

ICAP Technical Analysis



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Wed 15 Feb 2017 - Charts of the Day

Chart of the Day

15 Feb 2017

Crude Oil:

A Trading Range Refresh

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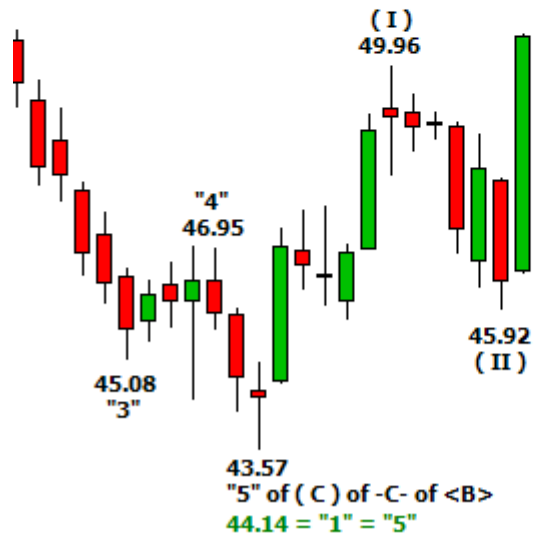
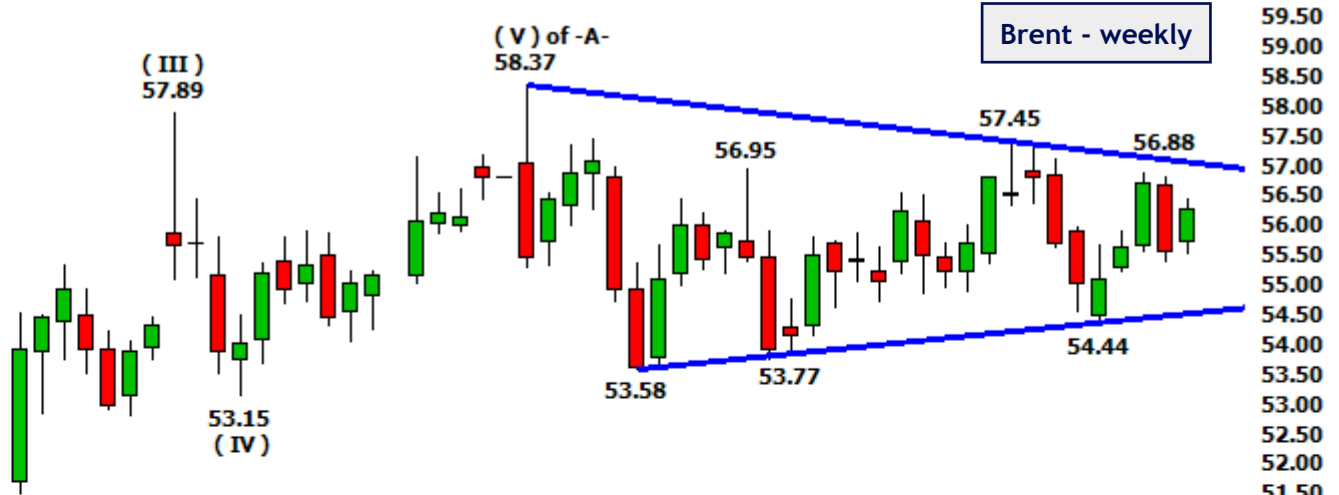


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The Triangle: 3 key facts

1. Triangles typically break out in the direction of the trend that preceded the triangle.
2. In this case the break out from this triangle should be to the upside
3. However when a triangle persists too close to the apex it typically morphs into an extended trading range instead of a break out.



The Triangle as food processor

The triangle is typically a nightmare for traders trying to get positioned for a longer term trade. A food processor chops, shreds, grinds, slices, and dices. No vegetable survives an encounter with a food processor unscathed. But that is the purpose of such a machine.

The Purpose of a Triangle

The purpose of a triangle is to correct momentum and sentiment extremes so that the original trend can resume. To work off a bullish excess the bulls must be confounded and frustrated. This triangle has so far lowered the daily RSI from a stratospheric 69% to a more down to earth 46%.

Nov 9 15 24 Dec 9 15 26 '17 10 19 25 Feb 9 15 Daily

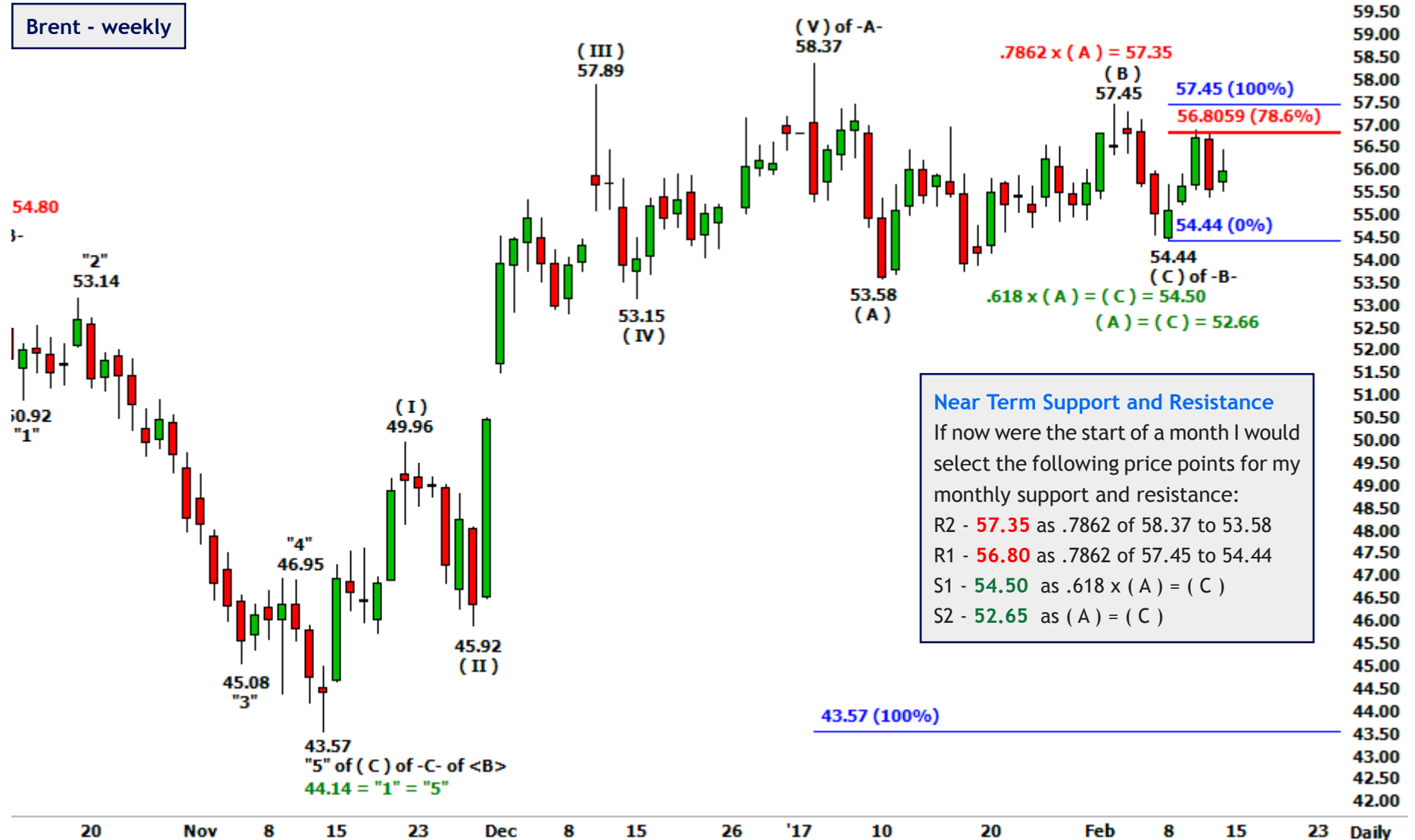
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Brent - weekly



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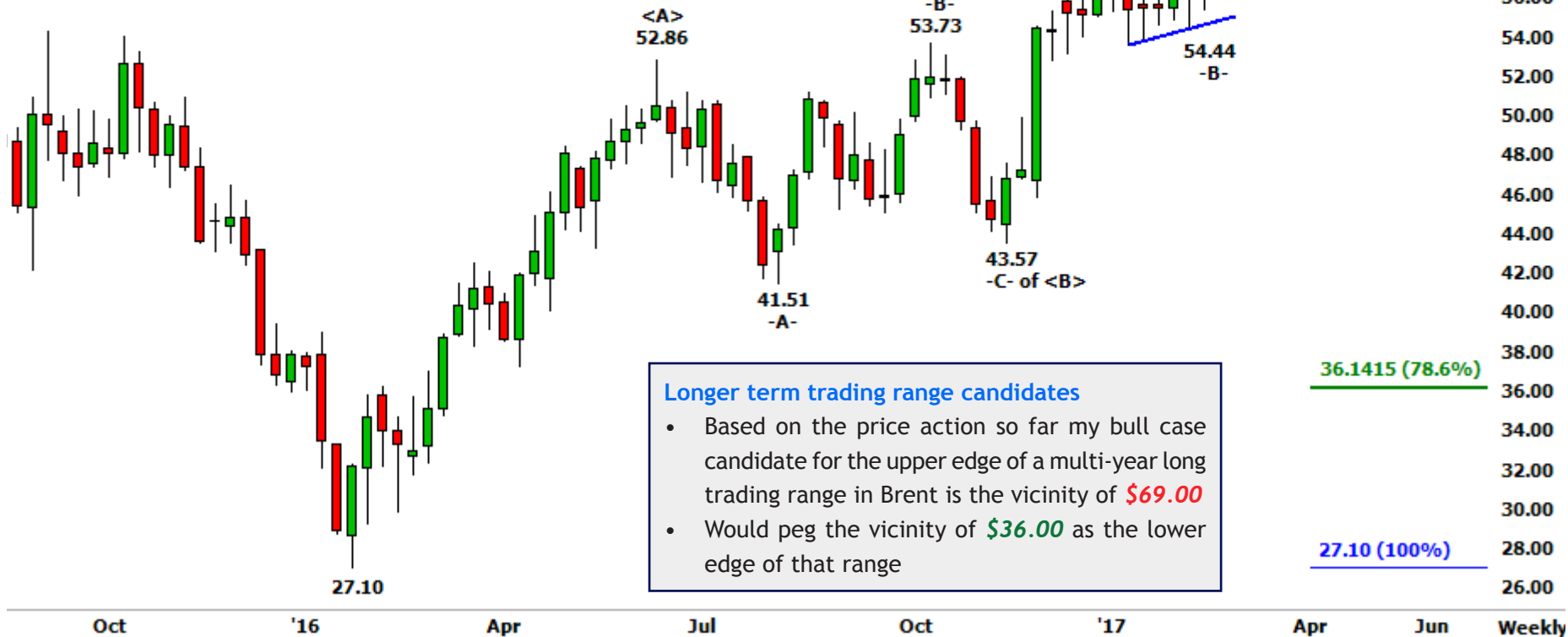
If 1986 is the precedent for 2016

In my 15 year commodity cycle model the precedent from here should be the period from 1986. From the 9.75 cycle low of 1986 crude oil formed an extended trading range. Within two years of that 9.75 low the upper edge of that trading range was set (the occasional mid-east war notwithstanding). See also page 6.

Brent - monthly

Bull Case Yearly Resistance $\langle A \rangle = \langle C \rangle = 69.35$ 69.35 (0%) 70.00
 $-A = -C = 69.24$ 68.00

63.60 = .618 x $\langle A \rangle = \langle C \rangle$ 64.00
Bear Case Yearly Resistance 62.00
 59.50 = .618 x $\langle A \rangle = \langle C \rangle$ 60.00



Longer term trading range candidates

- Based on the price action so far my bull case candidate for the upper edge of a multi-year long trading range in Brent is the vicinity of **\$69.00**
- Would peg the vicinity of **\$36.00** as the lower edge of that range

36.1415 (78.6%)

27.10 (100%)

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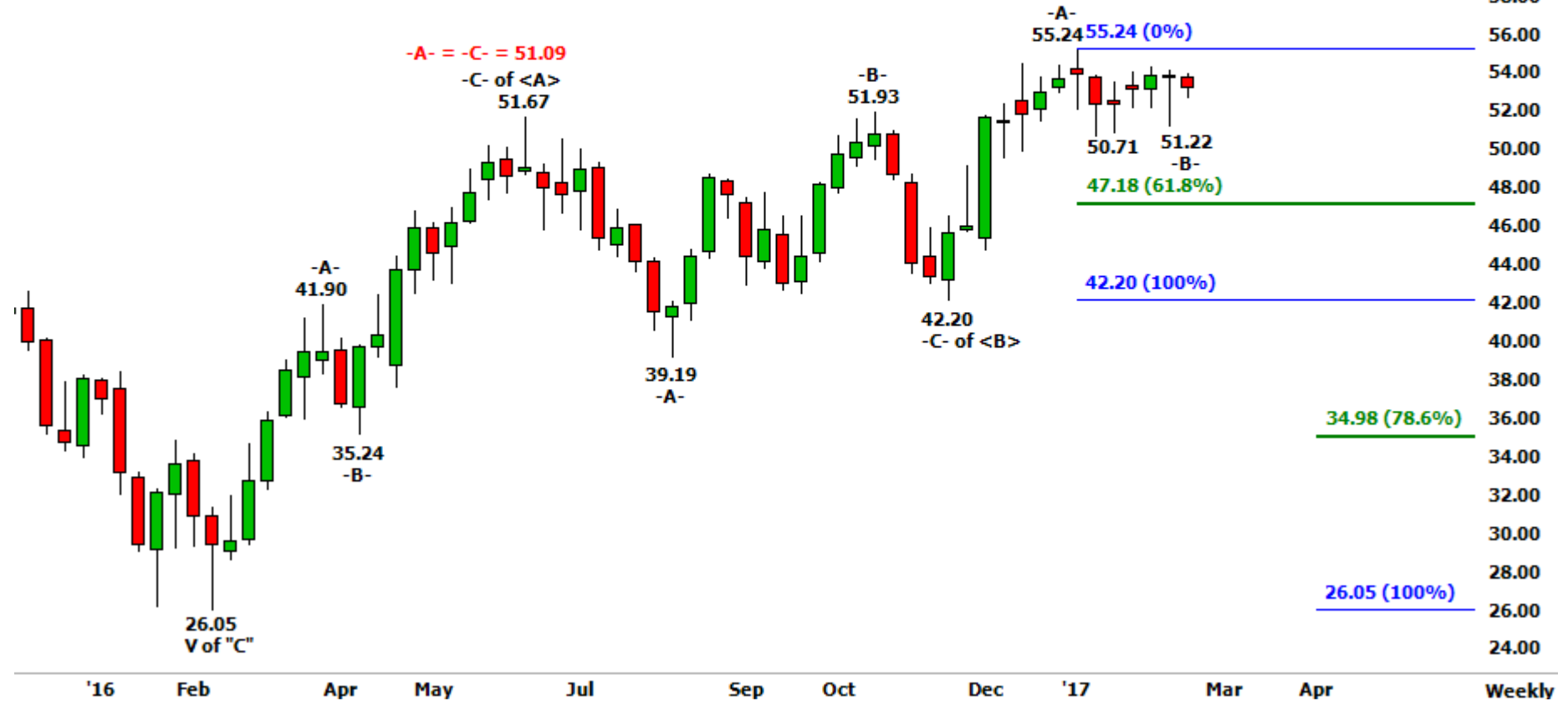
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Longer term trading range candidate

- Based on the price action so far my bull case candidate for the upper edge of a multi-year long trading range in WTI is the vicinity of **\$66.00**
- Would peg the vicinity of **\$35.00** as the lower edge of that range

WTI - monthly



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