REUTERS QUARTERLY TECHNICAL OUTLOOK

OCTOBER 2020

Oil may have completed a strong bounce from its April low and is expected to fall deeply. Similar outlook is on palm oil which could have peaked in September. Gold may drop more, driven by a wave four. Base metals may keep their bullish momentum awhile, but with limited upside. Grains look extremely bullish, following a reversal of a long-term downtrend from 2012 high. Coffee may revisit its September high while cocoa its July low.

REUTERS

Brent oil may fall into $24.12-$29.14 range

Brent oil may break a support at $37.28 per barrel and fall into a range of $24.12-$29.14 next quarter, as suggested by its wave pattern and a retracement analysis.

An upward wave D from the April low of $15.98 is over, as confirmed by its failure to break a resistance at $43.86. This is the fourth wave of a bigger wave (E) from $86.74.

The wave D, which could be alternatively counted as a wave 4, is sharp, compared to the wave B, which is sideways. This pattern strongly suggests the development of a wave E or wave 5. The wave E is unfolding towards $15.98. A realistic target will be either $29.14 or $24.12, the 23.6% and the 14.6% retracement, respectively, of the downtrend from $71.75 to $15.98. There is a good reason to believe that the wave D completed around the resistance at $43.86, which is strengthened by another one at $43.01, the 38.2% retracement of a longer downtrend from $86.74 to $15.98.

The resistance is also near the open price of a big black candlestick forming in March. The bearish engulfing pattern forming between August and September itself works as a convincing signal that the rally from $15.98 has ended. A break above $43.86, which seems unlikely, may lead to a gain to $50.45. On the daily chart, the drop from the Aug. 31 high of $46.53 may consist of three or five waves.

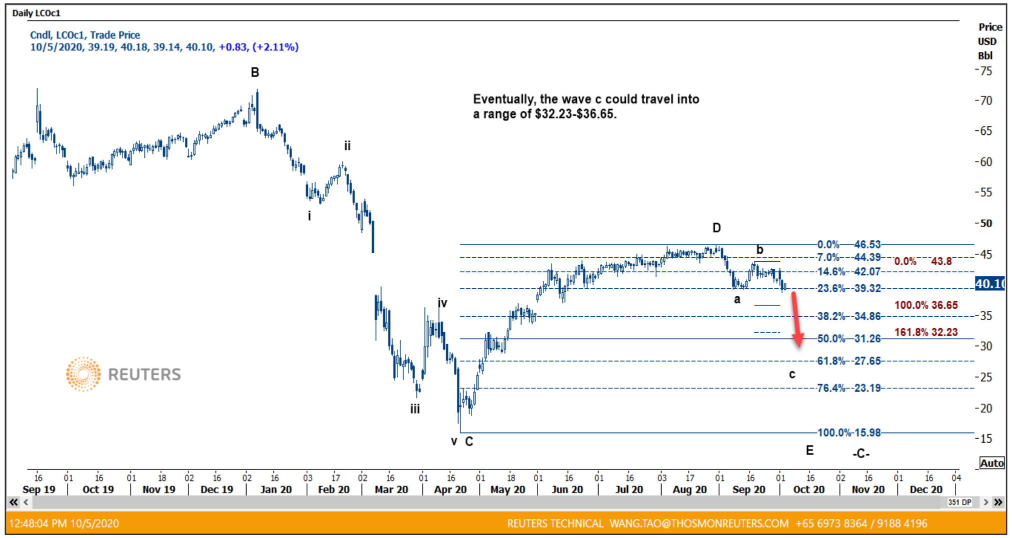
The third wave labelled c is unfolding. It is controlled by a few projection levels and a set of retracements on the rise from $15.98 to $46.53.

The 23.6% retracement of $39.32 works again as a weak support, which may be broken soon. A bounce triggered by this support may be limited to $42.07.

Eventually, this wave c could travel into a range of $32.23-$36.65, formed by its 161.8% and $100% projection levels. Once oil falls to $36.65, the break below $37.28 on the monthly chart will be confirmed.

Monthly chart

Daily chart



U.S. oil may fall into $11.05-$23.63 range

U.S. oil could test a support at $33.81 a barrel this quarter, with a good chance of breaking below this level and falling into a range of $11.05 to $23.63.

The support is identified as the 50% projection level of a downward wave C from $76.90. This wave is supposed to consist of five small waves. The fifth wave, labelled e, could be developing.

This wave count looks weird, as the third wave labelled c travelled to negative $42.21. The wave e is expected to extend close to negative $42.21, however, such a price level is unprecedented and may not be touched again.

If this negative $42.21 is purposely kept out of the calculation, and the genuine bottom of the wave c is considered to be around $11.05, a reasonable target of the wave e would fall within the zone of $11.05-$23.63.

A falling wedge suggests a target around $23.63 as well. Resistance is at $43.98, a break above which may open the way towards $56.56.

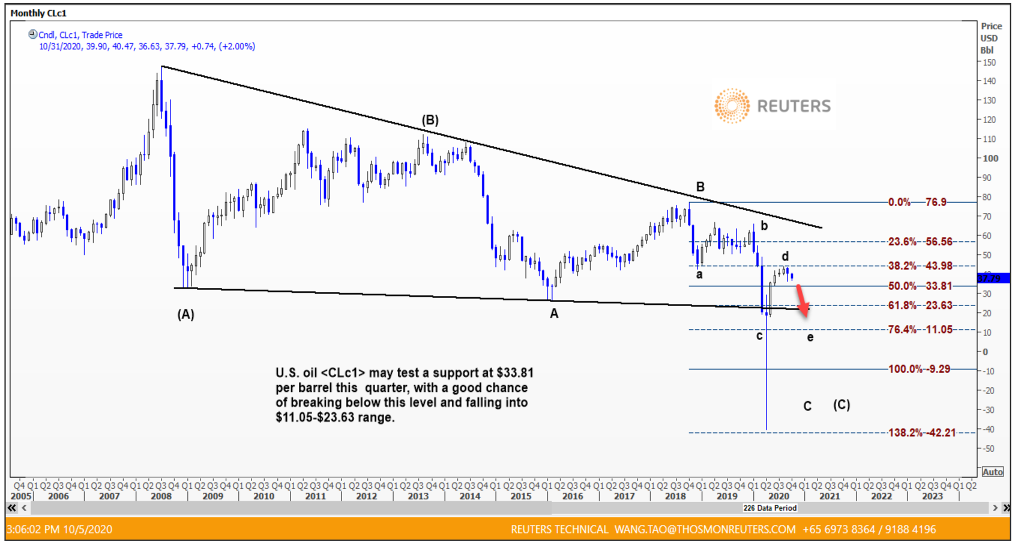
On the daily chart, a three-wave cycle from negative $42.21 may have completed at $43.78. The various retracements based on this cycle do not work well. Instead, the retracement analysis on the uptrend from $10.07 to $43.78 clearly marks the precise supports and resistances.

The 23.6% retracement of $35.82 again works as a support. Oil failed to break this support in its first attempt but is highly likely to overcome this barrier in its current attempt.

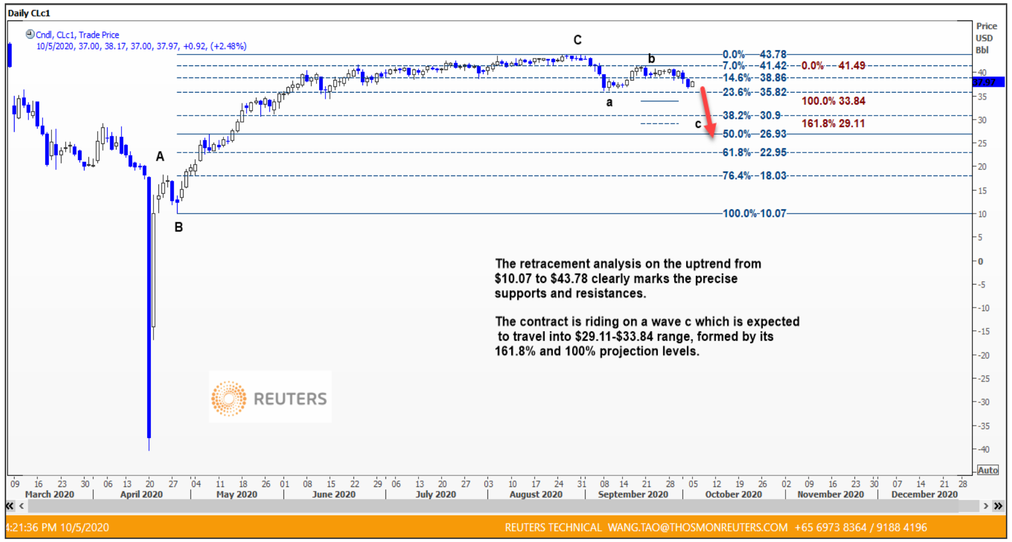
The contract is riding on a wave c that is expected to travel into $29.11-$33.84 range, formed by its 161.8% and 100% projection levels.

This $33.84 level is almost identical with $33.81 on the monthly chart. It will be critical in confirming the target zone of $11.05-$23.63.

Monthly chart



Daily chart



3-MONTH TECHNICALS

Palm oil may fall to 2,390 ringgit

Palm oil could fall to 2,390 ringgit a tonne this quarter, as suggested by its wave pattern and a projection analysis.

The sharp rally from the May low of 1,939 ringgit has ended, as confirmed by a shooting start forming in September. The rally could be a part of a flat pattern developing from the July 2019 low of 1,916 ringgit.

This wave count presents a rather bearish outlook in the fourth quarter and next year, as a big wave C could have started, unfolding towards 1,057 ringgit, its 100% projection level.

This bearish outlook will be revised under two conditions. One is that the contract ends its drop around 2,390 ringgit and climbs above 2,762 ringgit subsequently.

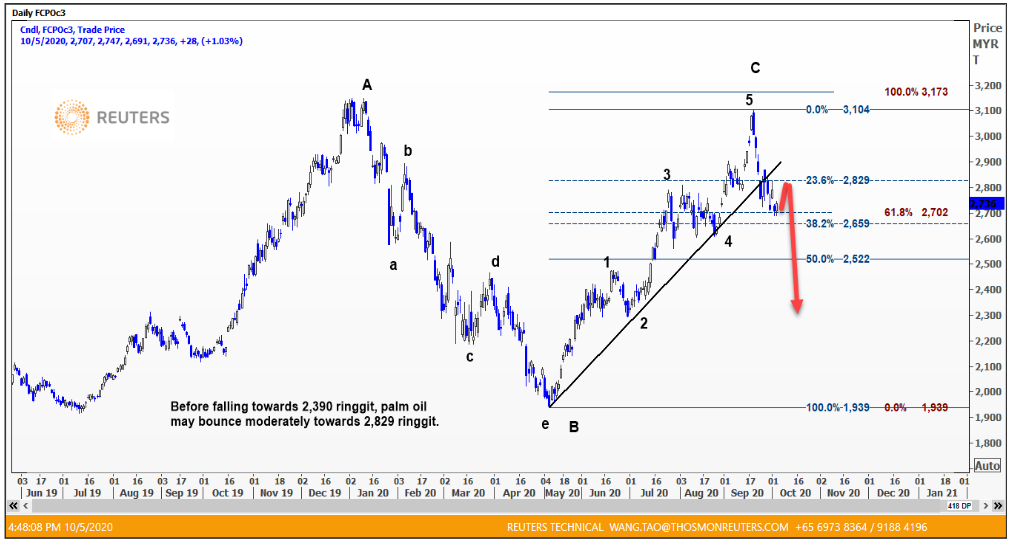
The other will be a quick rise above 3,104 ringgit from the current level, as such a rise could be extended towards 3,967 ringgit.

Before falling towards 2,390 ringgit, palm oil may bounce moderately towards 2,829 ringgit, the 23.6% retracement on the uptrend from 1,939 ringgit to 3,104 ringgit on the daily chart.

This uptrend has been driven by a wave C, which could be well broken down into five smaller waves. The 61.8% projection level of the wave C at 2,702 ringgit triggered a pullback towards a rising trendline. This pullback may end around 2,829 ringgit.

Monthly chart

Daily chart



Spot gold may fall to $1,724 in Q4 before rising

Spot gold may break a support at $1,857 per ounce this quarter and fall to $1,724, as suggested by a retracement analysis.

The support is identified as the 23.6% retracement on the uptrend from $1,159.96 to $2,072.50. The trend has a complex wave structure, consisting of five waves.

The wave 4 ended at $1,670.14, a low touched on June 5. The metal is riding on a bigger wave (4), which is expected to travel close to $1,670. The uptrend may resume when the expected wave (4) ends in the range of $1,670-$1,724.

A bounce has been triggered by the support at $1,857. This bounce may be weak, limited to $1,939, as the bearish divergence on the weekly RSI suggests a further fall towards the target zone.

A break above $1,939 could lead to a gain to $2,009. The target at $1,724 will be aborted then, as the wave (4) may have taken a sideways mode, mostly confined within a range of $1,857-$2,073.

A closer look at the structure of the wave (4) on the daily chart reveals the progress of a small wave c, the third component wave of the wave (4).

The part of this wave c from the Sept. 1 high of $1,991.91 is composed of five mini waves. The fifth wave labelled 5 is yet to unfold. It is expected to extend to $1,806, the 100% projection level of the wave c.

A fall to $1,806 will surely confirm a break below the support at $1,857 on the weekly chart. A break above $1,935 could signal the completion of the first leg of the wave (4). Gold may then climb into the range of $1,966-$2,015.

Weekly chart

Daily chart

LME copper may rise into $6,989-$7,401 range

LME copper may rise into a range of $6,989-$7,401 per tonne this quarter, driven by a wave (C).

This is the third wave of a presumed flat pattern developing from the January 2016 low of $4,318. This wave is expected to travel to $7,401, its 100% projection level.

The drop over the past two weeks could indeed be a pullback towards a falling trendline. The pullback was a bit overdone. It seems to have ended around a support at $6,244.

A retracement analysis on the uptrend from $2,817.25 to $10,190 reveals a break above a resistance at $6,504, the 50% retracement. The break opened the way towards $7,374, which is close to $7,401.

A break below $6,244 could signal the continuation of the downtrend from $10,190 towards a range of $4,557-$5,634. Based on the current wave pattern, the metal is expected to drop towards this range when it completes its rally around $7,401.

On the daily chart, the fall from the Sept. 21 high of $6,877.50 has been driven by a wave 4, the fourth wave of a five-wave cycle from $4,371.

This wave may have completed around $6,286, the 23.6% retracement of the rise from $4,371 to $6,875.50.

A break below $6,286, however, will not only open the way towards $5,920, but also signals a reversal of the uptrend. The bullish target zone of $6,989-$7,401 will have to be aborted as well.

Weekly chart

Daily chart

LME aluminium may rise to $1,941

LME aluminium may rise to $1,941 per tonne this quarter, as it has cleared a resistance at $1,757.

The resistance is identified as the 23.6% retracement on the downtrend from $2,718 to $1,460. The next resistance will be at $1,941, around which a deep correction may occur.

The slow drop from the Sept. 1 high of $1,824 is classified as a pullback towards this former resistance, now a support. The pullback might have completed, after the metal closed above $1,757 last week.

The current rally may consist of five waves. The fifth wave labelled e is unfolding towards $1,941. A drop below the Oct. 2 low of $1,725 could confirm a reversal of the uptrend from $1,460, a bearish target of $1,644 will be established then.

A retracement analysis on the daily chart reveals that the correction from 1,824 was indeed against the uptrend from $1,562.

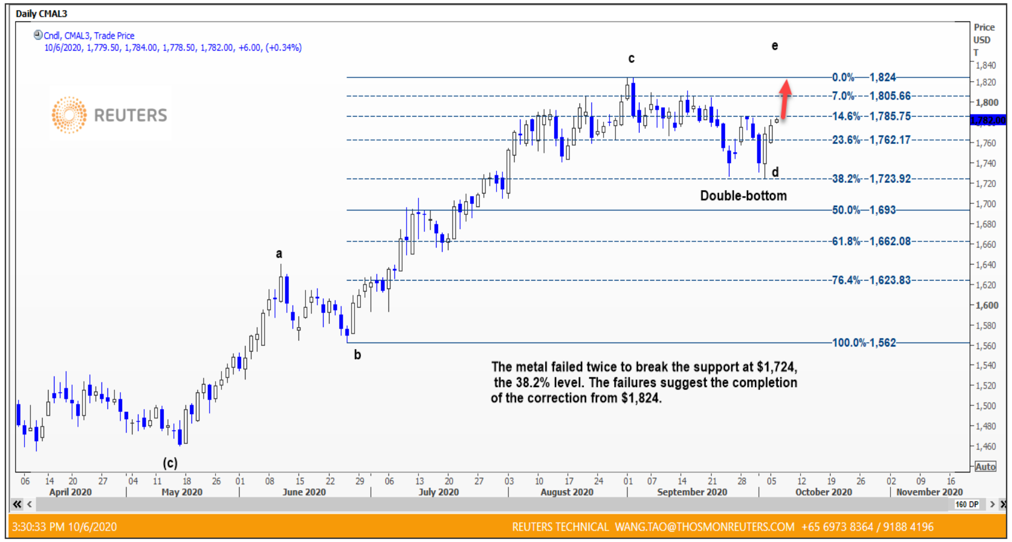
Such a relation signals a steady uptrend from the May 15 low of $1,460.

The metal failed twice to break the support at $1,724, the 38.2% level. The failures suggest the completion of the correction.

A double-bottom formed around this level, indicating a target around $1,860.

Weekly chart

Daily chart



CBOT soybeans may rise to $11.67

CBOT soybeans may rise to $11.67 per bushel this quarter, as suggested by a retracement analysis.

The contract has cleared a resistance at $10.19-3/4, the 23.6% retracement of the downtrend from $17.94-3/4 to $7.80-1/2. It is expected to rise towards the next resistance at $11.67-3/4.

The downtrend could be broken down into five waves. This structure, along with the strong rally from $7.80-1/2, signals a reversal of the trend.

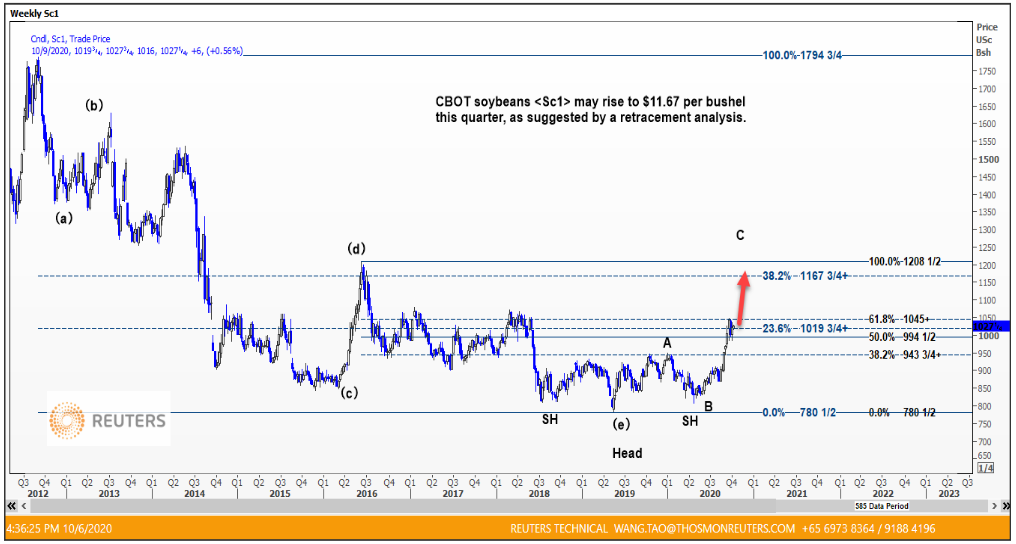
An inverted head-and-shoulders developing from July 13 has been confirmed, indicating a target around $11.00.

Strategically, the targets of $11 and $11.67-3/4 will be valid when the contract breaks the nearest resistance at $10.45, the 61.8% retracement of the downtrend from $12.08-1/2 to $7.80-1/2.

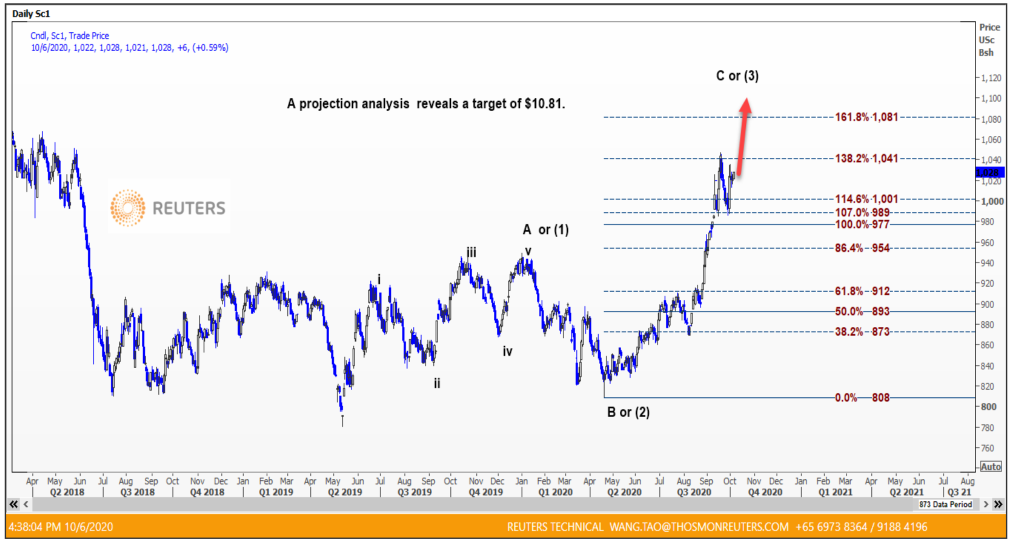
Support is at $9.94-1/2, a break below which could cause a fall to $9.43-3/4. On the daily chart, a projection analysis reveals a target of $10.81, the 161.8% projection level of an upward wave C or wave (3) from $8.08.

A correction triggered by the resistance at $10.41 may have completed around a support at $9.89, as indicated by the strong recovery of the price from the Sept. 29 low of $9.86. The contract may not retest the support.

Weekly chart



Daily chart



CBOT corn may pause around $4.01-1/2 before rising

CBOT corn may test a resistance zone of $3.98-1/4 to $4.01-1/2 per bushel this quarter, a break above which could lead to a gain to $4.25-1/2.

The zone is formed by the 161.8% projection level of an upward wave c from $3.07-1/4 and the 61.8% retracement of the downtrend from $4.64-1/4 to $3.00-1/4.

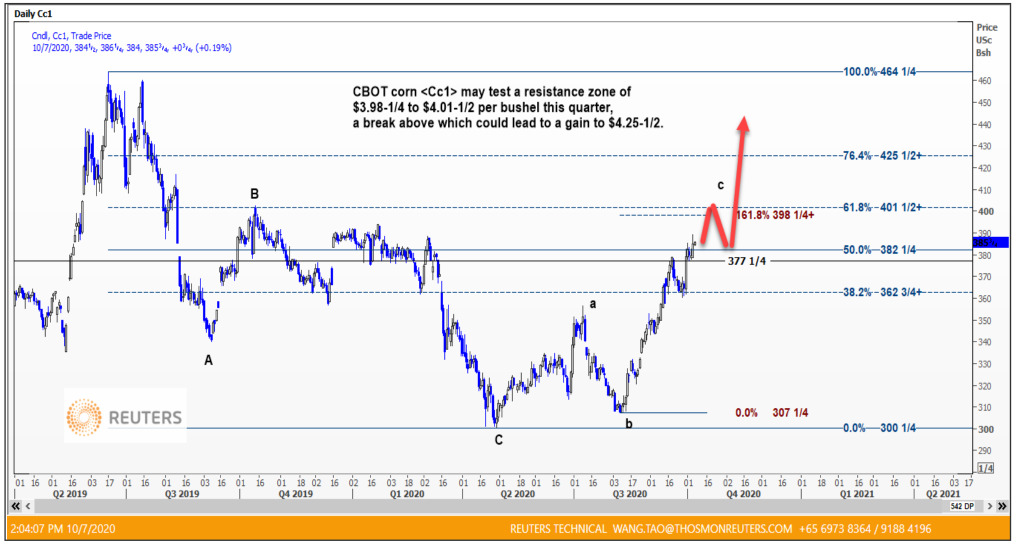
Each of these resistances could be strong enough to stop the rise and trigger a correction. When working together, they are more likely to cause a drop towards $3.82-1/4, despite the strong bullish sentiment.

This resistance zone is near the peak of a wave B - the Oct. 14, 2012 high of $4.02-1/2. Such a coincidence significantly increases the chance of a decent correction as well.

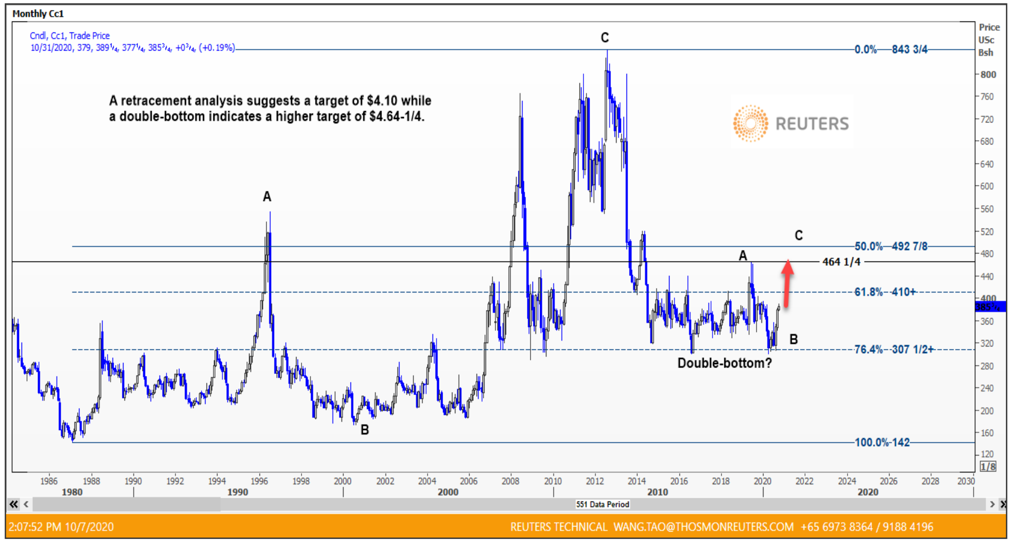
The break above $3.82-1/4 will be deemed false, if corn drops below $3.77-1/4. A bearish target of $3.62-3/4 will be established accordingly.

The contract is expected to eventually break the resistance zone after the correction and rise towards $4.25-1/2, as a retracement analysis on the monthly chart suggests a target of $4.10, the 61.8% retracement of the uptrend from $1.42 to $8.43-3/4.

Daily chart



Monthly chart



CBOT wheat may rise towards $7.32

CBOT wheat may rise towards $7.32 per bushel this quarter, as it has broken a resistance at $5.89-1/2.

The resistance is identified as the 23.6% retracement of the downtrend from $13.34-1/2 to $3.59-1/2. The next resistance will be at $7.32.

Wave pattern suggests the progress of a wave c, the third wave of a bigger wave C. This wave c is the fiercest one among all the waves of the uptrend from $3.59-1/2. The break above $5.89-1/2 looks convincing, after three failed attempts in Aug. 2018, Jan. and March 2020.

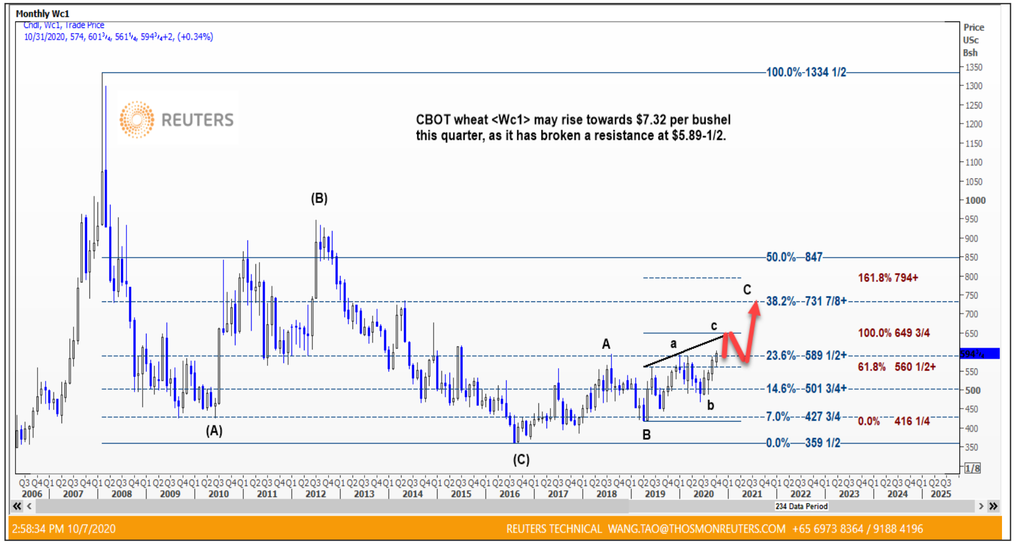
In the case of a false break, the correction may be limited to $5.60-1/2, the 61.8% projection level of the wave C. This projection analysis reveals a resistance at $6.49-3/4, which is pointed by a short trendline. The resistance is highly likely to trigger a pullback towards $5.89 -1/2.

This pullback could be the only decent correction until corn rises to $7.32. A closer look at the daily chart reveals lower and weaker resistances.

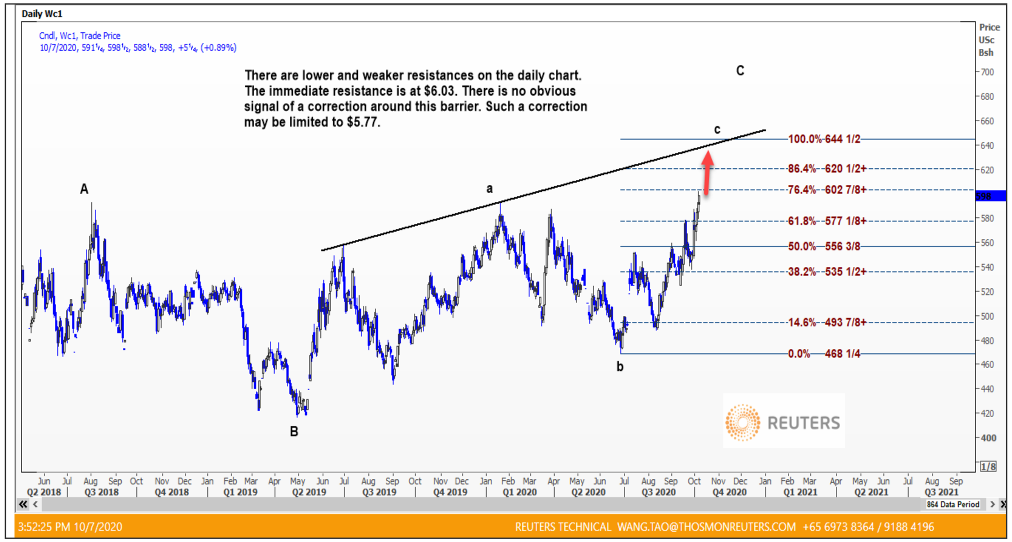
The immediate resistance is at $6.03, the 76.4% projection level of the wave c from $4.68-1/4. There is no obvious signal of a correction around this barrier, even though the contract failed to break this level on Oct. 6.

Such a correction may be limited to $5.77. A further drop, however, could end around $5.56-1/2.

Monthly chart



Daily chart



NY coffee could retest resistance at $1.3535 in Q4

New York coffee may retest resistance at $1.3535 per lb this quarter, a break above which could lead to a gain to $1.5225.

The downtrend from the May 2011 high of $3.0890 has reversed, as suggested by a break above a falling trendline. Coffee not only broke the trendline, but also hovered above it for almost an year.

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 observed closely is a set of projection levels of a preceding wave (c) from $1.7955. The resistance at $1.3535, the 38.2% level, stopped the rally twice.

However, the rally looks incomplete. It may extend to $1.4940, the 100% projection level of the wave C. Coffee seems to have stabilized around a support at $1.08, which is strengthened by another one at $1.0750.

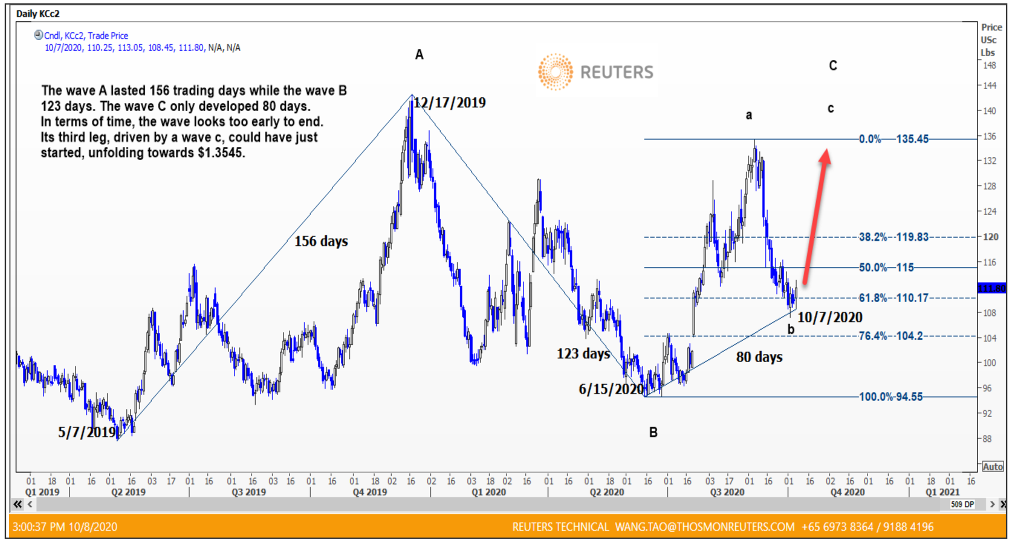
The correction from the September high of $1.3545 is supposed to be much weaker than the first one from the Dec. 2019 high of $1.4245. Most likely, coffee would rise towards $1.3535. A break below $1.0750 could open the way towards $0.9110.

On the daily chart, the wave C has only completed its two legs. The wave A lasted 156 trading days, while the wave B 123 days. The wave C only developed 80 days.

In terms of time, the wave C could be too early to end. Its third leg, driven by a wave c, may have just started, unfolding towards $1.3545.

Monthly chart

Daily chart



NY cocoa may fall into $2,187-$2,287 range

New York cocoa may break a support at $2,386 per tonne, and fall into a range of $2,187-$2,287 this quarter.

The contract is riding on a wave c from $2,708, which is the third wave of a bigger wave B from the February high of $2,935. The preceding wave A developed over 146 weeks, while the current wave B just 35 weeks.

The wave B may still have a long way to go. It consists of three waves. The third wave, wave c, is unfolding. A projection analysis on the wave c suggests a wide target zone of $1,865-$2,187, formed by its 100% and 61.8% projection levels. A realistic target could be either $2,287 or $2,187.

The pattern from the Aug. 7 high of $2,527 looks like a head-and-shoulders, which is clearer on the daily chart.

The right shoulder is yet to develop. A retracement analysis on the uptrend from $2,092 to $2,708 suggests the start of this shoulder in a support zone of $2,327-$2,400, formed by the 61.8% and the 50% levels.

Based on this assumption, cocoa may move sideways in a range of $2,327-$2,473 for some time before resuming its downtrend.

Resistance is at $2,473, a break above which may lead to a gain to $2,563.

Weekly chart

Daily chart

Dollar index may retest resistance at 94.39

The dollar index may retest a resistance at 94.39 this quarter, with a good chance of breaking above this level and rising into the 96.09-98.85 range.

The index is still consolidating within a wedge. Three waves make up the consolidation. The third wave labelled c may have completed around a support at 91.62, the 100% projection level of an uptrend from 72.70.

Working together with this support is another one at 91.73, the 76.4% retracement of the uptrend from 88.25 to 102.99. The drop from 102.99 has not been disrupted by a decent bounce yet. These supports could have triggered one.

A break below 91.62 could open the way towards a range of 87.16-88.25. A closer examination on the daily chart indicates a slim chance of a break.

A small inverted head-and-shoulder forming from Aug. 18 has been confirmed, suggesting a target around 95.50. This pattern is a typical bottom signal.

When the index fulfils this target, a break above a falling trendline will be valid. The break will further confirm a reversal of the downtrend. A retracement analysis on the trend reveals a resistance at 94.40, the 23.6% level, which temporarily stopped the rally.

The correction triggered by the resistance seems to be ending around 93.39. The index is poised to retest the trendline and the resistance.

A break below 93.39 may cause a fall limited to 92.53.

Weekly chart

Daily 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 **Jesse Vinay A** in Bangalore, commodity.briefs@thomsonreuters.com

For more information: Learn more about our products and services for commodities professionals, click here.
Contact your local Thomson Reuters office, click here

Privacy statement: To find out more about how we may collect, use and share your personal information please read our privacy statement.

** Wang Tao is a Reuters market analyst for commodities and energy technical. The views expressed are his own. No information in this analysis should be considered as being business, financial or legal advice. Each reader should consult his or her own professional or other advisers for business, financial or legal advice regarding the products mentioned in the analyses. **

REUTERS