Base Morning Technical Report

info@freightinvestor.com | freightinvestorservices.com | fis-live.com
London (+44) 20 7090 1120 | Dubai (+971) 4 4493900 | Singapore (+65) 6535 5189 | Shanghai (+86) 21 6335 4002

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(Bloomberg) -- Since Donald Trump came back into office, copper has surged on a seismic reshuffling of global inventories linked to the risk that he'll impose tariffs on the metal. But as Trump nears the halfway mark on his second term, the market's many bulls are growing wary that prices could crash if he doesn't follow through.

Until the past few weeks, copper futures in New York had traded at persistent premiums to the global benchmark set on the London Metal Exchange, and that's enabled traders to make unprecedented profits shipping copper to the US before any levies come in. In turn, inventories outside the US have plunged, with ongoing US imports fueling a feedback loop that helped drive LME prices to a record near $15,000 a metric ton last month.

But with the midterm elections approaching, investors across markets are questioning whether a strong showing for the Democrats will disrupt Trump's trade agenda — or whether it might even prompt him to double down on tariffs. And for copper bulls, the consequences could be profound if Trump is found to be unwilling or unable to push ahead with the levies.

Analysts at Natixis SA have warned that the tariff trade has created a bubble in the market for one of the world's most important industrial commodities, and it could soon burst if tariffs are ruled out. Macquarie Group says prices could crash toward $10,000 a ton in that scenario, or they could rally as far as $18,000 if tariffs are announced with a lag that would allow traders to ship even more metal to the US. Three-month futures traded little changed at $14,436 a ton on the LME at 9:44 a.m. in Shanghai.

"I have never seen anything like this before, with the future price direction ultimately resting on the decision of one man," Alice Fox, a commodities strategist at Macquarie said in an interview.

Chart Source: Bloomberg

Copper Morning Technical (4-hour)



Support		Resistance		Current price	Bull	Bear
S1	14,405	R1	14,478	14,436		RSI below 50
S2	14,395	R2	14,496			
S3	14,317	R3	14,549			

Chart Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- The RSI below 50 (48)
- Stochastic is below 50
- Price is above the daily pivot point USD 14,405
- Technical Outlook: Retest
- The upside move in the futures on Friday had tested but remains below the trend resistance line at USD 14,457; however, a rejection from the trend resistance would need to see a close and hold back below the intraday 200-period MA at USD 14,394. Conversely, a close and hold back above the resistance line would neutralize the downside breakout. We were potentially seeing a break, retest, and rejection of the symmetrical triangle, further downside and a bearish close and hold was still needed for confirmation.
- The futures closed but failed to hold below the intraday 200 period MA at USD 14,395; however, we remain below trend resistance at USD 14,496. Price is 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 below USD 14,405 with the RSI at or below 41 would mean price and momentum are aligned to the sell-side. Upside moves that fail at or below USD 14,549 would leave the futures vulnerable to further tests to the downside, above this level the probability of price trading at a new low would start to decrease.
- Technical Outlook: Neutral
- The rejection from the symmetrical triangle on Friday has failed to hold below the 200-period MA; however, price is still below trend resistance, indicating near-term price action is neutral. A close and hold below the 200-period MA is needed for downside continuation; Conversely, a close and hold above the resistance line will confirm a neutral technical, as the futures would be back in the symmetrical triangle. A move above the USD 14,509.5 would signal that intraday buyside pressure is increasing; however, key resistance is at USD 14,549, a rejection at or below this level would signal that we could be looking at a more complex corrective phase, while a move above USD 18,549 would reduce the probability of the futures trading at a new low.

Aluminium Morning Technical (4-Hour)



Support		Resistance		Current price	Bull	Bear
S1	2,948	R1	3,005	2,996		RSI below 50
S2	2,924	R2	3,030			
S3	2,900	R3	3,046			

Chart Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (40)
- Stochastic is above 50
- Price is below the daily pivot point USD 3,005
- Technical outlook Previously: Sell side pressure increasing
- We noted on Friday that we had adjusted the wave count as it looked like the wave three extension had started earlier, we maintained our view that upside moves should be considered a countertrend. A negative reversal pattern also supports our analysis, as this also implied that upside move could struggle to hold. Key resistance to follow was at USD 3,087, above this level, the lowest timeframe Elliott wave cycle would have a neutral bias. This move lower looked to be part of a larger corrective wave cycle, we identify 4 bearish wave cycles of different degrees in play, suggesting we were in a strong trending environment.
- The futures remain supported but below the EMA resistance band with the RSI below 50, intraday price and momentum are now conflicting.
- A close on the 4-hour candle below USD 3,005 with the RSI at or below 34 would mean price and momentum are aligned to the sell-side; likewise, a close above this level would mean it is aligned to the buyside. Upside moves that fail at or below USD 3,087 would warn that support levels could come under further pressure, above this level the technical would have a neutral bias.
- Technical outlook: Upside moves considered as countertrend
- Our Elliott wave analysis continues to suggest that upside moves should be considered as countertrend, while below USD 3,046 there remains a negative reversal pattern in play, this also implies caution on higher moves. Above USD 3,046 both price and the RSI would have made a higher high, indicating bullish momentum confirmation, warning the USD 3,087 resistance could be tested. We continue to identify USD 3,087 as the key near-term resistance, if breached, then the lower timeframe Elliott wave cycle would become neutral within the broader bearish trend.

Zinc Morning Technical (4-Hour)



Support		Resistance		Current price	Bull	Bear
S1	3,692	R1	3,706	3,696		RSI below 50
S2	3,673	R2	3,738			
S3	3,585	R3	3,766			

Chart Source Bloomberg

Synopsis - Intraday

- Price is below the EMA resistance band (Black EMA's)
- RSI is below 50 (47)
- Stochastic is below 50
- Price is above the daily pivot point USD 3,692
- Technical outlook Previously: Inflection point
- The futures had traded back above the USD 3,706 resistance on Friday, however, the move is struggling to hold above this level. The counter to this, the RSI has moved back above 40, if we held above 40 it would warn of momentum support. Price was at an inflection point, as we were yet to see if we would hold below the range formation, we would also need to see the RSI move below 40 to signal a weakening technical. If we closed and hold above USD 3,706, it would neutralize the downside breakout.
- The futures failed to hold above the USD 3,706 level; however, we are still trading around USD 3,706. Price is below the EMA resistance with the RSI below 50, intraday price and momentum are aligned to the buyside.
- A close on the 4-hour candle below USD 3,692 with the RSI at or below 39.5 would mean price and momentum are aligned to the sell-side. Upside moves that fail at or below USD 3,766 would warn that support levels could come under further pressure.
- Technical outlook: Inflection point
- The futures remain at an inflection point as we remain just below the USD 3,706 level; if rejected it will signal that polarity resistance is forming, warning that the USD 3,650 fractal low could come under pressure. The caveat, any move lower is going to need the RSI to close and hold below 40 to signal downside continuation. Conversely, market sellers should act with caution on a close and hold above USD 3,706, as it would warn that the USD 3,766 resistance could be tested and broken. If it is, then the probability of the futures trading at a new low would start to decrease.

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