

FIS Freight Q221 Butterfly

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Synopsis

Below we have 3 charts

- 1) the Capesize/Panamax/Supramax butterfly
 - 2) Capesize v Panamax Q2 21 spread
 - 3) Panamax v Supramax Q2 21 spread
- The technical is warning that we have the potential for a momentum slowdown in the form of a divergence, we also have a mean reversion gap with the 55 period EMA
 - The Capesize v Panamax spread is bearish based on the seasonality chart. However, the chart is illustrating that the spread is USD 1,200 below its 3 year average price at this point
 - The Panamax v Supramax is flat to bearish based on the seasonality chart. The spread is USD 1,600 above its mean value for this time of year
 - The Freight market is technically bullish in all three sectors. Are analysis suggest that market pullback should be considered as countertrend and likely to find buying support at lower levels
 - The 3 charts are highlighting that there is an anomaly in the market with the Panamax pricing. This does not mean that the Panamax futures are bearish but it does mean that is currently out performing its peers
 - Does this mean that the butterfly is a buy?
 - We think the point is more to highlight that there is the potential for the markets to rebalance and this needs to be highlighted. We could rebalance by a more aggressive corrective move in the Q2 Panamax (as and when it happens), it could also come from stronger upside moves in either the Capesize sector or the Supramax sector.
 - We have to highlight that it could be a case of the Panamax sector will continue to outperform in its class, supported by China's ever growing dependence grain and soy imports
 - Our analysis is to highlight the market disparity we are seeing and it's potential to rebalance in the form of an upside move in the fly

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Freight Q2 21 Butterfly



Synopsis

Source Bloomberg

- The chart above is the Q2 21 Capesize v Panamax spread against the Panamax v Supramax spread (butterfly)
- A buyer of the spread would buy 1 Capesize contract, sell two Panamax contract and buy 1 Supramax contract
- The butterfly is below key moving averages and has made a lower low. Technically bearish
- The RSI is not making a new low with price, known as a positive divergence. Not a buy signal it does warn that we have the potential for a momentum slowdown soon
- We have a mean reversion gap forming with the 55 period EMA, as highlighted on the chart
- The technical picture is warning that the butterfly is starting to look overextended to the sell side

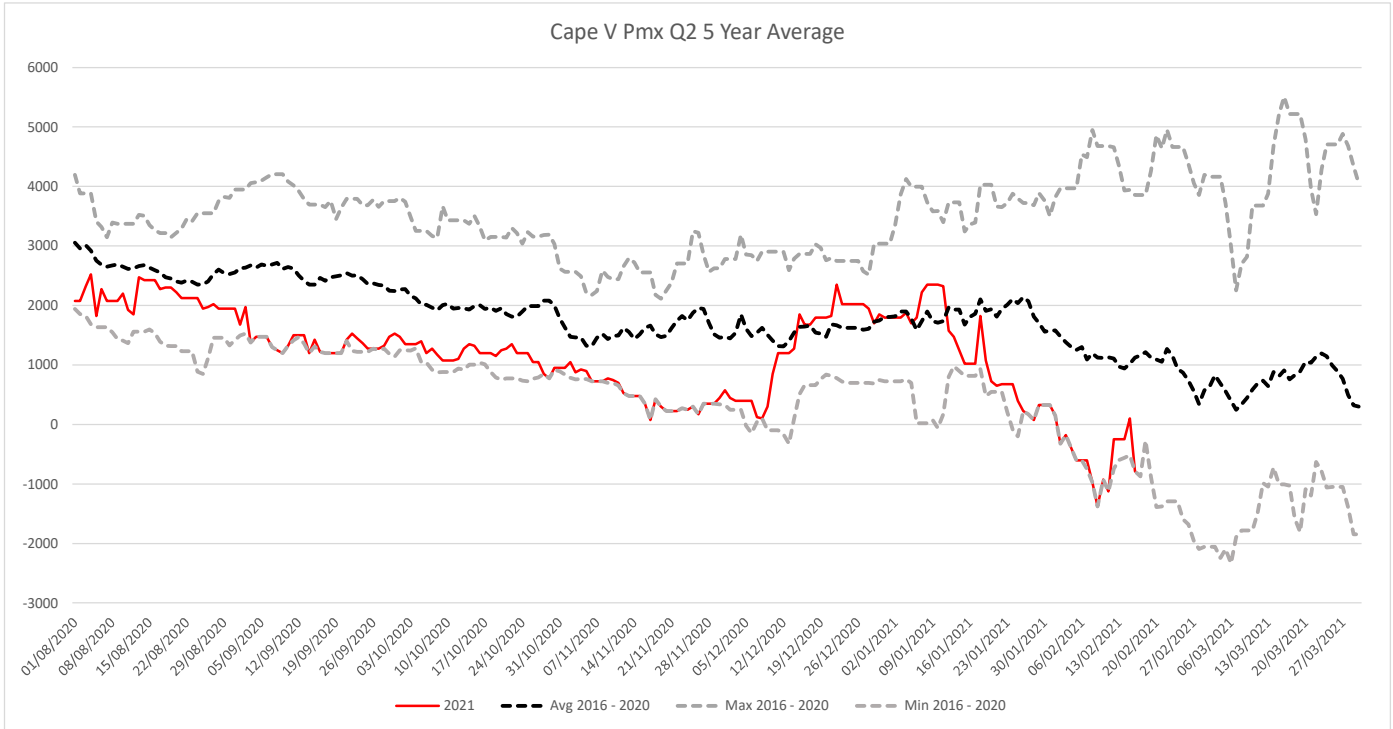
On the Page below we have two spread charts

- 1) Cape v Panamax Q2 21 illustrates that the seasonality is bearish but the spread is USD 1,200 below the 3 year average value
- 2) Panamax v Supramax Q2 21 illustrates that the seasonality is flat to bearish but the spread is USD 1,600 above the 3 year average values

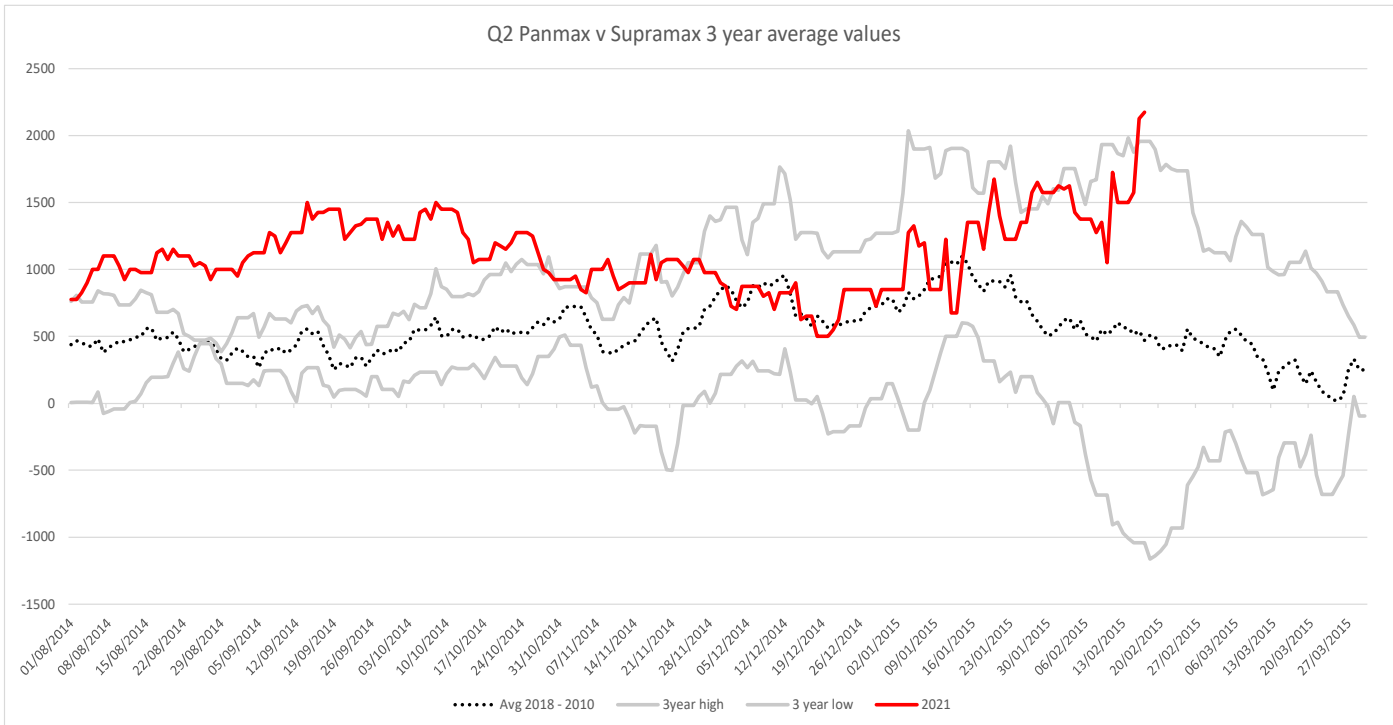
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Capesize v Panamax Spread Q2 21 - 3 Year Average Value



Panamax v Supramax Spread Q2 21 - 3 Year Average Value



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