

	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Cape 1 month forward	25500	24125	-5.4%	Pmx 1 month forward	26300	24875	-5.4%
Cape Q222	25150	24083.5	-4.2%	Pmx Q1222	26350	24825	-5.8%
Cape Cal 23	21175	21675	2.4%	Pmx Cal 23	15825	15675	-0.9%

	Previous Close	Current Close	% Change		Previous Close	Current Close	% Change
Smx 1 month forward	29750	28500	-4.2%	Brent	105.68	102.81	-2.7%
Smx Q2 22	29250	28250	-3.4%	WTI	101.38	97.99	-3.3%
Smx Cal 23	15600	15300	-1.9%	Iron ore	163.05	161.35	-1.0%

Iron ore

Source FIS/Bloomberg

Having weathered a surge in the price of a key input to record highs, China's stainless-steel mills are now facing a fresh set of problems as the government tightens curbs to contain the spread of the virus. The industry may be forced to cut production by about 30,000 tons this month, from 2.86 million tons in March, after the rise in nickel prices lifted costs, and China's widening Covid restrictions hamper domestic transport of the raw material, according to a forecast from researcher Mysteel Global. Producers are making losses at current nickel prices, said an official at a mill in eastern China, who declined to be named because of company policy. The mill has chosen to maintain output this month, but only because shutting down production lines and then restarting them would be even more expensive, he said (Bloomberg). The futures are proving resilient with price moving only slightly lower during the evening session. The trend remains technically bullish, but the futures are below the 8-21 period EMA's. We think this trend will struggle to hold higher levels as previously mentioned; however, the RSI is above 50 with the stochastic oversold on the intraday charts, if the RSI can hold above 50, we may have another test to the upside. If the RSI moves below 50 then look for support levels to be tested.

Copper

We noted yesterday that the futures had produced a bearish rejection candle into the close indicating we would see lower pricing today. The futures are down USD 144 to USD 10,311, if we maintain these levels into the close then we expect the USD 10,234 fractal support to be tested tomorrow. The daily trend remains above their EMA support band suggesting the trend is stable; however, two rejection candles in 5 days would imply that the support band could soon be tested.

Capesize

We noted yesterday that the index had the potential to test the 3-year average value around the USD 10,000 level, price is down USD 1,114 today at USD 12,344, suggesting we might be right. The futures continue to come under pressure, it is not technically driven it is just logic, a carry of USD 12,000 between the May futures and the index is unsustainable, more importantly it is just impossible to justify as a buy to a risk manager for anything other than a hedge. For the paper to run the carry will need to be nearer the 4 – 5k level, when it gets there then you have more of a chance of producing a sustained upside move. Either the index needs to move higher whilst the paper consolidates, or we continue to correct.

Panamax

A technical report for you today. One point to highlight is that the May contract is at a premium to the index in a falling market, it might not signal a momentum slowdown, but it does fit the seasonality charts. Panamax Technical Report 06/04/22 <https://fisapp.com/wp-content/uploads/2022/04/FIS-4-PAGE-TECHNICAL-REPORT-PANAMAX-06-04-22.pdf>

Supramax

The index is showing no sign of slowing down with price USD 608 lower today at USD 28,652. The May futures are following the index lower with price now below the EMA support band, warning the technical could be in trouble soon. USD 26,750 is a crucial level on this technical as that is the base of the last dominant bull wave, if it is broken the technical is bearish. Tomorrow's pivot point is at USD 28,891, if we close above it then we could find some bullish momentum, even better would be a close above USD 29,675 as that would warn that resistance levels could be tested.

Oil

U.S. allies in the International Energy Agency will deploy 60 million barrels of oil from their emergency stockpiles, bolstering the 180-million-barrel release of crude reserves already announced by President Joe Biden. The coordinate action by major energy consumers is intended to soften the economic fallout from a surge in energy prices since the invasion of Ukraine. Economic sanctions and an unofficial buyers strike have curtailed Russian oil exports, resulting in the biggest energy supply disruption in decades (Bloomberg). Oil releases, reiteration from the Federal reserve regarding rising interest rates and rising Covid numbers in China are starting to hamper this bullish technical. The futures have given up Monday's gains today with price back in the EMA support band whilst the RSI is just below 50. From a technical perspective the futures had looked primed for an upside move not 24 hours ago, and to be fair, on paper a near neutral RSI and oversold stochastic in conjunction with support would suggest it could still run. The fact the bullish close on Monday looks like it is about to fail is a concern. If you take all the technical gimmicks away and look at price action in any trading environment, one thing stands true from Gann's book '45 Years on Wall Street'. If the market is moving in one direction and has a one- or two-day countertrend move, followed by a close above/below the countertrend candle, there is a high chance of continuation. If we close below 102.89 then expect the fractal support at USD 96.93 to come under pressure, if we don't close below this level the market bulls are still in the game. If I am wrong, blame Gann!!

Ed Hutton

Written by **Ed Hutton**, FIS Senior Technical Research Analyst

EdwardH@freightinvestor.com