FIS

Base Morning Technical Report

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Metals

(Bloomberg) -- Copper declined as hotter-than-expected US inflation saw traders boost bets on the Federal Reserve hiking interest rates.

Futures on the London Metal Exchange fell as much as 0.7%, following their first weekly decline in since June. Most other major metal contracts also traded lower, hit by a strengthening dollar and broader pressure on risk assets.

Traders ramped up bets on a rate hike at the Fed's meeting this week following Friday's inflation print, though doubts remain about political pressure on the central bank. Tighter monetary policy is typically bad for non-yielding assets like metals.

The premium paid for spot copper over 3-month futures stood at $1 a ton on Monday, having narrowed sharply in previous weeks, a sign of supply tightness easing.

"With speculative length reduced but prompt tightness also easing, copper is likely to remain choppy around current levels until stronger dip-buying returns or a fresh macro or fundamental catalyst provides clearer direction," analysts at Sucden Financial Ltd. wrote in a note.

Copper rallied to a record high last week driven by bets the US would impose tariffs on refined metal, leading to traders pre-preemptively shipping it to America in a bid to profit from a spike in domestic prices. Optimism over demand for the wiring metal for data centers and renewable energy, as well as supply setbacks at key mines, have also supported the metal.

Copper on the LME declined 0.5% to $14,173 a ton at 1:58 p.m. Singapore time. Zinc was down 1.3%, while aluminum was flat. Iron ore fell for the fourth straight session, dropping 0.5% to $96.90 a ton.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,092	R1	14,250	14,162	Stochastic oversold	RSI below 50
S2	14,082	R2	14,359			
S3	13,995	R3	14,418			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- The RSI below at 50 (37)
- Stochastic oversold
- Price is below the daily pivot point USD 14,250
- Technical Outlook Previously: neutral
- We noted on Friday that the move below the USD 14,352 support meant that the intraday technical is considered neutral. If the USD 14,092 was breached, then the it would suggest that we have entered the higher timeframe corrective phase; conversely, upside moves above USD 14,627 would indicate price had re-entered bullish territory. The depth of the pullback would suggest that upside moves could struggle to hold; however, the move lower had not been technically driven. The RSI was at 42, if we started to see support above 40, then the momentum support would suggest we could see an intraday move higher. The caveat, for upside continuation, the RSI would need to reclaim the 60 level, failure to do so would warn of further downside in this corrective phase.
- The upside move has failed to hold resulting in the futures trading at a new low. We remain below all key moving averages supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 14,250 with the RSI at or above 49 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below the USD 14,623 resistance would leave price vulnerable to further tests to the downisde.
- Technical Outlook: Positive divergence
- We have a 3 wave corrective pattern lower that has resulted in a positive divergence. The divergence is a condition that warns sell side momentum could slow down, it is not a buy signal. Upside moves above USD 14,359 would indicate buyside pressure is increasing, warning that the USD 14,623 resistance could be tested. This is a key level on the technical; if rejected, it will leave price vulnerable to further tests to the downside (double 3 bearish pattern). Conversely, if breached, then price would re-enter bullish territory. Due to the divergence, the technical warrants a cautious approach to lower moves at these levels.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,241	R1	3,282	3,258	Stochastic oversold	RSI below 50
S2	3,217	R2	3,298			
S3	3,177	R3	3,308			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (38)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,264
- Technical outlook Previously: Corrective
- We noted on Friday that the throwback previously was above the USD 3,241 support, implying the move was corrective; below USD 3,241 the probability of the futures trading at a new high would beginning to decrease, this would take the technical into neutral territory. The RSI was above 40 implying momentum support at that point, warning the USD 3,333 resistance could come under pressure. We identify USD 3,333 as the key resistance to follow, upside moves above this level would imply that buyside pressure was increasing; conversely, if rejected it would signal a more complex corrective phase. however, if the resistance was breached, we would need to see the RSI reclaim the 60 level to support the break, otherwise upside continuation could fail. We were seeing momentum support, but we needed to see further upside from the technical to confirm genuine buyside pressure
- Upside pressure failed to materialise resulting in price breaching the USD 3,241 support while the RSI moved below 40. We are below the EMA resistance 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 3,264 with the RSI at or above 48.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,319 will leave the futures vulnerable to further tests to the downisde, above this level price would re-enter bullish territory.
- Technical outlook: Inflection point
- The move below USD 3,241 implies that the probability of the futures trading at a new high has started to decrease; Countering this, we have a 3-wave corrective pattern lower with the futures holding above the intraday 200-period MA at USD 3,240, the average holds more weight that the Fibonacci support. A close and hold above the daily 200-period MA at USD 3,266 would signal higher timeframe support, while a move above USD 3,308 would signal buyside pressure is increasing. However, for upside continuation the futures will need to trade above the USD 3,319 resistance to re-enter bullish territory. The futures are above the intraday 200-period MA but below the daily 200 MA, meaning we are at an infection point.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,790	R1	3,882	3,848.5	Stochastic oversold	RSI below 50
S2	3,759	R2	3,918			
S3	3,649	R3	4,982			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (37)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,882
- Technical outlook Previously: Caution on upside moves
- The move below USD 3,916 on Friday had reduced the probability of price trading at a new high, warning we were potentially in a higher timeframe corrective phase. We identified USD 3,991 as the key resistance to follow; if rejected, then it would warn that there was further downside within the technical, conversely, for upside continuation, we would need to breach the USD 3,991 level with the RSI reclaiming 60. Based on the depth of the pullback, we are currently cautious on upside moves.
- Bid support failed to hold on Friday resulting in price trading at new lows. We are below the EWMA 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 3,882 with the RSI at or above 44 would mean price and momentum are aligned to the buyside. Upside moves above USD 3,982 would indicate that price had re-entered bullish territory; conversely, if rejected it would signal a more complex corrective phase.
- Technical outlook: Positive divergence.
- The move to a new low means that we have a 3-wave pattern lower that has created a positive RSI divergence. This is a warning that sell side momentum could slow down, it is not a buy signal. Upside moves above USD 3,918 would signal an increase in buyside pressure, warning the USD 3,982 resistance could be tested. We identify USD 3,982 as the key intraday resistance to follow, as a rejection at or below it would signal a more complex corrective phase. With the divergence in play, the technical warrants caution on lower moves at these levels.