FIS

Base Morning Technical Report

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(Bloomberg) -- Zinc extended its rally into a seventh day, holding near the highest in more than four years as tightening supplies fueled concerns across metals markets.

Futures climbed as much as 1% on the London Metal Exchange. Like copper, the market is showing signs of near-term supply tightness, with spot metal commanding a widening premium over futures.

Zinc for immediate delivery traded almost $200 a ton above three-month futures on Wednesday, the widest spread since December. Supplies of the metal have tightened as ore shortages pushed processing fees charged by smelters well below zero.

“Available physical liquidity is at extremely thin levels” on the LME, Guangzhou Future Co. wrote in a note. “Before mine output recovers materially, smelting costs will provide a strong floor for zinc prices.”

Treatment charges, the fees miners pay smelters to process ore into zinc metal, have fallen as low as minus $110 a ton, according to Fastmarkets. While smelters can offset some of these losses by selling by-products, prolonged negative fees increase the risk of production cuts and further supply tightening.

The copper market has shown a similar trend, with widening short-term spreads, relatively low inventories and negative treatment charges. Potential US import tariffs have been a key price driver, fueling a surge in shipments into America and tightening availability elsewhere.

Zinc traded 0.6% higher at $3,916 a ton as of 12:05 p.m. in Singapore. Copper futures were up 0.2% at $14,277 a ton. Prices have fluctuated after closing at a record $14,349.50 on Tuesday.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,196	R1	14,303	14,263	RSI above 50	
S2	14,054	R2	14,454			
S3	13,981	R3	14,540			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (53)
- Stochastic below 50
- Price is above the daily pivot point USD 14,303
- Technical Outlook Previously: Downside moves considered as countertrend
- The upside moves to new highs yesterday was supported by the RSI reclaiming 60 and breaching the 70 level, while our lower timeframe Elliott wave analysis was suggesting that intraday throwbacks should be considered as countertrend. We continued to see a divergence on the 1-hour timeframe that needed to be monitored. Throwbacks below USD 14,196 will signal the technical has entered a higher timeframe corrective phase.
- The futures have sold lower on the 1-hour timeframe. We are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle below USD 14,303 with the RSI at or above 62.5 would mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 14,054 would support a longer-term buyers argument.
- Technical Outlook: Neutral
- The move below the USD 14,277 level indicates that the pullback is becoming deep, technically the lower timeframe Elliott wave cycle is still bullish but with a more neutral bias, below USD 14,196 it will be considered as bearish; however, throwbacks that hold at or above USD 14,054 will warn that there could be a larger bullish wave cycle coming into play. The move lower yesterday has been on increased volume, indicating intensity in the downside move, warning support levels are becoming vulnerable. Market bull now need to see a close above the high of the last dominant bear candle at USD 14,363.5 to signal buyside pressure is on the increase.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,199	R1	3,228	3,221.5		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 (47)
- Stochastic is at 50
- Price is below the daily pivot point USD 3,228
- Technical outlook Previously: Negative reversal pattern
- We noted yesterday that with the futures holding above the intraday 200-period MA at USD 3,195, while the RSI had held the 40 level, price action was considered as supported. However, the upside move had resulted in the RSI breaking resistance, price had not, this was known as a negative reversal pattern, a condition that warned that support remained vulnerable in the near-term. As highlighted previously, for downside continuation we would need to see price close and hold below the 200-period MA with the RSI moving and holding below 40. We noted that price is trading around the daily 200-period MA at USD 3,239, this was a higher timeframe benchmark average, meaning market bulls were going to need to see a daily close and hold above this level, supported by the reversal pattern failing.
- The futures failed to close above the daily 200-period MA at USD 3,241 yesterday with price coming under light pressure on the open. We are below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the buyside, as the previous candle closed above the daily pivot wile the RSI was above its average.
- A close on the 4-hour candle below USD 3,228 with the RSI at or below 46 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
- The futures are seeing light selling pressure due to the negative reversal pattern yesterday, warning support could come under pressure. However, as highlighted previously, price had seen bid support off the intraday 200-period MA at USD 3,199, while the RSI has held the 40 level, meaning that for downside continuation we need a close and hold below the average supported by the RSI below 40. The technical has a neutral bias at this point, as we are selling into a support zone, but to move higher we need to close and hold above the daily 200-period MA with the reversal pattern failing.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,860	R1	3,904	3,862	RSI above 50	Stochastic overbought
S2	3,841	R2	3,947			
S3	3,755	R3	4,039			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (54)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,904
- Technical outlook Previously: Downside moves considered as countertrend
- The upside move to new highs had 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 supported the bullish wave extension; however, we continue to see a negative divergence on the 1-hour timeframe, this needed to be monitored. Throwbacks below USD 3,814 would take the technical into neutral territory.
- The very light pullback into the open looks to have been a very shallow wave 4, as price has now traded below the USD 3,872 lower timeframe fractal support, warning price is corrective. We are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,904 with the RSI at or above 69.5 would mean price and momentum are aligned to the buy side. Downside moves that hold at or above USD 3,755 would support a longer term bull argument bull argument.
- Technical outlook: Sell side pressure increasing
- As highlighted above, it looks like the sideways action (very small move lower) on the open yesterday was a wave 4 pullback. Having traded at a new high and then sold below the USD 3,8752 lower timeframe fractal support, the technical has now entered a corrective phase. This would suggest that support levels are becoming vulnerable, making USD 3,775 the key level to now follow. Throwbacks that hold above USD 3,775 will leave the futures open to further bullish Elliott wave extensions to the upside.