

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	#N/A N/A	8775	#VALUE!
Cape Q422	#N/A N/A	13425	#VALUE!
Cape Cal 23	#N/A N/A	13387.5	#VALUE!

	Previous Close	Current Close	% Change
Pmx 1 month forward	#N/A N/A	9450	#VALUE!
Pmx Q422	#N/A N/A	11700	#VALUE!
Pmx Cal 23	#N/A N/A	10700	#VALUE!

	Previous Close	Current Close	% Change
Smx 1 month forward	#N/A N/A	15125	#VALUE!
Smx Q4 22	#N/A N/A	12525	#VALUE!
Smx Cal 23	#N/A N/A	11075	#VALUE!

	Previous Close	Current Close	% Change
Brent	105.11	98.15	-6.6%
WTI	96.94	91.01	-6.1%
Iron ore	102.3	97.25	-4.9%

Iron ore

Source FIS/Bloomberg

The world's top steelmaker, Baoshan Iron & Steel Co., said it's facing "severe challenges" in the third quarter after its first-half earnings missed estimates. Echoing remarks from rival Angang Steel Co Ltd., the company warned Tuesday that margins have been squeezed after steel prices plunged more than raw material costs. The industry is contending with a deepening crisis in the property sector, which is crucial to demand, and the impact of virus flare-ups across the country. Baosteel reported that net income shrank 48% in the first half (Bloomberg). We noted last week that the futures remained vulnerable due to the muted price action after the stimulus, alongside negative steel margins. We have seen a breakdown in the Sep contract in the Asian day session with price trading to a low of USD 95.80. We continue to maintain our bearish view that the futures should trade below the USD 95.50 fractal low with the potential to trade to as low as USD 89.30 in this phase of the cycle. Upside moves that fail at or below USD 103.13 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.

Copper

Copper and aluminium dropped the most in at least a month on concerns that virus lockdowns in China will hurt demand and as supply constraints in the Asian powerhouse eased. Beijing's ongoing battle to contain virus outbreaks is damaging confidence in the nation's economy, with the Covid Zero policy causing many US companies to delay or cancel investments. That's on top of a property crisis that's taken a hefty toll on metals demand in the top consumer (Bloomberg). We noted on the technical report on Friday that the intraday upside move looked to be some form of wave extension; however, the move itself looked to be a countertrend wave 4 with key support at USD 7,852, downside moves below this level will leave the USD 7,602 and USD 6,995 support levels vulnerable. The futures gapped lower on the open with price trading below the USD 7,852 support, meaning the technical is now bearish. Upside moves that fail at or below USD 8,157 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.

Capesize

Another unforgiving index today with price USD 620 lower at USD 2,793. Unsurprisingly we witnessed further weakness in the futures with price USD 525 lower at USD 8,725. Technically bearish the futures continue to remain in divergence with the RSI, warning we have the potential to see a momentum slowdown. However, we reiterate our downside target at USD 6,443 at this point but continue to monitor the divergence in play. Upside moves above USD 9,875 will warn the USD 12,500 and USD 16,712 resistance levels could be vulnerable.

Panamax

There is no slowdown in sight on the index with price USD 788 lower at USD 10,220. The intraday futures produced a positive divergence on Friday warning that we had the potential to see a momentum slowdown; however, we reiterated our view that we think the trend has more to go, with any upside moves considered as countertrend. Price opened offered with the divergence falling hard pre-index before coming under further pressure post index, to close the day USD 2,575 lower at USD 9,450. Technically bearish with upside moves considered as countertrend, near-term support is now between USD 8,993 and USD 8,031. Upside moves on the 4-hour candle that close above USD 13,125 will warn that the USD 15,529 resistance is vulnerable.

Supramax

The downside move in the index is starting to accelerate with price USD 579 lower at USD 18,604. If the futures are anything to go by then the index will be coming under more pressure after the Sep contract closed USD 1,725 lower at USD 15,075. Technically we remain bearish with the price below all key moving averages supported by the RSI below 50; however, the futures remain in divergence with the RSI which will need to be monitored going forward, especially as the Sep contract is trading at a USD 3,500 discount to the index.

Oil

Oil declined after Iraq's state marketing company said exports haven't been affected by violent clashes in Baghdad. West Texas Intermediate fell as much as 4.9% to trade below \$93 a barrel, erasing Monday's price jump. Violent clashes in Baghdad have yet to hit Iraq's oil production, soothing initial trader concerns that a major source of supply could be disrupted. Crude's tight market has outweighed worries over a global recession could slowdown demand in recent in recent days. Crude is reversing yesterday's gains "on news that Iraq will keep their export ports open even though major political unrest remains," said Dennis Kissler, senior vice president of trading at BOK Financial. But the supply-demand balance has "tightened some and this week's crude storage is looking for another decline of 500k-600k bbls which if seen would take storage back to the lowest in three months." (Bloomberg). It looks like the trouble in Iraq has distorted the intraday Elliott wave cycle, as it suggested that the downside move this morning would be countertrend. However, with trouble subsiding, the futures have given back yesterday's gains with price trading below the USD 98.10 fractal support, meaning the technical is now bearish. Going into the close the futures are USD 7.09 lower at USD 98.00. The speed and strength of the downside move would suggest that upside moves are likely to be countertrend, unless we see further escalation in violence.

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