FIS

Base Morning Technical Report

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Metals

(Bloomberg) -- Copper steadied near its highest-ever level, as investors mulled possible headwinds for a rally that's carried the metal close to $15,000 a ton.

Prices on the London Metal Exchange are on track for a record 11th weekly gain in a surge that's been inspired in large part by the shift of hundreds of thousands of tons to the US, which has tightened supplies elsewhere. A weaker US dollar and enthusiasm for data-center demand has also lent support.

Still, analysts are now warning that the gains could struggle to hold given some of the drivers appear fragile. Base metals are also at risk from a potentially hawkish tilt by the Federal Reserve, with traders awaiting a US inflation report on Friday that may boost the prospect of higher interest rates.

"We highlight the risk of a bubble," Natixis SA analyst Bernard Dahdah wrote in a note. "Prices are currently being driven by US import arbitrage opportunities and fast money, rather than fundamentals and end-consumer demand."

Copper has long been the subject of bullish forecasts by metals-watchers, who say higher prices are vital to secure investment in new mines and meet growing demand from sectors including artificial intelligence and renewable energy.

This year's rally — now close to 20% — has also been supercharged by trade distortions. US prices have been consistently higher than the LME's as traders anticipate the Trump administration will put import levies on refined metal. That's pulled material into US ports and warehouses, outside the LME network.

For Natixis' Dahdah there are plenty of risks. "Should the decision be that no new tariffs are applied, then the arbitrage closes," he said in the note dated Wednesday. "Outflows from the US could put large pressure on LME prices."

And even if tariffs were imposed as expected at 15% for 2027 and 30% for 2028, "then the arbitrage window also closes and US imports collapse (as in-land material is consumed)," he added.

Copper's latest gains have come even as signs of short-term pressures in the market have softened following a brief supply crunch last month, and as a rebound of crude oil threatens more risks for the global economy. Stockpiles in LME-tracked warehouses have also been more stable this month.

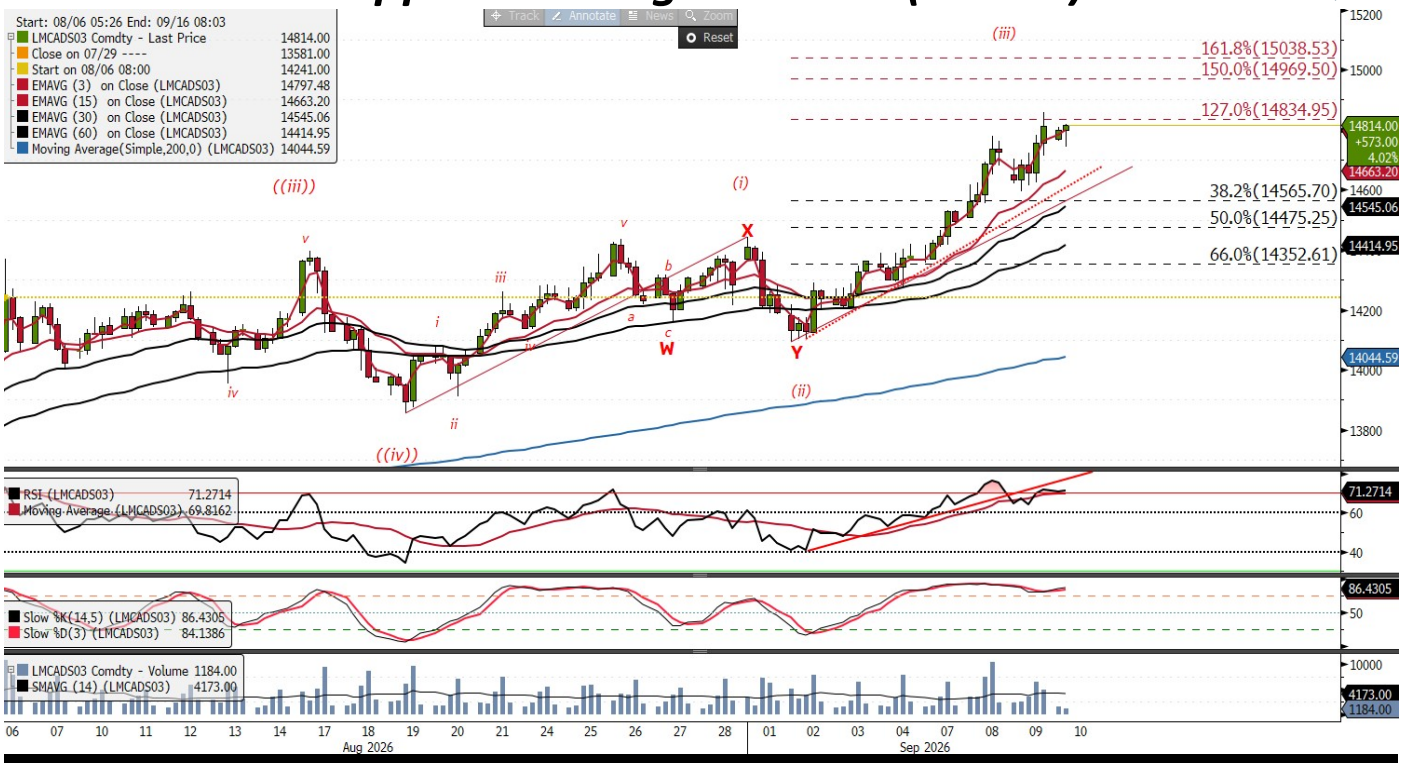
The LME's contract for September delivery — which expires next Wednesday — last traded at a discount of almost $45 a ton to the October contract. That's a sharp reversal from just a few weeks ago, when it reached a premium of more than $150, signaling a pinch on nearby supply.

"Whether the rally can continue to break new levels will depend on changes in positioning, increases and decreases in warranted inventories, and the evolution of near-month versus far-month spreads," China's Chaos Ternary Futures Co. said in a note.

Copper was little changed at $14,781 a ton on the LME at 12:34 p.m. in Shanghai. Other metals declined, with aluminum down 0.2% and zinc falling 0.6%.

In ferrous markets, iron ore edged 0.3% lower to $99.20 a ton in Singapore, dropping for a second day after closing on Tuesday at the highest since mid-June.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,739	R1	14,834	14,797	RSI above 50	Stochastic overbought
S2	14,565	R2	14,969			
S3	14,475	R3	15,038			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above at 50 (70)
- Stochastic overbought
- Price is above the daily pivot point USD 14,739
- Technical Outlook Previously: Downside moves considered as countertrend
- We noted yesterday that the futures had entered a lower timeframe corrective phase supported by the RSI moving below its trend support line, signaling buyside pressure was weakening. Countering this, the futures remained 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 implied that downside moves should be considered as countertrend, providing USD 14,404 was not breached; if it was, 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 was a lower timeframe fractal resistance; if breached, it would signal that buyside pressure was increasing. Based on our Elliott wave analysis, we are currently cautious on lower moves.
- The throwback held above the trend support line resulting in price closing back above the USD 14,703.5 level, the futures have since traded at new highs. 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 14,739 with the RSI at or below 67.5 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 14,352 would support a bull argument, below this level the technical would have a neutral bias.
- Technical Outlook: negative divergence
- The upside move has resulted in a negative RSI divergence, the RSI remains below its trend support line, implying caution on upside moves. Downside moves that close below the trend support line at USD 14,607 would signal that sell side pressure is weakening, leaving support levels vulnerable. Our Elliott wave analysis suggests that there remains a larger bull cycle in play at this point, warning downside moves still have the potential to be countertrend. Throwbacks that hold at or above USD 14,352 will support a bull argument, below this level the technical will have a neutral bias.

Aluminium Morning Technical (4-hour)



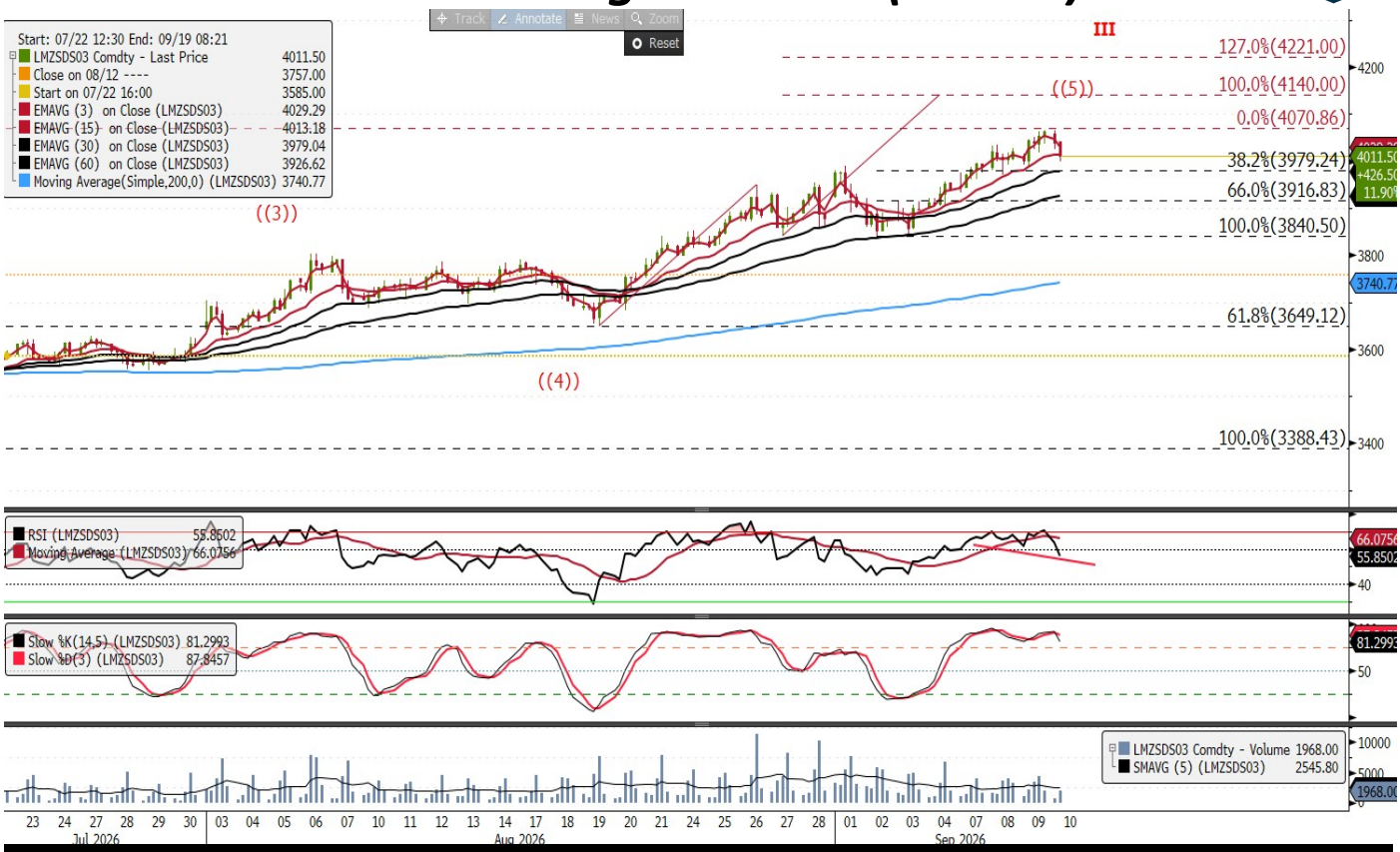
Support		Resistance		Current Price	Bull	Bear
S1	3,321.5	R1	3,353	3,342	RSI above 50	Stochastic overbought
S2	3,293	R2	3,371			
S3	3,271	R3	3,396			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (62)
- Stochastic is overbought
- Price is below the daily pivot point USD 3,347
- Technical outlook Previously: neutral
- We noted yesterday that the upside move to new highs had resulted in the divergence failing, indicating we were not looking at a flat correction from C. For this reason we had changed the Elliott wave count to represent a 5-wave impulse move higher. The divergence failure meant that we had bullish momentum confirmation, warning the intraday pullback has the potential to be countertrend in the near-term; however, we had a bullish high volume candle at trend resistance that had resulted in a small move lower. Throwbacks that held 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 had overlapped, as we were looking at a double 3 pattern higher on the daily chart, suggesting support levels would 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 consisted 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 would produce a bullish impulse pattern). We were neutral as we were on the intraday wave 5, we could move higher in the near-term, but upside move has the potential to be limited.
- The futures traded at a high of USD 3364.5 before rejecting the trend resistance line at USD 3,367. Price is selling lower in the morning session but we remain above the EMA support band. The RSI is above 50 with price and momentum aligned to the buyside, as the previous candle closed above the daily pivot while the RSI was above its MA.
- A close on the 4-hour candle below USD 3,347 with the RSI at or below 63 would mean price and momentum are aligned to the sell-side. Downside moves that hold at or above USD 3,241 would indicate underlying support, below this level the technical would have a neutral bias.
- Technical outlook: Positive reversal pattern
- The futures are on an Elliott wave 5 of this phase cycle with price rejecting its trend resistance line. However, the RSI has made a new low while price is above fractal support at USD 3,321.5, meaning we have a positive reversal pattern in play. The reversal pattern implies caution on lower moves while above the USD 3,321.5 support. Below USD 3,321.5 both price and the RSI would have made new lows; the negative momentum confirmation would then suggest that sell side pressure is increasing.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,979	R1	4,035	4,011.5	RSI above 50	Stochastic overbought
S2	3,916	R2	4,070			
S3	3,840	R3	4,140			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is above 50 (55)
- Stochastic is overbought
- Price is below the daily pivot point USD 4,035
- Technical outlook Previously: Negative divergence
- The upside move to a new high yesterday meant that we had a minor negative divergence in play. This was not a sell signal, it was a warning that we could see a momentum slow down, it needed to be monitored. The broader phase of this Elliott wave cycle that started in March remained in a bullish impulse wave 3; however, we had adjusted the lower timeframe wave count, as it was 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 was the case, then USD 4,070 would 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 held 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 were cautious on higher moves, as there were warning signs that we could potentially enter into a higher timeframe corrective phase soon.
- The futures traded at a high of USD 4,065 before seeing a small pullback in the Asian day session. We remain above all key moving averages supported by the RSI above 50, intraday price and momentum are conflicting, as the previous candle closed above the daily pivot level.
- A close on the 4-hour candle above USD 4,035 with the RSI at or above 68.5 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 3,916 would support a bull argument, below this level the technical would have a neutral bias.
- Technical outlook: Positive reversal pattern in play
- The RSI is making new lows while price is above the USD 3,990 fractal support, meaning we have a positive reversal pattern in play, warning there remains an underlying support in the market. Downside moves below USD 3,990 would signal sell side pressure is increasing, leaving the USD 3,916 support to follow. This is a key level in the technical, throwbacks that hold at or above this level would warn that the futures were vulnerable to a bullish Elliott wave extension; below this level would reduce the probability of price trading at new highs, increasing the probability that the futures have entered a higher timeframe corrective phase.