

FIS European Close

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	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	11125	12650	13.7%	Pmx 1 month forward	9450	10425	10.3%
Cape Q1 21	12358.5	14100	14.1%	Pmx Q4 20	10512.5	11362.5	8.1%
Cape Cal 21	14937.5	15787.5	5.7%	Pmx Cal 21	11012.5	11500	4.4%
Smx 1 month forward	9200	9525	3.5%	Brent	54.15	54.57	0.8%
Smx Q4 20	9941.5	10225	2.9%	WTI	50.52	50.93	0.8%
Smx Cal 21	10125	10312.5	1.9%	Iron ore	165	168.14	1.9%

Data Source FIS and Bloomberg

Yesterday we had a reality check and highlighted that the steel margins were still at healthy levels, supported by a robust Chinese economy. The Feb futures have subsequently moved USD 5.00 higher in 24 hours. Margins are healthy, Utilization rates are high and the Elliott wave Cycles suggests that there is another move to the upside. We have retraced between 38.2% and 50% of wave 3 (tick), there is a 3 wave pattern down (tick), the 3rd wave down is 50% the length of wave 1, giving us Fibonacci synergy (tick). We also have Elliott's rule of alternation, a deep pullback on wave two would suggest a shallow pullback in on wave four (another tick). The question that is niggling, is one of time. Wave 4's are generally messy drawn out affairs, this wave 4 correction looks to be a textbook pullback, of anything other than a wave four.

Is this upside move still part of the corrective cycle?

If I had the answer you would have got an Iron ore technical this afternoon. What we/I do know is the cycle is not complete, so downside moves should be considered as countertrend. Key resistance is between CNY 1,075 - CNY 1,106 is the 61.8% - 78.6% Fibonacci zone, any form of 3 wave pattern that fails around the CNY 1,075 level, then the CNY 1,106 level then would scream bull trap (wave B). If this happens then we could trade at CNY 925 before going higher. So many ticks but not enough time. This will need to be followed closely.

The earlier technical in the week suggested the futures cycle was bullish; downside moves should be considered as countertrend as there could be further upside moves. The Feb futures held support levels, resulting in a 13.7% rally today. The physical market, like the futures market had taken nothing more than a breather over the last two days. reports from futures traders to the FIS brokers that the majors in both basins were active, has been reflected in the strong upside moves in the futures. The technical report looks to have been accurate, suggesting there is still more upside to come.

Yesterday we highlighted that downside moves could be limited due to the Feb futures being USD 2,000 below the index. Another strong index today's seems to have proved our theory correct, with the Feb contract producing a 10.3% gain. Our analysis would suggest we are in a bullish wave three of an Elliott wave cycle, suggesting market sellers should not get over enthusiastic as the wave 3 is extended, meaning the downside moves are countertrend and there should be higher pricing to come.

The Supramax index is basically flat, meaning it is holding in bull territory. There is not enough reason for the moves we are seeing in Capes and Panamax, but it is enough that some to move the market 3.5%. Something will have to give soon enough, if the index keeps on holding then the futures have to move higher.

A bit of a nothing day for Brent, the market is technically bullish, supply cuts are coming. However, having rallied 8.6% in the last two days the futures have taken a bit of a breather today. Little in the news for oil, so we will just maintain our view that this could reach USD 59.00 in the near-term.

Have a nice evening

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