FIS Technical – Iron Ore at Weekly Resistance

Technical Analyst

Edward Hutton

44 20 7090 1120

Edwardh@freightinvestor.com

Highlights:

- **The weekly chart remains below the CNY 501 resistance and has not yet produced a higher swing low. Technically bearish and driven by short covering, this does suggest the trend could be in transition. Market pullbacks on low volume would confirm this.**

- **The daily chart, although bullish is showing signs of exhaustion in the form weakening momentum. CNY 501 is a technical hotspot. A close above this level would override the momentum on the daily chart, alerting longer term market participants to look for bullish candles on the weekly chart that produce a higher swing low above the CNY 412.5 market low. Ideally price action should remain above the trend support at CNY 457, as the further the pullback the weaker the trending condition.**

DCE Iron Ore Weekly

Resistance – 501, 539, 598

Support – 459, 443, 412.5

Price action on the weekly chart is back above the long term trend support with the weekly candles producing higher highs and higher lows. If price trades above the CNY 501 level, longer term buyers will be looking for opportunities on a market pullback that produces bullish rejection candles.

The recent upward rally has come from a market low and not yet broken the key resistance at CNY 501. From a technical perspective the weekly trend remains bearish. However is important to note the open interest, having initially jumped on the range breakout above CNY 443, we can see that OI continues to drop. This would suggest that the market rally is caused by short covering, and once exited buying pressure should ease. This is a natural progression as the trend bias changes; market buyers should look for reduced volume on any market pullback that create a higher swing low.

Technically the weekly trend remains bearish at this point, however there are signs that the bias could turn bullish.
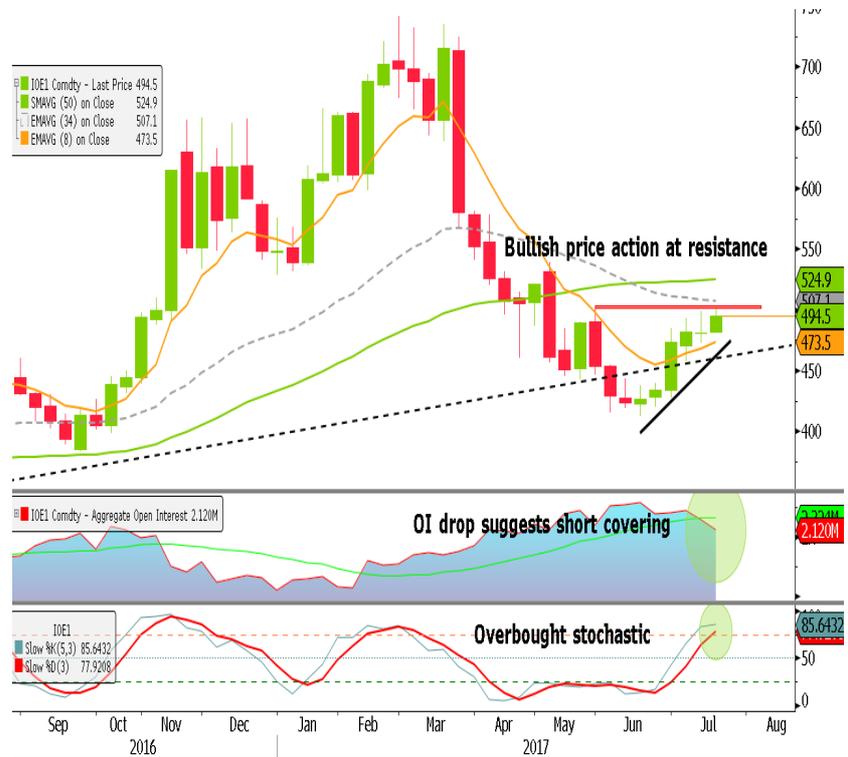
Source Bloomberg

DCE Iron Ore Daily

Support – 472, 457, 443

Resistance- 501, 539, 581.5

The daily chart is showing bullish price action in the form of higher highs and higher lows, whilst respecting its short term averages. However CNY 501 is a technical hotspot, and this is confirmed by the two Doji's and the rejection of resistance at CNY 501. We have also produced a bearish divergence with the stochastic, not a sell signal it does warn of weakening momentum.

Ultimately the price action is bullish, and a close above CNY 501 would override the divergence. However longs should remain cautious as we the potential to enter a corrective phase soon.

A close below 481 would suggest support could come under pressure, with the logical target being the trend support at CNY 457.

Note, corrective does not mean bearish at this point.

Technical Analysis Glossary

Pivot Point

A point where the market makes a new high or low, before reversing in direction.

Trend Line

A directional line connecting pivot points.

Primary Trend

The main trend line over an extended period of time.

Secondary Trend

Distinct from but within the primary trend. Indicates recent trend.

Support

A previous market low where market participants have been prepared to enter long positions.

Resistance

A previous market high where market participants have been prepared enter short positions.

Range

An area between the support and resistance.

Relative Strength Index (RSI)

A technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions in an asset. The RSI ranges from 0 to 100.Typically speaking, an asset is deemed to be overbought once the RSI approaches the 70 level, and likewise, as the RSI approaches 30, it is deemed to be oversold.

Fibonacci Retracement

Refers to areas of support or resistance. A Fibonacci retracement shows the potential retracement of a financial asset relative to the original move in price. A trend line is drawn between two points and then the vertical distance is divided by key Fibonacci ratios; 23.60%, 38.25%, 50.00%, 61.80% and 100.00%. This tool can also be used as a projection method.

Moving Average Convergence Divergence (MACD)

A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A nine-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals on the crossover of the two lines. The histogram highlights the narrowing and widening of the two averages acting as an indicator for slowing or increasing momentum in the market. I.E a flattening or decreasing histogram in an upward market would suggest that the upward move could soon stall.

Technical Report

Global Leader Dry Bulk Derivatives

Award winning broker

In 2015 FIS was named as the best performing inter-dealing broker in Iron Ore swaps and options by Singapore-based SGX

AsiaClear for the third consecutive year.

For More information on this report please contact:
Edward Hutton
Tel: +44(0)20 7090 1121
E-mail Edwardh@freightinvestor.com