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Capesize Technical Report

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Index

Technical outlook: Sell side pressure increasing

The move below the USD 47,397 fractal support means we now have a 3-wave corrective pattern lower. A 100% Fibonacci projection of wave 1, from the peak of wave 2, gives an equal leg projection at USD 42,967. Key Fibonacci support is at USD 42,218, throwbacks below this level would reduce the probability of price trading at a new high within this phase of the cycle. A failed swing high and lower low, supported by an RSI that has negative velocity and negative acceleration, implies that sell side pressure is increasing, warning the USD 42,967—USD 42,218 support zone could be tested. This will be a key area on the technical, throwbacks that hold at or above this area would imply underlying support in the market; conversely, a close and hold below USD 42,218 would suggest we could see further technical weakness.

Oct 26

Technical outlook: Sell side pressure increasing

The failure to trade at a new high has been followed by a break in fractal support, signaling an increase in sell side pressure. Our Elliott wave analysis suggests that downisde moves should be considered as countertrend; however, the marginal fail at the high is clouding this technical. It could be that the move lower is a corrective pullback from the lower timeframe Elliott wave (iii); however, there is a chance that the lower timeframe cycle has truncated (the (v) failed to make a new high), meaning we could potentially be in a higher timeframe corrective phase. If we close and hold below the 55-period EMA at USD 41,394, and trade below the USD 40,582 level, then the probability of price trading at a new high would start to decrease. However, if the RSI holds the 40 level (or reclaims it if broken) and price fails to hold below the 55-period EMA, it will warn of underlying support in the market. Although sell side pressure has increased, we have a more neutral view at this point, due to the lack of clarity in the wave cycle. Upside moves that fail at or below USD 45,740 would suggest a more complex corrective phase.

Q4 16

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Cal 27

Technical Outlook: bullish throwback

The futures are in a corrective phase having produced a failed swing high and a break in the USD 32,400 fractal support, meaning we have a corrective 3-wave pattern forming. A 100% Fibonacci projection of the first corrective phase, projected from the higher of the second wave, gives us a potential near-term downside target at USD 3,1800. Market sellers should act with caution around this level, as it could attract buyside support. Our Elliott wave analysis does suggests that downside moves should be considered as countertrend, and not bearish, providing the USD 29,157 support is not breached.

Capesize Index

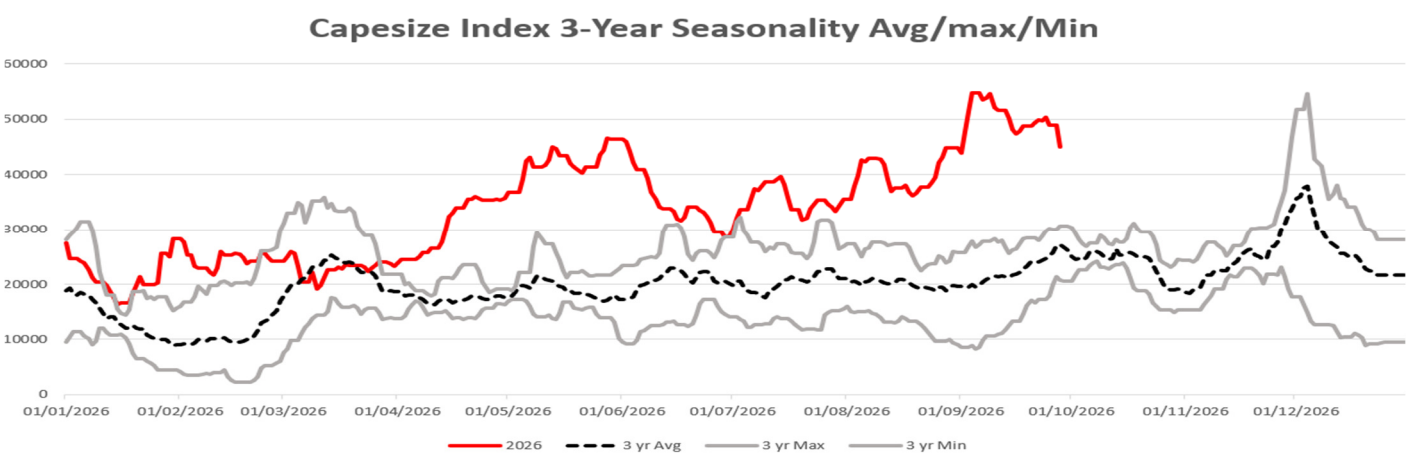


Support		Resistance		Current Price	Bull	Bear
S1	44,549	R1	48,754	45,024	Stochastic oversold	RSI below 50
S2	42,967	R2	49,907			
S3	42,218	R3	51,470			

Source Bloomberg

Synopsis

- Price is below the 8-21 period EMA's
- RSI is below 50 (44)
- Stochastic is above 50
- Price is below the weekly pivot point (USD 49,423)
- Technical outlook Previously: buyside pressure increasing
- The index had opened the week above the weekly pivot level at USD 48,776, implying the market was supported last week. We noted that market longs should be cautious on a close back below USD 48,775, as it would signal an increase in sell side pressure. As highlighted previously, based on the bullish momentum confirmation and the RSI breach of the 70 level previously, we maintained a cautious approach to lower moves. The caveat, to move higher, the RSI would need to reclaim and hold the 70 level (correction—60); if we did, then we should challenge the USD 54,791 fractal high.
- The index started to correct in the latter part of the week, with the RSI failing to reclaim and hold the 60 level; the index has seen a strong move lower today (28/09), we are below the 8-21 period EMA's supported by the RSI below 50.
- Momentum based on price is aligned to the sell-side, a close above USD 48,626 would mean it is aligned to the buyside. Downside moves that hold at or above USD 42,218 would support a bull argument, below this level the technical would have a neutral bias.
- Technical outlook: Sell side pressure increasing
- The move below the USD 47,397 fractal support means we now have a 3-wave corrective pattern lower. A 100% Fibonacci projection of wave 1, from the peak of wave 2, gives an equal leg projection at USD 42,967. Key Fibonacci support is at USD 42,218, throwbacks below this level would reduce the probability of price trading at a new high within this phase of the cycle. A failed swing high and lower low, supported by an RSI that has negative velocity and negative acceleration, implies that sell side pressure is increasing, warning the USD 42,967—USD 42,218 support zone could be tested. This will be a key area on the technical, throwbacks that hold at or above this area would imply underlying support in the market; conversely, a close and hold below USD 42,218 would suggest we could see further technical weakness.



Capesize Oct 26

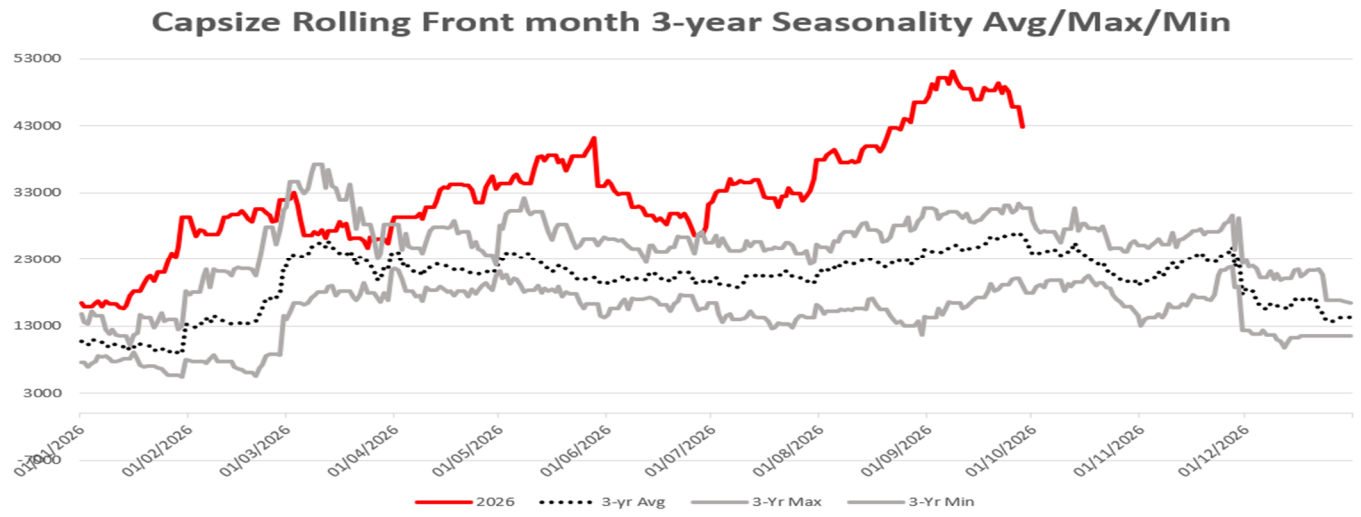


Support		Resistance		Current Price	Bull	Bear
S1	42,450	R1	45,859	42,875		RSI below 50
S2	41,788	R2	46,912			
S3	39,958	R3	48,340			

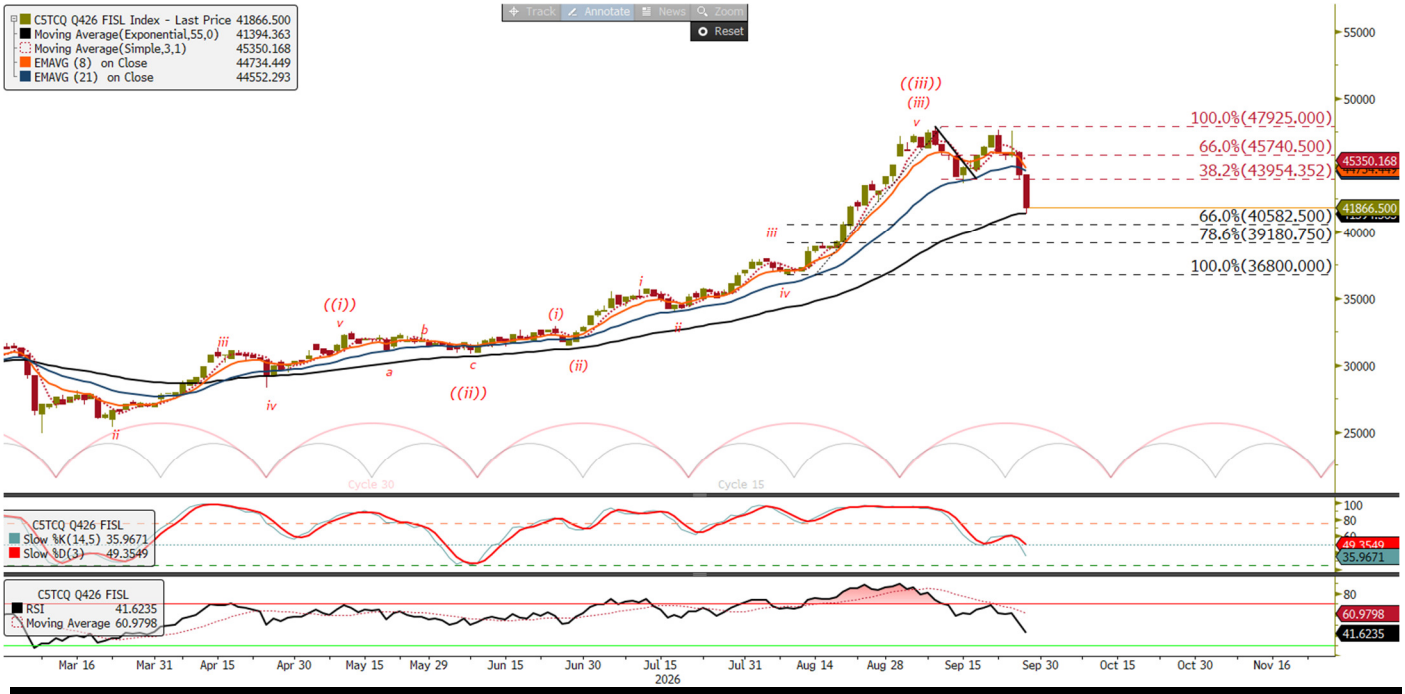
Synopsis

Source Bloomberg

- Price is above the 8-21 period EMA's
- RSI is above 50 (65)
- Stochastic is overbought
- Technical Outlook Previously: Buyside pressure increasing
- The futures had closed above the trend resistance line last week, resulting in the RSI reclaiming the 60 level, indicating we were seeing an increase in buyside pressure. The intraday move above the USD 49,420 resistance implied caution on downside moves; while our Elliott wave analysis suggested that downisde moves should be considered as countertrend, providing the USD 41,788 support was not breached. The increase is buyside pressure warned that the USD 51,375 fractal high was becoming increasingly vulnerable.
- A bearish engulfing candle formed on the 22/09 has held, resulting in price trading at new lows. We are below the 8-21 period EMA's supported by the RSI below 50.
- Downside moves that hold at or above USD 41,788 would support a near-term bull argument, below this level would warn that price is entering a higher timeframe corrective phase.
- Technical Outlook: Inflection point
- The RSI failed to hold above the 60 level resulting in a bearish engulfing candle and a failed swing high. The futures are testing but remain above the trend support line at USD 42,450, while the RSI is testing the 40 level, meaning price is at an inflection point. The RSI has negative velocity and negative acceleration, meaning the USD 41,788 support is vulnerable. If broken, then the probability of the futures trading at a new high within this phase of the cycle will begin to decrease, signaling a higher timeframe corrective phase. However, caution would be warranted if the USD 41,788 support is breached, but price fails to hold below the trend support line, as it would indicate sell side momentum could be slowing.



Capesize Q4 26

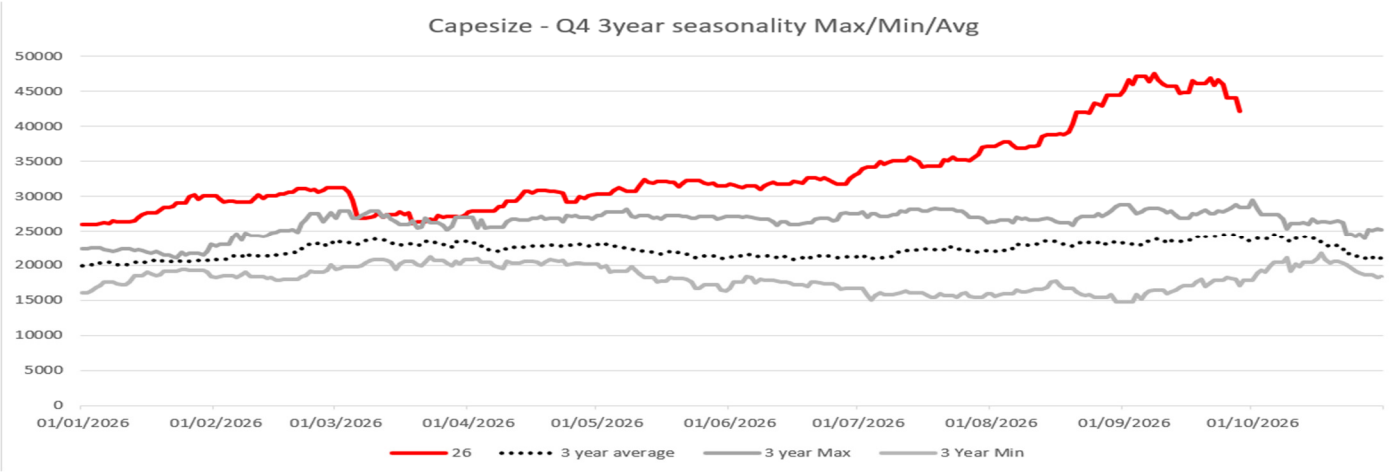


Support		Resistance		Current Price	Bull	Bear
S1	41,866	R1	43,954	41,866		RSI below 50
S2	40,582	R2	45,740			
S3	39,180	R3	47,925			

Synopsis

Source Bloomberg

- Price is below the 8-21 period EMA's
- RSI is below 50 (41)
- Stochastic is at 50
- Technical outlook Previously: Buyside pressure increasing
- We noted last week that Elliott wave analysis continued to suggest that downside moves should be considered as countertrend, providing the USD 40,582 support was not breached. The close and hold above the trend support line was signaling an increase in buyside pressure, as was the RSI reclaiming the 60 level. If the RSI closed and held above its MA it would warn that the USD 47,925 fractal high could be tested and broken.
- The RSI failed to close above its MA, resulting in price entering a corrective phase. We are below the 8-21 period EMA's supported by the RSI below 50.
- Downside moves that hold at or above USD 40,582 would support a bull argument, below this level the lower timeframe cycle would have a neutral bias.
- Technical outlook: Sell side pressure increasing
- The failure to trade at a new high has been followed by a break in fractal support, signaling an increase in sell side pressure. Our Elliott wave analysis suggests that downside moves should be considered as countertrend; however, the marginal fail at the high is clouding this technical. It could be that the move lower is a corrective pullback from the lower timeframe Elliott wave (iii); however, there is a chance that the lower timeframe cycle has truncated (the (v) failed to make a new high), meaning we could potentially be in a higher timeframe corrective phase. If we close and hold below the 55-period EMA at USD 41,394, and trade below the USD 40,582 level, then the probability of price trading at a new high would start to decrease. However, if the RSI holds the 40 level (or reclaims it if broken) and price fails to hold below the 55-period EMA, it will warn of underlying support in the market. Although sell side pressure has increased, we have a more neutral view at this point, due to the lack of clarity in the wave cycle. Upside moves that fail at or below USD 45,740 would suggest a more complex corrective phase.



Capesize Cal 27

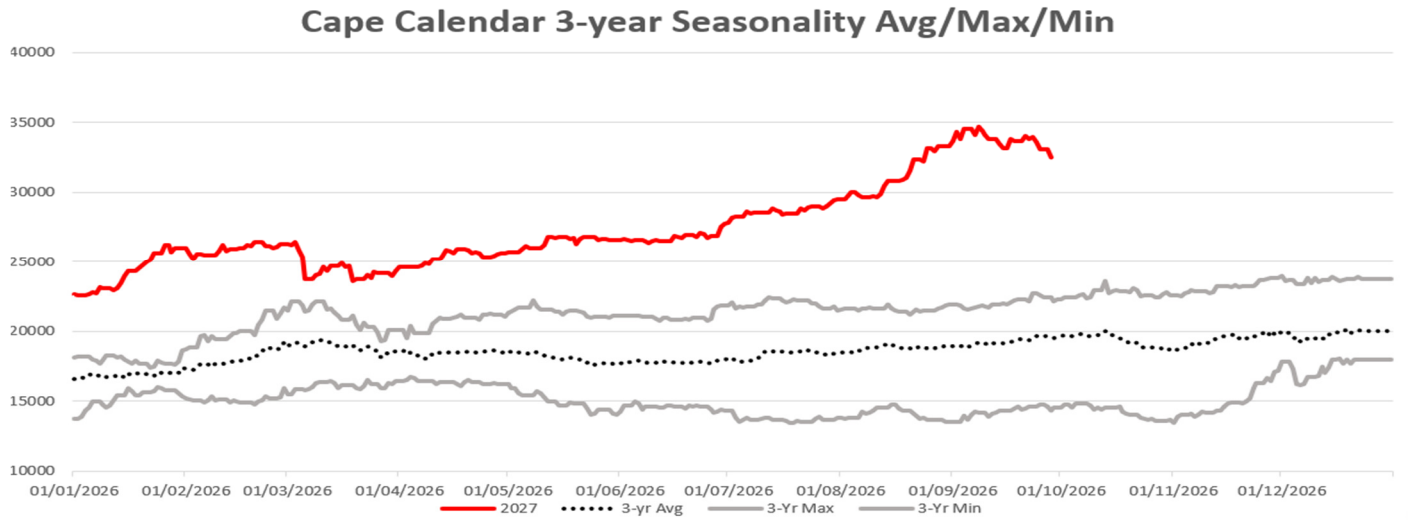


Support		Resistance		Current Price	Bull	Bear
S1	31,800	R1	33,378	32,500		RSI below 50
S2	30,525	R2	34,018			
S3	29,157	R3	34,800			

Synopsis

Source Bloomberg

- Price is below the 8-21 period EMA's
- RSI is below 50 (44)
- Stochastic is at 50
- Technical Outlook last week: downside moves considered as countertrend
- Technically, our Elliott wave analysis continued to suggest that downside moves should be considered as countertrend last week. The close above the trend resistance line was supported by the RSI moving above the 60 line, signaling and increase in buyside pressure. If the RSI could hold above 60, and close and hold above its bearish sloping moving average, then the USD 34,800 fractal high should fall. Market longs should act with caution if the RSI fails to hold above 60, as it would warn that sell side momentum is increasing in pressure.
- The RSI failed to close above its average resulting in it moving back below 60. the futures are selling lower with price below the 8-21 period EMA's supported by the RSI below 50.
- Downside moves that hold at or above USD 29,157 would support a bull argument, below this level will the technical would have a neutral bias.
- Technical Outlook: bullish throwback
- The futures are in a corrective phase having produced a failed swing high and a break in the USD 32,400 fractal support, meaning we have a corrective 3-wave pattern forming. A 100% Fibonacci projection of the first corrective phase, projected from the higher of the second wave, gives us a potential near-term downside target at USD 3,1800. Market sellers should act with caution around this level, as it could attract buyside support. Our Elliott wave analysis does suggests that downside moves should be considered as counter-trend, and not bearish, providing the USD 29,157 support is not breached.



Capesize C5 Oct 26 (Heiken Ashi Chart)



Support		Resistance		Current Price	Bull	Bear
S1	15.48	R1	16.60	15.50	RSI above 50	
S2	15.03	R2	16.93			
S3	14.49	R3	18.59			

Synopsis

- Heikin-Ashi—This is a blended price to create a candlestick chart rather than a line chart. The chart is based off close only data
- Price is below the 8-21 period EMA's
- RSI is above 50 (53)
- Stochastic is above 50
- Technical outlook Previously: Negative divergence
- The futures were seeing light bid support last week; however, above USD 16.79 the RSI would be divergent with price. Not a sell signal, it warned that buyside momentum could slow. The trend support line at USD 17.14 now has the potential to act as a resistance line, market longs will need to see price close and hold the trend line, otherwise price would be vulnerable to a move lower on the divergence. The ADX at 54 continues to suggest that we remain in a strong trending environment, implying throwbacks had a higher probability of being counter-trend.
- The futures failed to trade at a new high due to the divergence in play, resulting in price selling below the USD 16.06 fractal support. We are below the 8-21 period EMA's supported by the RSI below 50.
- Downside moves that hold At or above USD 13.75 would support a bull argument, below this level the technical will have a neutral bias.
- Technical outlook: inflection point
- The futures are testing trend support at USD 15.48, meaning we are at an inflection point. A close and hold below the support line would suggest that the Fibonacci support zone could come under pressure. Conversely, if we hold (or fail to hold) below the support line, it will signal buyside support has entered the market.

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