Base Morning Technical Report

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

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(Bloomberg) -- Copper held near its highest-ever close, as traders weighed the impact of more expensive prices on demand following a major supply squeeze.

Benchmark futures traded near $14,200 a ton on the London Metal Exchange, after a turbulent week marked by a crunch that spurred higher prices and unusually wide spreads. While the immediate tightness has eased, the underlying driver of low availability outside the US remains a support.

Copper has gained 14% this year in a rally driven in large part by traders shifting hundreds of thousands of tons to America in anticipation of the Trump administration rolling out import tariffs. With no announcement forthcoming, futures in the US have remained at a premium to those on the LME.

The higher prices have spurred some caution among buyers in China, where import premiums have edged lower this month, and exchange inventories rose last week by their most since March, climbing from relatively modest levels.

“It’s difficult to see a significant increase in demand after these price gains,” Chaos Ternary Futures Co. said in a note.

The return of the so-called debasement trade also helped base metals at the tail-end of last week by weakening the green-back, which makes commodities cheaper for buyers in other currencies. The Bloomberg Spot Dollar Index was steady on Monday, after shedding 0.8% last week.

Copper was flat at $14,214.50 a ton on the LME at 7:54 a.m. in London. Aluminum and zinc were also little changed.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	14,036	R1	14,212	14,179	RSI above 50	Stochastic overbought
S2	13,844	R2	14,280			
S3	13,738	R3	14,396			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (58)
- Stochastic is overbought
- Price is above the daily pivot point USD 14,174
- Technical Outlook Previously: Wave B
- We noted previously the 3-wave pattern higher still looked like it could be an Elliott wave B, warning we remain vulnerable to another move lower within this corrective phase; however, the broader wave cycle remained bullish with downside moves considered as countertrend. If we traded above the USD 14,212 resistance it would warn that we could be in an impulse wave 5; upside moves would be contingent with the RSI breaching and holding above the 60 level, as this was an area where momentum failure can lead to price weakening. USD 14,212 would be the key level to follow in the near-term.
- The upside move in the futures have breached the USD 14,212 resistance. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting as the previous candle closed below the daily pivot level.
- A close on the 4-hour candle below USD 14,174 with the RSI at or below 50 would mean price and momentum are aligned to the sell side; likewise, a close above this level would mean it is aligned to the buyside. Downside moves that hold at or above USD 14,036 would support a near-term bull argument, below this level the technical will re-enter bearish territory.
- Technical Outlook: Buyside pressure increasing
- The upside move above the USD 14,212 resistance means that the probability of the futures trading to a new low has started to decrease. The RSI remains below the 60 level at this point, meaning we still need to see bullish confirmation from the RSI at this point. Technically, the resistance break warns we could be in an Elliott wave 5; however, without the momentum support we do have a slight note of caution that this could still be a wave B.

Aluminium Morning Technical (4-hour)

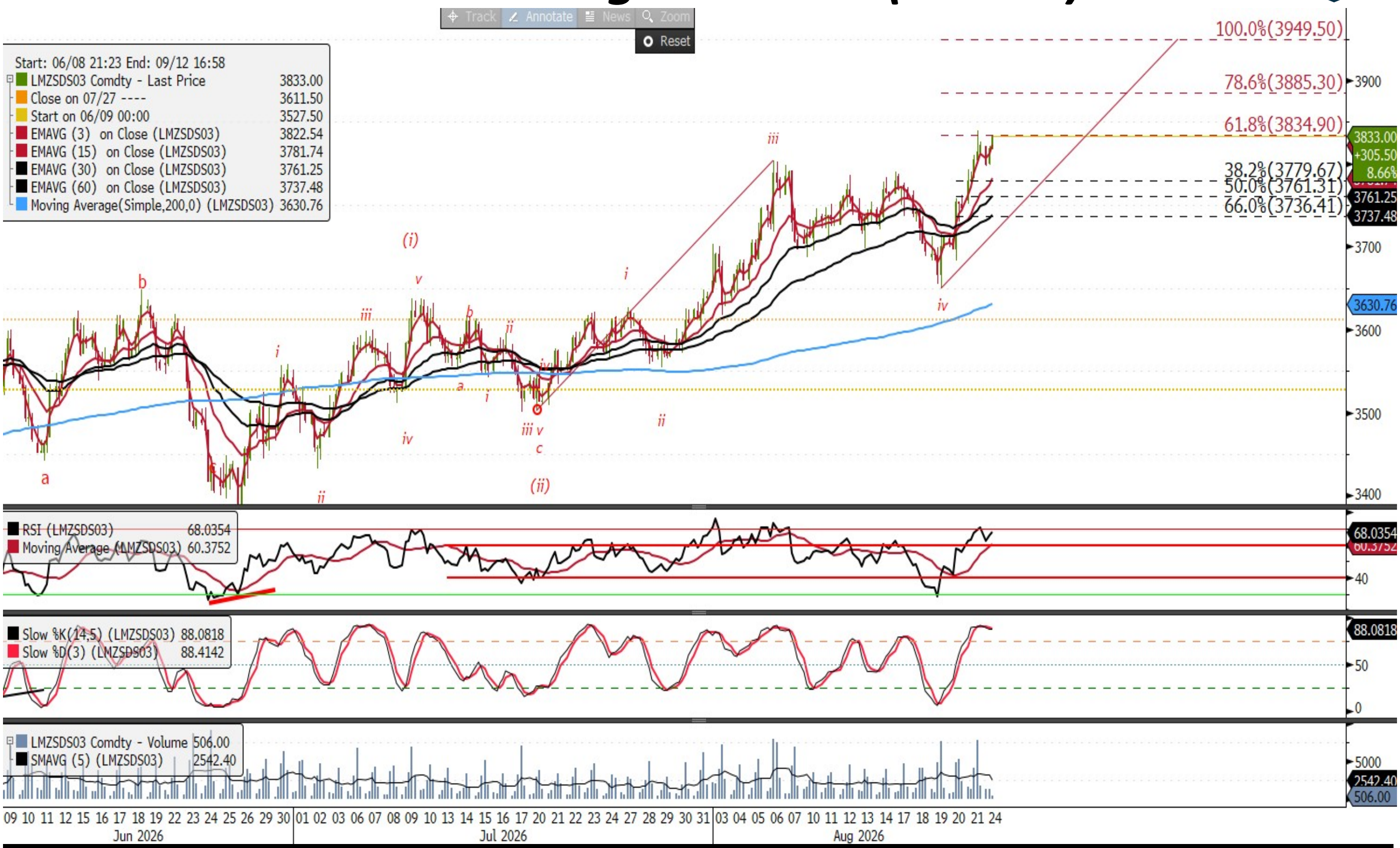
Support		Resistance		Current Price	Bull	Bear
S1	3,225	R1	3,256	3,239	RSI above 50	Stochastic overbought
S2	3,191	R2	3,281			
S3	3,176	R3	3,314			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is above 50 (52)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,225
- Technical outlook Previously: Caution on downside moves
- We continued to see price testing but failing to hold below the 200-period MA on Friday. These probes to the downside meant that the move that started from the high at USD 3,286 on the 17/08, looks to have produced a 5-wave pattern lower, warning we could be nearing exhaustion. We also noted that the RSI looks to be finding a base; however, the RSI needed to hold above 40 to signal momentum support. At that point, we still needed to see more upside, as price was vulnerable to another test lower, as the upside move still lacked genuine bullish momentum. If we traded above the USD 3,239 resistance, it would signal an increase in buyside pressure, warning the USD 3,314 resistance could be tested. We identify USD 3,214 as a key level to monitor, as a rejection here would leave price vulnerable to another 3-wave move lower (double 3 that would be labelled W—X—Y). Warning signs continued to suggest caution on lower moves. One final point, we noted that we had two downside rejection candles that had volume support, suggesting either the market was seeing some short covering, or accumulation.
- The futures have now traded above the USD 3,239 resistance. Price is between 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 3,225 with the RSI at or below 41 would mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 3,314 will leave price vulnerable to further downside moves
- Technical outlook: Buyside pressure increasing
- The upside move above the USD 3,239 resistance means the intraday technical is bullish based on price due to the break in fractal resistance. The move has followed a 3-wave pattern lower, indicating resistance levels are vulnerable. However, as highlighted last week, upside moves that fail at or below USD 3,314 would warn that the corrective phase has the potential to become more complex.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,805	R1	3,834	3,834	RSI above 50	Stochastic overbought
S2	3,779	R2	3,885			
S3	3,761	R3	3,949			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (69)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,805
- Technical outlook Previously: Resistance vulnerable
- We noted on Friday that with price now looking to be in an impulse wave 5 our Fibonacci projection levels indicated that we had a near-term upside target at USD 3,834. A close and hold above this level would target USD 3,885. Lower timeframe Elliott wave analysis continues to suggest caution on intraday throwbacks.
- The futures have traded up to the USD 3,834. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,805 with the RSI at or below 58 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,736 would support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Caution on upside moves
- The futures are now trading at our upside target having produced a lower timeframe 5-wave pattern higher, meaning we are cautious on upside moves at these levels. Throwbacks that hold at or above USD 3,736 will warn that the lower timeframe wave cycle has the potential to extend; however, the broader trend (higher timeframe Elliott wave cycle) remains bullish, meaning downside moves are still considered as countertrend.