# REUTERS QUARTERLY TECHNICAL OUTLOOK

# JANUARY 2023

*Crude oil looks firm on medium-term downtrend. Palm oil may reverse downtrend soon. Gold, base metals and grains are heading south. Softs and dollar index may rise.*

REUTERS

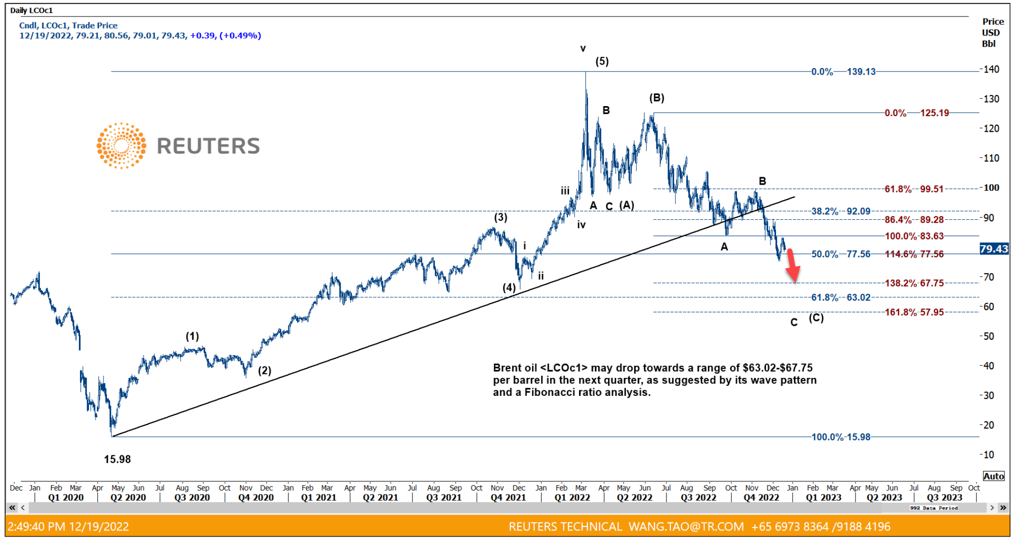
# Brent oil may drop towards $63.02-$67.75 range

Brent oil may drop towards a range of $63.02-$67.75 per barrel in the next quarter, as suggested by its wave pattern and a Fibonacci ratio analysis.
The current downtrend is against a five-wave cycle from the 2020-low of $15.98 to the March-2022 high of $139.13. The trend is riding on a powerful wave (C), which has travelled below its 100% projection level of $83.63.
Chances are this wave may extend into a wide range of $57.95-$67.75. The wave (4) of the uptrend ended around $63.02, the 61.8% retracement, which falls within the range and works as a target as well.

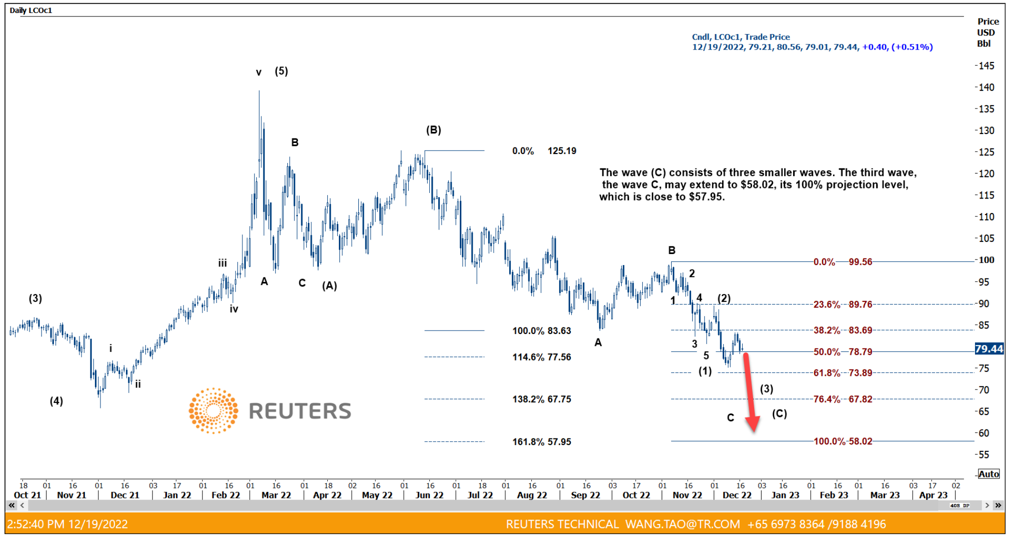
The 50% of the retracement of the uptrend from $15.98 established a support at $77.56, which triggered a bounce that seemed to have ended around $83.63.
However, until oil drops below the Dec. 9-low of $75.11, the continuation of the downtrend won't look very convincing. The worry is that the bounce may extend.
The current bounce is supposed to be much stronger than the one triggered by the support at $92.09, the 38.2% retracement. At least, they should match each other in duration.

Perhaps the downtrend is riding on a fierce wave C, which leaves little room for a decent bounce. A stabilization of the price around $77.56 might be the very early signal of the bounce to extend towards $83.63 again.
The wave (C) consists of three smaller waves. The third wave, the wave C, may extend to $58.02, its 100% projection level, which is close to $57.95.
The first part of this wave adopted a typical impulsive wave mode, with the wave 5 having ended at the Nov. 28-low of $80.61. Such a wave mode guarantees a deep drop over the next few months.

## Daily Chart




## Daily Chart



# U.S. oil may fall towards $56.07-$62.43 range

U.S. oil may break a support at $70.29 per barrel in the next quarter and fall towards $56.07-$62.43 range.

A negative $40.32 was touched in April 2020, which is not regarded as an orthodox starting point of the uptrend, as it was much distorted.

Instead, the April 28, 2020 low of $10.07 is chosen to be the orthodox starting point, as it is near $9.76, the 161.8% projection level of a preceding wave c from $65.65.

A retracement analysis on the uptrend reveals a support at $70.29, which temporarily stopped the fall and triggered a moderate bounce.

The bounce would have little impact on the downtrend, which is supposed to extend into $56.07 -$62.43 range, as suggested by a double-top around $125.

Strategically, the target zone will be confirmed when oil breaks $70.29. The bounce is still likely to extend, as long as oil remains above this level.

On the daily chart, a break above $77.77 could confirm the extension of the bounce towards $82.55-$86.82 range.

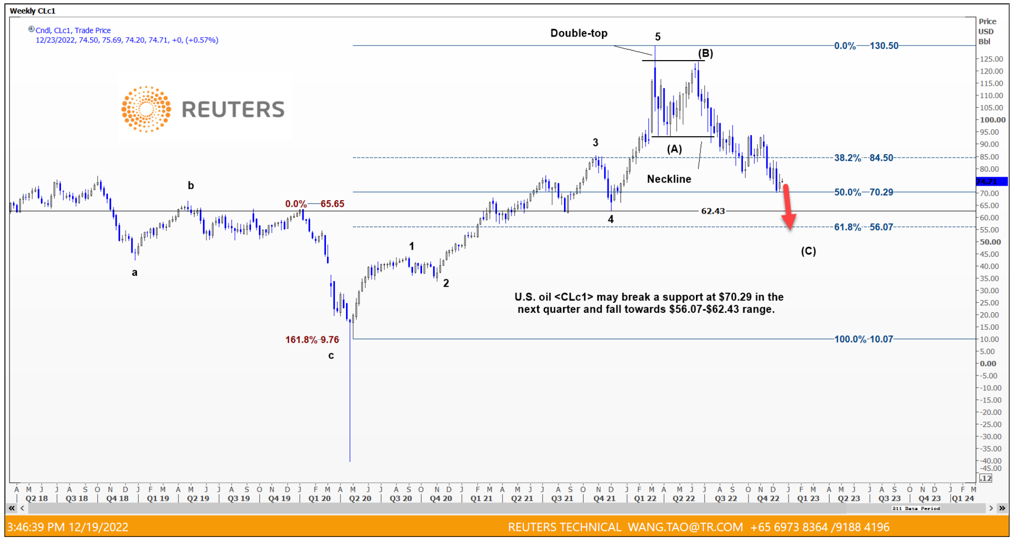
A projection analysis on the downwards wave (C) from $123.68 suggests a target of $62.89, its 161.8% projection level, as a wave C seldom ends around its 138.2% projection level.

This wave consists of three smaller waves. The third wave labelled C is unfolding towards $64.43, which is near $62.89. However, this wave C is capable of travelling to a much lower target of $46.31.

Given that the wave A adopted a double-zigzag mode, the wave C could be very sharp, quickly fulfilling its target of $64.43.

## Daily Chart


## Weekly Chart



# Palm oil to stabilize around 3,584 ringgit and rise

Palm oil may stabilize around a support of 3,584 ringgit per tonne in the next quarter, and rise into a range of 4,280-4,604 ringgit thereafter.
A five-wave cycle from the April high of 7,229 ringgit has completed around a support of 3,197 ringgit, as confirmed by the strong surge from the September low of 3,220 ringgit.
The bounce may consist of three waves. So far, only the first wave, the wave a, has completed. The wave b is unfolding towards a range of 3,197-3,548 ringgit range, as it has travelled below a support of 3,975 ringgit.
The wave b is likely to end around 3,584 ringgit, as it is expected to be roughly symmetrical to the rise from the July low of 3,489 ringgit.
A break below 3,584 ringgit could open the way towards 3,197 ringgit. The contract could then be confined within a range of 3,197-3,975 ringgit.
The pattern from 3,489 ringgit looks like an inverted head-and-shoulders, which is a typical bottom pattern, suggesting a reversal of the downtrend from 7,229 ringgit.
A detailed study on the daily chart suggests an ending point of the right shoulder in the range of 3,521-3,708 ringgit, formed by the 76.4% and the 61.8% retracement of the wave a.
Generally, the right shoulder may not be that symmetrical to the left shoulder. The target zone of 3,521-3,708 ringgit has to be aborted once palm oil breaks the nearest resistance at 4,009 ringgit.
The break will not only lead to a gain into 4,196-4,497 ringgit range, but also suggest a completion of the right shoulder.

## Daily Chart


## Weekly Chart

# Spot gold may retrace into $1,679-$1,722 range

Spot gold may retrace into a support zone of $1,679-$1,722 per ounce in the next quarter, following its failure to break a resistance at $1,828.

A five-wave cycle from $1,045.85 has completed at the March high of $2,069.89. The drop from this high has been observing two sets of retracements, respectively on the uptrend from $1,045.85 and on the trend from $1,159.96.

The sharp surge triggered by the support at $1,615 seems to have lost its momentum around $1,828. Even though it is not very clear if the surge is over, the clear part is the metal is more likely to fall towards $1,722 than to break above $1,828 and rise further.

The surge is presumed to have been driven by a wave B, the second wave of a three-wave cycle from $2,069.80. This wave is expected to be reversed by a downward wave C.

The tricky part is whether this wave B has completed. It may form a complex pattern, to extend at a later stage when the anticipated correction ends in the range of $1,679-$1,722.

The picture is further complicated by a possible inverted head-and-shoulders, which could have developed from the July low of $1,680.25.

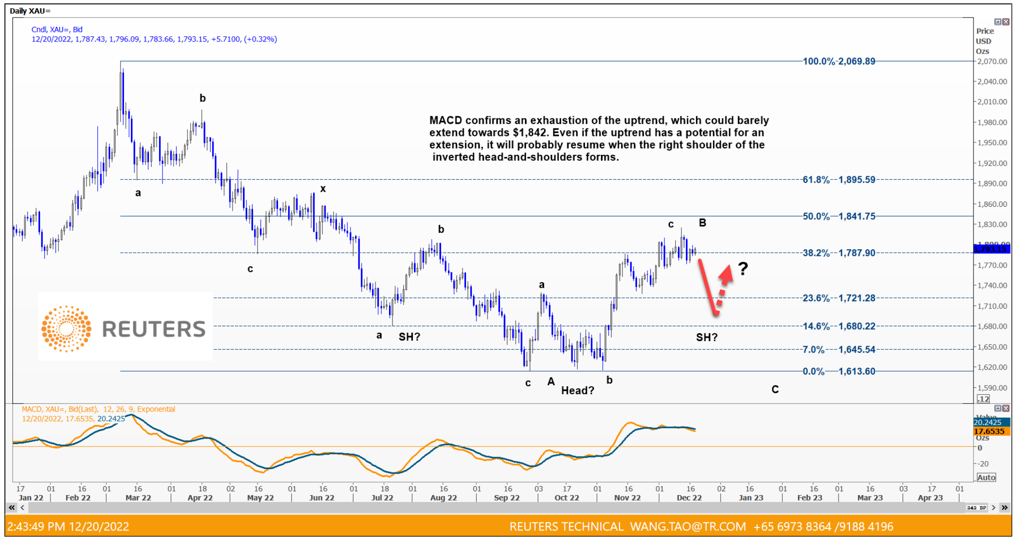
Under this scenario, gold may rise strongly from around the support at $1,679. Once the metal breaks this support, signals will become clearer that the downtrend from $2,069.89 could have resumed.

A break above $1,828 may lead to a moderate gain to $1,855. Only a further rise could indicate a continuation of the uptrend from $1,048.85 towards $1,920-$2,070 range.

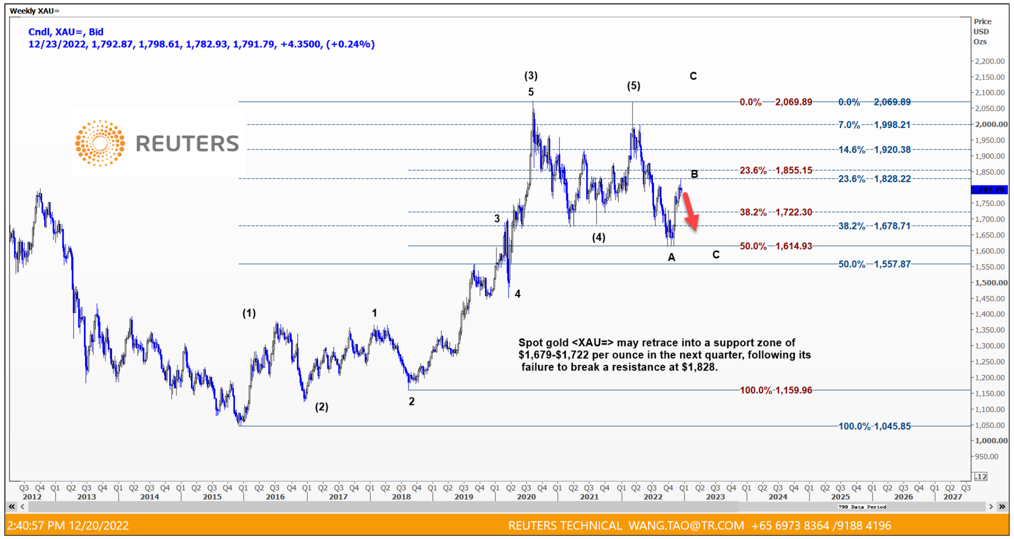
On the daily chart, gold narrowly missed a target of $1,842. However, MACD confirms an exhaustion of the uptrend, which could barely extend towards $1,842.

Even if the uptrend has a potential for an extension, it will probably resume only when the right shoulder of the inverted head-and-shoulders forms.

## Daily Chart




## Weekly Chart



## LME copper may break support at $7,608 and fall more

LME copper may test a support at $7,608 a tonne in the next quarter, with a good chance of breaking below this level and falling to the next support of $6,844.

The rise from the July low of $6,955 roughly observes a set of retracements on the uptrend from $4,371 to $10,845. The metal seems to have lost its momentum after briefly piercing above a resistance at $8,372.

The rise has been shaped into a wedge, which looks like a bearish continuation pattern, as it appeared after a sharp downtrend.

The wedge clearly shows a three-wave structure. It may have completed around a key resistance at $8,717. Even if the pattern unexpectedly develops into a five-wave structure, the metal is still likely to retrace to $7,608 first before climbing towards $8,372.

The wedge is a part of a downtrend from $10,845, which may eventually extend to $5,251, as suggested by a rising trendline. The downtrend is against an uptrend from the 2008 low of $2,817.25.

A break above $8,717 could lead to a gain to $9,317.

On the daily chart, the wave c could be well broken down into five waves, with a failed fifth wave labelled 5.

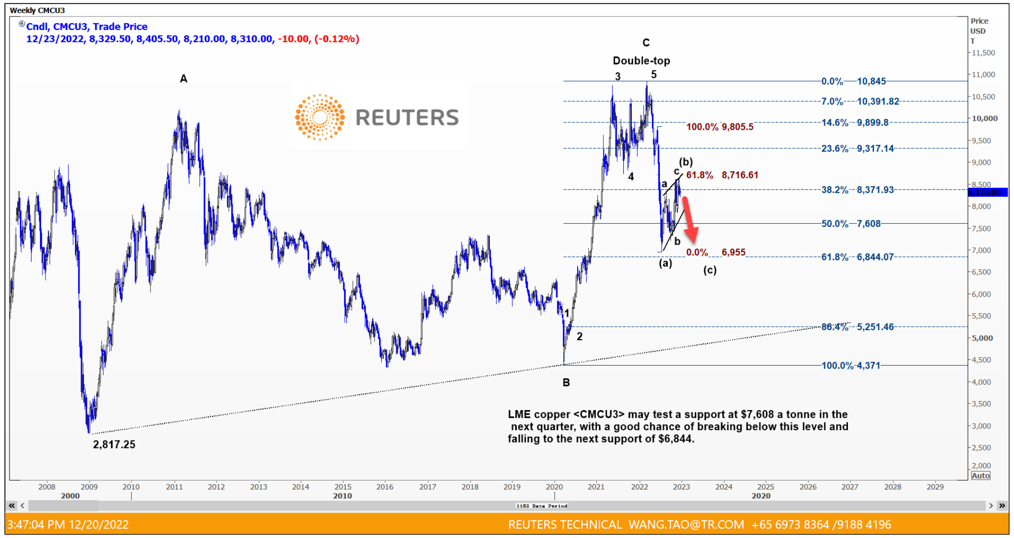
A projection analysis reveals a resistance at $8,583, around which, both the wave 3 and the wave 5 completed. There could be only one explanation to this coincidence that the wave c is over.

The lower trendline of the wedge points at a target of $7,741. Once the metal falls to this level, the downtrend from $10,845 would be considered as having resumed.

A break above $8,583 may open the way towards $9,104-$9,425 range.

### Daily Chart


### Weekly Chart



# LME aluminium may drop to $2,220 before retesting $2,551

LME aluminium may retrace to a support at $2,220 a tonne in the next quarter, before retesting a resistance at $2,551.

The downtrend from $4,073.50 appears to have reversed, as suggested by the rise from the September low of $2,080.50, which surpassed the August high of $2,527.

The rise was triggered by a strong support at $2,073, the 76.4% retracment, which generally serves as an ultimate correction depth.

Three waves may make up the bounce. So far, only the first wave has completed. The current wave b is expected to travel to $2,220, and then be reversed by an upward wave c.

A break below $2,220 could signal an extension of the wave b towards $2,081, while a break above $2,551 could open the way towards $2,842.

On the daily chart, a projection analysis on the downtrend from $3,742 reveals a set of supports and resistances that have been controlling the bounce.

The deep drop triggered by the resistance at $2,562 confirms a completion of the bounce. Three small waves make up the bounce. The wave b ended around $2,150, which is close to $2,220 (weekly chart) and works as a target.

The second round of the bounce is expected to start in the support zone of $2,150-$2,236. A break below $2,150 may open the way towards the $1,708-$1,909 range. Only a break above $2,562 could confirm the extension of the bounce towards the $2,842-$2,888 range.

## Daily Chart

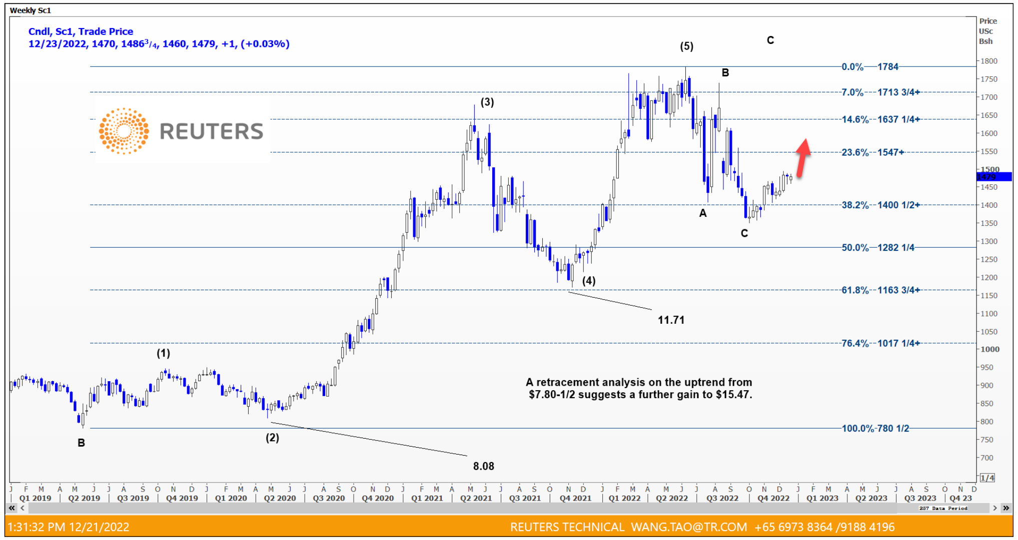

## Weekly Chart

## CBOT soybeans may test $15.15-3/4

CBOT soybeans may test a resistance at $15.15-3/4 per bushel in the next quarter, a break above which could lead to a gain into $15.49-3/4 to $15.67 range.
A three-wave cycle from $17.84 ended at $13.50, as confirmed by the equality of the wave A and the wave C. The current bounce may extend into a range of $15.15-3/4 to $16.18, formed by the 38.2% and the 61.8% retracements of the cycle.
The bounce adopted a corrective wave mode, which suggests a slim chance of the contract to extend gains to $17.84. However, this outlook has to be reviewed once the contract breaks $15.67.
Such a break will significantly increase the chance of the downtrend from $17.84 to reverse. So far, the bounce has been developing within a narrow channel.
The bounce may pause around $15.15-3/4, to be partially reversed by a shallow correction. It is critical that the contract remains above a key support of $14.52-1/4, as a break below which could be followed by a drop towards $13.80-1/4 to $14.13-1/4 range. Once the contract drops into this range, the bullish target zone of $15.15-3/4 to $15.67 has to be aborted.
On the weekly chart, a retracement analysis on the uptrend from $7.80-1/2 reveals a support of $14.00-1/2, which caused the current bounce.
Based on this retracement analysis, the bounce may extend to $15.47, near $15.49-3/4 (daily chart). A break above $15.47 could suggest an extension of the bounce towards $16.37-1/4.

### Daily Chart


### Weekly Chart



# CBOT corn may fall towards July low of $5.62

CBOT corn may drop towards its July low of $5.62 per bushel in the next quarter, as suggested by its wave pattern and a ratio analysis.
Strategically, this target will be confirmed when corn breaks $6.25-3/4, as it seems to be pulling back towards a rising trendline.
A five-wave cycle from the April 2020 low of $3.00-1/4 has completed at the April 2022 high of $8.27. The current correction consists of three waves.
The wave B ended around a resistance at $7.25-1/2, the 61.8% projection level of the cycle. The wave C is unfolding towards $5.62, the bottom of the wave A.
The bounce triggered by the support at $6.25-3/4 is classified as a part of the wave C. It is unlikely to be a part of the wave B, which was over in September.
The bounce may end below $7.02-1/2. A study on the daily chart reveals a more fine-tuned ending point. Both a retracement analysis on the fall from $8.27 and a projection analysis on the wave C from $7.25 suggest an ending point of $6.62-3/4.
The bounce is of the same degree as that from the Sept. 28 low of $6.70-1/2, therefore, it is unlikely to extend beyond the falling channel, which establishes a strong resistance around $6.62-3/4 as well.
A break above $6.62-3/4 may lead to a gain into the $6.94-1/4 to $7.25-1/2 range.

## Daily Chart


## Weekly Chart

# CBOT wheat may bounce towards $8.53-3/4 before falling

CBOT wheat may bounce towards $8.53-3/4 per bushel in the next quarter, as it failed to break a key support at $7.37 again.

The support is identified as the 61.8% retracement of the uptrend from $3.59-1/2 to $13.48, a high touched in march. The same month high of $14.25-1/4 was disregarded, because it could have been much distorted. Retracements based on this high proved to be very ineffective.

The support triggered a bounce in August, which extended around $9.70-1/2. The current bounce is supposed to be weaker, probably limited to $8.53-3/4, as there is no convincing signal of the downtrend reversal.

A close below $7.37 at the end of December would suggest a continuation of the downtrend towards $5.92-3/4. A detailed study on the daily chart reveals a possible ending point of the current bounce.

A projection analysis on the downtrend from $12.84 marks a target zone of $7.99 to $8.30-3/4, which is pointed by a falling trendline as well.

The trend is riding on a wave E, which may consist of five smaller waves. The wave d is expected to end around $7.99, to be reversed by the wave e.

A break above $8.30-3/4 will not only lead to a gain into $8.92-1/4 to $9.37-1/2 range, but also confirm a reversal of the downtrend from $14.25-1/4.

## Daily Chart


## Weekly Chart

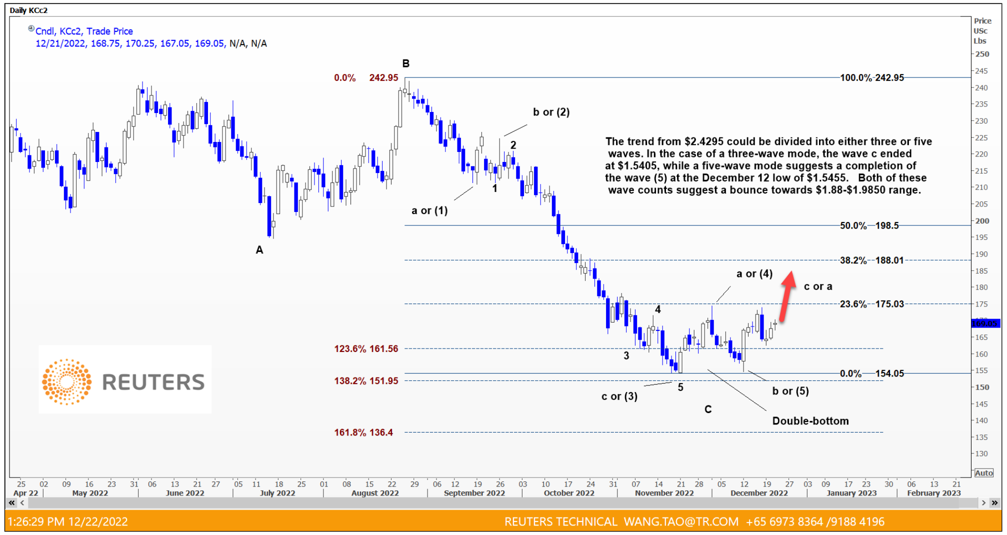
## NY coffee may test resistance zone of $1.7505-$1.7750

New York coffee may test a resistance zone of $1.7505-$1.7750 per lb in the next quarter, a break above which could lead to a gain to $1.88.
The contract found a strong support at $1.5790, the 61.8% retracement of the uptrend from $0.9455 to $2.6045. A small double-bottom seems to have been developing around this barrier.
The pattern will be confirmed when coffee breaks $1.7750. It will suggest a target of $1.9710 thereafter.
A retracement analysis on the fall from $2.4295 reveals a target zone of $1.88-$1.9850.
The double-bottom may turn out to be a flat pattern if coffee drops below the nearest support at $1.6155. Such a drop could confirm a continuation of the downtrend towards $1.3640-$1.5195 range.
This scenario is less favoured, as the 61.8% retracement generally triggers a very decent bounce. Making such a bounce more likely is the absence of a strong bounce against the steep downtrend from $2.4295.

A detailed study on the wave structure of the downtrend further suggests that the market is more likely to rise than to fall. The trend could be divided into either three or five waves.
In the case of a three-wave mode, the wave c ended at the Nov. 21 low of $1.5405, while a five-wave mode suggests a completion of the wave (5) at the Dec. 12 low of $1.5455.
Both of these wave counts suggest a reversal of the downtrend and a bounce towards $1.88-$1.9850 range.

### Daily Chart

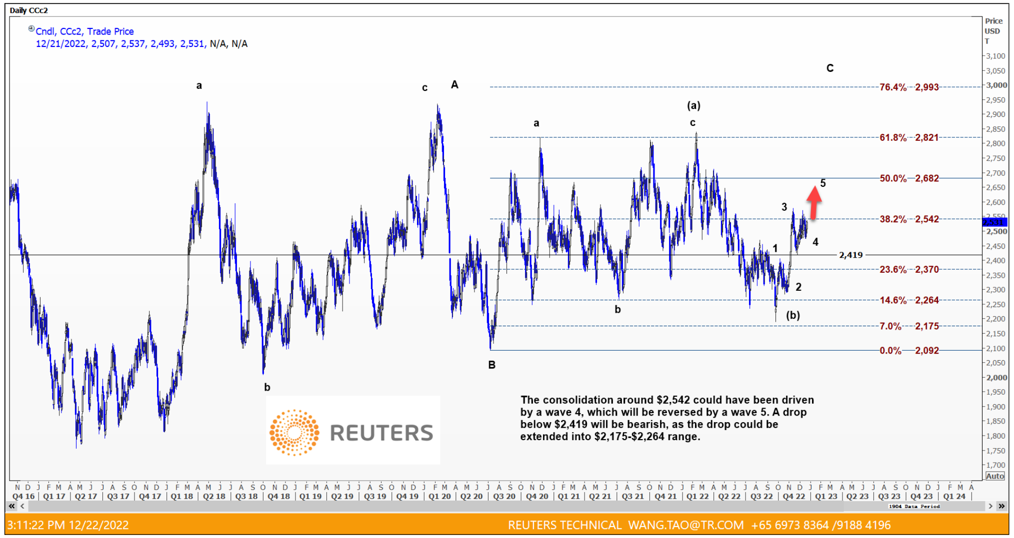

### Daily Chart



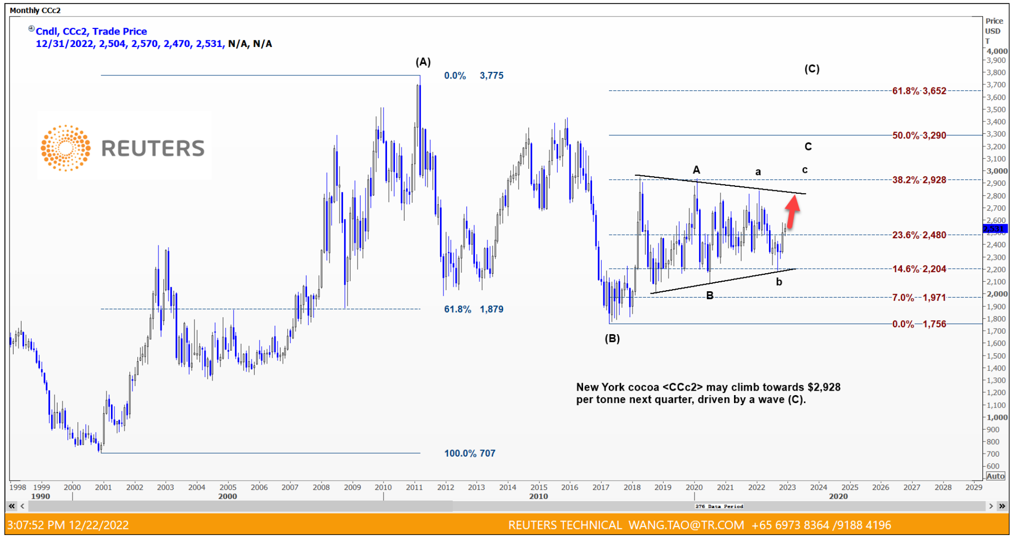
## NY cocoa may climb towards $2,928

New York cocoa may climb towards $2,928 per tonne next quarter, driven by a wave (C).
The contract is consolidating within a wedge, the upper trendline of which suggests a target around $2,800. The consolidation seems to have been well controlled by a set of projection levels on an upward wave (C) from $1,756.
This is the third wave of a long-term cycle from the 2000 low of $707. This wave has travelled above its 23.6% projection level. It is expected to extend towards $2,928.
The wave C has a complex structure, consisting of mainly three waves. The wave C could be further divided into three smaller waves.
The current small wave c would be the most powerful one. It may rapidly unfold towards $2,928.
A close of the market below $2,480 at the end of December would make this target temporarily invalid.
A projection analysis on the wave C reveals more fine-tuned supports and resistances. Cocoa faces a resistance at $2,542. Following its two failures, it is poised to overcome this barrier.
The consolidation around this level could have been driven by a wave 4, the fourth wave of a five-wave cycle from the Sept. 26 low of $2,190.
This wave will be reversed by a wave 5, which could travel to $2,682-$2,821 range. A drop below $2,419 will be bearish, as the drop could be extended into $2,175-$2,264 range.

### Daily Chart




### Monthly Chart



## Dollar index may reverse downtrend in 102.16-103.32 range

The dollar index may stabilize in a support zone of 102.16-103.32 next quarter, and rise into a range of 106.08-107.97.

A projection analysis on the uptrend from 72.70 still marks effective supports. The 161.8% level of 103.32 seems to be one of them.

This support is not working alone. It is strengthened by a similar one established by the upper trendline of a wedge. The 50% retracement of the uptrend from 89.54 to 114.78 also reveals a key support of 102.16, the 50% level.

Once touched, these supports will be activated to stop the fall and trigger a decent bounce. A break below 102.16 could confirm the extension of the downtrend towards 99.18.

On the daily chart, the fall looks exhausted, as suggested by the bullish divergence on the MACD. The trend may be disrupted by the first wave of bounce. A falling channel indicates a bounce target of 105.283.

The index is expected to resume its downtrend to complete a wave C around 102.662. A much stronger rally would follow thereafter.

A break above 105.283 could lead to a gain to 106.668-107.905 range.

### Daily Chart


### Weekly 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.*

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