

Market Spotlight: Copper looks poised to break lower and USDCLP targets 759.75

Global Strategy Technical Analysis

Copper (LME 3-month) - Weekly



Source: the BLOOMBERG PROFESSIONAL™ service, CQG, Credit Suisse

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Copper looks poised to break lower

Copper (LME) has traded sideways in a converging range since August 2015 as it consolidates the sharp fall from May/August, and appears to be forming a bearish “symmetrical triangle” continuation pattern. We expect an eventual break below the \$4855 August 2015 low to turn the core trend lower again and confirm the bearish continuation pattern. This would then aim immediately at our target at \$4718/\$4685 – the 61.8% retracement of the 2001/2011 rise and price support. We would expect a bounce here. However, beneath it can see further weakness to pattern objectives/channel support at \$4429/\$4263. We would expect a hold here, but if removed would look on to \$3669.

Resistance moves to \$5272, then \$5348 with \$5440/\$5476 expected to cap.

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Exhibit 1: USDCLP - Monthly



Source: the BLOOMBERG PROFESSIONAL™ service, CQG, Credit Suisse

Exhibit 2: CLP overlaid with Copper



Source: the BLOOMBERG PROFESSIONAL™ service, CQG, Credit Suisse

USDCLP stays bullish for the 2002 record high at 759.75

USDCLP has been trapped in a broad sideways range since August this year. However, the medium-term uptrend remains intact, and with longer-term RSI momentum already breaking higher (c.f. lower panel of the left hand chart above) we see the risks skewed for a breakout above the range highs at 708.82/709.85. This would turn the core trend higher again and aim at 726.15, then 733.25 with breakout objectives at 748.87, which we would expect to cap at first. The bigger barrier remains at the 2002/2003 highs at 757.05/759.75, which we would look to cap.

Copper is an important commodity for **CLP** and overlays well with it (see the right-hand chart above). Given our bearish outlook for the metal, this also reinforces the bearish outlook for **CLP**.

Support moves to 694.58/693.90, then 683.16. A break below here is needed to retest the range lows at 671.48/670.83, with a break here needed for a top.

Trade: Buy at 695.00, stop below 683.16 for 757.00. Also add on a direct break above 790.85.

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