

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	11125	11350	2.0%
Cape Q2 21	12550	13075	4.2%
Cape Cal 22	14200	14450	1.8%

	Previous Close	Current Close	% Change
Pmx 1 month forward	12050	12350	2.5%
Pmx Q2 21	12475	12750	2.2%
Pmx Cal 22	10725	10850	1.2%

	Previous Close	Current Close	% Change
Smx 1 month forward	11725	11500	-1.9%
Smx Q2 21	10825	11175	3.2%
Smx Cal 22	10325	10375	0.5%

	Previous Close	Current Close	% Change
Brent	55.43	55.93	0.9%
WTI	52.09	52.19	0.2%
Iron ore	153.35	154.3	0.6%

Data Source FIS and Bloomberg

Steel margins continue to look weak and trade below 0. The futures have seen some light relief today with price USD 5.00 off their lows. Right now it is hard to call iron ore a fundamental buy with the mills making no money and Chinese Government trying to cool down the steel market. ANZ are also bearish, targeting USD 100 a ton on the basis they expect fiscal stimulus to be slowly wound back (Bloomberg). On the face of it the USD 5.00 bounce does seem a little optimistic. However, the downside move was aggressive and could be overdone a little. The trend might be over but one would think that market buyers will test the upside to make sure, if resistance at USD 164.5 holds then expect market bears to push for a deep correction into the low USD 140's. Market buyers need to test the upside to confirm that this is a genuine corrective move.

The futures roll on the front month means we are showing up 2%, when in reality the Capesize Feb futures were up 10% today, closing at 12,350 (+1225). The index continues to weaken but down sub USD 500 means we are seeing a significant slowdown into end the week. The futures are reacting accordingly and closing the disparity gap as we enter the new month. If the index continues to slow or even turns positive for a brief period, then we could potentially see an upside move test USD 13,200 or even USD 13,900 in the near-term. Market bears will not want to see the futures trade above the USD 14,483 level, as that will take the technical out of bear territory.

The Panamax market answered the question today, bullish, not bearish/corrective. We knew the longer-term cycle is bullish, however this pullback in the Q2 futures down to USD 11,775 was just not deep enough for the corrective Elliott wave 4 we were looking for, meaning the bullish Elliott wave has extended, warning of further upside continuation. The Q2 near-term target is between USD 12,820—USD 13,182. With the index showing a positive number today we should expect the futures to trade up at the higher end of this range.

It has finally happened, the Supramax index has turned red. It is only be USD 1.00 but it still counts. With the futures rolling into the front month the disparity is still USD 850, meaning that gap will need to be closed within the next couple of weeks. The futures are holding into bullish territory and the index is turning negative, it looks like the two are going to continue to close this gap. We see the near-term upside target in the Feb futures around the USD 12,300 level, providing the index continues to weaken.

Little on the wire for oil futures today, price is advancing on reflation beats (Bloomberg), oil is retreats with weak equity markets sapping momentum (Bloomberg). Basically noise, fake news for the sake of news. FIS news headline 'Oil consolidates, moves sideways on flat moving averages, due to lack of trend'. There is actually no story underneath the headline, as that just about covers it.

It is a wrap

Have a nice weekend

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