REUTERS QUARTERLY TECHNICAL OUTLOOK
JANUARY 2022

Brent and WTI may be range-bound in Q1. Palm oil may experience a fifth wave extension if it could hover above 4,755 ringgit. Gold looks cautiously bullish. Copper and aluminium are making their final thrusts towards 2021 highs. Grains and softs are trending up. The dollar index targets its 2020 high.

REUTERS

Brent oil to be bound in $66.22-$86.70 range

Brent oil may be bound within a range of $66.22-$86.70 per barrel this quarter, due to the completion of a five-wave cycle from $15.98.

The uptrend from $15.98 observed closely a set of retracements on the preceding downtrend from $147.50. Oil failed to break a resistance at $81.74.

The failure was followed by a sharp correction, which appears to be a pullback towards a falling trendline. However, when put in a bigger picture, the pullback could be indeed a wave (a), the first wave of a correction from $86.70.

This is because the uptrend from $15.98 could be well divided into five waves. The correction against this trend is expected to last longer, consisting of three waves.

The current wave (b) may end around $81.74 or extend a bit further to $86.70. A detailed study on the daily chart would provide a clue of its ending point.

Simply based on the bearish divergence on the weekly MACD, oil is unlikely to revisit the recent high of $86.70, as this is a strong reversal signal, suggesting a further consolidation.

Only a surge above $86.70 could confirm the continuation of the uptrend. On the daily chart, oil is riding on a wave (b), which may have a simple structure, consisting of three waves only.

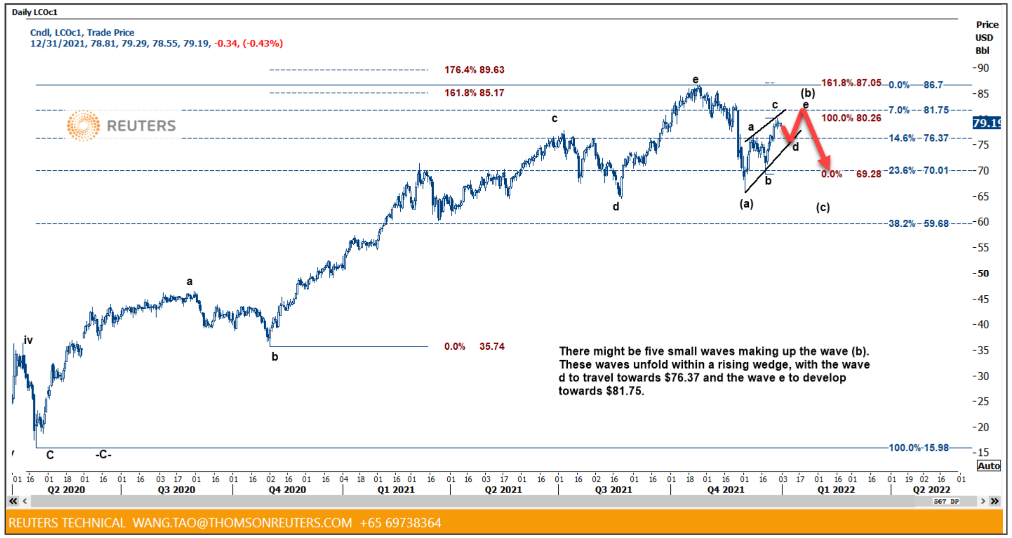
Under this scenario, this wave (b) could end around $80.26, to be then totally reversed by a downward wave (c). However, there is another scenario, which is more preferred.

There might be five small waves making up the wave (b). These waves unfold within a rising wedge, with the wave (d) to travel towards $76.37 and the wave (e) to develop towards $81.75.

Eventually, this wedge will contract to a point and be confirmed as a bearish pattern. As far as timing is concerned, the wedge may complete in February. A deep fall would then start and last until end of March.

Weekly chart

Daily chart



U.S. oil bound in $62.67-$85.41 range

U.S. oil may be bound in a range of $62.67-$85.41 per barrel this quarter, as suggested by its wave pattern and a retracement analysis.

The orthodox starting point of the uptrend is fixed at $10.71, the 161.8% projection level of a downtrend from $66.60, as the negative $40.32 level touched in April 2020 is too distorted.

The uptrend consists of five waves. The deep fall from $85.41 marked the completion of a fifth wave, labelled e. The fall could have been driven by wave (a), the first wave of a three-wave cycle from $85.41.

Oil is riding on a wave (b), which may end around $78.72 or extend a bit further to $85.41 if a flat pattern is developing. In either case, this wave will be reversed by a downward wave (c) in due course.

An extension of the uptrend above $85.41 seems highly unlikely. Following its pullback towards a falling trendline in August, oil dropped towards this line again.

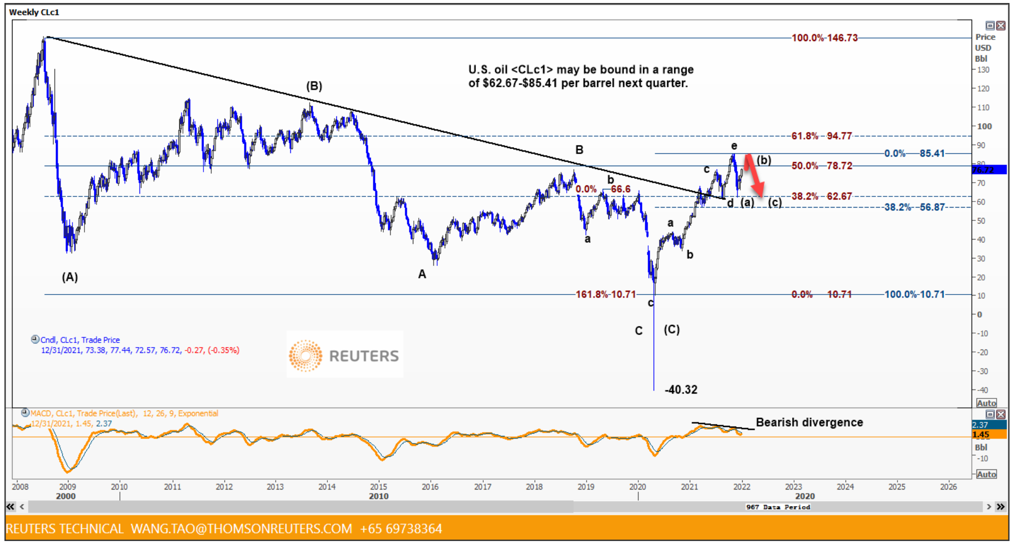
Such a short interval between these drops indicates a false break above the trendline. Oil may fall below this line at a certain point of time over the next few months.

The bearish divergence on the weekly MACD supports a bearish outlook. It quite often accompanies an uptrend reversal. On the daily chart, the current wave (b) looks like it is developing within a rising wedge.

Five small waves may make up the pattern. The wave c lost its momentum around a resistance at $76.95, its 100% projection level, which is strengthened by a similar one at $76.63.

This wave will be partially reversed by a wave d. An upward wave e will start around $71.21 to travel towards $76.95 again. The wedge is estimated to complete in February, when another round of deep drop starts.

Weekly chart



Daily chart

Palm oil may retest support at 4,314 ringgit

Palm oil may retest a support at 4,314 ringgit per tonne this quarter, as its correction from the October high of 5,220 ringgit looks incomplete.

The correction was due to the completion of a big wave (c) from 1,939 ringgit. This wave could be well broken down into five smaller waves. It is 2.618 times longer than the wave (a).

This structure and the ratio, along with the deep drop from 5,220 ringgit, confirm the reversal of the uptrend. The current correction consists of three waves. So far, only the wave a has completed.

The wave b is unfolding, which is expected to end below a resistance at 4,884 ringgit. It will be totally reversed by a wave c, which may start around 4,884 ringgit.

The bearish readings are based on a wave principle that the wave 3 is generally the longest among wave 1, wave 3 and wave 5. However, in commodity markets, wave 5 sometimes could be extremely long.

A break above 4,884 ringgit could be the very early warning of a wave 5 extension. A break below 4,499 ringgit could basically eliminate such a possibility.

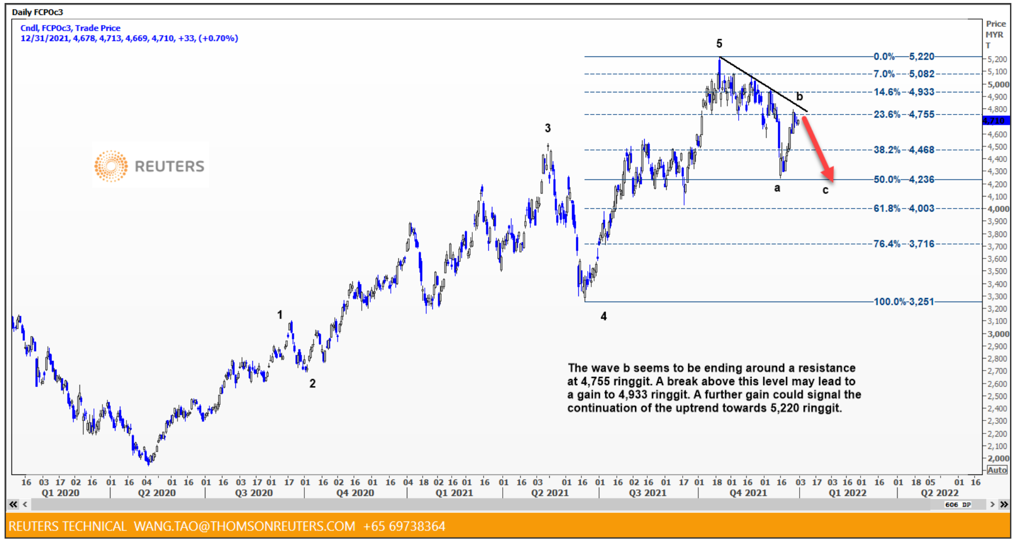
On the daily chart, the correction from 5,220 ringgit observes closely a set of retracements on the uptrend from 3,251 ringgit.

The wave b seems to be ending around a resistance at 4,755 ringgit, which is strengthened by a similar one established by a falling trendline.

A break above 4,755 ringgit may lead to a gain to 4,933 ringgit. A further gain could signal the continuation of the uptrend towards 5,220 ringgit.

Weekly chart

Daily chart



Spot gold may retest resistance at $1,926

Spot gold may retest a resistance at $1,926 per ounce this quarter, a break above which could open the way towards $1,982-$2,073 range.

The correction from $2,072.50 has been observing closely two sets of retracements, respectively on the uptrend from $1,045.85 and the shorter trend from $1,450.98.

After briefly piercing above a resistance at $1,835, the metal approaches this level again. Chances are it may overcome this barrier and rise towards the next barrier at $1,926.

The nature of the rise from the August 2021 low of $1,779 still remains unclear. It could be a part of a consolidation within a wedge, which may turn out to be a bearish continuation pattern if the support at $1,762 is broken.

This rise could also be an extension of the uptrend from $1,045.85. With the bias shifting towards the upside, the upper trendline of the wedge is more and more likely to be broken.

A break would confirm the wedge to be a bullish pattern, suggesting a target of $1,982. Once the metal climbs above this level, a double-bottom around $1,688 will be confirmed. It will then indicate a target of $2,620.

The wedge may turn out to be a flat pattern, which consists of three waves that are roughly equal. Under this scenario, gold could hardly go above $1,926.

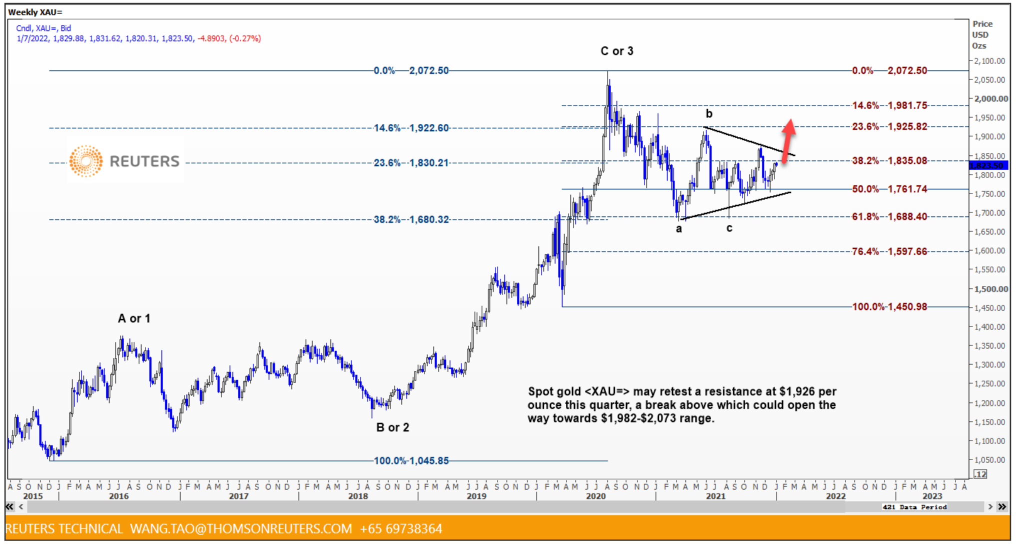
It seems $1,926 level is pivotal in deciding the medium-term direction. A break above this level would be very bullish while a failure to overcome this barrier could suggest a resumption of the downtrend from $2,072.50.

On the daily chart, a retracement analysis on the fall from $2,072.50 to $1,684.37 reveals more fine-tuned resistances and supports.

A short uptrend is developing within a rising channel, which suggests a target of $1,921, close to $1,926 (weekly chart). Regardless of the longer-term direction, gold may fulfil its short-term target of $1,921 first.

A break below the nearest support at $1,770 could warn of a downtrend extension towards $1,676.

Weekly chart



Daily chart

LME copper may retest $10,715

LME copper may retest a resistance at $10,715 per tonne this quarter, a break above which could open the way towards $11,714.

The correction triggered by this barrier seems to have ended around a support at $8,909, the 61.8% projection level of an upward wave (C) from $4,371.

This is the third wave of a big three-wave cycle from the 2008 low of $2,817.25. It has a close mathematical relation to the wave A that started from this low.

Five smaller waves make up the wave (c), with the wave (5) unfolding towards $11,714. Even though an extended wave five is common in the commodity market, the current wave 5 is unlikely to travel above $11,714, as the wave (3) has much extended.

Strategically, the target of $10,715 will be confirmed when copper breaks the nearest resistance at $9,981, which is strengthened by a similar one at the 2011 high of $10,190.

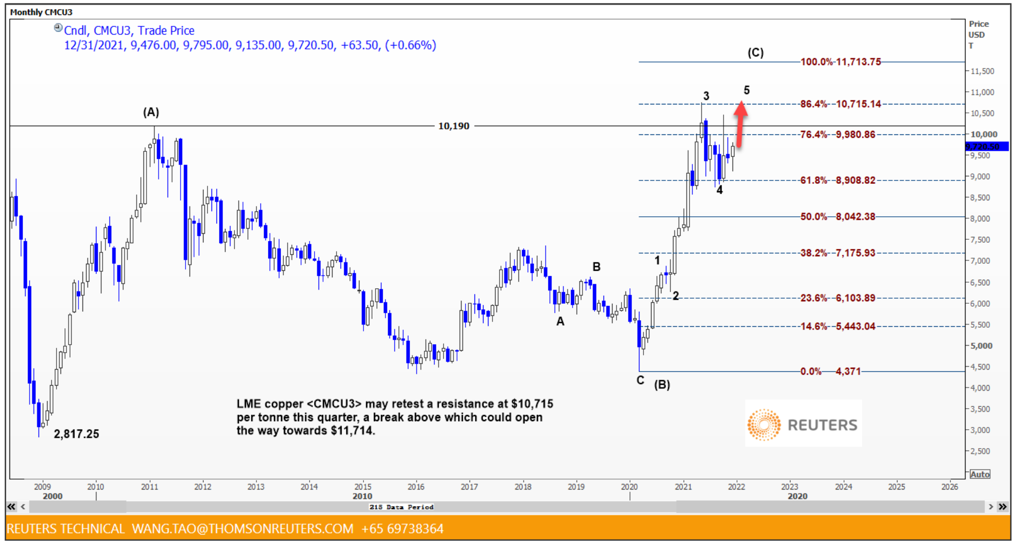
On the daily chart, the wave 5 could have adopted a complex 3x3x3x3x3 structure. Five small waves make up the wave 5, with each small wave consisting of three smaller corrective waves.

This wave mode suggests a rather choppy rise towards $10,747.50. This rise will be accompanied by deep corrections. The first such correction may occur around a resistance at $10,274, which is pointed by the upper trendline of a wedge.

The wedge looks bullish, as it appeared after a strong uptrend. The pattern will be confirmed, once copper stands firm above $10,274. It will then suggest a target around $11,700, which is pretty close to $11,715 (monthly chart).

A break below $9,214 could signal a continuation of the downtrend from $10,747.50, towards $7,559-$8,312 range.

Monthly chart



Daily chart

LME aluminium may revisit October 2011 high of $3,229

LME aluminium may revisit its October 2011 high of $3,229 per tonne this quarter, as suggested by its wave pattern and a projection analysis.

The metal is riding on a powerful wave C from $1,455, the third wave of a three-wave cycle from the November 2015 low of $1,432.50.

Five smaller waves make up the wave C. The wave 5 is unfolding towards the peak of the wave 3 at $3,229. This wave 5 is supposed to eventually travel above $3,229.

The uptrend remains intact. The deep drop from $3,229 could be classified as a pullback towards the April 2018 high of $2,718. With the wave 5 progressing, the uptrend has resumed.

The immediate resistance at $2,828 temporarily stopped the rise. The correction triggered by this barrier may be limited to $2,738.

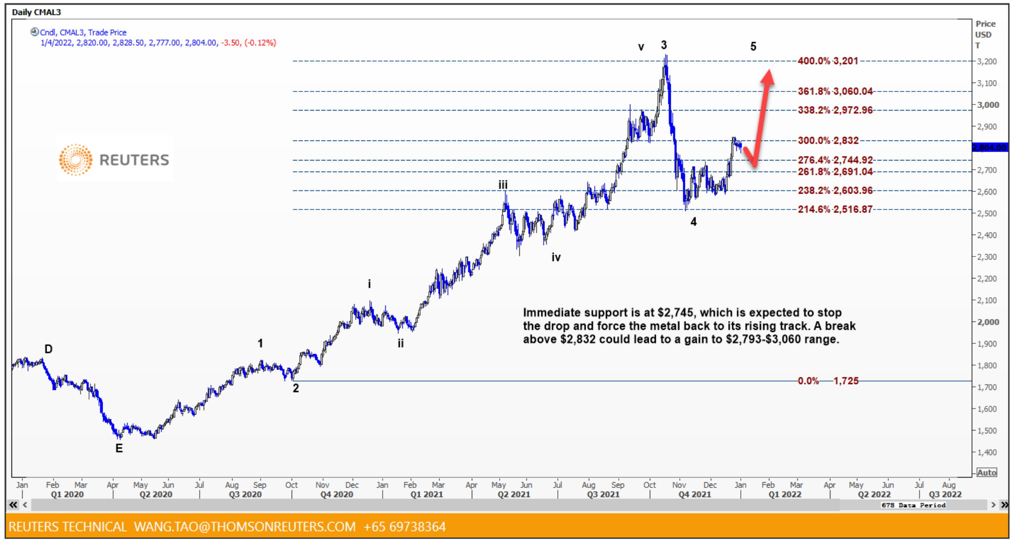
A drop below $2,718 could complicate the picture and cast a big doubt on the bullish outlook. However, such a drop may not necessarily extend to $2,564, as the steep fall from $3,229 is expected to be accompanied by a strong bounce which can't just complete around $2,828.

A break below $2,564 could be a strong bearish signal that the uptrend from $1,455 would be reversed further. On the daily chart, a projection analysis on the uptrend from $1,725 reveals more fine-tuned resistances and supports.

Immediate support is at $2,745, which is expected to stop the drop and force the metal back to its rising track. A break above $2,832 could lead to a gain to $2,793-$3,060 range.

Weekly chart

Daily chart



CBOT soybeans may test resistance at $14.65-1/2

CBOT soybeans may test a resistance at $14.65-1/2 per bushel this quarter, a break above could open the way towards $15.46-1/4.

The deep drop from the May 2021 high of $16.77-1/4 was controlled by two sets of retracements, respectively on the fall from $17.94-3/4 and the rise from $7.80-1/2.

The drop could have been driven by a wave (a) or wave (4). The high of $16.77-1/4 will be revisited in due course, if it is a wave (4).

In the case of a wave (a), the contract may still rise towards $14.65-1/2, where a small wave b peaked. Strategically, the target of $14.65-1/2 will be confirmed when the contract breaks the nearest resistance at $14.07-1/4.

A break above $14.65-1/2 could indicate the continuation of the uptrend towards $16.77-1/4, while a failure may suggest an extension of the big correction from $16.77-1/4.

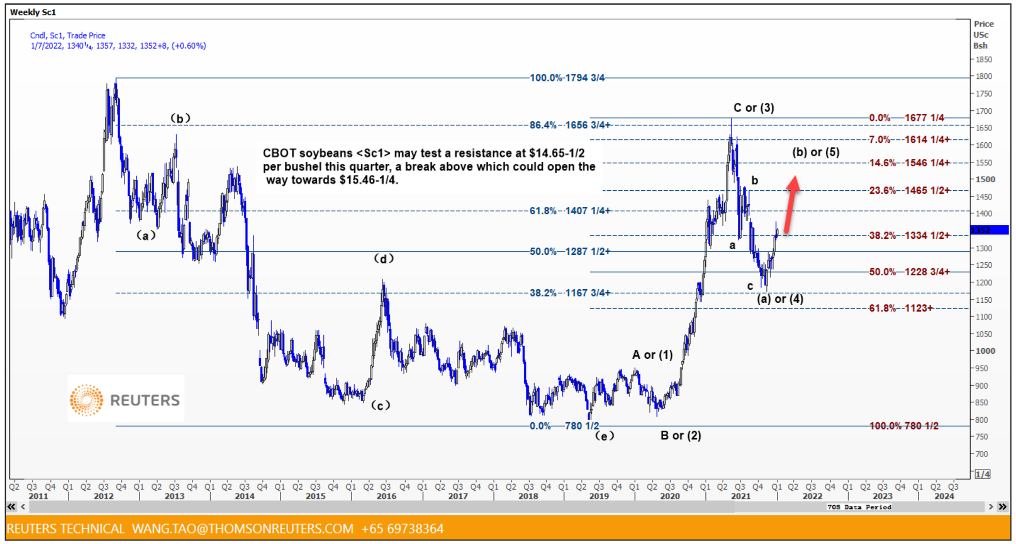
A break below $13.34-1/2 could be followed by a shallow drop limited to $12.87-1/2. On the daily chart, a retracement analysis on the fall from $16.77-1/4 to $11.71-1/4 reveals more precise resistances and supports.

The resistance at $13.64-1/2 looks vulnerable, as the contract approaches it again after a shallow correction. A break could lead to a gain into $14.24-1/4 to $14.83-3/4 range.

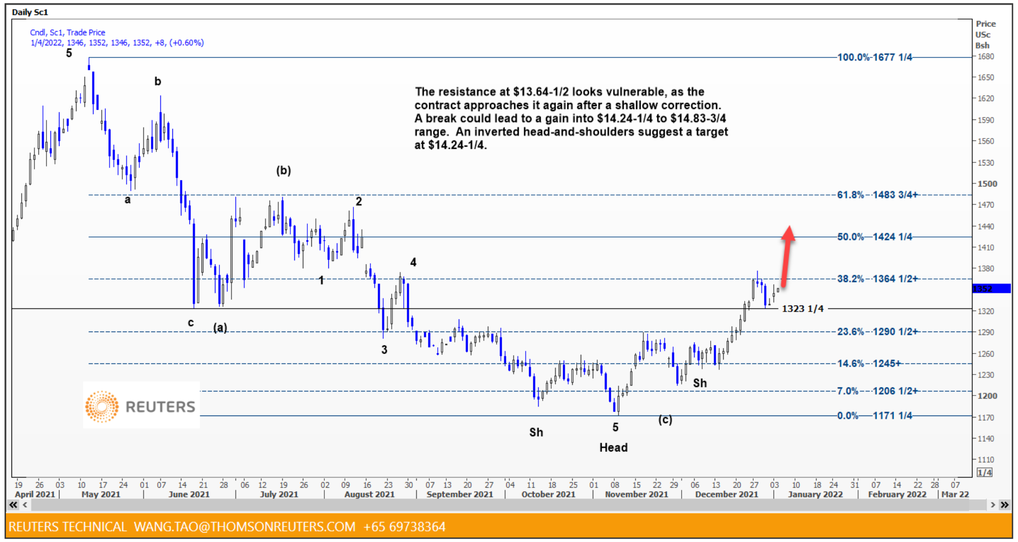
An inverted head-and-shoulders suggest a target at $14.24-1/4. The contract is expected not to come back to the Dec. 30, 2011 low of $13.23.

A drop below this low could end above a support at $12.90-1/2.

Weekly chart



Daily chart



CBOT corn may rise to $6.64-1/2

CBOT corn may rise to $6.64-1/2 per bushel this quarter, as it has briefly pierced above a resistance at $5.96-1/4.

The next resistance will be at $6.64-1/2, a break above could lead to a gain to $7.06-1/2. Wave pattern suggests the progress of a wave (5), the fifth wave of a five-wave cycle from the 2020 low of $3.00-1/4.

This wave is expected to travel beyond the peak of the wave (3) at $7.75. However, based on the pace of bulls, the target of $7.75 looks a bit too far to be realistic.

The magnitude of the giant wave (4) looks much bigger than that of the dwarf wave (2). Such an inconsistence poses a big challenge to the current wave count.

As a result, an alternative wave count is in place, which treats wave (4) as a wave A and the wave (5) a wave B. Under this alternate scenario, the current rise can hardly extend above $7.75.

Both of these wave counts suggest a further rise towards the peak of the wave b around $7.42-1/4. The rise seems to be slowing around $5.96-1/4.

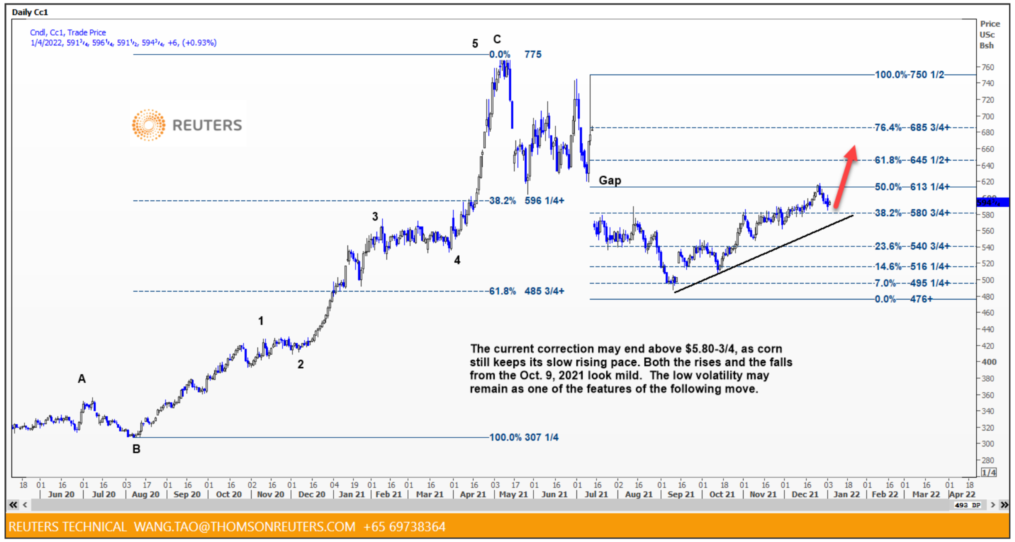
To figure out the behaviour of the contract around this level, a detailed study on the daily chart has to be done. A retracement analysis on the fall from $7.50-1/2 reveals a resistance at $6.13-1/4, which triggered the correction towards $5.80-3/4.

The correction may end above $5.80-3/4, as corn still keeps its slow rising pace. Both the rises and the falls from the Oct. 9, 2021 look mild.

The low volatility may remain as one of the features of the following move. A break below $5.80-3/4 may be followed by a drop to $5.60, a support established by a rising trendline.

Weekly chart

Daily chart



CBOT wheat may retest resistance at $8.47

CBOT wheat may retest a resistance at $8.47 per bushel this quarter, a break above could open the way towards $9.62.

The contract is riding on a powerful wave C from $4.16-1/4, which is capable of travelling to about $9.47-1/4, the July 2012 high and the peak of a wave (B).

This wave has a complex structure, consisting of many small waves. The rise from $4.68-1/4 to $6.93 is labelled as wave (1). Currently, a fierce wave (3)-3 is unfolding.

The wave (3)-3 was disrupted by a correction caused by the resistance at $8.47. The correction may have completed, following a stabilization of the price around a support at $7.66-1/2.

A break above the nearest resistance at $7.94 could confirm a continuation of the uptrend. A drop below $7.52-3/4 may be extended to $7.04-3/4.

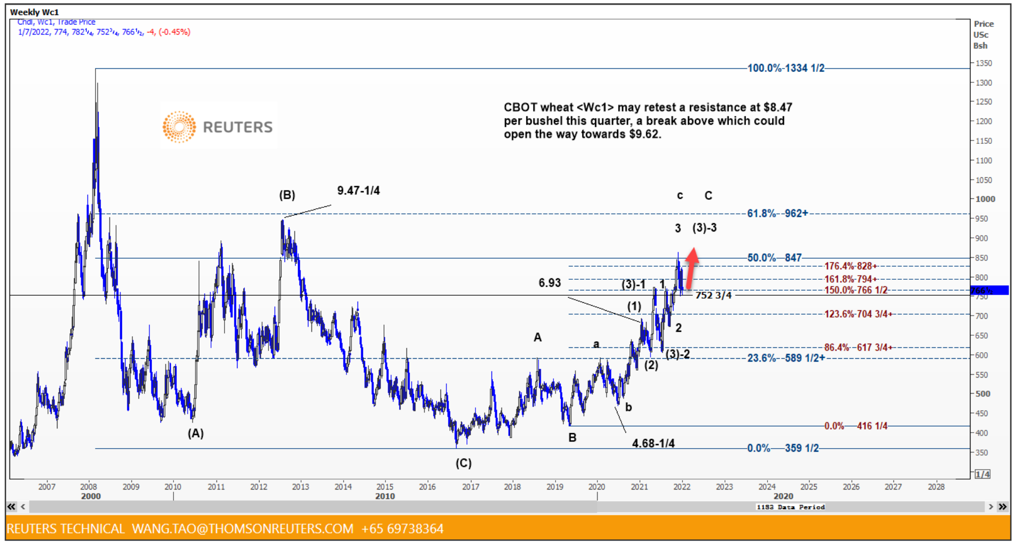
The uptrend may not peak until it develops to $9.62, around which a deep drop may occur. The previous zigzagging rise could be simply an accumulation of the bullish momentum for the following sharp rally.

On the daily chart, a projection analysis on the wave (3) from $5.93-1/4 reveals a target of $9.03-3/4, as this wave has briefly travelled above the 100% projection level of $8.18.

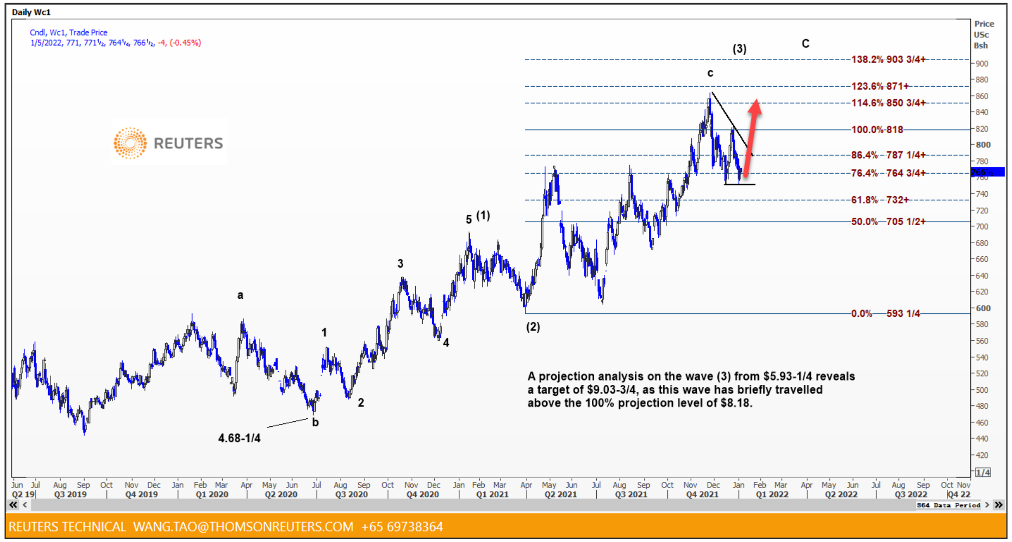
Chances are this wave may extend to $9.03-3/4. The consolidation over the past few weeks is being shaped into a triangle, which looks like a bullish continuation pattern.

A break above $7.87-1/4 could confirm the bullish triangle and a target of $8.50-3/4.

Weekly chart



Daily chart



NY coffee may retest resistance at $2.5665

New York coffee may retest a resistance at $2.5665 per lb this quarter, a break above which could lead to a gain to $2.7880.

The contract is riding on a wave C from $0.8760, which has briefly travelled above its 261.8% projection level of $2.3815. This wave is unlikely to complete around $2.3815.

Following the break above the 61.8% retracement of $2.2435, coffee is highly likely to climb towards $2.5665. The drop triggered by the resistance at $2.5665 looks like a pullback towards $2.2435, now a support.

A small wave v is unfolding which is the final component wave of the wave C. A rising trendline suggests a target around $2.7880.

But first, the contract needs to overcome the immediate barrier at $2.3815, only a break above which could confirm the continuation of the uptrend towards $2.5665-$2.7880 range.

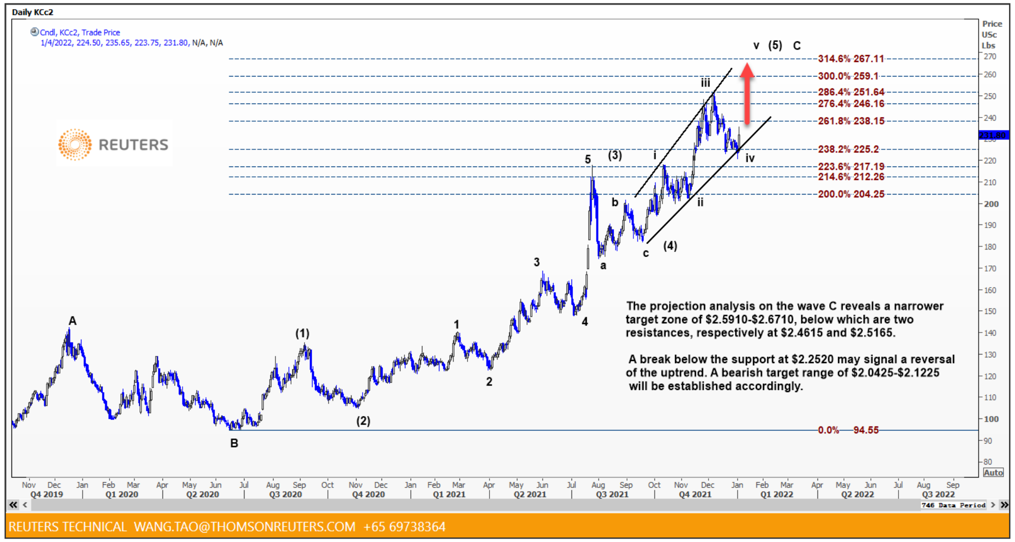
On the daily chart, the wave (5) has been unfolding within an expanding wedge, which typically forms near the peak of an uptrend.

The projection analysis on the wave C reveals a narrower target zone of $2.5910-$2.6710, below which are two resistances, respectively at $2.4615 and $2.5165.

A break below the support at $2.2520 may signal a reversal of the uptrend. A bearish target range of $2.0425-$2.1225 will be established accordingly.

Weekly chart

Daily chart



NY cocoa may rise into $2,682-$2,821 range

New York cocoa may rise into a range of $2,682-$2,821 per tonne this quarter, driven by a wave C.

This wave started at $2,092. It consists of three smaller waves. The third wave labelled c is expected to be equal to the wave a, to travel into the $2,821-$2,993 range.

A realistic target zone is from $2,682 to $2,821. A trendline falling from $3,775 points at $2,993. The wave C looks incomplete.

It is still developing within a rising wedge.

The upper trendline of the pattern suggests a target similar to $2,993. Right now, it is still too early to decide the nature of the wedge, which looks like a bullish pattern, based on the wave analysis.

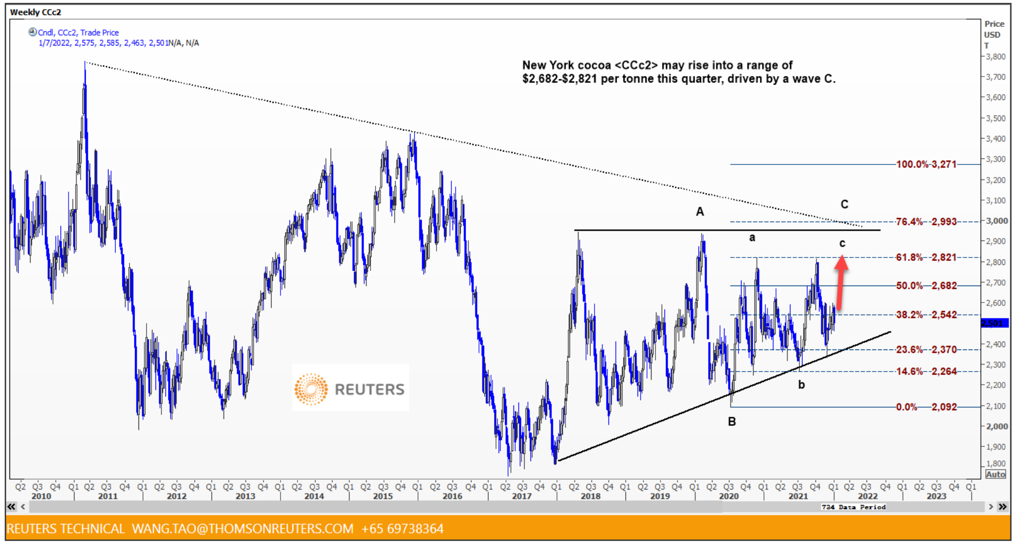
Given that cocoa failed twice to break $2,821, chances are it may overcome this barrier in its third attempt, if it could approach this level again.

Support is at $2,370, a break below which could signal a continuation of the downtrend from the February 2020 high of $2,935.

On the daily chart, the pattern from the Nov. 8, 2021 low of $2,433 looks like an inverted head-and-shoulders, which suggests a target of $2,825.

The pattern will be confirmed when cocoa breaks the neckline resistance of $2,597. A break below $2,440 could cause a fall into $2,268-$2,374 range.

Weekly chart



Daily chart

Dollar index to rise into 99.32-100.99 range

The dollar index is expected to break a resistance at 97.05 and rise into a range of 99.32-100.99 this quarter, as suggested by its wave pattern and a projection analysis.

The current rise is classified as a continuation of the uptrend from $72.70, which was disrupted by a long-term flat consolidation from 103.82.

The pattern consisted of three big waves. The wave c from 102.99 completed at the January, 2021 low of 89.21, as confirmed by its five-wave structure and the following strong rise.

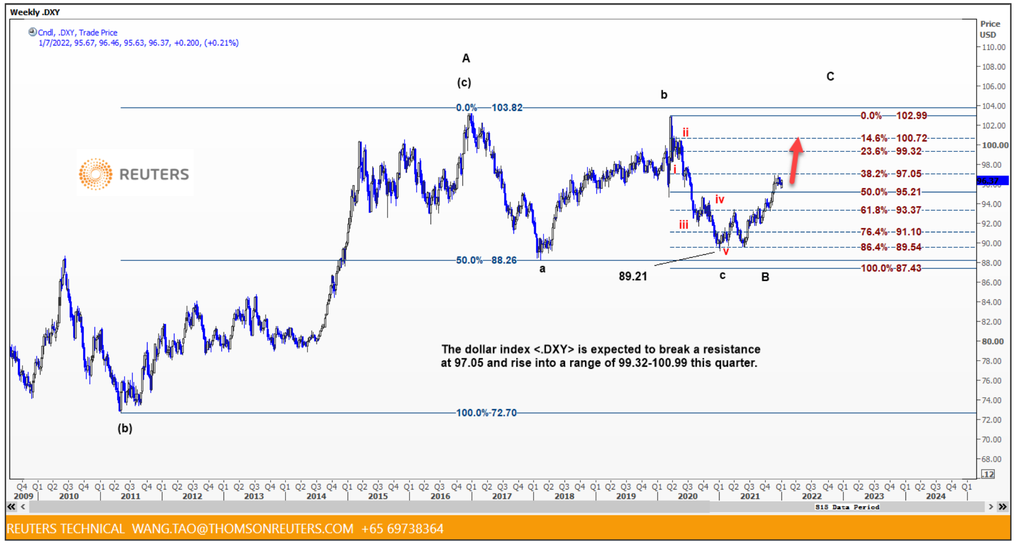
The whole flat is regarded as big wave B, which will be reversed by the current wave C. A realistic target by end of this quarter will be either 99.32 or 100.72.

Support is at 95.21, a break below which may be followed by a drop limited to 93.37. On the daily chart, a projection analysis on the uptrend from 89.54 reveals a resistance at 96.99 which triggered a correction that is taking the shape of a wedge.

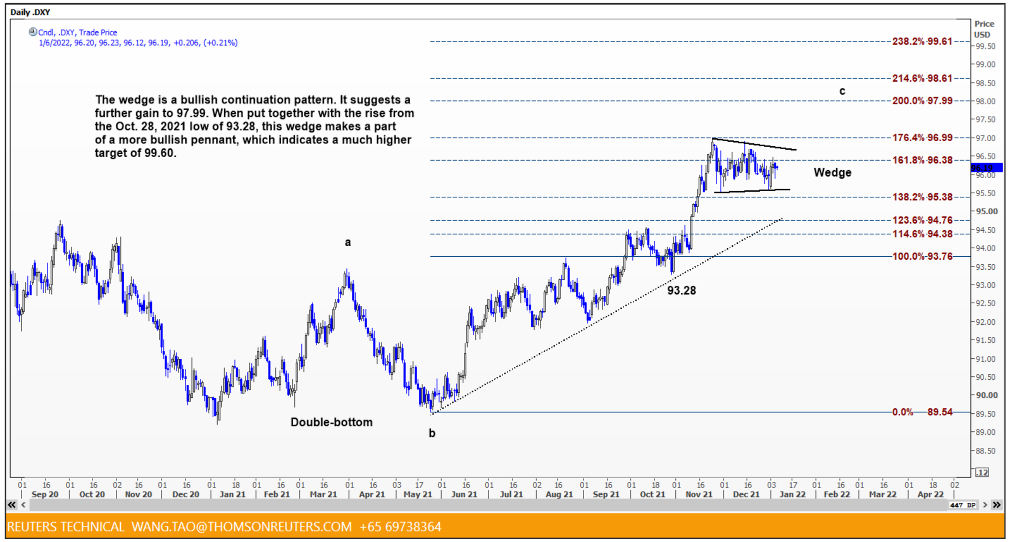
This is a bullish continuation pattern, as it appeared after an uptrend. It suggests a further gain to 97.99. When put together with the rise from the Oct. 28, 2021 low of 93.28, this wedge makes a part of more bullish pennant, which indicates a much higher target of 99.60.

A break below 95.38 could open the way towards 94.76.

Weekly chart



Daily chart



Intraday technical outlooks are available to Eikon users on the following 11 products: Brent oil, U.S. oil, Palm oil, Spot gold, LME copper, LME aluminium, CBOT soybeans, CBOT corn, CBOT wheat, New York coffee and New York cocoa. 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 6973,8364
Compiled by **Shoubhik Ghosh** in Bangalore, commodity.briefs@thomsonreuters.com

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