momentum
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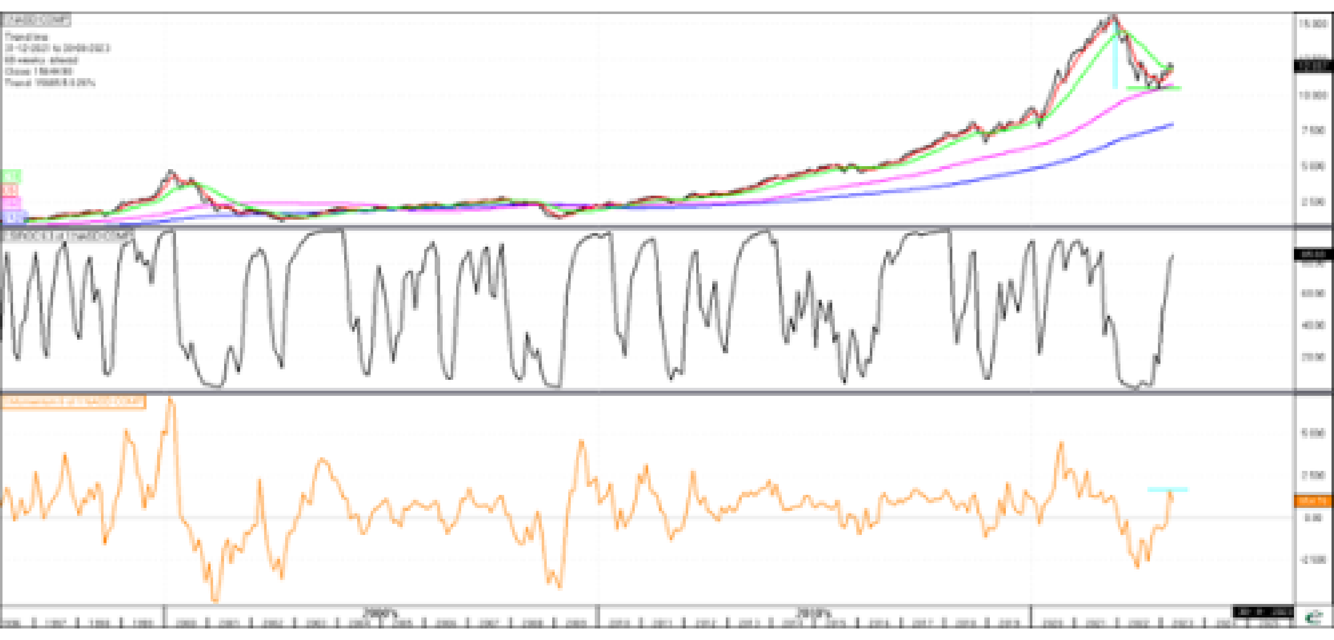
BROKING WEEKLY

Broking weekly **25.04.2023**

BROKING NOTE

NASD COMP LT MONTHLY CHART



An appraisal of the long-term monthly chart of the NASDAQ composite clearly highlights the appreciable value retracement which the IT laden index has endured since engineering it's all-time monthly high at around 15,600 points in December 2021. The reality of a re-emergence in global inflation in the wake of the monetary and fiscal largess following the coronavirus (a development which was amplified by supply-side constrictions) served as a trigger for weakness as risk assets sold off sharply in the wake central banks engaging in an almost synchronised rate hiking campaign across most geographies in the developed world.

The NASDAQ composite retreated to its five year moving average (in pink) a technical region which it had last visited during the global financial crisis. Some technical encouragement emerged in the form of a double bottom support structure at this technical area with the index enjoying a workmanlike pop to the upside. The improving performance which allowed for traction in six month rate of change data, kurtosis metrics, stochastic indicators and the six-month momentum indicator (in the lower section of the chart) is now exhibiting some evidence of exhaustion as numerous fundamental considerations now impact the supportive tonality of recent months. The increased speculation surrounding the likelihood of a shallow recession, question marks surrounding the availability of general liquidity in the wake of the US regional banking crisis (i.e.-to small and medium-size enterprises and Main Street USA) and continued concerns surrounding the capacity of US corporations to sustain current margins has robbed the index of some vibrancy in recent sessions but has not yet reversed key trends metrics. The NASDAQ composite and S&P 500 have also enjoyed a subtle tailwind from the short-term "liquidity dynamic" (which the FOMC has been at pains to indicate does not represent QE) but these drivers are now gradually fading.

The NASDAQ composite monthly chart has now reached a technical level at which a meaningful test in regard to "sustainability" of current upside is likely to materialise - i.e. is the index now at a technical point where margin contraction, profit inconsistency, tighter lending standards and a likely "shallow recession" halts its progress. Over the course of the next 48 hours incoming earnings from the US IT titans will offer some clarity in regard to the potential for additional upside. At a minimum a degree of circumspection is appropriate at current levels at least until the near-term technical picture has been decisively resolved.

COPPER MEDIUM TERM WEEKLY CHART

While the narrative surrounding the long-term supply deficit likely to evolve in the copper space is well documented and accepted by many market participants the near-term picture is slightly more nuanced as an improved wave of new copper mine supply is gradually filtering its way through the market. Recent months have witnessed a step change in mine output after years of low or no growth with numerous analysts arguing that these developments are likely to keep a lid on copper prices as higher levels of concentrates feed through to the refined metal market.

A number of large supply additions have been feeding into the market in recent months with world copper mine production expanding at just shy of 4.0%. While miners are suffering certain operating headwinds with smelters also encountering rising energy costs there is sufficient current supply to serve as a slight inhibitor to outright traction for the copper price. The touch of weakness in a number of technical elements including rate of change data and the 36 week exponential oscillator on the medium term weekly chart suggests that traders are currently well aware of the immediate near-term fundamentals impacting "Dr copper". A further consideration in regard to the near-term performance stems from the increased likelihood of a shallow recession in the USA with an elevated likelihood of broader global growth encountering a temporary plateau in the quarters ahead.

The copper chart needs to hold ahead of a key support level at $8530 per tonne as a break below this area would substantially increase the likelihood of medium-term weakness down towards the area at $7850.00 to $7900 per tonne in the quarters ahead. We remain alert to developments in this regard as the copper price exhibits a particularly high correlation level with the overall performance of the JSE-RESI chart. An on balance assessment of fundamental and technical elements indicates a high probability of a near-term retreat for the copper price but such a downdraught needs to be contextualised against the longer term outlook which remains bullish given the extraordinarily high demand likely to emerge for the industrial metal as the global economy embarks on its gradual transition from a carbon-based economy to one dominated by renewable energy sources.

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