

FIS European Close

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	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	12625	13125	4.0%	Pmx 1 month forward	17625	19900	12.9%
Cape Q2 21	15350	16250	5.9%	Pmx Q2 21	15125	17475	15.5%
Cape Cal 22	15375	15212.5	-1.1%	Pmx Cal 22	11425	11800	3.3%

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Smx 1 month forward	17250	18750	8.7%	Brent	63.53	63.22	-0.5%
Smx Q2 21	14725	16000	8.7%	WTI	60.27	59.42	-1.4%
Smx Cal 22	11050	11350	2.7%	Iron ore	164.25	164.4	0.1%

Data Source FIS and Bloomberg

'Iron Ore Rally Pauses with Resilience of Chinese Demand In Focus' is the Bloomberg headline after the futures had a test to the downside today. The March offshore futures traded down to a low of USD 164 before closing the week USD 1.00 below yesterday. Resilience seems to be the right word as the downside moves failed to hold, Fortescue Metals said strong demand is likely to continue with supply likely to remain tight in the first quarter. ANZ is the other face of the coin, warning that that prices could soften. Ultimately this does not change our near-term view that the futures will test the USD 176.20 high.

The Capesize index continues to come under pressure, down another USD 1,466 to USD 14,224. The March futures traded down and slightly through the USD 12,464 support to a low of USD 12,250. Post index saw a minor recovery with the March contract closing the week up USD 500, to USD 13,125 (+4%), whilst the Q2 closed out at 5% higher at USD 16,250. Green shoots might be a little optimistic just yet, however if the futures trade above the USD 13,150 on Mondays open then we will target the USD 14,050 level in the near-term. The market now needs to see an Index slowdown for the futures to gain confidence to the upside.

You may forgive me for confusing the Panamax with a farm based on the amount of animal references you are about to hear. The Game of cat and mouse has taken an interesting turn in the paper today, as market hedgers look to see cover on the back of a supported March orderbook. This has resulted in the futures rising like a Phoenix from the ashes with the front month contract up 12.9% and the Q2 up 15.5% on the day. If it really is a case of the tail wags the dog, then it is likely that owners will stop chasing the physical down on the basis the futures are the lead indicator in the market. The index might be lower on Monday, but on the performance on the futures today it should see a fairly significant slowdown. If the March futures trade below USD 19,150 on Monday it is likely the upside moves has been one horrible mistake, suggesting we could trade down to USD 18,000 or lower. Likewise, a strong open that pushes the futures above the USD 21,400 level would put the buyers back in control, giving us a near-term target at USD 22,550 and potentially USD 25,000

Yesterday we highlighted that the Supramax move lower looked more like a corrective move rather than the 1927 stock market crash that we were witnessing in other sectors, and this seems to be the case. The sensible sister has put in a solid 8.9% gain to close the day up USD 1,500, to USD 18,750. We have seen a slowdown in the index which was up just USD 7,999, however with the disparity now only at 11.5% the futures look comfortable, suggesting the USD 19,875 high is a legitimate upside target.

The 1—hour Brent technical looks like it is making a higher high, the reality is the upside move is countertrend and needs to be above the USD 64.80 level to trade above the high of the last bear wave. Texas is getting warmer, suggesting output should start to increase again in the coming days, warning that unless we see some positive news on the wire, the Brent futures could continue to come under further pressure.

Have a nice weekend

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