FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	11800	11825	0.2%
Cape Q1 21	9900	10075	1.8%
Cape Cal 21	14050	14037.5	-0.1%

	Previous Close	Current Close	% Change
Pmx 1 month forward	9800	9125	-6.9%
Pmx Q1 21	9325	8775	-5.9%
Pmx Cal 21	10350	10075	-2.7%

	Previous Close	Current Close	% Change
Smx 1 month forward	9800	9600	-2.0%
Smx Q1 21	8950	8775	-2.0%
Smx Cal 21	9575	9450	-1.3%

	Previous Close	Current Close	% Change
Brent	50.36	50.71	0.7%
WTI	47.04	47.53	1.0%
Iron ore	150.51	153.14	1.7%

Data Source FIS and Bloomberg

Reading the iron ore fundamentals is all about perception. Steel production for November was below 90 million tons for the first time in seven months ,suggesting that output was starting to slow; perception the fundamental is slowing. Countering this is the fact this is November output is of record volume, indicating it is still boom time for the mills; perception is bullish (Bloomberg). Steel margins have dropped back below CNY 500 but remain strong, indicating mills will continue to draw down ore if the margin is there. Iron ore prices remain robust with price rallying from a low of USD 149.08, to a high of USD 154.70. Our view remains the same as highlighted in previous weeks, downside moves should be considered as countertrend, with a near-term upside targets remaining at USD 160.93. Speculative holdings have been cut and margins are increasing, but at this point the psychological footprint remains in play, indicating the technical side of the market is still considered as bullish.

The Capesize index continues to go up but momentum in the Jan futures has started to slow. The futures were undervalued at the beginning of the month, based on 5 year average value. Today they hit value , the reality is there has been no December sell off due to the historically low pricing, as we did not have a thanksgiving rally this year. Momentum is slowing in the futures with index likely to hit value in the next few days, leaving the market potentially vulnerable to a downside move

At lunchtime today our analysts highlighted to the brokers that the Q1 Panamax futures looked vulnerable. Price moved from USD 9,050 down to a low of USD 8,650, confirming the market had entered a corrective phase. Charterers have taken a step back relying on the seasonality to support their bearish bias. The result has been a slowing index, and a front month futures that has dropped 6.9%. For more information on price please follow the link **Panamax Technical Report** https://fisapp.com/wp-content/uploads/2020/12/FIS-4-PAGE-TECHNICAL-REPORT-PANAMAX-15-12-20.pdf

The Supramax Jan futures were the only sector that had not produced a deep enough pullback for the technical to be considered as neutral, rather than bearish. Our assumption had been that the futures would catch up; however, the signals coming out of the Panamax market at lunchtime have made that a hard task. Supramax futures my not yet be considered as corrective but there is a chance they will be on the open tomorrow, based on the close today . If we open below USD 9,675 tomorrow we could see some selling pressure from the starting bell.

Oil took a bit of a beating yesterday afternoon on demand outlook. The downside moves although aggressive did not last with price already back at yesterdays highs. Today it is U.S. stimulus talks boosting demand outlook (both Bloomberg). It is hard to get an angle on Brent at these levels, we are vulnerable to a downside move, but the longer we stay up here the more bullish the market will become. From a psychological side of things (which links to Elliott wave), if the market does not go down (hold in a sideways market) then the time factor results in a wave extension, leaving the market open to further upside. It will be an interesting battle, the question will be will it be a battle between the bull and the bears, or just the news headline? My guess is they are on and the same!