REUTERS QUARTERLY TECHNICAL OUTLOOK

OCTOBER 2021

Brent and WTI are steady on a long-term uptrend. Palm oil looks shaky and may experience deep correction. Gold could have resumed downtrend from the August high. Copper has completed long-term uptrend and moved into a bear cycle while aluminium is still trending up. Grains and softs are expected to climb higher. US dollar may strengthen in the fourth quarter.

REUTERS

Brent oil targets $81.74-$86.74 range

Brent oil may test a resistance at $77.12 per barrel next quarter, with a good chance of breaking above this level and rising towards the $81.74-$86.74 range.

The uptrend from $15.98 observed closely two sets of retracements. One is on the downtrend from $86.74, the other on a longer trend from $147.50.

The resistance at $77.12 is strengthened by a similar one established by a falling trendline. These resistances stopped the uptrend and triggered a steep correction towards $66.22 last quarter.

With this correction having been almost reversed, the uptrend may have resumed. The trend has been developing within a narrow channel, which suggests a target of $86.74.

The trend followed a long-term correction from $147.5, which ended at $15.98. The uptrend is expected to at least extend into a zone of $81.74-$97.26, as it has developed far above the 38.2% retracement of $66.22.

The wave pattern indicates the progress of a wave e, which is supposed to be roughly equal to the wave a. Based on this assumption, the wave e may travel close to $97.26. It is not very clear if the resistance at $77.12 could cause the second correction.

Most likely, such a correction would be limited to $70.04, if it occurs.

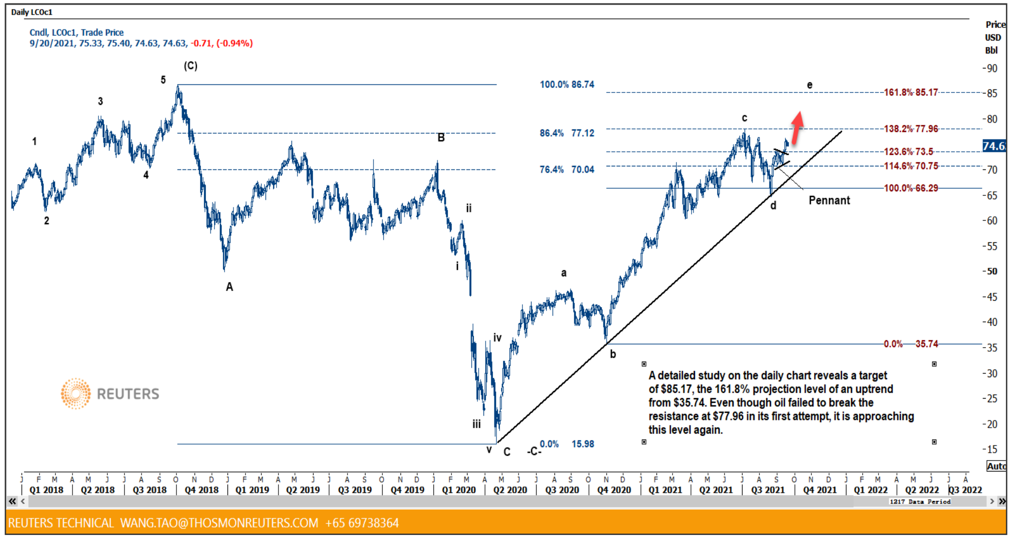
A detailed study on the daily chart reveals a target of $85.17, the 161.8% projection level of an uptrend from $35.74. Even though oil failed to break the resistance at $77.96 in its first attempt, it is approaching this level again.

Based on this behaviour, the uptrend does not seem to have ended at the July 6 high of $77.84. The pattern from the August 23 low of $64.60 looks like a pennant, which has been confirmed, suggesting a lower target of $80.

Signals on both weekly and daily charts are bullish. Support is at $73.50, a break below which could cause a fall into the $66.29-$70.75 range.

Weekly chart

Daily chart



3-MONTH TECHNICALS

U.S. oil may retest resistance zone of $76.90-$78.72

U.S. oil may retest a resistance zone of $76.90-$78.72 per barrel next quarter, a break above which could lead to a gain to $94.77.

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.

The orthodox trough in 2020 is fixed at $10.71, the 161.8% projection level of a downtrend from $66.60, as the negative $40.32 level hit in April 2020 is too distorted to be the ending point of the trend.

A retracement analysis based on this trough reveals a support at $62.67, the 38.2% level, which works coincidentally with the one established by the falling trendline to stop the pullback.

The uptrend seems to have resumed its course within a rising channel, which suggests a target around $94.77.

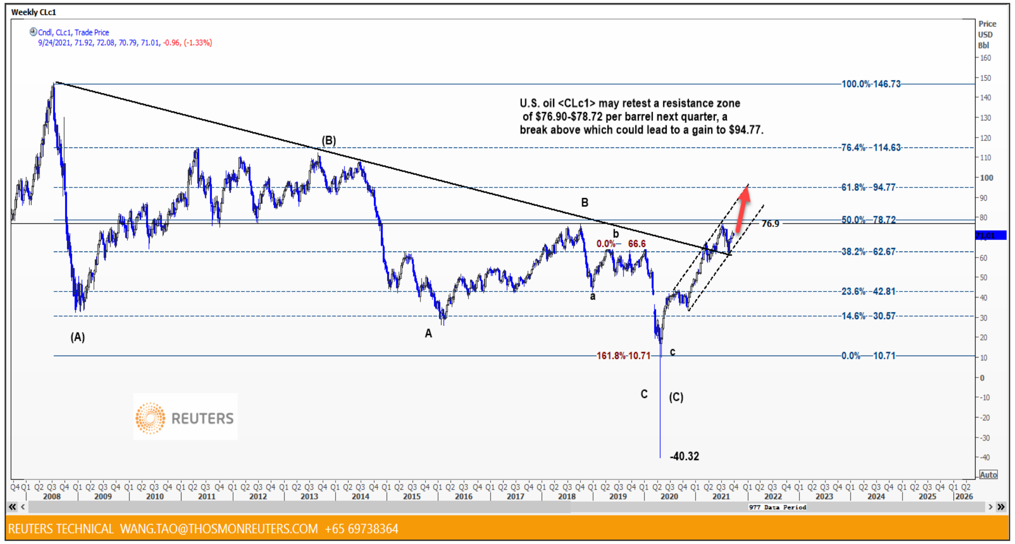
It is almost certain that the zone of $76.90-$78.72 will be broken, as oil would have broken $62.67 and fallen towards $42.81, instead of rising towards the zone again, if the uptrend has reversed.

The uncertain part is whether the second pullback towards the falling trendline occurs around the resistance zone. Such a pullback will most likely be confined within the rising channel.

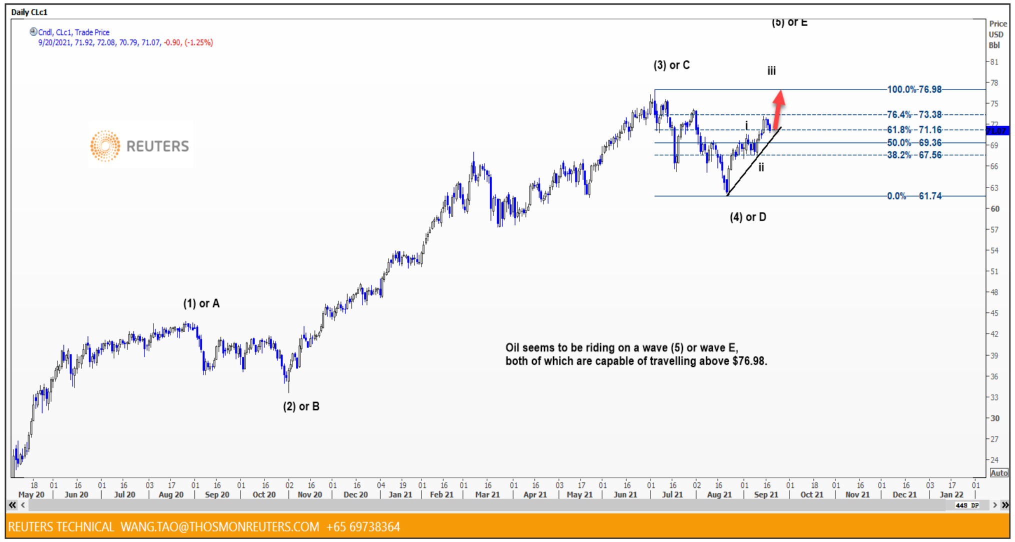
On the daily chart, oil seems to be riding on a wave (5) or wave E, both of which are capable of travelling above $76.98. A retracement analysis on the fall from this level shows that oil has briefly risen above the 61.8% retracement. It is highly likely to revisit the high of $76.98.

Support is at $69.36, a break below which could cause a fall into a wide range of $61.74-$67.56, as this fall could be a resumption of the downtrend from $76.98.

Weekly chart



Daily chart



Palm oil may test support at 3,877 ringgit

Palm oil may test a support at 3,877 ringgit per tonne next quarter, a break below which could cause a fall to 3,492 ringgit.

The steep rise from the June low of 3,251 ringgit may have been driven by a wave 5, the final wave of a giant three-wave cycle from the 2008 low of 1,331 ringgit.

This is considered as a failed fifth wave, as it ended around the peak of the wave 3. Such a wave structure signals an exhaustion of the bull trend from the May 2020 low of 1,939 ringgit.

Indeed, the deep wave 4 was the early warning that the uptrend had lost its momentum. The wave 5 represented the final effort of bulls to push the price up.

Bulls failed twice to break the resistance at 4,499 ringgit, which serves as a limit over the next few months or years.

The contract may have started to fall towards the bottom of the wave 4 at 3,251 ringgit.

Palm oil has briefly pierced below the immediate support at 4,141 ringgit. It is highly likely to overcome this barrier and drop to 3,877 ringgit first.

A break above 4,499 ringgit, which looks unlikely, may lead to a gain into the range of 4,884-5,121 ringgit. On the daily chart, a head-and-shoulders has been confirmed, which basically wipes out a chance of a rise above 4,560 ringgit.

This is a top pattern, suggesting a target around 3,800 ringgit. Once the contract drops to this level, a lower target of 3,559 ringgit will be confirmed, as well as a break below 3,941 ringgit, the 23.6% retracement.

Based on this retracement analysis, the contract may fall into the lower range of 2,940-3,250 ringgit.

A break above 4,177 ringgit may lead to a gain to 4,377 ringgit. Only a further gain above 4,377 ringgit could suggest the extension of the uptrend.

Weekly chart

Daily chart

Spot gold may retest support at $1,688

Spot gold may retest a support at $1,688 per ounce next quarter, a break below which could open the way towards the $1,451-$1,498 range.

The rise from the December 2015 low of $1,045.85 has been reclassified as a three-wave cycle, which ended at $2,072.50. The subsequent fall from $2,072.50 has a close relation with the rise, as revealed by a retracement analysis.

Such a relation confirms the completion of the cycle. The fall also adopted a corrective wave mode, consisting of three waves.

The wave (b) has been developing within a wedge, which looks like a bearish continuation pattern, to be confirmed when gold breaks $1,688.

Both the wave (a) and the wave (b) observe closely two sets of retracements on the rises from $1,045.85 and $1,450.98, respectively. Three smaller waves make up the wave (b). The third wave, the wave c, is much weaker than the wave a.

This relation suggests a prevailing bearish market sentiment. Unless gold could climb above $1,835, the downtrend from $2,072.50 is considered having resumed, driven by a wave (c).

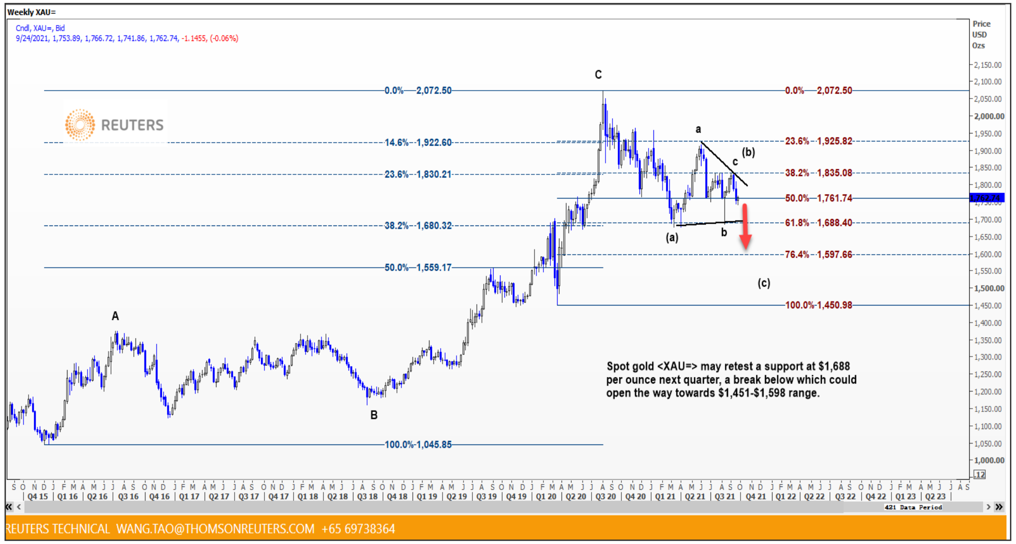
Following its two failures to break $1,688, gold is expected to succeed in its current attempt. A break above $1,835 could lead to a gain to $1,926. Only a further rise could confirm the continuation of the uptrend from $1,045.85.

On the daily chart, the current fall is well controlled by a set of projection levels on a wave C from $1,833.80.

The 23.6% level of $1,741 temporarily stops this wave. However, the wave C is capable of at least travelling into the $1,590-$1,683 range. The pause around $1,741 will not last very long.

Once the metal falls to $1,683, it is likely to extend losses towards $1,440, as a wedge will become a part of a more bearish pennant, which suggests the target of $1,440.

Weekly chart



Daily chart

LME copper may fall to $8,312

LME copper may fall to $8,312 per tonne next quarter, due to a reversal of the uptrend from the 2020 low of $4,371.

The reversal has been confirmed by the five-wave structure of the trend and the deep drop from the May high of $10,747.50.

A retracement analysis on the uptrend suggests a wide target zone from $6,807 to $8,312, formed respectively by the 61.8% and the 38.2% retracements.

Even though these retracements are not precise, they do serve as good references.

Given that copper has broken a support at $9,243, it is likely to extend its loss to $8,312.

In terms of duration, the current fall may last far beyond 2021, as the reversal of the uptrend from $4,371 marks the completion of a corrective wave cycle from $4,318.

The cycle took more than five years to finish, even a fifth of this duration would be roughly one year.

The metal may have entered a bear cycle without much warning.

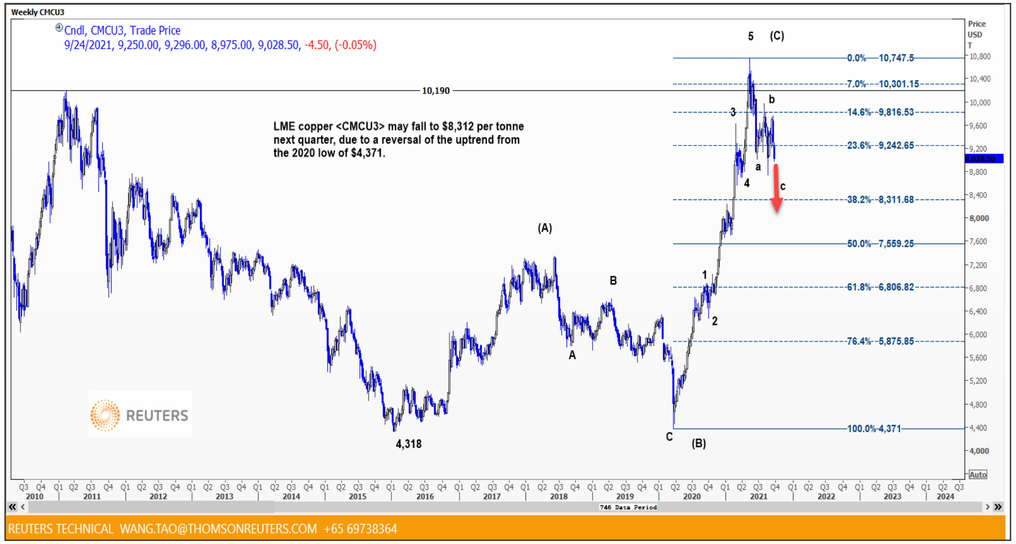
A rise above $9,243 would complicate the picture, as it somewhat defies a clear classification. It could be a resumption of the uptrend or an extension of the bounce from the August low of $8,740.

Only a break above $9,817 could signal a continuation of the uptrend.

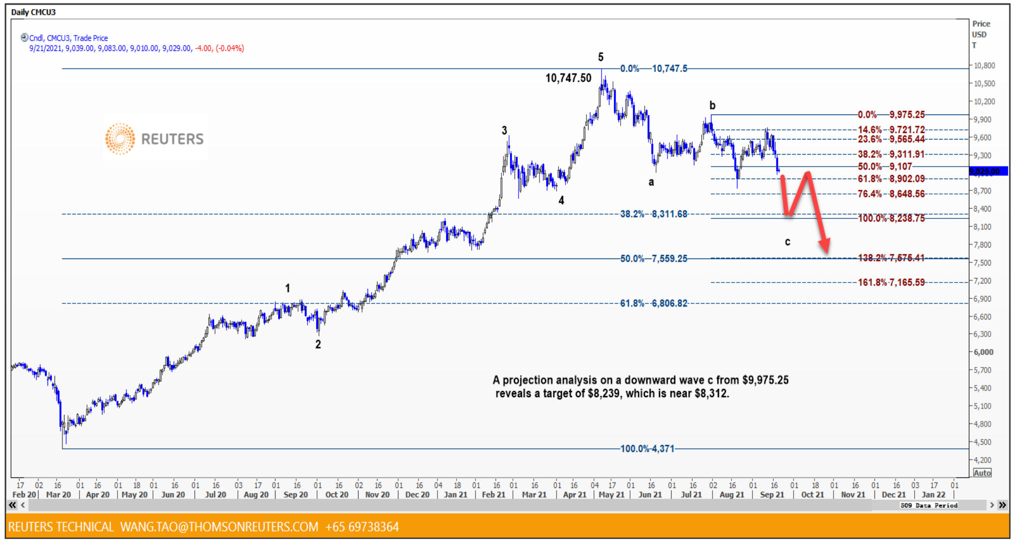
On the daily chart, a projection analysis on a downward wave c from $9,975.25 reveals a target of $8,239, which is near $8,312.

Both the support at $8,312 and $8,239 are strong enough to trigger a decent bounce. When working together, they are likely to temporarily hold.

Weekly chart



Daily chart



LME aluminium may rise into $3,041-$3,228 range

LME aluminium may rise into a range of $3,041 to $3,228 per tonne next quarter, as suggested by its wave pattern and a projection analysis.

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

Many smaller waves make up the wave C. The third wave, the wave 3, is unfolding.

A projection analysis on the wave C reveals a brief piercing above a weak resistance at $2,925.

With the metal approaching this level again, it is likely to overcome this barrier and surge into the target zone. The wave 3 may complete in the zone, most likely, around $3,228, as suggested by a rising trendline.

The metal may experience a decent correction around $3,228, which will be driven by a wave 4. The gains in the fourth quarter could be greatly discounted, due to this correction.

Support is at $2,828, a break below which may be followed by a shallow drop into the support zone of $2,718-$2,738.

Strategically, a rise to $2,940 may confirm a break above $2,925 and the target of $3,041.

On the daily chart, a projection analysis on the uptrend from $1,725 reveals a narrower target zone of $3,060-$3,201, which is also pointed at by a rising trendline.

The correction triggered by the nearest resistance at $2,973 may have ended around a support at $2,832. The uptrend has resumed.

The resistance at $3,060 is expected to trigger a shallow correction towards $2,973. The uptrend, however, would still remain intact.

Weekly chart

Daily chart

CBOT soybeans may test resistance at $13.34-1/2

CBOT soybeans may test a resistance at $13.34-1/2 per bushel next quarter, a break above which could open the way towards $14.65-1/2.

The deep drop from the May high of $16.77-1/4 is loosing its momentum around a support of $12.42-3/4, the 50% retracement on the sharp surge from $8.08-1/4.

The drop has been driven by a wave (a) or wave (4). The calculations on the following move will be much different based on these two waves.

The May 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 bounce into a range of $14.65-1/2 to $16.77-1/4 before falling toward $12.42-3/4 again.

Both of these wave counts suggest a gain towards $14.65-1/2.

Simply based on the depth of the fall from $16.77-1/4, it is hard to label it as a wave (4), which does not match the preceding shallow wave (2) at all. Most likely, this is a wave (a).

Until now, there have not been very clear signals to confirm a completion of the wave (a), only a few small candlesticks to indicate a dissipation of the bearish momentum.

The best bet now is the wave (a) may end around the support zone of $12.28-3/4 to $12.42-3/4, to be then partially reversed by an upward wave (b).

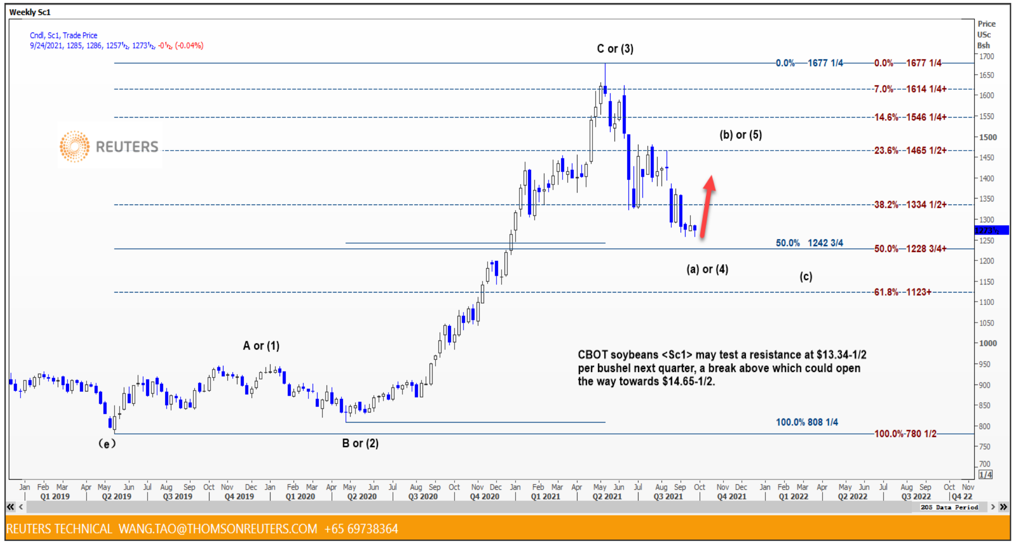
On the daily chart, the contract is stabilizing around a key support at $12.61-1/4, the 61.8% projection level of a downward wave (c). This wave may either end around $12.61-1/4, or extend into a wide range of $9.07-1/2 to $11.26-1/4.

Based on the mathematical relation between the preceding wave c and the wave a, the wave (c) could extend a lot.

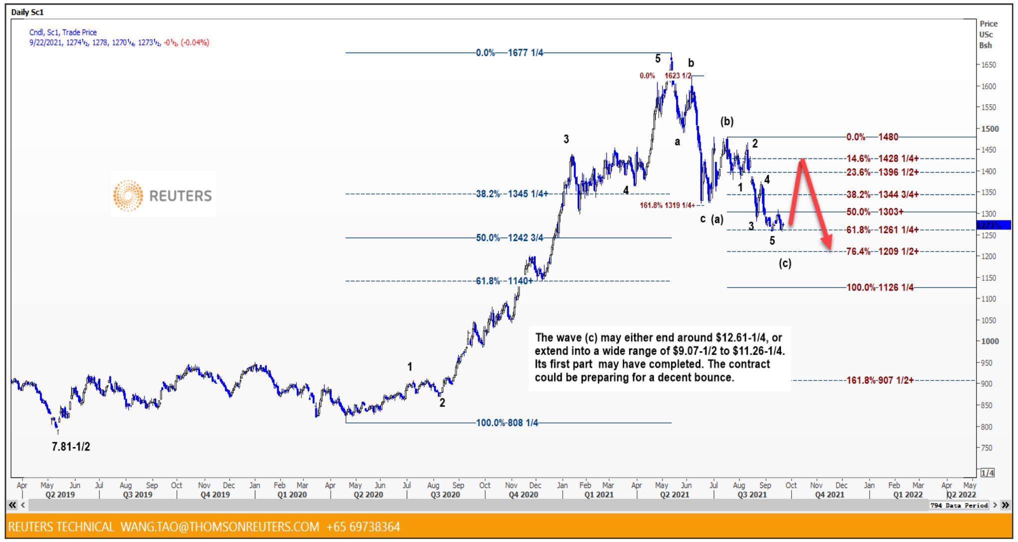
However, the first part of this wave may have completed, as suggested by its five-wave structure.

The contract could be preparing for a decent bounce. A break below $12.61-1/4 could open the way towards $11.26-1/4 to $12.09-1/2 range.

Weekly chart



Daily chart



CBOT corn may rise to $5.96-1/4

CBOT corn may break a resistance at $5.41 per bushel and rise to $5.96-1/4 next quarter, as the drop from the May high of $7.75 could have completed.

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 support is not working alone. It is strengthened by the support zone of $4.71-3/4 to $4.92, formed by the 161.8% and the 150% projection levels of a wave c from $7.50-1/2.

It will be extremely difficult for corn to break these supports and fall towards $4.17-1/2. As a much easier option, the contract may rise towards $5.96-1/4 to $6.64-1/2 range.

Theoretically, the bounce could extend to any level until $7.50-1/2, the peak of the wave b. As far as the fourth quarter is concerned, it is safer to target $5.96 -1/4 first.

A falling channel suggests a target around $6.30. The anticipated rise is classified as a bounce against the fall from $7.75, instead of a continuation of the uptrend from $3.01-1/4.

Based on this classification, corn may end its rise in the range of $5.96-1/4 to $6.64-1/2 and drop thereafter. Support is at $5.12-1/4, a break below which may cause a fall limited to $4.86.

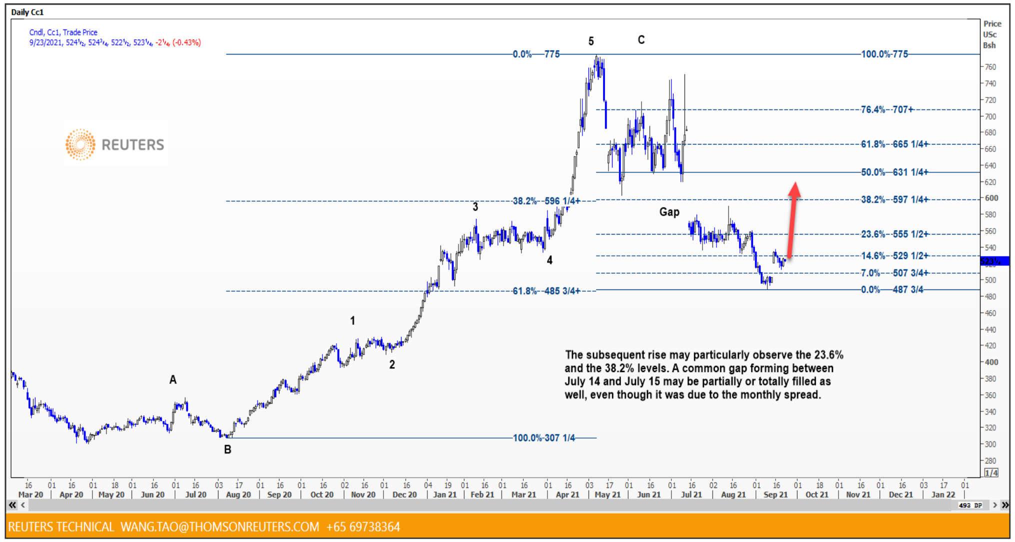
On the daily chart, a retracement analysis on the fall from $7.75 marks a set of retracements, among which, the 14.6% level of $5.29-1/2 works as a precise resistance.

The is a convincing signal of the current rise closely relating to the fall from $7.75. The subsequent rise may particularly observe the 23.6% and the 38.2% levels.

A common gap forming between July 14 and July 15 may be partially or totally filled as well, even though it was due to the monthly spread.

Weekly chart

Daily chart



CBOT wheat may retest resistance at $7.66-1/2

CBOT wheat may retest a resistance at $7.66-1/2 per bushel next quarter, a break above which could open the way towards a range of $7.94 to $8.47.

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

Many component waves make up the wave C. The rise from $4.68-1/4 to $6.93 is labelled as wave (1), which consists of five smaller impulsive waves.

Wheat could be riding on a fierce wave (3)-3 which is composed of five small waves as well.

The wave 2 is believed to have ended around a support at $6.83-3/4. The upward wave 3 is unfolding.

All the resistances below $7.94 look vulnerable in view of the strong momentum of the wave 3. Desipite its two failures to break $7.66-1/2, wheat may succeed in its third attempt.

A break above $7.66-1/2 could trigger an explosive bull run towards $8.47-$9.62 range.

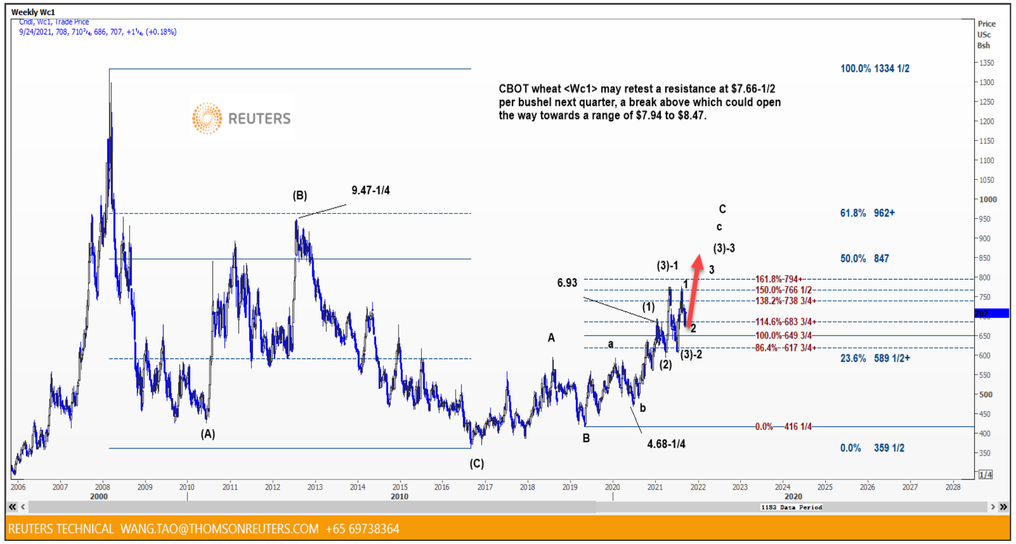
A break below $6.83-3/4 will not only open the way towards $6.17-3/4 to $6.49-3/4 range, but also undermine the current bullish outlook.

On the daily chart, wheat has been climbing steadily along a rising trendline. As long as it hovers above the line, the uptrend will be regarded intact.

It is not very clear if the resistance at $7.66-1/2 could trigger the third correction.

Given that the wave (3) has a fierce character, such a correction may be very shallow, probably limited to $7.38-3/4, if it occurs.

Weekly chart



Daily chart

NY cocoa may rise into $2,821-$2,993 range

New York cocoa may rise into a range of $2,821-$2,993 per tonne next quarter, driven by a wave C.

This wave started at $2,092. It consists of three smaller waves.

The first wave labelled a ended at $2,821. The wave c is expected to be equal to the wave a, to travel into the target zone.

A trendline falling from $3,775 points at $2,993 as well. This wave C, along with the preceding wave A and wave B, has developed within a rising wedge.

It is hard to decide the nature of this pattern, which could be bullish, if the resistance at $2,993 is broken, or bearish, if cocoa fails to break $2,993 but falls towards $2,370 thereafter.

Even though it is clear that cocoa could rise towards $2,993, the unclear part is whether it would retreat into $2,370-$2,682 range before resuming the uptrend, as the moves within the wedge look very zigzagging.

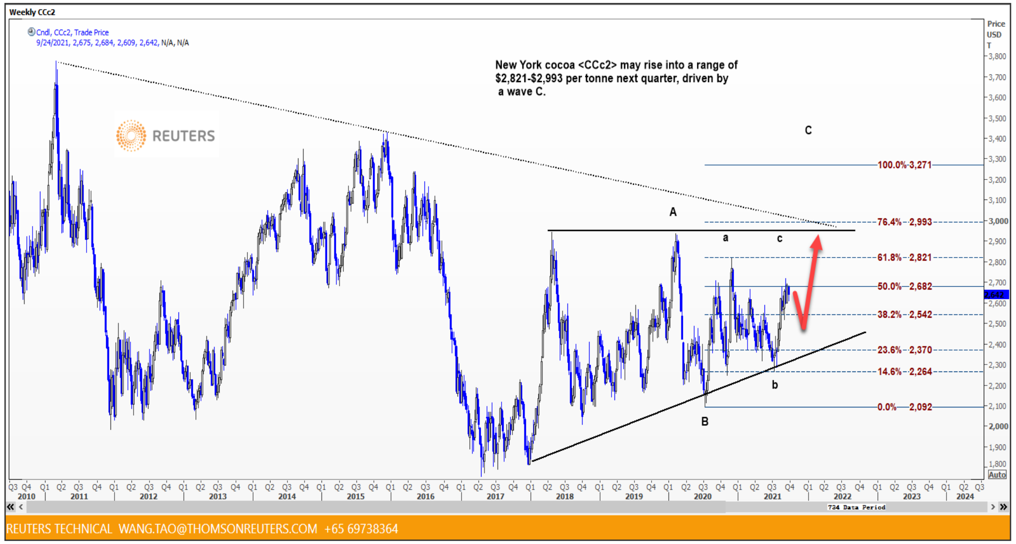
The rise seems to have lost its momentum around the resistance at $2,682, which is highly likely to trigger a correction.

On the daily chart, a small five-wave cycle ended around a key resistance at $2,719. A correction towards the bottom of the wave iv around $2,546 has started.

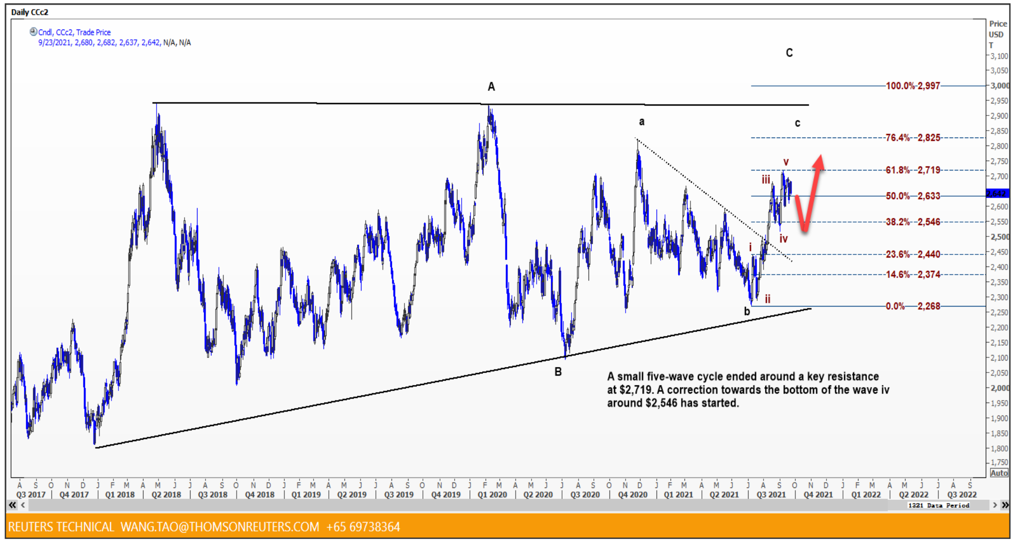
The correction could extend to $2,440, if it is classified as a pullback towards a short falling trendline.

A break above $2,719 could confirm the continuation of the uptrend.

Weekly chart



Daily chart



3-MONTH TECHNICALS

NY coffee may retest resistance at $1.9825

New York coffee may retest a resistance at $1.9825 per lb next quarter, a break above which could lead to a gain to $2.1720.

The contract is riding on a wave C from $0.8760, which looks incomplete. A projection analysis on this wave suggests a target zone of $2.2520-$2.3815, formed by its 238.2% and 261.8% projection levels.

Deep as it is, the correction triggered by the resistance at $2.1720 could have been driven by a wave (4), the fourth component wave of the wave C.

The wave (4) is still unfolding. It will be totally reversed by an upward wave (5). Given that the previous wave (2) is very sharp, the current wave (4) is expected to be sideways.

That means the wave (4) could extend a bit towards a support at $1.7035, which is strengthened by another one at $1.7215, the 38.2% retracement of the downtrend from $3.0890.

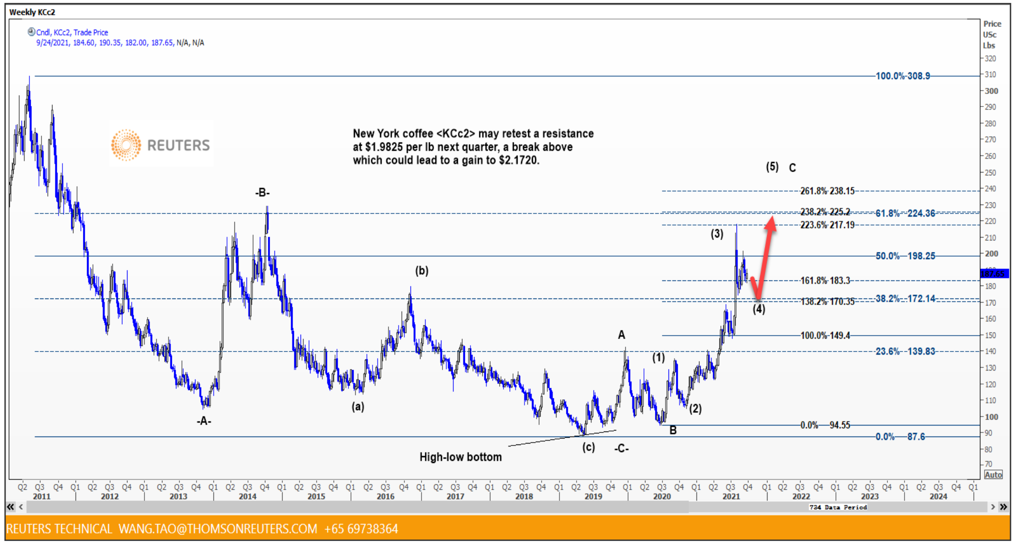
Strategically, the target of $1.7035 will be confirmed only when coffee breaks the nearest support of $1.8330.

The longer coffee hovers above this support, the more likely it rises straight towards $1.9825.

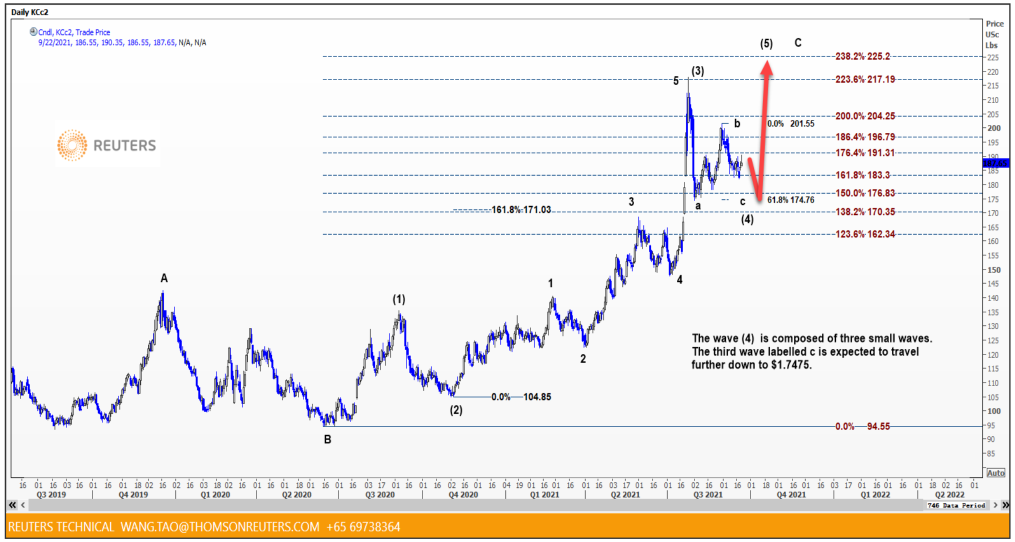
A closer look at the daily chart reveals the corrective wave nature of the wave (4), which is composed of three small waves.

The third wave labelled c is expected to travel further down to $1.7475. Resistance is at $1.9130, a break above which may lead to a gain into $1.9680-$2.0425 range.

Weekly chart



Daily chart



Dollar index targets 95.21-97.05 range

The dollar index is poised to break a resistance at 93.37 and rise into a range of 95.21-97.05 next quarter, as suggested by its wave pattern and a projection analysis.

A long-term flat pattern has been developing from the January 2017 high of 103.82. It consists of three big waves. The wave c from 102.99 completed at the January low of 89.21, as confirmed by its five-wave structure.

The flat is regarded as a continuation pattern, to be followed by a big wave C which could travel above 103.82. Apparently, this target is too far away to be realistic.

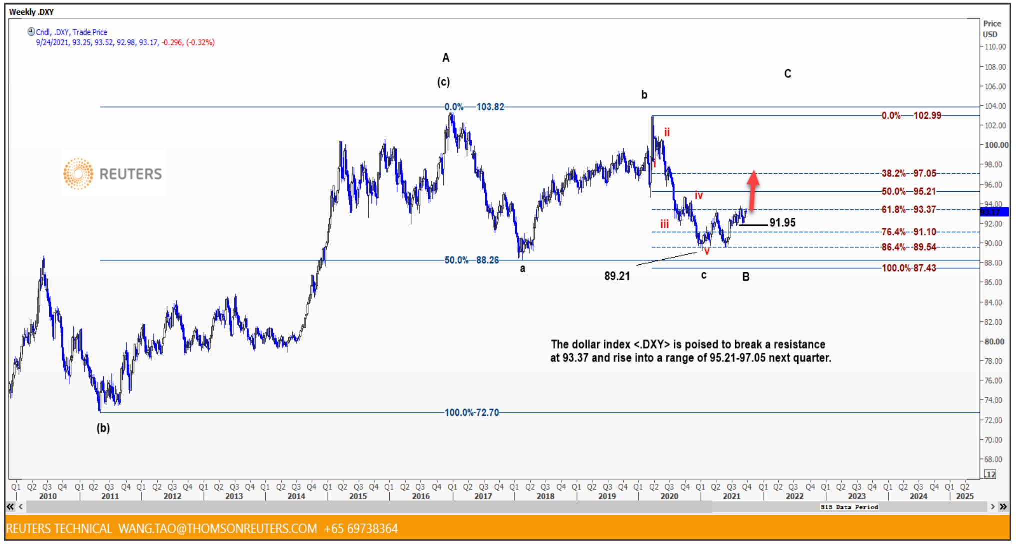
The pattern from 89.21 looks like a double-bottom, which has been almost confirmed. It suggests a proper target of 97.05.

Support is at 91.95, a break below which could confirm a failure to break 93.37 and the completion of the bounce from 89.21. A bearish target of 89.54 will be established then.

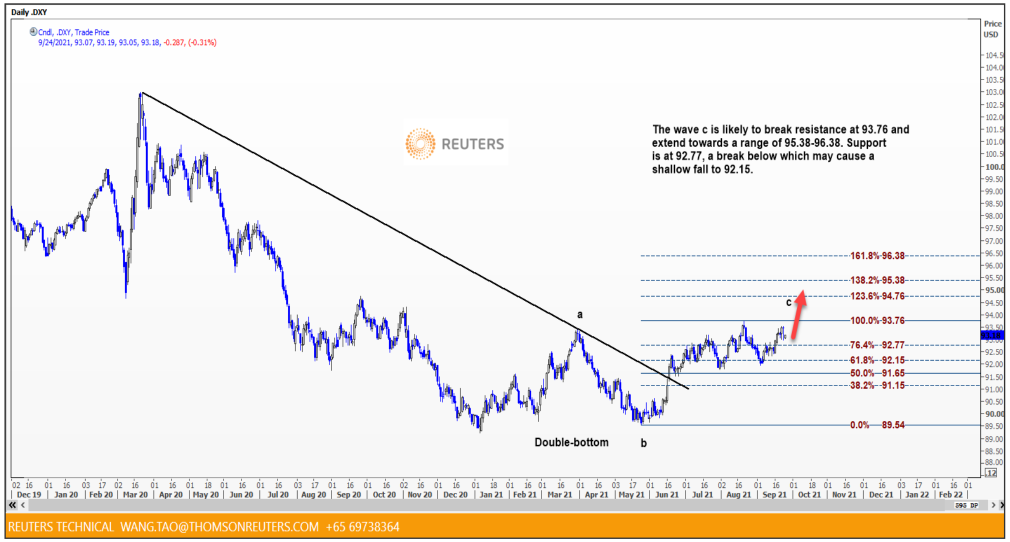
On the daily chart, the index is riding on a wave c from 89.54. Following its failure to break a resistance at 93.76, the wave c is travelling close to this level again.

This time, the wave c is likely to overcome this barrier and extend towards a range of 95.38-96.38. Support is at 92.77, a break below which may cause a shallow fall to 92.15.

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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