FIS Urea (Granular) FOB US Gulf Futures

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Urea Oct 26



Support		Resistance		Previous Close	Bull	Bear
S1	441	R1	480.5	452	RSI above 50	
S2	415	R2	500			
S3	383	R3	528			

Synopsis - Intraday

Source Bloomberg

- Price is between the 30 - 60 period EMA's
- RSI is above 50 (53)
- 14—period Directional Market Index (DMI) +
- Technical outlook previously: inflection point
- The futures had seen an increase in buyside pressure last week, resulting in price testing the USD 480.50 Fibonacci resistance. We noted that this was a key level for two reasons: one, it is an A-B = C-D pattern, meaning it had the potential to act as an area of profit taking. A close and hold above this level would further support a buyers argument, suggesting the USD 500 resistance could be tested and broken; if it was, then the probability of the futures trading at a new low would begin to decrease. The second reason linked into Elliott wave analysis; one of the golden rules was that wave 3 can never be the shortest wave on an impulse move (it is often the longest), it would be considered as rare to see a wave 3 shorter than a wave 1. This did not mean that the move higher was not bullish impulse, but it would warn that we could be looking at a more complex corrective phase if we fail to trade above USD 480.5. A close below the trend support line at USD 459 would warn that sell side pressure was increasing, at that point USD 415 would be the key support to follow. Throw-backs that hold above USD 415 would signal underlying support in the market. With price testing a key resistance, the technical was at an inflection point, market longs would want to see price above the USD 480.5 resistance before any significant move lower. On the buyside, the ADX at 31 signaled a bullish trending environment, while the RSI move above 70 indicates momentum strength, this did suggest that downside moves have a higher probability of being countertrend.
- The futures have closed below the trend support line resulting in price selling lower. We are between the 30-60 period EMA's with the RSI below 50.
- Technical outlook: sell side pressure increasing
- Having rejected the USD 480.5 resistance the futures have closed below the trend support line, while the RSI has moved below 60, signaling sell side pressure is increasing. The RSI did breach 70 previously, while the ADX at 29 still signals we are still considered to be in a trending environment at this point, making USD 415 the key support to follow. On the sell side, the second bull wave is shorter than the first, point D has been respected, warning we could be looking at a complex corrective phase. In the near-term, the increase in sell side pressure warns that support is vulnerable; if we hold above the 415 level it will imply that there is underlying support in the market. If broken, then the probability of price trading above USD 480.5 would begin to decrease, suggesting the USD 383.5 fractal low could be tested. Caution will be warranted if the RSI moves and holds below 40, as this will support a complex correction.

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