

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	8650	9875	14.2%
Cape Q1 21	7750	8624.5	11.3%
Cape Cal 21	13025	13275	1.9%

	Previous Close	Current Close	% Change
Pmx 1 month forward	8100	8425	4.0%
Pmx Q1 21	8175	8512.5	4.1%
Pmx Cal 21	9875	10037.5	1.6%

	Previous Close	Current Close	% Change
Smx 1 month forward	8625	8725	1.2%
Smx Q1 21	8287.5	8350	0.8%
Smx Cal 21	9250	9325	0.8%

	Previous Close	Current Close	% Change
Brent	48.82	49.15	0.7%
WTI	45.64	46.12	1.1%
Iron ore	132.5	140.98	6.4%

Data Source FIS and Bloomberg

It has been a bit of a whopper today, with continued upside moves in the iron ore futures. Demand remains high from the steel mills with margins remaining robust, whilst supply is showing signs of tightening after a reported drop in Australian Exports. China's economic expansion is causing a commodities surge that has reached coking coal, steel and other industrial metals (Bloomberg). Steel margins are now at CNY 325 and the technical that looked overbought two weeks ago is suggesting that downside moves from here are likely to find buying support. 6.4% higher (USD 8) yesterday, price closed the day session at USD 140.98 in the Jan futures. However, the night session has rallied another USD 4, suggesting that we could be entering a super cycle.

Capesize futures took a heavy hit two days ago. With the futures being a lead indicator to the index, it was assumed that we would see the index weaken by today. The index has remained stable, meaning the downside move was overextended, resulting in some short covering in the December futures which were up USD 700, to USD 12,000. The big gainer has been the January and the Q1, both of which typically trade at a big discount to the index in November before a seasonality correction brings them in line. The lack of downside movement in the index earlier in the week, followed by a positive number today has resulted in the Jan futures gaining 14.2%, to USD 9,875 and the Q1 21 futures gaining 11.3%. The discount between the front quarter and the index is still significant, if we do not see a weakening index soon it will result in an upside push in the futures to close the gap.

The Panamax futures showed technical buy signals yesterday morning, warning we could see higher pricing. However, these upside moves were expected to be countertrend with further downside movement to follow. The Q1 21 futures closed the week with buyers looking to pay USD 8,425, having traded to a low of USD 7,700 on Wednesday. The upside move is aggressive and cuts deep into the last bear wave down, this means the trend is no longer considered as bearish. Price action is neutral, but with the daily RSI about to cross 50 it is starting to look like a bullish technical. Both Jan and the Q1 futures ended the day up 4%.

Supramax futures moved higher on the open before effectively suffering from Friday afternoon apathy. Higher volumes in the morning session with price holding near their highs into the close caps off a bullish end to the week.

Oil did not let the side down, COVID-19 vaccines and OPEC meetings have been the news of the week. The reality is the technical suggested the market would make a new high. As long as the immediate news was not bad then a new high was expected as the Elliott wave cycle pointed up, and this has been the case. Price looks like it might have one more go at the highs in the near-term, before entering a corrective phase. Oil is in need of an event for this story to continue higher otherwise it looks like it could soon be corrective.

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