



Charts of the Day for Thursday

08 Dec 2016

RBOB:

May 2017 contract pre-season rally trade

Walter J. Zimmermann Jr.

ICAP Technical Analysis



For over 9,000 years the 5th day of the week has been named for the planet Jupiter. Thursday is from 'Thor's Day' as Thor was the Norse Jupiter. The moon Ganymede on the right is larger than the planet Mercury.

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Trading a Pre-Season RBOB Rally

- My report dated 06Dec16 concluded that, at current prices, it is not possible to locate a realistic 3 to 1 reward to risk ratio in a long RBOB Crack spread trade for a winter to spring pre-season RBOB rally.
- I encounter similar difficulties in both the May-Dec RBOB spread and the May RBOB minus ULSD spread.
- Both M_{AY}-Dec RBOB and May RBOB minus ULSD will their own report.
- The bottom line in all these three spreads is that i I need a dip to buy in order to get a decent reward to risk ratio.
- My recourse is to look for a flat price bull trade in something like the May 2017 RBOB contract.
- So this report looks at the May RBOB contract.
- I begin with the big picture for spot and then work my way down to May 2017 contract one step at a time.

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The 15 Year Commodity Cycle Low

- The 15 year commodity cycle consists of a major low every 15 years
- The next 15 year commodity cycle low was due into 2016
- The over arching issue is whether .8975 was that cycle low for RBOB
- To derail the bear case for another new low below .8975 a decisive monthly close above **1.6940** is required.

.618 x <A> = <C> = .9957
monthly low close = 1.0497

.8700 = .618 x <C> = <E>

.618 x <C> = <D> = 1.6936

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Next 3 Candidates for Resistance

This updates page 25 of my outlook for December

- The **1.5810** as .852 of 1.6351 to 1.2681
- Then the **1.7435** as .618 x <A> = <C> from .8975
- Then the **1.9900 - 2.0370** range.

Seasonal Cycle and Elliott Wave

Note how closely the target for an average winter to spring rally aligns with the Elliott <A> = <C>

Spot RBOB - weekly



The Bull Case is the Seasonal Cycle
 For the years 1983 to 2016 the average seasonal cycle is a 57% gain in spot contract value from 13th December to 1st May

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Near Term Support and Resistance

- From a 1.5070 low the minimum upside in this wave count is **1.7000**
- The must hold for the most bullish case is the **1.4650** level.
- From a 1.4650 low the minimum upside in this count is **1.6570**
- If 1.5070 holds and then 1.7000 is bettered the implied upside target becomes **1.8180**

Spot RBOB - 300 min



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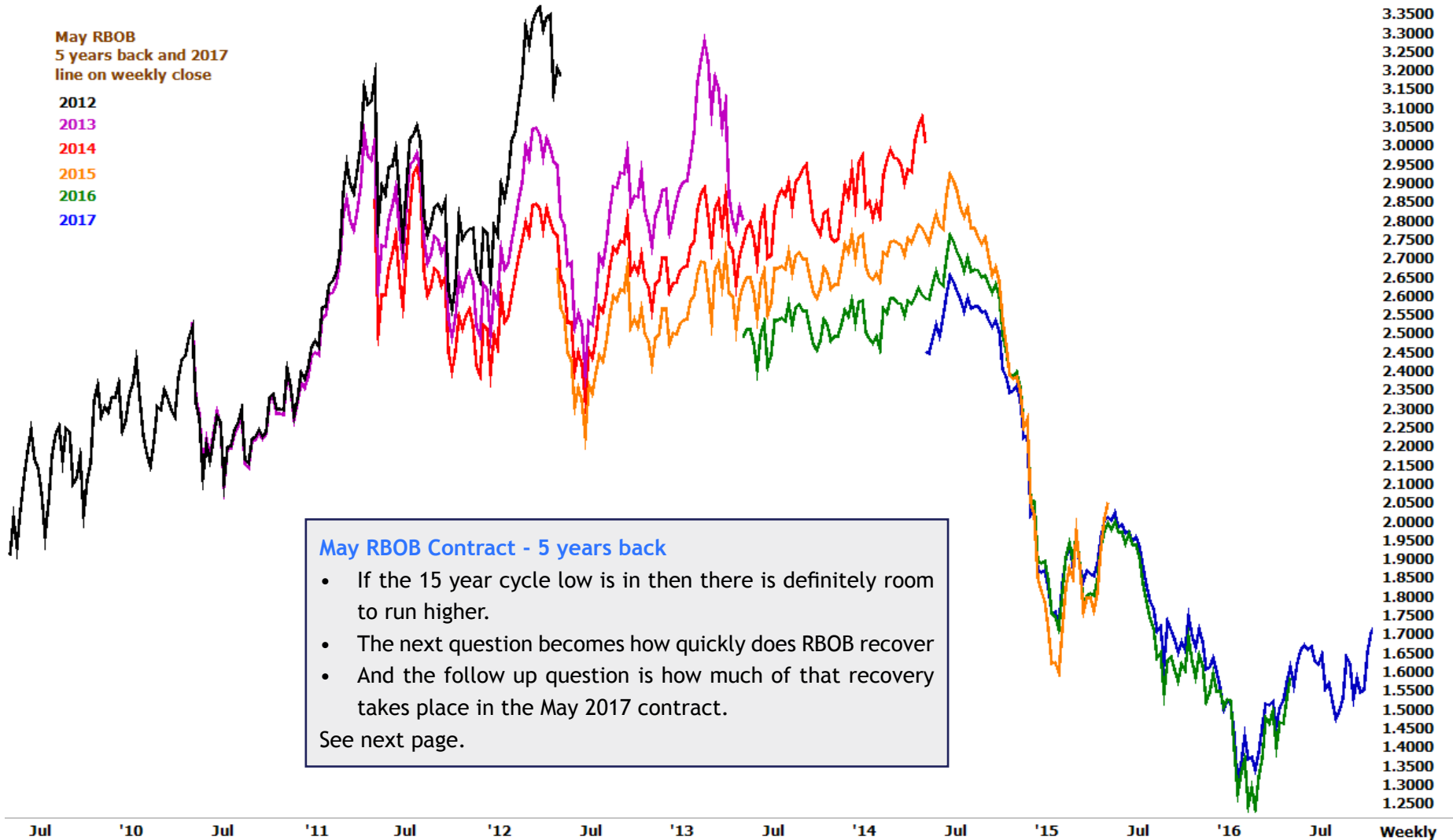


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May RBOB
5 years back and 2017
line on weekly close

2012
2013
2014
2015
2016
2017



3.3500
3.3000
3.2500
3.2000
3.1500
3.1000
3.0500
3.0000
2.9500
2.9000
2.8500
2.8000
2.7500
2.7000
2.6500
2.6000
2.5500
2.5000
2.4500
2.4000
2.3500
2.3000
2.2500
2.2000
2.1500
2.1000
2.0500
2.0000
1.9500
1.9000
1.8500
1.8000
1.7500
1.7000
1.6500
1.6000
1.5500
1.5000
1.4500
1.4000
1.3500
1.3000
1.2500

Jul '10 Jul '11 Jul '12 Jul '13 Jul '14 Jul '15 Jul '16 Weekly

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May 2017 - daily

Conservative Strategy: buy a retreat

- The conservative strategy would be to buy a retreat to the 1.7300 area
- The protective sell stop would be a break below the 1.7060 level.
- The minimum upside target would be the 1.9500 to 2.0400 range.

<A> = <C> for spot = 2.0370

Average spot pre-season rally = 1.9900

for May "A" = "C" = 1.9578

