



WILL OIL RALLY IN 2019?

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ABSTRACT Crude oil is a naturally occurring liquid fossil fuel. Crude oil is one of the most demanded commodities and prices have significantly increased in recent times. The demand for crude oil is dependent on global economic conditions as well as market speculation. Crude oil prices are commonly measured in USD. Study present A Technical Coverage with larger picture by giving reaction, Concerns of economic growth will accelerate price of oil? Of WTI crude, and study conclude that Buy WTI Crude oil above 55\$ for the Target of 70 \$, Keep strict stop loss of 40\$

KEYWORDS : Crude, USD, Bullish

INTRODUCTION:

Crude oil is a naturally occurring liquid fossil fuel resulting from plants and animals buried underground and exposed to extreme heat and pressure. Crude oil is one of the most demanded commodities and prices have significantly increased in recent times. Two major benchmarks for pricing crude oil are the United States' WTI (West Texas Intermediate) and United Kingdom's Brent. The differences between WTI and Brent include not only price but oil type as well, with WTI producing crude oil with a different density and sulfur content. The demand for crude oil is dependent on global economic conditions as well as market speculation. Crude oil prices are commonly measured in USD.

U.S. crude oil prices hit the lowest in 18 months in the last week of 2018, plummeting nearly 40 percent from four-year highs hit in early October. In the first week of 2019, oil prices jumped, due to rising equity markets, signs of a possible U.S.-China trade war pause, and signs that OPEC and its largest producer Saudi Arabia are slashing oil production.

FUNDAMENTAL OUTLOOK:

Most major investment banks on Wall Street see oil prices rebounding relatively strongly in 2019. Oil prices are supported by declines in production in OPEC and good U.S. economic data that sent the U.S. stock market rising. Oil prices are set for a rebound in the coming weeks and months. Several trends and upcoming events could pave the way for a tightening up of the oil market like OPEC/non-OPEC cuts, lower-than-previously-expected U.S. oil production, near term expiry of waivers on Iran sanctions. Another reason why the oil market could rebound from current levels is that there are few areas of significant supply growth outside of the U.S., and hardly any that could surprise on the upside. Canada and Brazil could add barrels onto the market, but not even close to anything that is expected from the U.S. Thus the oil market narrative in 2019 could be dominated much more by demand rather than supply. Any faltering in the global economy could more than outweigh the array of supply-side factors that could tighten up the market.

TECHNICAL OUTLOOK:

We are confirming the fundamentals of crude with the technical analysis of price itself. We are initiating coverage on WTI crude oil with technical perspective. While studying the charts rigorously on all the time frame ranging from Year to Date, 10 Years, 3 Years, 1 year, and Monthly, weekly and Daily charts, we believe that one minor cycle of crude consisting of 8 waves has completed which comprises 1st and 2nd wave of major cycle. If price of USD 40 is sustained then according to the Elliot wave theory, 3rd wave can begin. This wave is much bullish and dynamic and targets are achieved very fast. Oil price of course has few resistance on the way at USD 55 and USD 60. On breaching this levels, price of USD 70 can be achieved easily.

There is a formation of "Reverse Head & Shoulder" formation on 1 year chart. According to the projection of pattern, USD 66 can be the minimum target for the oil. Oil price is above 10 WMA. This indicates bullishness in the price. RSI is indicating strength as it is at the level of 42 and it is sloping up. MACD is on the verge of showing positive crossover, which indicates gathering of momentum for upside.

Stochastics is showing positive crossover and turning up after a long time. On the monthly chart, there is a formation of "Bullish Engulfing" candle. This indicates that bulls have an upper hand. MACD is crossing the median line. This suggests good momentum on the upside. RSI is at the level of 45 and it is sloping up. This indicates good strength in the price. According to the Elliot wave theory, oil price seems to have completed its two minor waves of the third wave and so once price breaches the trend line at USD 55, it will move up very fast till USD 60 (200 day WMA on daily chart) and if price breaks above that level then USD 66 and 70 can be its immediate reach.

ELLIOT WAVE ANALYSIS ON YEAR TO DATE CHART



Source: www.tradingview.com

According to the Elliot wave theory, oil price has completed one major cycle of 8 waves comprising of two minor waves (1 & 2). There is a high probability that 3rd wave can initiate if a level of USD 40 is maintained and price can reach till USD 94 according to the calculation of Elliot wave theory. There are few resistance at USD 60 and 70 where price can stop to breath. This two levels can be the near term targets.

From 10 year chart is also bullish,

- According to the Elliot wave theory the oil price seems to have completed its 1st and 2nd wave of a new major cycle. There is high probability that 3rd wave impulse wave will initiate.
- MACD is crossing the median line after being oversold
- RSI is at the level of 45 and it is sloping up
- Formation of "Bullish Engulfing" candle on the chart

From 3 year chart is also bullish,

- Oil price is above 10 WMA
- MACD is on the verge of showing positive crossover after a sharp fall
- RSI is at the level of 41 and it is sloping up
- +DMI is sloping up and -DMI is sloping down

1 YEAR CHART



Source: www.investing.com

Here we can see that,

- Oil price is above 10 WMA
- MACD is on the verge of showing positive crossover
- RSI is at the level of 42 and it is sloping up
- -DMI is sloping down

So, Bullishness is due to Oil price is on the verge of crossing major trend line and Stochastics is turning up with positive crossover after a long time

Addition to this, Monthly chart showing

- Formation of “Bullish Engulfing” candle
- MACD is above the median line
- RSI is at the level of 45 and it is sloping up

Weekly chart showing,

- Oil price is above 10 week WMA
- MACD is on the verge of showing positive crossover
- RSI is at the level of 42 and it is sloping up
- +DMI is sloping up and -DMI is sloping down

Daily chart showing,

- Oil price is above 10 and 65 day WMA
- MACD is crossing the median line with positive crossover
- RSI is showing strength as it is at the level of 60
- RSI is at the level of 57 and it is sloping down
- ADX setup confirms the fact that index is on the corrective wave.

TRADE SETUP



Source: www.investing.com

Here Chart showing bullishness,

- There is a formation of “Reverse Head & Shoulder” formation
- Target of USD 66 can be achieved according to the projection of “Head & Shoulder” pattern

TECHNICAL DETAILS:

| Period | Moving Average | Price Change | Percent Change | Average Volume |
|--------------|----------------|--------------|----------------|----------------|
| 5-Day | 52.72 | +2.78 | +5.5% | 363427 |
| 20-Day | 49.01 | +7.41 | +16.15% | 634616 |
| 50-Day | 51.51 | -8.71 | -14.05% | 381476 |
| 100-Day | 60.39 | -14.11 | -20.93% | 208103 |
| 200-Day | 62.91 | -6.09 | -10.26% | 109555 |
| Year to Date | 50.75 | +7.88 | +17.35% | 655507 |

| Period | Raw Stochastic | Stochastic %K | Stochastic %D | Average True Range |
|--------|----------------|---------------|---------------|--------------------|
| 9-Day | 79.03% | 91.58% | 89.51% | 1.92 |
| 14-Day | 90.39% | 95.96% | 93.92% | 2.09 |
| 20-Day | 92.00% | 96.64% | 95.00% | 2.17 |

| Period | Relative Strength | Percent R | Historic Volatility | MACD Oscillator |
|---------|-------------------|-----------|---------------------|-----------------|
| 9-Day | 64.18% | 20.97% | 37.05% | +0.76 |
| 14-Day | 58.14% | 9.61% | 30.90% | +2.30 |
| 20-Day | 53.32% | 8.00% | 49.56% | +4.04 |
| 50-Day | 46.54% | 46.32% | 52.37% | +1.55 |
| 100-Day | 46.46% | 67.89% | 42.11% | -6.48 |

Bullishness is due to

- Oil price is above 5, 20 and 50 day WMA. It will find resistance at 100 and 200 day WMA at the level of 60 and 62 before achieving the target of USD 70
- Smaller time frame has overbought Stochastics So price can dip a bit before inching up higher
- MACD is positive on 9,14,20,50 day chart.
- RSI is showing more strength on smaller time frame and strength is gradually increasing in larger time frame

CONCLUSION:

It's evident on the chart that Crude price is set for a rally in 2019 due to many fundamental and technical factors. USD 40 is the major support and USD 55, 60 and 70 are major resistance area which should be considered while taking the trade. On breaking USD 70, price can even reach till USD 94 according to the calculation of Elliot wave theory.

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