FIS

European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	16175	15550	-3.9%
Cape Q4 23	17075	16825	-1.5%
Cape Cal 24	14425	14425	0.0%

	Previous Close	Current Close	% Change
Pmx 1 month forward	13300	13200	-0.8%
Pmx Q4 23	12925	12800	-1.0%
Pmx Cal 24	11425	11375	-0.4%

	Previous Close	Current Close	% Change
Smx 1 month forward	12000	12025	0.2%
Smx Q4 23	12225	11900	-2.7%
Smx Cal 24	11450	11175	-2.4%

	Previous Close	Current Close	% Change
Brent	83.9	84.41	0.6%
WTI	80.06	80.78	0.9%
Iron ore	105.25	106.55	1.2%

Source FIS/Bloomberg

Iron Ore

Commodities have been roughed up this week by concerns China’s macro issues are going from bad to worse, especially in the vital real estate market. Despite that narrative, iron ore has punched its way higher, staging an in-your-face rally late in the Thursday session that’s spilled over into Friday. This jump is puzzling, and risks being unwound. The troubles weighing down the real-estate industry, including the stresses and losses piling up at developers, are deep-seated and likely to result in lower steel demand, hurting iron ore consumption. Beijing has eschewed big-bang support, opting for warming rhetoric, not state-funded salvation. At this stage, policy makers are more likely to prompt mills to scale back output over the rest of 2H to bring in full-year supply at or below 2022’s total. On the supply side, miners are continuing to kick out the dirt even as they glance warily at events in China, the single largest importer by a large margin. Taken together, the seaborne market is likely in a surplus that’ll pull prices lower. More than most raw materials, iron ore is given to fits of over-exuberance, and this week’s gain of more than 3% is likely to be a case in point (Bloomberg markets live). Going into the close the Sep futures are trading at USD 105.80, USD 1.40 off their highs on the back of a weakening rebar. For more information on the technical, please click on the link. Iron Ore Sep 23 (rolling Front Month) 18/08/23 https://fisapp.com/wp-content/uploads/2023/08/FIS-Iron-Ore-Technical-18-08-23.pdf

Copper

Copper declined — tracking a broad slide in global risk assets — as concerns about China’s economy and widening housing crisis put markets in bearish mood. The metal edged down on the London Metals Exchange and is headed for a third straight weekly loss. Pessimism over China’s growth prospects is building after the country’s state-owned property developers warned of widespread losses, fuelling concerns turmoil is spreading from the private sector (Bloomberg). The futures are trading unchanged on the day (USD – 4.5 at USD 8,231), momentum this morning had warned that we had the potential to move lower; however, with price trading to our downside target whilst moving higher on the back of a positive divergence, we did not have the futures as a technical sell. We maintain this view on the close of business.

Capesize.

The index continues to weaken with price USD 554 lower at USD 13,255. We noted on the morning report that the futures had traded below the USD 15,885 support, meaning the technical although bullish now had a neutral bias. The deep pullback meant that the probability of the futures trading to a new high had decreased. The Sep contract has come under further pressure resulting in price closing the day USD 625 lower at USD 15,550, meaning we are now below the 55-period EMA going into the close. Key support is now at USD 14,950, if broken the technical will be considered as bearish. Price is now below all key moving averages with the RSI below 50 whilst the MA on the RSI is starting to turn lower, warning that the USD 14,950 support is starting to look vulnerable.

Panamax

The index continues to move higher with price up USD 174 at 12,540 today, but we are seeing a momentum slowdown based on price. The Sep contract came under pressure on the open but has held above the USD 12,650 support. Technically we remain bullish but in a corrective phase with our intraday Elliott wave analysis continuing to suggest that the current move should be considered as countertrend. The MA on the RSI is starting to weaken which will need to be monitored; however, key support is still at USD 11,413, the technical remains bullish above this level and neutral below.

Supramax

The index is USD 255 higher today at USD 9,674; however, like the Panamax we are seeing a momentum slowdown based on price. We had a weak open today, but price soon found bid support to close the day USD 25 lower at USD 12,025. Technically we have the RSI above 50 with the Stochastic in oversold territory, momentum is warning that we are vulnerbale to a test to the upside, providing the RSI holds above 50. This is supported by the intraday Elliott wave cycle that continues to suggest that the current move lower looks to be countertrend.

Oil

Oil is headed for the first weekly loss in 8 weeks as its rally momentum loses steam and may struggle to shake off the dour mood next week, as the narrative around China risks continues to dominate. The fallout from China's worsening macro environment is more palpable by the day. Morgan Stanley this week cut its forecasts for the nation's economic growth into next year, with its 2023 outlook lowered to 4.7% from an earlier projection of 5%. And China's underlying demand for oil and oil products may remain sluggish, Bloomberg Intelligence posits. Plus, natural gas prices are easing as rising stockpiles counter supply risks, which helps reduce near-term upside potential for oil prices. If Fed Chair Jerome Powell strikes a hawkish tone at Jackson Hole next week as well, oil won't be immune to the negativity (Bloomberg markets live). The futures had been moving higher in what looked to be a countertrend wave B; however, coming into the close we are flat on the day with price trading around USD 84.00. For more information on the technical, please click on the link. FIS Technical – Brent Oct 23 18/08/23
https://fisapp.com/wp-content/uploads/2023/08/FIS-Oil-Technical-Report-17-08-23.pdf

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