

ROMANIAN MARKET REPORT

"To speculate is human, to hedge is ... divine"

September 21st – 25th 2009

Technical Analysis – OIL



OIL titles extended to as high as 0.2937 so far and further rise could still be seen to 0.3271 resistance zone. Nevertheless, such rise is still treated as a correction only and hence we'd expect strong resistance at mentioned 0.3271 area to conclude the correction and even bring fall resumption. As the OIL charts shows, the price is in a strong uptrend since the beginning of 2009, forming an upwards channel, which was broken to the upside in the last trading sessions, confirming thus the bull market.

But after all, we'd expect upside to be limited at the 0.2937 resistance and bring fall resumption, because last days' increase was very aggressive and consolidation could be seen.



As mentioned before, OIL titles price broken to the upside the upper band of the channel, which is expected to act now as a strong support around 0.2375 area. The breakout was confirmed also by the RSI indicator, which followed the price of the titles and formed also a higher high. Also, the ADX indicator confirmed the bullish direction, with the +DI above the -DI, being well separated at the same time.

However, the next period will be very important, as the RSI is in an overbought area (above the 70 level), which could determine some market players to take profits and short the titles. The Stochastic indicator also is in an overbought area and is now pointing downwards, indicating a possible bearish momentum.

Another signal of alarm is the candlestick formed in the last trading session, which could be interpreted as a „morning star”, indicating also a possible stop in the upside momentum.



In the bigger picture, we're still favoring the case of an upwards trend, but a break of 0.2895 resistance is needed to confirm this case. In such case strong upwards rally, possible corrections should be seen to 61.8% retracement, at 0.2200 at least. On the downside, 50% and 38.2 % retracements will provide also powerful supports.

The upside momentum is confirmed also by the SMA 100 (medium term) and SMA 200 (long term) which has crossed each other, indicating a possible change in the long term trend. If in the last 2 year, SMA 100 was below the SMA 200, both moving averages pointing downwards, in September 2009 the SMA 100 crosses above SMA 100, confirming thus the bullish trend. However, as we mentioned before we expect a period of consolidation before the OIL titles to rise further and reach higher highs.

Our recommendation is to hold the OIL titles, and to buy around Fibonacci levels, around 0.2200 area.