

FIS Technical – Iron Ore Jan 18

Technical Analyst

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Highlights:

- The downside move last week is currently holding on the CNY 518 support. And this will be a key level going forward. A bullish rejection of the support could produce buying opportunities in the market, however confirmation on the daily chart will be needed for this.
- A bearish rejection from the mean yesterday, however we failed to trade below the CNY 528 low from the previous day. If this level is broken, market sellers will be targeting CNY 501 or lower. A close above CNY 547 would suggest upside continuation within the corrective wave. Market buyers need to see a higher swing low before entering anything other than short term trades.

DCE Iron Ore Weekly

Resistance – 598, 609.5, 656

Support – 518, 501, 412.5

Weekly stochastic – 78

Trend – Bullish

The indecision candle two weeks ago was followed by a strong bearish candle that closed below the 8 period EMA, indicating the weekly chart has entered a corrective wave within a bullish trend.

The current weekly candle is holding above the CNY 518 support, and now needs to see a close below this level to signal downside continuation.

A bullish rejection off the swing support could produce long opportunities for market buyers. From a technical perspective on the weekly chart a close above CNY 582 is needed. Early entry will be best achieved from the daily chart.

The stochastic at 78 remains in overbought territory. However, this also represents a trending environment and should not be regarded as a sell signal.



Source Bloomberg

DCE Iron Ore Daily

Support – 518, 501, 457

Resistance- 554, 598, 609.5

Daily Stochastic – 24

Trend – Bearish

Lower highs and lower lows are keeping the daily chart in a bearish trend.

The bullish rejection candle on the 11-9-17 has resulted in a reversal to the 8 period mean. This in turn resulted in a bearish rejection candle taking back the gains from 2 days ago.

Technically yesterday's candle made a higher high and failed to trade below the CNY 528 low from the 9-12-17. If we trade below CNY 528 market sellers will be looking to target the CNY 518 support in the near term, with a longer term target of CNY 501. A close above CNY 547 would suggest upside continuation of the current corrective wave.

Market buyers need to see a higher swing low before entering anything other than short term corrective trades.



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.

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