FIS

Base Morning Technical Report

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(Bloomberg) -- Industrial metals fell, with copper retreating from near-record levels, as traders weighed the outlook for US interest rates amid shifting oil prices and comments from Federal Reserve officials.

Copper declined as much as 0.8% on the London Metal Exchange on Wednesday, pulling back after a six-day advance. Several Fed policymakers have voiced concerns about the outlook for inflation. Richmond Fed President Tom Barkin said Tuesday that it could take time for inflationary shocks to wane, while other officials have also signaled further tightening may be needed.

The dollar has strengthened, weighing on metals priced in the currency, as expectations of more Fed tightening have increased, with a Bloomberg gauge of the greenback heading toward the highest since July.

Higher energy costs stemming from the Middle East conflict have added to concerns and helped drive expectations for tighter monetary policy. Oil declined on Wednesday, however, after President Donald Trump said US officials had a “very productive” meeting with Iranian envoys, raising the prospect that some of those price pressures could ease.

Nickel fell 0.3%, giving back some of Tuesday’s 1.9% surge after drought-related water shortages forced smelters at Indonesia’s Morowali processing hub to cut nickel pig iron output.

Three-month copper futures on the LME declined 0.7% to $14,650 a ton as of 11:30 a.m. Singapore time. Other base metals from aluminum to zinc were also lower.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	15,562	R1	14,742	14,646	RSI above 50	Stochastic overbought
S2	14,478	R2	14,843			
S3	14,365	R3	14,875			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- The RSI above at 50 (57)
- Stochastic is overbought
- Price is below the daily pivot point USD 14,875
- Technical Outlook Previously: Downside moves considered as countertrend
- The RSI was holding above 60 having breached the 70 level yesterday, indicating bullish momentum confirmation. Elliott wave analysis supported the bullish momentum confirmation and continued to suggest that downside moves should be considered as countertrend, providing throwbacks held above the USD 14,345 level. Below USD 13,345 the probability of the futures trading at a new high (high—correction) would start to decrease. A close and hold below the trend support line at USD 14,668 would warn that sell-side pressure was increasing, indicating the futures could be entering a corrective throwback. Likewise, market buyers should act with caution if price and momentum become aligned to the sell side, as this would also put the RSI below its trend support line. The weakening momentum was not prerequisite that price would sell lower, but it would warn that we could see an intraday pullback.
- The RSI broke trend support into the close yesterday resulting in the futures selling lower, we are above the EMA support band with the RSI above 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 14,875 with the RSI at or above 70 would mean price and momentum are aligned to the buyside. Throwbacks that hold at or above USD 14,365 would support a bull argument, below this level the technical would have a neutral bias.
- Technical Outlook: Bullish throwback
- The futures have closed below the trend support line on the weakening momentum in the Asian day session, indicating sell side pressure is increasing. However, our Elliott wave analysis implies that this move lower looks to be a bullish throwback, rather than bearish, making USD 14,365 the key support to follow. Throwbacks that hold above USD 14,365 will support a bull argument, if breached, then the probability of price trading at a new high would begin to decrease, this is based on the depth of the pullback. Sell side pressure has increased, the wave cycle suggests caution is warranted on lower moves as it looks to be countertrend,

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,242	R1	3,256	3,239	Stochastic oversold	RSI below 50
S2	3,217	R2	3,264			
S3	3,198	R3	3,280			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (37)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,264
- Technical outlook Previously: neutral
- The futures continued to trade on the daily 200-period MA at USD 3,278 yesterday, meaning price remained at an inflection point, signaling neutrality. We had broken the trend support line at USD 3,283 warning the intraday technical was showing signs of weakness. A close back above the support line would also need to close above the high of the high volume bear candle at USD 3,289; if we did, it would signal an increase in buyside pressure. Conversely, market sellers should act with caution if the RSI held the 40 level, as this would warn that momentum remained supported. Having seen price close below the daily 200-period MA, we now have to contend with the 50-period MA at USD 3,240; a daily close an hold below this average would warn that the technical condition was weakening. Neutral.
- The futures have sold lower with price below the intraday 200-period MA at USD 3,256. We are below all key intraday 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 3,264 with the RSI at or above 47.5 would mean price and momentum are aligned to the buyside. Upside moves that fail at or below USD 3m316 would warn that the corrective phase has the potential to become more complex.
- Technical outlook: Neutral
- We have closed below the daily 200-period MA at USD 3,280, and the intraday 200-period MA at USD 3,256 with price selling below the USD 3,241 Fibonacci support, this signals sell side pressure is increasing. The RSI move below 40 supports the weakening price action, warning the USD 3,223.5 support is vulnerable. However, as highlighted yesterday, for downisde continuation we will also need to see a close and hold below the daily 50-period MA at USD 3,242. The technical is weakening, but we still need to see more downside to indicate longer-term sell side pressure will persist.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,807	R1	3,922	3,899		
S2	3,790	R2	3,952			
S3	3,738	R3	3,994			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- RSI is at 50 (50)
- Stochastic is below 50
- Price is below the daily pivot point USD 3,922
- Technical outlook Previously: Downside moves considered as countertrend
- The RSI was failing to hold above the 60 level yesterday signaling momentum is showing signs of weakness, warning price is entering a corrective phase. We noted previously that price had held above 50, while the RSI had held the 40 level, implying momentum support. Our intraday Elliott wave analysis also suggest that downside moves should be considered as countertrend, while the breach in the USD 3,952 resistance meant that price was back in bullish territory, supporting our view that downside moves should be considered as countertrend. We are seeing signs of intraday weakness but had a cautious approach to lower moves at this point.
- The futures sold to a low of USD 3,860.5 on the momentum weakness with price now seeing light bid support. We are between the EMA support band with the RSI neutral at 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 3,929 with the RSI at or above 58.5 would mean price and momentum are aligned to the buyside. Downside moves that hold at or above USD 3,790 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 entered a corrective phase on the weakening momentum highlighted previously; however, out Elliott wave analysis suggests that the broader trend remains bullish, implying throwbacks should be considered as countertrend, providing the USD 3,790 support is not breached. If it is, then the probability of price trading at a new high will start to decrease. We are now seeing bid support with the RSI holding above the 40 level, suggesting momentum remains supported at this point. Caution is warranted if the RSI closes and holds below 40, as it would warn that the intraday 200-period MA at USD 3,807 could be tested.