

# Support ahead for futures

**CRUDE CHECK.** ₹6,400 is the important level

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Crude oil prices witnessed a considerable fall over the past week. Brent crude oil futures on the Intercontinental Exchange (ICE) was down 7.3 per cent by closing at \$82.8 per barrel. Crude oil futures on the MCX lost 6.5 per cent by ending the week at ₹6,546 a barrel.

## **BRENT CRUDE FUTURES (\$82.8)**

Brent Crude futures fell off the \$90-mark last week. It has closed below a trendline support and another support at \$84. This has turned the probability high for further price correction.

Nevertheless, the contract has a support at \$81, which can potentially restrict the magnitude of the fall. But if this level is invalidated, the outlook can turn bearish. Nearest support levels below \$81 are at \$79 and \$76.

We expect the contract to drop to \$81 and then see a recovery, which can lift the contract to \$91.

## **MCX-CRUDE OIL (₹6,546)**

Crude oil futures (May expiry) depreciated and closed the week below the support at ₹6,800. It started to decline as fresh sellers arrived on the back of ₹7,000



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early last week. Considering the current price action and the downward momentum, we expect the crude oil futures to extend the downswing to ₹6,400. However, this level is a support, on the back of which there can be a recovery.

An upswing from ₹6,400 can take the contract to ₹8,000. But a breach of ₹6,400, can possibly trigger a fall to ₹6,000. Support below ₹6,000 is at ₹5,850.

**Trade strategy:** We recommended buying May crude oil futures at an average price of ₹6,775. Hold this trade with a stop-loss at ₹6,300.

When the contract recovers and rallies past ₹7,000, modify the stop-loss to ₹6,500. On a rally past ₹7,300, raise the stop-loss to ₹7,050. Tighten the stop-loss further to ₹7,400 when the contract hits ₹7,600. Exit at ₹7,900.