

FIS European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	18150	18250	0.6%
Cape Q3 23	18725	18875	0.8%
Cape Cal 24	14625	14750	0.9%

	Previous Close	Current Close	% Change
Pmx 1 month forward	11500	11300	-1.7%
Pmx Q3 23	12825	12800	-0.2%
Pmx Cal 24	11712.5	11775	0.5%

	Previous Close	Current Close	% Change
Smx 1 month forward	12075	12225	1.2%
Smx Q23 23	12850	13100	1.9%
Smx Cal 24	11800	11975	1.5%

	Previous Close	Current Close	% Change
Brent	75.56	74.84	-1.0%
WTI	71.3	70.77	-0.7%
Iron ore	105.2	104.85	-0.3%

Iron ore

Source FIS/Bloomberg

Iron ore may be subject to renewed downward pressure after China’s industrial-production figures underscored the fact that all is not well in the nation’s steel industry. Steel production in April came in at a touch below 93 million tons. That’s a good deal lower than March’s total, and it’s also a little weaker than the year-ago figure. The breakdown suggests underwhelming steel output in the world’s largest iron ore importer. That’s a bad signal for prices, and tallies with a recent caution from the Rio Tinto CEO that China’s steel markets “have been very low.” (Bloomberg). Technically bullish based on price having traded above USD 106.00 this morning, we had a minor divergence in play on the 4-hour chart that was more prominent on the 1-hour, not a sell signal it did warn that we could see a momentum slowdown. The June futures remained supported for most of the session today before drifting lower in this evening. The RSI is now starting to move below its MA, signalling momentum is weakening, as price is already below the daily pivot resistance (USD 104.76). Technically bullish, poor economic data and softening momentum is warning support levels could come under pressure, making USD 100.01 the key level to follow. As previously noted, we have potentially completed the bear Elliott wave cycle; however, if we do trade below USD 94.20 then it will imply there is a larger bear cycle in play.

Copper

Copper dropped to trade near its lowest level of the year as weak industrial output in China and rising exchange inventories added to evidence of weak demand. Official data Tuesday showed China’s factory production, retail sales and fixed investment grew at a much slower pace than expected in April. That’s prompting calls for more policy stimulus to bolster growth as the country’s rebound wanes. On the London Metal Exchange, readily available copper inventories rose to the highest level since October, after a 17th straight day of increases. Orders to withdraw stock from the bourse also slipped to a record low of just 125 tons, in a sign of reduced appetite for the metal that’s been flowing into the bourse steadily in recent weeks (Bloomberg). We were bearish on the morning report having rejected the EMA resistance band; price was starting to roll to the downside whilst below the daily pivot point, suggesting the USD 8,136.50 fractal low could be tested. The futures have traded to new lows in line with our intraday Elliott wave analysis; however, the new low means the futures are now in divergence with the RSI, not a buy signal, it is a warning that we have the potential to see a momentum slowdown and will need to be monitored.

Capesize

Another move lower in the index today with price down USD 744 at USD 19,033. The futures opened higher with bid support across the curve today; however, the intraday technical continues to suggest that the USD 17,550 support could be vulnerable in the near-term. We noted on the morning technical that the recent high of USD 23,150 was not truncation as I had initially labelled (this is in fact a wave 5 failure) but it could potentially be an expending flat correction, where the wave B has traded above the wave 5 high (this is not a common pattern). If we are looking at a flat correction, then we have a potential downside target between USD 17,550 and USD 16,413. Note: there is nothing stopping the wave C extending to the downside, we are just labelling the formation as we see it at this point, if those downside targets are achieved, we will wait for confirmation of wave extension or wave completion.

Panamax

Another poor index today with price USD 463 lower at USD 10,492. We noted on the morning report that the June futures remain technically bearish with upside moves considered as countertrend. Although we did find light bid support on the open, this did not constitute as the upside move that we had been looking for, as the move was light and failed to hold. The 1-hour RSI is now in divergence, not a buy signal it does warn we have the potential to see a momentum slowdown; however, as previously highlighted, we maintain our view that upside moves should be considered as countertrend at this point.

Supramax

Slow and steady on the index with price another USD 73 lower today at USD 12,001. Like the rest of the freight complex the futures opened the day with light bid support, resulting in the June contract closing USD 125 higher at USD 12,200. Technically we remain bearish with upside moves still considered as countertrend. If we do trade below USD 11,925 before moving higher, then the futures will produce a positive divergence with the RSI, warning we could see a momentum slowdown in the near-term.

Oil

Oil held steady near \$71 a barrel as stronger US consumer data and a more bullish outlook from the IEA helped cushion the let-down of weaker-than-expected Chinese demand. US retail sales figures released Tuesday suggested spending is holding up in the face of inflation and high borrowing costs. The International Energy Agency also raised its global demand outlook by 200,000 barrels and projected the market will shift to a supply deficit in the months ahead. However, data from China showed industrial output and retail sales growing at a slower pace, signalling that the oil-consuming behemoth might be losing momentum. That comes even as the nation's oil refineries continue processing near-record levels of crude (Bloomberg). Having moved higher yesterday, we have had an uneventful day today with price trading to a high of USD 75.95 but failing to hold. Going into the close the futures are USD .23 lower on the day at USD 75.00. As noted on the report this morning, momentum was conflicting, but the intraday Elliott wave analysis continues to suggest caution on upside moves, as we remain vulnerable to further tests to the downside

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