motive. We noted that 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 remained 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.
- The futures remain supported above the EMA band while the RSI was above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 13,596 with the RSI at or above 61.5 would mean price and momentum are aligned to the buyside; likewise, a close below this level will mean it is 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: Inflection point
- As highlighted yesterday, the upside move is looking more like a W, X, Y pattern rather than impulse, meaning we have a note of caution on higher moves at this point. Saying that, we are at an inflection point, as price is trading on the trend support line at USD 13,604. If we hold the support line, resistance will remain vulnerable; conversely, a close an hold below the line would signal an increase in sell-side pressure, warning support levels could be tested.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,154	R1	3,180	3,164.5	RSI above 50	
S2	3,102	R2	3,232			
S3	3,040	R3	3,294			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is above 50 (51)
- Stochastic is below 50
- Price is on the daily pivot point USD 3,164
- Technical outlook Previously: inflection point
- Price was still supported above the trend support line at USD 3,143 yesterday, while the RSI had held the 40 level; however, we are seeing warning signs that suggested caution on higher moves. Firstly, the RSI was potentially in the process of rejecting the 60 level, suggesting momentum weakness. Secondly, the slope of this upside move was shallow, implying we were lacking in positive energy. We noted that this was because price was unable to commit to the daily 200-period MA, meaning we are at an inflection point. There were reasons to be cautious on this higher move, as it is not behaving like it was 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 breached the USD 3,379 resistance.
- We continue to consolidate on the trend support line at USD 3,154. Price is between the EMA support band with the RSI near-neutral at 51, intraday price and momentum are aligned to the sell side, the previous candle closed below the daily pivot level.
- A close on the 4-hour candle above USD 3,164 with the RSI at or above 55.5 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 is becoming more complex, warning support levels could come under pressure.
- Technical outlook: inflection point
- The futures remain at an inflection point as price is 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-peirod MA at USD 3,180. As highlighted yesterday, there are warning signs that upside moves could struggle to hold 1) the RSI has failed to hold the 60 level, signaling momentum remains weak at this point 2) the upside slope on the move higher remains slight, indicating price action is lacking in energy. High volume bull candle that close above the 200-MA and breach the USD 3,3379 level is needed to signal a sentiment change at this point.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,554	R1	3,569	3,567		RSI below 50
S2	3,546	R2	3,590			
S3	3,538	R3	3,643			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is below 50 (48)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,569
- Technical outlook Previously: Supported
- We noted yesterday that the futures were supported; however, we had 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 previously had failed to hold, while the RSI remained below the 60 level, this RSI failure needed to be monitored, as it had the potential to 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 was increasing, while a close below the low of the dominant bull candle at USD 3,526 would weaken the technical further. USD 3,605 was the bull close that we needed to see, if we got it, there was a high chance that the RSI could reclaim the 60 level. Failure to produce the bull close would suggest caution was required.
- Price has sold below the trend support line at USD 3,590. We remain in the EMA support band with the RSI now below 50, intraday price and momentum are aligned to the sell side
- A close on the 4-hour candle above USD 3,569 with the RSI at or above 52.5 would mean price and momentum are aligned to the buyside.
- Technical outlook: Weakening
- The close below the trend support line warns of weakness, while the move below the USD 3,554 level implies that the probability of price trading to a new high has started to decrease. However, the low of the last dominant bull candle is at USD 3,546, as is the intraday 200-period MA. Although the technical is weakening, for downside continuation, we will 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 remains supported. We are seeing technical weakness, but would prefer the bearish close below USD 3,546 at this point.