

**Fig. C-4 WTI Crude Oil Spot Price with Momentum Models (Monthly, left; Weekly, right)**

Source: TradingView

## OIL: Structural Reversal Underway?

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There are several fundamental presentations suggesting Oil can reach toward 80 or 100, but these projections do not carry technical evidence. Yet from a Technical perspective the price of Oil may now proceed to 100 over the months / years ahead and suggests that a Structural Reversal to a new advance may be underway.

If we start with a bit of history for the **Energy** Sector (**Fig. C-5**), from 2000, with the price and the Relative Strength to the S&P 500, one can note when we turned Structurally Negative on the **Energy** Sector RS in 2014, as the RS broke to a 7-year low (see lower panel, lowest arrow). That break created the profile for a structural (multi-year) price decline, following the RS negative divergences on the rising price peaks (upper panel) over those years (see lower panel, rising arrows on those price peaks).

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**Fig. C-5 S&P Energy Sector with Relative Strength versus the S&P 500**

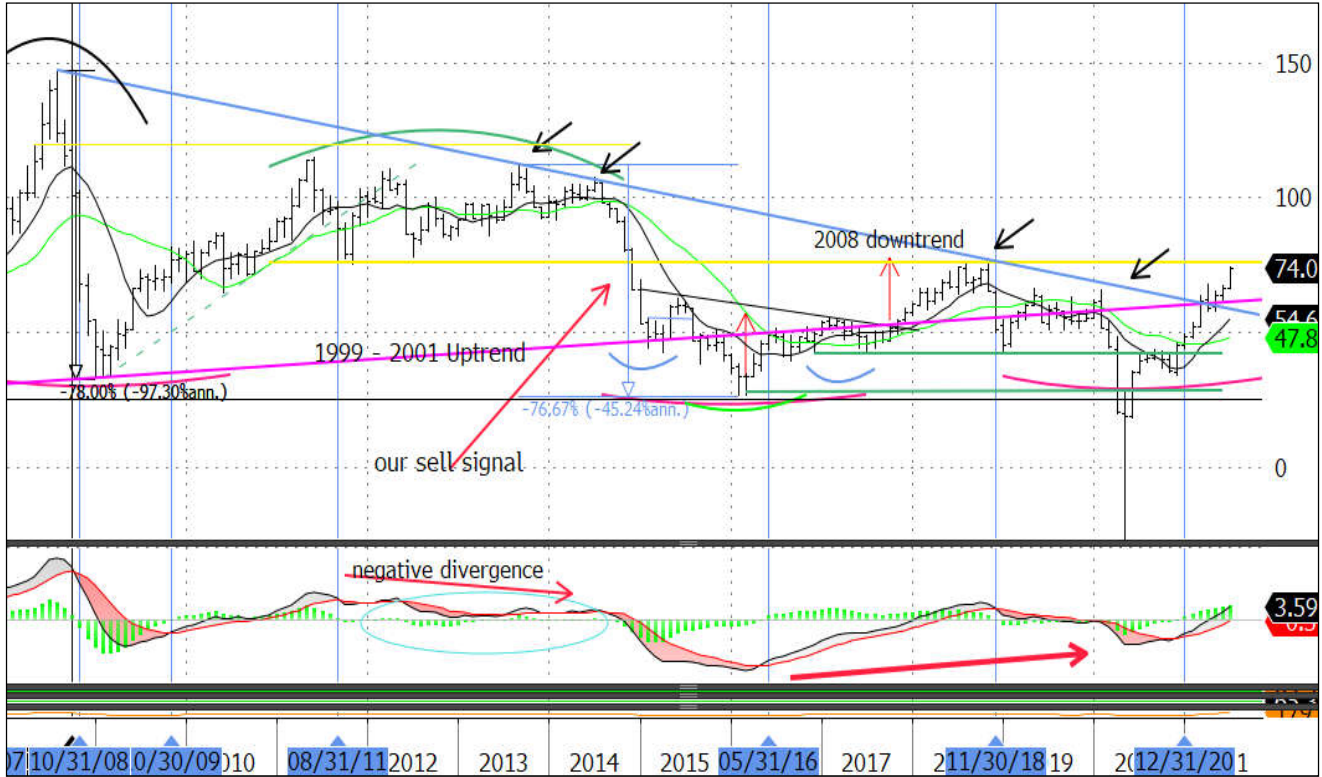
Source: Bloomberg & LY Advisors

This chart does not carry a corresponding extensive RS base, but upward reversals often occur faster than tops. There is a minor RS base addressing / crossing the 2014 downtrend. With a lift through that level the RS could rise to the 2008 downtrend resistance. The price completed a year-long double bottom and has penetrated the near-term 2018 downtrend and is addressing the 2016-2020 resistance.

Now looking at the monthly price of Oil (**Fig. C-6**), one can note the price has lifted through the 2008 downtrend after being thwarted at that point on 4 previous attempts (see declining arrows upper panel).

The monthly momentum (lower panel) is on a new Buy signal this year, and has demonstrated a positive divergence to the 2020 lower price low versus the 2016 low (see lower panel, rising arrow). The technical suggestion is that the break upward through the price downtrend should now prove sustainable with higher prices ahead. Interestingly, the recent price movement has regained the 1999-2001 uptrend.

**Fig. C-6 WTI Crude Oil Spot Price with Monthly Momentum Model**



Source: Bloomberg & LY Advisors

**Fig. C-7 WTI Crude Oil Spot Price with Regression Channels**

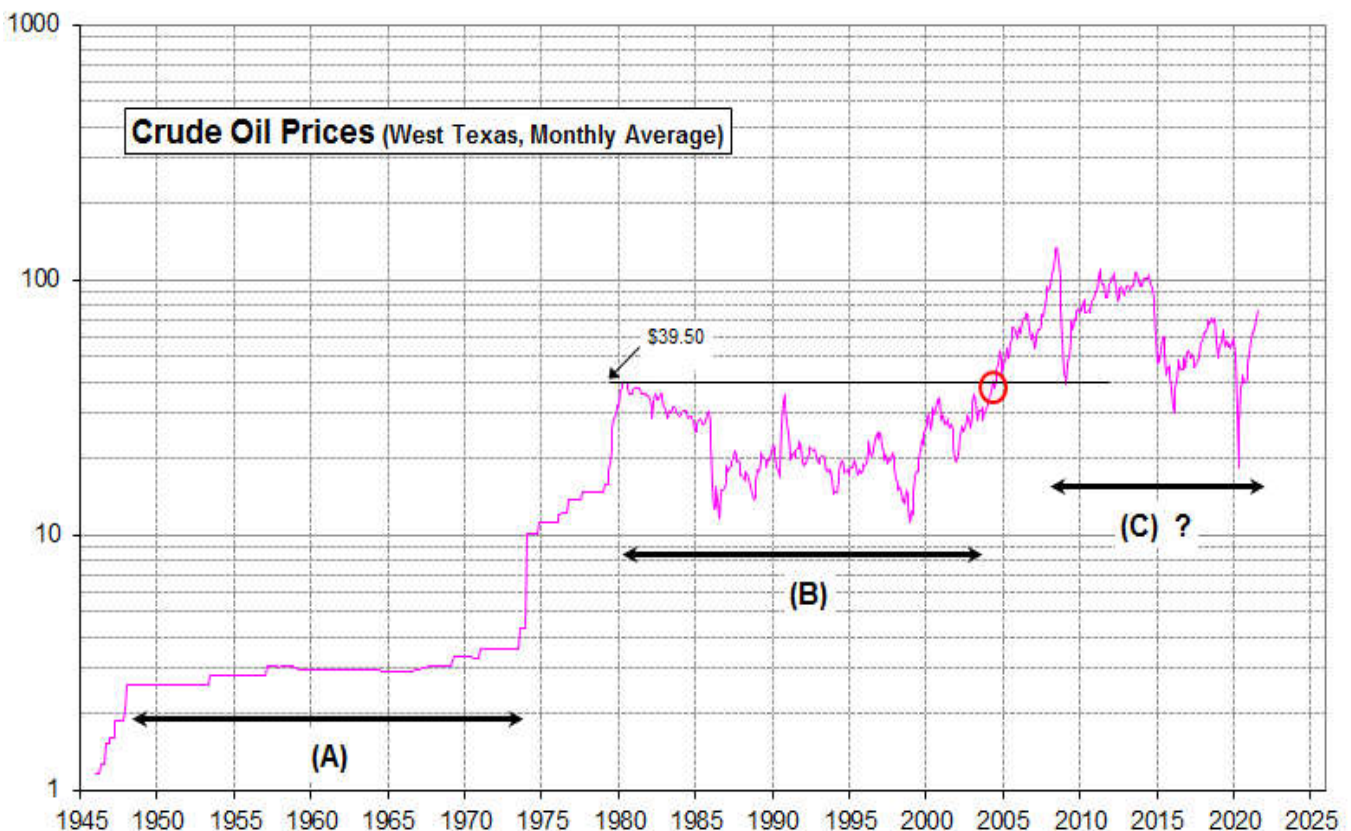


Source: Bloomberg & LY Advisors

The Regression chart, created by Jonathan Lin years ago (**Fig. C-7**), demonstrates the alternating patterns of price as it reaches extremes, both up and down. Following the 1994 to 2004 price behavior from the lower, minus-two-standard deviation line, one can view the potential for the current 2015-to-present price behavior, of bases (saucers), and can extrapolate a continued rise to the regression line near 100. Thereafter, the technical potential exists for price to rise again above that level over the years ahead, (even toward the upper standard deviations?) as occurred in the last 2 progressions.

The final chart (**Fig. C-8**) is the much longer-term history of Oil price which carried a fascinating symmetry in that price maintained a 25-year fluctuating horizontal price consolidation (see A) followed by a strong rise in price. In 1980 the price of Oil maintained another 25-year widely fluctuating horizontal price consolidation range (see B) followed by a strong rise in price to over 100.

**Fig. C-8** WTI Crude Oil Spot Price (Monthly Average, 1946-present)



Source: Bloomberg & LY Advisors

We asked technically at that time whether that price rise would initiate another possibly 2-decade horizontal wide price fluctuation (C), which to date has accommodated our 2014 Sell signal followed by the price drop toward 26, for a 77% decline into 2016. We can ask whether price now could carry again toward 100, the upper border of the new potential wide horizontal consolidation pattern. The chart above also suggested 100 as a possibility.

We should anticipate price volatility ahead within the new potential range based on the behavior of “A”, “B” and “C” so far.

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