OIL

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The fall below critical support at $38 was a gap down from the previous weekly close of $39.94. These dramatic gap down moves have been a feature of the oil price collapse. Usually they signal a very fast fall to the next support level.

Some analysts have suggested $10 is the downside target for oil. The charts suggest a fall to this price level is a low probability. However, the fall below critical support near $38 does change the nature of the oil price behavior.

The first step to determine the downside target for oil is to apply the same trading band analysis methods that successfully set the downside targets when oil fell below $98. This $28 target is calculated by taking the width of the trading band and projecting in downwards below support near $38. The trading bands for oil are around $10 wide. This has been particularly useful for describing the rise and fall of oil between $38 and $108.

The second step is the consolidation the placement and location of trend line A. The rally and retreat in 2015 June, and again in October to November provide several high points that are used to place trend line A. This trend line will now act as an additional resistance level for any rally in oil prices. This is a significant new resistance feature on the NYMEX oil chart. Any future uptrend reversal must be able to close above the value on trend line A on the weekly chart. This new bearish feature suggests the oil price will continue to fall. We continue to use the [ANTSYSS]() trade method to extract good returns from these falls.

The third step is to understand that the behavior of the NYMEX oil price below $38 is not the same as the behavior of the price above $38. The trading band price projection analysis below $38 is not quite as reliable. Historically oil has good support level near $29 and this is the preferred target for a retreat below $38.

So what happens if oil falls below $29? We need to look at the weekly chart from 1999 to 2003. The next lower well established support level is near $25.50 The was a long term support level from 1999 December until 2013, May. When oil fell below this support level in 2001, October it created the next support level near $18.00.

There is no historical evidence for support near $10, although oil briefly touched this level in 1998 December.

The further collapse in the oil price has significant consequences for the oil exploration, production and distribution industries. Oil companies have been slow to acknowledge the seriousness of this price collapse but these current downside targets have been clear on the price chart for many months.