Base Morning Technical Report

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

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(Bloomberg) -- Copper fell from its highest-ever closing price as traders awaited the next clues on US monetary policy.

The metal was down 0.5% at $14,201 a ton by 12:58 p.m. Shanghai time after hitting a record close on Monday. All five of its main base-metal peers on the London Metal Exchange also declined.

US Treasury Secretary Scott Bessent stopped short of giving any further signals on his revamp of the country's debt management on Monday. Last week's major intervention in bond markets helped to boost metals by weakening the US dollar, although the currency has steadied so far this week.

Copper is up 14% this year, driven in large part by major supply shifts that have left LME inventories at relatively low levels. Long-term, copper bulls say a lack of new mines will leave the world with a growing shortage, pushing prices even higher.

LME stockpiles have been in even sharper focus in the past week after intense short-term competition for metal sent spot prices far above futures. While spreads have narrowed, the market is still on alert after a big request to withdraw metal on Monday.

Metals investors should "be prepared to buy dips if/when positioning retraces from current elevated levels," Citigroup Inc. said in a note that reiterated its forecast for copper to reach $15,000 a ton by the end of the year.

Investors are also awaiting remarks from Federal Reserve Chair Kevin Warsh, who is due to speak Friday at the Jackson Hole conclave of central bankers. His comments will be scrutinized for any signs of more measures to tackle inflation.

Among the other LME metals, aluminum fell 0.7% while zinc shed 0.3%.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	14,137	R1	14,280	14,240.50	RSI above 50	Stochastic overbought
S2	14,000	R2	14,361			
S3	13,834	R3	14,396			

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 14,231
- Technical Outlook Previously: Buyside pressure increasing
- The upside move above the USD 14,212 resistance previously meant that the probability of the futures trading to a new low had started to decrease. The RSI remained below the 60 level at that point, meaning we still needed to see bullish confirmation from the RSI. Technically, the resistance break warned we could be in an Elliott wave 5; however, without the momentum support we did have a slight note of caution that this could still be a wave B.
- The futures traded at a high of USD 14,283 before seeing a small technical pullback. Price is above the EMA support band with 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 14,231 with the RSI at or below 56.5 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 14,000 will support a buyers argument, suggesting there will be further upside within the current wave 5.Technical Outlook: RSI testing 60
- We now have a lower timeframe 5-wave pattern higher with Fibonacci projection levels suggesting we have a potential upside target at USD 14,361 for this phase of the cycle. On the sell-side, the RSI is struggling to reclaim the 60 level, meaning we need to see more from momentum if we are to see upside continuation; we also note that the 5-wave pattern has resulted in a negative divergence with the RSI on the 1-hour timeframe. Throwbacks below 14,137 will signal that the futures have entered a corrective phase. We identify USD 14,000 as a key support to monitor, as throwbacks that hold above this level will signal that there could be a bullish Elliott wave extension. Below USD 14,000 the probability of price trading to a new high will begin to decrease; this will warn that the move up to USD 14,283 was a wave B, despite the breach in the USD 14,212 resistance. With the lower timeframe divergence and wave pattern in play, while the RSI has failed to reclaim 60, we currently have a note of caution on higher moves.

Aluminium Morning Technical (4-hour)

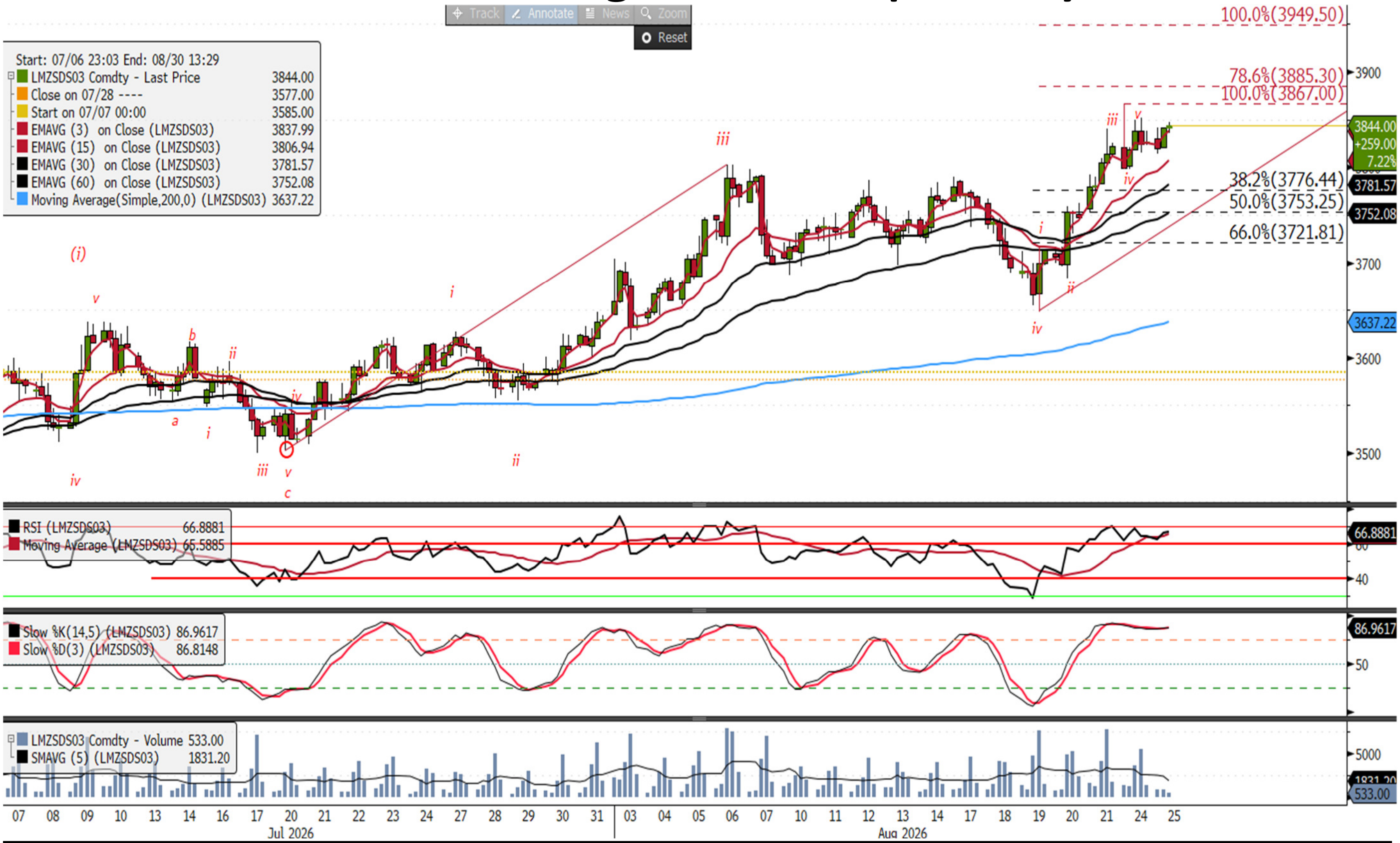
Support		Resistance		Current Price	Bull	Bear
S1	3,193	R1	3,235	3,214		RSI below 50
S2	3,176	R2	3,256			
S3	3,120	R3	3,281			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (45)
- Stochastic is at 50
- Price is above the daily pivot point USD 3,235
- Technical outlook Previously: Buyside pressure increasing
- The upside move above the USD 3,239 resistance yesterday meant that the intraday technical was bullish based on price due to the break in fractal resistance. The move had followed a 3-wave pattern lower, indicating resistance levels were vulnerable. However, as highlighted last week, upside moves that fail at or below USD 3,314 would warn that the corrective phase had the potential to become more complex.
- The futures traded at a high of USD 3,267 before entering a corrective phase. Price is below the EMA resistance 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 3,235 with the RSI at or above 50 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,314 will leave price vulnerable to further downside moves
- Technical outlook: supported
- Although the intraday throwback was deeper than expected yesterday, we are still seeing evidence of support. Price is holding above the intraday 200-period MA at USD 3,193, while the RSI is holding above the 40 level, this would suggest caution on lower moves at these levels. If, however, we close and hold below the average, while the RSI moves below 40, it will warn that sell side pressure is increasing, leaving support vulnerable.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,828	R1	3,867	3,844	RSI above 50	Stochastic overbought
S2	3,776	R2	3,885			
S3	3,753	R3	3,949			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (66)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,828
- Technical outlook Previously: Caution on upside moves
- We noted yesterday that the futures were now trading at our upside target having produced a lower timeframe 5-wave pattern higher, meaning we were cautious on upside moves at those levels. Throwbacks that held at or above USD 3,736 would warn that the lower timeframe wave cycle had the potential to extend; however, the broader trend (higher timeframe Elliott wave cycle) remains bullish, meaning downside moves were still considered as countertrend.
- The futures have traded at a high of USD 3,851 nut remain supported. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting, as the RSI has closed below is average and is now trading on it.
- A close on the 4-hour candle below USD 3,828 with the RSI at or below 63.5 would mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 68 would mean it is aligned to the buyside. Downside moves that hold at or above USD 3,721 would support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Caution on upside moves
- A revised potential upside target is now at USD 3,867. However, technically we remain unchanged as the 4-hour RSI has a minor divergence in play, this is more prominent on the 1-hour timeframe. The divergence is a condition that warns buyside momentum could slow; confirmation is needed from weakening price action that breaks the USD 3,805 fractal support. We maintain a cautious approach to higher moves at these levels.