

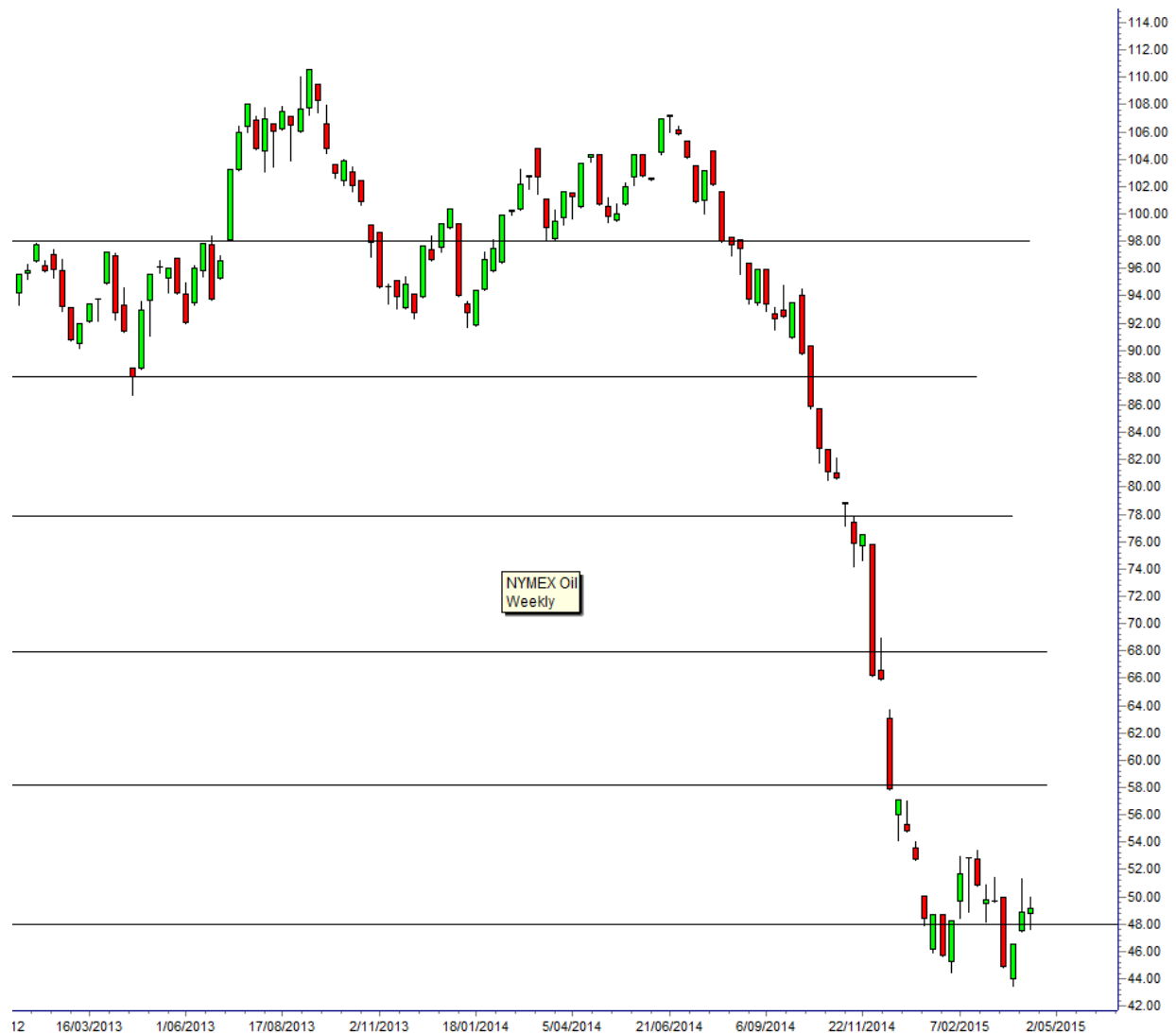
OIL CONSOLIDATION PATTERN CONTINUES

By Daryl Guppy

The NYMEX oil price has been hovering around the \$48 support level for several months. Oil first developed a rebound from the low of \$44.45 after falling below support near \$48. The second fall below \$48 developed a rebound from the low near \$43.46. This lower low is not evidence of a continuation of the downtrend. Oil is developing a consolidation pattern around the \$48 level. The upper edge of the consolidation pattern is near \$53.53. The lower edge of the consolidation pattern is near \$43.46.

NYMEX oil trades in a broad trading bands and the trend behavior is defined by these trading bands. The fall in oil was very rapid with short-lived consolidation or pauses near each of the significant support or resistance levels. These support and resistance levels also define the limits and barriers to any future new rally and uptrend development.

Oil continues to move in a consolidation between support near \$48 and resistance near \$58. On the daily chart the Guppy Multiple Moving Average (GMMA) indicator shows the short term group of averages testing the lower edge of the long term group of moving averages. It has tested this level four times starting 2015 February. The long term group of averages indicates the thinking of investors. This group of averages is beginning to compress but it has not yet begun turning upwards. This shows investors have stopped the heavy selling. Investors are not yet strong buyers. This behavior is necessary before any new uptrend can develop.



Investors and traders watch for this future GMMA relationship to develop to confirm a new uptrend is developing. They watch for the short term group of GMMA averages to compress and move above the upper edge of the long term group of GMMA averages. The upper edge of the long term GMMA is near \$50 and below historical resistance near \$58. Investors watch the GMMA behavior during the retreat away from resistance near \$58. The retreat should retest the lower edge of the long term GMMA and then rebound from this support level.

The development of the new uptrend starts when the oil price moves out of the consolidation band. The development of a new uptrend in oil is confirmed when the price is able to stay above resistance near \$58.

Strong and fast downtrends normally do not quickly reverse direction so there is a high probability of a period of consolidation activity between \$48 and \$58 that may also last several months. Already the consolidation around \$48 has continued for three months. This consolidation band provides a rally and retreat trading environment suitable for traders. Investors wait for the sustained breakout above \$58 shown on the weekly NYMEX before they join the new long term uptrend.