

OIL PRICE MOVEMENTS

OCTOBER 5, 2017



Monday and Tuesday were spent defending the 50.00 \$/bbl support line in WTI and yesterday started the same way. After the overnight pressure due to the API report, WTI managed to hold 50.00 \$/bbl during the European hours (low of 50.02 \$/bbl during those hours). Not able to break that line, crude oil then had a rebound that brought crude oil for the start of the US session back to the closing value of Tuesday.

The DOE report triggered a buying wave but that wave lacked follow-through buying and more aggressive selling appeared when crude oil could not hold the closing level of Tuesday. On that selling wave, WTI did break the support of 50.00 \$/bbl but that triggered some buying to bring WTI back above 50.00 \$/bbl for the close (that was however missed by 0.02 \$/bbl as WTI closed at 49.98 \$/bbl).

Volume in WTI was again moderate (especially for a DOE day) and activity in options is light. There were no flows in the WTI ETF (USO). The USO and the main commodity indices start their monthly roll tomorrow. The S&P GSCI will roll WTI from Nov to Dec and Brent from Dec to Jan. The S&P500 continues to rally, printing yet another record high; the Dollar Index is steady.

The DOE report could not hold crude oil and the big test the rest of this week will be on the support line of the 200-day moving average in WTI (49.54 \$/bbl). Products were rebounding yesterday and at least this is not creating additional pressure on crude oil. The potential for hurricane Nate over the weekend is a price-upside risk for products as the Atlantic Basin cannot afford another wave of refinery disruptions in the US Gulf; this is a short-covering risk for the weekend and Nate could help crude oil as the storm comes right when WTI is testing a key support line (200 day mavg).

In WTI we trace a first resistance at 50.20 \$/bbl followed by 50.70 \$/bbl (high Tuesday at 50.73 \$/bbl and ydy high at 50.67 \$/bbl). Key test of support at 49.54 \$/bbl (200-day moving average) followed by 49.00 \$/bbl and 48.65 \$/bbl.

In Brent we trace a first resistance at 56.40 \$/bbl followed by 56.85 \$/bbl (contract roll gap). First support at 55.60 \$/bbl followed by 55.00 \$/bbl and 54.67 \$/bbl.