

FIS Technical – DCE Iron Ore Sep 20

Synopsis:

Having broken channel support the futures have entered a corrective phase with the daily technical making lower high's and lower lows.

The futures have now moved sideways for the last 4 days resulting in the EMA's flattening out to signal the market is currently neutral and not in trend. This is supported by the weekly close at CNY 746.5 which is in line with the CNY 747 weekly pivot point

The stochastic is in oversold territory with the RSI holding above the 50 line. From a momentum perspective this would imply the technical remains vulnerable to a further move to the upside which conflicts the Fractal footprint of high highs and higher lows.

Wave analysis signalled that the upside move (cycle) had completed, with price entering into a corrective phase. The intraday technical would suggest we have the potential for another test at the CNY 730.5 low, however below this level the Sep contract will be in divergence with the RSI warning of a potential momentum slowdown.

The technical is currently neutral with the potential for another test at the recent low. However price is now at a crossroads as the technical has either had a shallow pullback and is going to enter into another bull phase. Alternatively we have only seen a wave a completion with price about to enter a wave B (bull trap) which will be part of a corrective cycle.

CNY 775 is likely to be a key level going forward, upside moves that fail above this level would suggest the technical is still corrective and needs another move to the downside. Above this level would indicate the pullback is deep increasing the probability of another bull phase.

Technically corrective, wave analysis would suggest that CNY 730.5 should come under pressure again. Market bears will not want to see a pint above CNY 775.

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Support		Resistance		Current Price	Bull	Bear
S1	729	R1	764	744	RSI above 50	
S2	712	R2	775			
S3	700	R3	788			

Synopsis

Chart Source Bloomberg

- Price action is below/in the 8 – 21 period EMA
- RSI is above 50 (54)
- Weekly pivot point is CNY 747
- Stochastic is oversold
- Aggregate open interest is flat
- Intraday Analysis would suggest a positive divergence below CNY 730.5
- Technical resistance starts at CNY 747
- The futures have broken channel support