

LE COIN TECHNIQUE

NO linear uptrend for OIL

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Since early January, Oil has been consolidating at high levels and in a narrow range. The period follows the sharp rise in prices, which started at the end of November, following the Vienna OPEC meeting, when an agreement to cut production finally started to materialise. With this political uncertainty behind them, speculators have pushed net long positions to record highs, while, since year end, hedgers and commercial players have been selling forward to lock in these levels. It is this battle we are currently experiencing.

Chart 1: Brent Oil (Daily chart or the perspective over the next 2 to 3 months)

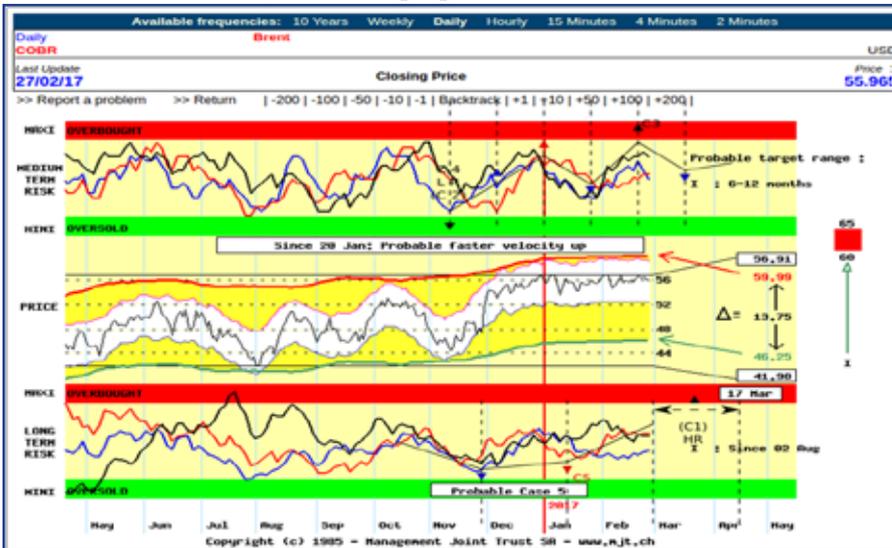


Chart 2: Brent Oil (Weekly chart or the perspective over the next 2 to 4 quarters)



Oil is entering March in a dangerous market position and there is a lot of speculative hope for an upside break-out. The risk/reward on the Daily chart has deteriorated and the Weekly chart is calling for prudence. We are hence in 'take profit' mode on any acceleration.



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The trend is still heading up, and our long term oscillators (lower rectangle) are showing a Case 5 (the possibility to accelerate up) towards our targets in the lower USD 60s a barrel (right hand scale). Yet, the time for this last move to happen is running out. Indeed, while a top is expected towards mid March (the 17th), our medium oscillators (upper rectangle) may have already turned. Furthermore, our envelopes (middle chart) are showing renewed signs of market stress (both envelopes are touching each other to the upside). The break-out, if it materialises, should be short lived. Given current historical volatility (delta = USD 13.75 a barrel), once they top out, prices could retrace between 7 to 11 USD a barrel.

The Weekly chart also suggests a toppish view. Indeed, the uptrend sequences on both our oscillator series (lower and upper rectangles) have reached intermediate tops. The lower end of our price targets for this initial move up have also been met ("C" Corrective targets, right-hand scale). Such situations usually result in 3 to 6 months of consolidation down. Following that, we would expect prices to resume their uptrend during H2 2017 towards yearend ("Dec 2017") and go test the resistance of the upper end of our Corrective targets up (towards USD 69 per barrel).

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