# FIS European Close

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| | Previous Close | Current Close | % Change |
|---|---|---|---|
| Cape 1 month forward | 14750 | 14275 | -3.2% |
| Cape Q2 21 | 12850 | 12750 | -0.8% |
| Cape Cal 22 | 14400 | 14125 | -1.9% |

| | Previous Close | Current Close | % Change |
|---|---|---|---|
| Pmx 1 month forward | 11025 | 10600 | -3.9% |
| Pmx Q2 21 | 11275 | 11275 | 0.0% |
| Pmx Cal 22 | 10525 | 10400 | -1.2% |

| | Previous Close | Current Close | % Change |
|---|---|---|---|
| Smx 1 month forward | 10550 | 10600 | 0.5% |
| Smx Q2 21 | 10600 | 10600 | 0.0% |
| Smx Cal 22 | 10225 | 10175 | -0.5% |

| | Previous Close | Current Close | % Change |
|---|---|---|---|
| Brent | 56.78 | 55.94 | -1.5% |
| WTI | 53.29 | 52.77 | -1.0% |
| Iron ore | 167.15 | 164.97 | -1.3% |

**Data Source FIS and Bloomberg**

The DCE futures are trading below yesterday's low but within the range of the futures two days ago. Virus concerns are effecting trader sentiment at this point with the futures failing to test upside resistance levels. China has been largely free of COVID in recent months but the virus has emerged in the northern province of Hebei in recent days. If we see a wider lock-down the futures have the potential to move lower on a stock build at port. However, in the near-term we are seeing a rise in domestic spot prices in Hebei/Tangshan products, potentially driven by the need to up production before any lockdown occurs. A similar situation has emerged in the China heavy steel scrap over 8mm Shanghai price, which is now trading up to a high of CNY 3,230 (Bloomberg). The rising domestic spot and scrap prices are weighing heavily on Steel margins, which are down to CNY 165. Mills can operate at negative values but the virus sentiment could keep prices suppressed in the near-term if the number of infections continue to rise.

The Capesize futures opened lower today with the Feb futures trading down to a low of USD 13,125. However, the afternoon session resulted in an upside move of USD 1,100, leaving the futures to close down just 3.2% on the day. Obviously the strong sell off in the paper has resulted in the weakening in the physical market. A train derailment at the weekend in Saldanha had been blamed as the reason for some delays and the sell off; However, FIS contacts into the company had denied there had been any delays as the situation had been fixed rapidly. The pullbacks have been deep and this has put a neutral spin on the previously bullish cycle. However if the tail wags the dog and the physical is just following the futures lower, then there is the potential the market just got over long on the upside move, resulting in nervous late entries stopping out and creating a domino effect. For those interested in the technical side of the market please click on the link. Capesize Technical Report https://fisapp.com/wp-content/uploads/2021/01/FIS-4-PAGE-TECHNICAL-REPORT-CAPESIZE-13-01-21.pdf

Like the Capesize market, the Panamax futures came under pressure on the open, before clawing back the some of the losses into the close. The futures remain corrective with the index coming in unchanged, leaving the Feb contract at a USD 3,000 discount to the index. This is not the first time we have seen the index at a USD 3,000 discount and it will not be the last. It also does not mean the futures are buy, as previously we have seen big index corrections into heavily discounted futures. However, the economic situation is positive in China with a reported 20,000 new pig farms in the last 12 months and continued crop deficits. The Panamax futures remain in bull territory, the aggressive correction is potentially more related to a top heavy long futures Capesize market, than a weak physical. As we know the futures lead the index, if the index is down but not aggressively we may find the reverse situation to the last couple of days, with the futures rallying on a market looking for cover.

We only need to look at the Supramax technical last week, to see the dilemma. The Index held and the futures rallied, the paper then got caught up in the sell of relating to the Capesize market, yet the index continues to rally. The Supramax closed the day in positive territory and could trade above the USD 11,100 level if we continue to see positive index's in the coming days.

Oil futures entered the base of our target zone last night with price trading with a USD 57 handle. EIA figures showed a drop in inventories by 3 million barrels but builds across gasoline and distillate stockpiles, resulting in price trading 50 cents below yesterdays close. The USD is also a factor for the corrective move as the spot index has strengthened 0.3% today. From a technical perspective the futures remain in a bullish cycle and we continue to look for upside moves to trade with a USD 59 handle. Most importantly for market bulls, we believe these downside moves should be considered as countertrend at this point based on the intraday wave analysis.

Technical data and news sources were from Bloomberg and FIS

Have a nice evening