

BULLISH ON OIL

By Daryl Guppy

The US markets continue in a sustained uptrend from 2012. The election of President Trump has accelerated this trend in anticipation of a boost to the US economy through proposed infrastructure spending. But in truth, the US economy has been growing steadily since 2012 but despite this growth the oil price collapsed in mid 2014. The oil price did not reflect the US economic expansion in this period. The price developed a recovery in 2016 but will this continue in 2017 or will the oil price again fall in the face of US economic growth?

Chart analysis provides us with a methodology to understand market behaviour and set future targets. Chart analysis identifies trigger points which confirm when the market has taken significant steps towards meeting the new target conditions, or when the conditions have failed.

The long term outlook for NYMEX oil remains bullish with initial targets at \$58 and medium term targets near \$68 and \$72. These target levels are derived from two sets of chart features. They are the long term chart pattern and the history of support and resistance trading bands.



The first feature is the development of an inverted head and shoulder reversal pattern. This is a long term trend reversal pattern that started in mid-2015 and which was confirmed towards the end of 2016. It is best seen on the weekly price chart.

The head and shoulders are shown with the curved lines. The sustained move above \$50 in the current uptrend confirms the inverted head and shoulder pattern. This is a strong and reliable trend reversal pattern. The continued rebound

from the long term group of averages in the Guppy Multiple Moving Average indicator is further confirmation of uptrend sustainability.

The depth of the head and shoulder pattern between the neckline and the head is measured and the value projected upwards. This gives a long term upside target near \$72. This target is verified using the second chart feature the NYMEX oil chart.

The second feature is the historical pattern of support and resistance levels. The rebound from support near \$48 is part of this pattern behavior. Resistance is near \$58. A breakout above this level gives a medium term target near \$68.

The historical resistance level near \$58 is the most significant resistance level for any trend change. The successful breakout above \$48 is moving steadily to the historical resistance level near \$58. This offers short term trading opportunities which can be exploited using the [ANTSSYS](#) method to trade the retreat and consolidation behavior. The breakout above \$58 has a resistance target near \$68 and this helps validate the head and shoulder price projection target.