

Strong resistance ahead

CRUDE CHECK. Corrective fall expected

Akhil Nallamuthu

bl. research bureau

Crude oil prices gained for the sixth week in a row. The Brent crude futures on the Intercontinental Exchange (ICE) was up 1.7 per cent as it ended the week at \$85.8 a barrel. The MCX crude oil futures (August contract) appreciated 4.3 per cent as it closed at ₹6,859 per barrel on Friday.

The Joint Ministerial Monitoring Committee (JMMC) of the Organisation of the Petroleum Exporting Countries (OPEC) kept the policy on oil production unchanged when they met last Friday. But, a day before the JMMC met, Saudi Arabia, one of the largest producers of the energy commodity, announced the extension of the production cut of one million barrels per day into September as well.

Expectation of a tighter supply and increasing demand outweighed the concerns about the interest rate hike and economic growth, leading to the extension of the rally.

MCX-CRUDE OIL (₹6,859)

The August futures of crude oil crossed over the resistance at ₹6,750 last week. The price action hints that the contract will



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most likely touch the ₹7,000-mark. However, post reaching this level, there might be a minor correction in price where the contract might dip to ₹6,750.

A break below ₹6,750 can drag the contract further towards the 20-day moving average, which is now at ₹6,400. On the other hand, if crude oil futures break out of ₹7,000, it will open the door for further appreciation, potentially to ₹7,600.

Trade strategy: The target at ₹6,725 for the longs initiated at ₹6,140 was hit last week. Going ahead, even though the trend is bullish, there is a resistance ahead for crude oil futures, from where there could be a drop in price.

Moreover, the risk-reward is not favourable for the longs now. So, stay away until there is a technical confirmation about the next swing in price.