

Valuation & Research Specialists (VRS)
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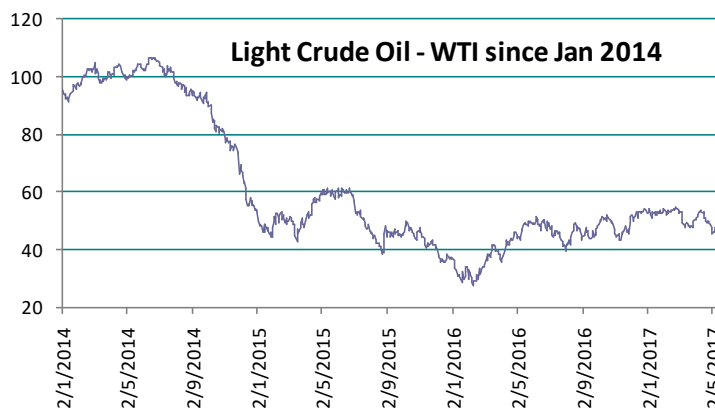
Light Sweet Crude Oil (WTI): 48.36 USD / bbl.

[Bloomberg Ticker: CL1:COM]

Graph Analysis and Technical View

As the summer driving season gets underway in the US, a usually bullish period for crude oil and gasoline prices, the commodity appears to be trapped in a multi-month trading range between \$40 and \$55/barrel. Since the lows of \$26 in early February 2016 prices have staged a rally that quickly erased the last leg of the previous decline. However, the rally off those lows should have been a bit stronger and gained more in price. Despite production cuts of the OPEC members, crude oil prices could not surpass the all-important \$52-\$55 area of resistance. Still, even if \$55 is surpassed, the most important test lies in the \$60-\$62 area, a price peak registered in May 2015.

Although the so far recoupment of the previous 2014-2016 decline appears to be normal (almost a 38.2% Fibonacci retracement of the \$105 to \$26 precipitous fall), price must quickly surpass the \$55 resistance in the weeks ahead to make the statement that the rally is revived. Critical support is at the \$40 area. Prices should NOT trade below that support as the crude oil market might be discounting a far more sinister scenario, i.e. a very weak demand due to a slowing global economy or disbelief on the effectiveness of the production cuts from the OPEC member countries. Multi-week support before \$40 is at \$43.80 while resistance lies at \$52 and \$55. A close above \$55 would target initially the \$60-\$62 area, and if surpassed, the next target would be at \$72 and \$78 levels, respectively. Anything else between the \$40/\$44 and \$52/\$55 trading range is medium-term noise suited for seasoned short-term traders.



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