

Iron Ore Offshore March 26 Morning Technical Comment—240 Min Chart**Synopsis - Intraday**

- Price is below the 34 - 55 period EMA's
- RSI is below 50 (35)
- Stochastic is oversold
- Price is below daily pivot level USD 102.47
- Technical Outlook Wednesday: Neutral. With price moving higher on the divergence yesterday, while holding above the daily 200 MA, we continued to take a cautious approach on lower moves. We noted that for downside continuation, the divergence needed to fail, and price needed a close and hold below the daily average. We made an observational point: this was a 3-wave correction, but the third wave is unusually short, leaving us with 3 possibilities. 1) it is a bullish signal 2) we could have a double 3-wave pattern, as witnessed between Oct-Dec, in the form of W, X, Y 3) the wave extends lower. We highlighted that this was where technicals need to be run closely with fundamentals, they need to come in line around the key indecision points in the market. Although I tried to avoid fundamentals, as I did not want to have an unconscious bias, stock piles were undeniably high and making headlines. If we moved higher, we could initially see an increase in volume as the market looked to cover; however, if we continued to rally and volume decreased, the move was highly unlikely to hold. Volume was fuel, the shape of this technical made me think that upside moves could struggle to hold without decent volume support.
- The futures look to be following option 3 with price selling lower on high volume overnight. We are below all key moving averages supported by the RSI below 50, intraday price and momentum are aligned to the sell side.
- A close on the 4-hour candle above USD 102.47 with the RSI at or above 43.5 will mean price and momentum are aligned to the buy side. Upside moves that fail at or below USD 103.78 will leave the futures vulnerable to further tests to the downside, above this level the technical will have a neutral bias.
- Technical Outlook: Bearish.
- The break to the downside in the Asian day session signals an Elliott wave extension on the lower timeframe. If correct, then Fibonacci extensions suggest that we should in theory test the USD 99.20 in the near-term, with intraday upside moves now considered as countertrend. On the buy-side, the RSI is testing an old support zone; however, this is countered by a weakening RSI moving average. Based on the lower timeframe Elliott wave analysis, USD 99.20 is the near-term minimum downside target.

Chart source Bloomberg