HELLISH FALLS, DIVINE RALLIES: COMMODITIES IN CONTEXT
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In the "Hell" section of Dante's "Divine Comedy", the poets arrive at the gate of Hell. They read an inscription: "'All hope abandon, ye who enter here.'" (Canto III, line 9)

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CONCLUSION AND OVERVIEW

The monstrous price crash in commodities "in general" from their spring 2011 and mid-year 2014 peaks caused many bloodied commodity marketplace dwellers to abandon hope for an escape from the bear move. Commodities nevertheless probably are emerging from that hellish major bear trend and creating a sideways pattern which will persist for the next several months.

Use the S&P broad Goldman Sachs Commodity Index ("GSCI") as a benchmark. In this perspective on the GSCI, much depends not only on world economic growth, inflation trends, and central bank and political rhetoric and actions. Given the very large share of petroleum within the GSCI, oil price trends and OPEC policy are particularly important for GSCI levels and trends.

The eventual top of the developing sideways trend for the broad GSCI admittedly is uncertain. However, it likely will be far below 6/23/14's 673 summit. Also, around 460 (the 5/6/15 top was 459) probably will not be attained for quite some time unless OPEC surprisingly and significantly curtails crude oil production. However, around 380/400 currently is an arguably reasonable target for the range's ceiling, particularly if prospects significantly improve for a decline in the substantial worldwide global oil oversupply. A fifty percent rally from the low achieved on 1/20/16 at 268 is 402. The January 2016 GSCI trough could be challenged over the next several months, but it is unlikely to be broken by much if at all.

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Petroleum of course is not the whole world of commodities. Price adventures of the petroleum complex, particularly in crude oil, nevertheless often influence perspectives on, opinions regarding, and trends in other parts of the commodity universe. Petroleum inventories in the OECD realm are massive. Given current OPEC (especially Saudi Arabian) production policy and estimates regarding calendar 2016 global oil consumption and production, this oversupply situation probably will continue, or even worsen for at least several more months. Although the world is not in recession, economic growth (including Chinese) is relatively sluggish and probably will remain modest.

So what supports and encourages rallies in the commodities domain nowadays?

The highly accommodative central bank policies of the Federal Reserve Board, European Central Bank, Bank of England, Bank of Japan, and China play a key role in creating a commodities floor and offer hope for a sustained rally from the January 2016 lows. Many conjecture these long-running easing efforts (notably yield repression and money printing) will remain in place for quite some time, and may even expand (as in the Eurozone or Japan). About two weeks ago, note "OECD calls for action to boost growth" (Financial Times, 2/19/16, p2). At end February 2016, "China central bank unleashes $106bn to boost growth despite G20 warning" (Financial Times, 3/1/16, p1). The European Central Bank meets 3/10/16, the Bank of Japan 3/14-15/16, and the Fed 3/15-16/16. In today's highly-indebted world, easy money policies aim to assist (favor) debtors and encourage spending.

That these widely-worshipped high priests of financial stability, true believers in their mandates, failed to arrest the commodities price decline well before early 2016 does not bar them from playing a role in creating near term support for the commodity complex.

Recent rhetoric and action by the dovish Fed and its brethren underline not merely their devotion to evading deflation and generating "sufficient" inflation. These wizards also have embarked on a quest to arrest further declines in key global stock benchmarks in the United States and overseas, as well as to stop the broad real trade-weighted dollar ("TWD") from ascending much (if at all) beyond its January 2016 highs.

A somewhat weaker dollar and stronger stocks (and very low interest rates, including negative yields on government debt in several key nations) encourage hope for commodity marketplace bulls. Highlight the similar first quarter 2016 timing of the high in the TWD, important lows in the S+P 500 and many other key stock marketplaces, the low yield in the US 10 year note, and recent bottoms in the broad GSCI (and the petroleum complex). For weary yield-famished "investors" (and speculators), at some point depressed commodity prices apparently may offer satisfactory potential for a good (decent, reasonable) return.

In addition, the central banking fraternity despite its rapt attention to notions of core inflation, nowadays finally confess that "too low" (collapsing) oil prices can endanger their devoted efforts to achieve their adored overall inflation targets and significantly influence the so-called "real economy". In the Fed, ECB, and other central bank gospels, two percent inflation is good, "too low" inflation is bad, and deflation generally is very bad (or evil). These luminaries probably also admit that major commodity trends (especially in oil) often can closely intertwine not only with yield levels of debt securities, but also with foreign exchange patterns as well as emerging marketplace and advanced nation stock marketplace trends.

Central bankers consequently will tolerate, and arguably welcome, a sustained modest bull move in petroleum prices. A mild rebound in oil (commodity) prices probably will not inspire them to depart from their ongoing highly accommodative monetary schemes.

MARKETPLACES: CHAPTERS AND VERSES

Colonel Kurtz mutters in the movie "Apocalypse Now" (Francis Ford Coppola, director): "The horror…the horror."

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The broad real trade-weighted dollar ("TWD"; Federal Reserve Board, H.10) is a monthly average. The MSCI Emerging Stock Marketplace Index (from Morgan Stanley; "MXEF") is a key yardstick for emerging marketplace stocks "in general".

The broad real TWD's recent high occurred in January 2016 at 101.4. It slipped down about one percent to February 2016's 100.5. The nominal TWD has daily data. Its high occurred 1/20/16 at about 126.2. Note the coincidence of this nominal TWD date and the lows in commodities indices (broad GSCI and Bloomberg) and emerging marketplace stocks.

	Broad GSCI	Bloomberg Comm. Index	Emerging Market Stocks MXEF	US Dollar ("TWD")
Peak 2011	762 (4/11 and 5/2/11)	175.7 (4/25/11)	1212 (4/27/11)	Major low 80.5 July 2011
Recent High	673 (6/23/14)	138.7 (4/29/14)	1104 (9/4/14)	86.6 in September 2014 moved over 86.2, June 2012's interim ceiling
Recent Low	268 (1/20/16)	72.3 (1/20/16)	687 (1/21/16)	101.4 (January 2016)
Percent Fall From 2011 High	**64.8**	**58.9**	**43.3**	**TWD rally 26.0pc since July 2011 bottom**
Percent Fall From 2014 High	**60.2**	**47.9**	**37.8**	**TWD rally 17.1pc since September 2014**

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In mid-year 2015, after an awesome bull advance lasting several years, OECD (advanced nation) stock marketplaces such as the S+P 500 joined in the terrifying bear move of commodities and emerging marketplace stocks. The US dollar's sharp climb from its September 2014 level connected closely with the bearish commodity and stock tumbles.

Marketplace congregations therefore should underscore that many key worldwide stock marketplaces made important lows at or not long after the January 2016 TWD high and troughs in emerging marketplace stocks and commodities.

Start on the American scene. The S+P 500 made lows at 1812 (1/20/16)/1810 (2/11/16), a 15.2pc decline from its glorious 5/20/15 peak at 2135 (the nominal TWD had an interim low 5/15/15 at 112.8). The Nasdaq low occurred 2/11/16 at 4201, a 19.5pc slump from its 7/20/15 plateau at 5232. The Wilshire 5000's trough was 2/11/16's 18462, an 18.1pc erosion from its 6/22/15 summit. The Dow Jones Industrial Average's low of 8/24/15, a 16.2pc drop from its 5/19/15 top at 18351, was not subsequently broken; however, 1/20/16's 15451 and 2/11/16's 15503 neighbor it.

When did other key global stock marketplaces attain important lows? The SXXP is the STOXX Europe 600 European Stocks Index; its trough was 2/11/16 at 302.6 (a mournful 27.1 percent slump from its 4/15/15 peak at 415.2). The German DAX low at 8699 likewise was 2/11/16 (29.8pc bear move from its 4/10/15 pinnacle at 12391), as was the UK's FTSE bottom at 5500 (22.8pc fall from its 4/27/15 top at 7123). Canada's S+P/Toronto Stock Exchange Composite Index ("SPTSX") bottom was 1/20/16 at 11531, a 26.5pc dive from its 9/3/14 summit at 15685 (MXEF high likewise was in September 2014). Japan's Nikkei, which peaked 6/24/15 at 20953, achieved its recent low 2/12/16 at 14866 (29.1pc bear move). China's Shanghai Composite stock exchange collapsed about 49.1pc from its 6/12/15 height at 5178 to its 1/27/16 depth at 2638 (2/29/16's low was2639; recall the China's late February growth package).

The MXEF made a second bottom at 708 on 2/12/16, around the time of the S+P 500 and other stock marketplace lows.

The Japanese Yen's recent high against the US dollar was 2/11/16 at about Y111.0. As during the global financial disaster of 2007-09, the Yen's cross rate rally against the dollar (as the Yen and dollar were both rallying on a trade-weighted/effective exchange rate basis) confirmed international economic weakness. See "Japanese Yen: Currency Adventures (2007-09 Revisited)" (1/14/16). The Yen's recent retreat indicates, at least for now, reduced downward pressure on stocks and commodities.

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The US Treasury 10 year note yield's recent trough was 2/11/16's 1.53 percent. This stands close in time to those made in assorted other financial marketplaces.

Suppose marketplace participants generally are not terribly fearful of economic collapse. Then low interest rate yields (particularly negative ones) eventually can spark and sustain hunts for "good (sufficient) returns" outside the domain of high-quality (especially government) debt securities. Some players may venture into the promised land of stocks (especially supposedly high-quality ones), or even high-yield corporate debt ("Investors pile into US junk bond funds", 3/5-6/16 Financial Times, p12). Picture other financial pilgrims in this low yield world. Suppose their faith grows that prices in commodities are "low" and that owning them is "not too risky"; such clairvoyants (especially if stocks are rallying too) may buy commodities.

Survey the CFTC's Commitments of Traders for the NYMEX petroleum complex (benchmark crude oil, heating oil (diesel), and RBOB (gasoline) combined, futures and options combined). The net noncommercial long position peaked at around 549,000 contracts (about 18.4 percent of total open interest) on 6/24/14, close in time to 6/20/14's crucial $107.73 high in NYMEX crude oil. The net NC long position fluctuated but generally plummeted, reaching a low of about 271,000 contracts (about 8.3pc of total open interest) on 1/12/16. Note the proximity of this NCL low in the NYMEX petroleum complex to the NYMEX crude oil (nearest futures continuation) initial low at $26.19 on 1/20/16 and its second trough at $26.05 on 2/11/16. As of 3/1/16, the NYMEX net NCL position had expanded to about 351m contracts (10.7pc of open interest).

ICE Brent/North Sea crude oil (nearest futures made its bear low at $27.10 on 1/20/16, with a second one at $29.92 on 2/11/16. The Brent/North Sea noncommercial position shifted from net short about 6,000 contracts on 1/19/16 to net long 37m contracts on 1/26/16. By 2/23/16, the net NC long position had soared to over 112,000 contracts.

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Several commodity currencies have rallied off their cross rate lows versus the US dollar. For example, Canada's low was 1/20/16 at about 1.47, Mexico's 2/11/16 at 19.45, and Russia's 1/21/16 at 86.0 (see also 2/11/16 at 80.6). Note again this first quarter 2016 coincidence with the trade-weighted US dollar, commodities in general, stock, and US interest rate marketplaces.

The US dollar nevertheless may not weaken dramatically. Many nations around the globe seek a relatively weak home currency. Competitive depreciation (currency wars) has not disappeared. And the dollar may rally against some currencies. It has appreciated versus the Euro FX since its 2/11/16 minor low at 1.138. The greenback has rallied against the British Pound for several months (Brexit concerns). And although the Chinese renminbi low versus the dollar was 1/18/16's 6.596, it is not very distant from this now.

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Marketplace history may not repeat itself, but it should not be forgotten. The broad real US TWD has made a few very important highs during first quarter (monthly average, Federal Reserve, H.10). Recall March 1985's 128.4, February 2002's 112.8, and March 2009's 96.8 (S+P 500 major low in March 2009). Also, the dollar fell from highs in first quarter 1973 as exchange rates were liberalized (January 1973: 107.6).

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Significant US political divisions risk further weakness in the US dollar. Note the current conflict between the Republican Congress and the Democratic President. Though the American political process has a long way to go until election season 2016 concludes, partisan divides likely will persist. The House likely will remain Republican; the President probably will be a Democrat (Hillary Clinton). Control of the Senate is a close call.

How long will chaos within the Republican party continue? Suppose Donald Trump captures the Republican Presidential nomination. Imagine that he wins the Presidency. Comments from overseas leaders suggest lack of confidence in his abilities and policies; such foreign attitudes are a bearish factor for the dollar.

The big addition to future US budget deficits agreed upon by Congress and the President in late December 2015 also is a bearish factor for the dollar. An ability to transcend partisan divisions only via big spending (lack of budget discipline) does not eliminate the substantial underlying political factionalism.

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What are some important signposts for the broad GSCI?

The major low of 2/19/09 at 306 (12/24/08 at 308) is a critical level. The GSCI stands around this level now. A twenty percent rally from 1/20/16's 268 is about 322, 33pc 357 (372 on 1/29/15 was an important interim low), and 50pc 402 (381 is half the 4/2/11 and 5/2/11major tops at 762).

For the broad GSCI, not only was 5/6/15's top 459. So was 5/25/10's low. In addition, a 50 percent rally from the prior major bottom, 2/19/09's 306, gives 459. A 66pc bull move from the January 2016 low equals 446 (fairly close to 459; one-half of 7/3/08's major high around 894 is 447); a 100pc rally is 536 (556 was the 5/3/10 interim top; 573 on 10/4/11 and 556 on 6/22/12 important interim lows).

A five percent slump under 268 is about 255.

One should not be dogmatic about historic marketplace calendar timing. The first quarter 2016 lows in the broad GSCI nevertheless occurred at around the same calendar time period as the double bottom of 2008 and 2009, 12/24/08 (at 308) and 2/19/09 (at 306). The 2/19/19 bottom slightly preceded the S+P 500's major low at 667 on 3/6/09.

COMMODITIES (ESPECIALLY PETROLEUM AND METALS): WALKING IN STEP

"I want the easy money…
I could get lucky
Oh, things could go right". Billy Joel, "Easy Money"

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Note the various first quarter 2016 lows for key members of the petroleum complex.

NYMEX crude oil (nearest futures continuation): $26.19 on 1/20/16, $26.05 on 2/11/16
ICE Brent/North Sea crude oil (nearest futures): $27.10 on 1/20/16, $29.92 on 2/11/16
OPEC daily basket: 1/20/16's $22.48
USGC regular gasoline: 82.1 on 2/9/16
USGC diesel: 79.8 on 1/20/16
USGC 3.0pc residual fuel: $15.13 on 1/20/16

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The LMEX index (London Metal Exchange) is a yardstick for much of the base metals complex. Its recent low, 1/12/16's 2049, occurred slightly before those in the petroleum complex.

Iron ore (delivered to China): crashed to 38.3 on 12/11/15, an eighty percent collapse versus 7/17/11's 191.7 apex. Its second low, 1/13/16's 39.5, aligns with that of the LMEX.

Silver's $13.65 low on 12/14/15 remains intact.

Gold's weakness since its 9/6/11 record high summit at $1921 interrelated with the TWD's long run bull move since July 2011 and the related bear move in commodities in general. However, fears of international financial meltdown can spark rushes into gold; its 8/24/15 minor high at $1169 occurred alongside interim lows in the S+P 500, MXEF, and GSCI.

Gold's new low at $1045 on 12/3/15 rested close to its major high during the global economic disaster, 3/17/08's $1034. Since December 2015, gold has advanced, reaching around $1270 recently. Concerns about the global economy, some weakness in the US dollar, have encouraged this bullish charge.

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What are some important support and resistance numbers for NYMEX crude oil (nearest futures continuation)?

Support rests at the January and February 2016 bottoms around $26.00. A five percent move under $26.05 is $24.75.

$32.40 (the 12/19/08 major low; $33.75 on 2/12/09 was the take-off point for the bull move) to $34.80 (a 33 percent rally from $26.05 is $34.72; $34.82 was the 1/28/16 high).

Watch $37.80 (the 9/20/00 peak) to $41.15 (the 10/10/90 pinnacle). A fifty percent spike from $26.05 is $39.08. Recall the 8/25/15 low at $38.16 and 1/14/16's interim top at $38.39.

Important resistance exists around $50.00 to $52.00. A 100 percent move from $26.05 gives $52.10. See the significant high at $50.92 on 10/9/15. In the current high oil inventory environment, many petroleum bulls (whether investors or speculators) would sing hymns of praise for a rally to this level, as would many energy companies and even many banks and central bankers. It probably will be difficult to sustain moves above this unless OPEC and non-OPEC production falls sufficiently to suggest that current massive inventories will (or at least may) decline. A substantial fall in the US dollar would encourage a notable bull petroleum trend.

Above this lurks the spring 2015 highs- $62.58 (5/6/15) and $61.82 (6/10/15).

Watch NYMEX crude oil front to back intramarket spreads to confirm significant changes in price trend. For example, watch the first less second month spread or the December 2016 less

December 2017 spread. What is a general rule for the current marketplace situation? Reduced contango (near month price less than distant month one) will tend to fit a bull pattern. It probably would be an omen suggesting actual easing of the oversupply situation (or increasing faith that this eventually will occur). In contrast, growing contango will suggest actual or potential bearishness in outright (spot) prices.

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Not all commodities have shared in the recent "overall" rally in commodities in general. Look at NYMEX natural gas and the agriculture sector.

Over the past year or two, NYMEX natural gas (nearest futures continuation) often has made important price turns roughly around the time of those in NYMEX crude oil. For example, recall crude's 6/20/14 high at $107.73 and the final pinnacle in natural gas on 6/16/14 at 4.886 (following its 2/24/14 major high at 6.493). NYMEX natural gas's 5/19/15 top at 3.105 roughly coincides with spring 2015 NYMEX crude oil highs (5/6/15 top at $62.58; 6/10/15 at $61.82).

Natural gas established an interim low at 1.684 on 12/18/15. It sprang viciously upwards to 2.495 on 1/8/16 (48.0 percent). However, a warm winter and high inventories encouraged a mournful retreat to 1.611 on 3/4/16.

[Appalachian coal (NYMEX first futures) established a significant low several months ago, 6/29/15's 4073. However, its price presently hovers not much above this.]

Despite the rally in the petroleum and base metals marketplaces from their January/February 2016 lows, agriculture "in general" has been rather weak. The S&P Goldman Sachs Agriculture Index's major peak was 3/4/11 (at 570.5)/4/8/11 (566.5), with an important interim high 5/1/14 at 424.6. The GSAI established an interim low with 9/4/15's 273.2. Although 1/12/16's 274.6 and 2/9/16's 273.8 remained above this, the index edged slightly beneath it in early March 2016.

THE PETROLEUM PICTURE

Why not listen to the performance of "Oil Well" by the jazz great, Jelly Roll Morton?

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As petroleum prices suffered their murderous decline, oil drilling rig counts crashed, petroleum production investment plans dramatically slashed. So is OPEC's new policy orthodoxy aiming to eliminate high-cost (non-OPEC) production succeeding? Some, but not a great deal so far.

Worldwide OECD industry petroleum inventories (and particularly in the United States) are sky-high. At current global production levels relative to anticipated demand for the next several calendar months (and perhaps most of calendar 2016), they likely will remain so.

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For 1996-2014, end year OECD oil inventory (relative to forward quarter average daily petroleum product demand) averaged about 54.2 days of consumption (see the IEA's "Annual Statistical Supplement" and monthly "Oil Market Report").

According to the International Energy Agency's "Oil Market Report" (2/9/16; next release 3/11/16), end 4Q15 OECD industry stocks were 65.0 days of forward demand (Table 5). Thus 4Q15 petroleum inventories leap about 10.8 days beyond the 1996-2014 end year average.

Perhaps the desired industry stock holding level shifted upward in recent years. The 2008-2013 span averaged was about 57.0 days coverage, with 4Q14 at 59.0 days. Thus current OECD inventories look high regardless of the recent historical time horizon selected. Admittedly the OECD region is not the whole world.

For calendar 2015, the call on OPEC crude oil sufficient to balance worldwide supply relative to global consumption was 30.1 million barrels per day. OPEC crude oil output averaged 32.1mmbd, thus creating a two million barrel per day excess relative to demand (Table 4).

What about calendar 2016? The oversupply situation likely will worsen somewhat. In any case, estimates indicate that the massive OECD industry stock overhang probably will not be reduced substantially in the near term.

Why? The IEA predicts global oil consumption will hop up 1.3 percent in calendar 2016 to 95.6 million barrels per day (Table 1). This guide heralds that total non-OPEC supply will decline modestly from calendar 2015's 57.7mmbd to 2016's 57.1mmbd.

Yet for full year 2016, the implied call on OPEC crude oil is about 31.7 million barrels per day (30.7mmbd in 1Q16, 31.2mmbd in 2Q16, 32.5mmbd in 3Q16, and 32.2mmbd for 4Q16). OPEC crude oil output probably was 32.4mmbd in 4Q15 and 32.6mmbd in January 2016, comfortably above the call for calendar 2016.

Though these statistics portend the global oil marketplace will be in rough balance during second half 2016 at current OPEC and non-OPEC output rates, keep in mind that those current production levels do not include anticipated boosts in Iranian production this year. In the aftermath of Iran's nuclear deal and the removal of sanctions against it, most gurus believe Iranian crude oil production eventually will expand by a few hundred thousand barrels a day. Other OPEC producers are unlikely to cut back to accommodate this output. Libyan output remains depressed, but suppose its political situation improves.

OPEC forecasts also indicate worldwide petroleum oversupply for calendar 2016. Its "Monthly Oil Market Report" (2/10/16, Table 10.3) shows OPEC 4Q15 crude oil production of 32.2mmbd. The calendar 2016 call on OPEC crude oil is 31.6mmbd.

The US Energy Administration Administration's "Short-Term Energy Outlook" (2/9/16, Table 3a) shows total world oversupply for calendar 2016 of about 1.1mmbd.

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For the week ending 2/26/16, United States industry inventories (EIA; crude and products combined) represented 68.5 days coverage (relative to the past four week average of demand), down only slightly from 1/15/16's recent high of 68.8 days. Current days coverage tower over the 1996-2014 average for end calendar month February and end March by over seventeen days. US total petroleum inventory averaged 51.2 days coverage at end calendar month February for the 1996-2014 span, with end March at 51.7 days. The 68.5 days coverage for late February 2016 is the highest in over three decades, rivaling end February 1984's 69.7 days. Current totals easily surpass comparable times in 2015 as well. Late February 2015 weekly statistics (2/27/15) represented 59.5 days coverage, late March 2015 ones (3/27/15) 63.2 days.

What about crude oil alone? For 1996-2014, US crude commercial inventories averaged about 22.5 days coverage at end February; the mean end March levels for that span is 23.0 days. The

2/26/16 week's 32.9 days soar about ten days over these. They are the highest end February level since 1983's 34.2 days. Current levels also exceed those of a year ago. For the week ending 2/27/15, they were 29.0 days, with 3/27/15's at 30.4 days. So does US shale oil (and other domestic crude output need to fall further?

Marketplace pilgrims should monitor crude oil inventory levels and trends relative to apparently available storage in Cushing, Oklahoma, the NYMEX delivery point.

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Many members of the worldwide petroleum congregation (including some OPEC nations, most non-OPEC oil producers, energy-lending banks, and numerous owners of petroleum commodities and energy stocks) pray that OPEC will reduce its output. The NYTimes (2/10/16, ppA1, B2) declares in its article, "Oil Patch Deals With New Threat: Rising Debt" that "There are now virtually no wells in the United States profitable to drill."

Gigantic bearish petroleum price trends increasingly have raised concerns by central bankers around the globe. These financial saviors, despite their long-running highly accommodative monetary policies, fear the sustained massive oil downtrend endangers their quest to ensure sufficient overall inflation (and adequate economic growth). Even many stock marketplace bulls join the chorus for (at least somewhat) higher petroleum prices.

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Will OPEC reach agreement either on its own, or with non-OPEC nations such as Russia and Mexico, to boost prices? Might OPEC hold an emergency meeting? So far, none is planned. The next official OPEC gathering is 6/2/16. To what extent does a sustained rally in petroleum prices help to rally stock marketplaces?

Many key producers indeed have been talking recently, encouraging a frenzy among traders and within the financial media. Headlines proclaimed "Six Oil Producers Agree on Emergency Meeting (Bloomberg, 2/3/16). However, this headline exaggerated the outcome of the discussions.

The 2/16/16 output "freeze" conversation between Saudi Arabia, Qatar, Venezuela, and Russia is not a production cut. Besides, capping crude oil output at the January 2016 level still permits substantial production. And even if holding production steady at or around January 2016 totals represents the beginning of a process, the four nation discussions of February 2016 noted the deal's implementation depends on all major producers signing on. So the freeze does not yet exist. Iran says it will boost its output, and Iraq has not formally committed to the freeze agreement.

The growing hostility between Saudi Arabia and Iran may cause petroleum price rallies, but these probably will be sustained only if those nations actually suffer resulting output interruptions. At present, and despite heated rhetoric, significant stoppages are unlikely. Given this strife, Saudi Arabia is unlikely to cut back its production to accommodate Iranian output increases following the ending of nuclear sanctions.

[Other Middle East troubles with petroleum implications could worsen, as in Iraq or involving Syria. And supply interruptions not directly related to OPEC policy can occur, as recently happened in Nigeria and with the pipeline from Iraq to Turkey.]

A meeting around 3/20/16 in Russia involving some OPEC members and several non-OPEC oil producers for new talks on an output freeze may occur (Nigerian oil minister assertion; Reuters, 3/3/16). Perhaps this assembly will confirm restricting production to January 2016 levels, but audiences should pay close attention to the specifics of any agreement.

Will Saudi Arabia and its allies curtail production with prices of Brent/North Sea under $40-$45? Their recent current production levels and the 12/4/15 OPEC meeting indicate they will not. In addition, the Saudis recently emphasized they will not be "wasting our time" seeking production cuts; Saudi Arabia is skeptical regarding promises by other countries to trim output. What nowadays might motivate the Saudis and their friends within OPEC to formally cut their output? The Saudis probably will not reduce their crude production unless important non-OPEC members (such as Russia and Mexico) actually cut production pursuant to a binding production restriction regime agreed with OPEC. If crude prices crash under their January/February 2016 lows, in conjunction with worldwide economic weakness, the Saudis also might agree to cut production.

In any event, OPEC (and especially Saudi Arabia) remains determined to capture market share and induce output cutbacks by high-cost oil producers around the world (including American and Canadian players; shale oil issue). In late February 2016, the Saudi Arabian oil minister declared that inefficient producers will have to get out of the market. Saudi Arabia can produce profitably at $20 per barrel. "We don't want to, but if we have to, we will." (Financial Times, 2/25/16, p20). Saudi Arabia still has substantial foreign reserves (about $650 billion as of sometime in fourth quarter 2015; see the Financial Times, 10/12/15, p5). These holdings probably are sufficient to ensure the Saudis will remain resolute with their current oil output policy for at least a few more years.

In the past, the Saudis embarked upon determined efforts to regain market share. Recall the netback pricing era of almost thirty years ago. See the EIA's "Petroleum Chronology of Events 1970-2000, the "Crude Oil Price Collapse of 1986" (May 2002). In late 1985, Saudi Arabia "increased production, and aggressively moved to increase market share." "The collapse of crude oil prices in 1986 reversed the upward trend in U.S. production of the first half of the decade."
http://www.eia.gov/pub/oil_gas/petroleum/analysis_publications/chronology/petroleumchronology2000.htm#T_10_

Also, surely the Saudis and their comrades surely are displeased by the late year 2015 United States decision to lift the nearly complete ban on American oil exports.

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Is crude oil under 30 dollars a barrel "irrational"? The chairman of Saudi Arabia's state oil company, Aramco said around the time crude oil and the S+P 500 attained their January 2016 lows: "'The market has overshot on the low side and it is inevitable that it will start turning up'", predicting higher prices by the end of the year." (Financial Times, 1/22/16, p20).

Are an increasing number of petroleum marketplace mystics "looking past" the current oversupply situation? Are some bulls particularly hopeful for the salvation of an actual OPEC production cut? Or, even without a formal OPEC cut, do other clairvoyants perceive a gradual tightening (reduction in oversupply) in calendar 2017 and beyond? Will a further significant decline in non-OPEC production alongside growing demand enable this to occur?

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In assessing the probabilities for a noteworthy trend change in the "overall" petroleum complex, disciples of the various schools of fundamental or technical analysis should monitor not only

NYMEX crude oil, but also other crude oil streams and refined products around the globe. And what constitutes a bull or bear move is a matter of opinion. Plus marketplace history need not repeat itself, either entirely or even in part.

Let's focus on major bear moves in NYMEX crude oil (nearest futures continuation). Some prophets may argue that the NYMEX crude oil slump from the last major peak (whether dated in 2011 or 2014) has been of sufficient extent (percentage distance) and lasted long enough in time to "justify" (look for) a change in trend from bearish to sideways (or even from bearish to bullish).

First, recall NYMEX crude oil's bone-shattering collapse during the worldwide economic crisis. From 7/8/08's heavenly peak at $147.27, in less than six months it fell to 12/19/08's $32.40, a 78.0 percent bear move.

Suppose one dates the onset of the most recent major bear move from 5/2/11's $114.83. Then the 77.3 percent fiery fall to 2/11/16's $26.05 about equaled the monumental 2008 downturn. Designating the commencement of the bear trend from 6/20/14's $107.73 changes this percentage only slightly, to 75.8pc. The almost 20 month slump to the February 2016 low obviously exceeded the duration of the 2008 bear move. In any event, to what extent may NYMEX crude oil and other petroleum prices resurrect themselves?

Compare the 55.8pc and 14 month decline from 9/20/00's $37.80 to 11/19/01's $16.70.

Remember the time-consuming dive from the major summit at $41.15 on 10/10/90 to 12/20/93's $13.75, a 66.6pc withering. Stretching that ravenous bear trend out to eight years to 12/21/98's $10.35 depth makes the overall decline 74.8pc.

Some may not elect to extend the bear move beginning in October 1990 out to eight years. In that case, instead see another substantial bear journey linked to the December 1998 bottom. Note the 61.4 percent slide from $26.80 on 12/19/96 to 12/19/98's $10.35.

The all-time low in NYMEX crude oil, 4/1/86's $9.75, represented a 69.4 pc fall from November 1985's $31.82.

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