

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	8350	8650	3.6%
Cape Q1 21	7650	7750	1.3%
Cape Cal 21	12850	13025	1.4%

	Previous Close	Current Close	% Change
Pmx 1 month forward	7600	8100	6.6%
Pmx Q1 21	7800	8175	4.8%
Pmx Cal 21	9650	9875	2.3%

	Previous Close	Current Close	% Change
Smx 1 month forward	8400	8625	2.7%
Smx Q1 21	8125	8287.5	2.0%
Smx Cal 21	9050	9250	2.2%

	Previous Close	Current Close	% Change
Brent	47.97	48.49	1.1%
WTI	44.96	45.41	1.0%
Iron ore	131.26	132.5	0.9%

Data Source FIS and Bloomberg

Iron or futures continued to push higher on Thursday following the news that the Vale recovery highlighted yesterday would be slower than expected. Vale has been trying to recover output since the tragic dam burst last year and had previously maintained that it would meet 2020 targets. However, it is the downgrading of expectations for 2021 that has been the driver for both onshore and offshore futures, with the DCE night session closing at CNY 940 and the Jan 21 offshore futures trading to a high of USD 133.00 before finishing the session at USD 132.30.

Yesterday it was all about the December Capesize futures which had closed the day at USD 11,300, down USD 1,300. Our expectations had been for the futures to open lower, which in theory would weaken the physical expectations. December traded down to USD 11,000 in the Asian day session, before trading to a high of USD 11,450 and closing at USD 11,300. The index was down just USD 48 to 12,274 meaning there has been no further sell off to the downside. However, with December historically being a bad month for the Capesize index, the December futures have seen little reason to close the disparity so early in the month. Outside of the current month futures there has been a more positive vibe due to the discount, with the Jan futures closing the day 3.6% higher at USD 8,650.

A weaker index on the Panamax today failed to create a negative move in the paper. The index was down USD 303 to USD 10,768, pushing the month to date to just over USD 11,000. For market sellers having seen the futures trade down to USD 10,150 in the Asian day session, the discount is still considered as too great. Market shorts are realistic, the index and subsequently the MTD are likely to push lower in the coming days. However, a USD 900 discount was too much for some shorts to resist, resulting in some traders covering. Further down the curve there were some bullish opens to contend with, both the Jan 21 and Q1 21 futures opened above the daily pivot point for the first time in 5 sessions, suggesting the move down had been too far too fast. With little physical activity it would suggest the current upside move (outside of Dec) is likely to be counter-trend; however, any slowing of the index could see the Q1 21 futures move into neutral territory.

Supramax bucked the trend yesterday with intraday upside price action moving into bullish territory. Having shifted higher yesterday, upside moves were more subdued than the Panamax sector but still managed a straight flush of rises from Jan to the Cal above 2%. The Supramax index continues to show signs of weakness but needs to post a close below the USD 11,132 level it is going to trigger our models and warn of further downside price action.

OPEC have made a compromise and agreed to a gradual ease output curbs, beginning next year, resulting in the futures adding to yesterday's gain. The Cartel have agreed to add 500,000 bd to the market in January before holding monthly meetings to adjust production going forward (Bloomberg). Above USD 49.09 the futures will have made a new high, the question then is it a case of we bought the rumour, now sell the fact?

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