

## FIS Technical – SHFE Rebar Jan 18

Technical Analyst

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### Highlights:

- A bearish rejection candle last week and price 20% from the 34 period EMA would suggest that the weekly chart is starting to look over extended. However the trend remains bullish until a lower high forms, at this point any downside move should still only be regarded as corrective.
- A lower high would suggest the daily technical is turning bullish, however a trend support line has formed along with a hidden divergence with price. Market sellers will need to see confirmation of a close below the trend, and act with caution as the last divergence resulted in 20 days of consolidation.

## SHFE Rebar Weekly

**Resistance – 4,194, 4,297, 4,405**

**Support – 3,695, 3,575, 3,368**

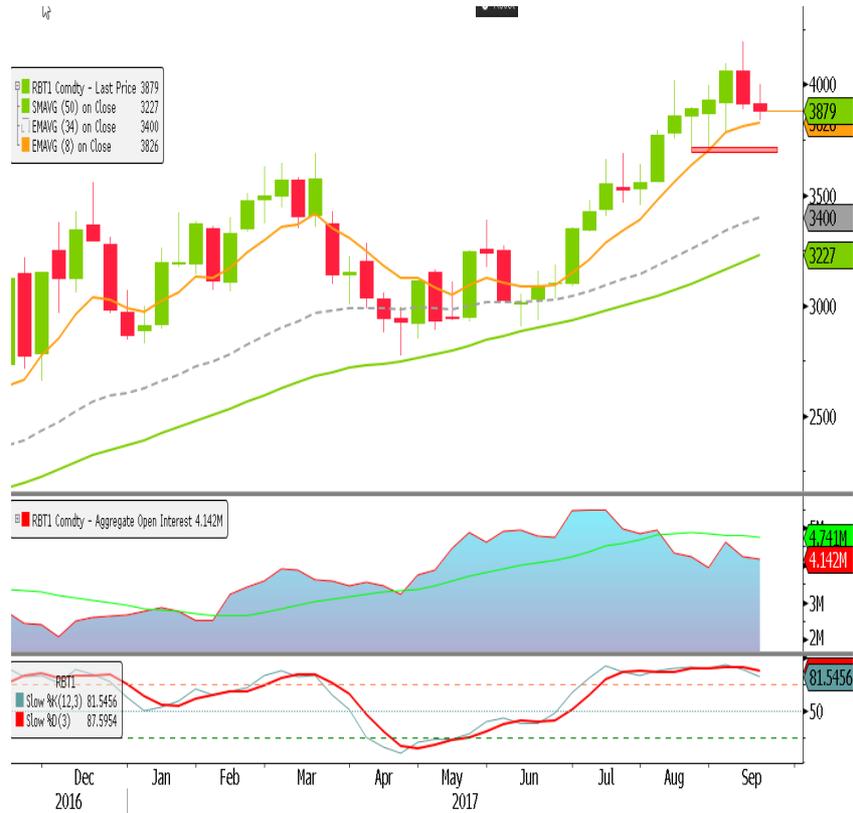
Weekly stochastic – 82

Trend – Bullish

The Rebar remains in a bull trend and above the 8 period EMA at this point. Last week's candle produced a bearish rejection candle suggesting we could be entering a corrective phase, as at 20% from the 34 period EMA the market is starting to look overextend.

The stochastic remains above 70, technically overbought but in a trending environment. However the current candle is now trading below the low of last week's candle suggesting upside momentum is starting to weaken.

A close above CNY 4,060 would suggest upside continuation, as would downside moves that hold above the CNY 3,695 support. Market sellers would need to see a lower high before entering into anything other than short term plays. However the daily chart will be a better indicator for early entry signals on a directional change in trend.



Source Bloomberg

## SHFE Rebar Daily

**Support – 3,857, 3,835, 3,782, 3,710**

**Resistance- 4,001, 4,194, 4,292**

Daily Stochastic – 33

Trend –Bullish

Technically the lower high is putting the trend bias in bear territory, however the current low is forming the third point to create a trend support line. Market sellers should remain cautious of entering at these levels until the Rebar closes below the trend line at CNY 3,857.

The stochastic at 33 is now lower than it was on the 18-8-17 whilst price remains at a higher level. This is known as a hidden divergence, and would suggest we could see another wave up. However, it is also known as a bear trap, and would suggest the next move up could be the last move to the upside for a while. Note the last hidden divergence resulted in a consolidation phase in the form of a symmetrical triangle that lasted 20 days (Black lines).

Technically bullish but on trend support, technical sellers need confirmation of a trend break as the hidden divergence carries a higher risk of downside failure 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.

## Award winning broker

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