

Crude Oil

HOW FAR THE MARKET'S RALLY CAN GO? The large brokerage houses and investment banks start giving outstanding targets: \$120,\$150 and even \$220/barrel,but isn't a déjà vu scenario?

Numbers show that oil inventories are high and there is plenty of capacity in world shipping. The short term speculative buying by ETFs and hedge funds last week has overdone giving that unrest in the Middle East has caused little damage to the world supply. The only risk is If Saudi Arabia, the world's largest oil exporter, has unrest (low probability).

Technically speaking, the market's rally has almost reached 61.8% retracement of the previous downside move from 147.31 to 33.55.The 103.83-104.00 should cap the rally with slight probability for market extension toward 109.30 before crude reverse direction in multi-downside swings toward 70.00-67.50 area.

