

FIS Technical – DCE Iron Ore Sep 20

Synopsis:

The futures remain technically bullish having made a higher high in the market with price above the 8—21 period EMA's. This is supported by the RSI which remains above 50, however the stochastic is in overbought territory

Wave analysis would suggest the longer-term trend remains bullish with the futures currently in a wave 4 corrective phase. This would imply that the market pullback we have seen is part of a countertrend move.

The futures have held near the CNY 679 Fibonacci support which is also near the previous resistance line (marked in grey) indicating market longs are supporting this area (note; the open interest is holding flat and not decreasing).

Upside moves above the CNY 634 level would signal price has entered an Elliott 5th wave.

The longer-term trend is technically bullish but looks to be in a countertrend corrective wave 4. Elliott wave cycles have a rule called alternation. If the wave two pullback is deep (typically it is 61.8% of wave 1) then the wave 4 pullback is likely to be shallow (38.25—50%) of the wave 4. However, in this instance the wave 2 held at the 38.2% retracement suggesting the wave 4 corrective phase is likely to be deep (50% - 61.8%, CNY 662—CNY 647).

Based on the Elliot wave rule of alternation the technical picture remains corrective (within a larger bull cycle) with potential further downside. Only price action above CNY 634 would confirm an Elliott 5th wave at this point.

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Support		Resistance		Current Price	Bull	Bear
S1	679	R1	715	702	RSI above 50	Stochastic is overbought
S2	662	R2	723			
S3	647	R3	734			

Synopsis

Chart Source Bloomberg

- Price action is above the 8 – 21 period EMA
- RSI is above 50 (62)
- Weekly pivot point is CNY 706.8
- Stochastic is overbought
- Aggregate open interest remains bullish
- Price above the CNY 734 level would signal an Elliott 5th wave
- Technical resistance starts at CNY 715
- Price is holding at the technical support line (grey line)
- The futures are on the weekly pivot point