

FIS Technical - Supramax

Technical Analyst

Edward Hutton

44 20 7090 1120

Edwardh@freightinvestor.com

Client relationship Manager

Divya Taank

44 20 7090 1120

DivyaT@freightinvestor.com

Highlights

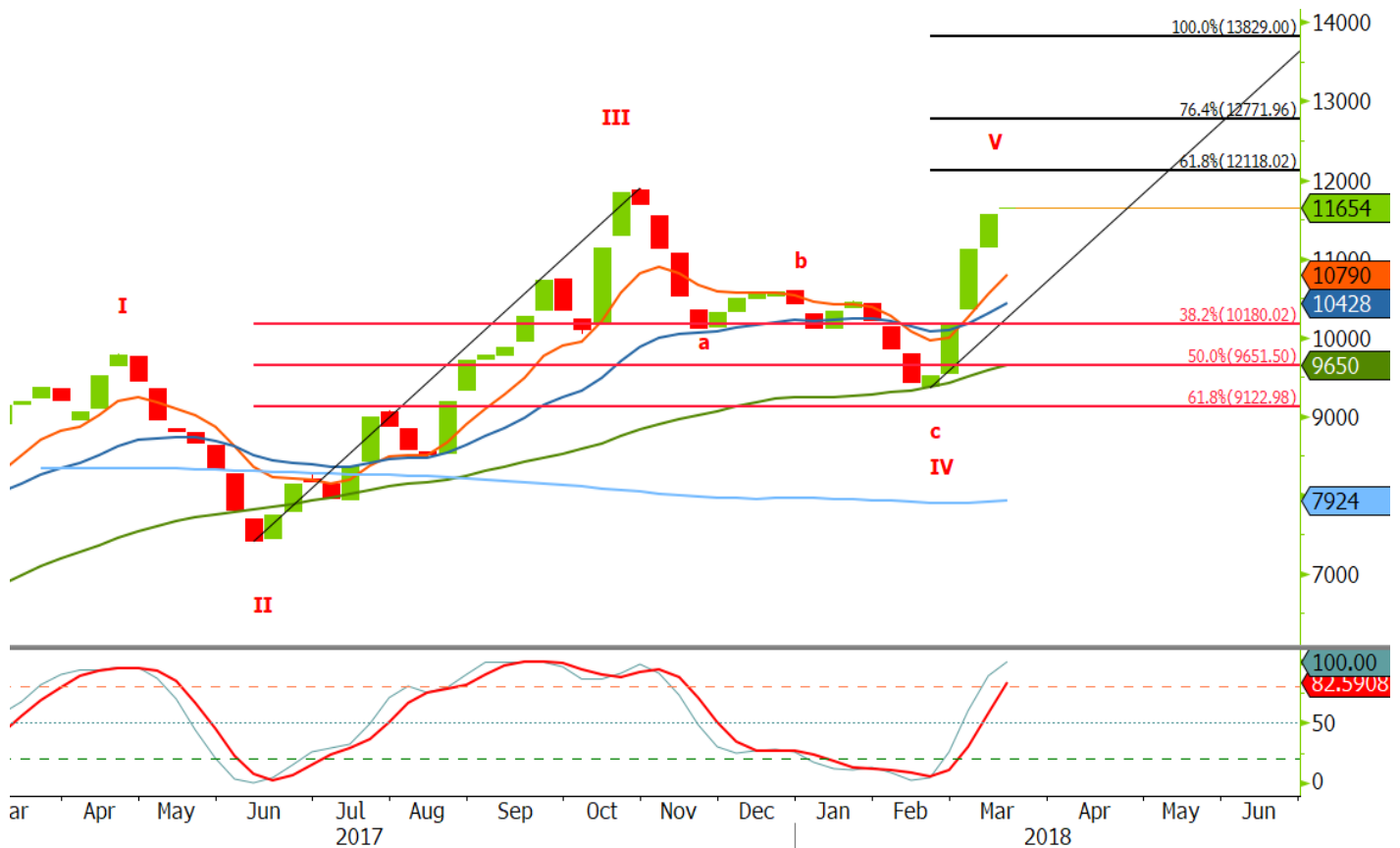
The Index remains in bull territory and is now on a Leg 5 on the weekly chart. Near term technical resistance is at USD 12,118.

The April futures are currently in a corrective phase having made a lower low, technically we remain bullish above the shorter period EMA's. The rolling front month futures would suggest this is a leg 4 correction and not a market top.

Like the April contract the Q3 18 futures are in a corrective wave 4 phase. Technically bullish the stochastic at 30 opens the possibility that this could be an extended 3rd wave

Cal 19 futures remain bullish but have formed a range between USD 11,700 – USD 11,880. A close above the USD 11,880 would suggest upside continuation. The mean reversion gap that has formed between price and the 50 period MA would suggest the market is overextended. However, this is not a sell signal. A close below USD 11,700 would suggest the Cal 19 futures have entered a corrective phase.

Supramax Index Weekly



Resistance – 11,891, 12,118, 12,771

Source Bloomberg

Support – 10,180, 9,651, 9,350

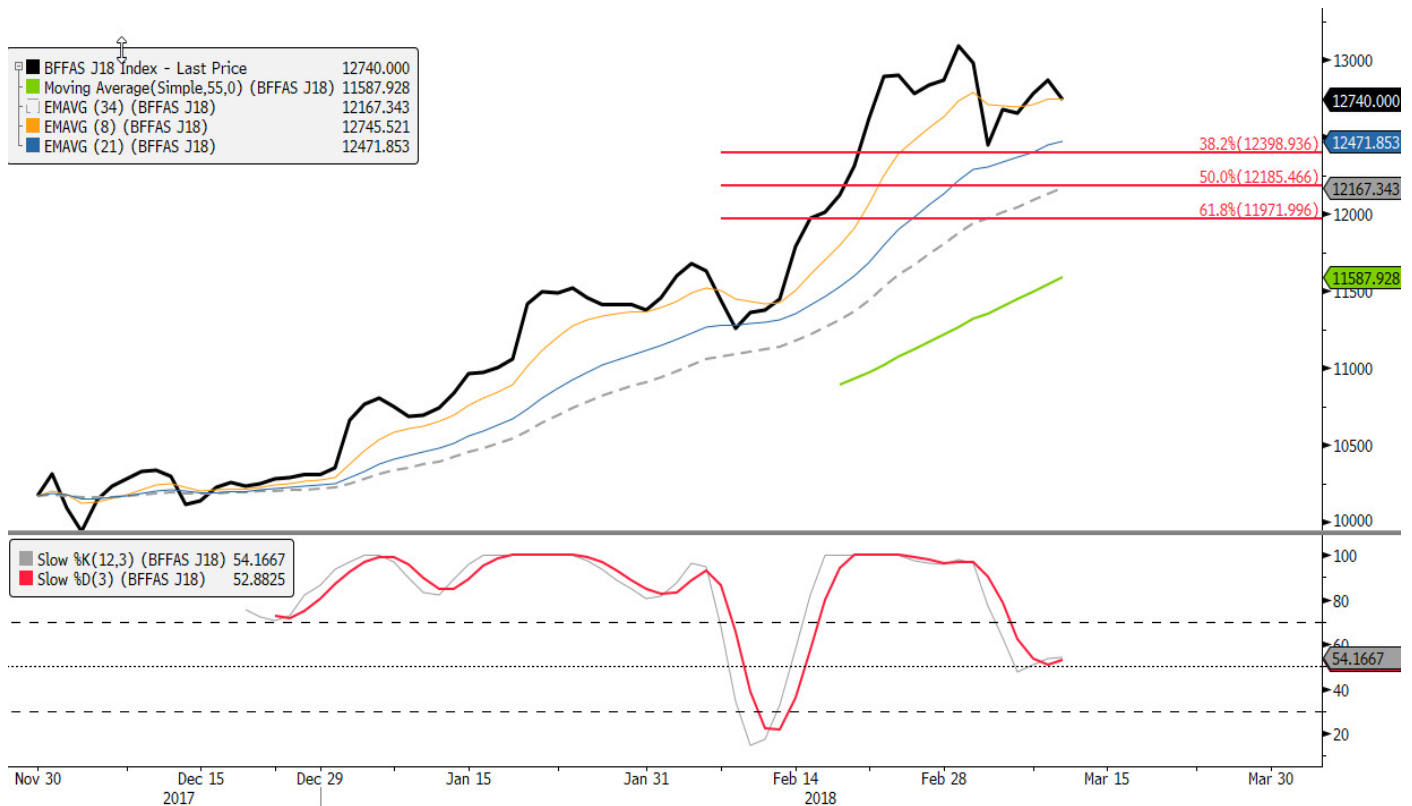
We highlighted last week that the Supramax Index was back in bullish territory having broken the USD 10,580 high and this has resulted in a higher price action.

The weekly chart is now on a leg 5 of an Elliott wave cycle (illustrated on the chart) indicating we are on the final leg of this current phase of the cycle, before entering another corrective wave lower.

At this point the near term technical on the weekly chart remains bullish; based on Elliott wave theory should go onto make fresh market highs. Resistance is at the 61.8% Fibonacci extension at USD 12,118 with further resistance at USD 13,829. Technical support is between USD 10,180 and USD 9,122.

It is worth noting that leg 5's in commodities more likely to be extended waves compared to leg 3's in equities. This doesn't mean we will see an extended wave 5, but it does mean that we should not assume wave completion at the USD 12,118 resistance.

Supramax April 18 Daily



Source Bloomberg

Resistance – 12,870,13,090

Support – 12,398, 12,185, 11,971

A lower low in the April futures means we have now entered a corrective phase within a bullish trending environment.

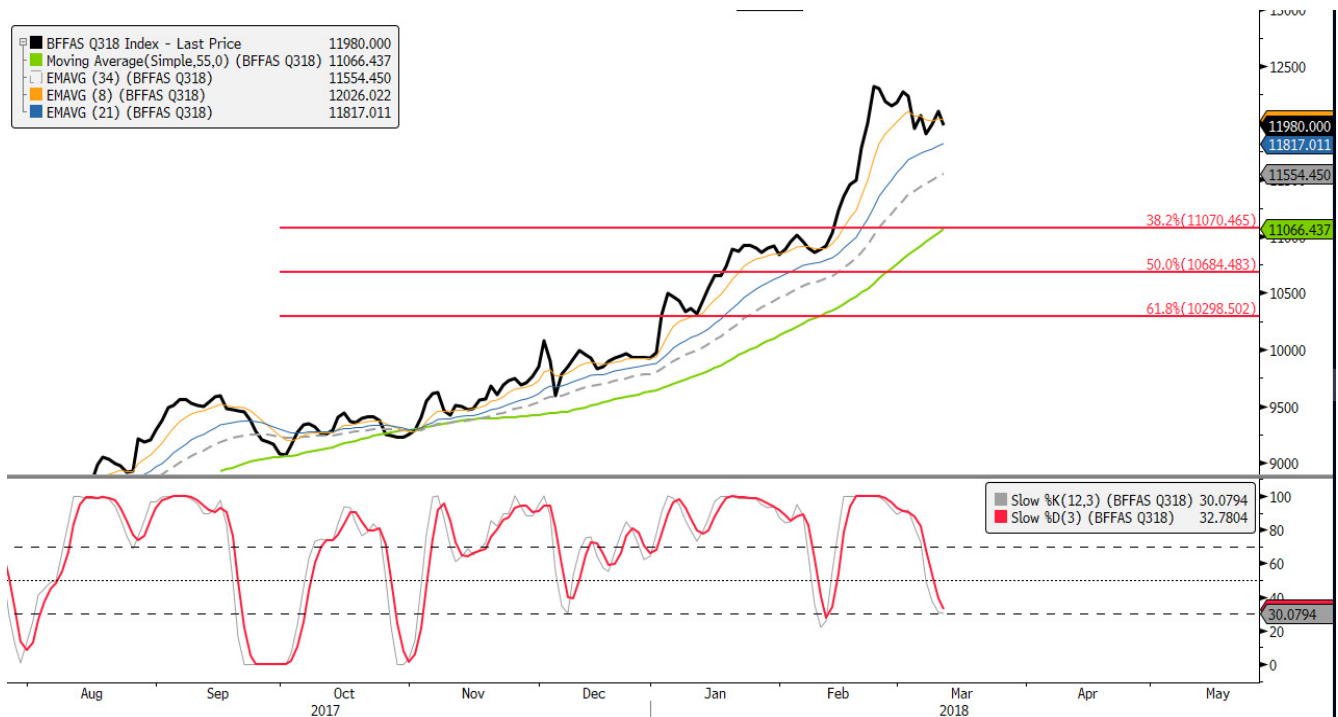
Although corrective the trend is still regarded as bullish as price action remains above the 8 – 21 period EMA's, which are both above the 55 period MA. From a technical perspective price action and the 8 EMA need to be below the 21 period EMA to be regarded as bearish.

When looking at the rolling front month (not illustrated) from an Elliott wave perspective we have completed a wave 3 (impulse) and entered a wave 4 (corrective) phase. This would support the shorter period EMA's remaining in bullish territory and imply there should be further upside moves to come.

Fibonacci support is between USD 12,398 and USD 11,971, with resistance at USD 12,870 and USD 13,090. A close above the USD 13,090 would suggest we have entered a wave 5 impulse.

A close below USD 11,680 would create a wave overlap between waves 1 and 4 and suggest the technical picture is weakening.

Supramax Q3 18 Daily



Source Bloomberg

Resistance – 12,270, 12,320

Support – 11,070, 11,684, 10,298

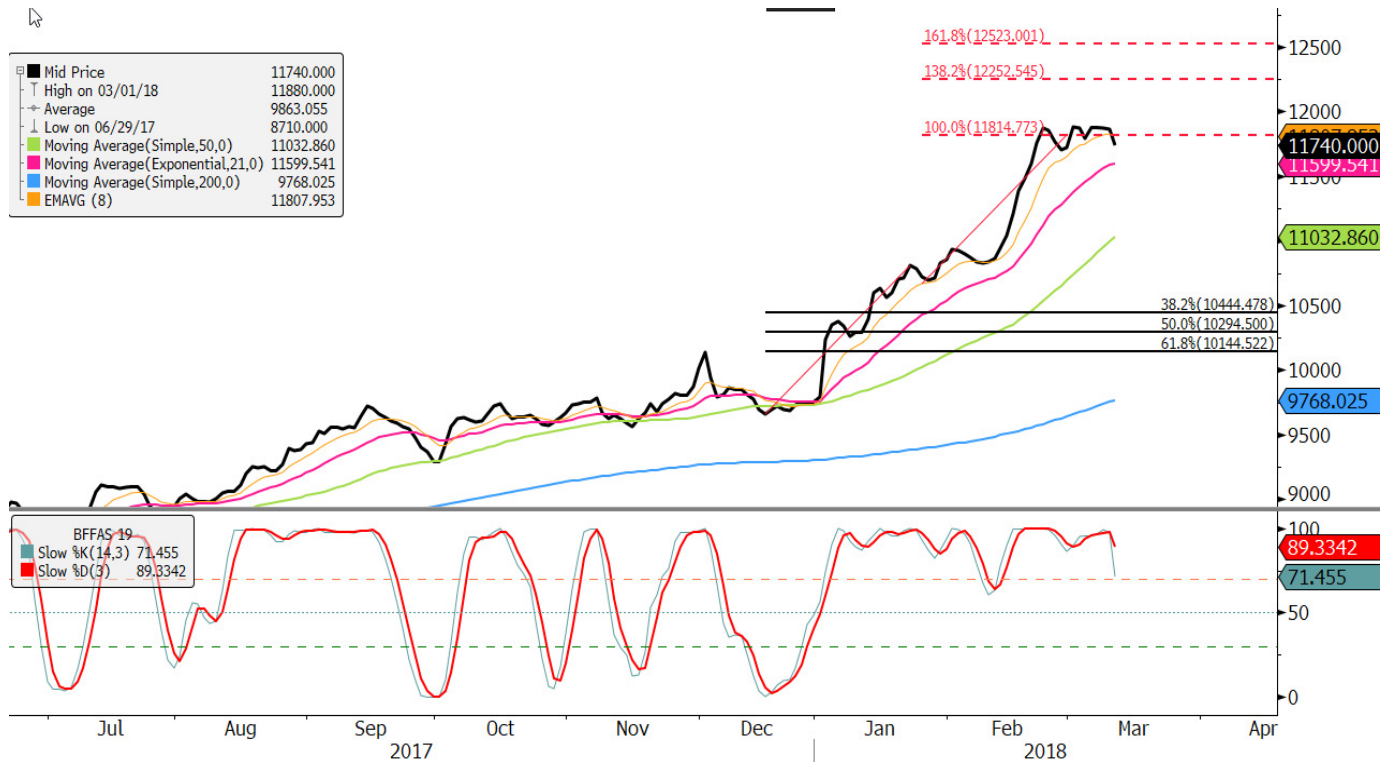
Like the April futures the Q3 futures have entered a corrective phase (wave 4) having created a lower market low.

Price action remains above the shorter period EMA's suggesting the trend itself remains in a bullish environment. Wave 4 corrections tend to retrace between 38.2% and 50% of wave 3; Fibonacci support is between USD 11,070 – USD 10,298 with the first level being the 38.2% retracement level.

Downside moves that fail to test the Fibonacci support could be a warning that we are in an extended wave 3 (I.E. this is wave 4 of wave 5) and not a 5-wave completion. The stochastic at 30 would suggest this is a possibility, though not a certainty.

Upside moves that close above the USD 12,270 resistance would be regarded as technically bullish and suggest we have entered onto a wave 5 of either wave 3 or a wave 5 of a higher degree.

Supramax Cal 19 Daily



Resistance – 11,880, 12,252, 12,523

Source Bloomberg

Support – 11,700 10,830, 10,444

This technical is literally unchanged from last week so the dialogue remains the same

Little has changed in the Cal 19 futures in the last week with price action moving sideways around the USD 11,814 Fibonacci resistance. This has resulted in the futures forming a tight range.

Technical support is at USD 11,700 and resistance is at USD 11,880. A close above the USD 11,880 level would be regarded as technically bullish, likewise a close below the USD 11,700 support level would suggest the futures have entered a corrective phase.

The stochastic at 96 is overbought, but again this can represent a trending environment. We also see a mean reversion gap forming between price and the 50 period MA. not a sell signal it is a warning that the market could be over extended.

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