REUTERS QUARTERLY TECHNICAL OUTLOOK

JANUARY 2021

Crude, palm oil and base metals are expected to extend gains in next quarter. Gold may revisit its November low to complete a correction. Grains are riding on a steady uptrend that shows no sign of reversal. Coffee may speed its rally while cocoa may suffer more loss.

REUTERS

Brent oil may test resistance at $58.59 next quarter

Brent oil may test a resistance at $58.59 per barrel next quarter, a break above which could open the way towards $71.75.

A huge wedge developing from the July 2008 high of $147.50 could have ended at the April 2020 low of $15.98. The completion of this pattern is strongly indicated by its five-wave structure and the sharp surge from $15.98.

A retracement analysis on the downtrend from $71.75 to $15.98 reveals a key resistance at $50.45, the 61.8% level, which has been briefly pierced. The push above this resistance is considered as a milestone to bulls, as it suggests a reversal of the downtrend. The wave B of a three-wave cycle from the Oct. 2018 high of $86.74 peaked at $71.75, which serves as a target.

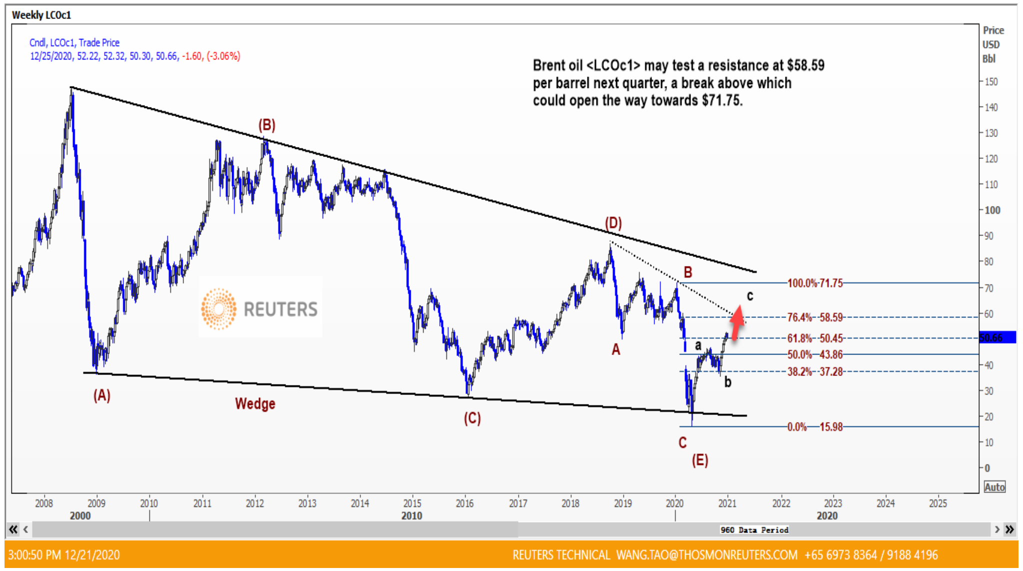
A dotted falling trendline points at a lower but realistic target of $58.59, the 76.4% level. Before rising towards these targets, oil may consolidate around $50.45 for one or two weeks.

However, a deep drop to $43.86 will be less likely, as this around of rally from the Nov. 2020 low of $35.74 could be as strong as the one from $15.98. Until oil climbs to $58.59 or $71.75, a decent correction may not occur.

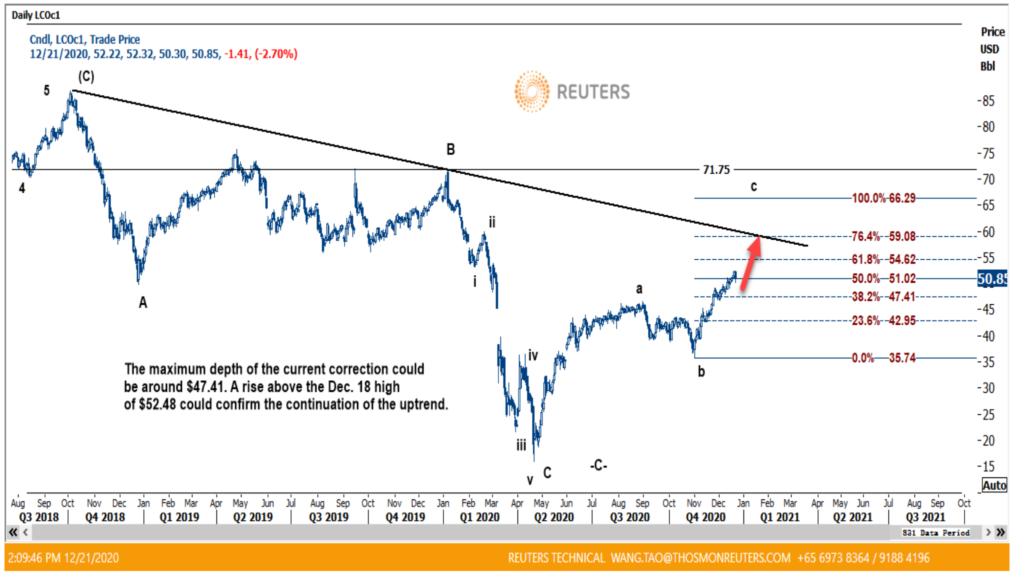
A projection analysis on the daily chart reveals a target of $66.29, the 100% level of an upward wave c, which is near $71.75.

Based on this analysis, the maximum depth of the current correction could be around $47.41, the 38.2% level. A rise above the Dec. 18 high of $52.48 could confirm the continuation of the uptrend.

Weekly chart



Daily chart



U.S. oil could test resistance zone of $56.56-$64.32 in Q1

U.S. oil could test a resistance zone of $56.56-$64.32 per barrel next quarter, a break above which could lead to a gain to $76.90.

The range is formed by the 23.6% and the 14.6% projection levels of a downward wave C from $76.90. This wave travelled to negative $40.32 in April. Such a price level is believed to be much distorted.

The authentic ending point of this wave C could be near $23.63, the 61.8% level, which is around the lower trendline of a falling wedge. To fix $23.63 as the ending point seems to make much more sense. The wedge may have completed, as suggested by the strong surge over the past few months. It is observed that the various projection levels of the wave C still work well as the effective resistances.

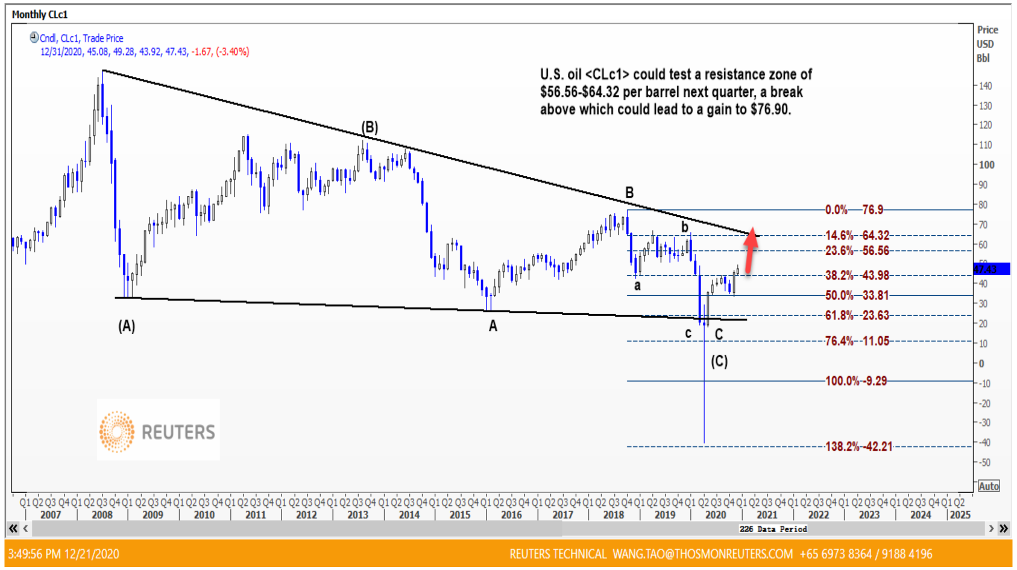
Oil has cleared the resistance at $43.98. It is rising towards $56.56. The upper trendline of the wedge points at a higher target of $64.32.

It is not very clear if oil could break the resistance zone of $56.56-$64.32 in its first attempt. Most likely, it will fail, as the consolidation between April and January suggests a sideways move in future, once oil climbs into the zone.

On the daily chart, the deep drop on Monday is classified as a pullback towards $43.98, now a support (monthly chart). A projection analysis on the current wave (3) from $37.06 reveals a support zone of $44.95-$46.30, formed by the 138.2% and the $161.8% levels.

Sharp as it is, the current correction may end in this support zone, as the wave (3) is expected to travel into a range of $50.66-$52.01.

Monthly chart



Daily chart

3-MONTH TECHNICALS

Palm oil may test resistance at 3,492 ringgit in Q1

Palm oil may test a resistance at 3,492 ringgit per tonne next quarter, a break above which could lead to a gain to 3,877 ringgit.

The resistance is identified as the 61.8% projection level of an upward wave (C) from 1,863 ringgit. The former resistance at 3,181 ringgit caused two deep drops in Jan. 2017 and Jan. 2020 respectively.

There is a good reason to believe that the resistance 3,492 ringgit, which is supposed to be stronger, could trigger another correction.

That would mean a failure of the contract to break 3,492 ringgit in its first attempt. The failure will be followed by a consolidation below this level or a correction to 3,181 ringgit.

The July 2019 low of 1,916 ringgit and the May 2020 low of 1,939 ringgit, along with the low of 1,863 ringgit, form a triple-bottom.

The neckline of the pattern is around 3,181 ringgit. A pullback towards this neckline is yet to occur. The resistance at 3,492 ringgit could trigger such a pullback.

However, the triple-bottom suggests an aggressive target of 4,499 ringgit. The contract is highly likely to find a support around 3,181 ringgit and resume its rally.

A break below 3,181 ringgit could open the way towards 2,870 ringgit.

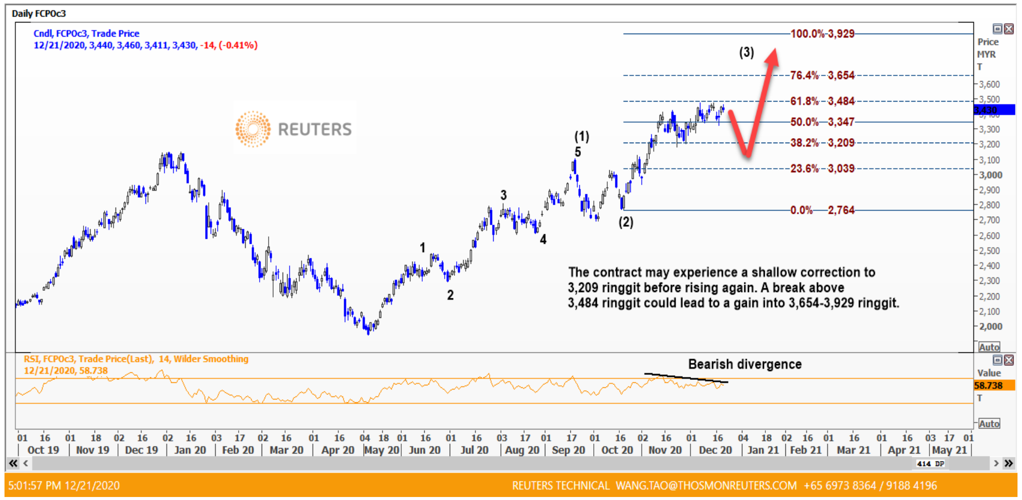
On the daily chart, a projection analysis on the target of an upward wave (3) from 2,764 ringgit reveals a resistance at 3,484 ringgit, the 61.8% level, which is close to 3,492 ringgit (monthly chart).

The sideways move below 3,484 ringgit over the past week indicates a hesitation of the bulls. The bearish divergence on the daily RSI represents a dissipation of the bullish momentum as well.

The contract may experience a shallow correction to 3,209 ringgit before rising again. A break above 3,484 ringgit could lead to a gain into 3,654-3,929 ringgit.

Monthly chart

Daily chart



LME copper may rise into $8,558-$9,274 range in Q1

LME copper may rise into a range of $8,558-$9,274 per tonne next quarter, driven by a wave (C).

This is the third wave of a presumed three-wave cycle from the January 2016 low of $4,318. After traveling above $7,401, its 100% projection level, this wave has a better chance of extending into the target zone.

A retracement analysis on the uptrend from $2,817.25 to $10,190 reveals an overlapping target zone of $8,450-$9,114, formed by the 23.6% and the 14.6% levels.

The drop from the Dec. 18 high of $8,028 is classified as a pullback towards the June 2018 high of $7,348.

This pullback may end somewhere above $7,348. A detailed study on the daily chart would reveal a fine-tuned ending point.

A break above $8,116 could confirm the target zone of $8,558-$9,274. The metal could be riding on a wave iv, the fourth wave of a bigger wave 5 from the Oct. 2 low of $6,269 on the daily chart.

This wave may travel to $7,509 in its full capacity, which is the 38.2% retracement of the uptrend from $6,607-$8,028. A rising channel suggests the same level. The uptrend will resume upon the completion of the bounce around $7,509.

Weekly chart

Daily chart

LME aluminium may retest resistance at $2,089 in Q1

LME aluminium may retest a resistance at $2,089 per tonne next quarter, a break above which could lead to a gain to $2,237.

The resistance is identified as the 50% retracement on the downtrend from $2,718 to $1,460.

It triggered a wave iv, which is travelling towards $1,941.

This wave is a part of a wave 5, which consists of five smaller waves in total. The fifth wave labelled v is yet to unfold.

This wave v is expected to extend above $2,089, or at least to reach this level if it turns out to be a failed fifth wave.

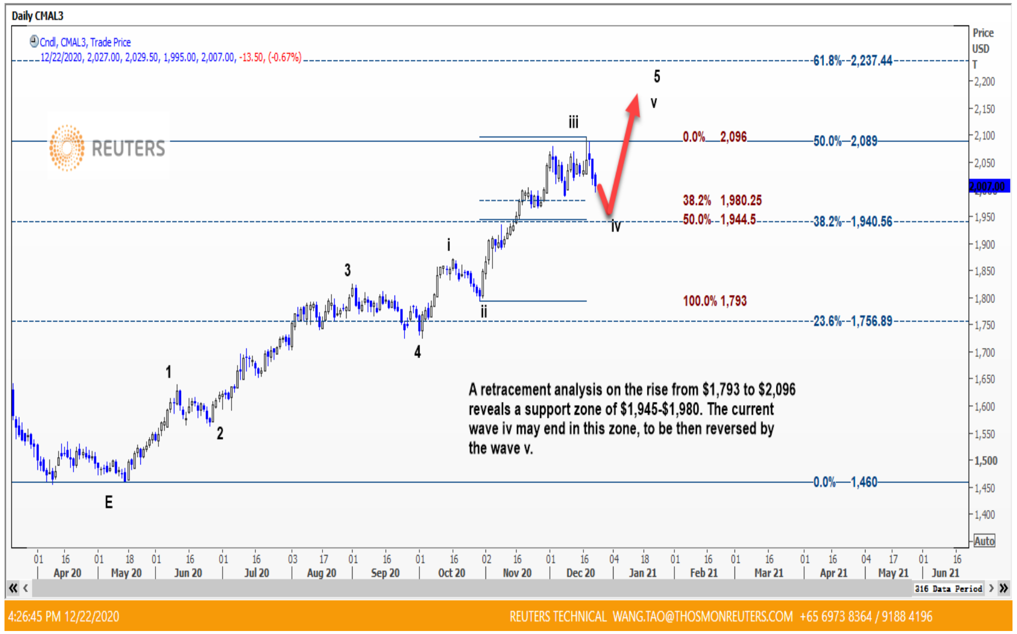
However, the possibility of a failed fifth wave could be rather low, as the wave 5 is much longer than the preceding wave 1 and wave 3. This relation confirms an extended wave 5.

On the daily chart, a retracement analysis on the rise from $1,793 to $2,096 reveals a support zone of $1,945-$1,980, formed by the 50% and the 38.2% levels.

The current wave iv may end in this zone, to be then reversed by the wave v.

Weekly chart

Daily chart



Spot gold may revisit low of $1,764.29 in Q1

Spot gold may revisit its Nov. 30 low of $1,764.29 per ounce next quarter, as suggested by its wave pattern and a retracement analysis.

A five-wave cycle from $1,159.96 has ended. The wave 4 bottomed at the June 5 low of $1,670.14. The metal is riding on a bigger wave (4), which is expected to travel close to $1,670.

A retracement analysis on the cycle reveals a similar target of $1,724, the 38.2% level. Following its strong bounce from $1,764.29 over the past few weeks, gold seems to be struggling around a falling trendline.

The sideways move around this line suggests a completion of the bounce. Most likely, the downtrend would resume towards $1,724.

A break above the trendline does not confirm a resumption of the uptrend, as the metal will face another major barrier at $1,939.

Only after a break above this resistance the uptrend could be considered to have resumed.

Support is at $1,857, a break below which could open the way towards $1,724-$1,764 range.

On the daily chart, a projection analysis reveals a target of $1,740, the 100% level of a downward wave C from $1,965.33.

This wave seems to consist of three smaller waves. The bounce from $1,764.29 has been driven by a wave b, which will be totally reversed by a downward wave c.

A break above $1,912 may lead to a gain to $1,965.

Weekly chart

Daily chart

CBOT wheat may rise towards $7.32 in Q1

CBOT wheat may test a resistance at $6.49-3/4 per bushel next quarter, with a good chance of breaking above this level and rising towards $7.32.

The resistance is identified as the 100% projection level of a wave C from $4.16-1/4. This wave travelled close to the resistance, but yet to reach it.

A retracement analysis on the downtrend from $13.34-1/2 to $3.59-1/2 suggests an extension of the wave C towards the range of $7.39-$7.94, as it has broken the 23.6% retracement of $5.89-1/2. It may travel to $7.32. After completing a pullback towards a support at $5.60-1/2, wheat may not retreat towards this level again. Instead, it is poised to break $6.49-3/4 and surge towards $7.32.

A correction from the current level may be limited to $5.89-1/2. The downtrend from $13.34-1/2 to $3.59-1/2 consists of three waves.

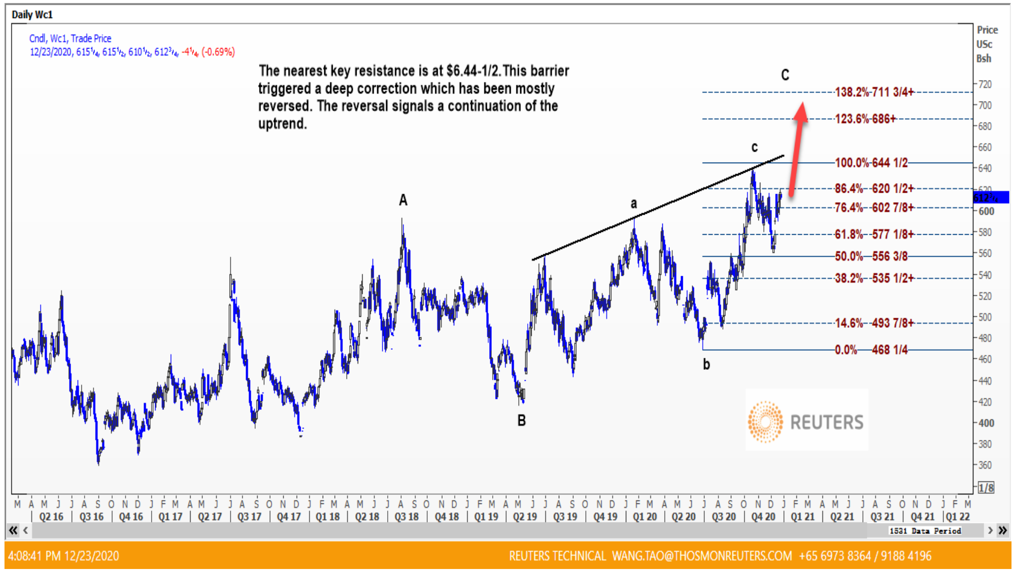
The second wave labelled B ended around $9.62, which works as a medium-term target. Unless bulls become wild, this target could be too far to be realistic. However, it does indicate how high the current uptrend could extend.

A projection analysis on the daily chart reveals more detailed resistances and supports. The nearest key resistance is at $6.44-1/2, the 100% projection level of the wave c. This barrier triggered a deep correction which has been mostly reversed. The reversal signals a continuation of the uptrend.

Support is at $6.03, a break below which could cause a fall into $5.56-1/2 to $5.77 range.

Monthly chart

Daily chart



CBOT corn may test resistance zone of $4.64-1/4 to $4.93 in Q1

CBOT corn may test a resistance zone of $4.64-1/4 to $4.93 per bushel next quarter, a break above which could open the way towards $5.76.

The zone is formed by the June 2019 high and the 50% retracement of the uptrend from $1.42 to $8.43-3/4. Corn failed twice to break a support at $3.07-1/2.

The failures suggest the formation of a double-bottom, which indicates a rise towards $4.64-1/4, its neckline resistance. Even if this pattern turns out to be a flat, the high of $4.64-1/4 remains as a target.

Once confirmed, the double-bottom will suggest an aggressive target of $6.30. However, the journey towards this level could be rough.

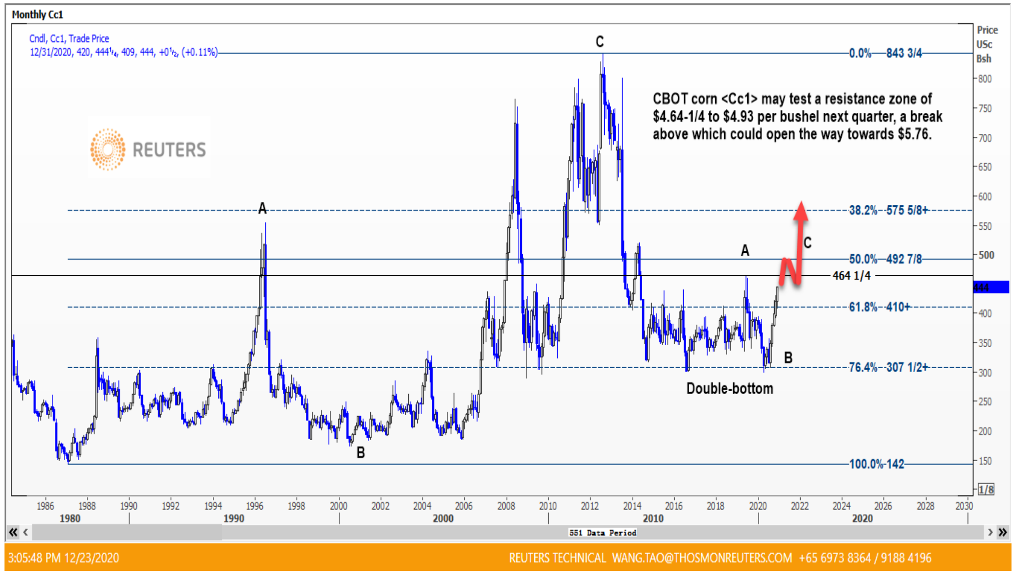
First, corn needs to break a strong resistance at $4.93, which is likely to trigger a pullback towards $4.64-1/4. Second, before climbing to $6.30, the contract has to overcome a lower barrier at $5.75-1/2.

Despite all these resistances, corn could eventually rise its way to $6.30, based on the current strong bullish momentum.

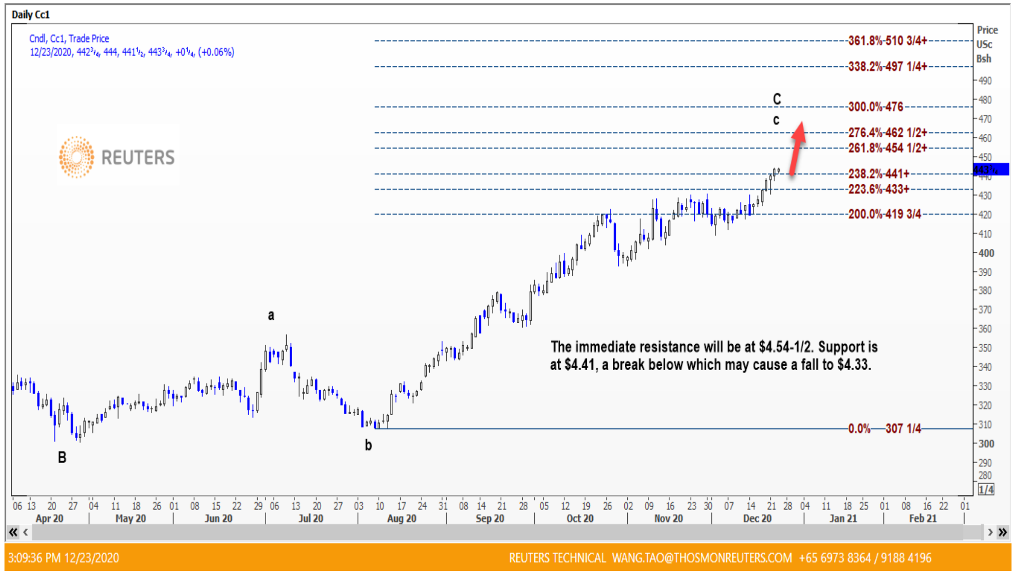
A detailed calculation on the daily chart reveals more fine-tuned resistances and supports. The immediate resistance will be at $4.54-1/2, the 261.8% projection level of an uptrend from $3.07-1/4.

Support will be at $4.41, a break below which may cause a fall to $4.33.

Monthly chart



Daily chart



3-MONTH TECHNICALS

CBOT soybeans may test resistance at $12.87-1/2 in Q1

CBOT soybeans may test a resistance at $12.87-1/2 per bushel next quarter, a break above which could lead to a gain to $14.07-1/4.

The resistance is identified as the 50% retracement of the downtrend from $17.94-3/4 to $7.80-1/2. It is not very clear if the contract could break this resistance in its first attempt. Most likely it will fail, as the former resistances at $10.19-3/4 and $11.67-3/4 did not trigger any decent correction.

Such a correction may occur around $12.87-1/2, which is regarded as a major barrier. At least the contract would consolidate around $12.87-1/2, if it could easily break this level.

The correction will be classified as a pullback towards the support zone of $11.67-3/4 to $12.08-1/2. Eventually, the contract may overcome the barrier at $12.87-1/2 and rise to $14.07-1/4, as the trend from $17.94-3/4 has reversed.

The reversal was confirmed by an inverted head-and -shoulders developing from July 2018 to April 2020. A correction from the current level may be limited to $12.08-1/2.

On the daily chart, the contract is riding on a much extended wave (3) from $8.08-1/4.

Even though this wave faces a key resistance at $12.49-1/2, its 261.8% projection level, it shows no sign of a completion.

Indeed, this wave has a better chance of extending to $14.18. The most bearish scenario could be a shallow correction towards $12.09-1/2. A break above $12.49-1/2 could open the way towards $12.74 to $13.13-3/4 range.

Weekly chart

Daily chart

NY coffee may rise to $1.4940 in Q1

New York coffee may break a resistance at $1.3645 per lb next quarter and rise towards $1.4940.

The downtrend from the May 2011 high of $3.0890 has reversed, as suggested by a break above a falling trendline. The contract is riding on a wave C from $0.9455, the third wave of a presumed three-wave cycle from the May 2019 low of $0.8760.

This wave failed to overcome the barrier at $1.3645 in its first attempt.

It may succeed in its current attempt, as it is expected to travel to $1.4940, the 100% projection level.

The pattern between May 2019 and June 2020 looks like a double-bottom, which will be confirmed when coffee climbs above $1.4940. It will then suggest a target around $2.

Based on this calculation, the wave C could extend to $1.8330. A retracement analysis on the downtrend from $3.0890 to $0.8760 reveals a lower target of $1.7215, the 38.2% level.

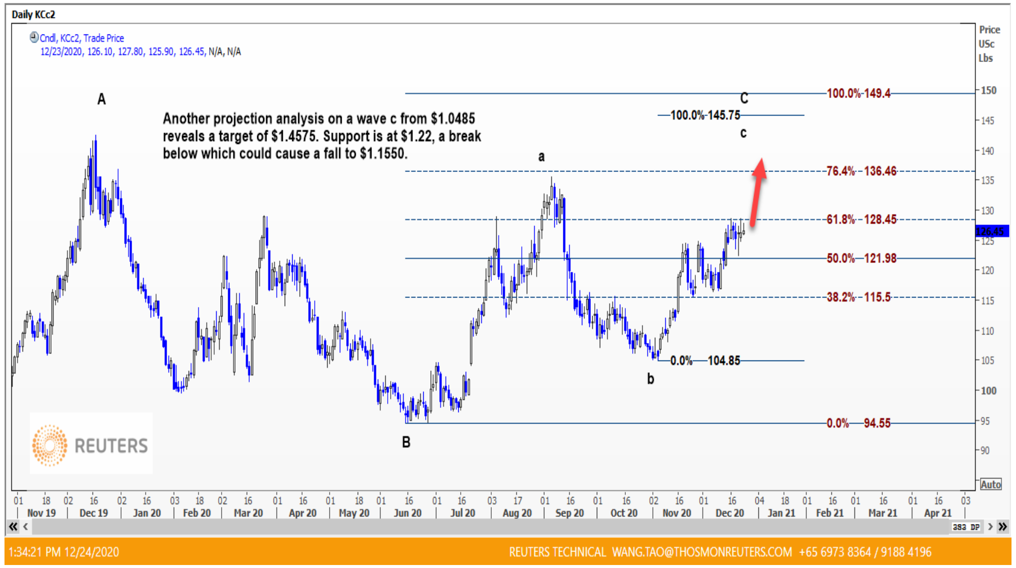
The target zone of $1.7215-$1.8330 will be available only when coffee breaks $1.4940.

On the daily chart, another projection analysis on a wave c from $1.0485 reveals a target of $1.4575, the 100% level, which is pretty close to $1.4940.

Support is at $1.22, a break below which could cause a fall to $1.1550.

Monthly chart

Daily chart



NY cocoa targets $2,177-$2,300 range in Q1

New York cocoa may retest a support at $2,400 per tonne next quarter, a break below which could cause a fall into a range of $2,177-$2,300.

The contract is riding on a wave C from $2,821, which is the third wave of a corrective wave cycle from the February high of $2,935.

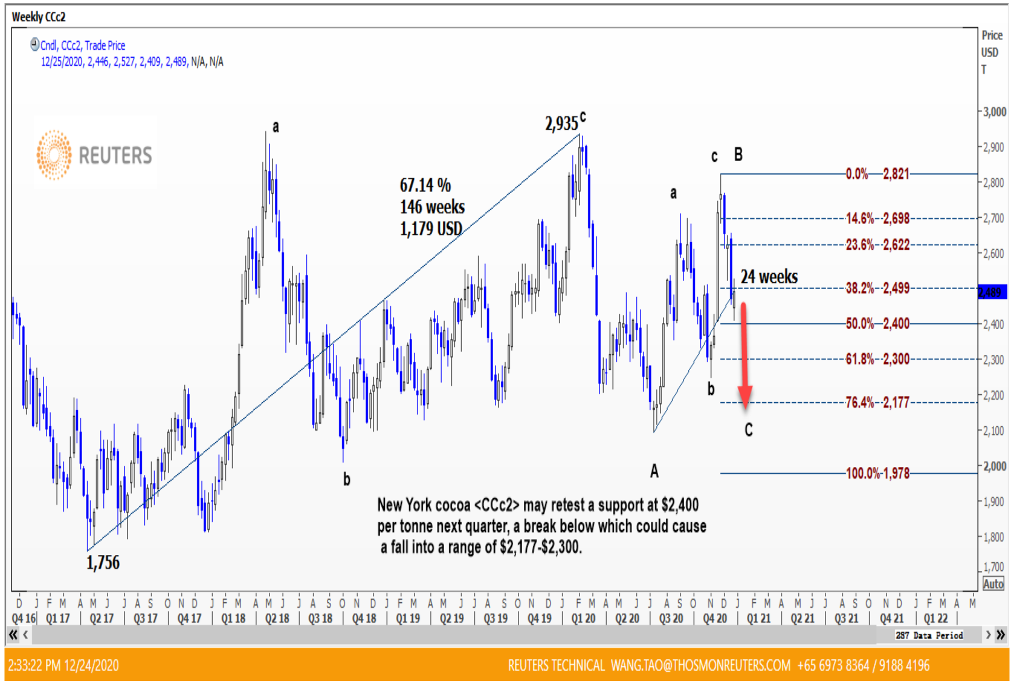
This wave may end around $2,300, if it is weak, or $$1,978, if it is very strong. In terms of time, this cycle looks far from complete, as it only developed 24 weeks, which is too short compared to the preceding uptrend from $1,756 to $2,965, which lasted 146 weeks.

A small wave b ended at November low of $2,247, which suggests a further fall towards this level as well. Resistance is at $2,499, a break above which could lead to a gain into a zone of $2,622-$2,698.

On the daily chart, both a retracement analysis and a projection analysis indicate a drop towards $2,354-$2,370 range.

Only a break above $2,649 could signal a continuation of the uptrend from $2,092.

Weekly chart



Daily chart

Dollar index to reverse downtrend in 87.43-88.26 zone in Q1

The dollar index may test a support at 89.54 next quarter, a break below which could cause a fall into 87.43-88.26 range.

A downward wave c from 102.99 is still unfolding. It may complete around 87.43, its 100% projection level. A retracement analysis on the uptrend from 72.70 to 103.82 reveals a strong support at 88.26, the 50% level, which is close to 87.43.

This support significantly increases the chance of the wave c to complete around 87.43. This wave is a part of a bigger wave 4 from 103.82.

The wave 4 will be reversed by an upward wave 5 which may start around 87.43. A break above 91.10 will not only lead to a gain to 93.37, but also signal a premature completion of the wave c.

Weekly chart

Intraday technical outlooks are available to Eikon users on the following 12 products: Brent oil, U.S. oil, palm oil, spot gold, LME copper, LME aluminium, CBOT soybeans, CBOT corn, CBOT wheat, New York coffee , New York cocoa and Dollar. To retrieve the 24-hr technical outlooks, please press F9 and key in TECH/C.

Reporting by Wang Tao (Market Analyst, Commodities Technicals), wang.tao@thomsonreuters.com
Phone: +65 68703836
Compiled by **Rupali Shukla** in Bangalore, commodity.briefs@thomsonreuters.com

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