

FIS Technical – Iron Ore May 18

Technical Analyst

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Highlights:

CNY 536 remains the key technical resistance. The daily chart has produced a higher low bringing technical support up to the CNY 519 level. Price action above the CNY 536 level would be considered as bullish going forward.

The 8 period EMA is now above the 21 period EMA and this supports a bull technical phase. However, price action below the CNY 519 support would negate the bull technical with a near term downside target of CNY 503.5.

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Source Bloomberg

Resistance – 536, 547.5, 565

Support – 526.5, 519, 515.5

The DCE futures are starting to test the upside resistance at CNY 536 indicating that the technical picture is starting to gain bullish momentum. This is supported by intraday signals as the market is now making higher highs and higher lows.

Technically the daily chart needs to trade above the CNY 536 level as it has now produced a higher low, a higher high would confirm that the technical picture is firming. The 8 period EMA is now showing a bullish cross above the 21 period EMA.

Downside moves that trade below the CNY 519 support would indicate that the May futures are entering a corrective phase, with a downside target of CNY 503.5.

The new year celebrations could result in some profit taking in the market leaving the CNY 536 level intact. However, if this is broken on the reopening of the DCE it would signal upside continuation, as from a technical perspective this would be regarded as bullish.

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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