

## FIS Technical - Brent June Futures

Technical Analyst

Edward Hutton

44 20 7090 1120

[Edwardh@freightinvestor.com](mailto:Edwardh@freightinvestor.com)

### Comment:

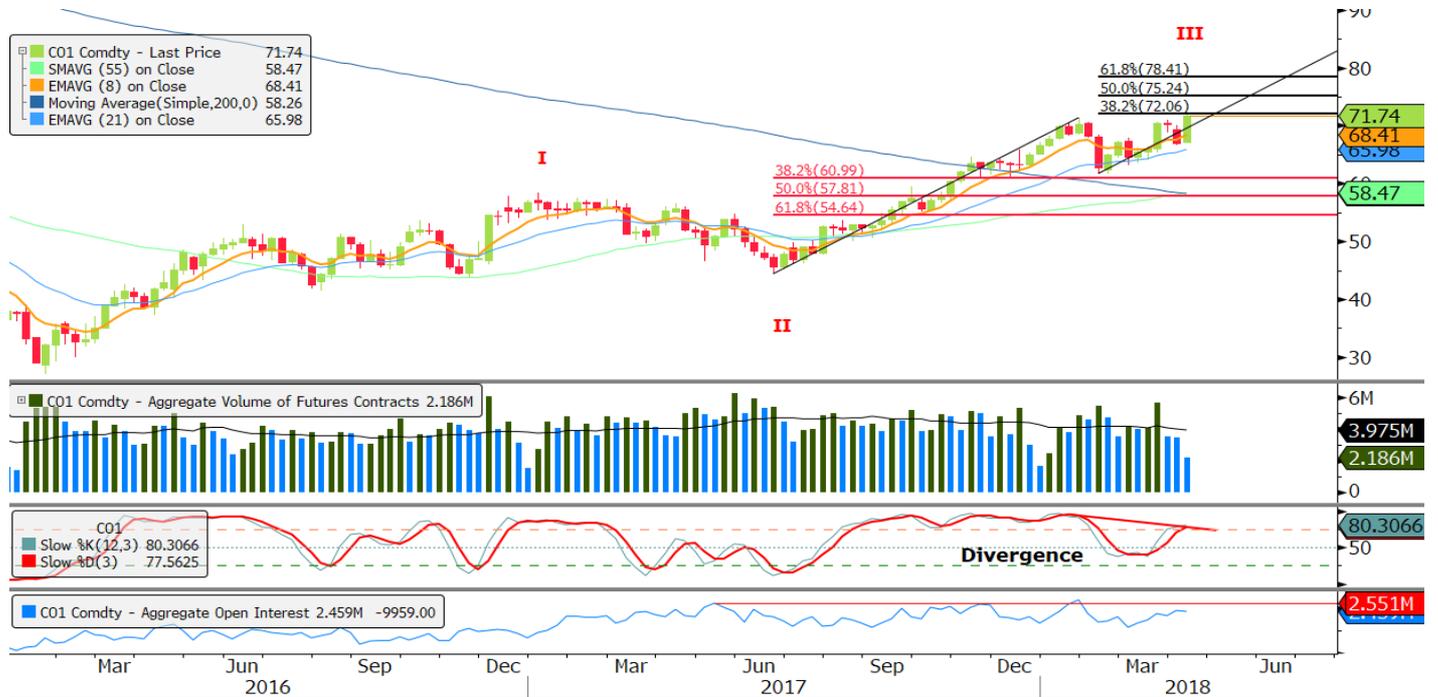
Currently the weekly and daily trends remain in bullish territory with the weekly chart maintaining a longer-term wave 3 status.

Dual divergences on the weekly and daily chart would indicate momentum is slowing. however, the intraday technical bull wave is not yet finished as it remains on an extended wave 3 on the 60 min chart.

Basically, we have a very short-term target of USD 63.31 for the current wave 3 which should be followed by another bull wave.

The weekly wave 3 is shorter than the weekly wave 1, this is unusual but with geopolitical tensions running high and an upside target of USD 75.63 to achieve a longer third wave you may find that this current move has more legs than the divergences would leave you to believe.

## Brent June Futures Weekly



Source Bloomberg

Resistance – 72.06, 75.24, 78.41

Support- 61.76, 60.99, 57.81

The longer term technical trend remains bullish for the Brent futures with price action above all its longer and medium-term moving averages.

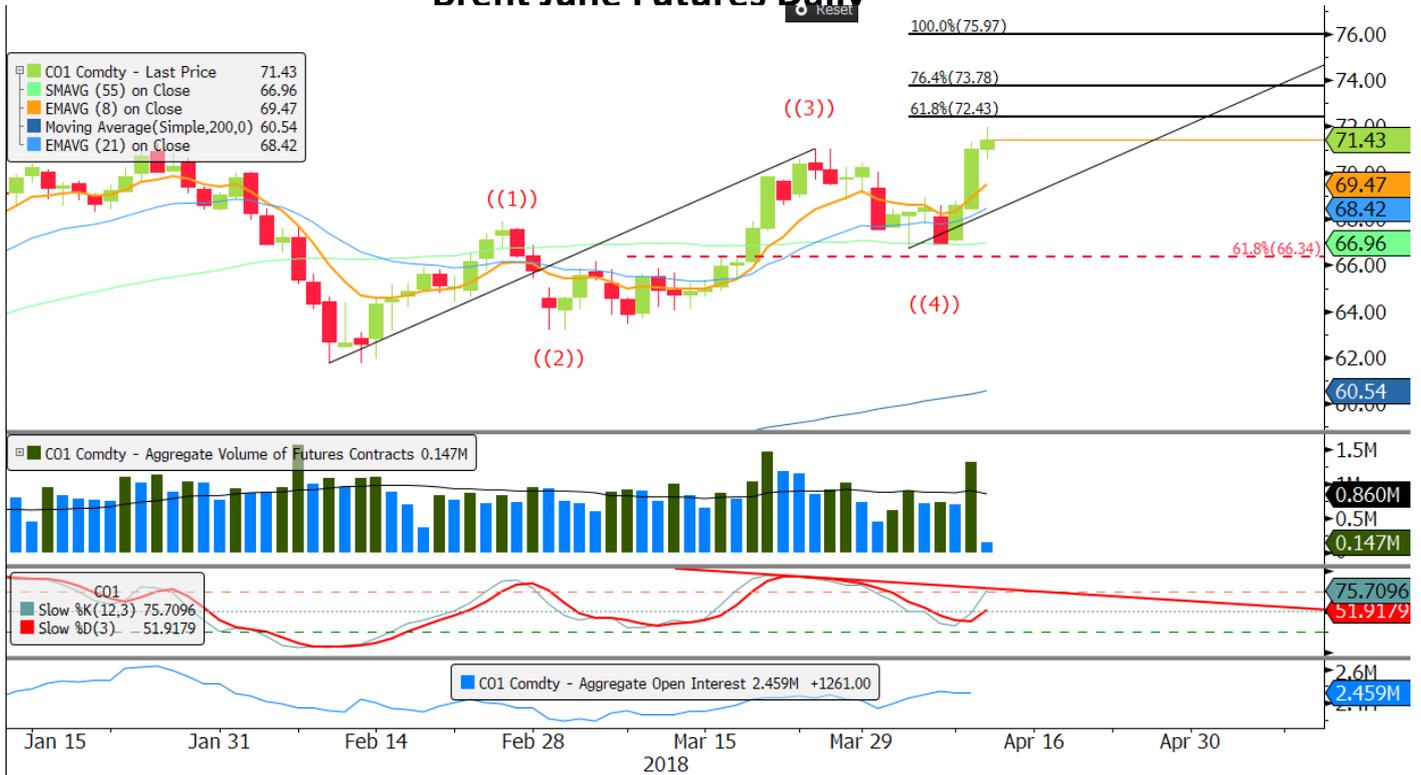
From an Elliott wave perspective, we remain on leg 3 on the weekly chart as we continue to make higher highs and higher lows. Technical resistance is between USD 73.00 and USD 79.35 based on Fibonacci projections from the June 2017 low of USD 44.35.

Weekly support is at the recent Fractal low of USD 61.76 with Fibonacci retracement levels at USD 60.99 down to USD 54.64. However, price action below USD 58.37 would create a wave overlap and could seriously weaken the long term technical picture for Brent.

Another positive note for the bull technical comes from the weekly volume data as this is rising on bull weeks and dropping on bear weeks. Suggesting market pullbacks are coming from a lack of buying interest rather than selling interest. Aggregate open interest remains high at 2.459m barrels, it has been higher, however at 2.551M barrels we have previously seen market longs exiting due to over exposure.

The weekly stochastic is showing a bearish divergence, this is not a sell signal but a warning that upside momentum could be slowing and needs to be watched on lower time frames.

### Brent June Futures Daily



Source Bloomberg

Resistance – 72.43, 73.78, 75.97

Support- 66.69, 66.34, 66.16

Technical support held last week and as anticipated we have entered leg 5 of the current wave on the daily chart. From an Elliott wave perspective, a new high has now been achieved which meets the minimum requirement for wave completion. This doesn't mean it has completed, just the minimum requirement.

We remain above key moving averages with a high-volume day on yesterday strong bull day. Interestingly, and potentially important was the fact that the aggregate open interest did not increase. This would suggest that for every fresh buyer there was an element of profit taking in the market.

Fibonacci resistance is between USD 72.43 and USD 75.97 with technical support starting at the recent low of USD 66.69.

Like the weekly technical the daily technical is showing a bearish divergence, not a sell signal, the fact that we are seeing this on two different time zones would suggest that this should be followed closely as momentum has an increased chance of weakening due to it being on a dual time zone.

Leg 5's often finish around the 61.8% Fibonacci extension of legs 1-3, extended from the base of leg 4, which is USD 72.43. However, Elliot observed that leg 3 is never the shortest leg and often the longest. For leg 3 to be longer than leg 1 on the weekly chart it must trade above USD 75.62. failure to do this would mean that leg 5 would have to be shorter than leg 3, ruling out the possibility of an extended 5<sup>th</sup> wave on the weekly chart.

### Brent June Futures Intraday (60 Min)



Source Bloomberg

**Resistance – 72.27, 72.79, 73.31**

**Support- 70.57, 69.61, 69.08**

The intraday technical is looking at the leg 5 on the daily chart; the time period is 60 mins.

Another divergence, however this one holds less weight than the previous one and does not signal an imminent correction because we have 3 of them.

Firstly, the Elliott wave structure would suggest that we are looking at an extended 3<sup>rd</sup> wave. Secondly, if we are looking at a 61.8% upside projection target then the current intraday wave could trade as high as USD 73.31 for the current 3<sup>rd</sup> wave. The current geopolitical tension would support the current third wave extension as does the timing of the leg 4 which was a lot shorter than the correction between the 5<sup>th</sup> and 6<sup>th</sup> of April. This also opens the possibility of the market behaving within a normal structure with the leg 3 on the weekly achieving a greater length than that of the leg 1. To achieve this price action must trade above USD 75.62 by 1 cent.

Downside moves that trade below the USD 70.57 support would indicate that we have completed the current wave 3 and have entered a wave 4 corrective phase.

Technically this wave 5 has another bull wave left in it based on Elliott wave theory.

## Technical Analysis Glossary

### **Pivot Point**

A point where the market makes a new high or low, before reversing in direction.

### **Trend Line**

A directional line connecting pivot points.

### **Primary Trend**

The main trend line over an extended period of time.

### **Secondary Trend**

Distinct from but within the primary trend. Indicates recent trend.

### **Support**

A previous market low where market participants have been prepared to enter long positions.

### **Resistance**

A previous market high where market participants have been prepared enter short positions.

### **Range**

An area between the support and resistance.

### **Relative Strength Index (RSI)**

A technical momentum indicator that compares the magnitude of recent gains to recent losses in an attempt to determine overbought and oversold conditions in an asset. The RSI ranges from 0 to 100. Typically speaking, an asset is deemed to be overbought once the RSI approaches the 70 level, and likewise, as the RSI approaches 30, it is deemed to be oversold.

### **Fibonacci Retracement**

Refers to areas of support or resistance. A Fibonacci retracement shows the potential retracement of a financial asset relative to the original move in price. A trend line is drawn between two points and then the vertical distance is divided by key Fibonacci ratios; 23.60%, 38.25%, 50.00%, 61.80% and 100.00%. This tool can also be used as a projection method.

### **Moving Average Convergence Divergence (MACD)**

A trend-following momentum indicator that shows the relationship between two moving averages of prices. The MACD is calculated by subtracting the 26-day exponential moving average (EMA) from the 12-day EMA. A nine-day EMA of the MACD, called the "signal line", is then plotted on top of the MACD, functioning as a trigger for buy and sell signals on the crossover of the two lines. The histogram highlights the narrowing and widening of the two averages acting as an indicator for slowing or increasing momentum in the market. I.E a flattening or decreasing histogram in an upward market would suggest that the upward move could soon stall.

## Award winning broker

In 2015 FIS was named as the best performing inter-dealing broker in Iron Ore swaps and options by Singapore-based SGX AsiaClear for the third consecutive year.

For More information on this report please contact:

Edward Hutton

Tel: +44(0)20 7090 1121

E-mail [Edwardh@freightinvestor.com](mailto:Edwardh@freightinvestor.com)