FIS European Close

info@freightinvestor.com | freightinvestorservices.com | (+44) 207 090 1120

	Previous Close	Current Close	% Change
Cape 1 month forward	12725	12825	0.8%
Cape Q4 23	15375	15450	0.5%
Cape Cal 24	13425	13500	0.6%

	Previous Close	Current Close	% Change
Pmx 1 month forward	8575	8050	-6.1%
Pmx Q4 23	10000	9750	-2.5%
Pmx Cal 24	10100	9950	-1.5%

	Previous Close	Current Close	% Change
Smx 1 month forward	9325	9150	-1.9%
Smx Q4 23	10375	10200	-1.7%
Smx Cal 24	10250	10250	0.0%

	Previous Close	Current Close	% Change
Brent	79.82	79.89	0.1%
WTI	75.81	75.89	0.1%
Iron ore	113.7	110.7	-2.6%

Source FIS/Bloomberg

Iron Ore

Rio Tinto Group said second-quarter shipments of iron ore fell 1% from a year earlier, as China's faltering economic recovery continued to weigh on demand. The world's biggest iron ore producer shipped 79.1 million tons of steelmaking ingredients in the three months to June 30. While it left full-year export guidance for its core product unchanged, it trimmed output forecasts for alumina and refined copper (Bloomberg). A bit of a strange day in the futures, having sold off in the Asian day session the August contract broke intraday support at USD 111.60, meaning the technical had entered bearish territory. We noted in the morning report that the daily technical remained bullish with intraday price action above the EMA support band. The MA on the RSI indicated that momentum was weak; however, market sellers would want to see price closing below and holding below the 55-period average with price and momentum aligned to the sell side for downside continuation. The futures have held EMA support with price trading from a low of USD 111.25 to a high of USD 114.50 with no real news out. The futures have now moved sideways for four days, the upside moves and bullish close is warning we could see potentially see a breakout from consolidation to the upside, making USD 115.00 the key resistance to follow.

Copper

Copper fell for a fourth day, the longest run of losses since April, on expectations for a boost in supply while demand remains muted. Billions of dollars worth of copper and cobalt that have been accumulating at a mine in the Democratic Republic of the Congo will be able to be shipped out more quickly after a dispute over royalties was resolved. The new shipments may lead to declines in premiums in the Chinese spot market, which is already suffering a seasonal demand lull, research firm Mysteel said in a note. Copper from the DRC may start arriving in China later this month, it said (Bloomberg). We noted in the morning report that the futures were in divergence with the RSI on the 1-hour chart, leaving the futures vulnerable to an intraday move higher. We have however broken to the downside with price USD 60 lower at USD 8,413 going into the close, however the lower timeframe RSI does remain in divergence, suggesting caution at this point.

Capesize

The index continues to come under pressure with price USD 498 lower today at USD 12,178. We noted in the morning report that the futures were testing our support zone (USD 12,410 – 12,099) whilst the futures were in divergence with the RSI. Not a buy signal, it did warn that we had the potential to see a momentum slowdown, which needed to be monitored. The futures have held the USD 12,410 level with price closing slightly higher today at USD 12,875. We remain technically bearish, but as futures are holding our target zone whilst in divergence, the August contract is not considered a technical sell at these levels. The upside moves today mean the RSI is starting to cross its MA, implying sell side momentum could be slowing a little.

Panamax

A bad index today with price USD 530 lower at USD 7,604. We have been bearish on the technical on the basis the Elliott wave cycle warned that we needed to trade below the USD 8,250 to achieve the minimum requirement for phase/cycle completion. Today we made a new low with the August contract closing the day at USD 8,050, meaning we are now in divergence with the RSI. Not a buy signal, it is a warning we could see a momentum slowdown, for this reason we do not consider the futures a technical sell at these levels.

Supramax

The index is another USD 86 higher today at USD 8,292. The August futures have traded to a low of USD 9,025, meaning we have yet to make a new low, price found light bid support post index to close the day USD 175 lower at USD 9,150. Technically bearish but not considered a technical sell at these levels.

Oil

At the start of May, the world's most important oil price underwent a long-awaited and historic overhaul. That's putting downward pressure on the benchmark as the after-effects of the change start to take shape. Dated Brent, a benchmark oil price that influences huge amounts of crude oil transactions, derivatives, futures markets, and even long-term gas deals, began to reflect trading of supplies from outside of the North Sea for the first time. Specifically, West Texas Intermediate Midland oil became eligible for setting the price of Dated, joining five existing North Sea grades -- Brent, Forties, Oseberg, Ekofisk and Troll, supplies of which were steadily dwindling, creating a need for extra liquidity. It turns out that the inclusion of WTI Midland changed the market profoundly, and perhaps permanently. The global benchmark has increasingly been facing the downward pressure. That's is not just because of the sheer volume of WTI Midland that has been gushing into Europe, now at a record 2 million barrels a day. It's also because of the lack of a loading program. Before WTI was included, North Sea traders who wanted to try to push the benchmark higher would have a very good idea of when cargoes would be in relatively short supply. That's because every North Sea crude had -- and still has -- a detailed loading program, meaning everyone knows exactly how many cargoes will be available for the five grades, and when. As such they could bid for a grade -- normally the cheapest one because it is the one that sets the benchmark -- knowing that supply is relatively tight. It's not illegal to do that and has been a feature of the North Sea market for years. After WTI Midland was included, that all changed. Since its inclusion the US grade has been the cheapest most of the time. So if a trader wants to push up the benchmark, they have to bid WTI Midland. But there is no loading program available for the grade. Whenever traders bid for supply on a specific date window, there are always cargoes available. Even if Platts manages to compile a loading program for WTI Midland in the future, the volume will be huge -- making it hard to target dates. This is already happening in the North Sea market. There have been lots of active bids since the start of this month on Platts' pricing window, but differentials of major grades have hardly moved. Outwardly, it makes the physical market look weaker than it did before WTI Midland was included. The real picture will take a little longer to become clear (Bloomberg markets live). The futures held support and broke resistance today; however, we have a 4-hour rejection candle that closed below the USD 80.56 level, meaning we could see price move lower overnight. However, if we trade above USD 80.93 then the USD 81.75 level will come under pressure.

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

EdwardH@freightinvestor.com