

FIS European Close

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	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	10750	11125	3.5%	Pmx 1 month forward	16875	17700	4.9%
Cape Q122	12500	13500	8.0%	Pmx Q1 22	19000	19850	4.5%
Cape Cal 22	22222.5	23000	3.5%	Pmx Cal 22	20650	21750	5.3%

	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Smx 1 month forward	18750	19000	1.3%	Brent	89.75	89.51	-0.3%
Smx Q1 22	20350	20650	1.5%	WTI	87.15	86.76	-0.4%
Smx Cal 22	20625	21350	3.5%	Iron ore	137.85	138.35	0.4%

Data Source FIS and Bloomberg

Iron ore

Iron ore futures in Singapore wavered between gains and losses as investors weighed how mixed signals for China’s economic outlook would impact steel demand. China’s housing market and private consumption have been weakening during January and business confidence and stocks have been tumbling, even as exports remain robust, according to the outlook from Bloomberg’s aggregate index of eight early indicators for this month. Daily steel output from major mills dropped in the middle third of January compared with the opening period, according to the nation’s top industry group. Meanwhile, steel rebar inventories in China have increased for three consecutive weeks (Bloomberg). The futures pushed higher in the evening session on the back of the DCE contract moving above and closing above the RMB 777 fractal resistance. The Feb contract is bullish based on price and trend but the new high means we are now back in divergence with the RSI, not a sell signal it is a warning that we have the potential to see a momentum slowdown. As noted yesterday the technical is in balance based on the weekly RSI being at 50 with the stochastic overbought, however the fractal break in the DCE could be significant and will need to be monitored closely.

Copper

Copper declined in London as hawkish signals from the Federal Reserve weighed on the growth outlook while Chinese funds exited markets ahead of the Lunar New Year break. Fed Chair Jerome Powell reinforced the Fed’s determination to quell the highest inflation in a generation amid a robust economic recovery from the pandemic. Traders are boosting bets for higher borrowing costs in response, with money markets bracing for the possibility of five interest-rate increases from the Fed this year (Bloomberg). Price moved lower in the Asian session but held above the USD 9,660 – USD 9,630 support zone, leaving the technical neutral/bullish, below USD 9,630 it will be bearish. Price and momentum are conflicting at this point supporting a neutral stance on the market as we approach the CNY, however as highlighted above, the DCE iron ore has broken fractal resistance which would warn that the downside move is more likely related to the rise in the dollar basket, rather than Chinese funds going risk off.

Capesize

A very mixed day for the futures, price moved higher on the open having closed above trend resistance on the intraday yesterday, resulting in the futures trading to a high of USD 11,875. Technical sellers entered the market as the futures were trading USD 5,005 above the index which is USD 25 below the 3-year average value of the index (index 3-year average value is USD 11,903). A small sell off in the afternoon session resulted in the futures closing USD 11,125, up USD 375 on the day. The intraday technical has traded above fractal resistance for the first time since late November meaning it is bullish based on price, the fractal break could prove to be significant but it will need further support from the index which is USD 954 higher today at USD 6,780.

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Panamax

The index continues to come under pressure with price USD 609 lower at USD 15,279, we now target USD 14,329 and USD 12,896. Upside moves that close above USD 16,605 would mean that momentum is improving based on price. It was a different story in the futures with price moving higher on the open above the daily pivot point (USD 17,075). The futures have closed on their high but remain technically bearish, upside moves that fail at or below USD 18,382 are vulnerable to further tests to the downside, above this level the technical has a neutral bias, above USD 19,300 it will be bullish. The intraday Elliott wave cycle continues to warn that we have the potential to test the USD 16,425 low.

Supramax

Limited price action on the futures today with price closing the day USD 250 higher at USD 19,000 having traded to a low of USD 18,550. The index remains in a bear trend having moved USD 456 lower today at USD 17,743, a close above USD 18,826 would indicate that momentum is improving based on price. Technically bearish, the intraday Elliott wave cycle continues to suggest the USD 17,425 low could be tested.

Oil

Oil came off a fresh seven-year high after equities wavered and dollar strength weighed on the commodity. Futures in New York fell 0.5% after rising as much as 1.4%. Oil has rallied most of this week with physical supplies appearing extremely tight. Key swaps tied to the North Sea market are trading at their firmest since 2019, while time spreads are trading at their strongest level since November. Despite the underlying strength, the market wasn't immune to the whipsaw movements buffeting most major assets (Bloomberg). The futures traded to a high of USD 91.04 before coming under pressure on the back of a stronger USD, resulting in the futures pulling back to USD 89.19. price is pushing lower in the U.S. session, but the RSI is above 50 whilst the stochastic is oversold (on the 60 min chart), momentum is warning that we have the potential for a test to the upside providing the RSI can hold above the 50 level.

Have a nice Evening

Edward Hutton