

Commodity

Commodity Weekly

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Weekly Report

Brent

Brent Future – Expiry date: Nov 2020



Source: Thomson Reuters

In recent sessions the commodity remained in the key resistance area of 45/46 USD. The short-term view still shows signs of stress within the upward movement, paving the way to the activation of new selling initiatives. In particular, the trades could descend to the 42.40/42.10 area. A possible breach of this support would produce further slides, in the short-term, towards the 38.50/38 area and 36/35.50, where we expect new signs of a reaction; while the maximum short-term extension of the descent would reach the 31/30.50 area. By contrast, the immediate activation of new signs of strength would materialise if the 47 level is breached: this would extend the upside to the 48.50/48.70 area and, in the short/medium term, to 52/53, where we expect a new weakness.

The trades remained in the 45/46 area, yet showing signs of stress that work in favour of the activation of new bearish initiatives

Technical levels

Res1	Res2	Res3	Close	Sup1	Sup2	Sup3
46.99	50.78	53.80	45.11	42.10	39.95	37.60

Source: Intesa Sanpaolo Research elaborations on Thomson Reuters data

Decision support system

Time Horizon	Operational signal	Trend	Position	Target	Stop	R/R
Medium	HOLD	DOWN	LONG	56.95	36.84	1.43
Short	HOLD	SIDEWAYS	LONG	48.80	42.19	1.26

Source: Intesa Sanpaolo Research elaborations on Thomson Reuters data

Report priced at market close on day prior to issue (except where otherwise indicated)

Expected range for the current week: 44.38 – 47.72

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See page 4 for full disclosure and analyst certification

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Italy PSV Natural Gas

Italy PSV Natural Gas Future – Expiry date: 2021



Source: Thomson Reuters

Within a bearish baseline structure, last week the commodity showed signs of an intermediate reaction, which is not yet complete. Therefore, in the coming sessions, we still expect a continuation of the rebound with a target in the 14.60/14.65 area; the potential breach of this resistance could extend the reaction to 14.99 and, in the short term, to the 15.30/15.40 area, where the baseline trend could resume. On the other hand, the loss of the 13.40 support level would determine the immediate continuation of the downside, towards the 13.15/13.10 area and possible extensions that could move the trades up to the 12.60/12.50 area, where we expect the activation of new buying initiatives.

The baseline trend is bearish, nonetheless we expect a continuation of the intermediate short-term reaction seen last week, before the start of new weakness signs

Technical levels

Res1	Res2	Res3	Close	Sup1	Sup2	Sup3
14.77	14.94	15.26	14.10	13.39	13,10	12.80

Source: Intesa Sanpaolo Research elaborations on Thomson Reuters data

Decision support system

Time Horizon	Operational signal	Trend	Position	Target	Stop	R/R
Medium	HOLD	DOWN	SHORT	12.70	15.29	1.18
Short	BUY	DOWN	LONG	14.37	13.62	0.56

Source: Intesa Sanpaolo Research elaborations on Thomson Reuters data

Expected range for the current week: 13.90 – 14.45

Focus Weekly: Palladium**Palladium – Expiry date: Nov 2020**

In the second half of July, the commodity showed early signs of strength, that should continue in the coming sessions. The targets of the upside are set in the 2385/2400 area before and 2460/2480 subsequently, with possible extensions in the short/medium-term towards 2750, where we expect new intermediate signs of weakness. By contrast, immediate signs of a correction would result in a return of the trades up to the 2110/2080 area, where a resumption of the uptrend is likely; while the prevalence of the bearish pressures would affirm only in if the 1910 support level is lost. In this context, the trades could slide in a short/medium term context towards the 1750 support target, where a new rebound could start.

In the second half of July, the commodity showed early signs of strength. This movement could continue in the coming sessions

Technical levels

Res1	Res2	Res3	Close	Sup1	Sup2	Sup3
2363	2697	2761	2182	2136	1841	1743

Source: Intesa Sanpaolo Research elaborations on Thomson Reuters data

Decision support system

Time Horizon	Operational signal	Trend	Position	Target	Stop	R/R
Medium	BUY	UP	LONG	2450	1989	1.39
Short	SELL	SIDEWAYS	SHORT	2049	2319	0.97

Source: Intesa Sanpaolo Research elaborations on Thomson Reuters data

Expected range for the current week: 2162 – 2280

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This document contains prices, key technical levels and comments on the Brent Future, the Italy PSV Natural Gas and a third commodity selected from the 'Commodity Future Basket' report, which includes the futures contracts on commodities traded on the main international markets (ICE, CME, CMX, NYMEX, LME). The time series were obtained from generic futures (source: Bloomberg).

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Methodology

This document has been prepared on the basis of technical analysis. Technical analysis is the study of market variables, such as price, pattern, frequencies, graphical configurations, volumes, movement dynamics, temporality and cyclical trends, volatility, and market psychology. The aim of the analysis is to correctly evaluate the investment risk and probable future trend of the security being analysed. The analysis is based on historical series, requiring the maintenance of a database of each security. The analysis in this report is based on professional experience in the application of technical analysis. The information and signals are generated based on data obtained from sources deemed reliable and truthful. Past performance is not a guarantee of future results.

Trend:

The trend is the direction of the security analysed on the basis of historical data, which can be UP (bullish), DOWN (bearish) or SIDEWAYS (neutral). Past performance is not a guarantee of the future performance of the security analysed.

Support (SUP1 – SUP2 – SUP3):

The support level is the level where prices tend to find support going downwards. A breach of the support level shown in the table (first Support) can lead to further selling pressure and a test of the next level (second Support). Support levels can be static (i.e. the level does not change over time) or dynamic (i.e. the level changes over time).

Resistance (RES1 – RES2 – RES3):

The resistance level is the level where prices tend to find resistance going upwards. A breach of the resistance level shown in the table (first Resistance) can lead to further price rises and a test of the next level (second Resistance). Resistance levels can be static (i.e. the level does not change with time) or dynamic (i.e. the level changes over time).

Position (D.S.S.: decision support system – an automatic and objective trading system based on proprietary algorithms):

Trades can be LONG (bullish), SHORT (bearish) or FLAT (neutral/out of the market).

Stop:

The stop is a defined price level, calculated on the basis of objective mathematical models, the breach of which triggers the automatic closing of the position on a daily basis. The Stop is a key tool in the management of risk in financial investments.

Target:

The target is a defined price level, calculated on the basis of objective mathematical models. The Target can be modified once reached (or when market conditions change) to higher or lower price targets depending on the type of trade (LONG or SHORT) according to the dynamics of the security analysed.

R/R (Risk/Reward Ratio):

R/R defines the relationship between the potential gain and the potential loss of the trade with respect to the last observed price.

In general, a preferable risk/reward ratio is above one, as there is a higher potential for profit versus the risk of incurring a loss.

Expected range for the week

The maximum and minimum values expected for the week

Chart:

In addition to the data in table format, the report includes graphs of the securities analysed on a daily basis with three moving averages (short, medium and long term) calculated on the closing prices. The Stochastic Oscillator (with a moving average calculated on it) is also used to identify the momentum of the security.

Time horizon:

The time horizon of the technical analysis can be divided into:

a) Short-term period

- The range varies from three days to three weeks;
- The price movement ranges from 5-7%;

b) Medium/long period

- The range varies from the next three weeks to two years;
- The price movement ranges from 8-10% and above;

Operational signals

The signals BUY (new buy signal), SELL (new sell signal), LONG (maintain upwards position), SHORT (maintain downwards position) and FLAT (neutral/out of the market) are generated automatically by a system based on technical analysis' oscillators and indicators. The indication of trend, support, resistance, operating positions, stop, stress and price target are generated using algorithmic methods. The analysis is automatically updated to reflect the dynamics of the securities analysed.

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