

WTI OIL

WTI Oil: Oversupply concerns leave prices depressed

WTI Oil fell victim to an unrelenting selloff for the most part of Q1, as concerns over the excessive oversupply of oil in the heavily saturated markets encouraged bearish investors to attack prices. The value of this commodity has depreciated over 80% from its peak and with no visible slowdown in selling momentum amid the oversupply woes, more losses may be expected as Q2 commences. It was the dangerous combination of an overwhelming oversupply and faltering demand that encouraged this dramatic selloff, which saw prices decline to the painful 13 year lows of \$26 in February.

With Oil, it's the solid fundamentals of an unrelenting oversupply that continue to haunt investor attraction, consequently sabotaging any real recovery in value. Despite this, OPEC has exploited the explosive levels of volatility in Q1 to manufacture speculative boosts in oil prices that ultimately acted as relief rallies for deeper declines to come. The ongoing talks over possible production freezes that offered WTI bulls a lifeline may be wearing off as Iran remains on a quest to pump at least 4mbpd into a market that is already 2mbpd oversupplied. There is an upcoming OPEC meeting in April which may trigger another heavy selloff if no real solution is agreed to quell the excessive oversupply.

Oil may be poised to decline further as we enter Q2, with lingering fears over slowing global growth reigniting concerns that demand may be waning while oversupply woes ensure that prices will remain depressed. Crude stock piles are still building up and despite these low prices, producers continue to cope with US shale showing heavy resilience. A major decline is pending with the commodity potentially sinking back towards \$25, a level which may shake the global markets and force the cartel to actually cooperate with a legitimate supply cut.

In regards to the technicals, WTI is strikingly bearish and this may remain the case as long as the concerns over the excessive oversupply of oil continue to haunt investor attraction.

Despite the extended relief rally, the strong resistance at 41.40 quelled any further bullish advances and provided bears the foundation to send prices back towards the \$35 support.

WTI Oil Daily



WTI Oil Weekly



Bears remain clearly in control on the monthly as there have been consistently lower lows and lower highs while the weekly reinforces the strong resistance at \$41.40. Momentum could start to pick up once the daily bullish channel is breached and for this to happen prices need to close below \$38. Weekly lagging indicators such as the MACD which point to the downside and moving averages suggest that oil still has the potential to sink back to \$26 but the first steps may be a break below \$38.

WTI Oil Monthly



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