REUTERS QUARTERLY TECHNICAL OUTLOOK

JUNE 2022

Outlook is bearish for Brent oil, U.S. oil, gold, copper and cocoa. Palm oil may be rangebound before falling. Grains are steady on long-term uptrend but may experience correction first. Downside for aluminium is very limited. Dollar index is as bullish as coffee.

REUTERS

Brent oil may test support at $99.64

Brent oil may test a support at $99.64 per barrel in the third quarter. A break could open the way towards the next support at $87.44.

A five-wave cycle from the 2020 low of $15.98 has completed at the March 2022 high of $139.13. The cycle is subject to a deep correction.

The correction consists of three waves. The deep drop from the June 14 high of $125.19 confirmed the progress of a wave C. So far, the correction has been closely observing a set of retracements on the uptrend from $35.74, instead of the trend from $15.98.

Such a relation raised a small doubt on the current wave count. Anyway, oil has broken the support at $114.73. It is expected to seek the next support around $99.64.

Even though it is almost certain that oil could fall to $99.64, the tricky part is the subsequent move, which could be a strong bounce towards $114.73 or a deep fall towards $87.44.

The big correction could be shaped into a triangle, which is likely to prompt a bounce towards $114.73. Alternatively, the correction could be in a zigzag mode, which leaves little room for such a strong bounce.

But as a general rule, the support at $99.64 will surely trigger a bounce again, similar to what it did after oil hit a low of $96.93 in March. This bounce is expected to be much weaker than one from this low.

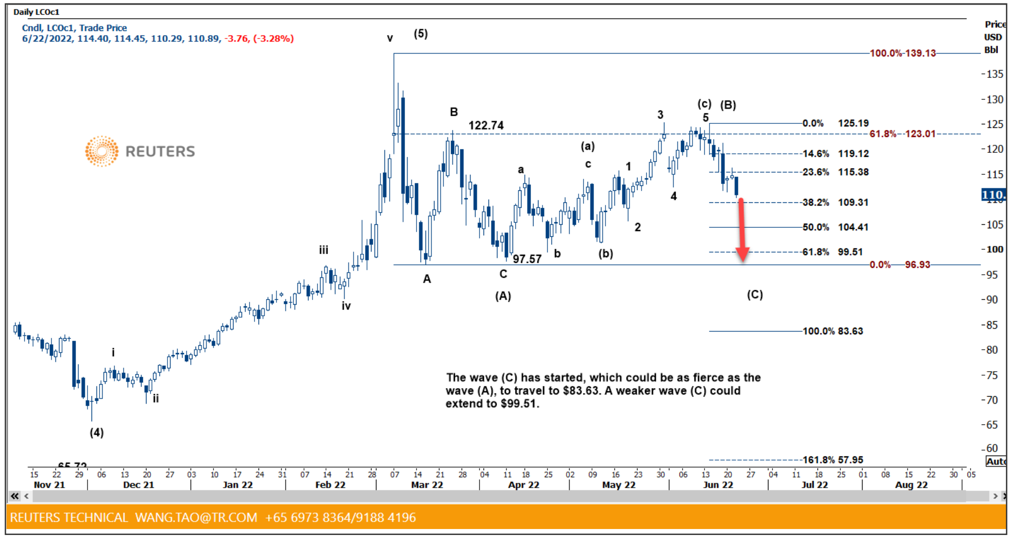
A closer look at the correction on the daily chart reveals a complex wave structure. Strong as it is, the rise from the April 11 low of $97.57 adopted a corrective wave mode. It has been driven by a wave (B), which only managed to reverse about 61.8% of the wave A.

The wave (C) has started, which could be as fierce as the wave (A), to travel to $83.63. A weaker wave (C) could extend to $99.51.

Resistance is at $115.38, a break above which could lead to a gain into $119.12 to $125.19 range.

Weekly chart

Daily chart



U.S. oil may test support at $93.50

U.S. oil may test a support at $93.50 per barrel in the third quarter. A break could open the way towards $82.07.

The correction triggered by this zone last quarter is regarded as a pullback towards a falling trendline. With oil having risen close to this zone, the pullback may have completed.

A five-wave cycle from $9.76 has completed at the March 2022 high of $130.50. A deep correction is ongoing. Theoretically, the correction could extend to $70.64, close to the bottom of the wave 4.

The April 2020 low of negative $40.32 is too distorted to be considered as an orthodox bottom. Instead, the 161.8% projection level of a wave c from $65.65 is regarded as the genuine staring point of the uptrend. The correction from $130.50 consists of three waves. The deep drop from the June 14 high of $123.68 confirmed the progress of a wave C.

The preceding two waves have been closely observing a set of retracements on the uptrend from $33.64, instead of $9.76. Such a relation is a bit contradictory to the current wave count.

However, oil has broken the support at $107.64. It is expected to test the next support at $93.50. Even though it is clear that oil could fall to $93.50, the unclear part is the subsequent move, which could be a strong bounce towards $107.64 or a deep fall towards $82.07.

The mode of the fall is the key to the future market behaviour around $93.50. The fall could be shaped into a triangle, which would not only provide a strong support at $93.50 but also trigger a decent bounce. Alternately, the fall may adopt a zigzag mode, which is unlikely to be badly disrupted. The general rule is, the support at $93.50 may trigger a bounce that is much weaker than the one from the April low of $92.93. A closer look at the correction on the daily chart reveals its complex wave structure. The complexity itself denies an extension of the uptrend from $9.76. Especially the rise from $92.93 demonstrates a typical corrective wave mode, which readies the birth of the current wave (C).

This wave looks as fierce as the wave (A), unfolding towards a range of $86.11 to $100.46. Resistance is at $109.33, a break above could lead to a gain into the $114.81-$118.19 range.

Weekly chart

Daily chart

3-MONTH TECHNICALS

Palm oil may mostly consolidate before diving

Palm oil may mostly consolidate in a range of 4,584-5,208 ringgit per tonne in the third quarter, before falling towards 3,960 ringgit.

The current deep fall from 7,229 ringgit was due to the completion of a five-wave cycle from 1,939 ringgit. A retracement analysis on the cycle reveals a set of key supports.

After falling below 5,208 ringgit, palm oil is poised to test the support at 4,584 ringgit. A rising trendline establishes a similar support. Together, these supports may temporarily stop the sharp drop.

A bounce is likely to be triggered, which may last a few weeks. The downtrend won't be damaged. It may resume, as it is supposed to extend to 3,960 ringgit, as suggested by a double-top forming around 7,229 ringgit.

The wave (4) ended around 3,187, which serves as a lower target once the support at 3,960 ringgit is broken. However, it is very doubtful if this lower level could be reached in the third quarter.

The most favourite scenario is a brief piercing below the support at 4,584 ringgit, followed by a swift recovery of the price. The contract will then consolidate above 4,584 ringgit for some time.

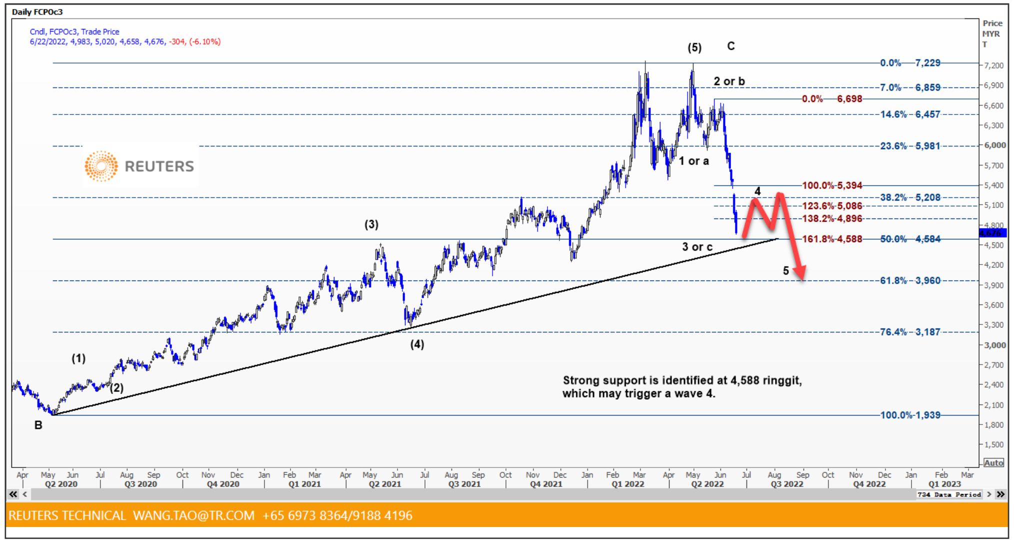
The estimated support provided by the trendline is around 4,430 ringgit, which may work as a limit to this round of deep drop. However, the market is full of surprises. It may simply ignore all these supports and just crash to 3,960 ringgit. A detailed study on the fall on the daily chart suggests the progress of a powerful wave 3 or wave c.

A projection analysis reveals a support at 4,588 ringgit, the 161.8% level, which almost coincides with 4,584 ringgit. Generally, the 161.8% level works as a strong support, likely to trigger a decent bounce.

When working together with 50% retracement, it becomes an invincible barrier. Resistance is at 4,896 ringgit, a break above which may lead to a gain into 5,086-5,208 ringgit range.

Weekly chart

Daily chart



Spot gold may drop to $1,675

Spot gold may drop to $1,675 per ounce in the third quarter, to complete a wave C.

This is the third wave of a big flat pattern developing from the August 2020 high of $2,072.50. It is expected to travel close to the bottom of the wave A at $1,676.10, a low touched in March 2021.

A projection analysis reveals a precise target of $1,675, the 100% level. A retracement analysis on the uptrend from $1,045.85 marks a similar target of $1,680.

Despite the medium-term drop, the long-term uptrend from $1,045.85 remains intact. The trend adopted a five-wave mode. The flat makes up the wave 4, which will be reversed by a wave 5.

The bullish outlook will be revised once gold breaks the support at $1,675. Such a break will confirm a double-top forming around $2,070.

The pattern not only suggests a target of $1,200, but also confirms a reversal of the uptrend from $1,045.85.

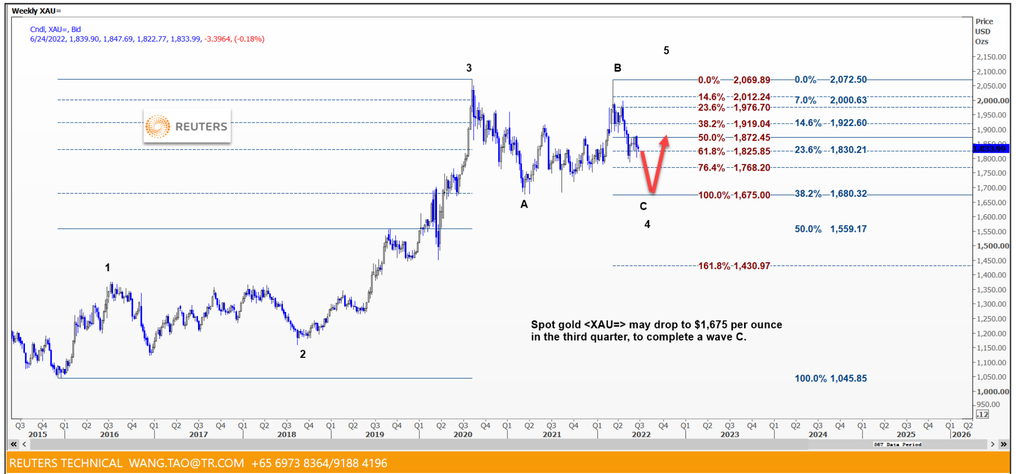
The target of $1,675 will be temporarily aborted, if gold breaks the nearest resistance at $1,872.

A closer look at the structure of the wave C on the daily chart suggests a five-wave mode. Either the wave 4 or the wave 5 is developing.

Most of the consolidation from the May 16 onwards has been occurring below a rising trendline. It may be shaped into a bearish continuation pattern.

A break below $1,791 could confirm the continuation of the downtrend, while a break above $1,860 would complicate trending signals.

Weekly chart



Daily chart

LME copper could test support at $8,041

LME copper could test a support at $8,041 a tonne in the third quarter, a break below which could trigger a drop to $7,175.

A giant three-wave cycle from the 2008 low of $2,817.25 has completed around a resistance at $10,713, the 86.4% projection level of an upward wave C from $4,371.

This wave could be broken down into five smaller waves. Such a structure basically eliminated the chance of the wave C to extend above $10,713.

After breaking the support at $8,907, the metal seems to be falling towards the next support at $8,041.

The break confirmed a double-top, which suggests a target of $7,175. Before falling to $8,041, the metal may bounce back towards $8,907 at a certain point of time. The bounce will be classified as a pullback towards the double-top.

The pullback may occur around a support at $8,372, the 38.2% retracement of the uptrend from $4,371 to $10,845. On the daily chart, a wave e is expected to end around a support at $8,380, as pointed by a falling trendline.

The completion of this wave could trigger the pullback towards $8,740, the neckline of a double-top and a head-and-shoulders.

The downtrend is expected to resume upon the completion of the pullback.

Resistance is fixed at $8,772, a break above which could lead to a gain into $8,922-$9,163 range.

Weekly chart

Daily chart

LME aluminium may stabilise around $2,455 and bounce

LME aluminium may stabilise around a support at $2,455 a tonne and then bounce towards $2,764 in the third quarter, as suggested by its wave pattern and a retracement analysis.

The drop from $4,073.50 consists of five corrective waves. The fifth wave labelled e is expected to complete around a pivotal support at $2,455, the 61.8% retracement of the uptrend from $1,455.

This support is near the bottom of a preceding wave (4). This proximity increases the chance of a downtrend to reverse as well.

Unfortunately, the support at $2,455 may not work properly, as the higher support of $3,456 and the support of $2,764 were not precise.

The metal has briefly pierced below $2,455. It may repeat this pattern again.

A candlestick reversal pattern may appear soon.

On the daily chart, a projection analysis on the fall from $3,742 captures more accurately the moves. It suggests an ending point of the wave E around $2,360, which is near $2,455.

The bullish divergence on the RSI has also built up. It tells the exhaustion of the downtrend and a due bounce.

A break below $2,360 may trigger a drop limited to $2,236.

Weekly chart

Daily chart

CBOT soybeans may test support at $14.77

CBOT soybeans may test a support at $14.77 per bushel in the third quarter, a break could open the way towards $13.12-1/2.

The contract faces a strong resistance at $17.94-3/4, the 2012 high, where a giant wave A peaked. The sideways move in the second quarter suggests a lack of the bullish momentum to break $17.94-3/4.

The contract is riding on a wave C, the third wave of a long-term cycle from the 1999 low of $4.01-1/2. This wave could either end around $16.41-1/2, its 61.8% projection level, or extend a lot to $21.73-3/4.

Five small waves make up this wave C. Based on the depth of the wave (4), the current wave (5) may travel to $21.73-3/4. In commodity market, the wave five generally extends.

The uptrend so far looks steady and may eventually extend to $21.73-3/4. However, the extension may not occur until the anticipated correction completes in the support zone of $13.12-1/2 to $14.77.

Only a break above $18.45 could confirm the continuation of the uptrend towards $21.73-1/4. A close look at the structure of the wave (5) on the daily chart suggests a completion of the wave (5)-1, its first component wave.

A retracement analysis marks a correction zone of $14.05-1/4 to $14.77-1/2.

Three small waves make up the correction. The current wave b may end below $16.94-1/2.

This wave will be reversed by a wave c, which could travel to $14.77-1/2, which is identical to $14.77 on the daily chart.

Monthly chart

Daily chart

CBOT corn may fall towards $6.52 before rising

CBOT corn may break a support at $7.34-1/2 per bushel and fall towards $6.52 in the third quarter, as it faces a strong resistance zone of $8.37 to $8.43-3/4.

A retracement analysis on the rise from $3.07-1/4 reveals a key support at $4.85-3/4, the 61.8% level, which successfully stopped the fall and triggered a bounce.

The zone is formed by the 76.4% projection level of an upward wave C from $3.01 and the August 2012 high of $8.43-3/4.

This is the third wave of a giant three-wave cycle from the 1,987 low of $1.42. It is expected to either end around $7.34-1/2 or extend to its 100% projection level of $10.02-3/4.

Given that this wave has travelled far above $7.34-1/2, it is unlikely to stop around this level. Based on the depth of a wave 4, the wave C may eventually unfold to $10.02-3/4.

However, the extension of this wave may not occur until the anticipated correction completes. The first black monthly candlestick in May marked an end of the rise from December 2021.

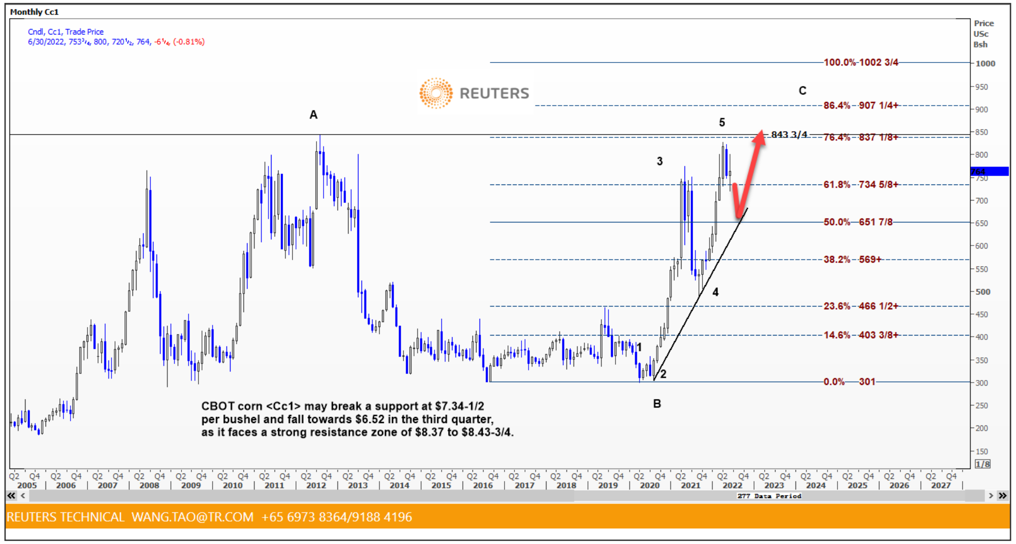
A rising trendline points at a correction target of $6.52, which will be available when corn breaks $7.34-1/2.

The correction may also adopt a flat mode, mainly confined within the range of $7.34-1/2 to $8.37.

On the daily chart, a five-wave cycle from $4.87-3/4 seems to have completed, as suggested by its structure and the drop from $8.27, which is deeper than any one since September 10, 2021.

Three waves may make up the drop. The current wave c is expected to unfold into $6.57-1/2 to $6.97-1/2 range. A break above $8.03-1/4 could signal the continuation of the uptrend.

Monthly chart



Daily chart

CBOT wheat may retrace towards $7.84-1/4

CBOT wheat may retrace towards $7.84-1/4 per bushel next quarter after a bounce, following the completion of a wave C.

The completion has been confirmed by the deep drop from the March high of $14.25-1/4, which is near $14.71-1/2, the 100% projection level of the wave C.

Even though this wave a bit falls short of its ultimate target, it is considered over and will be further reversed.

A trend reversal signals appeared as early as in March, when a long-tailed shooting star formed. The second such pattern showed up in May.

With the big black candlestick almost confirmed in June, market is expected to suffer from further loss in the third quarter.

Whether the wave C extends at a later stage is not the current concern, the main focus is on the depth of the ongoing correction.

A break below $7.84-1/4 could open the way towards $6.22, while a break above $10.46-1/2 could lead to a gain to $12.09.

On the weekly chart, a wave C is unfolding towards its 100% projection level of $8.30-3/4. But it is doubtful that this wave could fulfil this target effortlessly.

A retracement analysis on the uptrend from $3.59-1/2 reveals a support at $8.92-1/2, the 50% level, which coincides with the 86.4% projection level.

A bounce may occur around this level, which could extend as high as to $10.18.

Monthly chart

Weekly chart

NY coffee may retest resistance at $2.5665

New York coffee may retest a resistance at $2.5665 per lb in the third quarter, as suggested by its wave pattern.

The uptrend from $0.9455 adopted a five-wave mode. The drop from the Feb. 10 high of $2.6045 was driven by a wave 4, which will be totally reversed by the current wave 5.

The trend observes closely a set of retracements on the fall from $3.0890. The resistance at $2.5665, the 76.4% level, obviously triggered the wave 4.

The long-shadowed hammer in May confirmed a completion of this wave above a support at $1.9825. It is the wave 5 dedicated to drive the price towards $2.5665.

Based on the depth of the wave 4, the wave 5 may eventually travel to $3.0890.

However, only a break above $2.5665 could make this target realistic.

An inverted head-and-shoulders is developing on the daily chart, with the right shoulder taking shape. It will be confirmed when coffee breaks $2.4265.

Once confirmed, the pattern will suggest a target of $2.7380.

Immediate support is at $2.1750, a break below which may cause a fall towards $2.0190.

Only a further drop could signal a reversal of the uptrend.

Monthly chart

Daily chart

NY cocoa may fall into $1,829-$2,067 range

New York cocoa may fall into a range of $1,829-$2,067 per tonne in the third quarter, driven by a wave C.

This is the third wave of a long-term cycle from the 2011 high of $3,775. A projection analysis suggests a target of $1,590, its 61.8% level.

However, this target looks too far away. As far as the third quarter is concerned, the 38.2% level of $2,067 looks like a more realistic target.

The preceding wave B has been shaped into a wedge, which is highly likely to be a bearish continuation pattern, as it appeared after a downtrend.

The pattern will be confirmed when cocoa falls below $2,268.

It will then suggest a target of $1,590. The consolidation between $2,268 and $2,821 indicates a higher target of $1,829.

On the daily chart, a wave c has successfully overcome a key barrier at $2,345, its 100% projection level. It is expected to travel into a range of $2,118-$2,205.

A break above $2,395 could lead to a gain into $2,432-$2,485. Only a further gain could suggest the completion of a wave C.

That completion does not necessarily mean a reversal of the downtrend, it will only signal a further bounce.

Monthly chart

Daily chart

Dollar index to rise into 108.44-112.99 range

The dollar index is expected to rise into a range of 108.44-112.99 in the third quarter, as suggested by its wave pattern and a projection analysis.

The current rise has a strong mathematical relation with the uptrend from 72.70. It is presumed to be riding on a wave C, which could travel to 108.44 or 120.33.

Based on the depth of the wave B, which has been shaped into a giant wedge, the wave C could extend to 120.33. The correction triggered by the resistance at 104.77 looks like a pullback towards the wedge. It has been reversed.

The reversal, along with the piercing above 104.77, suggests a continuation of the wave C towards 108.44.

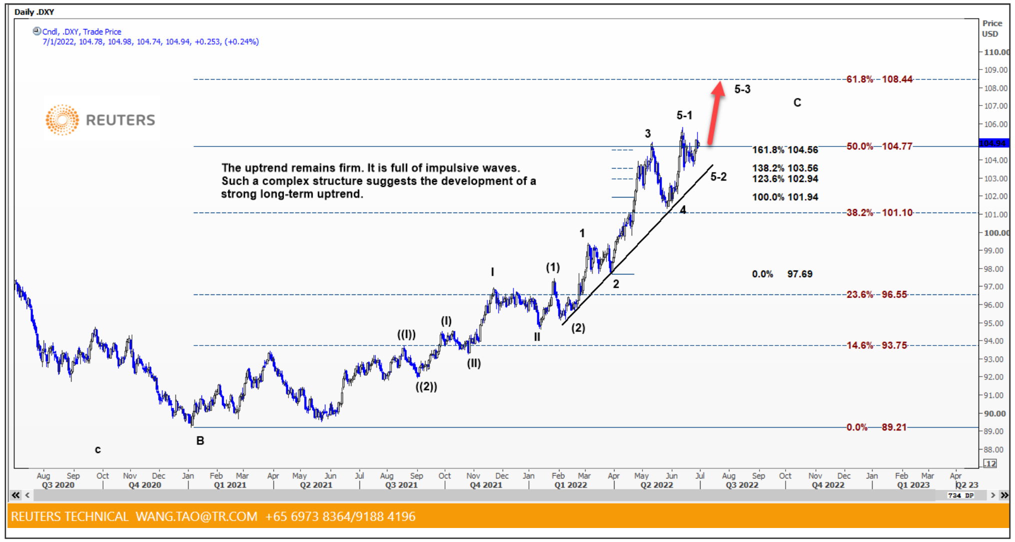
On the daily chart, the uptrend remains firm. It is full of impulsive waves. Such a complex structure suggests the development of a strong long-term uptrend. Support is fixed around $103.56, which is identified as the 138.2% projection level of the uptrend from 97.69.

It is strengthened by a similar one established by a rising trendline.

A break below the trendline may trigger a drop into 101.94-102.94 range.

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.

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