

# FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	36500	39725	8.8%
Cape Q322	36000	38125	5.9%
Cape Cal 23	22813	23475	2.9%

	Previous Close	Current Close	% Change
Pmx 1 month forward	27125	28875	6.5%
Pmx Q322	27675	28950	4.6%
Pmx Cal 23	17450	17700	1.4%

	Previous Close	Current Close	% Change
Smx 1 month forward	31600	32500	2.8%
Smx Q3 22	30375	31125	2.5%
Smx Cal 23	17400	17650	1.4%

	Previous Close	Current Close	% Change
Brent	114.24	114.17	-0.1%
WTI	114.2	114.17	0.0%
Iron ore	126.97	128.05	0.9%

Iron Ore

Source FIS/Bloomberg

The lack of any meaningful recovery in iron ore prices -- down 26% since early March -- shows the market isn't expecting Chinese pledges to boost infrastructure spending to come to the rescue anytime soon. The steel-making ingredient -- a handy barometer for the health of Asia's largest economy -- has taken a hit as anti-virus measures sapped end-user demand, snarled supply chains and crimped production at steel mills. A worsening debt crisis in China's property sector, a major source of iron ore consumption, has also taken away a crucial pillar of support. The extent to which the virus has hobbled China's economy was on display Monday with a disastrous set of economic data for April, making the official 5.5% growth target for this year look increasingly unrealistic. Despite that, the central bank left its key lending rate unchanged, although it did reduce mortgage rates for first-time homebuyers over the weekend (Bloomberg). Little change in the June contract with price trading at USD 128.90 into the close. From a technical perspective we remain bearish at this point with upside moves that fail at or below USD 138.76 remaining vulnerable to further tests to the downside. From an Elliott wave perspective this upside move looks to be a countertrend wave 4 suggesting the USD 122.85 low continues to look vulnerable.

## Copper

Copper extended a rebound along with most base metals from the lowest level this year, supported by robust US consumer spending and signs that China's Covid lockdowns are easing. Sentiment was buoyed after data showed US retail sales grew at a solid pace last month, the latest evidence that consumers remained resilient in the face of inflation. The value of overall purchases increased 0.9%, after an upwardly revised 1.4% gain in March. The turnaround in equities, soft dollar this morning and higher-than-expected consumer spending numbers have copper moving higher, said Bob Haberkorn, senior market strategist at RJO Futures. "But it could be short-lived just because of the China situation," he said. (Bloomberg) The upside move in the futures today has put price above the USD 9,408.50 fractal resistance meaning the intraday futures are bullish based on price. Corrective moves lower that hold at or above USD 9,106 will support a bull argument, warning we have the potential to enter a more sustained upside run, below this level the technical has a neutral bias. Price is currently struggling to trade above and hold above the intraday EMA resistance band, if it can, it will further support a buyer's argument.

## Capesize

The index continues to hold in bull territory with price USD 173 higher today at USD 32,754. The futures came out of the starting blocks hard and fast on the open with the June futures USD 1,875 higher at USD 38,375, price has continued to push with the futures closing the day at USD 39,875, up USD 3,375 on the day. The upside move above USD 39,250 confirms we are on a bullish wave 5 of the cycle that started on the 29/04/22. Near-term resistance is at USD 41,962, with the potential to trade as high as USD 46,058 in this phase of the cycle (this is adjusted slightly lower since the morning technical). Downside moves that trade below USD 34,625 will mean the futures are back in a corrective phase. Technically bullish the intraday RSI is now in divergence with price and will need to be monitored, as it warns of the potential for a momentum slowdown.

## Panamax

The index has had a turn in fortune today with price coming in USD 122 higher at USD 27,954, if we close above USD 28,177, then momentum will be bullish based on price. On the paper the futures followed the Capes higher, gapping up on the open and close the day USD 17,750 higher at USD 28,875. Upside moves that fail at or below USD 29,187 will leave the futures vulnerable to further tests to the downside, above this level we target the USD 30,250 high. The intraday technical is bullish based on price; however, the daily EMA support band remains flat indicating the longer-term trend is neutral. Near-term fractal resistance is at USD 30,250 and USD 30,750, but confirmation that the 2022 move is bullish impulse and not part of a larger corrective phase only comes above USD 33,625. Why mention this now? Because we have a concern regarding the SMX cycle which we are about to highlight next.

## Supramax

The index came in USD 30 lower today at USD 30,194 but the futures followed the rest of the complex higher with the June Contract closing at USD 32,500, up USD 900 on the day. Upside moves that fail at or below USD 32,965 remain vulnerable to further tests to the downside, above this we target the USD 33,875 high. At this point the technical is bullish neutral. We noted in the near-term cycle that USD 31,000 is a key support level; however, when we look at the longer-term technical there is something needing to be highlighted, regarding the Elliott wave cycle. In brief, Elliott is a 5-wave pattern, in a bullish cycle it will have three bull waves and two corrective waves. Wave 3 (the middle wave) can never be the shortest wave, that is a golden rule. In 2022 we have had two bullish waves, the first wave is longer than the third wave, meaning the final wave (5th) must be shorter than the third. On this basis, based on the USD 28,250 low on the 21/04/22, any bullish wave 5 cannot trade above the USD 39,500 level. On the assumption that this year's move is related to last year's move, we cannot trade above the USD 42,250 high from October 2021. This would suggest the upside moves we have seen this year is quite possibly part of a larger corrective phase, suggesting there is a bearish phase to come; the probability of a fifth wave has decreased. This does go against general seasonality of the market, and wave cycles do fail, but it is something to be aware of before we all start beating the bull drum. It is for this reason I have concerns regarding the Panamax cycle, if the SMX goes, then the PMX could follow. Sorry to put a downer on such a lovely day!

## Oil

Oil fell on news that the US government will allow Chevron Corp. to negotiate its oil license with Venezuela. West Texas Intermediate dropped to near \$113 erasing earlier gains on Tuesday. The US government is moving to allow Chevron to negotiate its license with Venezuela's state oil company, PDVSA, the Associated Press reported (Bloomberg). The futures traded above the USD 114.84 fractal resistance this morning to a high of USD 115.69 but is now trading below its opening values. In theory the new high would suggest that the USD 123.74 fractal is now a potential upside target. However, with the geopolitical situation as it is we cannot look at wave cycles with confidence. The futures are correcting, if we hold above USD 111.69 it will support a bull argument, if we trade below this level the futures will have a neutral bias.

## Ed Hutton

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