FIS

Base Morning Technical Report

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

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(Bloomberg) -- Copper edged closer to a record high, as traders counted down to an address by Federal Reserve Chair Kevin Warsh at the Jackson Hole symposium that will be scrutinized for clues on US interest rates.

Three-month futures traded near $14,300 a ton in London, on track for a ninth weekly gain, the longest such run since 2020. While short-term supply issues have dominated copper trading in recent weeks, the outlook for US monetary policy under the relatively new Fed chief remains important.

Warsh's appearance later Friday comes in the aftermath of a major intervention in the bond market by the US Treasury aimed at containing long-term borrowing costs. That contributed to a weaker dollar and the return of the so-called debasement trade in August, which aided hard assets including metals.

Copper has rallied 15% this year, and futures are now challenging the peak set in January. The market is still showing signs of near-term supply tensions after a turbulent few weeks that saw dwindling inventories in London Metal Exchange-tracked warehouses drive up spreads. Huge volumes have accumulated in the US ahead of possible import tariffs, tightening conditions elsewhere.

"The market remains cautious ahead of the Jackson Hole meeting," Chaos Ternary Futures Co. wrote in a note. "Momentum is limited, and copper prices will likely remain high and volatile."

Read More: Jackson Hole Offers Warsh a Prime Stage to Rebut His Critics

Warsh's remarks at the central bankers' huddle are seen as an opportunity for him to address critics who say he hasn't been forthright enough in outlining his views. Ahead of the address, other Fed officials have sent mixed signals on their outlooks for inflation, with some arguing tighter policy is needed.

Copper was up 0.1% at $14,302 a ton on the LME at 12:59 p.m. in Shanghai, a little more than $200 shy of the record set in the first month of the year. On Thursday, metal for prompt delivery was more than $171 a ton higher than three-month futures, suggesting continued concern about near-term supply.

In other metals, zinc edged higher to $3,906 a ton, set for a sixth weekly climb.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,253	R1	14,342	14,304	RSI above 50	
S2	14,196	R2	14,454			
S3	14,054	R3	14,540			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (56)
- Stochastic below 50
- Price is above the daily pivot point USD 14,253
- Technical Outlook Previously: Neutral
- The move below the USD 14,277 level yesterday indicated that the pullback was becoming deep, technically the lower timeframe Elliott wave cycle was still bullish but with a more neutral bias, below USD 14,196 it would be considered as bearish; however, throwbacks that held at or above USD 14,054 would warn that there could be a larger bullish wave cycle coming into play. The move lower previously had been on increased volume, indicating intensity in the downside move, warning support levels were becoming vulnerable. Market bull needed to see a close above the high of the last dominant bear candle at USD 14,363.5 to signal buyside pressure was on the increase.
- The futures sold below the USD 14,196 level before holding the EMA support band, resulting in bid support. The RSI is above 50 while price and momentum are conflicting.
- A close on the 4-hour candle above USD 14,253 with the RSI at or above 59.5 would mean price and momentum are aligned to the buyside; likewise, a close below this level would mean it is aligned to the sell side. Downside moves that hold at or above USD 14,054 would support a longer-term buyers argument.
- Technical Outlook: Neutral
- Based on our Elliott wave analysis, we had expected another intraday bull wave before a correction; however, the move below USD 14,196 means that the lower timeframe cycle has failed. Throwbacks that hold above USD 14,054 would warn that there could be a larger bull cycle in play; conversely. A close above the high of the high volume dominant bear candle at USD 14,363.5 would signal buyside pressure was increasing, leaving resistance vulnerable. The pullback against expectations means we are currently neutral.

Aluminium Morning Technical (4-hour)



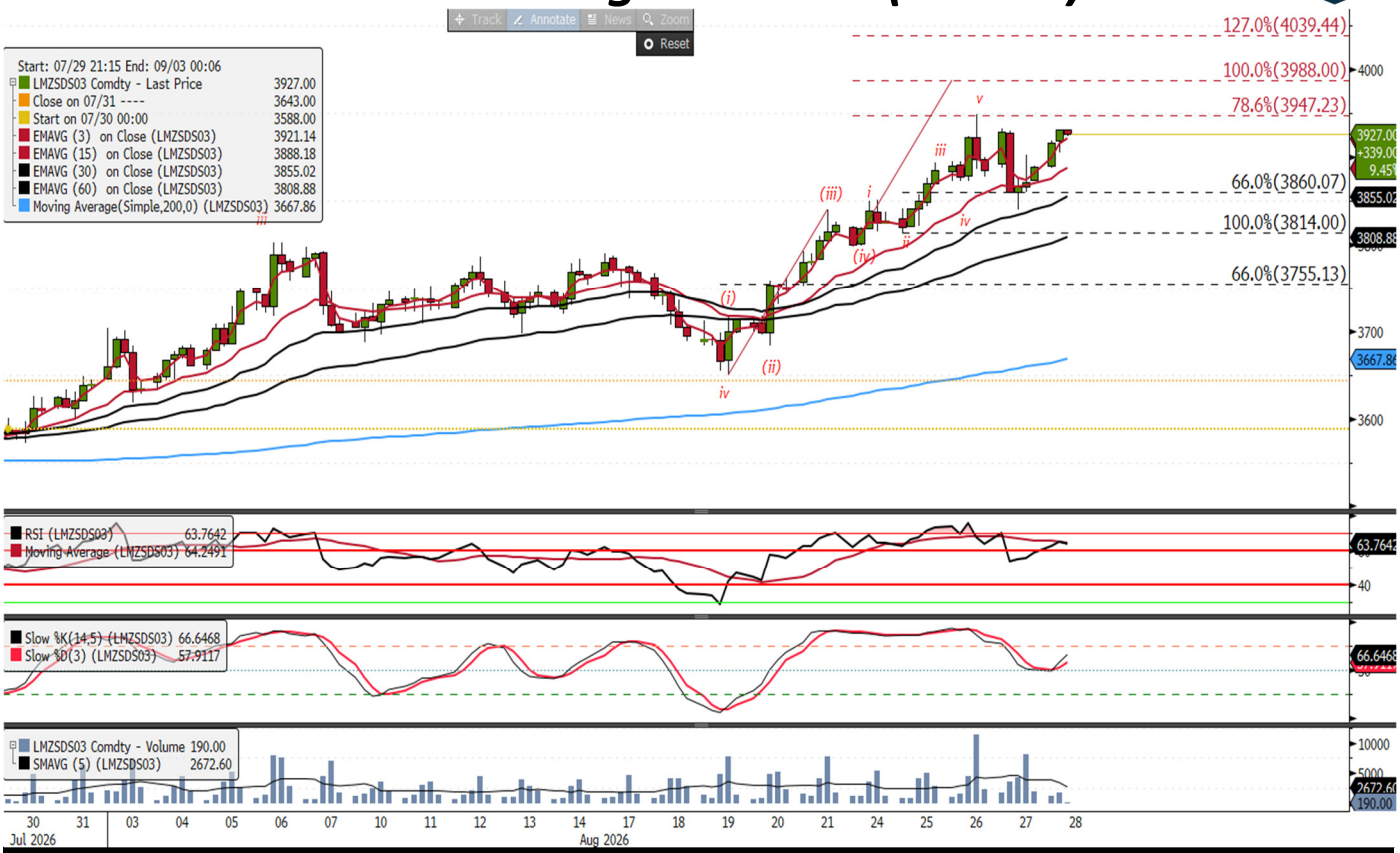
Support		Resistance		Current Price	Bull	Bear
S1	3,225	R1	3,240	3,232	RSI above 50	
S2	3,203	R2	3,256			
S3	3,176	R3	3,281			

Synopsis - Intraday

Source Bloomberg

- Price is between the EMA resistance band (Black EMA's)
- RSI is above 50 (51)
- Stochastic is above 50
- Price is above the daily pivot point USD 3,225
- Technical outlook Previously: Negative reversal pattern
- The futures were seeing light selling pressure due to the negative reversal pattern previously, warning support could be tested. However, as highlighted previously, price had seen bid support off the intraday 200-period MA at USD 3,199, while the RSI had 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 had a neutral bias at that point, as we were selling into a support zone, but to move higher we needed to close and hold above the daily 200-period MA with the reversal pattern failing.
- Sideways action has resulted in price trading within the EMA band. The RSI is near-neutral at 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle below USD 3,225 with the RSI at or below 48 would mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 52.5 would mean it is aligned to the buyside. Upside moves that fail at or below USD 3,314 will leave price vulnerable to further downside moves
- Technical outlook: Neutral
- Support in the form of the 200-period MA at USD 3,203 is countered by the negative reversal pattern, this has resulted in a symmetrical triangle forming. A neutral pattern, directional bias will come from a close and hold outside of the pattern (USD 3,240—USD 3,203). The EMA support band is flat, the RSI is at 51, price and momentum are conflicting, all support a neutral technical.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,885	R1	3,947	3,927	RSI above 50	Stochastic overbought
S2	3,860	R2	3,988			
S3	3,841	R3	4,039			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (63)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,885
- Technical outlook Previously: Sell side pressure increasing
- We noted yesterday that it looked like the sideways action (very small move lower) on the open previously was a wave 4 pullback. Having traded at a new high and then sold below the USD 3,878 lower timeframe fractal support, the technical had entered a corrective phase. This suggested that support levels were becoming vulnerable, making USD 3,775 the key level to now follow. Throwbacks that held above USD 3,775 would leave the futures open to further bullish Elliott wave extensions to the upside.
- Having sold to a low of USD 3,840 yesterday, price is supported and moving higher. We are above the EMA support band with the RSI above 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 3,885 with the RSI at or above 66.5 would mean price and momentum are aligned to the buyside; likewise, a close below this level will mean it is aligned to the sell side. Downside moves that hold at or above USD 3,755 would support a longer term bull argument bull argument.
- Technical outlook: Caution on upside breakouts
- A 3-wave corrective phase has been followed by bid support; however, the pullback has been shallow, meaning upside breakouts above USD 349.5 would create a negative RSI divergence. Although the divergence is not a sell signal, it does warn that momentum could slow, which would indicate that a breakout is less likely to be the start of a higher timeframe bull cycle. This would suggests that recent bid support is possibly part of a flat correction.