FIS

European Close

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	Previous Close	Current Close	% Change
Cape 1 month forward	11800	12375	4.9%
Cape Q2 24	17500	17725	1.3%
Cape Cal 25	17250	17450	1.2%

	Previous Close	Current Close	% Change
Pmx 1 month forward	10375	10875	4.8%
Pmx Q2 24	13225	13675	3.4%
Pmx Cal 25	11750	12025	2.3%

	Previous Close	Current Close	% Change
Smx 1 month forward	10475	11000	5.0%
Smx Q2 24	12875	13275	3.1%
Smx Cal 25	11725	11775	0.4%

	Previous Close	Current Close	% Change
Brent	77.49	77.42	-0.1%
WTI	72.23	72.24	0.0%
Iron ore	137.4	132.3	-3.7%

Source FIS/Bloomberg

Iron Ore

Iron ore dropped the most since October as flagging demand spurred more Chinese steel mills to suspend production and go into maintenance. The steelmaking staple has retreated around 7% in a five-day run of losses after hitting an 18-month high on Jan. 3. Mills have largely eschewed annual winter stockpiling, as China's economic recovery remains sluggish and the property sector struggles to gain momentum. "There's chatter in the market that funds have pulled out of their outright long iron ore positions en masse in response to strong bearish technical indicators," said Atilla Widnell, managing director at Navigate Commodities Pte in Singapore. This is coinciding with weaker demand, rising inventories and industrial emissions restrictions in the steel hub of Tangshan, he said (Bloomberg). This makes sense as the DCE futures were moving higher whilst the aggregate open interest was dropping last week, warning that the technical was weakening. At the same time, the offshore futures had produced a negative divergence with the RSI, again, a warning we were seeing technical weakness. We noted on the close report yesterday that the futures had broken the bearish flag to the downside, we have seen further downside in the Feb contract today. Based on the recent move lower, bearish momentum indictors alongside the RSI making new lows, upside moves now look like they could be countertrend in the near-term.

Copper

Industrial metals have opened 2024 in downbeat fashion, with copper recording its longest losing streak since the early days of the pandemic amid fears of weak global manufacturing and construction. Copper struggled for direction on the London Metal Exchange Wednesday, after closing down for an eighth straight session Tuesday. The impact of high global interest rates is still hampering demand and suppressing prices, despite supply disruptions and expectations that China will take more steps to revive growth. "We expect cyclical copper demand to weaken further in 2024 as debt-service burdens rise across mature markets, outweighing China policy upside," Citigroup Inc. said in a note. The metal is likely to trade near $8,500 a ton through January before moving lower, it said (Bloomberg). We noted on the morning report that the negative divergence had failed, warning that the USD 8,313 and USD 8,274 support levels could now come under pressure. Having traded lower on the Asian open, we have seen a small test to the upside in the E.U. day session but remain below key moving averages. If we look at the sell off compared to the move higher that started in October, the correction is now greater in time and price than previous corrections. This is accompanied by the RSI making new lows, suggesting that upside moves should still be considered as countertrend.

Capesize

It was a bad index today with price USD 4,579 lower at USD 22,362. However, it was not unexpected, as the rolling front contract (Feb 24) has been trading at a deep discount for some time. From a technical perspective, we have been a cautious bear for the last couple of days, due to the positive divergence on the intraday chart. The Feb contract based yesterday (found a floor) and produced a small move higher today, to close at USD 12,375, up USD 575. Despite the sell off, the index is still just above 3-year seasonality highs whilst the Feb futures are trading at 3-year average values, suggesting we need to see more downside in the physical if the paper is to sell lower. Any form of uptick in the index from here could result in short covering in the futures. Based on this, and the move higher on the divergence, we continue to maintain a cautious view on downside moves at this point.

Panamax

We continue to see a bearish numbers on the index, with price USD 637 lower today at USD 10,875. We had a note of caution on the futures this morning due to a lower timeframe positive divergence that was in play, as it warned we could see a momentum slowdown. We have seen the Feb futures move USD 500 higher to close at USD 10,875, despite the weakening index. The divergence is a factor, but again, when we look at the index seasonality (3-year), we are below average values but above the 3-year low. However, the Feb futures are pricing in the continued move lower with the futures already at 3-year lows, suggesting that we are a little oversold at these levels. We should note that the intraday Elliott wave cycle is warning that upside moves have the potential to be countertrend in the near-term.

Supramax

A hattrick of bear index's today with price USD 295 lower at USD 12,485. Like the Panamax, index seasonality indicates more downside, but the Feb futures (which have closed USD 525 higher at USD 11,000) have been finding support at 3-year lows (and on the positive divergence). Again, suggesting we are a little oversold to the downside. For more information on the technical, please click on the link. Supramax Technical Report 10/01/24 https://fisapp.com/wp-content/uploads/2024/01/FIS-SUPRAMAX-4-PAGE-TECHNICAL-REPORT-10-01-24.pdf

Oil

Oil pared gains in another choppy session after a surprise buildup in US crude stockpiles undercut the threat to supplies from recent escalations in the Red Sea. West Texas Intermediate was little changed after US inventories unexpectedly swelled 1.34 million barrels, the biggest increase since mid-December. Inventories at the Cushing storage hub, the delivery point for WTI futures, drew down for the first time in 12 weeks, helping keep the contract's prompt spread in a bullish backwardated structure (Bloomberg). The upside moves obviously failed to hold (as highlighted above) with price rejecting the 200-period MA again (USD 78.42). We are closing the E.U. session flat on the day, if we stay at these levels, it will mean that we have a Doji candlestick in play, indicating indecision in the market. This will be fitting as we are starting to become rangebound; however, with price continuing to reject the daily EMA resistance band, we must maintain a cautious view on upside moves until broken or definitively rejected. If we do sell lower and break the intraday fractal at USD 74.79, it will warn that the USD 72.29 low could come under pressure.

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