FIS

Capesize Q2 21

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Synopsis:

The Q2 Capesize futures have found resistance on the weekly 50% retracement level on the rolling front quarter chart. The daily technical has produced a bullish hidden divergence that has resulted in the futures rallying USD 1,150 from the low on the 13/1/21.

The Elliott wave has seen an upside move consisting of three waves, two of which are equidistant that have failed at a 50% Fibonacci resistance. A deep pullback and a wave 1 and wave 4 overlap would suggest the upside move is more likely to be a 3 wave pattern rather then 5. This means the upside move could potentially be a bearish Gartley pattern. However, price has not traded below the base of the wave three, leaving the technical open to the possibility of further upside moves.

From a seasonality perspective the futures look to be running out of time before it enters into a corrective phase, this is based on the 3 and 5 year average values. The downside corrective phase usually lasts about 8 weeks. The fundamental, based on Chinese demand from steel, would suggest the pullback may not be as deep as we have seen previously.

With the futures failing at a key resistance levels and the seasonality chart implying we could see a weakening in prices, it would question the validity of the Elliott wave being bullish. The technical would suggest that upside moves have the potential to be limited at this point.

It is important to note that part of this technical is based on the Elliott wave theory (Theory, not fact). As the futures have not yet made a lower low, there is always the possibility of a further test to the upside, targeting USD 14,625—USD 14,928. If we do still see a bullish impulse move it still has the potential to be only short lived based on it being a 5th and final wave of the Elliott wave phase and the potentially bearish seasonality.

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Capesize Q2 Weekly Rolling Front Quarter

Support		Resistance		Current Price	Bull	Bear
S1	11,808	R1	14,702	13,328	RSI above 50	Stochastic overbought
S2	11,019	R2	16,361			
S3	10,229	R3	18,723			

Source Bloomberg

Synopsis - Intraday

- Price is above the 8—21 period EMA's
- RSI is at 50 (50.90)
- Stochastic is overbought
- The weekly rolling front quarter futures Q2 are above short and medium term EMA's with the futures failing below the 50% retracement ,at USD 14,702. Note; the steep drop is caused by the futures roll.
- The RSI is at 50 meaning it is regarded as neutral, the stochastic is in overbought territory. Momentum is vulnerable to a test to the downside, unless we see a significant move higher in the RSI
- Downside moves on the weekly chart that close below the USD 12,444 level would warn we could be entering a corrective phase. Likewise, a close above the USD 14,366 level would be considered as technically bullish, though this would be into Fibonacci resistance with momentum at overbought levels

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Capesize Q2 Daily Rolling Front Quarter

Support		Resistance		Current Price	Bull	Bear
S1	12,444	R1	14,366	13,328	RSI above 50	
S2	11,808	R2	14,702			
S3	11,019	R3	16,361			

Source Bloomberg

Synopsis - Intraday

- RSI is above 50 (62)
- Stochastic is above 50
- Price is between/above the 8 –21 period EMA's
- The daily chart is using blended data to create what is known as a Heiken Ashi candle, as the Baltic data uses close only. The Heiken Ashi gives us a clearer picture of the near-term Fractal support and resistance (USD 12,444—USD 14,366).
- Both the daily RSI and stochastic are above 50 in bullish territory. Note the pullback in the RSI is moving faster than the pullback in price. This is known as a bullish hidden divergence, it is not a buy signal but it is warning that we continue to have underlying strength in the market
- Downside moves that trade below the USD 12,444 level would break Fractal support and imply we have the potential to test the USD 11,808 Fibonacci support. Likewise, if we trade above the USD 14,366 level then the near-term upside target is the weekly 50% retracement level at USD 14,702
- The trend remains technically bullish with a hidden divergence warning the pullback could be corrective rather than bearish

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Capesize Q2 21 (Intraday)

Support		Resistance		Current Price	Bull	Bear
S1	13,258	R1	13,441	13,250	RSI above 50	Stochastic overbought
S2	13,075	R2	13,809			
S3	12,891	R3	14,625			

Source Bloomberg

Synopsis - Intraday

- Price is between the 8-21 period EMA
- RSI is above 50 (51)
- Stochastic is overbought
- The intraday candle chart is FIS data, using candlestick charts. The 8—21 period EMA's indicate a lack of trend with price below the USD 13,441 daily pivot point
- We have highlighted a potentially bullish intraday Elliott wave cycle, however there are some inconsistencies that need to be highlighted. If bullish the wave cycle, it should consist of 5 waves, 3 of which would be impulse waves (up). If this is a longer term corrective wave ,then it should only consist of 3 waves, 2 of which would be impulse.
- Waves 1 and 3 are virtually equidistant (wave 3 is slightly longer, which does fit bullish impulse as wave 3 are normally longer than wave one). However, the equidistant upside move has failed at the 50% retracement level on the weekly rolling quarter, warning that the move is potentially a 3 wave corrective. The wave 4 pullback is also deep meaning the technical phase is neutral/bullish, rather than bullish. Downside moves below USD 12,200 would be considered as bear-ish. We also see waves 4 and waves 1 overlapping. Elliott had this as corrective rather than impulse and was one of his 5 foundation rules. However in more recent times a wave overlap is accepted.

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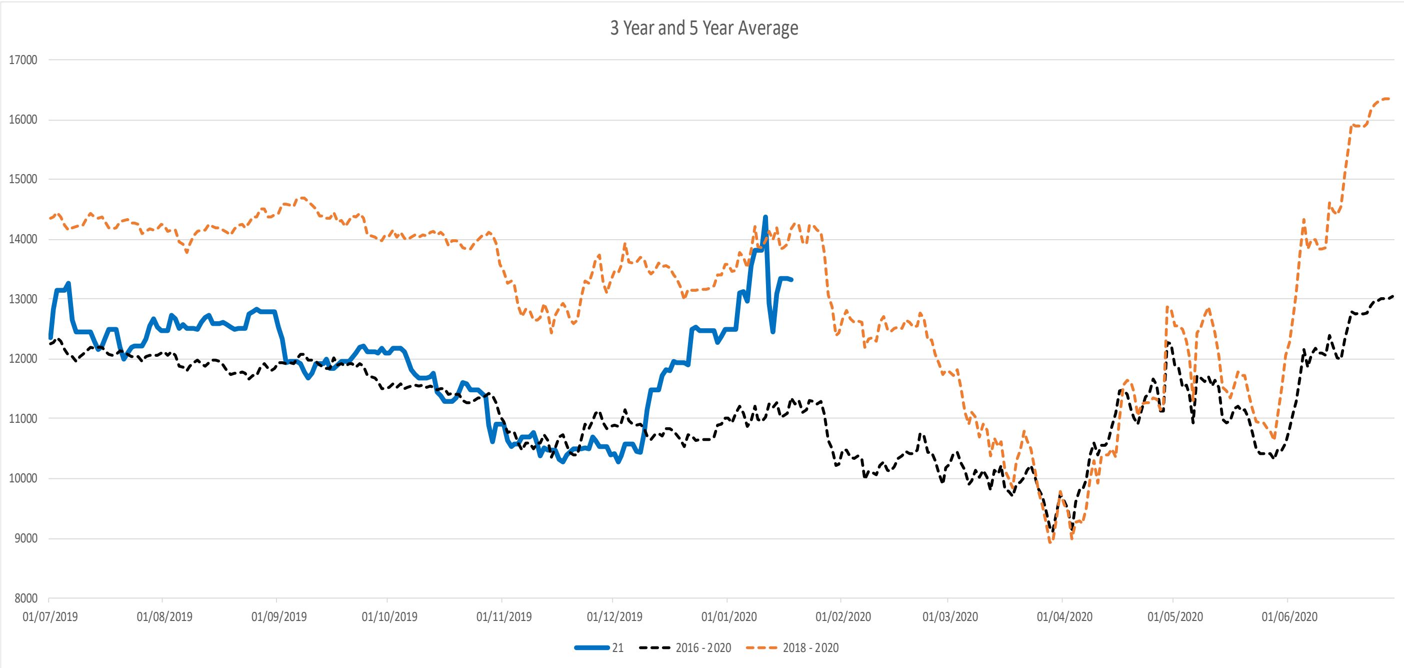
Q2 Seasonality



Synopsis - Intraday

Source Bloomberg

- The chart above gives us the 3 and 5 year average values for the Capesize futures
- The solid line represents the current market value for the Q2 futures based on the close on the 18/1/21. Above the 5 year but below the 3 year
- Note; the seasonality shape for the futures as we approach the end of January weakens considerably.
- If the upside move is a bullish impulse wave 5, then it's time factor could be short and the move limited
- This seasonality chart is warning that the market could enter a bearish phase soon that historically lasts about 8 weeks.