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THE ROAD AHEAD.

Technical Commentary Report covering:

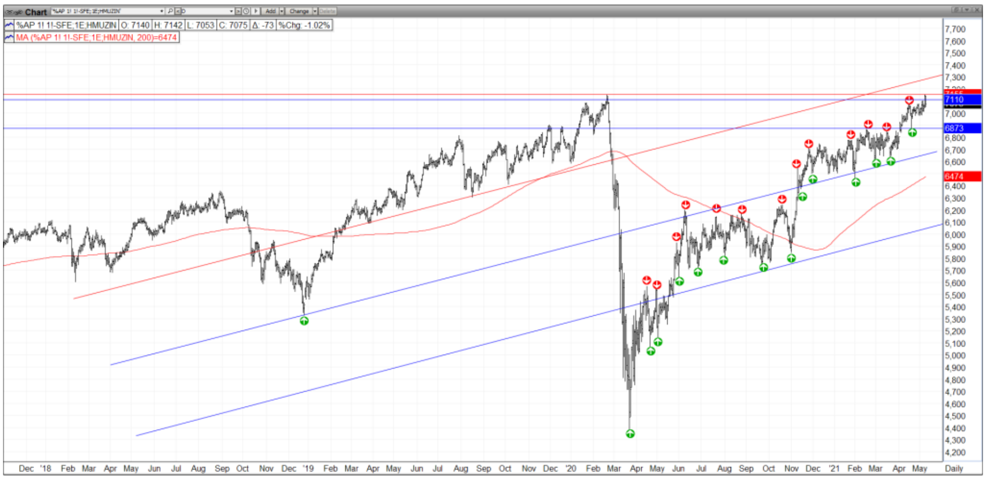
- S&P/ASX 200 Index
- S&P 500 Index
- Gold
- Copper
- Crude Oil
- Australian Dollar
- US 10 Year Bond Yield

BELL POTTER

Tuesday
May 11th 2021

S&P/ASX 200 INDEX

[First futures continuous contract] **Technical comment**



Support = 6,873 and 6,700 **Resistance = 7,110 and 7,155**
Last = 7,071

The **S&P/ASX 200 Index** knocked on the door of the **February 2020** high of **7,155** yesterday as the bull-run which started in **March 2020** works to break into uncharted territory. Technically, a period of price consolidation could be expected below **7,155** as this area represents the last line of resistance before the index moves on to explore new technical territory. The index has become somewhat over extended technically, and a period of price consolidation would be regarded as healthy. Support should be encountered at **6,873** and some price consolidation could involve a pullback towards **6,873** before a major attempt is made to scale the **7,155** level.

An Observation

The **S&P/ASX 200 Index** has enjoyed a strong move higher over the twelve months as the combination of historically low interest rates and improving economic conditions in China has helped drive both the financial and resources sectors. Overseas investors who have been increasing their stake in Australian resource companies will now be benefiting from both the rise in the resources sector and the rise in the Australian dollar. In this respect, overseas investors are enjoying a win- win situation.

In Conclusion

The **S&P/ASX 200 Index** has become technically over extended on the upside and while the major trend is clearly up, a period of price consolidation could be expected over the next couple of months. Resistance is now set between **7,110** and **7,155,** while support on the other hand is located at **6,873** and again at **6,700**. Fresh buyers could be expected to emerge on any short term weakness back towards **6,873.** Only a weekly close below **6,700** would be viewed as a reason to become concerned technically. At this point it would be reasonable to expect an attempt to create a footing above the **7,100** level, possibly sometime in the second half of **2021**.

Tuesday
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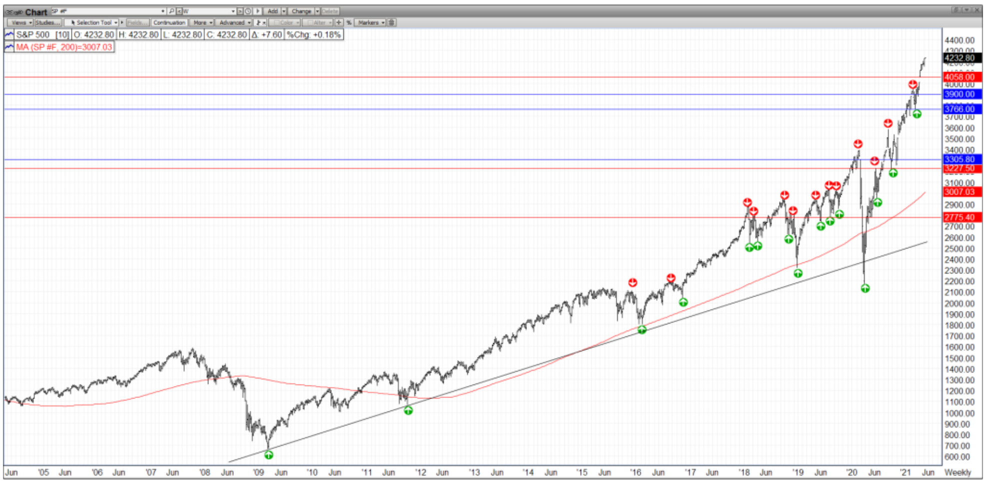
S&P 500 INDEX

[First futures continuous contract] **Technical comment**



Support = **4,058.00 and 3,900.00** **Resistance =** **4,300.00 and 4,400.00**
Last = **4,232.80**

The S&P 500 Index recently made new all-time highs as the upside momentum from the exceptional technical **V** formation which began in **March 2020** extended into new blue sky territory. The market's technical action continues to reward investors who have consistently bought into any short term weakness, and to that end, there is no sign that this strategy should be altered. A weekly close below **4,058.00** would be required to indicate that traders might be about to change their trading strategy from previously 'buying dips' to 'selling rallies'.

An Observation

The S&P 500 index continues to forge ahead despite being technically over extended on the upside. That said, the U.S. Federal Reserve's aggressive monetary stimulus policy has cultivated a rising appetite for risk across a variety of assets. Valuations are now being stretched possibly creating vulnerabilities in the U.S. financial system. Investors need to be mindful that in this environment, prices may be vulnerable to "significant declines" should risk appetite fall, according to a recent U.S. Federal Reserve report.

In Conclusion

The **S&P 500 Index** remains in a solid uptrend and technically there is no meaningful resistance to prevent prices moving to even higher levels. That said, the **S&P 500 Index** has become technically over-extended on the upside, leaving investors vulnerable to a more serious corrective phase should one eventuate. In the meantime investors will continue to use any short term weakness towards **4,058.00** as a buying opportunity. A weekly close below **4,058.00** would be required to signal that a more sizable corrective phase may be at hand, possibly towards the major support set at **3,900.00**.

Tuesday
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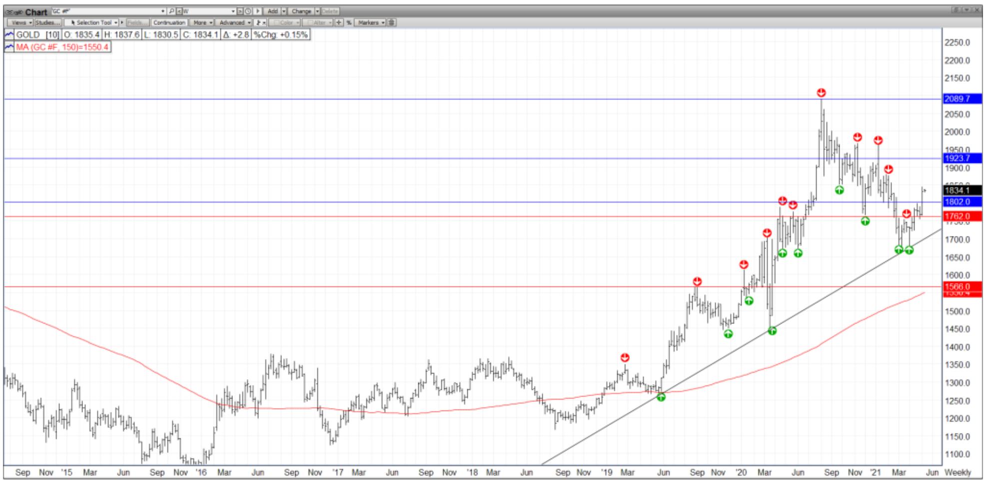
COMEX GOLD

[First futures continuous contract] **Technical comment**



Support = US$1,802 and US$1,762 **Resistance = US$1,924 and US$1,966**
Last = US$1,834

The **Gold** price has recently recovered from a technical corrective phase which had at one stage threatened the longer term outlook for the yellow metal. The technically defensive action included a couple of price spikes below **US$1,700** before finding some solid support at **US$1,673**. The recent move back above **US$1,802** should be viewed as positive as it has returned some upside momentum and restored some lost confidence in the process.

An Observation

The gold price has lagged in the last few months despite the increased demand for Exchange Traded Funds **(ETFs)** backed by gold. Some market observers believe the increased interest in trading "Bitcoin" has contributed to the reason for the lacklustre performance in the precious metal.

In Conclusion

The **Gold** price remains within its long-term uptrend, and despite the recent price weakness the **150-week** moving average (depicted by the red line in the chart above) remains well below the current price and also continues to trend up.

The recent weakness has caused some concern, making **US$1,673** an important technical level of support going forward. While the recent rebound back above **US$1,802** has returned some confidence to the bulls, they really need to see the price revert back above **US$1,924** to regain full confidence. The latest technical action**,** while constructive, is not yet convincing enough as any move back below **US$1,762** would create further doubt and heighten technical concern.

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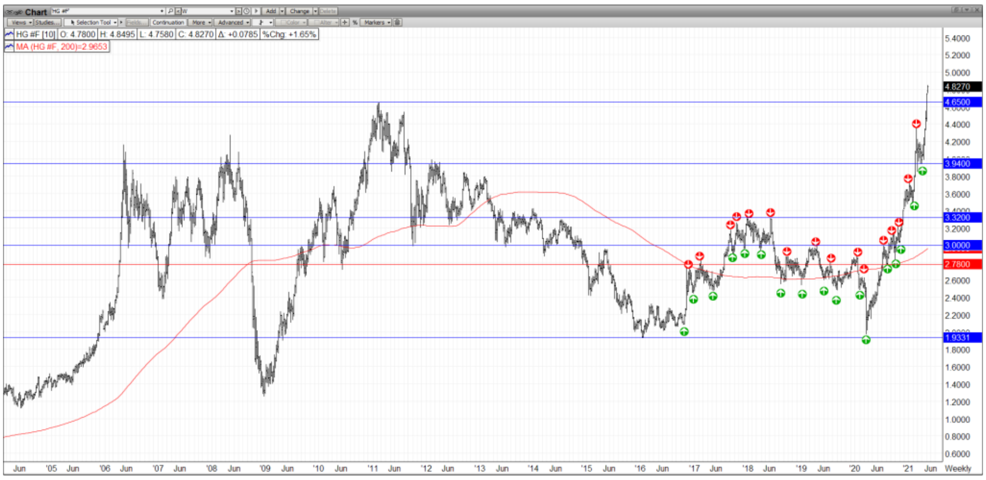
COMEX COPPER

[First futures continuous contract] **Technical comment**



Support = US$4.36 and US$3.96 **Resistance = US$4.65 and US$5.00**
Last = US$4.65

The **Copper** price continues to excel on the upside, recently bursting through the **February 2011** top of **US$4.65** with ease. The price is now trading at levels not seen in more than a decade and now looks set to potentially explore **US$5.00** and above. Technically however, the copper price has become somewhat overextended and a pullback or a period of price consolidation at this time would be seen as healthy longer term. Support is now set at **US$4.36** and we would expect any short-term weakness towards that level to encounter fresh buying. Resistance is now situated at current levels and again at **US$5.00**.

An Observation

Not surprisingly the copper market continues to benefit from positive economic data and the recent price move above **US$4.65** bodes well for Australian miners. The gains however will continue to rely heavily on positive economic data from China and also the demand for copper created by a global economic recovery.

In Conclusion

The **Copper** price is currently testing levels not seen in a decade as the bull market which started in **March 2020** looks set to move into overdrive. The price however has become very over extended on the upside and technically some price consolidation around current levels would be viewed as healthy. Only a weekly close back below **US$3.96** would be reason for concern. Meanwhile, any pullback towards the **US$4.36** should attract fresh buying and purchases made on any such weakness should prove to be rewarding. Indeed, it would not be a surprise to see copper trading above the **US$5.00** at some stage over the next six months.

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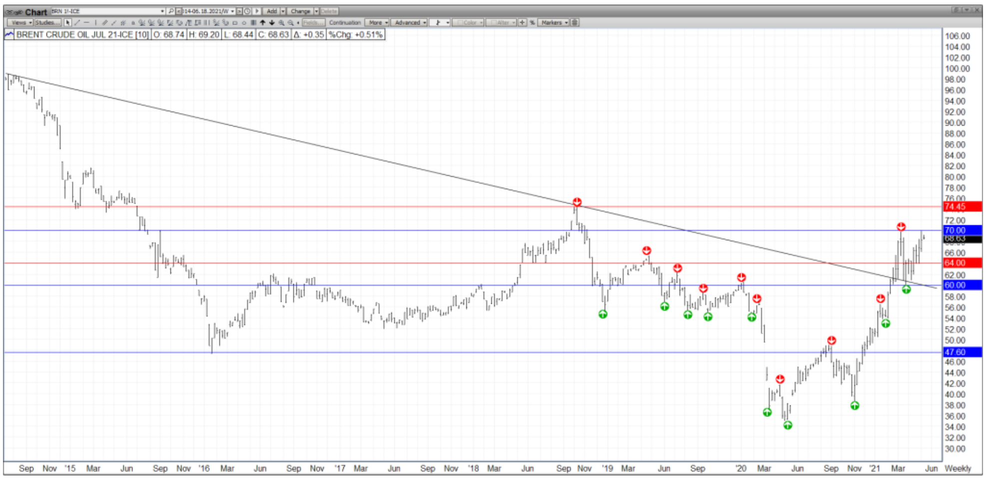
BRENT CRUDE OIL

[Brent futures June contract] **Technical comment**



Support = US$64.00 and US$60.00 **Resistance = US$70.00 and US$74.45**
Last = US$68.64

The **Brent crude oil** price has been on a tear to the upside since November last year. Since then the price has risen from **US$38.00** all the way to nearly **US$70.00** in just over six months. The recent technical action includes a corrective phase which saw the price pull back to **US$60.00** before moving higher again. The price is now poised for another attempt to erode the supply at **US$70.00** and a weekly close above that level would bode well for a sizable move higher and a test of the key resistance set at **US$74.45,** a level not seen since **May 2018**.

An Observation

The **Brent crude oil** price continues to be dominated by volatility with the main influence coming from supply constraints instigated by Saudi Arabia and also fluctuations in the greenback. Market observers point to the recent weakness in the US dollar, the Saudi Arabia + OPEC production cuts and expectations of a global economic recovery post **COVID-19** as the major influences on the price of oil since **November 2020**.

In Conclusion

The **Brent crude oil** price is currently testing the key technical resistance set between **US$70.00** and **US$74.45**. The resistance at **US$70.00** and above will prove hard to erode and it will most likely take some time for the price to try and establish a footing above that level. Support on the other hand should be encountered at **US$64.00** and again at **US$60.00**. The supply at **US$70.00** and above could put a lid on any upside move for the remainder of **2021**. Traders should look to sell into any rally towards **US$74.45** in the next few months looking for the price to subside back below **US$60.00** over time.

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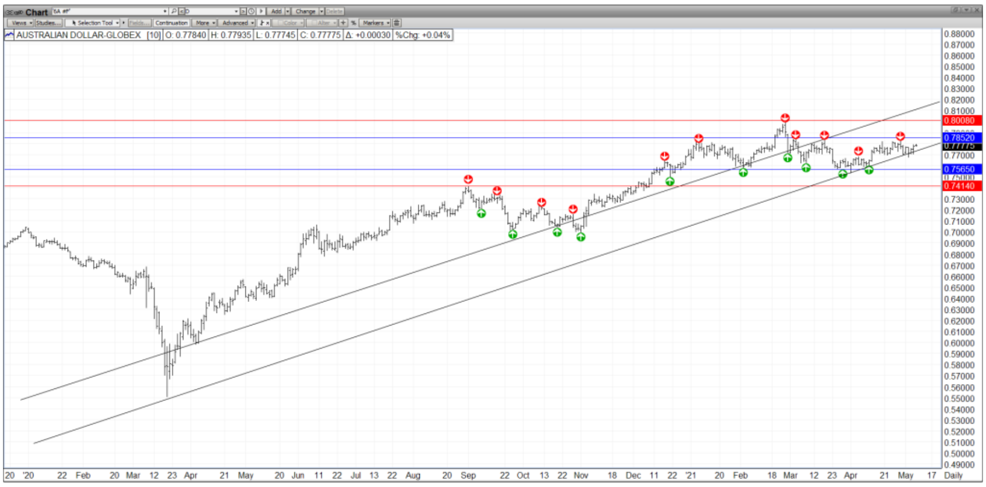
AUSTRALIAN DOLLAR

[First futures continuous contract] **Technical comment**



Support = 0.7565 and 0.7414 **Resistance = 0.7852 and 0.8008**
Last = 0.7775

The **Australian dollar (AUD)** has continued in a broad uptrend ever since it bottomed out in **March 2020.** The break above **0.7414** in **December 2020** confirmed the overall positive longer-term prospects for the currency. The recent price consolidation suggests that once the **0.8008** level is taken out on a weekly close basis, it will provide the springboard technically for the next sizeable move higher. Support is now set at **0.7414** and only a weekly close below that level would be regarded as reason for concern.

An Observation

The **AUD** has moved higher in the past six months in line with the demand for commodities like copper and iron ore. China has seen more favourable economic data coming out over the same period. We believe that higher commodity prices overall should bode well for the AUD going forward.

In Conclusion

The **AUD** has now successfully secured a solid footing above the **0.7414** level and the technical action suggests that once the supply situated at **0.8008** is finally eroded, a sizeable move higher should unfold. Meanwhile, any short term weakness should be regarded as only corrective, and as such, should be used as a buying opportunity. Support should now be encountered at **0.7565** and again at **0.7414.** We would continue to advocate buying the **AUD** on any weakness towards **0.7414** looking for the price to eventually break above **0.8008** and work higher over the next six months. Only a weekly close back below **0.7414** would be a reason for concern technically.

Tuesday
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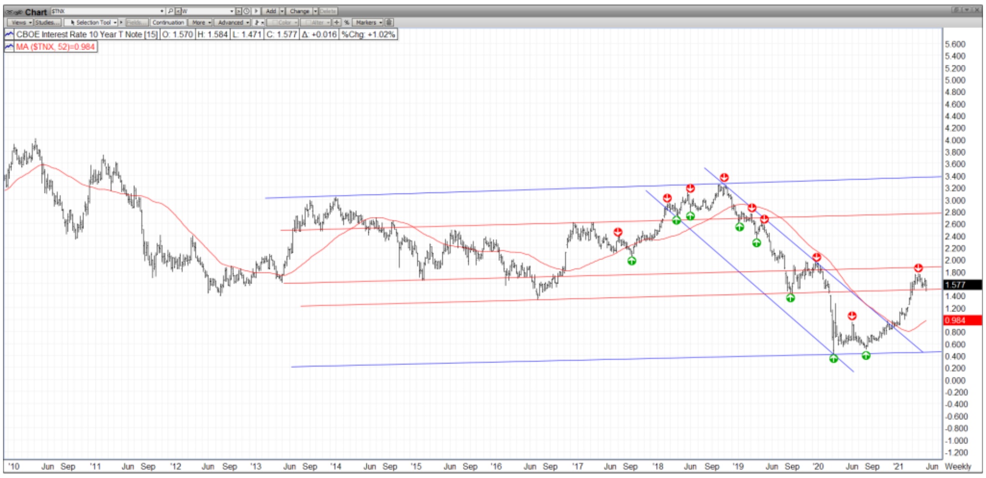
US 10-YEAR BOND YIELD

[Yield basis first futures continuous contract] **Technical comment**



Support = 1.50% and 0.90% **Resistance = 1.90% and 2.00%**
Last = 1.571%

The **US 10-year bond** yield broke above the weekly downtrend in **November 2020** when it closed above **1.00%.** The break was followed by a solid move higher but even more importantly, the yield achieved a weekly close above **1.43%** indicating that a major bottom may now be in place. Near term resistance is now set at **1.90%** and again at **2.00%** and a weekly close above **2.00%** would be viewed as a clear indication of higher yields in store longer term.

An Observation

The U.S. Federal Reserve remains committed to aiding the U.S. economy into recovery from the pandemic, and continues to hold short term rates near zero. The recent move higher in bond yields indicates that the market is concerned the U.S. Fed may have to raise interest rates sooner than anticipated, especially if the current rise in commodity prices gathers pace and causes a spike in inflation.

In Conclusion

The 10-year bond yield is likely to remain in a trading band between **1.43%** and **1.90%** over the next six months. The risk reward ratio suggests there is a slight bias towards yields hitting **1.43%** rather than **1.90%** during that period.

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