

## FIS Technical - Capesize

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### Highlights:

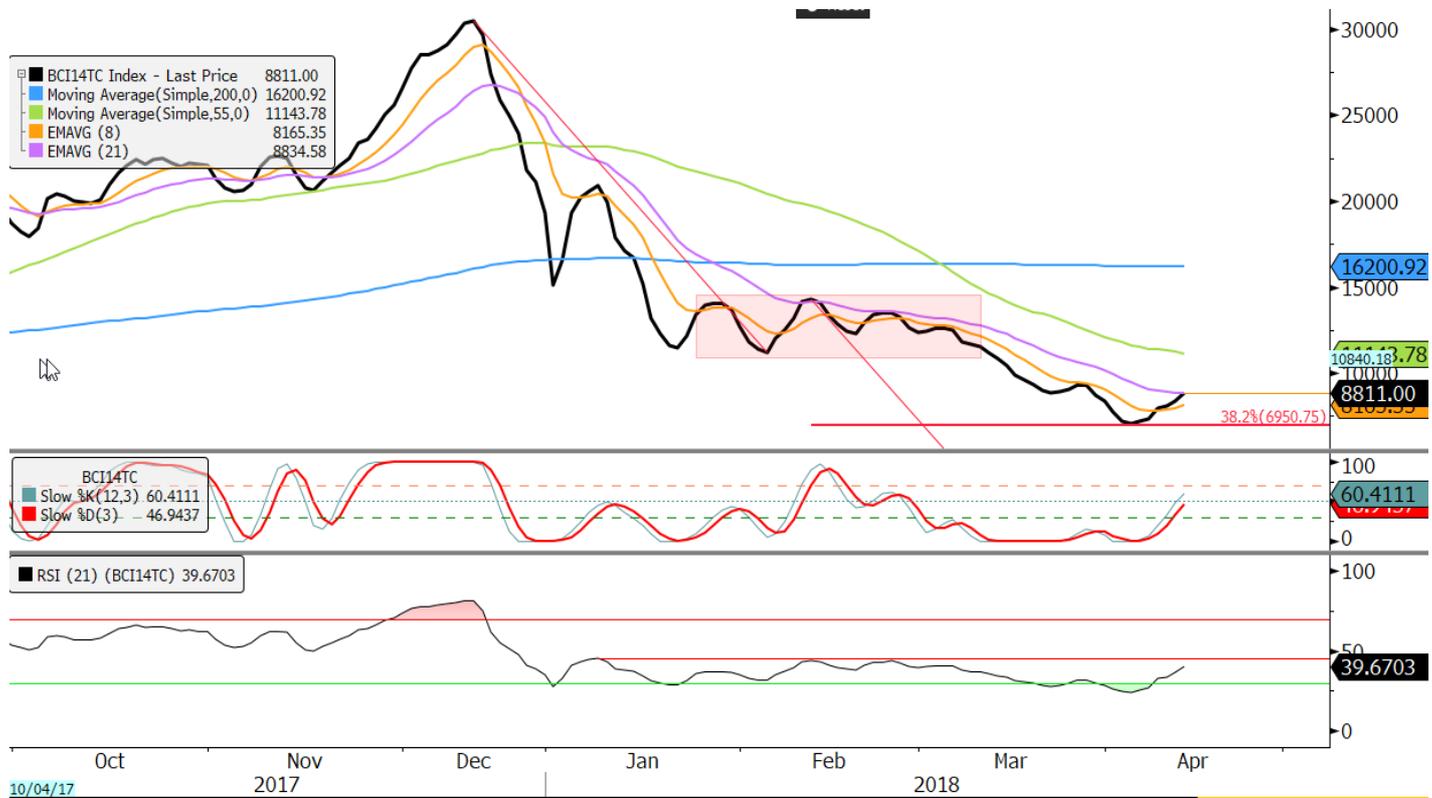
The Capesize index held at the Fibonacci support last week and is now testing the 21 period EMA. Key focus is now on the 21 period RSI at 39. 49 has been the key resistance in this bear move, above this level it would suggest that the technical trend could be changing.

The May futures remain technically bearish based on the moving averages. However, price action is making higher highs and higher lows and should be considered as bullish above USD 12,570.

The moving averages on the Q3 futures remain technically bearish, whilst price action is making higher highs and higher lows (Bullish). 5 waves up would suggest the current move could soon reach exhaustion and there is also the possibility of the market producing a bearish hidden divergence. However, if wave C has completed then we are potentially looking at first impulse move of the new wave 5.

The Cal 19 futures remain on leg 4. Potentially we are in a lagging the Q3 cycle, making the Q3 18/Cal19 an area to watch on market pullbacks.

## Capesize Index Daily



**Resistance – 9,304, 11,143, 12,651**

Source Bloomberg

**Support – 6,950, 4,675, 2,399**

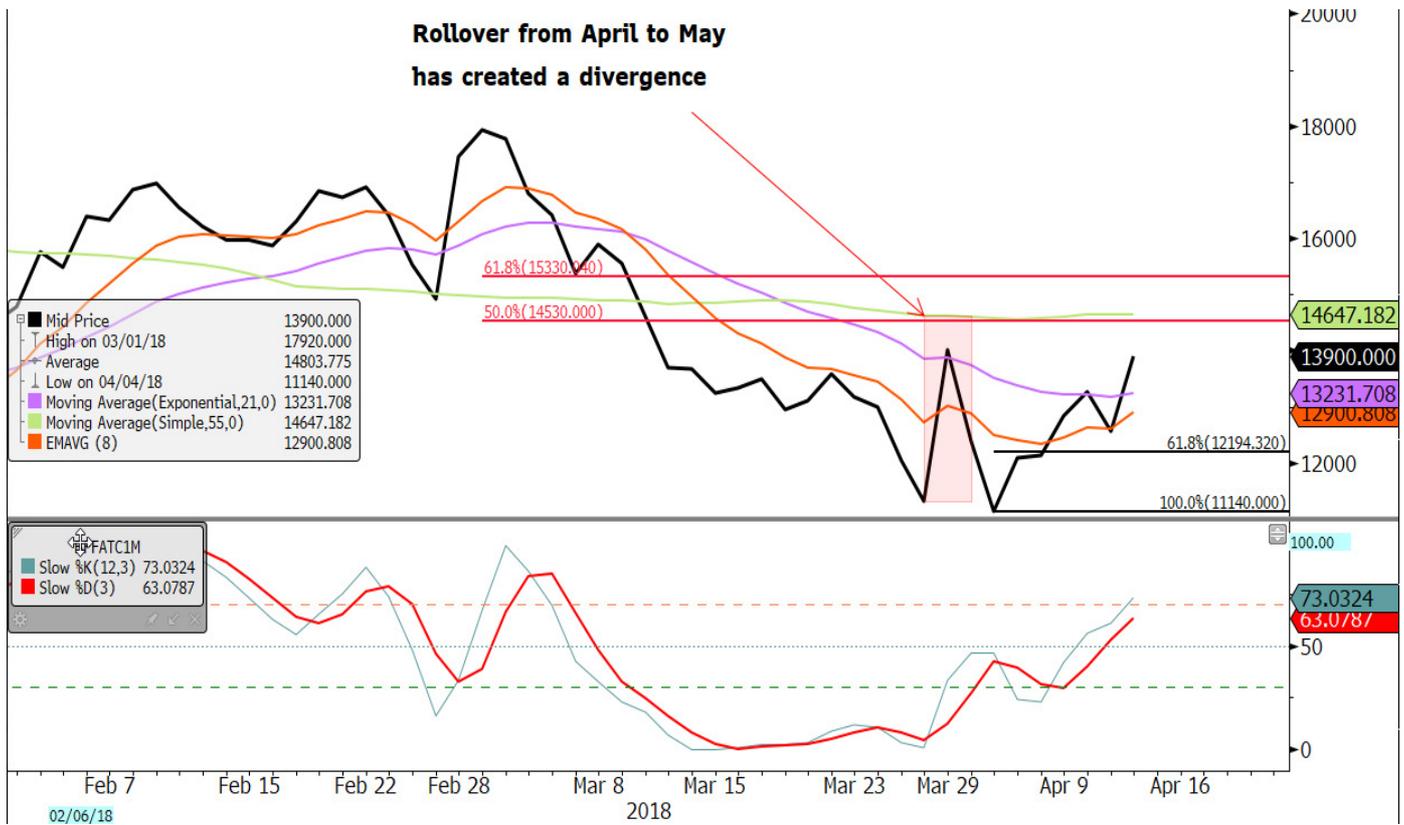
Last week we noted that the Capesize index was looking oversold as it approached Fibonacci support at USD 6,950. This subsequently held resulting in a push up to the 21 period EMA which is at USD 8,834.

Technically the trend remains in a corrective phase at this point with the 8 period EMA below the 21-period average. Upside moves that trade above the USD 9,304 would create a fresh market high and increase the bullish argument. However, we remain below the 55 period MA at USD 11,143.

Upside moves that fail to trade above the USD 9,304 level would suggest further downside price action with a near term target of the recent low at USD 7,051.

The stochastic at 46 remains in bearish territory whilst the 21 period RSI is at 39. 49 is a key level for the RSI as this has been a bear resistance level since the beginning of the year. If the RSI moves above this level it would suggest the bear trend is ending and a new trend is beginning.

## Capesize May 18 Weekly 1 Month Rolling



Source Bloomberg

**Resistance –14,020, 14,530, 15,330**

**Support – 12,570, 12,194, 11,140**

The rise in the index last week and the bull divergence in the May futures has resulted in upward price action that has traded through the first two resistance levels.

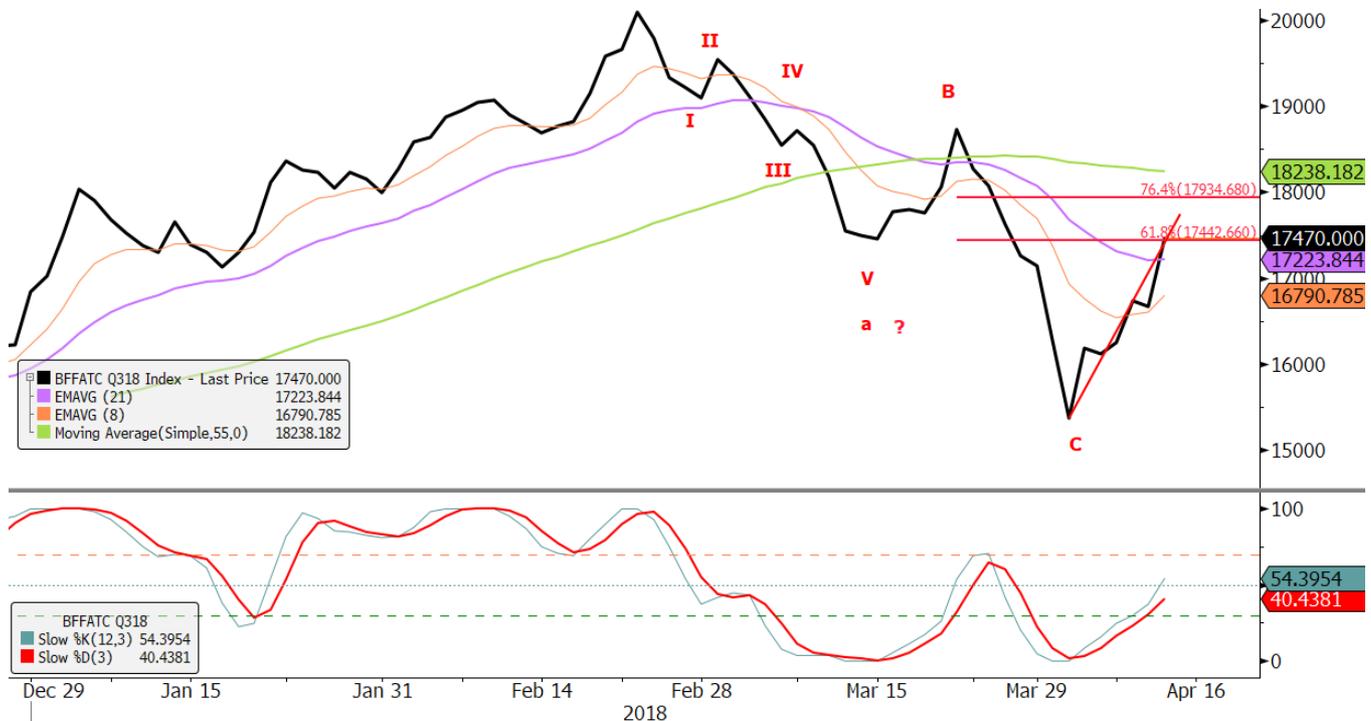
Price is now above the 8 and 21 period EMA's. However, the 8 period EMA remains below the 21 period which technically would suggest that we remain in bearish territory.

Price action in the rolling 1-month futures (May) is telling a different story and is now making higher highs and high lows indicating the bull argument is now firming. Technical resistance is at USD 14,020 with Fibonacci resistance between USD 14,530 and USD 15,330.

Downside moves that close below the USD 12,570 support would create a lower low and suggest the technical is once again corrective. However, price action that holds above the technical support would suggest further upside pricing.

The technical remains in bearish territory but price action is firming and should be regarded as bullish above USD 12,570.

## Capesize Q3 18 Daily



Source Bloomberg

**Resistance – 17,442, 17,934, 18,730**

**Support – 16,660, 16,120, 15,360**

Last week we highlighted that the Q3 18 futures were in oversold territory based on the momentum indicators. Not a buy signal, but a warning that downside momentum could be slowing. A lower high was broken which signaled upside price action within bear territory.

We are now seeing a 5 wave move higher which opens the possibility that we could enter a corrective wave soon. Technical resistance is USD 17,442 (slightly breached) with further resistance at USD 17,934 and USD 18,730.

Technical support is between USD 16,660 and USD 15,360. A close below USD 16,660 would suggest we have entered a corrective phase as a lower low will have been corrected.

The 8 period EMA is below the 21 period EMA which would indicate we remain in bear territory. If the stochastic goes above 64 and price is below USD 18,730 (high of leg B) the market would produce a bearish hidden divergence. This is not a sell signal, but it would warn of a potential slowdown in momentum.

The technical remains in bearish territory. Downside moves that hold above the 15,360 low would confirm we have seen completion of the Leg C phase and have entered in a leg 5 bull wave.

## Capesize Cal 19 Daily



Source Bloomberg

**Resistance –17,085, 17,267, 17,494**

**Support – 16,670, 16,483, 16,310**

The Cal 19 futures remain in a corrective wave 4 in terms of Elliott wave and appear to be in a Leg B corrective phase and looks like it could potentially be out of sync with the Q3 18 futures.

Leg B's often retrace around 61.8% - 76.4% level giving us a resistance zone between USD 17,267 – USD 17,494. Upside moves that reject the resistance zone would increase the probability of this being a leg B phase and should in theory be followed by lower pricing.

Downside moves that trade below the USD 16,670 support would create a lower low and be considered as technically bearish. Likewise, upside moves that trade above USD 17,860 would confirm we are on leg 5.

From a technical perspective this looks to be on a leg B corrective phase based on Elliott wave price action. If we are out of sync with the Q3 18 then we could see interesting trade opportunities via the Q3 18/Cal 19 if the Q3 fails to make a lower low confirming it has already entered leg 5.

## 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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