Trade booster

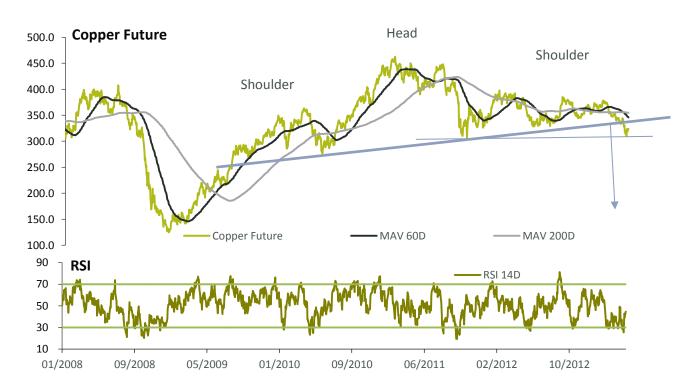




Head and Shoulders Pattern in Copper Futures

Summary

- Copper futures have formed a 'head and shoulders' pattern that targets a slide to 170c/lb.
- Rallies need to hold below rising neckline resistance near 350c/lb. for this pattern to remain intact
- Investors who believe that Copper futures will fall may consider buying the Boost Copper 3x Short Daily ETP (3HCS) which offers a leveraged return if the price does fall



Source: Bloomberg

Copper futures prices have been under pressure this year and this may continue with losses to 170c/lb. not out of the question if the head and shoulders top reversal pattern extends to its typical measuring target. This pattern was confirmed by the sustained break below neckline support in mid-April, and this line now offers chart resistance near 350c/lb.

The fall from the attempt on 04 February 2013 to press above 380c/lb. (379.25c/lb. touched in the front month contract) saw copper futures slide by over 19% to 305.70c/lb. last week (23 April 2013). This tumble saw the rising support line from the June 2010 and October

2011 dips give way in mid-April, which marked the 'neckline' of the head and shoulders reversal pattern. These patterns have measuring objectives that are based on the height of the 'head' to the neckline, extended from the break out point of the neckline. The target in this case is near 170c/lb., which seems very far away. Keep in mind though that copper futures didn't rise above 170c/lb. until 2005, spending most of 1990-2005 between 150c/lb. and 60c/lb., so this could be a return to the 'normal long term range' area.

A rally above 350c/lb. would put the head and shoulders reversal pattern into doubt, and leave the risk of a rally back to 380c/lb. area resistance increasing. This creates an interesting technical 'set



up' with the current corrective rally off the 305.70c/lb. level expected to stall shy of 350c/lb., and long term sights placed on break below horizontal price support at the 300c/lb. area. The latter is marked by the October 2011 dip (299.40c/lb. touched in the front month contract) and the recent 305.70c/lb. low. Once the 300c/lb. area is cleared then further confirmation of downside potential in copper futures prices will have been given, and bearish momentum may well increase. Investors who believe that copper futures will fall further may consider buying the Boost Copper 3x Short Daily ETP (3HCS) which will offer a leveraged return if the index does fall.



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