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REUTERS QUARTERLY TECHNICAL OUTLOOK

JANUARY 2024

Crude oil may rise strongly in the first quarter of 2024. Palm oil rides on an upward wave c, unfolding towards July 2023 high. Gold looks extremely bullish, driven by an extended wave V. Copper's signals are mixed, biased to fall while aluminium may rise. Grains are riding on fierce wave c, travelling towards much higher levels. Coffee may drop while cocoa may climb up. Dollar index may fall further but with limited downside.

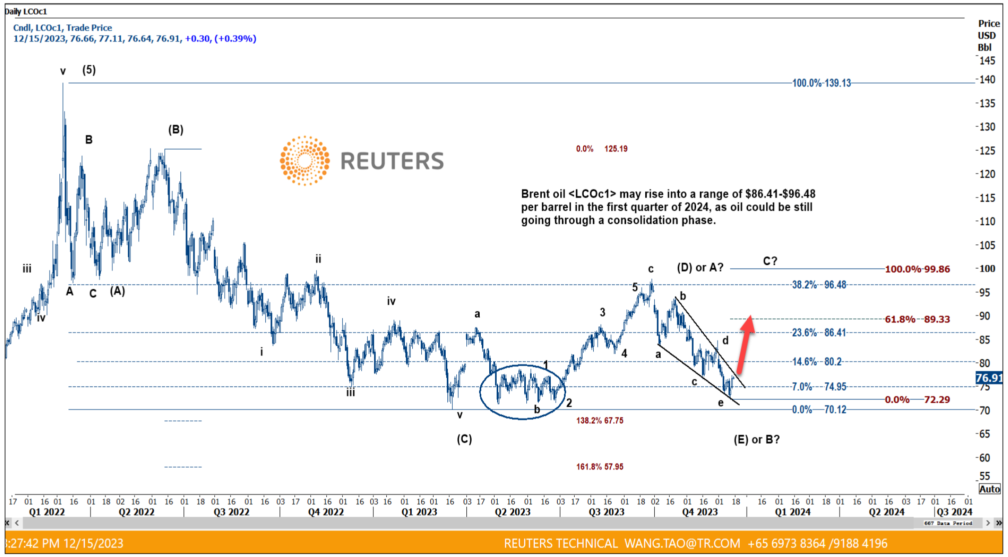
Brent oil may rise into $86.41-$96.48 range

Brent oil may rise into a range of $86.41-$96.48 per barrel in the first quarter of 2024, as oil could be still going through a consolidation phase.

The phase started on March 20, when oil touched a low of $70.12. Three big waves may make up the consolidation. The wave B is presumed to have just completed at the Dec. 13 low of $72.29. The presumption is mainly based on its five-wave structure. Most of these waves had been unfolding within a falling wedge, which is contracting to a point. The wave B is expected to be totally or partially reversed by the current wave C, which may either end around $89.33 or extend to $99.86.

A retracement analysis on the downtrend from $139.13 reveals the target zone of $86.41-$96.48, which engulfs the $89.33 level.
Even if this wave count turns out to be incorrect, market may at least rise to $86.41, in consideration that the rise could be roughly symmetrical to the one from $70.12 to the April 13 high of $87.47. The small congestion area between May 4 and July 4 is providing strong support, forcing oil to bounce.
The worst scenario to bulls could be a sideways move approximately in the range of $72.29-$80.20. A break below $70.12 could open the way towards $57.95, as the downtrend from $139.13 would have resumed towards this 161.8% projection level of the fall from $125.19. A detailed study on the relation between the wave a from $70.12 and the wave c that ends at the Sept. 28 high of $97.69 reveals a 1.382 ratio, which, if applied to the current wave C, would generate a very bullish target of $110. This target looks too aggressive in the first quarter. It fires a wild imagination but only makes sense when put under a longer time frame, such as one year. It would be impossible to predict the exact course of the rally.
The current speculation is market may be bound in a narrow range of $72.29 and $78.80 for a few weeks before climbing strongly towards the target zone.

Daily Chart



Daily Chart

U.S. oil may rise into $83.53-$86.81 range

U.S. oil may rise into a range of $83.53-$86.81 per barrel in the next quarter, as suggested by its wave pattern and a retracement analysis.

The downtrend from the Sept. 28 high of $95.03 may have reversed around a support of $67.84. It could be well broken down into five waves, a convincing structure to indicate the reversal.

These waves are corrective in nature. They suggest the an extension of a big consolidation from the March 20 low of $64.125.

They may turn out to be impulsive waves, which are the first part of a big downtrend. This alternate wave count will be confirmed when oil drops below $63.64.

However, such a drop could hardly happen, as the congestion area between May 4 and July 5 provides strong support, to force the market to bounce or at least, stay above $67.84 for some time.

The following rally is presumed to ride on a powerful wave C, which could either end around its 61.8% projection level of $86.81 or extend to $98.62.

The April 12 high of $83.53 works as a target as well, assuming that the following rise may be symmetrical to the fall from $83.53.

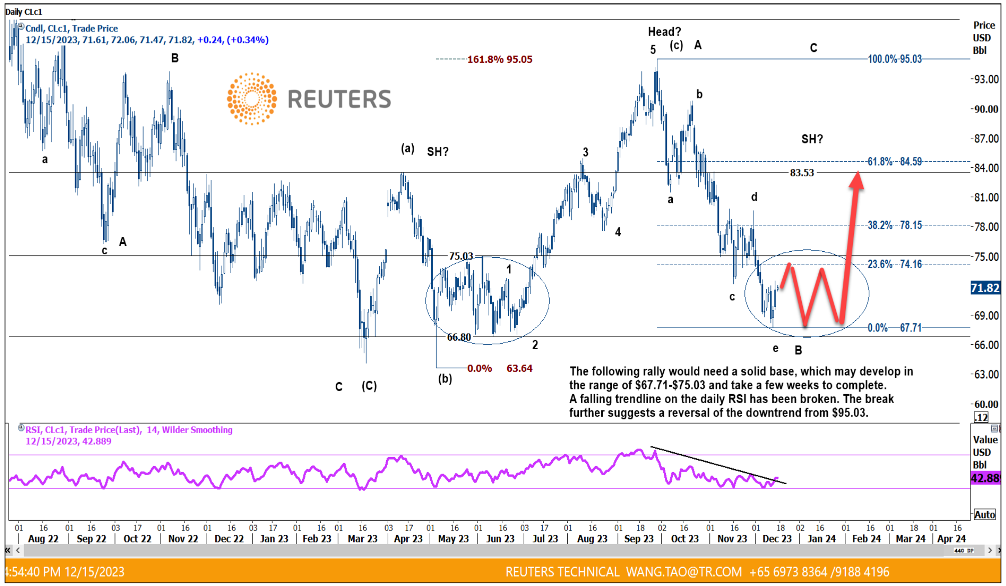
A detailed study on the mathematical relation between the wave (a) and the wave (c) reveals a ratio of 1.618, which indicates a target far above $95.03, if applied to the current wave C.

The strong rally would need a solid base, which may develop in the range of $67.71-$75.03 and take a few weeks to complete. A falling trendline on the daily RSI has been broken. The break further suggests a reversal of the downtrend from $95.03.

A failure to break $83.53-$84.59 range would be interpreted as the very early signal of a bearish head -and-shoulders.

Daily Chart

Daily Chart



Palm oil may rise into 4,235-4,399 ringgit range

Palm oil may rise into a range of 4,235-4,399 ringgit per metric ton next quarter, driven by a wave C.

This is the third wave of a three-wave cycle from the September 2022 low of 3,220 ringgit.

It may travel into the target zone, based on a projection analysis.

A retracement analysis on the preceding downtrend from 7,229 ringgit reveals a target of 4,166 ringgit, which is near the zone of 4,235-4,399 ringgit.

A much higher target of 5,698 ringgit will become available once the contract climbs to 4,399 ringgit, as a double-bottom around 3,220 ringgit will be confirmed.

However, it could be too aggressive to target 5,698 ringgit in the next quarter. Market may extend its gains to 4,751 ringgit, if it breaks 4,399 ringgit.

Key support is at 3,501 ringgit, a break below which may cause a fall to 3,220 ringgit.

The wave C consists of three smaller waves. A calculation on the daily chart reveals a set of projection levels that are controlling the unfolding small wave c.

This wave could travel into a wide range of 4,110-4,474 ringgit, formed by its 61.8% and 100% projection levels. The stabilisation of the price around a support of 3,659 ringgit suggests a continuation of the wave c.

A break below 3,659 ringgit could signal the extension of the downtrend from the July 24 high of 4,209 ringgit, towards a range of 3,354-3,448 ringgit.

Weekly Chart

Daily Chart

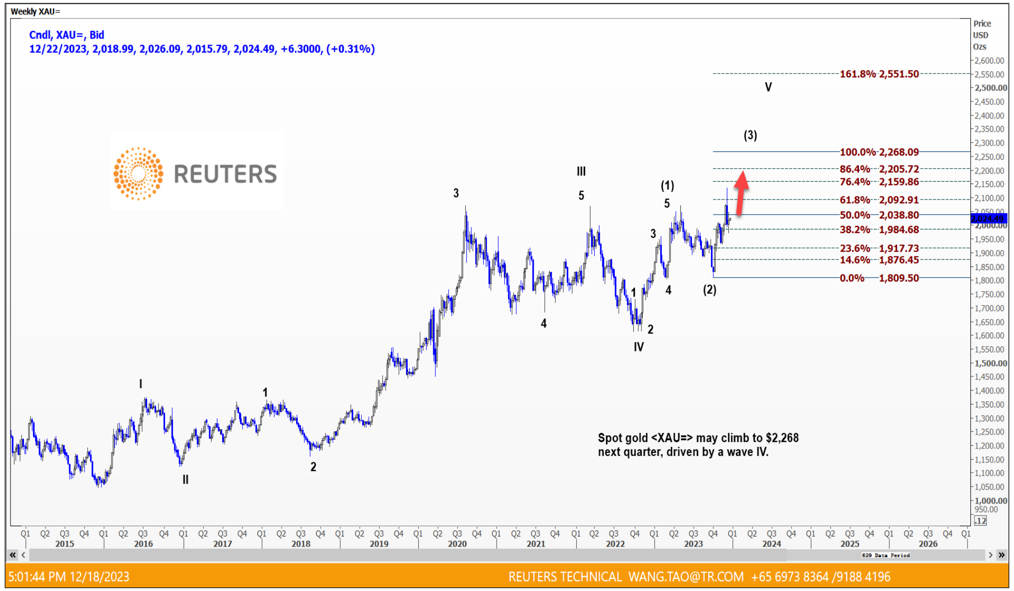
Spot gold may climb to $2,268

Spot gold may climb to $2,268 per ounce next quarter, driven by a wave IV.
This is the final wave of a five-wave cycle from the December 2015 low of $1,045.85. It has been confirmed as an extended fifth wave, after briefly travelling above the March 2022 high of $2,069.89.
A projection analysis on this wave reveals several key levels: the resistance at $2,093, a conservative target in the first quarter of 2024, and an aggressive target of $2,552, respectively the 61.8%, 100% and 161.8% levels.

The wave (3) has a fierce character, as a general rule and confirmed by the sharp rally from $1,809.50. It is unlikely to be reversed by the correction from the Dec. 4 high of $2,135.40.
The shock waves sent by the correction may have been anchored by the bounce around a support of $1,985. The wave (3) could have resumed.
A break below $1,985 may open the way towards the $1,876-$1,918 range. The current bullish outlook has to be revised and the target of $2,268 aborted once gold falls into this range.

A closer examination on the daily chart reveals the detailed structure of the wave (3). The fiercest wave (iii)-3 seems to be unfolding, which could easily travel above $2,131.
Immediate support is at $2,008, a break below which would be the very first signal of an extended correction towards $1,979. Such a correction could complicate the picture and several possibilities may arise thereafter.
Two of these possibilities would be a correction to $1,979 followed by a rally, or a further drop to $1,932.

Weekly Chart



Daily Chart

LME copper may retest support at $8,065

LME copper may retest support at $8,065 a metric ton next quarter, a break below which could open the way towards 7,146-$7,606 range.

Wave pattern suggests the progress of a wave C from $9,550.50, which is expected to travel into a wide range of $5,661-$7,146.

This wave consists of three smaller waves. The current wave (c) is expected to travel to $7,147. The bounce triggered by the support of $8,065 is classified as a pullback towards a rising trendline. It could also be regarded as a part of the wave (b) which may end around $8,632.

A break below $8,065 could confirm the continuation of the wave C. A fall towards this level would be a very early signal of the continuation.

A break above $8,632, which is not a favoured scenario, may open the way towards $8,983-$9,551 range. Signals on the daily chart appear to contradict the bearish readings on the weekly chart.

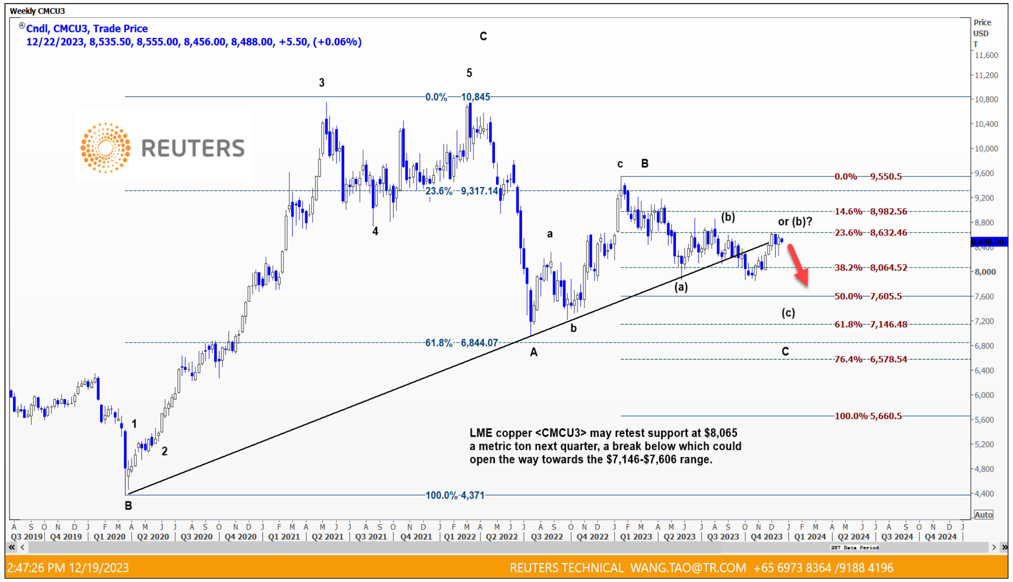
The metal climbed above a falling trendline again and retested resistance at $8,614. Even though it failed to overcome this barrier, its behaviour simply indicates a sufficient bullish momentum which may facilitate the break above $8,614.

Such a break will first open the way towards $8,860 as it will be prudent to assume that the rise towards this level could be due to the extension of the wave (b).

A further gain above $8,938 would completely alter the bullish interpretations, as the gain would confirm a double-bottom that has been forming since May 24.

The pattern suggests a target far above $9,551. A break below $8,217 would be followed by a fall into $7,820-$7,946 range.

Weekly Chart



Daily Chart

LME aluminium may test resistance at $2,360

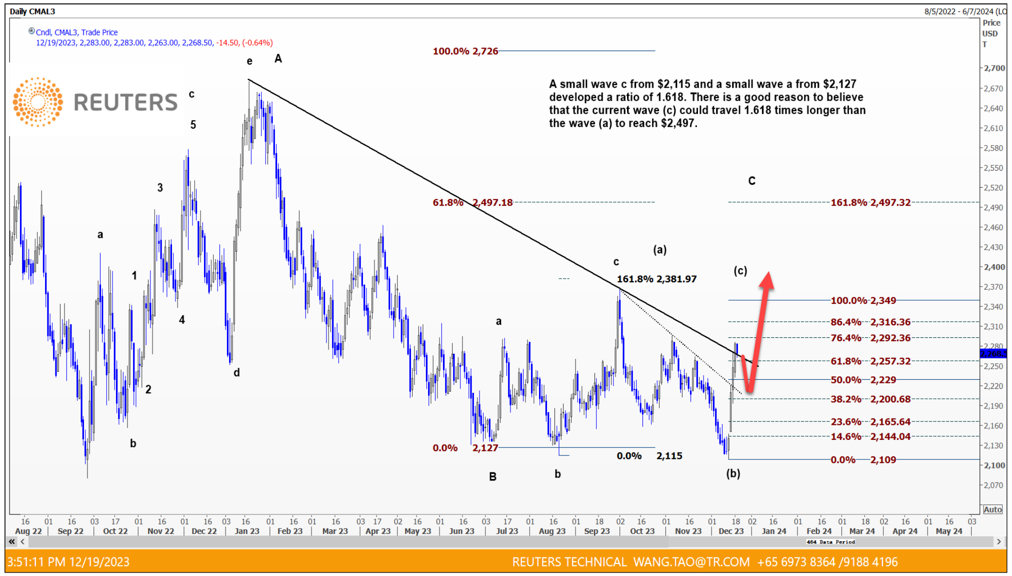
LME aluminium may test resistance at $2,360 a metric ton next quarter, a break above which could lead to a gain into $2,461-$2,562 range.
The metal managed to stabilise around a support of $2,150 again, following its repeated failures to fall through this level.
The recent strong rise from its Dec. 13 low of $2,109 suggests an extension of a corrective cycle from the Sept. 28 low of $2,080.50.
Three waves make up the cycle. The wave C may develop into an irregular flat pattern, which is composed of three smaller waves.

The key level to watch is $2,360, a break above which could confirm both a small double-bottom around $2,150 and the extension of the wave C.
The pattern suggests a target of $2,562. However, the wave C is capable of travelling far above this level. A failure to break $2,360 is likely to be followed by a drop into $2,150-$2,236 range.
A detailed study on the corrective wave cycle on the hourly chart reveals the starting point of the wave C at $2,127, the July 7 low.
A small wave c from $2,115 and a small wave a from $2,127 developed a ratio of 1.618. These waves are a part of the big wave C.

The fractal nature of the market indicates that the current wave (c) could travel 1.618 times longer than the wave (a) to reach $2,497. A projection analysis based on the wave A that ended at $2,638 on Jan. 18 worked out the same target.
Before heading towards this aggressive target, the metal may start a pullback towards $2,201, which is pointed by a dotted short trendline.

Weekly Chart

Daily Chart

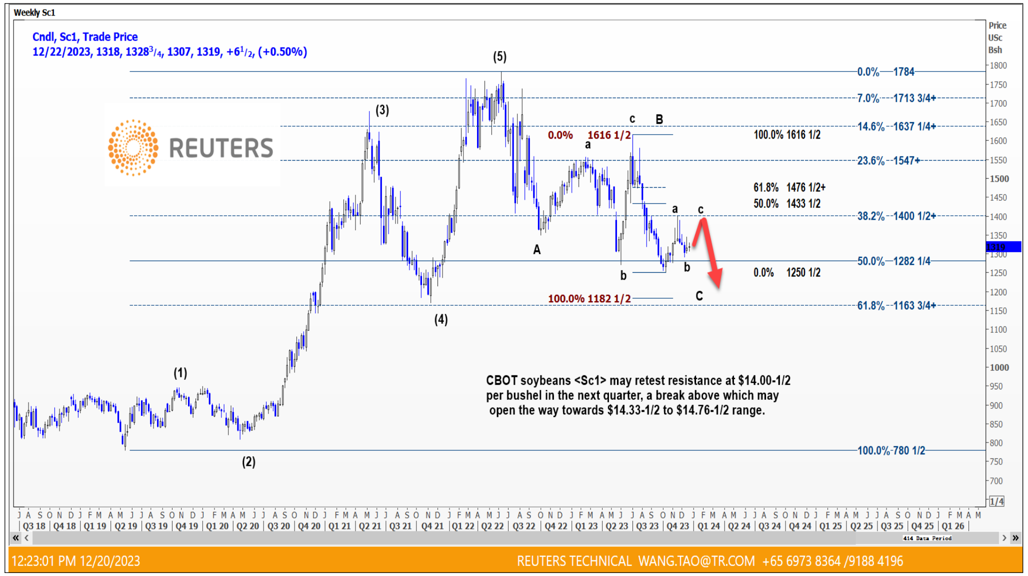


CBOT soybeans may test resistance at $14.00-1/2

CBOT soybeans may retest resistance at $14.00-1/2 per bushel in the next quarter, a break above which may open the way towards $14.33-1/2 to $14.76-1/2 range. The contract is expected to consolidate further in a range of $12.82-1/4 to $14.00-1/2, formed by the 50% and the 38.2% retracements of the uptrend from $7.80-1/2 to $17.84. Three waves make up the consolidation. The wave c could be unfolding towards $14.00-1/2. These waves make up a part of a bigger wave C from $16.16-1/2. Compared to the preceding wave A that ended at the October 2022 low of $13.50, the wave C looks too short to complete. The latter is expected to travel to $11.82-1/2, its 100% projection level. This wave count presents a medium-term bearish outlook. The downtrend may resume upon the completion of the wave c below $14.00-1/2. A break below $12.82-1/4 would be the very early signal of the resumed downtrend. However, the resumption will only be confirmed when the contract falls below $12.50-1/2.

A retracement analysis on the daily chart reveals a set of effective supports and resistances. The contract stabilised around support of $13.03-3/4. The stabilisation suggests the development of a wave c towards $13.90-1/4. A break below $13.03-3/4 could trigger a drop towards $12.50-1/2 to $12.76 range. Such a drop will be regarded as an extension of the wave b at first. A further fall below $12.50-1/2 would confirm the continuation of the downtrend from $16.16-1/2.

Weekly Chart



Daily Chart

CBOT corn may retest resistance at $4.95-1/2

CBOT corn may retest resistance at $4.95-1/2 per bushel next quarter, as it has found a strong support at $4.59-1/2.
The support is identified as the 100% projection level of a wave C from $7.25. This wave seems to have ended at the September low of 4.55-3/4.
The wave is roughly equal to the wave A. The relation suggests a completed zigzag from $8.27.
The following move from $4.55-3/4 is regarded as an irregular flat.

The contract failed twice to break the support. The failures suggest the formation of a bottom. The weekly MACD has been rising for a few months, suggesting a reversal of the downtrend. A break above $4.95-1/2 may lead to a gain into $5.22 to $5.60-3/4 range. A break below $4.59-1/2 would confirm an extension of the wave C towards $4.20-1/2 to $4.25 range. Given that the former support of $5.01-3/4, the 61.8% retracment, failed to stop the fall, a decent bounce may occur if corn falls to $4.25, the 76.4% retracement. On the daily chart, corn is riding on a wave c, which is capable of travelling into $5.00-3/4 to $5.33-3/4 range. The bullish divergence on MACD would guarantee a further rise.
The correction triggered by the resistance at $4.80 could hardly extend to $4.59-1/2, where a gap appeared, as the wave c has a fierce character. It is unlikely to be disrupted by a deep correction.
A break above $4.80 could confirm a target of $5.00 -3/4.

Weekly Chart

Daily Chart

CBOT wheat may rise into $7.06 to $8.16-1/4 range

CBOT wheat may break resistance at $6.37-3/4 per bushel next quarter, and rise into the $7.06 to $8.16-1/4 range.

A downward wave c has completed around a key support of $5.50-1/2, its 161.8% projection level. It could be well divided into five smaller waves, a structure further suggesting its completion. The bullish divergence on the weekly MACD, along with the gains over the past few weeks, confirms a reversal of the downtrend. A falling trendline has been broken, sending further signals of the trend reversal. Over the next few months, wheat may climb toward the peak of the wave iv at $7.77, the July high. A retracement analysis on the downtrend from $12.84 reveals a resistance at $6.37-3/4, which works effectively in stopping the rise. The reaction of the market to this barrier uncovers the strong relation of the current rise to the trend. If the 14.6% retracement proves effective, other retracements near it may also work well.

It is not very clear how strong the rise would be. It could be weak at its early stage and become strong later, or could turn out to be surprisingly strong to extend into $7.06 to $8.16-1/4 within a short period. A failure to break $6.37-3/4 could be followed by a fall to $5.80-1/4. On the daily chart, a retracement analysis on the fall from $7.77-1/4 reveals a resistance at $6.22-3/4, which triggered a correction to the support of $5.86-1/4. The correction was quickly reversed. The reversal symbolized a strong bullish momentum and confirmed a wave c, which could at least travel into $6.81-3/4 to $6.91-1/2 range.

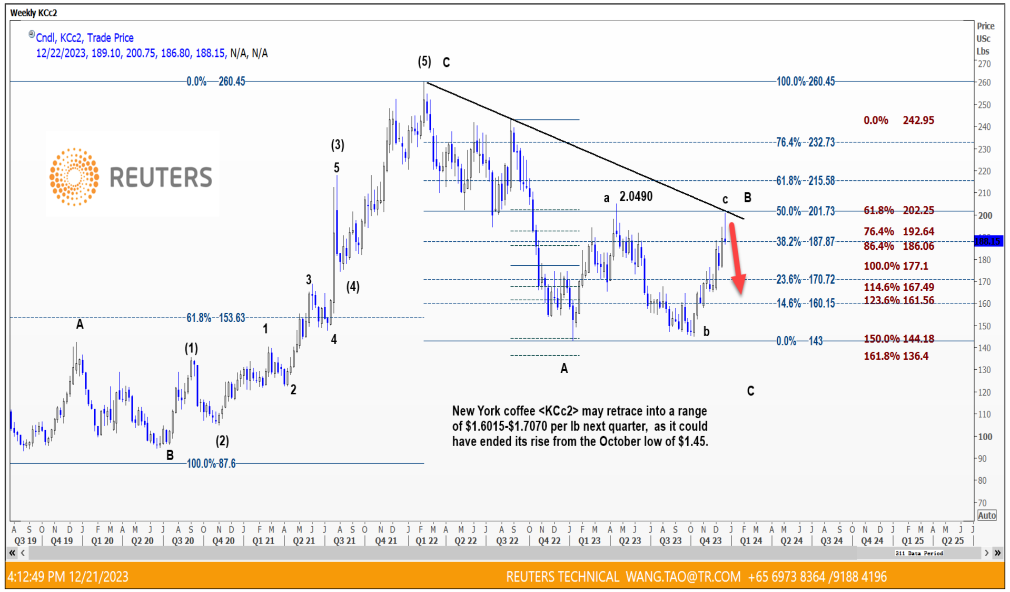
Weekly Chart

Daily Chart

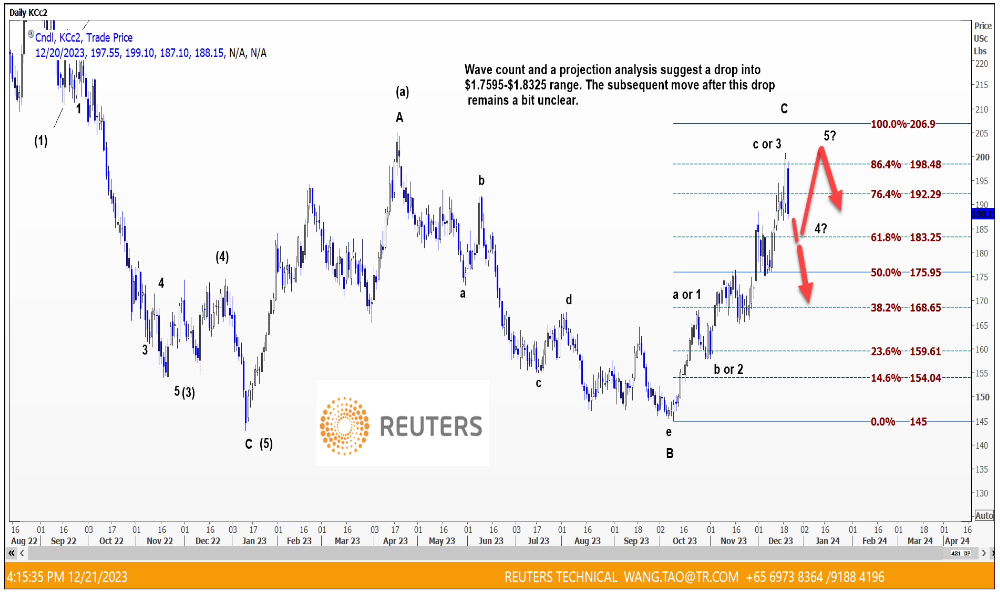
NY coffee may retrace into $1.6015-$1.7070 range

New York coffee may retrace into a range of $1.6015-$1.7070 per lb next quarter, as the rise from the October low of $1.45 could have ended.
The rise was driven by a wave c, the third wave of a flat pattern developing from the January low of $1.43. The flat is regarded as a bearish continuation pattern, suggesting a resumption of the downtrend from $2.6045. A falling trendline from $2.6045 remains intact, which further indicates a steady downtrend from this level. This bearish outlook may prove incorrect if coffee breaks the resistance at $2.0175. However, this resistance is established at the 50% retracement of the downtrend from $2.6045, which triggered the deep drop to the October low of $1.45. This barrier may trigger another drop, which might be shallower than the one to $1.45, but is still possible to extend into $1.6045-$1.7070 range. A break above $2.0175 will not only lead to a gain into $2.1560-$2.3275 range, but also confirm a double-bottom between January and October, which would indicate a target around $2.61. On the daily chart, wave count and a projection analysis suggest a drop into $1.7595-$1.8325 range. The subsequent move after this drop remains a bit unclear as there are two many possibilities.
A stabilisation of the price around $1.8325 may indicate an extension of the uptrend towards $1.9850-$2.0690 range, while a break below $1.7595 would confirm the continuation of the downtrend. Resistance is at $1.9230, a break above which could open the way towards $1.9850-$2.0690 range.

Weekly Chart



Daily Chart



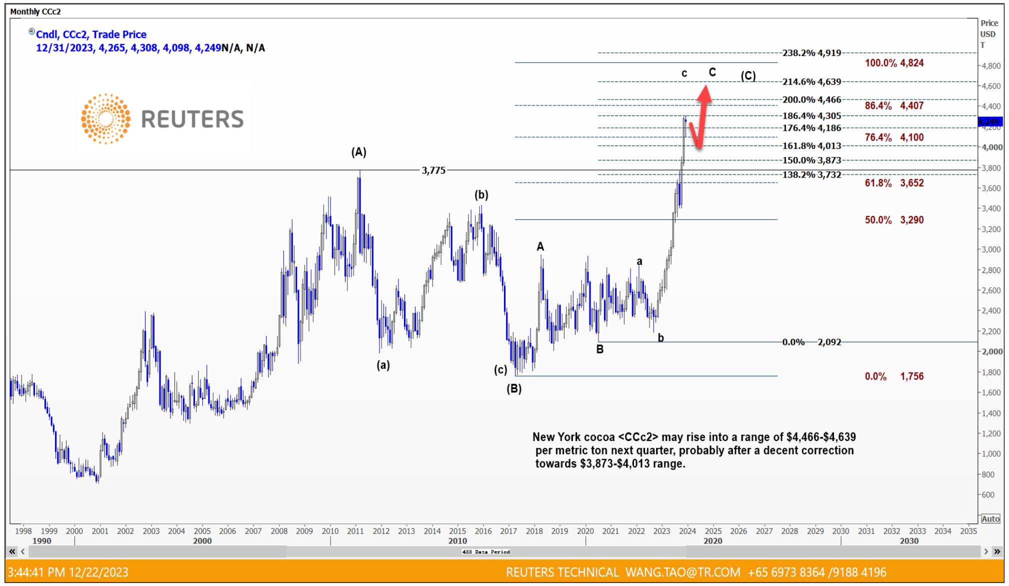
NY cocoa may rise towards $4,466-$4,639 range

New York cocoa may rise into a range of $4,466-$4,639 per metric ton next quarter, probably after a decent correction towards $3,873-$4,013.
The contract is riding on a powerful wave (C), which started at $1,756. It has travelled above its 76.4% projection level of $4,100. Chances are it may extend to $4,824.
Three smaller waves make up the wave (C). The third wave, the wave C, has surpassed its 161.8% projection level of $4,013. It could be unfolding towards $4,919.
Most likely, the current strong trend would eventually extend into a range of $4,824-$4,919.

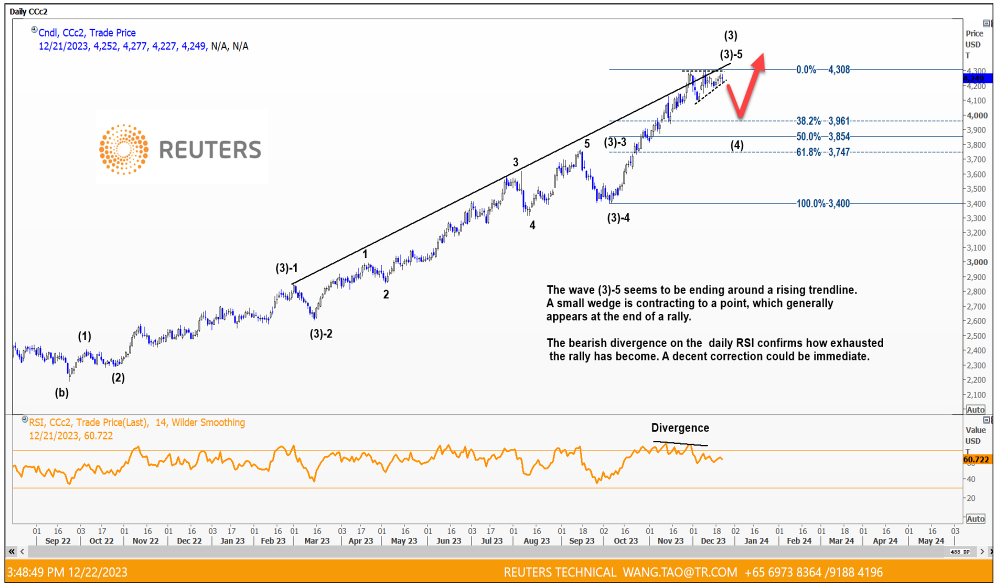
However, the last monthly candlestick is being shaped into a hanging man, which will be confirmed if cocoa closes around $4,305 on Dec. 29 or a black candlestick appears on the chart if cocoa closes below $4,265.
Both of these candles signal a correction ahead. A break above $4,305 could open the way towards $4,466-$4,639 range.
A closer look at the daily chart identifies further bearish indications. The most obvious one is a possible completion of a wave (3) from the Oct. 26 low of $2,290.

Its final component wave, the wave (3)-5, seems to be ending around a rising trendline. A small wedge is contracting to a point, which generally appears at the end of a rally.
The bearish divergence on the daily RSI confirms how exhausted the rally has become. A decent correction could be immediate.
A retracement analysis suggests a correction target within a range of $3,854-$3,961, assuming a top is developing around $4,308.

Monthly Chart



Daily Chart



Dollar index may fall to 98.98

The dollar index may fall to 98.98 in the first quarter of 2024, driven by a wave C.

A long-term uptrend from the March 2008 low of 70.70 could be broken down into five waves and seems to have reversed at the September 2022 high of 114.78.

The bounce from the July low of 99.58, though very sharp, has mostly reversed. The reversal suggests an incomplete downtrend from 114.78.

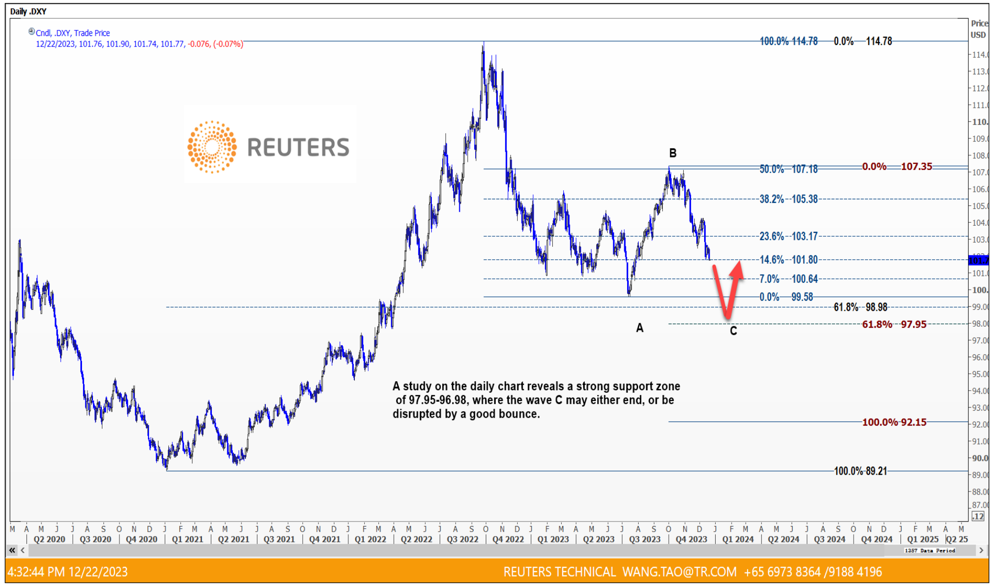
The slide from the October high of 107.35 is classified as a continuation of the downtrend from 114.78. A retracement analysis on the uptrend from 89.21 reveals a target zone of 95.24-98.98, which is suggested by a rising channel as well.

The current wave C looks as sharp as the wave A. The former may rapidly travel towards the lower channel line. Sharp as it is, the wave C may not be as linear as the wave A.

At a certain point, the wave C may experience a decent bounce. A study on the daily chart reveals a strong support zone of 97.95-96.98, where the wave C may either end, or be disrupted by a good bounce. Resistance is at 103.17, a break above which may lead to a gain into the 105.38-107.18 range.

Weekly Chart

Daily Chart



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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 **Indrishka Bose** in Bangalore, commodity.briefs@thomsonreuters.com

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