# Chance to offset rising pump prices by profiting in the market

**TECHNICAL ANALYSIS**
**ROD MYER**

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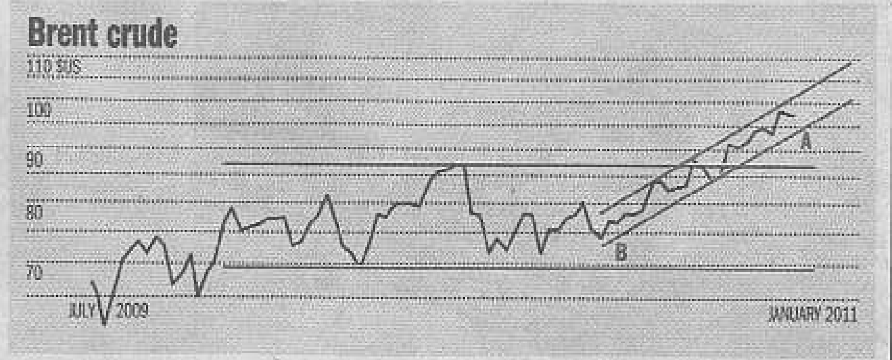
MOTORISTS who are watchers of the Australian dollar may have noticed something unusual lately when they went to fill their fuel tanks. While the Aussie has been bouncing around parity with its US counterpart, the price of petrol at the bowser has been climbing well into the $1.30s and above.

This, as the seasoned watcher knows, means the oil price is rising faster than the Aussie is rising against the greenback.

This reality is demonstrated by the attached chart produced by Mark Umansky, a certified financial technician and councillor with the Victorian chapter of the Australian Technical Analysts Association. The chart, of Brent crude (a light crude favoured to produce petrol), shows a price jump from about $US73 a barrel in August, to about $US97 now, a rise of 32 per cent.

Over roughly the same period, the Aussie has risen 13 per cent against the greenback, from US87¢ to about US99¢.

The current phase of strength in the oil price was preceded by what is known as a congestive phase that began in mid-October 2009 and ran through to December 3 last year. In this period, the oil price bounced between the two horizontal lines, with sellers overwhelming demand from buyers whenever the top line was reached.




The breakout from the congestion phase began with an upward trend (point B) that began on August 27 last year and was confirmed at point A when the price went through what had been the upper price resistance level for the previous 12 months or so.

Since the breakout at point A, the oil market has looked bullish, Umansky says.

"The combined effect of a breakout from congestion phase and the steady controlled price channel boundaries (the upward parallel lines defining the trading range) suggest the market is favouring a steady price movement towards $US110 a barrel, with potential for this price target to be reached in late February or March."

Traders wishing to capitalise on these dual scenarios of an upward-trending market and the upward breakout from a 60-week congestion phase, have an opportunity to enter the market upon the price breaking above $US98.95 a barrel, Umansky says.

"They can limit their exposure to risk after entry by quickly exiting if price breaks below $US94.75, or exiting at a profit when prices reach $US110 a barrel."

The above is not meant as financial advice. Investors wishing to enter the oil market should seek advice from qualified independent advisers.

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