COMMODITIES RESEARCH

Comment on Light Crude Oil June 2, 2017

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Light Sweet Crude Oil (WTI): 48.36

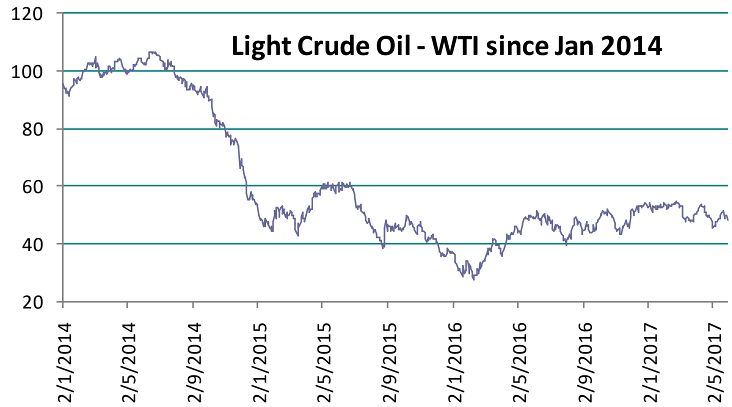
USD / bbl.

[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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