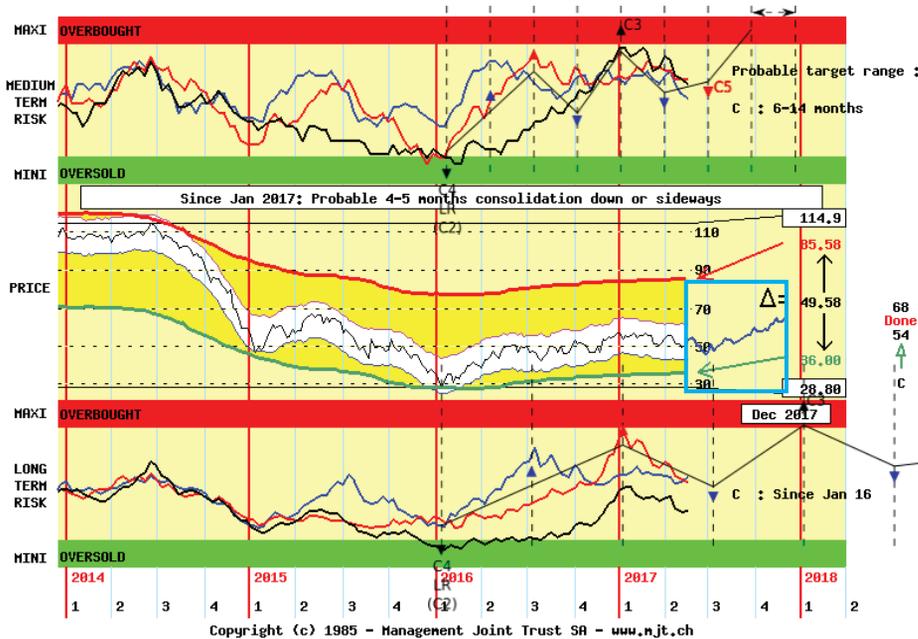


TIMING AND TACTICAL INSIGHT

Oil's volatile correction continues into midyear, early Summer

In late February, early March, we had warned in the Capital Observer and several related articles that there would be "NO Linear Uptrend for Oil" over the following few months due to the conflicting forces of expanding US supply and producer cuts. That statement was proven correct. Yet, as with many consolidation periods, the recent period was No linear downtrend either. **Indeed, price action has been quite choppy and volatile over the last few months.**

Brent (Weekly graph or the perspective over the next 2 to 4 quarters)

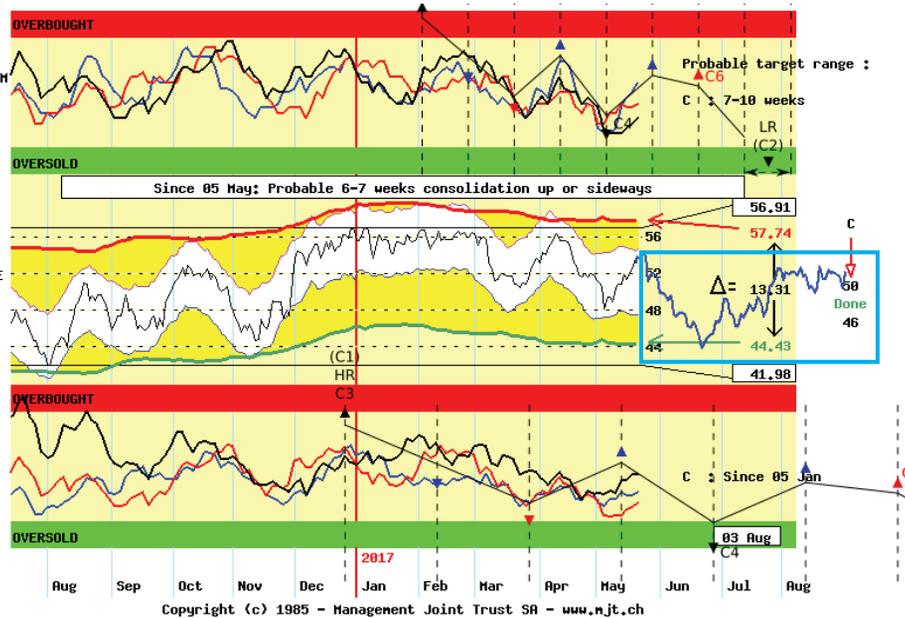


As mentioned in previous newsletters, an intermediate top was made early 2017 on both our oscillators series (upper and lower rectangles). The inflexion point shows a probable top very early in Q1 2017 and a consolidation that should last into mid-year. We hereby also confirm our forecast from previous letters that following the current consolidation period, Brent should start to accelerate up again in Q3 and will probably go and retest our 'C' Corrective targets up in the high US\$ 60s

(right-hand scale) towards year-end and early 2018.

Brent Oil (Daily graph or the perspective over the next 2 to 3 months)

On this Daily chart of Brent, both oscillator series are still in downtrend sequences (lower and upper rectangles). On our long term oscillators (lower rectangle), we show a first low in March and a possible resuming of the downtrend from now to the end of June. On our medium term oscillators (upper rectangle), we focus on the low made in early May and expect that it is now rolling over towards a possible new bottom in August. Our Model messaging is also confirming this second scenario. We believe both sequences are still valid, which confirms a quite choppy market ahead with a possibly two lows between end June and early August somewhere below US\$ 50 into the mid US\$ 40s (right-hand scale).



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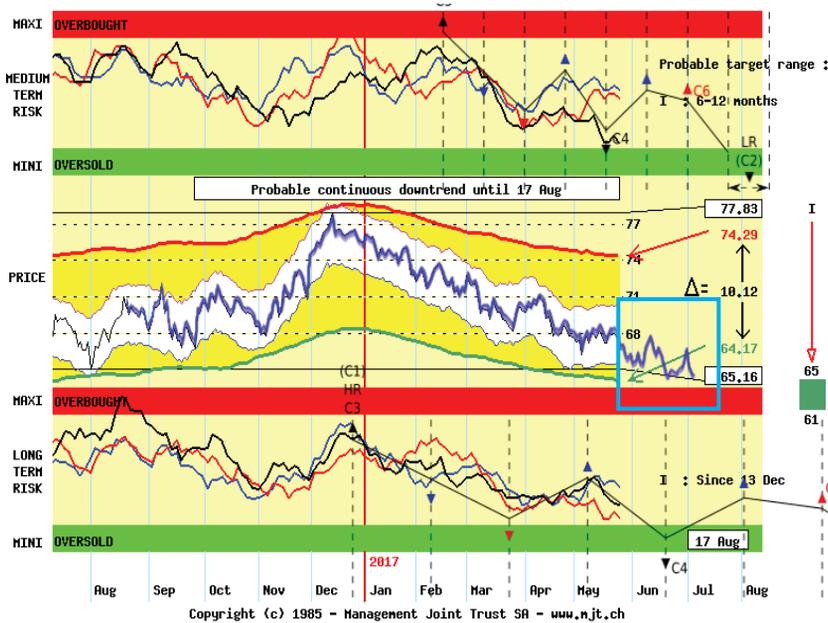
Concluding Remarks

When looking at both the Weekly and Daily charts of Oil, we believe that two additional downside retests can be identified over the next few months, one towards the end of June, the other towards end July / early August. This scenario would work quite well as a build-up phase for the acceleration to the upside we expect later in H2 2017. **Shorter term, the current "producer cut" rebound is potentially over.**

Seeking further confirmations in Oil related assets

We now turn to the Energy sector, to oil related currencies and geographies for further indirect confirmation of the upcoming dynamics on the sector.

XLE – Energy Select Sector SPDR Fund (Daily graph or the perspective over the next 2 to 3 months)

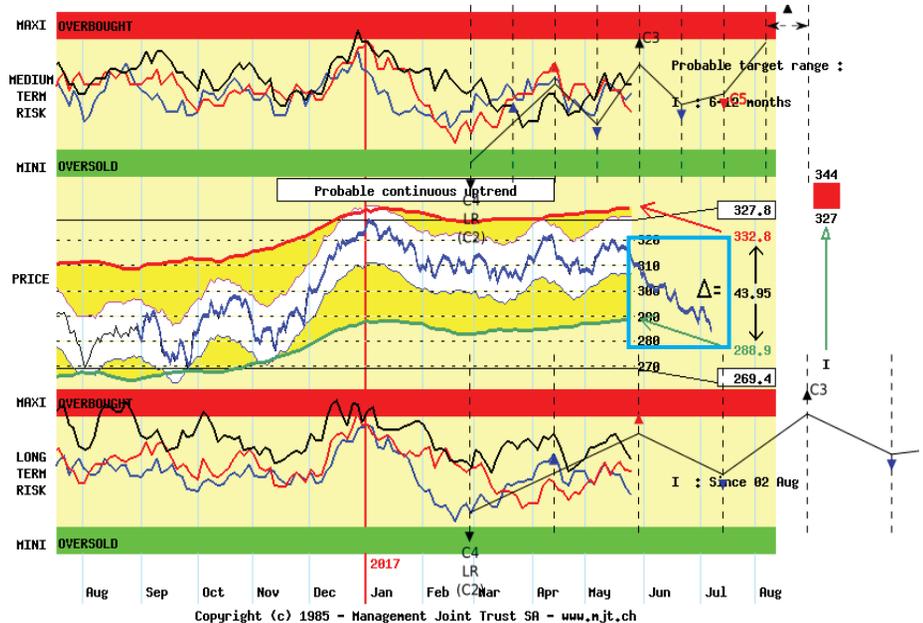


The US Energy sector is also showing two possible price sequences. On our long term oscillators, we show an intermediate low end March and possible new low towards the end of June (lower rectangle). On our medium term oscillators (upper rectangle), we expect the sequence down to potentially extend until end July / early August. The price potential down is still quite substantial confirming that the correction to the downside

since December is probably not finished ('I' impulsive targets down towards a range between US\$65 and 61 or 5% to 10% lower, right-hand scale).

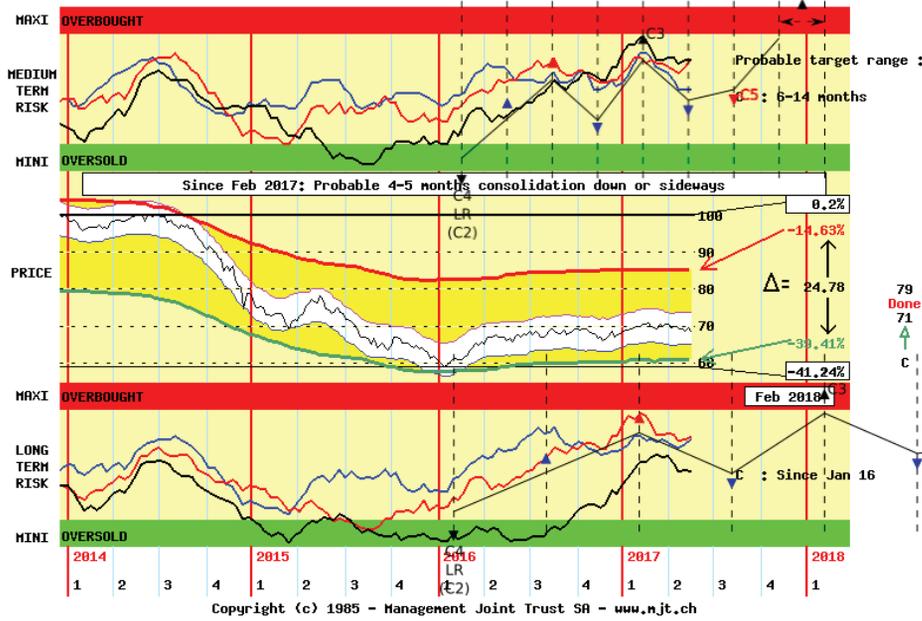
SXEP - ENERGY Dow Jones STOXX Index (Daily graph or the perspective over the next 2 to 3 months)

The European Energy Sector has held up better than the US one. On both oscillator series, the current move up since March should end towards late May before a new period of consolidation to the downside starts towards end June / early July. The consolidation period to the downside since early January has been quite flat and the price sequence is still theoretically considered to be in an uptrend. Hence, we expect the European Energy sector to make its lows towards end June/early July rather than in August, as it shows more strength than the US Energy Sector.



Oil currencies vs the Dollar

Equal weighted NOK, RUB, CAD and BRL vs the US Dollar
(Weekly graph or the perspective over the next 2 to 4 quarters)



The portfolio of these 4 oil related currencies has followed a smooth uptrend since oil reversed up in early 2016. Both our oscillator series (lower and upper rectangles) marked an intermediate top mid Q1 2017 and are now consolidating down possibly into mid Summer. Following that, along with Oil prices, we expect them to move up again vs the Dollar into early 2018. Their price potential vs the US Dollar may be as high as 10% as shown by our "C" corrective targets up

(right-hand scale).

EUR/NOK

(Daily graph or the perspective over the next 2 to 3 months)

EUR/NOK is also a relevant and interesting proxy to monitor Oil related currencies vs the majors as it is less influenced by the recent weakness of the US Dollar. On both our oscillator series (lower and upper rectangles), EUR/NOK just made an intermediate top and is consolidating, before it resumes its uptrend early June, until early August. EUR/NOK, indeed, follows the opposite path of Oil.

