FIS

Base Morning Technical Report

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Zn

(Bloomberg) -- Copper fell for a second day, dropping with other metals, as resurgent oil prices fanned concerns about prospects for the world economy.

Three-month copper — which posted a record close last week — fell below $14,200 a ton in London. Crude rose for a third day after the US hit targets in Iran, and Tehran retaliated with strikes in Jordan, Bahrain and Kuwait. The exchanges complicate the path toward reopening the Strait of Hormuz.

Industrial metals posted notable gains in August, with copper gaining almost 4%, on tight supplies. Still, a hawkish speech by Federal Reserve Chair Kevin Warsh last Friday, coupled with the flare-up in violence between the US and Iran, have fueled bets that the Fed will need to hike interest rates to fight inflation. That could slow economic growth, crimping industrial commodity demand.

“Higher oil prices are strengthening inflation expectations and copper prices are under pressure,” Guangzhou Futures Co. wrote in a note. “Overall fundamentals remain strong, but macro uncertainty will continue to contain any upside.”

Copper was 0.9% lower at $14,151 a ton on the London Metal Exchange at 10:53 a.m. in Shanghai, while zinc — which closed at a four-year high on Tuesday — dropped 1.3% to $3,873 a ton. Nickel, aluminum, tin and lead also fell.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,055	R1	14,225	14,162		RSI below 50
S2	14,026	R2	14,266			
S3	13,993	R3	14,300			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- The RSI is below 50 (43)
- Stochastic below 50
- Price is below the daily pivot point USD 14,300
- Technical Outlook Previously: Neutral
- We had been neutral previously due to the pullback breaching the USD 14,196. Yesterday we highlighted that the futures traded at a new high. Price was divergent with the RSI, warning that buyside momentum could slowdown; we also noted that the RSI was around the 60 level, failure there would 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 held 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 meant that we maintained a neutral bias; however, the divergence does suggest caution on higher moves, suggesting this could be a flat W-X-Y correction.
- The futures sold below the USD 14,214.5 support on the RSI divergence, resulting in the RSI rejecting the 60 level, signaling we are looking at a flat correction. Price is below the EMA support 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 14,300 with the RSI at or below 55 would mean price and momentum are aligned to the buyside. Upside move that fail at or below USD 14,322 would leave the futures vulnerable to further tests to the downside.
- Technical Outlook: neutral
- The futures look to be seeing a flat correction with price breaking fractal support on the move lower. Key support levels to now follow are USD 14,055 and USD 13,993. We highlight USD 13,993 as an area of interest, as this is a 161.8% Fibonacci projection of W from the peak at X. The 100% Fibonacci projection level is at USD 14,164.5, market sellers should be cautious on a close and hold above this level, as it would warn buyers are potentially looking for a higher timeframe bull cycle to emerge, or at least to test the USD 14,322 resistance. Points of interest on the wave cycle that warn there is a chance that we could be entering a higher timeframe corrective phase. **Note, these observations are based on the assumption that my wave cycle is correct;** we are looking at the cycle phase that started on the 24/06/26**.** Wave 1 is longer than my wave 3 count; as wave 3 can never be the shortest wave, this means phase of the cycle would be capped at a maximum upside at USD 14,802. However, more importantly, we have a double top forming at USD 14,441.5. Prechter and Frost noted in their book the Elliott wave principle that wave 5 projections have a tendency to be related to the length of wave 1 with a Fibonacci relationship of 61.8%, 1, 161.8% or variations of this (i.e. 2.618% etc). 14,441 on my current wave 5 is exactly 61.8% of our wave 1. We have reacted to an important resistance, we now wait to see if support holds.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,211	R1	3,270	3,269	RSI above 50	Stochastic overbought
S2	3,176	R2	3,281			
S3	3,120	R3	3,314			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (58)
- Stochastic is overbought
- Price is below the daily pivot point USD 3,270
- Technical outlook Previously: Buyside pressure increasing
- We noted yesterday that the symmetrical breakout above trend resistance at USD 3,233 indicated that price was seeing an increase in buyside pressure, warning that USD 3,314 resistance was vulnerable. This was a key resistance on the technical; if broken, it would imply that the upside move was 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 was leaning towards bullish impulse; if price could close and hold above the daily 200-period MA at USD 3,245 it would further support a buyer's argument.
- The futures remain supported with price trading at yesterdays levels. 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 below USD 3,270 with the RSI at or below 55.5 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. Upside moves that fail at or below USD 3,314 would leave price vulnerable to further downside moves
- Technical outlook: Supported
- Having broken the symmetrical triangle to the upside the futures have seen a daily close above the daily 200-period MA at USD 3,274. If we hold above the daily 200-period MA it will signal an underly support in the market, warning the USD 3,314 resistance could be tested and broken. Conversely, failure to hold above the daily average would suggest we currently lack buyside intensity. Although supported we now need to see the RSI reclaim the 60 level for upside continuation.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,899	R1	3,947	3,886		RSI below 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 below 50 (49)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,934
- Technical outlook Previously: Caution on upside breakouts
- We noted yesterday that we had a similar situation in Zn to that of Cu; the futures were trading at a new high, meaning we could be looking at a bullish impulse move. However, the new high had resulted in a negative RSI divergence, suggesting caution was warranted on higher moves at those levels. The divergence meant that we could potentially be still looking at a flat correction, where the wave B had 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 had the potential to be bullish impulse. To be bullish impulse, the divergence would need to fail. Technically, we are neutral due to the divergence, and the lack of clarity in the wave count.
- The futures have traded at a low of USD 3,859. We are above the EMA support band with the RSI near-neutral at 49, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,934 with the RSI at or above 59.5 would mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 3,765 would support a longer term bull argument bull argument.
- Technical outlook: Caution on upside moves
- The move below USD 3,859.5 suggest we are in a corrective phase. On the buyside, the wave B did trade at a new high, signaling underlying support within the broader trend; throwbacks that hold at or above USD 3,765 will warn that there is a larger bull cycle in play. On the sell side, we have a lower low supported by bearish momentum confirmation, implying caution on upside moves in the near-term. Bullish confirmation only comes from a move above the USD 3,990 level at this point, preferably with an RSI making new highs.