FIS

European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	38000	39625	4.3%
Cape Q3 21	38291.5	39425	3.0%
Cape Cal 22	24200	24575	1.5%

	Previous Close	Current Close	% Change
Pmx 1 month forward	31500	32750	4.0%
Pmx Q3 21	31250	31775	1.7%
Pmx Cal 22	18425	18450	0.1%

	Previous Close	Current Close	% Change
Smx 1 month forward	31450	33000	4.9%
Smx Q3 21	30225	31300	3.6%
Smx Cal 22	17625	17525	-0.6%

	Previous Close	Current Close	% Change
Brent	72.4	72.86	0.6%
WTI	70.09	71.1	1.4%
Iron ore	208.3	209.9	0.8%

Data Source FIS and Bloomberg

Iron Ore

China stepped back into the market today in its attempt to control the commodity bull that is pushing food, energy, and metals higher. Headlines on the wire, ‘China Turns to Its Huge Commodity Reserves in Bid to Tame Prices’. China is turning to its mammoth -- and secretive -- state reserves as the world’s top commodities consumer accelerates its campaign to rein in surging raw material costs. The country is planning to expand pork inventories to strengthen control over the market, while authorities have urged quicker construction of coal reserves infrastructure and are mulling a price cap as energy costs soar. The latest push centers on base metals, with China set to offer copper, aluminum, and zinc directly to end-users to curb a rally, according to people familiar with the matter, who asked not to be identified as the plan isn’t public (Bloomberg). Copper and Ali retreated from their highs as did iron ore, however prices have held firm despite another round of output curbs in Tangshan. The July will close the week at USD 210.10, having traded as high as USD 214, meaning the weekly candle has created a higher high and higher low, whilst closing in the top 25% of the weekly range. This would indicate market bulls are holding firm at this point as the longer-term averages on the weekly chart remain stable, despite the recent volatility.

Capesize

The market is clearly bullish with the index up another USD 3,713 to USD 27,752. The July futures continue to outperform the index by nearly USD 12,000, as they look to close the week at USD 39,625. Since the introduction of the 5TC index in 2014, the previous biggest disparity between the rolling front month futures and the index had been - USD 7,609, making this a concern from a technical perspective. Yes, the Elliott wave is bullish and our expectations of a new high above USD 45,750 have not changed, a view we have maintained all through this corrective phase; however, it is going to need to be big index on Monday as the July contract has risen USD 12,250 in the last 4 trading days. If it is not, then expect market buyers to take step back in anticipation of better value at lower levels, it is important to note that any corrective phase is considered as countertrend based on our wave analysis, it will not be considered as bearish. Ultimately bullish, but not an attractive buy with the Index where it is.

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Panamax

A good index today but below expectations at positive USD 882 today (Index USD 28,382). The July futures were up USD 1,250 to USD 32,750, however the move higher was all on the open with price drifting in the afternoon, to close USD 500 of its high. Like the Capes, the disparity between the index and the rolling front month is at its lowest level since 2,014, making this a concern. My issue (and I may well be wrong) is something called a parabolic curve, which I think we may have in play in the July contract, if I am right the futures will open the wrong side of the trendline on Monday morning, and this could signal a corrective phase. I am still bullish; I am just not a buyer right now.

Supramax

With the index at USD 28,514 and the futures at USD 33,000 you must ask the question, how much of this is sentiment driven? Systemic risk in freight is to the upside and the futures are the lead indicator over the Physical. However, price is up USD 19% in a week with the futures 16% above the index, we know the index can 'pop' in freight, it frequently does. Until it does, the whole freight complex will need to consolidate or enter a corrective phase. Obviously, big index's all round on Monday and this all becomes a moot point. Straight line markets are dangerous, again we are bullish, but right now we are cautious due to the possibility of a correction.

Oil

We traded above USD 72.61, meaning normal service did resume, a negative divergence in the market this morning resulted in a 60-pip drop. The downisde move did not hold with the futures making a new high above USD 73.09. We know from the weekly chart that there is not much between 73.00 and USD 75.60, the problem is the 73.00 area continues to hold. If we can move above and stay above the USD 72.87—USD 72.93 area then there is a good chance we will test the upside resistance. Nothing on the wire so I think we will call it a wrap,

Have a nice weekend.

Ed Hutton