FIS

European Close

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

	Previous Close	Current Close	% Change
Cape 1 month forward	15850	14575	-8.0%
Cape Q4 23	15900	15075	-5.2%
Cape Cal 24	13950	13750	-1.4%

	Previous Close	Current Close	% Change
Pmx 1 month forward	13975	13550	-3.0%
Pmx Q4 23	13400	13025	-2.8%
Pmx Cal 24	11850	11625	-1.9%

	Previous Close	Current Close	% Change
Smx 1 month forward	13425	13475	0.4%
Smx Q4 23	12800	12675	-1.0%
Smx Cal 24	11525	11375	-1.3%

	Previous Close	Current Close	% Change
Brent	89	90.84	2.1%
WTI	86.05	87.57	1.8%
Iron ore	114.6	115	0.3%

Source FIS/Bloomberg

Iron Ore

Iron ore has proved more resilient than expected of late, with the commodity staple staging a four-week rally. Despite this advance, risks remain to the downside heading into the year-end. First, why has the bearish call been wide of the mark? The answer seems to be that China's patchwork of stimulus, especially as it relates to property, has rekindled the belief that full-year steel demand in the world's largest producer will be okay. So, why might the rally come unstuck? Here are three reasons: Supply is booming. Brazilian shipments, for example, came in at 37.5 million tons in August. That's the second-highest total on record. Beijing is likely to mandate steel-output cuts in the run-up to the year-end to rein in emissions and match supply with demand. Despite the many salvoes of support, China's property sector is still not fully out of the woods (Bloomberg markets Live). We were a cautious bull this morning as our Elliott wave analysis continues to suggest that we have a potential upside target in the October contract at USD 120.47; however, the futures remain in divergence with the RSI, warning we have the potential too see a momentum slowdown. having retreated from its highs this morning the futures have found buyside support in the Asian evening session with price closing the day at USD 116.35. Technically nothing has changed, we still target USD 120.47 but have a note of caution due to the divergence in play.

Copper

We were technically bullish with a neutral bias this morning due to the depth of the pullback in the futures. Momentum had warned that we could see a move higher as the RSI was above 50 with the stochastic in oversold territory; however, the futures came under pressure early on but managed to hold above the USD 8,373 fractal support. The subsequent move higher means the RSI is back above 50 with the stochastic still oversold, in theory momentum is warning we could move higher. This is being countered by the MA on the RSI which suggests momentum is weak. The depth of the pullback was supported by the RSI making a new low, suggesting that the current upside move is potentially countertrend.

Capesize

After a move higher in the index yesterday we have seen price come in USD 621 lower at USD 8,266 today. The Capesize futures have once again proved to be a widow maker, having seen a strong move higher yesterday price has rejected the USD 16,059 resistance, resulting in the October contract closing USD 1,275 lower at USD 14,575. If you look at the daily chart, we have a bearish Harami in play, warning we could move lower tomorrow; however, countering this, the intraday RSI is holding above 50 with price above the 55-period EMA at USD 14,415. The futures are going to need to see buyside support on the open, otherwise the EMA will be broken; if it is, the Harami is likely to come into play, warning the Fibonacci support zone could come under pressure.

Panamax

Another small move higher in the index today with price coming in up USD 21 at USD 11,990. The futures have come under pressure, partly due to the disappointing index but also because of the selling pressure in the Capesize. For more information on the technical, please click on the link. Panamax Technical Report 05/09/23 https://fisapp.com/wp-content/uploads/2023/09/FIS-PANAMAX-4-PAGE-TECHNICAL-REPORT-05-09-23.pdf

Supramax

Another bullish day with the index USD 147 higher at USD 11,087. Unlike the rest of the freight complex the Supramax October contract has managed to hold onto its gains with price closing the day USD 50 higher at USD 13,475. We remain technically bullish but in divergence with the RSI, not a sell signal it does warn that we have the potential to see a momentum slowdown and will need to be monitored, suggesting caution.

Oil

Brent oil soared past $90 a barrel for the first time since November as the largest OPEC+ producers extended their supply cuts to year-end. In a move that risks a fresh inflationary impetus for the global economy, Saudi Arabia will continue its unilateral production cutback of 1 million barrels a day until December, according to a statement on the state-run press agency. The move will hold output at about 9 million barrels a day — the lowest level in several years — for six months in total. Russia's Deputy Prime Minister Alexander Novak announced in a separate statement that his country's export reduction of 300,000 barrels a day will be extended for the same duration — the latest sign that Riyadh and Moscow are in lockstep on oil policy. Brent crude is now trading in overbought territory on its relative strength index after rallying in the past week, leaving traders braced for a technical correction. Still, oil markets have been tightening as demand climbs to record levels and inventories tumble. Even mounting concerns about Chinese economic growth have been unable to prevent a summer rally (Bloomberg). The futures had entered a corrective phase this morning on the back of a minor divergence with the RSI, a move that we had noted looked to be countertrend. With the prolonged production cuts, we have seen the futures trade USD 1.73 higher at USD 90.73 going into the close. Due to the move higher, it has extended the time period in the wave cycle, meaning downside moves should still be considered as countertrend.

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

EdwardH@freightinvestor.com