FIS

Base Morning Technical Report

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(Bloomberg) -- Copper extended gains as traders looked to a more hopeful outlook for interest rates and gauged the impact on supply of a fatal mine incident in Chile.

The bellwether metal climbed as much as 0.6% on Monday as a fall in oil prices fueled some optimism that central banks could hold off on further rate hikes to rein in energy-led inflation. This came even as investors weighed geopolitical risks stemming from an escalation in hostilities in the Middle East, and while awaiting the mid-week release of US inflation data. Higher borrowing costs typically reduce the appeal of non-yielding commodities.

In Chile, two workers died on Sunday after a snow avalanche struck Codelco's giant El Teniente copper mine, where open-pit operations had already been halted due to bad weather.

That supply setback comes at a time of trade dislocations and growing global demand for the industrial metal. Chinese inventories remain low following a weeklong national holiday, while a gauge of import demand reached a four-year high last week in a sign of potential restocking by buyers in the world's biggest consumer.

Copper rose 0.5% to $14,618 a ton on the London Metal Exchange as of 11:54 a.m. in Singapore, after gaining almost 2% last week. Aluminum was stable, while zinc was up 0.6%.

Copper Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	14,415	R1	14,646.5	14,576.5	RSI above 50	
S2	14,360	R2	14,671			
S3	14,306	R3	14,742			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA support band (Black EMA's)
- The RSI above at 50 (59)
- Stochastic is above 50
- Price is above the daily pivot point USD 14,472
- Technical Outlook: Neutral
- We noted on Friday that the failure to hold the upside move previously had resulted in the futures trading below the USD 14,332 fractal support, indicating the technical was bearish based on price, while the move below USD 14,360 suggested that if there is a higher timeframe bullish wave cycle in play, it should now be considered as neutral. The RSI had held above the 40 level, while price had failed to hold below the intraday 200-period MA 14,350, as the daily 50-period SMA at USD 14,296 had acted as support. We identified USD 14,525 as the key near-term resistance, upside moves that failed at or below this level would warn that support levels could come under pressure. Conversely, heaving seen momentum support and held the daily 50-period SMA, a move above USD 14,525 would imply the USD 14,646.5 fractal high was becoming vulnerable. When we looked at the daily chart, the upside rejection previously meant that we could be looking at a larger symmetrical triangle, if this is the case, then the technical should be considered as neutral until directional bias is confirmed. This would come from a close and hold outside of the pattern.
- The futures have traded above the USD 14,525 resistance, we are above the EMA support band with the RSI above 50, intra-day price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 14,472 with the RSI at or below 53 would mean price and momentum are aligned to the sell side. Downside moves that hold at or above USD 14,403 with would support a bull argument, below this level the futures would re-enter bearish territory.
- Technical Outlook: Neutral
- The upside moves above USD 14,525 suggests that the probability of price trading at a new low has started to decrease, warning that the USD 14,646.5 fractal high could be tested and broken. However, we look to be in a large symmetrical triangle; a neutral pattern with price needing to close and hold outside of the converging trend lines to signal directional bias. A close and hold above USD 14,671 with volume support is needed to signal an increase in buyside pressure. Conversely, a close and hold below the trend support at USD 14,364 would be considered a bearish breakdown.

Aluminium Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,017	R1	3,062	3,031	Stochastic oversold	RSI below 50
S2	2,979	R2	3,073			
S3	2,947	R3	3,110			

Synopsis - Intraday

Source Bloomberg

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (31)
- Stochastic is oversold
- Price is below the daily pivot point USD 3,062
- Technical outlook Previously: Bearish wave extension
- The move lower on Friday had created a lower timeframe Elliott wave extension, meaning intraday upside moves should be considered as countertrend in the near-term, providing the USD 3,125 resistance was not breached. If we trade above USD 3,125, then the probability of price trading at a new low would start to decrease.
- The futures traded at a high of USD 3,094.5 before trading at new lows. We are 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 3,062 with the RSI at or above 38.5 would mean price and momentum are aligned to the buy-side. Upside moves that fail at or below USD 3,110 would warn that support levels could come under further pressure, above this level the technical would have a neutral bias.
- Technical outlook: Caution on downside moves
- The move to a new low means we are on the 5th wave of a 5-wave pattern lower with price now fivergent with the RSI, meaning we have a cautious approach to lower moves. Upside moves above USD 3,094.5 would signal an increase in buyside pressure, warning the USD 3,110 resistance could be tested and broken; if it is, then the probability of price trading at a new low would start to decrease. Conversely, if rejected, then the it would warn that there could be a larger, bearish wave cycle coming into play.

Zinc Morning Technical (4-hour)



Support		Resistance		Current Price	Bull	Bear
S1	3,795	R1	3,825	3,798	RSI above 50	Stochastic overbought
S2	3,775	R2	3,835			
S3	3,687	R3	3,849			

Synopsis - Intraday

Source Bloomberg

- Price is above the EMA resistance band (Black EMA's)
- RSI is above 50 (55)
- Stochastic is oversold
- Price is above the daily pivot point USD 3,775
- Technical outlook Previously: Neutral
- The move below USD 3,731 previously had reduced the probability of the futures trading at a new high within this phase of the cycle; countering this, the RSI had held the 40 level, implying we had momentum support. Upside moves that closed and held above trend resistance at USD 3,777 would further support a buyers argument, warning the USD 3,828.5 fractal resistance could be tested. The move higher previously had rejected the daily 50-period SMA at USD 3,821, making this a key area to follow. For upside continuation the futures will need to close and hold above the daily 50-period SMA.
- The futures are trading on the trend support line at USD 3,795. The RSI is above 50 with price above the EMA resistance line, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,775 with the RSI at or below 49.5 would mean price and momentum are aligned to the sell side. Upside moves that fail at or below USD 3,884 would warn that support levels could come under further pressure.
- Technical outlook: Inflection point
- The futures are above the trend resistance line; however, price is back testing the USD 3,795 support, we are yet to see if we will hold above it, meaning we are at an inflection point. A daily close and hold above the 50-period MA at USD 3,825 would signal buyside pressure is increasing. We also note that the RSI has seen a small rejection around the 60 level, warning of potential momentum weakness. A bullish daily close will need to be supported by the intraday RSI reclaiming and holding above the 60 level. Caution is warrened on a close below the support line at USD 3,795, as the RSI rejection, coupled with a bearish lose would lave intraday support levels vulnerable.