FIS

Base Morning Technical Report

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Cu

(Bloomberg) -- Copper rose for a fourth day — closing in on a record high — as short-term supplies continued to look tight despite an easing of last week's severe market squeeze.

The industrial metal climbed as much as 0.6% on the London Metal Exchange after posting its highest ever close on Tuesday. It has surged about 16% this year as traders ship huge volumes to the US, draining stockpiles elsewhere at a time when mine supply is also under pressure.

That culminated in a blow-out in LME spreads last week, with the price for spot material climbing to more than $500 a ton above three-month futures. The gap has since narrowed, but is still significantly higher than normal. The exchange's September contract was $150 a ton above October on Wednesday, from less than $50 at the end of last week.

Read More: Copper Market Squeeze Intensifies as More Metal Is Shipped to US

For almost two months, the global metals market has been braced for an announcement from the White House on its plans for import tariffs on refined copper, and metal has continued to flood into US ports and stockpiles ahead of any decision.

Traders are monitoring the ebb and flow of LME inventories. Major deliveries of metal to exchange warehouses last week helped ease the crunch, but a request to withdraw more than 50,000 tons of copper on Monday stoked fresh supply concerns. On-warrant stockpiles in Shanghai Futures Exchange warehouses also fell for a fifth day on Tuesday.

Benchmark three-month copper climbed 0.4% to $14,410.50 a ton on the LME as of 1:32 p.m. in Shanghai, and is nearing the all-time, intraday high of $14,527.50 set in January. Other base metals were flat.

The broader backdrop for copper's surge is growing long-term demand from artificial intelligence, renewable energy and power grids. And with more supply needed, any disruptions to mine operations don't help. The global market lost about 338,000 tons in the first half due to mining setbacks in Indonesia, Democratic Republic of Congo and Chile, according to consultancy Project Blue.

"Copper prices remain underpinned by their own fundamentals," Jinrui Futures Co. wrote in a note, pegging 106,000 yuan ($15,770) a ton as a support level on the Shanghai Futures Exchange. Chinese prices are currently near 109,000 yuan.

Copper Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	14,311	R1	14,454	14,378	RSI above 50	Stochastic overbought
S2	14,277	R2	14,540			
S3	14,196	R3	14,649			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (66)
- Stochastic is overbought
- Price is above the daily pivot point USD 14,311
- Technical Outlook Previously: RSI testing 60
- Yesterday we had 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 was 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 had resulted in a negative divergence with the RSI on the 1-hour timeframe. Throwbacks below 14,137 would signal that the futures had entered a corrective phase. We identify USD 14,000 as a key support to monitor, as throwbacks that held above this level would 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 would 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
- The RSI has reclaimed the 60 level resulting in the futures trading at new highs. 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 14,311 with the RSI at or below 64 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 14,054 would support a longer-term buyers argument.
- Technical Outlook: Downside moves considered as countertrend
- The upside moves to new highs is supported by the RSI reclaiming 60 and breaching the 70 level, while our lower timeframe Elliott wave analysis is suggesting that intraday throwbacks should be considered as countertrend. We continue to see a divergence on the 1-hour timeframe that needs to be monitored. Throwbacks below USD 14,196 will signal the technical has entered a higher timeframe corrective phase.

Aluminium Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,226	R1	3,256	3,228.5		RSI below 50
S2	3,195	R2	3,281			
S3	3,176	R3	3,314			

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 above the daily pivot point USD 3,226
- Technical outlook Previously: Buyside pressure increasing
- supported
- We noted yesterday that although the intraday throwback was deeper than expected previously, we were 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 suggested caution on lower moves at these levels. If, however, we closed and held below the average, while the RSI moved below 40, it would warn that sell side pressure was increasing, leaving support vulnerable.
- The futures have seen light bid support resulting in price trading at a high of USD 3,246.5 before seeing bids fade in the Asian day session. Price remains below the EMA resistance band while the RSIO is near-neutral at 49, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,226 with the RSI at or below 47 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: Negative reversal pattern
- With the futures holding above the intraday 200-period MA at USD3,195, while the RSI has held the 40 level, price action is considered as supported. However, the upside move has resulted in the RSI breaking resistance, price has not, this is known as a negative reversal pattern, a condition that warns that support remains vulnerable in the near-term. As highlighted previously, for downside continuation we will need to see price close and hold below the 200-period MA with the RSI moving and holding below 40. We should note that price is trading around the daily 200-period MA at USD 3,239, this is a higher timeframe benchmark, meaning market bulls are going to need to see a daily close and hold above this level, supported by the reversal pattern failing.

Zinc Morning Technical (4-hour)

Support		Resistance		Current Price	Bull	Bear
S1	3,865	R1	3,947	3,882	RSI above 50	Stochastic overbought
S2	3,841	R2	3,988			
S3	3,814	R3	4,039			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (70)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,865
- Technical outlook Previously: Caution on upside moves
- We revised our potential upside target to USD 3,867 yesterday. However, technically we remained unchanged, as the 4-hour RSI had a minor divergence in play, this was more prominent on the 1-hour timeframe. The divergence was a condition that warned buyside momentum could slow; confirmation was needed from weakening price action that broke the USD 3,805 fractal support. We maintain a cautious approach to higher moves at those levels.
- The futures failed to confirm bearish confirmation based on price resulting in further upside moves. 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 3,865 with the RSI at or below 65.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,841 would support a near-term bull argument, below this level the technical will have a neutral bias.
- Technical outlook: Downside moves considered as countertrend
- The upside move to new highs has resulted in the futures producing a lower timeframe bullish Elliott wave extension, suggesting intraday downside moves should be considered as countertrend. The RSI move above 70 supports the bullish wave extension; however, we continue to see a negative divergence on the 1-hour timeframe, this needs to be monitored. Throwbacks below USD 3,814 will take the technical into neutral territory.