FIS

European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	15175	14300	-5.8%
Cape Q2 21	13125	12975	-1.1%
Cape Cal 22	14275	14200	-0.5%

	Previous Close	Current Close	% Change
Pmx 1 month forward	12425	12150	-2.2%
Pmx Q2 21	12475	12300	-1.4%
Pmx Cal 22	10600	10625	0.2%

	Previous Close	Current Close	% Change
Smx 1 month forward	11650	11725	0.6%
Smx Q2 21	11075	11050	-0.2%
Smx Cal 22	10375	10375	0.0%

	Previous Close	Current Close	% Change
Brent	56.17	55.52	-1.2%
WTI	53.03	52.61	-0.8%
Iron ore	167.5	165.94	-0.9%

Data Source FIS and Bloomberg

Iron ore closes the week less than USD 1.00 higher than where it opened. Sidewise action for 3 weeks now have seen repeated tests to the downside failing to hold. The Feb futures are testing short –term averages warning we could enter a corrective phase on the weekly chart if we go much lower. Growing stockpiles in China alongside top producers looking to target higher output this year, combined with weaking Steel margins has meant that upside moves continue to find selling resistance. The futures came under pressure on the opening of the afternoon session today dropping USD 3.00 on the open. However, prices failed to hold with price recovering their losses during the rest of the session. The daily technical does look vulnerable based on the market making lower lows but market sellers keep failing to gain any real advantage, meaning we will mark this week as a draw.

We highlighted yesterday the weak close in the market is leaving the Capesize Feb futures vulnerable to further tests to the downside despite the deep discount and this has been the case. Initially the futures opened above the daily pivot point, however, this was short lived with price moving lower on the back of an expected weaker index, which like the futures came in a 800 down. USD 13,125 is the recent low and the target for market bears, if we trade much below this level then it will ask questions above the upside bull cycle. Corrective, into a bullish neutral cycle at this point.

The USD 12,575—USD 12,686 technical resistance zone has held for a second day in the Q2 Panamax futures. As highlighted yesterday the futures were in our kill zone resulting in downside pricing. The market was initially supported between USD 12,500—USD 12,400 but price failed to trade above the USD 12,600, before selling of for the remainder of the day. The future remain above the USD 12,250 support, meaning thy have not made a lower low, however based on our intraday cycle analysis we look like we are now in the early stages of a corrective (countertrend) wave 4.

The Supramax index continues to push higher with another 100 plus move today, however the Feb futures did not follow, warning we could be seeing the early signs of a momentum slowdown. With the corrective move looking like it has potentially started in the Q2 Panamax and questions being asked about the Cape cycle, the Supramax futures look reluctant to further upside moves at this point. Intraday momentum on the sub 4-hour charts are starting to show negative divergences, warning of a potential momentum slowdown. The market is technically bullish and the index is going up, but the freight market is starting to show cracks in the sectors around it, warning the market is readying for a correction.

Having rejected the 61.8% Fibonacci retracement the Brent futures entered into a corrective phase. We believe the cycle remains bullish, we thought we had already started a bullish impulse move, however the upside price rejection followed by a new low means I called the impulse move to early. We are still bullish, and Goldman believe that Bidens first steps are too. Fiscal spending, continued Iranian sanctions and restrictions on the North American energy industry are all citied. The futures are already a dollar of there low having held last Fridays support zone again. Maybe this is the wave C completion?

Have a nice Weekend