

Technical Analysis: WTI Crude Oil

\$38.00 should be next in line

COMMODITY | WTI CRUDE OIL | TECHNICAL ANALYSIS

23 November 2015

- WTI Crude Oil just broke out of the 8 week range to the downside
- Possibly targeting for the \$38.00 previous support low

Current sentiment: Bearish

Strong breakout to the downside

Price succeeded in breaking out of the range after 8 weeks of consolidation on the 12th of November 2015. Sellers subsequently drove price lower and cleared the \$40.00 psychological round number but the selling momentum was unsustainable. Price closed back above the \$40.00 on 20th November 2015 which formed a hammer. We could see price retracing slightly first to test the \$43.00 previous range low resistance before heading back down to test the all-important \$38.00 support area.

Resistance 1: 43.00
Resistance 2: 50.00

Support 1: 38.00
Support 2: 33.00



WTI Crude oil front month futures Daily chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA

Source: Bloomberg

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With price being stuck in the range for 8 weeks, price had accumulated a huge amount of energy in them and with this break down, there is a high chance that the \$38.00 support could be broken where price aims for the December 2008, \$33.00 support next.



WTI Crude oil front month futures Monthly chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA
Source: Bloomberg

Price made new lows after the range broke out to the downside in the previous 2 occasions

There were 2 periods where price went into consolidation phase right after the oil crash from \$107.00.



WTI Crude oil front month futures Daily chart, red line = 20 exponential moving average, blue line = 60 EMA, Green line = 200 EMA
Source: Bloomberg

3rd February 2015 – 11th March 2015 (Grey BOX)

Price was stuck in the range for around 26 days and sellers eventually broke price to the downside where a lower low at \$42.03 was formed. Price fell \$5.33 or 11% after the breakout happened.

6th May 2015 – 2nd July 2015 (Pink Box)

Price was stuck in the range for 41 days and sellers eventually broke price to the downside where a lower low at \$37.75 was formed. Price fell \$18.76 or 33% after the breakout happened.

In other words, the current breakout to the downside should also move price to make a lower low next where the \$33.00 support area looks like a possible target.

Conclusion

The current breakdown should take price down to the \$38.00 support low first before the market decides the next course of action whether \$38.00 will be the bottom or if sellers remain strong and move price lower to test the next important support area at \$33.00.

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