

Urea Aug 26



Support		Resistance		Previous Close	Bull	Bear
S1	396	R1	437	424	RSI above 50	
S2	376	R2	463			
S3	354	R3	499			

Synopsis - Intraday

Source Bloomberg

- Price is between the 30 - 60 period EMA's
- RSI is above 50 (57)
- 14—period Directional Market Index (DMI) +
- Technical outlook previously: Caution on downside moves
- As highlighted previously, the futures were in divergence with the RSI having seen a 5-wave pattern lower, meaning we had a cautious approach to downside moves at those 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 did, then we would be looking at a wave extension that was 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.
- The futures have moved higher on the positive divergence. We are between the EMA resistance band with the RSI above 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 would begin to decrease.
- Technical outlook: Buy-side pressure increasing
- The move higher on the divergence has resulted in the USD 402.5 resistance being broken, signaling an increase in buy-side pressure. Based on the Elliott wave count from last week, alongside the fractal break, we now have a cautious approach to lower moves. Pullbacks that reject the USD 499 resistance would warn that the corrective phase is becoming more complex; if this happens, market longs should act with caution. Conversely, throwbacks that hold at or above USD 376 will further support a buyer's argument. The DMI is now showing a bullish cross, if the ADX starts to turn higher, it will signal that we could be in the early stages of a trending environment, as it is already above 25.

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