

FIS European Close

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	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	10700	8825	-17.5%	Pmx 1 month forward	12550	11812.5	-5.9%
Cape Q2 21	12875	11925	-7.4%	Pmx Q2 21	12725	12250	-3.7%
Cape Cal 22	14250	14100	-1.1%	Pmx Cal 22	10875	10775	-0.9%

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Smx 1 month forward	11600	11075	-4.5%	Brent	56.21	57.42	2.2%
Smx Q2 21	11100	10650	-4.1%	WTI	53.54	54.65	2.1%
Smx Cal 22	10450	10325	-1.2%	Iron ore	151.05	143.65	-4.9%

Data Source FIS and Bloomberg

In terms of a USD move in the offshore iron ore futures it has been a tough 24 hours, the Feb contract opened at USD 154.50 and trading down to a low of USD 146.55 yesterday. **We highlighted that downside moves that traded below the USD 161.20 would target USD 146.17 and this has been the case.** Margins have been under pressure for some time as China look to cool steel production levels this year. This has coincided with the big 4 committing to increase production to meet demand last week, the result has been a slide in RMB 125 (USD 18) since we first highlighted that DCE iron ore values were trading RMB 487 above the level last seen with negative margins. RMB 901 is a key support level, unbelievably the technical side of the market remains bullish above this level and neutral below. In terms of near-term price movement on the DCE, RMB 929 level is a level to watch, if the 4 -hour DCE candle holds above it then we could see a push up to RMB 955.

We had noted in the Capesize Q2 technical that the downside move had traded below the base of wave 2 meaning any upside moves was unlikely to be impulse, as the technical was bearish. The Feb futures gapped down on the open and have closed the day down USD 2,725, whilst the March contract is down 17.5% to USD 8,825. USD 8,500 is the next support level as this is around the 78.6% Fibonacci projection of the previous downside move. This level needs to be monitored as this has previously been a Fibonacci level that has given the market support. Upside moves above the US\$ 8,950 level could target the USD 9,850 area in a countertrend move. Price is on support which could hold, but the futures will need some higher physical fixing soon as it looks pretty bleak at this point.

The Q2 Panamax futures held at technical resistance yesterday before selling off on the back of the Capesize move lower. The Fibonacci support from this mornings technical has held but has been breached. The futures are now considered as neutral as the downside move has been deep, which supports a bearish index that is down once again. If index momentum increases then then we could see the futures coming under further pressure, near-term index support is around the USD 12,500 level with further support at USD 12,200 and USD 11,800. USD 12,100 will be a key level tomorrow, if this fails to hold then we could see the Q2 trade as low as USD 11,500.

With the Capes and the Panamax under pressure it was never going to be a great day for the Supramax index. The march futures are down 5.7% the Feb contract is down nearly USD 300 and the Index is seeing an increase in momentum to the downside with a negative USD 141 today. The Feb disparity is back over USD 1,000 with the futures in a support zone between USD 11,700—USD 11,550. It would be a hard sell on the technical but if the physical is getting weaker then perhaps there is more downside; However with the lowest volatility in the sector it would suggest the market might not run ahead of itself.

Brent, short and sweet, we are now in the Elliott Wave five, Bravo! For more information please click on the technical link Brent Daily technical 02/02/21 <https://fisapp.com/wp-content/uploads/2021/02/FIS-Technical-Oil-Report-02-02-21.pdf>

Have a nice evening