FIS Base Morning Technical Report

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(Bloomberg) -- Copper steadied after declining to near $14,000 a ton as fresh deliveries of stockpiles to exchange-tracked warehouses signaled an easing of a supply squeeze.

Futures on the London Metal Exchange were little changed on Tuesday after their lowest close in four weeks. Prices have pulled back sharply since rallying to a record high last week, when traders were diverting supplies to the US in anticipation of tariffs on refined metal, leaving the rest of the world starved of supply.

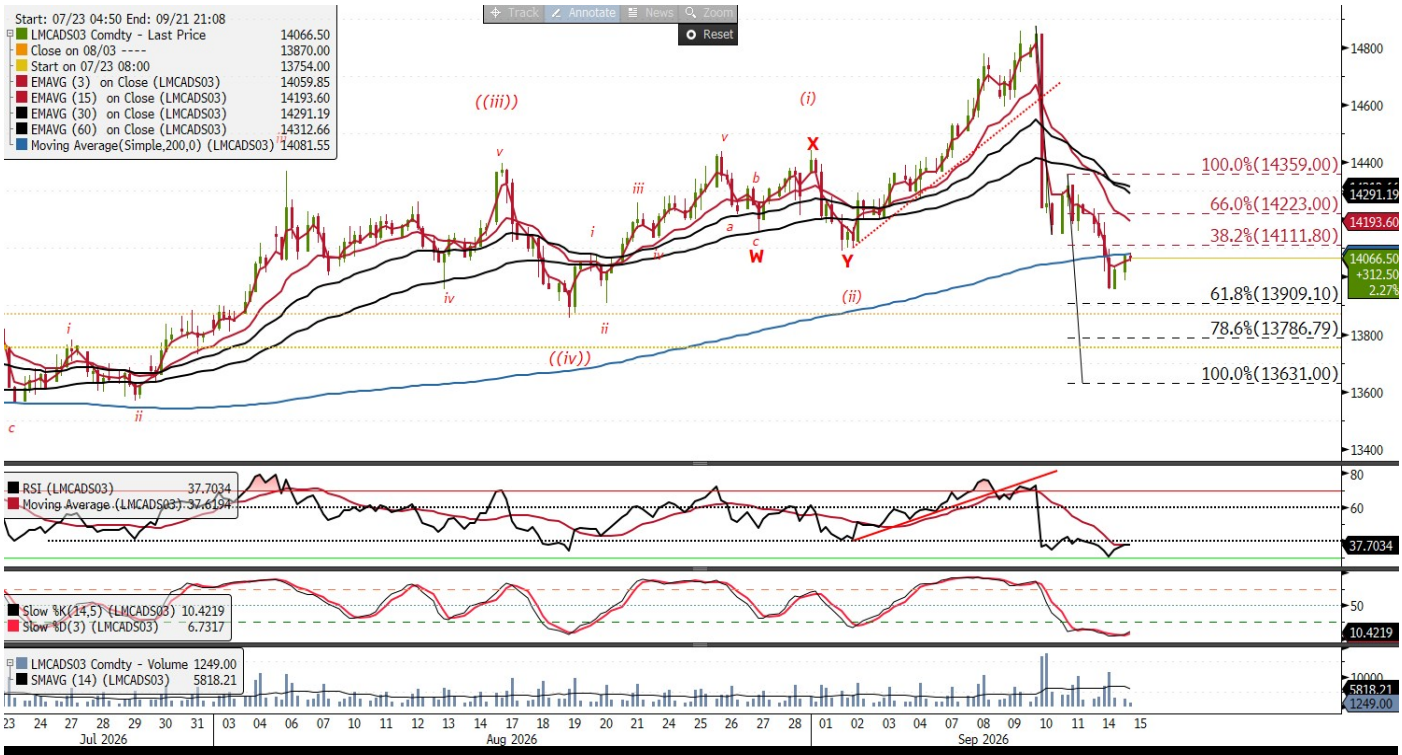
So far, that measure has failed to materialize and on Monday, LME warehouses received their biggest deliveries of the metal in almost four weeks. Three-month futures flipped to premium of $85.75 a ton to copper for immediate delivery, a market structure known as contango that signals ample supply.

Later Tuesday traders will look to a slew of economic data from China, including retail sales, to see how demand is holding up in the world's top metals consumer. Also in focus is the Federal Reserve's upcoming meeting, where the central bank is expected to raise interest rates. That's typically a negative for non-yielding assets like commodities.

Copper edged up 0.2% to trade at $14,032 a ton on the LME at 10 a.m. in Singapore. Other metals were similarly little changed, with aluminum up 0.2% and zinc down 0.2%.

Singapore iron ore futures were stable at $95.55 a ton.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,065	R1	14,099	14,066.5	Stochastic oversold	RSI below 50
S2	13,909	R2	14,111			
S3	13,786	R3	14,223			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- The RSI below at 50 (37)
- Stochastic oversold
- Price is above the daily pivot point USD 14,065
- Technical Outlook Previously: Positive divergence
- We noted yesterday that we had a 3 wave corrective pattern lower that had resulted in a positive divergence. The divergence was a condition that warned sell side momentum could slow down, it was not a buy signal. Upside moves above USD 14,359 would indicate buyside pressure was increasing, warning that the USD 14,623 resistance could be tested. This was a key level on the technical; if rejected, it would 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 warranted a cautious approach to lower moves at these levels.
- The futures continued to sell lower resulting in the divergence failing. Having sold to a low of USD 13,958 the futures have seen light bid support in the Asian day session. We are below the EMA resistance band supported by the RSI below 50, intraday price and momentum are conflicting.
- A close on the 4-hour candle above USD 14,065 with the RSI at or above 40 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. Upside moves that fail at or below the USD 14,359 resistance would leave price vulnerable to further tests to the downside, above this level the technical would have a neutral bias.
- Technical Outlook: inflection point
- Bid support in the Asian day session means that the futures are testing the intraday 200-period MA at USD 14,081, indicating that price is at an inflection point. A close and hold above the average would imply underlying support is entering the market, warning intraday resistance levels could be tested; conversely, if rejected, then it would leave price vulnerable to one more test to the downside within this phase of the cycle. A close and hold above the 200-period MA would signal support; however, a move above the USD 14,099 1-hour fractal resistance would imply that buyside pressure is increasing. We will have a note of caution on moves below USD 13,958, as it has the potential to create a positive divergence on the 1-and-4-hour timeframes.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,246	R1	3,269	3,263.5	Stochastic oversold	RSI below 50
S2	3,241	R2	3,281			
S3	3,217	R3	3,291			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA support band (Black EMA's)
- RSI is below 50 (44)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,246
- Technical outlook Previously: Inflection point
- The move below USD 3,241 yesterday implied that the probability of the futures trading at a new high had 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, we noted that the average held 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 would increasing. However, for upside continuation the futures would need to trade above the USD 3,319 resistance to re-enter bullish territory. The futures were above the intraday 200-period MA but below the daily 200 MA, meaning we were at an infection point.
- The futures traded at a low of USD 3,227 before finding light bid support to close back above the intraday 200-period MA at USD 3,241. We remain below the EMA support band with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,46 with the RSI at or below 36.5 would mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 3,281 would leave the futures vulnerable to further tests to the downisde, above this level the technical would have a neutral bias.
- Technical outlook: Caution on downside
- The RSI has held support while the 1-hour RSI is divergent, resulting in price moving higher, implying a cautious approach is warranted on downside breakouts. Price has tested the USD 3,266.5 fractal resistance, a move above this level would in theory imply buyside pressure is increasing. However, we have the 200-period MA at USD 3,269; for upside continuation we would need to see a daily close and hold above the that average. Although cautious on downside moves, the futures remain at an inflection point on the daily timeframe.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,790	R1	3,811	3,787.5	Stochastic oversold	RSI below 50
S2	3,759	R2	3,824			
S3	3,738	R3	3,866			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (32)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,811
- Technical outlook Previously: Positive divergence.
- The move to a new low yesterday meant that we had a 3-wave pattern lower that had created a positive RSI divergence. This was a warning that sell side momentum could slow down, it was 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 identified 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 warranted caution on lower moves at these levels.
- The futures sold at a low of USD 3,776.5 before finding light bid support. 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 3,811 with the RSI at or above 37.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3,866 would leave the futures vulnerable to further tests to the downside, above this level the technical would have a neutral bias.
- Technical outlook: Positive divergence.
- The future remain above the intraday 200-period MA at USD 3,759 with the 1-hour RSI still divergent. For downside continuation the futures will need to close and hold below the average with the divergence failing, failure to do so will leave price vulnerable to an intraday move higher. We maintain a cautious approach to downside breakouts at this point.