FIS

Base Morning Technical Report

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(Bloomberg) -- Copper advanced toward a record, with a key spread in London widening to extreme levels in a sign of competition for prompt supply.

The metal's spot price traded as much as $543.50 a ton above contracts for delivery in three months on the London Metal Exchange, the biggest gap since a major squeeze in 2021 that rocked the market. The backwardation structure is a hallmark of near-term demand outstripping availability.

Copper is up almost 16% this year, as a massive flow of metal into the US — in anticipation of a tariff decision from the Trump administration — leaves markets elsewhere with less supply. At the same time, investors have warmed to the longer-term themes of robust demand powered by the energy transition, as well as the mounting industry challenge of finding and funding new pits.

"There seems to be momentum for it to get there," said David Wilson, head of metals strategy at BNP Paribas SA, flagging the potential for London copper to top its January record. "It's moving into overbought territory, but I don't know if that means anything at the moment, given how tight it is."

Three-month futures advanced as much as 1.7% to $14,396 a ton on the LME, building on seven weekly gains. The surge has put prices within reach of the $14,527.50 peak.

LME-tracked inventories have shrunk to just above 200,000 tons, the smallest volume since February. The ballooning backwardation can indicate a market squeeze, where holders of short positions — or bets on losses — have to buy back contracts at escalating prices, or scramble to secure physical metal for delivery.

Crucially, the moves come shortly ahead of the third Wednesday of the month delivery date, the main focus of liquidity in the LME's contracts. That may pile pressure onto traders with short positions.

Unbalanced Inventories

A quirk of the current situation is that total global inventories are not particularly low, just that they are concentrated in the US. That puts them outside the LME network, as traders bet on President Donald Trump slapping tariffs on the refined metal. In addition, demand in China is not seen as particularly strong.

The White House has kept the market guessing on plans for levies on refined copper, with no announcement emerging about seven weeks after a deadline for the Commerce Department to make a recommendation. Meanwhile, flows to the US have continued as markets price in a potential tariff.

With the cash-to-three month spread spiking, attention is turning to whether more copper might emerge from China, which often happens during periods of extreme backwardation and short-term supply pinches.

"Normally you'd expect to get more Chinese deliveries into the LME," BNP's Wilson said. "But the thing is, why would you deliver to the LME when you can still effectively ship metal into the US?"

Copper's move was the strongest in an upbeat start to the week for the six main metals on the LME, with futures trading 1.2% higher at $14,334 a ton at 3:06 p.m. in Singapore. Aluminum rose 0.1%, while zinc was up 0.3%, with advances also driven by a weaker US dollar, which aids commodities priced in the currency.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	14,137	R1	14,455	14,323	RSI above 50	Stochastic overbought
S2	14,076	R2	14,591			
S3	13,978	R3	14,765			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (63)
- Stochastic is overbought
- Price is above the daily pivot point USD 14,137
- Technical Outlook Previously: Downside moves considered as countertrend
- Having completed its corrective phase highlighted in late July, the futures have since achieved new highs.
- We are above the EMA support band while the RSI is above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 14,137 with the RSI at or below 52 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 13,844 would support a bull argument, below this level the technical will have a neutral bias
- Technical Outlook: negative divergence
- The move to a new high on the open this morning has created a negative divergence with the RSI; this is a condition that warns we could see a momentum slowdown. On the buyside, lower timeframe Elliott wave analysis does suggest that downside moves should be considered as countertrend, providing the USD 13,844 Fibonacci support is not breached. If it is, then the probability of price trading to a new high will begin to decrease. The divergence suggests caution on higher moves in the near-term.

Aluminium Morning Technical (4-hour)

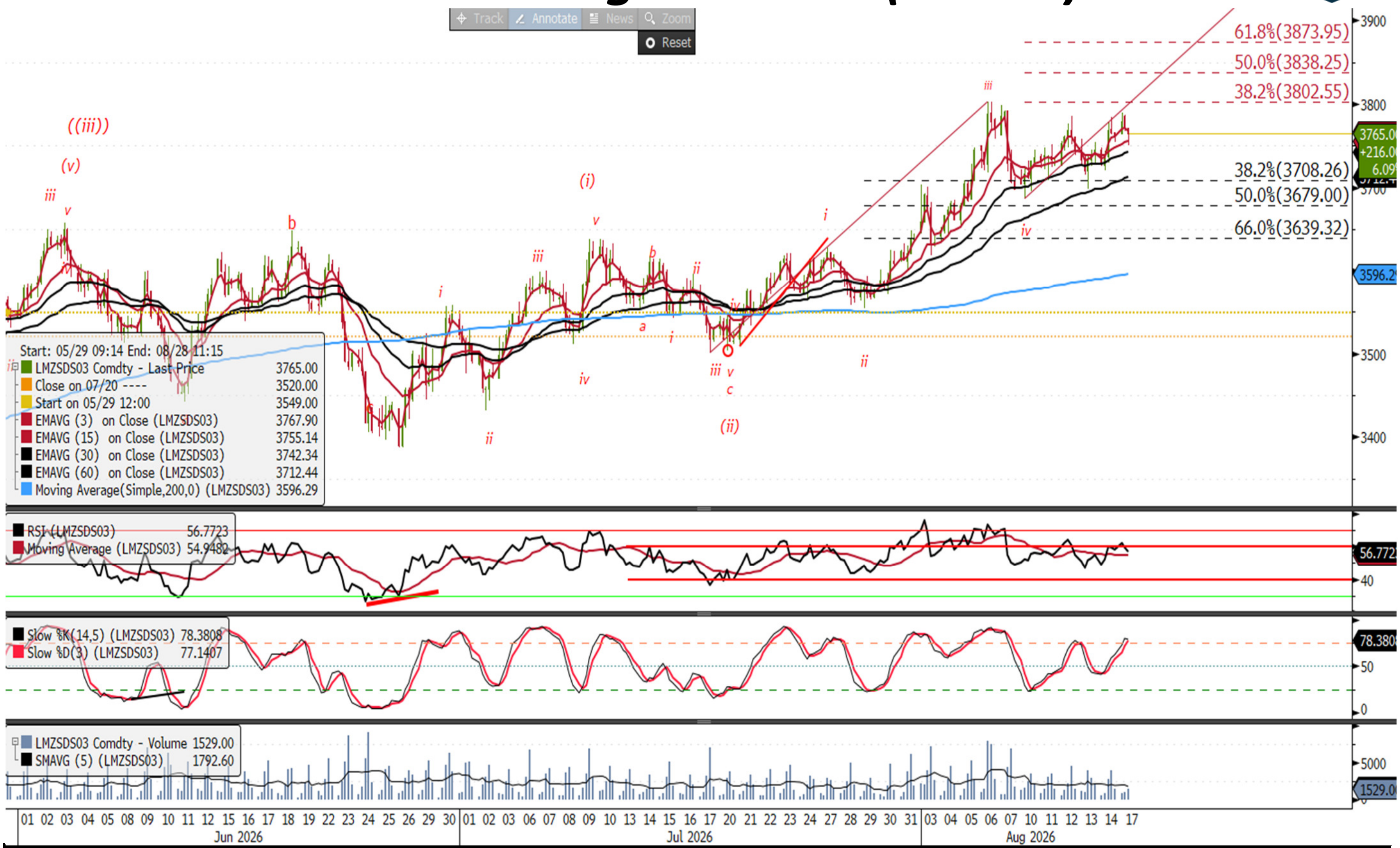
Support		Resistance		Current Price	Bull	Bear
S1	3,244	R1	3,283	3,265	Stochastic oversold	RSI below 50
S2	3,209	R2	3,329			
S3	3,176	R3	3,383			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is oversold
- Price is above the daily pivot point USD 3,244
- Technical outlook Previously: Neutral
- The futures held the ascending triangle break, this resulted in price trading at a high of USD 3,384.5 before entering a corrective phase.
- We are between the EMA support band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,244 with the RSI at or below 38.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,209 will support a near-term bull argument, below this level will warn that sell side pressure is on the increase.
- Technical outlook: caution on upside moves while below USD 3,329
- Although the futures have traded to a high of USD 3,384.5 we continue to see conflicting signals, as price remains below the longer-term resistance at USD 3,533, meaning the upside move still has the potential to be countertrend. On the sell side, the RSI has breached the 40 level, warning of momentum weakness, making USD 3,329 the key near-term resistance to follow. Upside moves that reject this level, coupled with the RSI failing to breach an hold above the 60 level would imply support levels remain vulnerable. Conversely, throwbacks that hold above the USD 3.209 level with the RSI holding above 40 will imply momentum support.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,753	R1	3,802	3,765	RSI above 50	Stochastic overbought
S2	3,708	R2	3,838			
S3	3,679	R3	3,873			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (56)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,753
- Technical outlook Previously: Downside moves considered as countertrend
- Downside moves were considered as countertrend previously as the move above key resistance implied that the corrective phase had completed.
- The futures traded at a high of USD 3,803 before entering a corrective phase. Bid support since the 10/08 means 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 3,753 with the RSI at or below 52.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,639 would support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Downside moves considered as countertrend
- Fibonacci projection levels suggest that we have a potential upside target at USD 3,873 for this phase of the cycle. Elliott wave analysis implies that downside moves should be considered as countertrend, providing throwbacks hold above the USD 3,639 support. Below USD 3,639 the probability of price trading to a new high would begin to decrease.