

FIS Technical – DCE Iron Ore Sep 20

Synopsis:

Upward price action has put the futures above the 8—21 period EMA's and the RSI above 50. The EMA's themselves remain flat with price below both the 55 and 200 period MA's.

CNY 625.8 remains a key technical level, price action that fails at or below this level remains vulnerable to further tests to the downside, above this level the pullback is considered as deep and the phase neutral.

The RSI has entered bullish territory above 50 with the stochastic is likely to produce a bearish divergence above CNY 624. It is worth noting the stochastic is set on shorter time period making the signal less reliable than the RSI; Either way there is a divergence that will need to be monitored.

The futures remain within the last major bear wave down (this we created by the futures roll) meaning in theory the upside move is countertrend. We are however seeing an open interest build in the last few sessions, indicating longs are entering the market as the phase looks to potentially change to neutral if it goes above CNY 625.8.

Downside moves that trade below CNY 602 before CNY 624 would indicate the technical condition has weakened and any move below CNY 591.5 that creates a fresh market low is considered as bearish

This technical although still bearish it is in balance as the market is potentially about to become neutral. It is worth noting that Open interest is suggesting fresh market buyers are entering the market from CNY 607 level which is also a 50% retracement support level. Price action below this level is likely to result in fresh market longs looking to exit

We have highlighted previously that price is in a resistance gap with a ceiling at CNY 638.5. historically markets like to close gaps making this a viable upside target/resistance.

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	Support	Resistance	Current Price	Bull	Bear
S1	611	R1	624	RSI above 50	Stochastic Divergence
S2	607	R2	623		
S3	602	R3	638.5		

Synopsis

- Price action is above the 8 – 21 period EMA
- RSI is above 50 (51)
- Price is above the weekly pivot point CNY 604.8
- Stochastic has the potential to produce a negative divergence if price goes above the CNY 624 level
- Aggregate open interest is starting to increase
- Resistance Gap upper band CNY 638.5
- Upside moves above USD 625.8 would be considered as deep and neutralise the last down wave
- Price action below CNY 602.2 would suggest downside continuation (providing price has not been above the CNY 625.8 level)