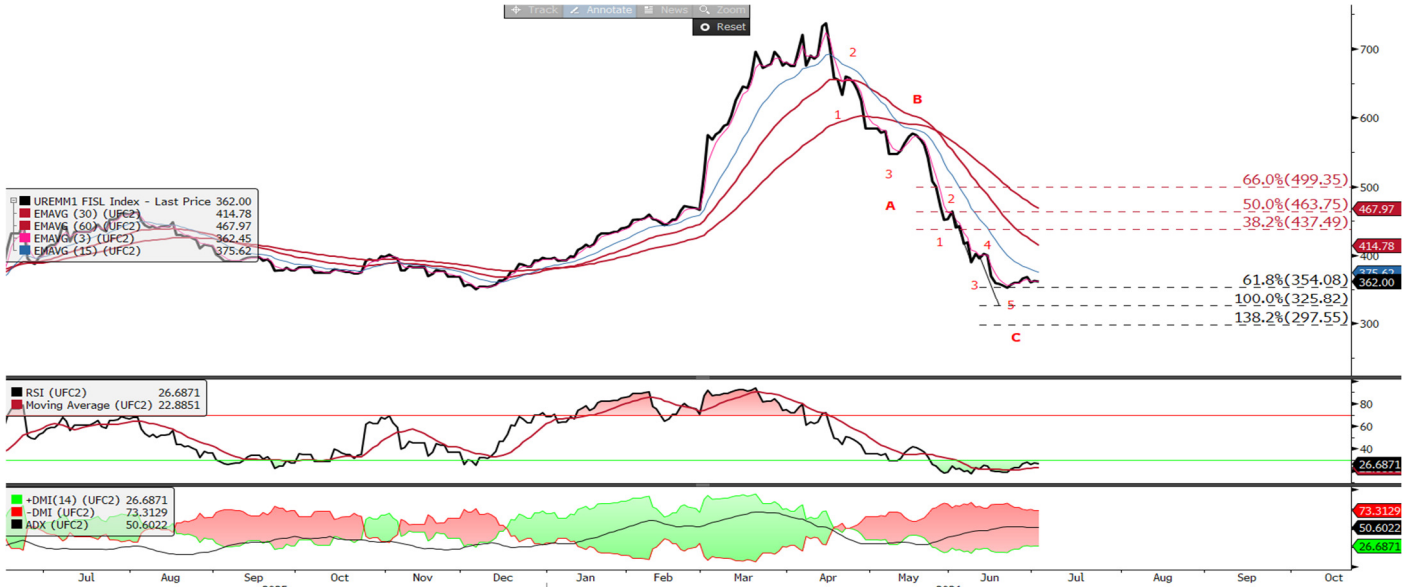




Urea (Granular) FOB US Gulf Futures

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Urea Aug 26



	Support	Resistance	Previous Close	Bull	Bear
S1	354	R1	402.5		RSI below 50
S2	325	R2	437		
S3	297	R3	463		

Synopsis - Intraday

Source Bloomberg

- Price is below the 30 - 60 period EMA's
- RSI is below 50 (26)
- 14—period Directional Market Index (DMI) -
- Technical outlook previously: Cautious on downside moves
- We noted last week that with no significant pullback having developed, I wondered whether the high of USD 577 on 15/05 was a very shallow Wave B. The only reservation is that it did not exhibit a clear three-wave structure, although this may simply be a consequence of working with closing-price data rather than intraday prices. What we could see was that the move lower from the high of USD 577 consist of 5-waves; we also noted that the futures were in divergence with the RSI. Not a buy signal, it warned that sell side momentum was slowing, which needed to be monitored. From a technical perspective, 5—waves down followed by divergence meant that we were now caution on lower moves at those levels.
- The futures have seen light bid support on the positive RSI divergence. We remain below all key moving averages supported by the RSI below 50.
- Upside moves that hold at or below USD 499 will signal a more complex corrective phase. Above this level the probability of the futures trading to a new low will begin to decrease.
- Technical outlook: Caution on downside moves
- As highlighted last week the futures are in divergence with the RSI having seen a 5-wave pattern lower, meaning we now have a cautious approach to downside moves at these levels. Breaking down the wave C pattern, the wave 3 looks to be the shortest wave, suggesting we are unlikely to trade below USD 325 within this phase of the cycle. If we do, then we are looking at a wave extension that is not yet apparent. Upside moves above USD 402.5 would signal that this phase of the cycle has completed, signaling an increase in buy-side pressure, warning that the Fibonacci resistance zone could be tested. We identify USD 499 as a key level to monitor, as rejections at or below the level will indicate a more complex corrective phase.

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