

FIS European Close

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

	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	11325	10750	-5.1%	Pmx 1 month forward	19325	17700	-8.4%
Cape Q2 21	15600	15500	-0.6%	Pmx Q2 21	16675	16100	-3.4%
Cape Cal 22	15375	15125	-1.6%	Pmx Cal 22	11450	11325	-1.1%

	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Smx 1 month forward	20300	19125	-5.8%	Brent	65.09	67.2	3.2%
Smx Q2 21	16350	15950	-2.4%	WTI	61.2	63.26	3.4%
Smx Cal 22	11200	11075	-1.1%	Iron ore	165.5	165.7	0.1%

Data Source FIS and Bloomberg

Steel rebar continues to trade higher after Tangshan curbs output, whilst Vale SA has returned its suspended capacity (Bloomberg). The production limit and the introduction of suspended capacity has resulted in a slight softening of the offshore futures, with price dropping to USD 167.60 into the close. Onshore futures suffered a similar fate with the DCE closing the evening session down RMB 17. Steel margins remain stable at RMB 200 suggesting that when the restrictions are lifted, we could see a resumption in the upside trend. However, this could leave the futures a little vulnerable in the short term with market longs maybe looking to take risk off a little until the curbs are lifted.

Another bearish day in the front end Capesize market, with the futures trading down to a low of USD 10,250. We noted yesterday that upside moves that failed to trade above the USD 11,533 level would leave the technical vulnerable to further weakness, suggesting we could test the support zone between USD 10,700—USD 10,450, which has been the case. The futures have closed mid-range on the day, meaning tomorrow's pivot point (balance point) will be at USD 10,750, however with the RSI in bearish territory market buyers will probably need to see the futures above the USD 11,600 resistance to get momentum support. Downside moves on the open will find near-term support now at USD 9,945, below this level the futures will target USD 9,173. The index is now on a key support level at USD 12,191, if we go below this then we target the USD 11,492 support and potentially the USD 10,304 low.

The Panamax index continues to grind lower (down USD 270 today to USD 19,149), however the technical footprint still leans to this downside move being corrective, rather than bearish. If the futures are the lead indicator, we could see further losses on the index in the coming days. Having held above the USD 17,217 level in the March the futures are now testing support, if broken the futures will target the USD 14,625 level, which will become a key level of interest. Downside moves that hold this level will mean we could have a bullish Gartley pattern in play (corrective A, B, C of Elliott wave) and would warn we could potentially see another bullish upside move. The futures have already been caught on a short squeeze that started on the 17th and needs to position itself carefully to stop history repeating itself. Downside moves that trade much below this level would put the technical in serious trouble.

A slowdown in the Supramax index has resulted in a weakening of the March futures. We have already highlighted that there was a negative divergence on the intraday technical, with the upside move not supported by the technical due to price and momentum conflicting. This has led to the futures now entering an intraday corrective phase that looks like it could be potentially the early stages of a wave 4. If we trade back above the USD 20,325 level, then the technical is seeing a wave 5 extension on a lower timeframe and should be considered as bullish.

Continued page 2.

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The unprecedented cold front in Texas resulted in crude output falling to 9.7 million barrels a day (EIA) with concerns of a shortage of global supplies now building, the futures have traded to an intraday high of USD 67.30 on the back of this news. Our morning report had suggested we have the potential for further upside moves, however this is data driven and not technical and could potentially change the Elliott wave footprint in the coming days. Time will tell...

Have a nice evening.