BULLISH ON OIL
By Daryl Guppy

In June we were bullish on oil setting an upside target near $58 based on the breakout above $48. The upsides target was not achieved. The trend breakout failed to develop and the oil price fell. Despite this short term behavior the long term outlook for oil is bullish with medium term targets at $58.

There are three sets of feature's which confirm and define this bullish outlook. They are the Guppy Multiple Moving Average relationships; the emerging chart pattern; and the history of support and resistance trading bands.

The first feature is the GMMA relationships. The GMMA pattern of trend breakout consists of three parts. The first part is a rally that tests the value of the lower edge of the long term GMMA. This happens in 2015 June. The second part is a breakout above the upper edge of the long term GMMA. This developed in 2016 June. The third part is a retest of the support levels followed by a rebound.

It is this third part that is currently developing. Its not a classic GMMA test, retest and breakout pattern because the recent retreat has fallen below the value of the long term GMMA. However it has rebounded from the historical support level near $38. The lower average of the short term GMMA group of averages has dipped below the lower edge of the long term GMMA but the short term group is now rebounding. This behavior is consistent with the classic GMMA trend breakout pattern of behavior.

The second feature is the development of an inverted head and shoulder reversal pattern. This pattern is yet to be fully confirmed but we show the potential right hand shoulder with the ? mark. If this rebound rally is confirmed by a move above $48 then the inverted head and shoulder pattern is also confirmed. This is a strong trend reversal pattern. The depth of the pattern between the neckline and the head is measured and the value projected upwards. This gives a long term upside target near $72.

The third feature is the historical pattern of support and resistance levels. The rebound from support near $38 is part of this pattern behavior. Resistance is near $48. A breakout above this level gives an initial target near $58.

We continue to use the [ANTSYSS](#) trade method to extract good returns from these price movements. The resistance level near $58 is the most significant resistance level for any trend change. A successful breakout above $48 can move quickly to the historical resistance level near $58. This offers good short term trading opportunities

The breakout above $38 has a target near $48. The breakout above $48 has a target near $58.