FIS

Base Morning Technical Report

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Zn

(Bloomberg) -- Zinc advanced to the highest level in more than four years on signs of tightening supply, building on a months-long rally.

The metal used to coat steel rose as much as 2.5% to trade at $3,980.50 a ton on the London Metal Exchange before paring some gains. A number of factors have propelled prices higher recently, from war in the Middle East choking off Iranian ore supplies to production disruptions at mines, including in China.

“There are frequent disturbances on the supply side,” Chaos Ternary Futures Co. wrote in a note. Expectations are rising that China will export more zinc metal to help alleviate tightness in global markets, it added.

Read More: Glencore Zinc Plant in Kazakhstan Suffers Deadly Blast, Fire

Zinc capped a fifth monthly gain in August, with futures up 27% this year, well ahead of copper and aluminum that have also suffered from major supply-side turbulence. While zinc stockpiles at LME warehouses ticked higher recently, they remain below 100,000 tons and are still relatively low by historical standards.

The tight market has shown up in plunging smelter treatment charges, which sank further last month to end August at minus $117.50 a ton. Lower fees show how a shortage of ore is forcing smelters to accept tougher terms from miners, although they can often make up the difference by selling by-products.

Separately, copper extended gains on Tuesday, rising 0.6% to $14,382 a ton on the LME as of 10:36 a.m. Singapore time. The metal has increased after hundreds of thousands of tons were shipped to the US, squeezing global supply. The LME was closed on Monday for a bank holiday in the UK.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,297	R1	14,516	14,412.5	RSI above 50	
S2	14,216	R2	14,614			
S3	14,147	R3	14,738			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is above 50 (61)
- Stochastic above 50
- Price is above the daily pivot point USD 14,297
- Technical Outlook Previously: Neutral
- Based on our Elliott wave analysis previously, we had expected another intraday bull wave before a correction; however, the move below USD 14,196 meant that the lower timeframe cycle had failed. Throwbacks that held 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 meant that we were neutral.
- The futures held the EMA support band resulting in price trading at a new high. 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 14,297 with the RSI at or below 53.5 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: Neutral
- Neutral previously due to the pullback breaching the USD 14,196, the futures have traded at a new high. Price is now divergent with the RSI, this is a warning that buyside momentum could slowdown; we also note that the RSI is around the 60 level, failure here will warn that we could be looking at a flat correction, labelled W - X, with a downside moves below USD 14,214.5 suggesting we could be entering Y. Conversely, if the RSI holds above 60 with the divergence failing, then we would be looking at a lower-timeframe bullish Elliott wave extension. The degree of uncertainty due to the potential alternative counts means we maintain a neutral bias; however, the divergence does suggest caution on higher moves, suggesting this could be a flat W-X-Y correction.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,237	R1	3,240	3,270.5	RSI above 50	Stochastic overbought
S2	3,233	R2	3,256			
S3	3,206	R3	3,281			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (62)
- Stochastic is overbought
- Price is above the daily pivot point USD 3,237
- Technical outlook Previously: Neutral
- We noted on Friday that support in the form of the 200-period MA at USD 3,203 was countered by the negative reversal pattern, this had resulted within a symmetrical triangle that was forming. A neutral pattern, directional bias would come from a close and hold outside of the pattern (USD 3,240—USD 3,203). The EMA support band was flat, the RSI was at 51, price and momentum were conflicting, all supported a neutral technical.
- The futures have broken the symmetrical triangle to the upside, 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 3,237 with the RSI at or below 50.5 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 symmetrical breakout above trend resistance at USD 3,233 is indicating price is seeing an increase in buyside pressure, warning that USD 3,314 resistance is vulnerable. This is a key resistance on the technical; if broken, it would imply that the upside move is bullish impulse, warning that the probability of price testing the USD 3,117.5 fractal low would start to decrease. Conversely, if rejected with price and momentum becoming aligned to the sell side, it would imply that there could be a larger corrective phase in play. The upside symmetrical breakout does mean the technical is leaning toward bullish impulse; if price can close and hold above the daily 200-period MA at USD 3,245 it will further support a buyer's argument.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,899	R1	3,947	3,964.5	RSI above 50	
S2	3,859.5	R2	3,988			
S3	3,856	R3	4,039			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (62)
- Stochastic is above 50
- Price is above the daily pivot point USD 3,899
- Technical outlook Previously: Sell side pressure increasing
- We noted last week that a 3-wave corrective phase had been followed by bid support; however, the pullback had been shallow, meaning upside breakouts above USD 349.5 would create a negative RSI divergence. Although the divergence was not a sell signal, it would warn that momentum could slow, which would indicate that a breakout was 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.
- The futures have traded at a high of USD 3,980.5, 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 3,899 with the RSI at or below 58.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 3,765 would support a longer term bull argument bull argument.
- Technical outlook: Caution on upside breakouts
- We have a similar situation in Zn to that of Cu; the futures are trading at a new high, meaning we could be looking at a bullish impulse move. However, the new high has resulted in a negative RSI divergence, suggesting caution is warranted on higher moves at these levels. The divergence means that we could potentially be still looking at a flat correction, where the wave B has made a new high. Downside moves below USD 3,859.5 would suggest a flat correction, while above the USD 3,859.5 level the move has the potential to be bullish impulse. To be bullish impulse, the divergence will need to fail. Technically, we are neutral due to the divergence, and the lack of clarity in the wave count.