FIS

European Close

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

	Previous Close	Current Close	% Change
Cape 1 month forward	19050	21500	12.9%
Cape Q2 24	22500	24250	7.8%
Cape Cal 25	19400	19700	1.5%

	Previous Close	Current Close	% Change
Pmx 1 month forward	15150	15600	3.0%
Pmx Q2 24	16000	16525	3.3%
Pmx Cal 25	13125	13300	1.3%

	Previous Close	Current Close	% Change
Smx 1 month forward	15050	15350	2.0%
Smx Q2 24	15325	15600	1.8%
Smx Cal 25	12725	12900	1.4%

	Previous Close	Current Close	% Change
Brent	79.43	81.41	2.5%
WTI	74.08	75.96	2.5%
Iron ore	125	127.8	2.2%

Source FIS/Bloomberg

Iron Ore

The iron ore futures have moved around USD 1.00 lower since the morning report. We had a cautious view on downside moves today, as the futures had moved higher on the back of a positive divergence. If we move lower from here, it will warn that we are potentially seeing the Elliott wave C extend to the downside. Why mention this with such little movement? Well, if Copper is a global benchmark, then iron ore is in trouble, as that has just blown away my intraday divergence, meaning the Elliott Wave A has extended to the downside, suggesting a little caution might be needed on upside moves in iron ore just in case.

Copper

Copper and other industrial metals slumped ahead of China's week-long Lunar New Year holiday, with a regional increase in inventories and plunging consumer prices amplifying worries about a deepening slowdown in the world's top commodities consumer (Bloomberg). We were cautious on downisde moves this morning due to the futures being in divergence; however, upside moves were considered as countertrend. The futures have sold USD 105 lower to USD 8,208 resulting in divergence failure. The Elliott wave A is extending to the downisde, meaning upside moves will still be considered as countertrend within this phase of the cycle (The A). We were too early; the wave B is not ready to appear yet!

Capesize

The index is slowing down again with price USD 55 lower at USD 18,215. We noted in the March futures this morning that downside moves should be considered as countertrend; however, there was neutrality in the market as price and momentum were conflicting whilst the MA on the RSI was flat. The futures have moved higher but the RSI continues to remain below its RSI at this point. If we do trade to a new high from here, it will confirm that we are on a bullish Elliott wave 5 for this phase of the cycle, meaning we have the potential to trade as high as USD 26,475. This will also create a negative divergence on a lower timeframe, meaning we will have an air of caution. Just an observation, but we noticed that the Cape April v May spread was valued around par (USD 0), which looks a little high against the 3-yesr historical; however, you may want to wait and see how far capes pop before selling into it. On the same basis, the C v P q4 spread, Cal 25, and Cal 26 are probably worth keeping an eye on, as they all look historically high right now as well.

Panamax

The index is another USD 11,933 higher today, confirming that momentum based on price is aligned to the buyside; however, we will need to close above the USD 12,386 level tomorrow to be above the weekly pivot point, which will be a little irrelevant as that number will be adjusted again on Monday. The March futures found bid support off the 21 period EMA this morning, resulting in the futures closing the day USD 475 higher at USD 15,625. Technically nothing has changed, if we trade above USD 15,800 then the futures will be in divergence, warning we could see a momentum slowdown. However, with the Capes and Supramax RSIs having recently made new highs, we are a little bit cautious in case the RSI divergence fails. A cautious bull until the technical tells us otherwise.

Supramax

The index was a little disappointing today with price only USD 29 higher at USD 11,550. However, it is not all bad news, as the March futures are USD 300 higher at USD 15,350, this puts the carry at USD 3,800, and the ratio at 0.7524. If the futures move another USD 650 higher, it will put the ratio sub-70, which might just be enough to kick start the index into a move higher. It worked in Feb 22 and Feb 23 which was in line with the seasonality, so we are a little cautious on the index at these levels. In the futures, we remain bullish with downside moves still considered as countertrend at this point.

Oil

Technically bullish with a neutral bias this morning, the MA on the RSI continued to warn that momentum was supported, whilst price was holding above the 200-period MA, meaning resistance levels were vulnerable. the AOI was also supported, implying market longs were holding their positions. We also highlighted the weekly pivot at USD 79.77 as a key level to follow, if the daily candle closed above this level, it would further support a bull argument; likewise, if rejected and we closed below the 200 – period MA, then support could come under pressure. The futures have continued to move higher with price trading at USD 81.35 into the close (up USD 2.14). The MA on the RSI continues to suggest momentum was supported, meaning the USD 82.02 resistance could be tested and broken, if it is, then the technical is back in bullish territory. Having seen the deep pullback in the RSI previously, this upside move had looked like it could be countertrend; however, right now, we are above all key moving averages and the weekly pivot level with momentum supported, meaning the technical is now suggesting this might not be the case. USD 82.02 is the key number to follow.

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

EdwardH@freightinvestor.com