BULLISH ON OIL

By Daryl Guppy

World economies still run on oil. The US economy may run on domestic shale oil but China remains dependent upon imported oil. West Texas oil sets the benchmark. The outlook for oil remains bullish and this is confirmed with the reaction rally from near $38 and the retest of historical resistance near $48.

Three feature's confirm and define this bullish outlook. They are the Guppy Multiple Moving Average relationships; the confirmed chart pattern; and the history of support and resistance trading bands.

The first feature is the GMMA relationships and they are showing a classic breakout pattern. The GMMA pattern of trend breakout consists of three parts. The first part is a rally that tests the value of the lower edge of the long term GMMA. This happens in 2015 June. The second part is a breakout above the upper edge of the long term GMMA. This developed in 2016 June. The third part is a retest of the support levels followed by a rebound.

The short term GMMA briefly dipped below the value of the long term GMMA. However price rebounded rapidly from the historical support level near $38. This behavior confirmed the classic GMMA trend breakout pattern of behavior.

The long term GMMA has compressed but has moved sideways. This shows investors support. Aggressive investors buying is shown when the long term GMMA turns upwards and begins to expand.

The second feature is the development of an inverted head and shoulder reversal pattern. The head and shoulders are shown with the curved lines on the chart. Recent resistance developed near $50. This is above the long term technical resistance level near $48. A move above $50 in the current rebound rally confirms the inverted head and shoulder pattern. This is a strong and reliable trend reversal pattern. The depth of the pattern between the neckline near $50 and the head is measured and the value projected upwards. This gives a long term upside target near $72.

The third feature is the historical pattern of support and resistance levels. The rebound from support near $38 is part of this pattern behavior. Technical resistance is near $48. A breakout above this level gives a medium term target near $58.

The resistance level near $58 is the most significant resistance level for any trend change. A successful breakout above $48 can move quickly to the historical resistance level near $58. This offers good short term trading opportunities. The breakout above $58 has a resistance target near $68 but this is a long term target.