

# FIS European Close

info@freightinvestor.com | www.freightinvestorservices.com | (+44) 207 090 1120

	Previous Close	Current Close	% Change
Cape 1 month forward	11850	12375	4.4%
Cape Q2 21	12100	12675	4.8%
Cape Cal 22	14037.5	14175	1.0%

	Previous Close	Current Close	% Change
Pmx 1 month forward	11400	12250	7.5%
Pmx Q2 21	11875	12500	5.3%
Pmx Cal 22	10525	10675	1.4%

	Previous Close	Current Close	% Change
Smx 1 month forward	11350	11875	4.6%
Smx Q2 21	10525	10900	3.6%
Smx Cal 22	10100	10200	1.0%

	Previous Close	Current Close	% Change
Brent	56.08	56.28	0.4%
WTI	52.75	53.15	0.8%
Iron ore	162.35	162.75	0.2%

Data Source FIS and Bloomberg

We used to talk about the triple witching hour in equities over the option expiry. This morning on iron the Feb iron ore futures we had the triple Fibonacci overlap on the 4—hour chart with the 200 period MA also acting as support. Purely technical the market rallied 3 bucks without any fundamental backing. The DCE evening session has made it a game of two halves, price held for the first 30 mins before coming under pressure to close around 12 RMB lower. Technical buyers in the offshore futures faded with price giving up this morning gains, to finish the day below the technical support. We highlighted in this report last night that if the futures are in a corrective wave C/bearish Gartley pattern then we could test the USD 153.80 level in the near-term. Steel margins remain below 0 and this has become a focal point for traders. Mills can and do operate at a loss for sustained periods of time; however, the inflated of ore prices means we will need to see steel push higher soon, otherwise the bears will keep piling on the pressure.

The freight market has been the comeback kid today with positive moves across the board. The Feb Capesize futures closed around USD 500 higher (+4.4%), closing above the daily pivot point. The move up is not strong enough to be called Bull yet, but if we stay at these levels overnight then price will open the day above tomorrows pivot (USD 12,066). It is not always the case, but opening above the pivot point often results in higher pricing. Sometimes just for a day or two, other times we move USD 10,000. It is the Capesize market after all. Today's focus is on the Cape v Panamax Q2 spread as this looks like it is undervalued and could have a short—term upside move before correcting again. <https://fisapp.com/wp-content/uploads/2021/01/FIS-4-PAGE-TECHNICAL-REPORT-CAPESIZE-v-Pmax-Q2-27-1-21.pdf>

For those who read the morning technical you would have been aware of two things. The Q2 Panamax looked like it was seeing a wave completion between USD 12,575—USD 12686 and entering into a corrective countertrend wave four. You would also have seen that the pullback had not been deep enough to confirm that we had actually entered into a wave 4. What does this mean? If we trade above the USD 12,600 level then we remain in the wave 5 of the wave 3 which in itself will be extending. In simple terms if we go through USD 12,600 then the futures could go on a run. Saying that, we still feel the Cape v Panamax Q2 spread does look undervalued in the near-term <https://fisapp.com/wp-content/uploads/2021/01/FIS-4-PAGE-TECHNICAL-REPORT-CAPESIZE-v-Pmax-Q2-27-1-21.pdf>

The Supramax index continues to push on but at up just over USD 50 we are seeing signs of a price slowdown. New highs and blue skies does come with a little health warning unfortunately. We have highlighted the Elliott wave cycle, it has confirmed itself to be on a bullish 5th wave. This is creating a divergence between momentum indicators and price at a time the index is slowing down, warning that the market needs to produce a technical correction soon. The Panamax v Supramax spreads could get interesting if the Q2 Panamax trades above USD 12,600.

## Oil—page 2

The information provided in this communication is not intended for retail clients. It is general in nature only and does not constitute advice or an offer to sell, or the solicitation of an offer to purchase any swap or other financial instruments, nor constitute any recommendation on our part. The information has been prepared without considering your investment objectives, financial situation, or knowledge and experience. This material is not a research report and is not intended as such. FIS is not responsible for any trading decisions taken based on this communication. Trading swaps and over-the-counter derivatives, exchange-traded derivatives, and options involve substantial risk and are not suitable for all investors. You are advised to perform an independent investigation to determine whether a transaction is suitable for you. No part of this material may be copied or duplicated in any form by any means or redistributed without our prior written consent. Freight Investor Services Ltd (FIS) is authorised and regulated by the Financial Conduct Authority (FRN: 211452) and is a member of the National Futures Association (“NFA”). Freight Investor Services PTE Ltd (‘FIS PTE’) is a private limited company, incorporated and registered in Singapore with company number 200603922G, and has subsidiary offices in India and Shanghai. Freight Investor Solutions DMCC (‘FIS DMCC’) is a private limited company, incorporated and registered in Dubai with company number DMCC1225. Further information about FIS including the location of its offices can be found on our website at [www.freightinvestorservices.com](http://www.freightinvestorservices.com)

# FIS European Close

info@freightinvestor.com | www.freightinvestorservices.com | (+44) 207 090 1120

By mid-morning over the last few days oil has come under pressure and today we have seen the same pattern. However, this is a market that has been looking to push higher and has needed some news to justify a further push to the upside. U.S. crude oil inventories dropped nearly 10 million barrels last week whilst U.S crude exports increased by the most in 5 months (Bloomberg). If our Elliott wave cycle was correct then we could potentially be right about the futures having a USD 59.00 handle on them.

Have a nice evening