

Commodities Technical Analysis Vista

Global Markets Analysis
FINANCIAL MARKETS
GROUP PLANNING DIVISION

► West Texas Intermediate (WTI): Medium Term Trend Reversal ?

The latest worries over oil demand decline in the developed world and primarily in US (world's largest oil consumer) along with the unexpected increase in the weekly crude oil & gasoline inventories reported by the US Department of Energy allowed for long positions liquidation. WTI August future contract (\$130 /bbl) falls by about \$15 or 10% so far this week on the NYMEX.

International Energy Agency head Nobuo Tanaka comments (15/7) that the oil market continues to be "very very tight...but prices will improve in 2009 due to new investments" assisted to the recent price decline. Clearly the latter identifies that upside price risks continue to be in place (e.g. IEA indicated at its July 10 Oil Market Report that effective OPEC spare capacity "is estimated at only 1.7 mb/d), but additional projects in OPEC countries (like Saudi Arabia, Nigeria, Iraq) at end 2008 are expected to gradually ease some heat from the current high prices.

The front month WTI light sweet crude future contract broke yesterday the base of the latest 4month upward trend @ the \$136/bbl, while found support @ \$128.50 area that constitutes the 38.2% Fibonacci Retracement level of the move from \$98.91/bbl (April 1, 08) to the historic high \$147.27/bbl (July 11, 08). The fact that oil price trades below 50 days moving average (\$133.26/bbl) consists another bearish indicator for the commodity. From a technical analysis point of view, we can expect that crude oil will reverse its medium term upward trend if it remains below \$136/bbl area in the following 2 weeks time. Next important support levels locate @ \$121.61/bbl (May 6 low), \$117.3/bbl (61.8% Fibonacci retracement \$98.91-147.27 / bbl) and \$110.3/bbl (May 1, low). In case crude oil price reverts above the \$136/bbl area, resistance levels will be considered the record high of \$147.27/bbl before the psychological level of \$150/bbl and the \$155/bbl (upper line of the medium trend upward channel).



Source: Reuters

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