

Iron Ore Dec 25 (rolling Front Month)



Support		Resistance		Current Price	Bull	Bear
S1	100.99	R1	103.43	102.60	Stochastic oversold	RSI below 50
S2	100.16	R2	104.22			
S3	99.10	R3	105.31			

Synopsis - Intraday

Source Bloomberg

- Price is below the 34 - 55-period EMA's
- RSI is below 50 (45)
- Stochastic is oversold
- Technically bearish last week, we noted in the morning technical/close report that the Elliott wave cycle looked to have completed, due to the 5-wave pattern lower and the intraday divergence. The breakdown in price in the Asian day session on weak export numbers had resulted in the wave cycle extending. This means that the initial 5-waves lower had become 1 on the higher timeframe cycle, the pullback to USD 104.05 had become 2, whilst the move lower today (07/11) was the wave 3. We were on the daily 200-period MA (USD 101.15), meaning price is at an inflection point; however, this move lower looked to be a bearish impulse wave 3, meaning upside moves should be considered as countertrend. It also meant that we expect this wave three to trade below USD 99.10 in the near-term, and potentially lower. Bearish.
- We revised our analysis on the intraday morning technical the following day, as under closer inspection our oscillator on the intraday timeframe had in fact failed to make a new low (by a very small marginal), meaning we came to the conclusion that this phase of the bear cycle looked to have completed. The resulted in the futures holding the 200-period MA support (USD 101.13), resulting in a small move higher. We remain below the EMA resistance band with the RSI below 50.
- Upside moves that fail at or below USD 105.31 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- The technical remain bearish with the MA on the RSI implying momentum remains weak. Although the A,B,C pattern looks to have completed, it does not mean that the technical is now bullish. In the near-term, we are cautious on downside breakouts below USD 100.85 as the intraday technical will be divergent; however, upside moves that fail at or below USD 105.31 will warn that there could be a larger bearish wave cycle in play. This would be in the form of a W,X,Y pattern; what does this mean? A,B,C becomes W, the X would be the countertrend wave higher, whilst Y would then be expected to form another bearish A,B,C pattern. Intraday price implies caution on downside breakouts in the near-term, due to a divergence; however, whilst below USD 105.31 we must remain cautious on higher moves in case we enter a second bearish A,B,C structure.