

## FIS Technical – Iron Ore May 18

Technical Analyst

Edward Hutton

44 20 7090 1120

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

### Highlights:

The small pullback from the CNY 518 support last week resulted in downside continuation in the DCE iron ore futures.

Technically the trend remains bearish with intraday resistance between CNY 494 and CNY 500. Upside moves that fail below this level would suggest another move lower as the intraday stochastic is moving up at a greater speed than price.

Downside support remains at the weekly Fibonacci support at CNY 476, below this the near-term target/support is CNY 464 based off a Fibonacci projection from the CNY 494 resistance. Upside moves that fail to test the CNY 494 resistance would result in a revision lower on the downside support targets.

## FIS Technical – Iron Ore May 18



**Resistance – 494, 500, 518**

**Support – 476, 470, 464**

The CNY 518 support lasted for a day before being broken last week, confirming the technical had entered a leg C correction based on Elliott wave Analysis.

The stochastic is in oversold territory at 4, this is not a buy signal, but it does warn that the downside momentum could soon start to slow down. Open interest has started to decrease as we reach the CNY 467 61.8% Fibonacci support on the weekly chart, indicating market shorts are starting to exit the market.

Technically the trend remains bearish but oversold. Intraday wave analysis would suggest that although the current move is nearing exhaustion, there is still potentially more downside in the near term as the intraday stochastic which at 41 is moving up at a greater speed than price.

Intraday technical resistance is between CNY 494 – CNY 500 with support at CNY 476, CNY 470 and CNY 464.

## 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)