

FIS Technical – Iron Ore Jan 18

Technical Analyst

Edward Hutton

44 20 7090 1120

[Edwardh@freightinvestor.com](mailto:Edwardh@freightinvestor.com)

### Highlights:

- **Downside pressure failed to test the CNY 501 support, and crucially it failed to close below CNY 530 on the weekly chart. Upside moves are now showing signs of slowing momentum, however the trend remains bullish. Market longs should be cautious on a close below CNY 572.5 on the weekly chart.**
- **The daily chart is starting to show bearish rejection candle, however they continue to make higher highs and higher lows and higher closes. This is keeping price action bullish at this point. Market longs should be cautious on a close below CNY 582.5 as this would suggest technical support at CNY 565 should come under pressure.**

## DCE Iron Ore Weekly

Resistance – 609.5, 656, 715

Support – 539, 518, 501

Weekly stochastic – 84

Trend – Bullish

The bearish rejection candle from the week of 11-8-17 failed to gain enough momentum to break the key support of USD 501, and crucially the weekly chart failed to close below CNY 530. This has resulted in further upside pressure and a new market high of CNY 609.5.

Technically last week's candle created a minor swing low in the market taking the weekly trend from neutral to bullish.

The overbought stochastic remains a concern and market buyers need to keep an eye on this. Last week's candle would suggest that buying pressure is slowing down, based on the reduced size of the candle.

Ultimately a bullish trend, market longs should look to tighten risk on a weekly close below 572.5 as this would suggest that selling pressure is increasing and a corrective wave could be starting.



Source Bloomberg

## DCE Iron Ore Daily

Support – 565, 539, 518

Resistance- 609.5, 652, 682

Daily Stochastic – 70

Trend – Bullish

Downside moves in the Jan 18 futures failed to test the CNY 521 support. The bullish takeover candle on the 17-8-17 led to technical resistance levels being broken and a new high at CNY 609.5.

Technically the trend is bullish with key support now at CNY 565. The last two days have run into selling pressure and have failed to close near their highs, but continue to make higher highs, higher lows and higher closes. This should still be regarded as bullish price action.

A close below CNY 582.5 would suggest that the CNY 565 support should come under pressure, if we trade below support before making a fresh high, technical sellers will be emboldened, as the lower high would suggest another corrective wave.

Technically bullish but needs to make fresh highs for this to continue. Caution on a close below CNY 582.5.



## 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.

## 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](mailto:Edwardh@freightinvestor.com)