

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	30250	34250	13.2%
Cape Q3 21	33075	35950	8.7%
Cape Cal 22	22487.5	23587.5	4.9%

	Previous Close	Current Close	% Change
Pmx 1 month forward	27150	29500	8.7%
Pmx Q3 21	27000	29175	8.1%
Pmx Cal 22	17000	18000	5.9%

	Previous Close	Current Close	% Change
Smx 1 month forward	27750	29875	7.7%
Smx Q3 21	26750	28700	7.3%
Smx Cal 22	16325	17125	4.9%

	Previous Close	Current Close	% Change
Brent	72.22	71.98	-0.3%
WTI	70.05	69.63	-0.6%
Iron ore	200.69	204.79	2.0%

Data Source FIS and Bloomberg

Iron Ore

Iron ore continues to show bullish momentum on both the onshore and offshore futures, however shipments from port Hedland rose to 48 million tons last month, the highest in 11 months and a record for May. Inflationary fears are back in the headlines after China's CPI index rose to its highest since 2008 on the back of rising commodity prices (Bloomberg). The market knows that China is prepared to try and keep a cap on commodity prices and the CPI data has made market buyers more cautious than they have been in recent days. The July futures have closed the day at USD 206.00 with price creating another daily high, meaning that it has room for a technical pullback, providing it holds above the USD 190.00. Below this level and we could see existing longs looking to cut risk, in the fear that we could look to test the USD 170.50 low again.

Capesize

The Capesize index posted a gain to (up USD 787 to USD 20,632) for the first time in a couple of weeks, however the index is starting to look under marked based on the recent paper performance. The July futures are up USD 4,000 to USD 34,250, if it soared like a salmon yesterday it can only be described as a phoenix rising from the ashes today. Technically we had been highlighting the momentum divergence on the intraday that had warned of a potential momentum slowdown, this created the bull move yesterday that produced a bullish piercing line pattern on the daily chart before gapping on the open, to then close on its highs once again. The deep pullback means the technical phase is bullish neutral rather than bullish, our wave analysis has not changed on the back of this. We remain bullish and expect to see higher prices in the coming days.

Panamax

Strong index figures today would suggest we will make a new high above the USD 26,404 level tomorrow. Price and momentum are bullish and will remain so above the USD 25,103, a close below this level would warn that momentum is weakening based on price. The July futures came out the blocks like a runaway train to trade above the USD 28,250 high, taking the near-term RSI above the 62.7 level. This means the near-term negative divergence has failed, there is still a long-term divergence in play, however this has been in place since mid-March and has a lot of wiggle in it, so is less of a concern to us. Yesterday morning we noted that the intraday Q3 was holding support with momentum indicating we were vulnerable to a move to the upside, price rose another USD 2,125 today putting the futures above the USD 27,300 resistance. Near-term resistance is now at USD 30,407 with further resistance at USD 34,500. A note of caution as we are seeing rapid acceleration, if it goes too far too fast it will struggle to maintain the move.

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Supramax

I thought we had seen the top in the July contract and had been expecting the market to produce a technical pullback. Clearly, I was wrong, and we have either wave extension or a new bull wave in play, either way the index is gaining momentum and like the Panamax will make a new high tomorrow. If as mentioned before the tail wags the dog, we are far from over, as July is up USD 2,050 to USD 29,800, indicating the index should have more upside. It is worth noting here that we do still have this near-term negative divergence in play, it is now marginal but until we have confirmation it has failed be cautious for any nasty surprises. Downside moves on the daily chart that close below the USD 26,875 level will have market longs looking to exit in fear the USD 25,250 fractal support will be tested and broken.

Oil

Oil futures have made new highs but failed to hold on to the gains before the EIA data is released later today. The dollar is the man behind the screen pulling the strings, having initially sold lower on the U.S. open the dollar basket caught a bid, rallying from a 11,690 to USD 11,720 which effectively killed off the oil rally. All eyes are now on the EIA data is this will give the directional bias for the remainder of the day.

Have a nice evening.

Ed Hutton