

## **OIL DOWNSIDE TARGET \$38**

*By Daryl Guppy*

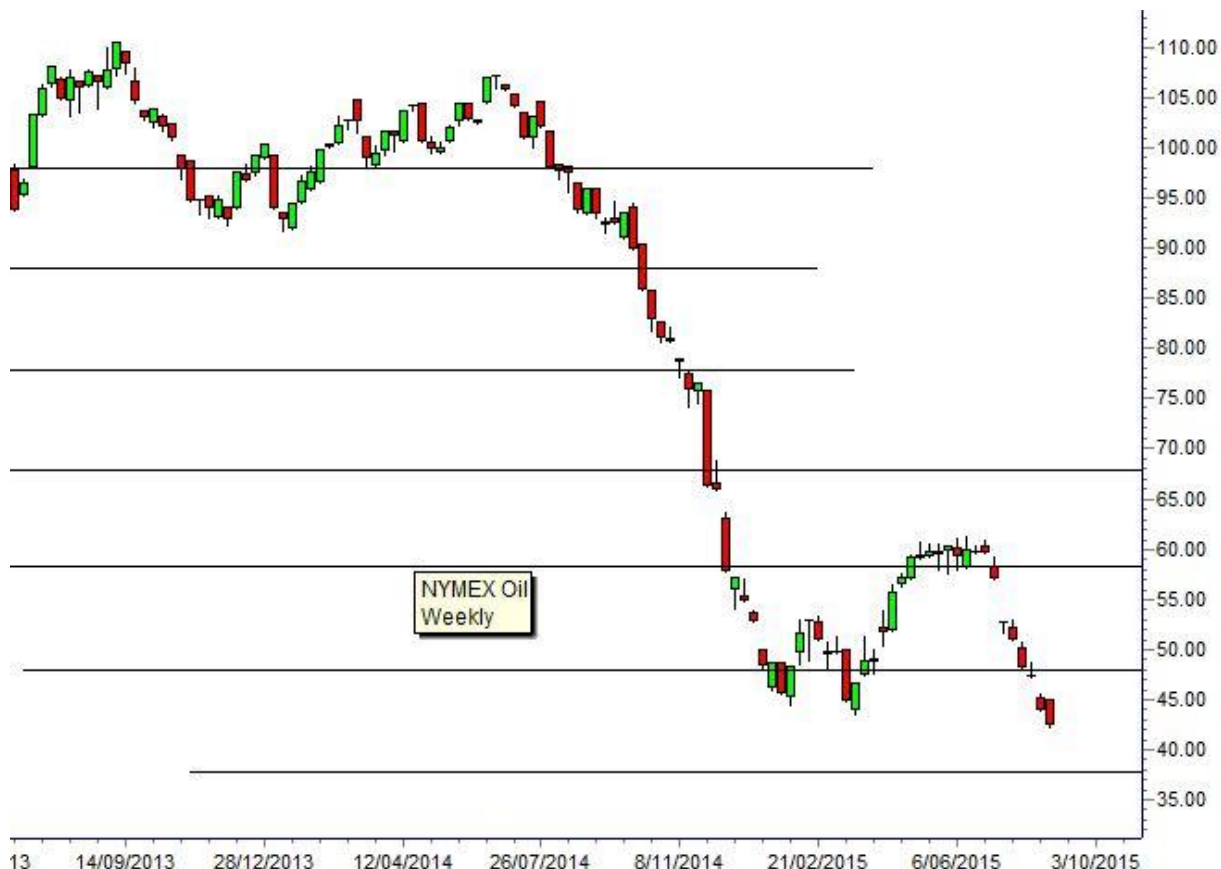
The NYMEX oil price breakout above the resistance level near \$58 failed to develop into a sustained uptrend. The consolidation period saw oil move between \$58 and \$62. The fall below the new support level near \$58 was rapid. The fall also moved quickly below the support level near \$48. This rapid collapse of support near \$48 is very bearish.

The downside target is near \$38. This is a long term and sustained support level. This area acted as support in 2004 and 2008. The level acted as a resistance level in 2000 and 2003. This is a major technical feature in the NYMEX oil chart.

When oil collapsed from \$110 it formed a double bottom pattern near \$45. The double bottom pattern is often associated with a trend reversal. The height of the double bottom pattern was measured and gave an upside target near \$61. This target was achieved but the pattern did not develop into a new sustained uptrend.

The double bottom near \$45 is not a confirmed new substantial support level and the current price retreat has quickly moved below \$45 towards the historical support level near \$38. We use the [ANTS](#) analysis and trading method to capture both short term and longer term trading opportunities.

NYMEX oil trades in a broad trading bands and the trend behavior is defined by these trading bands. The fall in oil from near \$110 was very rapid with short-lived consolidation or pauses near each of the significant support or resistance levels. The consolidation near \$58 continued for 10 weeks and the failure of this long term consolidation to provide a floor for a new uptrend is very bearish.



On the daily chart the Guppy Multiple Moving Average (GMMA) indicator shows the short term group of averages have moved quickly below the lower edge of the long term group of moving averages. There is a consistent degree of separation between the long term GMMA and the short term GMMA averages. This GMMA trend condition suggests a sustained downtrend move.

When the price reaches the historical support level near \$38 then traders and investors will look for the short term GMMA to develop compression and rebound behavior. This behavior will confirm the strength of support and is necessary for the development of any new uptrend.

Strong and fast downtrends normally do not quickly reverse direction so there is a high probability of a period of consolidation activity around \$38. Investors and traders watch for the short term group of GMMA averages to compress and move towards the lower edge of the long term group of GMMA averages. This will signal the beginning of consolidation behavior which may last many months.