

Heating Oil, Japanese Candlesticks, and Dad

How is Dad going to be able to feed his family and keep them warm at the same time? It may be difficult, this coming winter. Can he do anything to help himself? Possibly Yes, if he bands together with other Dads.

The increasing cost of food is a culprit. The increasing cost of fuel oil is another culprit. The recent rise in the cost of oil for the furnace is quite dramatic. On March 26 of this year, wholesale fuel oil prices stood at about \$2.80 per gallon. By the time it reaches Dad's fuel tank at home, delivery charges have been tacked on. About a month later, prices were at about \$3.30 per gallon. Could Dad have seen anything, or done anything, on March 26? Yes, and Yes – probably together with other Dads.

The key lies in an analysis of the Japanese Candlesticks price patterns of heating oil on March 26. We see that the March 25 price bar on the "Daily" chart shows a "Hammer" formation which came about following a price decline over the previous six trading days. This pattern is well-known, and is considered to be a predictor of higher prices to come. The next day, prices rose significantly; and the overall price pattern for the immediate three-day period was a variation on a "Morning Star," which is also a hint of increasing prices. As it happened, the two patterns turned out to be accurate; and prices rose from that point in March to a high of about \$3.30 a month later. Had Dad bought a contract of heating oil, he would have been able to post a gain of about \$21,000.

Would Dad have been astute enough to spot the reversal pattern? He could have been, if he were knowledgeable about the Candlesticks. Would he have been able to buy in precisely at the low? Almost certainly not. Could he have taken any action at all?

The cost of entry into the heating oil market is substantial. Dad might not have been able to do it all by himself, but he could have banded together with a group of other Dads and make it happen.

The point is: We do not necessarily have to sit idly by while fuel oil (and gasoline, and Diesel) prices are administered to us. By proper planning and by intelligent examination of the Candlestick patterns, we can (in company with others, if need be) take positions in the commodities market which can not only protect us from adverse price increases but also can deliver profit straight to our pockets.