

Carlsquare/Vontobel weekly trading note: Scope for a catch-up rally in copper and the OMX30

The tariffs imposed by US President Trump created a copper price bubble that has now burst. The fact that the Fed has shifted towards an interest rate easing policy, combined with a weaker USD, suggests that there could be a catch-up rally in copper prices during the autumn, as copper has underperformed other precious metals. From a technical analysis perspective, the Swedish OMX30 index now looks attractive due to its low RSI levels.

Traders of physical copper bought international copper to stockpile in the US in anticipation of the tariffs. US prices rose faster than in the rest of the world. When the tariffs were announced in late July, they were narrower in scope than expected. This caused US copper prices to drop to align with international levels. The question now is whether the bubble created by tariff speculation has completely burst, creating a potential buying opportunity, or whether high US copper inventories and muted demand will continue to cap prices.

As expected, the US Federal Reserve cut its key interest rate by a quarter of a percentage point on Wednesday, 17 September, and is planning two more cuts this year. However, since then, the yield on 10-year US Treasuries has increased from 4.04% to 4.14%.

From a technical analysis perspective, both the S&P 500 and the Nasdaq indices are still in strong uptrends. Meanwhile, the OMX index has entered a bullish phase, trading at low RSI levels, which suggests that there is potential for further gains.

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