FIS

Base Morning Technical Report

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Metals

(Bloomberg) -- Industrial metals retreated as escalating hostilities in the Middle East underscored lingering headwinds, after a key gauge of prices on the London Metal Exchange surged to an all-time high.

The LME's all-in index of six base metals hit a record on Tuesday as copper soared to fresh highs, aluminum extended gains and zinc breached $4,000 a ton for the first time since 2022. Supply-side issues have played a big part in the advance, but the Iran war remains a risk for prices by threatening global growth.

In the latest flare-up of violence, the US military said it destroyed five Iranian tankers carrying crude oil after Tehran tried to strike a US Navy warship. Brent crude rallied toward $100 a barrel, fueling concerns about inflation ahead of US data on consumer prices due Friday.

"Caution remains warranted at the macroeconomic level," Guangzhou Futures Co. wrote in a social media note. "There's still uncertainty about US inflation, and shifting expectations for Federal Reserve policy can potentially put downward pressure on copper prices."

The LMEX Index has gained more than 40% from a year ago as metals markets tighten. For copper, the shift of hundreds of thousands of tons to the US in anticipation of import tariffs has left the LME market underserved. Zinc has suffered from significant pressures on ore supply, while the Iran war has crimped flows of aluminum from the Middle East.

On Wednesday, copper fell 0.6% to $14,625 a ton as of 10:36 a.m. in Shanghai as all LME base metals retreated.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,562	R1	14,665	14,641	RSI above 50	Stochastic overbought
S2	14,522	R2	14,834			
S3	14,495	R3	14,969			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI is at 50 (64)
- Stochastic overbought
- Price is below the daily pivot point USD 14,665
- Technical Outlook Previously: Downside moves considered as countertrend
- We noted yesterday that the futures were trading at new highs with the RSI reclaiming the 60 level and testing 70, indicating momentum was supported. Elliott wave analysis implied that downside moves should be considered as countertrend, providing the USD 14,351 support was not breached; if it was, then the probability of the futures trading at new highs would start to decrease. Market buyers should act with caution on a close and hold below the trend support line at USD 14,450, as it would signal an increase in sell side pressure.
- Having traded at a high of USD 14,779 the futures have sold lower on the open this morning. We are above all key moving averages with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 14,665 with the RSI at or above 69 would mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 14,404 would support a bull argument, below this level the technical would have a neutral bias.
- Technical Outlook: Downside moves considered as countertrend
- The futures have now entered a lower timeframe corrective phase supported by the RSI moving below its trend support line, signaling buyside pressure is weakening. Countering this, the futures remain above its trend support line at USD 15,522, a close and hold below the support line would warn that the USD 14,404 support could be tested. This is a key near term support, as out Elliott wave analysis implies that downside moves should be considered as countertrend, providing USD 14,404 is not breached; if it is, then it would suggest that we are entering a higher timeframe corrective phase. Market sellers should be cautious on a move above USD 14,703.5, as this is a lower timeframe fractal resistance; if breached, it will signal that buyside pressure is increasing. Based on our Elliott wave analysis, we are currently cautious on lower moves.

Aluminium Morning Technical (4-hour)



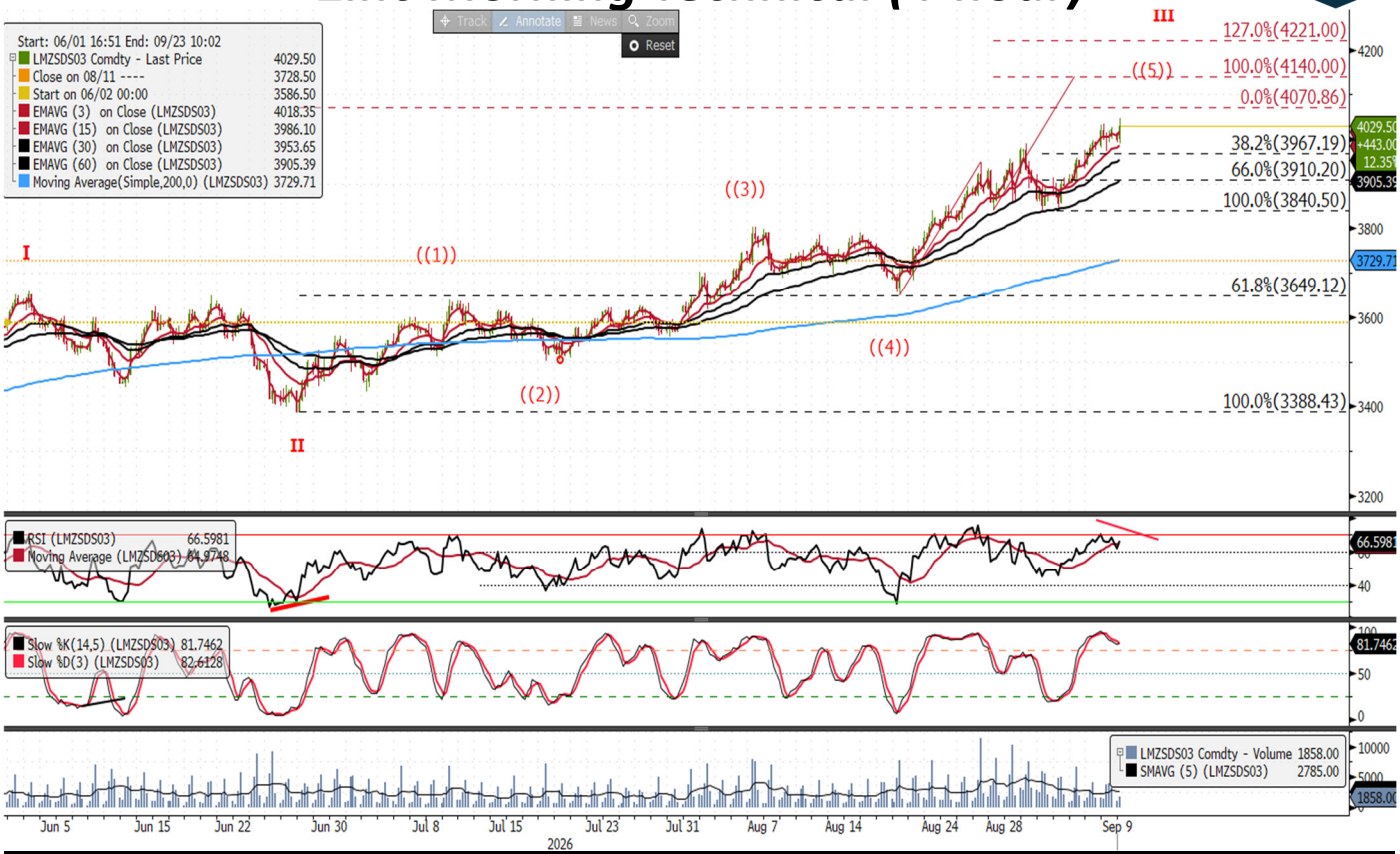
Support		Resistance		Current Price	Bull	Bear
S1	3,289	R1	3,336	3,326.5	RSI above 50	Stochastic overbought
S2	3,278	R2	3,353			
S3	3,268	R3	3,371			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (60)
- Stochastic is overbought
- Price is below the daily pivot point USD 3,336
- Technical outlook Previously: Negative divergence
- The new high yesterday meant that the RSI is divergent, warning buyside momentum could slow down. We also noted that the futures were advancing on declining volume, suggesting the move higher lacked buyside energy, momentum and volume indicated caution was warranted on higher moves at those levels. Countering this was the resilience of the move higher on our Elliott wave count; due to a daily timeframe wave overlap, we had this upside move as being a corrective phase within a bearish move. We noted that this maybe the case, we were vulnerable to a move lower based on momentum and volume, but the resilience and move above the USD 3,328.5 fractal high were making me question the structure of this cycle. I though we are vulnerable to a move lower in the near-term; on the broader trend I had become neutral due to the lack of clarity.
- The futures traded at a high of USD 3,358.5 before seeing a small move lower on the open. We remain above all key moving averages supported by the RSI, intraday price and momentum are now conflicting.
- A close on the 4-hour candle below USD 3,336 with the RSI at or below 60 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. Downside moves that hold at or above USD 3,239 would indicate underlying support, below this level the technical would have a neutral bias.
- Technical outlook: neutral
- The upside move to new highs has resulted in the divergence failing, indicating we were not looking at a flat correction from C. For this reason we have changed the Elliott wave count to represent a 5-wave impulse move higher. The divergence failure means we have bullish momentum confirmation, warning the intraday pullback has the potential to be countertrend in the near-term; however, we have a bullish high volume candle at trend resistance that has resulted in a small move lower. Throwbacks that hold at or above USD 3,239 would support a bull argument, warning there could be further upside in this cycle. Addressing the wave overlap on the daily timeframe: it could be that the waves have overlapped, as we are looking at a double 3 pattern higher on the daily chart, suggesting support levels will hold if tested, as this would suggest we are on wave 1, of the second 3-wave pattern. Logically, the double 3-wave pattern makes sense, as the intraday pattern consists of 5 waves, meaning it is impulse into the move that is directly one higher degree above it (put simply—if we are in the section of the 3—wave pattern that is moving higher on the daily timeframe, then the intraday will produce a bullish impulse pattern. We are neutral as we are on the intraday wave 5, we could move higher in the near-term, but upside move has the potential to be limited.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	4,009	R1	4,070	4,029.5	RSI above 50	Stochastic overbought
S2	3,967	R2	4,140			
S3	3,840	R3	4,221			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (66)
- Stochastic is overbought
- Price is above the daily pivot point USD 4,009
- Technical outlook Previously: Downside moves considered as countertrend.
- We noted yesterday that the RSI had breached the 70 level signaling momentum strength, we also have bullish momentum confirmation, suggesting downside moves should be considered as countertrend. This was supported by our Elliott wave analysis that indicates that throwbacks that hold at or above USD 3,906 would support a bull argument; below this level the probability of the futures trading at a new high would start to decrease.
- The futures sold to a low of USD 3,972 before trading back to new highs. We are above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting, as the RSI was below its MA on the previous candles close.
- A close on the 4-hour candle below USD 4,009 with the RSI at or below 63 would mean price and momentum are aligned to the sell side; likewise, a close above this level with the RSI at or above 67.5 would mean it is aligned to the buyside. Downside moves that hold at or above USD 3,910 would support a bull argument, below this level the technical would have a neutral bias.
- Technical outlook: Negative divergence
- The upside move to a new high means we have a minor negatives divergence in play. This is not a sell signal, it is a warning that we could see a momentum slow down, it will need to be monitored. The broader phase of this Elliott wave cycle that started in March remains in a bullish impulse wave 3; however, we have adjusted the lower timeframe wave count, as it looking more like and extended wave 5 (rather than an extended 3). Our reasoning for changing the count, on an extended wave 5, the Fibonacci relationship would have the wave 4 at around 61.8% of the impulse move (Elliott wave principle—Frost and Prechter—page 129). If this is the case, then USD 4,070 will be a key upside level on the technical, as the wave 4 at USD 3,649 would be at exactly 61.8% of the move highlighted. Throwbacks that hold at or above USD 3,910 would support a near-term bull argument, leaving price vulnerable to further extensions within this cycle. With USD 4,070 being a key technical level, alongside the RSI divergence, we are now cautious on higher moves, as there wre warning signs that we could potentially enter into a higher timeframe corrective phase soon.