

FIS European Close

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| | Previous Close | Current Close | % Change | | Previous Close | Current Close | % Change |
|----------------------|----------------|---------------|----------|---------------------|----------------|---------------|----------|
| Cape 1 month forward | 40000 | 36000 | -10.0% | Pmx 1 month forward | 37500 | 35125 | -6.3% |
| Cape Q3 21 | 38333.5 | 35083.5 | -8.5% | Pmx Q3 21 | 37000 | 35125 | -5.1% |
| Cape Cal 22 | 24775 | 24137.5 | -2.6% | Pmx Cal 22 | 20250 | 19750 | -2.5% |

| | Previous Close | Current Close | % Change | | Previous Close | Current Close | % Change |
|---------------------|----------------|---------------|----------|----------|----------------|---------------|----------|
| Smx 1 month forward | 35500 | 34375 | -3.2% | Brent | 75.13 | 75.77 | 0.9% |
| Smx Q3 21 | 34250 | 33375 | -2.6% | WTI | 73.46 | 75.07 | 2.2% |
| Smx Cal 22 | 19050 | 18725 | -1.7% | Iron ore | 210.45 | 204.8 | -2.7% |

Data Source FIS and Bloomberg

Iron Ore

The Caixin manufacturing PMI fell to 51.3 from 52.0 in May which was well below the consensus forecast of 51.9, and Bloomberg's expectation of 52.2. This is consistent with the message from China's official gauge, export growth may be starting to wane. Sporadic coronavirus cases and supply chain disruptions were cited for the drop (Bloomberg). However, above 50 means that we continue to see manufacturing expansion, it may be slowing but it is still expansion, indicating supply and demand are stable. July iron ore is up slightly but remains below the USD 214.5 and USD 217.8 resistance levels so no real change on the technical at this point.

Capesize

The index was down over USD 2000 today to USD 30,600; we had noted yesterday that we could see a corrective on a bear candle today, however at minus USD 3,625 on the August futures today it maybe a case that the bulk of the clear-out has happened. As brutal as today has been, we would suggest caution as there are a few bullish hidden divergence lurking in the market, they are not buy signals but if the market responds to them we could whipsaw. For more information on the technical please follow the link. Capesize Technical Report 01/07/21 <https://fisapp.com/wp-content/uploads/2021/07/FIS-4-PAGE-TECHNICAL-REPORT-CAPESIZE-01-07-21.pdf>

Panamax

We noted yesterday that there was a divergence in the August futures warning of a momentum slowdown. However, it is the Capesize sector that is the drag on the Panamax, resulting in the August closing USD 2,375 lower, at USD 35,125. The index itself continues to perform having posted another USD 1,061 gain, meaning the index is at USD 36,799, a premium of USD 1,675 to the futures. The divergence itself was marginal as price was higher but the RSI was nearly at its high, meaning it is on paper it is a weak divergence, if the index produces another strong figure tomorrow then the futures have the potential to test their highs again. Like the Capesize this market is vulnerable to a whipsaw in the coming days.

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Supramax

Like the rest of the freight complex the Supramax has come under pressure. The August futures had produced a negative divergence within a bullish trending environment, whilst trading at a premium of USD 3,500 to the index. Price will open tomorrow below the daily pivot point if it stays at these levels; however, the index is showing a bullish hidden divergence suggesting price is currently supported. At this point the move looks like it is closing the disparity gap rather than a bearish play, we highlight this enough, but I will do so again, divergences are not buy or sell signals, they are only warnings of the potential for a momentum slowdown. Saying that, we have hidden divergences in the Capesize and Supramax sectors whilst the Panamax index is performing and trading at a premium to the futures. The tail does wag the dog, and this could filter through to physical, but we will need to see more evidence, as the paper although corrective, still looks stable.

Oil

OPEC (Bloomberg)

- OPEC+ panel recommends 400,000 barrels-a-day output hike from August
- Group endorses gradual oil production increase, delegate says
- Oil pares gains: WTI around \$75 a barrel, Brent under \$76
- Full OPEC+ meeting delayed to 6:30 p.m. Vienna time

Until 6.30 P.M it will be difficult to make any kind comment, the futures have rallied to our morning resistance levels USD 76.60-USD 76.70 and promptly sold back off to where it was. The market does not know what to do yet so it will wait for the final announcement.

Have a nice evening.

Ed Hutton