

OIL TESTING RESISTANCE

By Daryl Guppy

Oil seems to be going nowhere but the weekly NYMEX oil chart tells a different story. The chart shows consistent bullish behaviour even though price has developed a temporary resistance level near \$54. The sideways movement that has been in place since 2017 January has lulled some observers into a false sense of security when it comes to the potential for further increases in the oil price.

The weekly NYMEX Oil chart shows a long term inverted [head and shoulder reversal](#) pattern. This trend reversal pattern is reliable and has a high probability of reaching the projected price breakout targets.

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 sideways move above \$50 in the current uptrend confirms the inverted head and shoulder pattern and the continuation of the slow uptrend.

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 \$68. This target is verified using the second chart feature that sets the character of 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 level was broken in 2015 June but the breakout was overwhelmed by the wide separation in the long term Guppy Multiple Moving

Average. This is not the situation today. Now the long term GMMA is acting as a support level and the move towards \$58 is slow and steady.

The long term GMMA provides an indication of the way investors are thinking. The steady separation of the long term group of averages shows confident support for the new uptrend.

The short term group of averages provides an indication of the way traders are thinking. The consistent steady separation confirms strong confidence in the trend strength. Any pullback in price is taken as a buying opportunity. This is shown by the lack of compression in the short term GMMA when prices pull back.

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