

FIS European Close

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	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	9675	10625	9.8%	Pmx 1 month forward	9175	9350	1.9%
Cape Q1 21	8525	9225	8.2%	Pmx Q1 21	9000	8950	-0.6%
Cape Cal 21	13450	13675	1.7%	Pmx Cal 21	10337.5	10275	-0.6%

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Smx 1 month forward	9200	9375	1.9%	Brent	48.98	50.76	3.6%
Smx Q1 21	8850	8900	0.6%	WTI	45.71	47.33	3.5%
Smx Cal 21	9625	9587.5	-0.4%	Iron ore	146.29	155	6.0%

Data Source FIS and Bloomberg

Yesterday we highlighted that iron ore could soon be trading with a USD 150 handle and possibly up to USD 157, based on Fibonacci projection analysis. To be fair we did not anticipate the move coming a day later, but it has, with the Jan 21 futures trading to a high of USD 157.5 in the Asian evening session. Iron ore is officially the worlds hottest commodity, having surged 70% this year, the futures are now at their highest level since trading began in 2013 (Bloomberg). Vales production cut, surging steel prices and rising margins are all a major factor in the recent rally. With consumption high and Q1 likely to bring weather disruptions to shipping and production, it looks like it could be continued boom time for the producer. Iron ore might be the hottest commodity of the year, but it is the Rebar price that China will want to curb if it is too cool this market down.

What is good for the goose is good for the gander and this brings into question the Capesize index. Iron ore is pumping at record levels, but the index is sitting below average values. Obviously Vale is a factor in their being less ton miles, however with iron ore imports at 1 billion tons, and iron ore futures nearing USD 160 a ton, the miners are not going to slow down production until they are forced to. Yes, weather is going to be a factor into Q1 but right here, right now ,it is a question of are we going to see the index buck the seasonal trend? The Jan futures are rallying (admittedly from a low base) but at a time of the year that is normally awash with sellers, with China going full steam ahead it does create a dilemma for the seasonal seller. Should he wait the bad weather to actually get here first?

Panamax futures looked like they could be in trouble on the open, having closed at USD 9,175 yesterday, which put price below todays pivot point. The futures opened bid at USD 9,300, with price making new high at USD 9,575. However, like yesterday, price failed to hold onto early gains and closed on the days low. Warning signs, two days on the trot. If we close above the USD 9,575 level, you may find resurgent bulls entering the market. If you look at the seasonality chart you see that price has rallied from a low base, if the historical is anything to go by ,these futures could be about to meet Mr. Bear. USD 9,425 is the opening level to follow tomorrow, below this level and the futures could find some technical sellers coming in to the buyers resilience and if the first trade is below USD 9,350, you might find your technical buyers and market hedgers taking a step back.

The Supramax index is proving to be resilient, which to be fair, compared to the Panamax and the Capesize it is. The index is about USD 1,000 above the 4 year average for the 10TC; However, December for Supramax owners does tend to be more jolly than that of the Panamax and Capesize sectors . The index my be proving to be resilient at the moment but January is historically not a good month, the futures are trading at a discount to the index for a reason. Come the end of Jan there is the chance the futures will be settling with a seven handle on it. The upside move is stalling, potentially profit taking form unconvinced longs. If the futures are going to push from here we will need to see a strong upside move in the index, otherwise the futures could come under pressure. Not because it is bearish, but because the market might just not want to be long anymore

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Going up on bearish news yesterday was a story in itself. The futures have held above the USD 47.87 level, in fact there has been no test to the downside. We had this as a bullish wave 5 with the potential to trade above 50, the fact that it has would indicate the wave 5 is extending. Suggesting downside moves should once again be considered as countertrend. Bloomberg are putting this down to vaccine optimism, and based on the stock build yesterday, I have to agree with them. Optimism is sometimes all it takes!

I'm off to drink my half full cup!

Have a nice evening