

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	31750	30250	-4.7%
Cape Q3 21	34917	34125	-2.3%
Cape Cal 22	21162.5	20950	-1.0%

	Previous Close	Current Close	% Change
Pmx 1 month forward	24175	24450	1.1%
Pmx Q3 21	24375	25025	2.7%
Pmx Cal 22	16500	16225	-1.7%

	Previous Close	Current Close	% Change
Smx 1 month forward	27375	27225	-0.5%
Smx Q3 21	25200	25300	0.4%
Smx Cal 22	15725	15650	-0.5%

	Previous Close	Current Close	% Change
Brent	68.87	69.13	0.4%
WTI	66.21	66.6	0.6%
Iron ore	182.89	183.04	0.1%

Data Source FIS and Bloomberg

Iron Ore

Iron ore held our support overnight with price failing to trade below USD 169.30, resulting in the June futures rallying USD 14.80 off the USD 170.50 low. China has two goals; one is to deal with the inflation concerns created by the recent commodity rally, whilst the second is to clean air pollution relating to one of its dirtiest industries. Measures implanted already to curb the inflationary aspect have resulted in the market dropping 27%, this has been effective, but the reality is that at USD 180 a tonne is still expensive. The increase in scrap usage would indicate the cleanup has begun, with iron ore now in a bear market as it has dropped more than 20% from its high. The immediate issue is demand, which remains high. The speculative side of the market has had a rebalance, but if demand remains robust then perhaps the USD 142—USD 176 range between Dec-19 and March-21 will become the new norm whilst the world's second largest economy focuses on higher scrap consumption and becoming a net importer. Price is holding support, but it is hard to believe that the onshore futures will be allowed to rally without further restrictions coming into play.

Capesize

The Cape index is nearing neutral territory as it approaches the USD 27,333 support level. However, it is important to note the index remains theoretically bullish until it has made a new low below USD 18,327, as this is the first fractal support in the market. The June futures suffered another day of selling pressure to close USD 1,500 lower at USD 30,250, just below the daily 55 period EMA (USD 30,593). Upside moves on the 4—hour candle that close above the USD 32,875 would warn that intraday momentum is improving based on price and a close above USD 35,675 would indicate the daily momentum is improving based on price. USD 28210 remains our key support.

Panamax

I am looking at the daily chart on the June futures and can see 3 downside rejection candles, suggesting there could be some form of accumulation going on. The July v Q3 spread is nearing support whilst the Q3 v Q4 spread is consolidating in bullish territory, the Q4-21 v Q1-22 has the potential to produce a bullish hidden divergence if it goes much lower. For more information on the spread analysis please follow the link. Panamax Spreads Technical Report 27/05/21 <https://fisapp.com/wp-content/uploads/2021/05/FIS-4-PAGE-TECHNICAL-REPORT-PMX-SPREADS-27-05-21.pdf>

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Supramax

The June futures are holding at a discount of around USD 500 to the index, having had a strong upside move yesterday. The index remains steady with another rise of USD 307 to USD 27,720. For the futures it has been a day of sideways action, lower on the open, driven by Cape weakness, before closing on the high of the day at USD 27,300 (down USD 150 from yesterday). With a range of USD 350 there really is little to report. Bullish, in trend and holding well.

Oil

So, the intraday technical warned that we had the potential to see a momentum push today and it has been the case. However, the real question is are we technically bullish? 2.5 days of sideways action has resulted in an aggregate open interest (AOI) drop, suggesting there has been some distribution going on in the market. If we close higher and AOI continues to drop then the answer is no, we are not bullish. Little news on the wire other than 'Oil Edges Higher with Demand Hopes Outshining Iran Supply Risk' (Bloomberg). Focus will be on the AOI when it updates overnight.

Have a nice Evening.

Ed Hutton