



SG Capital Research

Global Market Insights

Research Note – Commodity Analysis (C)

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # MAR 16

For Immediate Release – *Wednesday AM (EST)*

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Commodity Analysis (C)

- CRB / DBC
- GOLD
- SLV,
- GDX
- OIL / USO
- COPPER / JJC
- BASE METALS / DBB
- AGRO / DBA
- **Daily Trend Adjusted Strategy - 3x3 / 9EMA – DOW, SPX**
- Attached, the Chart list & specific Charts (below). *We have picked up charts that has some distinct characteristics and values as the pattern gets completed based on our assessment: (In Some Charts, possibility of 1- 2 days of delayed data)*
- Selected Sector may have (1) up to (8) Analytic Charts as Titled below
 1. SETUP charts Weekly – 3 Year with RSI, CCI, MACD (**11 W / 40 W**) **SMA**
 2. SETUP charts Daily – 3 Year with RSI, CCI, MACD (**11D / 55D**) **SMA**
 3. POM Analysis - Technical & Pattern Analysis & Price / volume Analysis,
 4. PEC Analysis, Ratio Analysis (**Only if applicable**)
 5. Sentiments (**If Extreme character**)
 6. Correlation Ratio Analysis with CRB by 365 days Basis
 7. Trend Reversion Analysis – Long Trend Chart
- Charts 3,4,5 (above) articulates special situation coverage for that specific Commodity highlighted in the list below
- Appendix - History of past Signals & Key Criteria

- **Daily SPX - “ Trend Adjusted Signal” – Flat @ 1324**

3x3 /9EMA – Momentum Break Indicator - Next Signal – Buy SPX above 1340 close

- **Objective**

Focus is on the short term and Intermediate term turning points of the Commodities via Integrated Methodologies of POM's and PEC's overlay. It utilizes multiple input signal from PEC derived with ABCD Price projections, where D price point to be validated via Price Oscillation Model (POM) . POM's price & Quality volumes (PQV) , patterns conclusions is derived to overlay POM /PEC gives a Confluence Price Zone “ around D Zone” (within +/- 1.5% variation). This is ACTIONABLE ZONE, on scaled in entry with stops if required on other side of confluence) with margin for volatility & Risk tolerance. This is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

● GOLD / SLV Signals & Price Projections

UPSIDE & DOWSIDE

- ✓ On 3/9 – GLD @ 139.5 (= 1425 on GOLD / GDX @ 59 Triggered POM 14 – Re Run
 - ✓ GDX dropped to price of 55.5 (6% drop)
 - ✓ There is ST - CZ here on GDX
- ✓ Target on next leg down - We are looking for ST - data points

● Trading & Investment Conclusions (update)

ACTIONABLE ZONE - (Refer to the Charts for PRICE CONFLUENCE Zone - CZ)

- GOLD . POM 14 – Re Run triggered @ 1425 (3/9), Earlier @ 1320 GLD had triggered POM 13 (to un hedge some of the Hedges)
- OIL - No new signal
- SLV - No signal for POM 14 – Re Run yet, (although has GLD triggered at 1425), earlier @ SLV had triggered POM 13 at 26 (Covering Short Positions set in at POM 15),
- COPPER - Triggered Short Sell Signal on JJC @ 60 (Refer to CZ in JJC – ETF in Sector Report - D), completed a Short ABCD Pattern at 54

Our start point 2011 in GOLD @ 1420

Monitoring from 1st Jan reference point POM 14 @ 1420 to POM 13 @ 1320 dt . 1/25

- Long Side –
 - POM 12 Calls – **None** so far this year.
- Hedge Longs / Risk Management for Downside Corrections -
 - First we recommended to - Redeploy the same capital in partial for hedges on 3/9 at **POM 14 – Re run Trigger at 1425**)
 - Earlier had recommend Hedges be **closed on 1/25 at POM 13** (@ 1325), on long positions from POM 14 @ 1420 (since 1st Jan)
- Net Short –
 - **None recommended** for Bull market by this Model.
- The Model would suggest New fresh Capital deployment at next POM 12 / POM 13 (since its been a Bull market) and / or at POM 12 at oversold equilibrium point

- **Insights**

- *On 3/9 Triggered POM 14 – Re run at 1425 on GLD and on GDX at 59, earlier from POM 13 on 1/25 , GLD / GDX reached projected CZ target*
- *Our Stop is at 1440 on GLD and 62 on GDX.*

- *No Signal on SLV but we have plotted the terminal CZ pattern below*

- *The long term chart of the CRB, The pattern is nearly perfect in both price and time and is clearly sign of Top*

- *Oil has exceeded the 0.618 retracement, reaching 106 , but quickly dropped nearly 7 even in the face of bullish news e.g. continued turmoil in the Middle East.*

- *On copper , finished its ST ABCD projection JJC from 59 - 60 CZ to 54 decline but does not change our Mid term bearish picture*

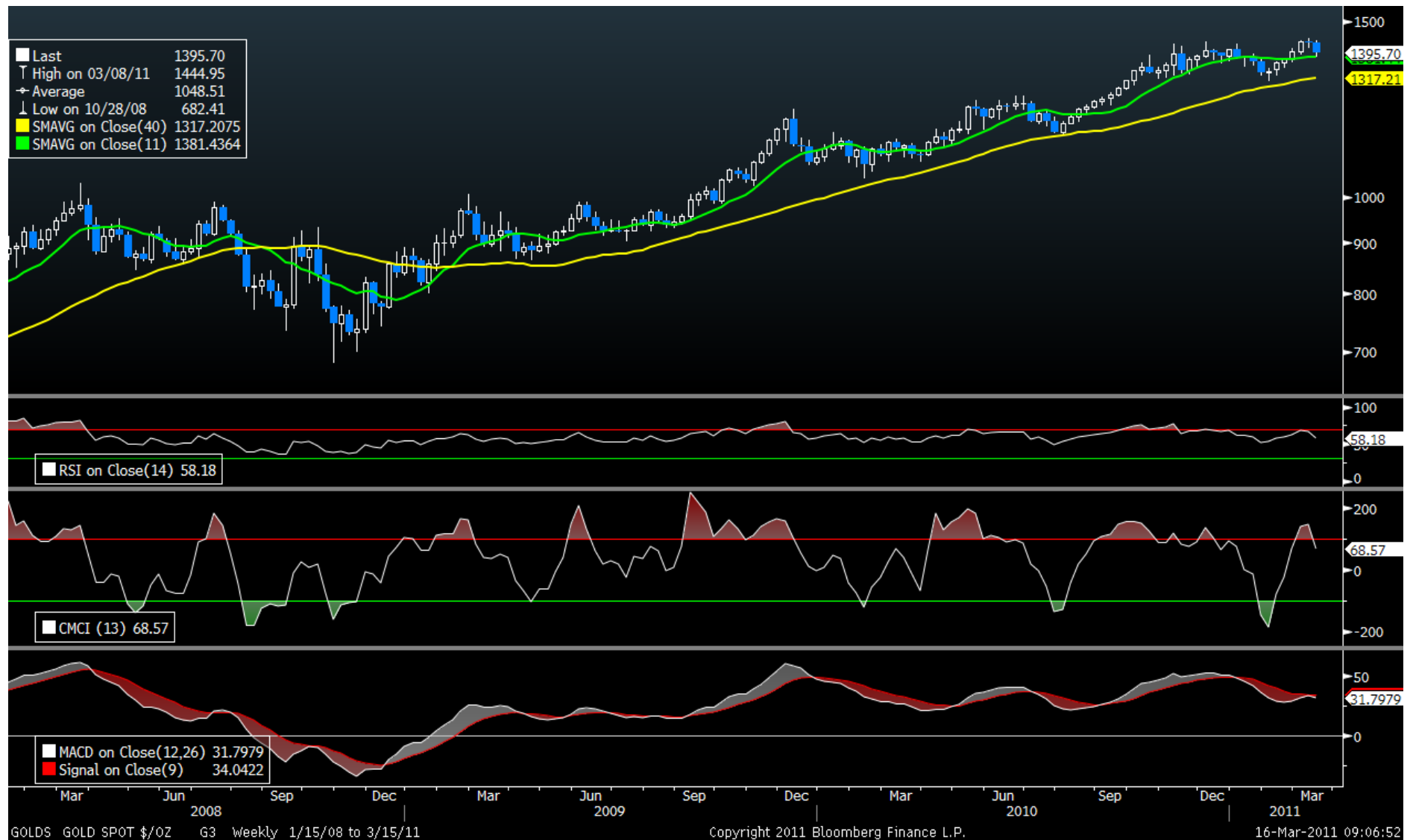
CRB - with SMA & Trend lines

Just a overall view on Commodities in general- CRB is building Key reversal and Oscillator is lagging. We are watching the trend line break, possibility of bounce from initial sell off

Commodity Idx	DBC
Last: \$	28.49
Chg: \$	(1.08) -3.79%



GOLD - Weekly- 3 Year with RSI, CCI, MACD - (11 W / 40 W SMA)



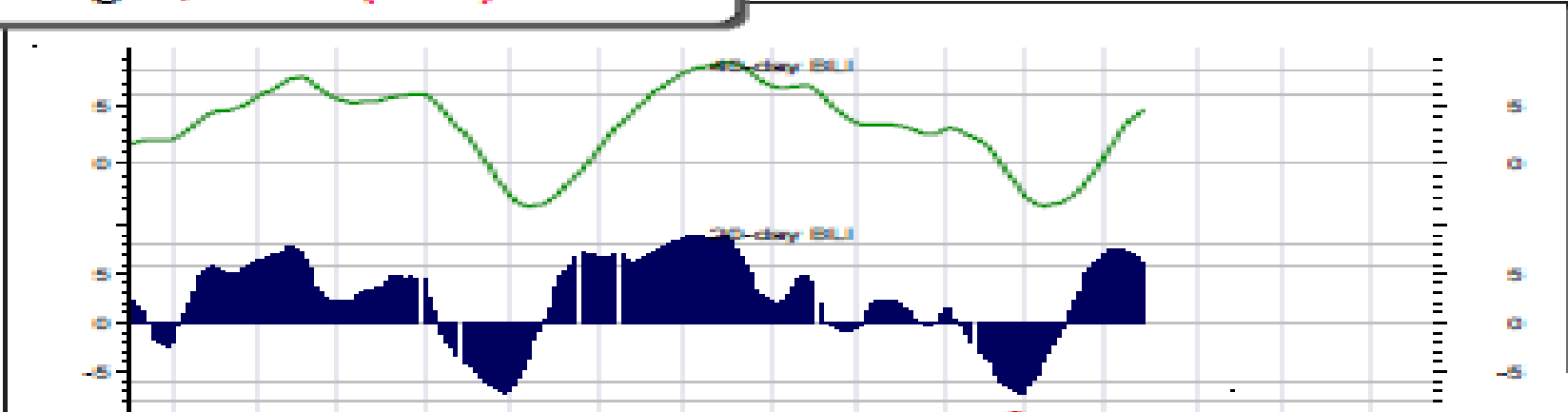
GOLD - Daily – 3 Year with RSI, CCI, MACD- (11D / 55D)



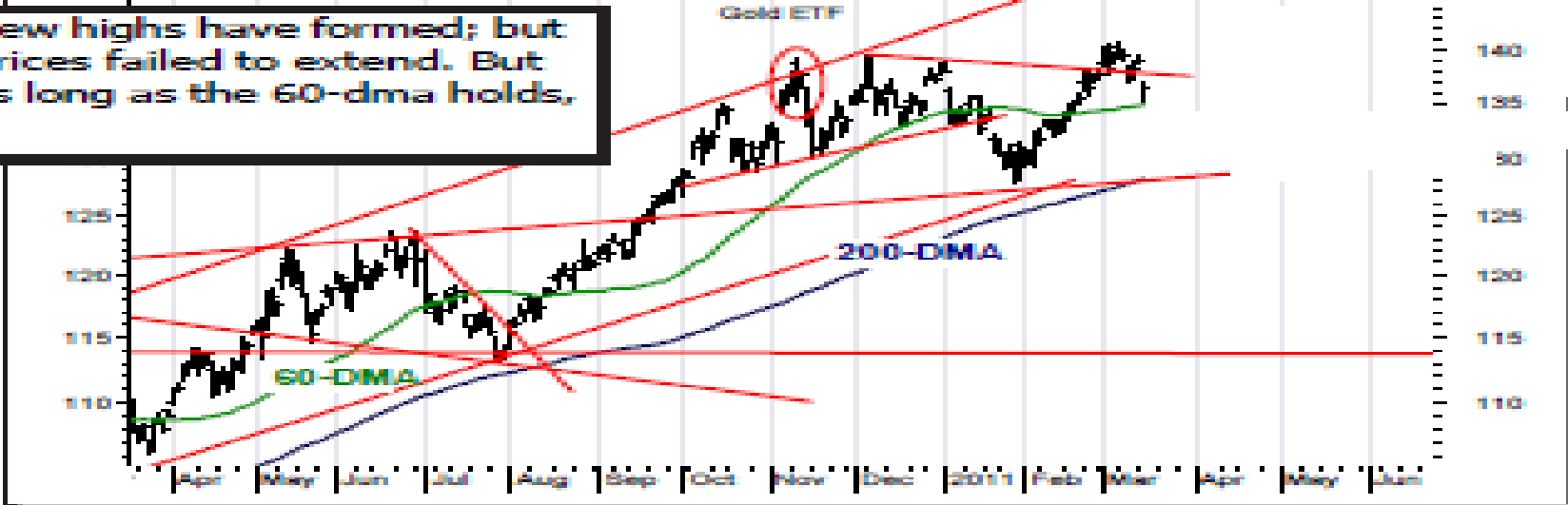
GOLD – SMA & Trend Analysis

Refer notes within charts.

Gold ETF	GLD
Last: \$	136.27
Chg: \$	(2.59) -1.90%



New highs have formed; but prices failed to extend. But as long as the 60-dma holds,



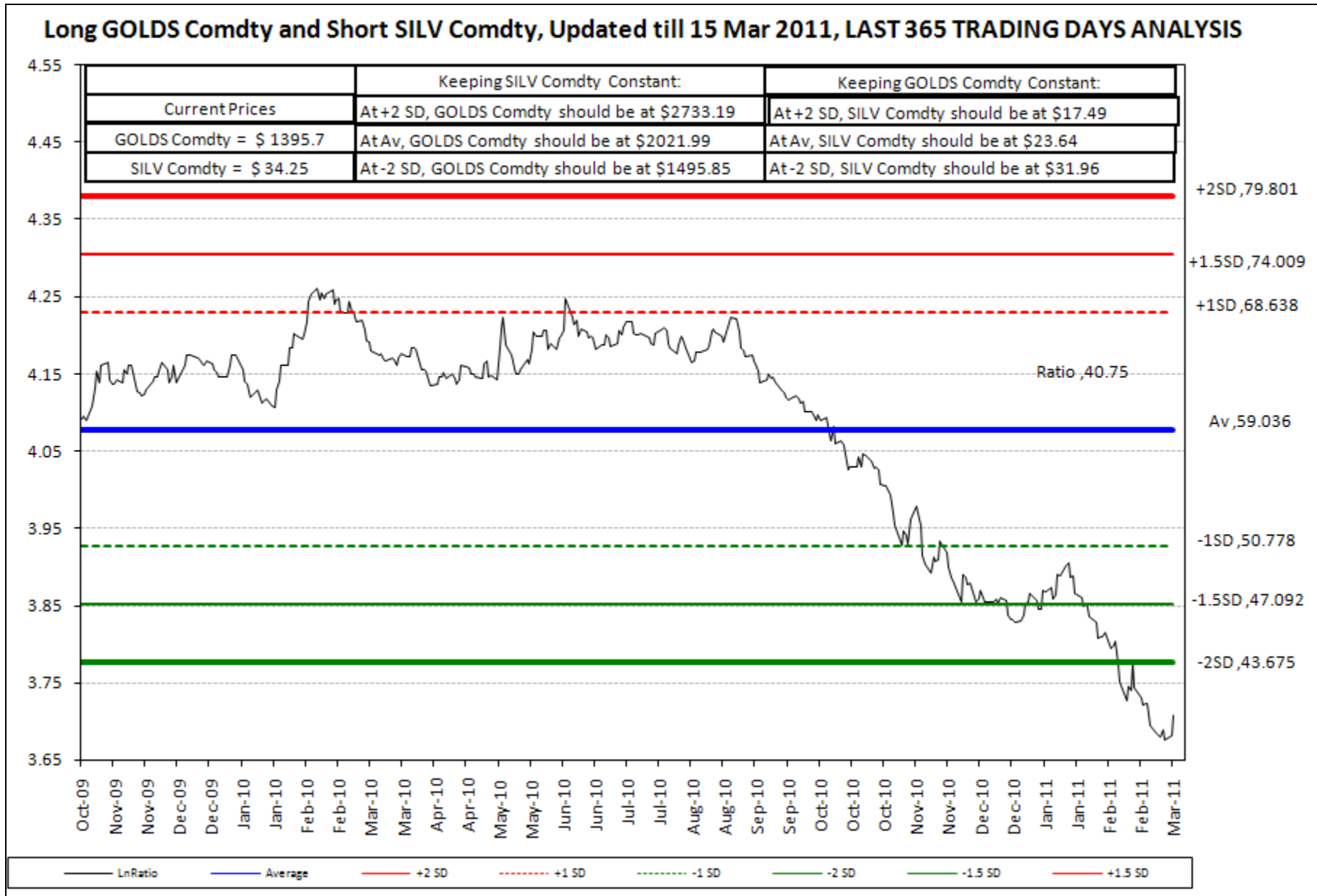
GLD – Money flow

The Money flow we should last week proved its merit .



1- GOLD – Correlation Ratio Analysis with SLV – 365 days Time basis

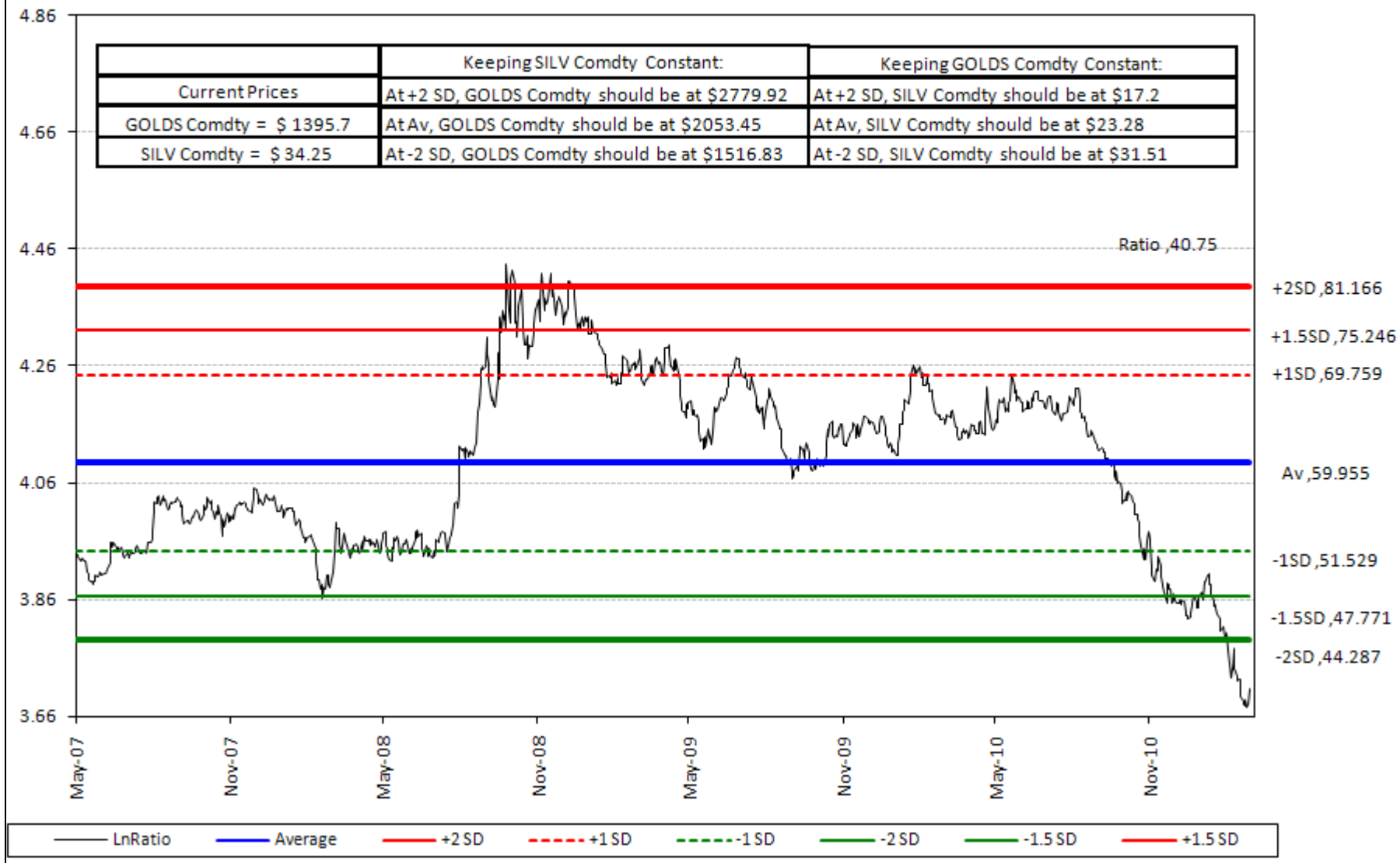
With Respect to SLV, GOLD is undervalued.



GOLD – Correlation Ratio Analysis with SLV – Full Time basis

With Respect to SLV, GOLD is undervalued.

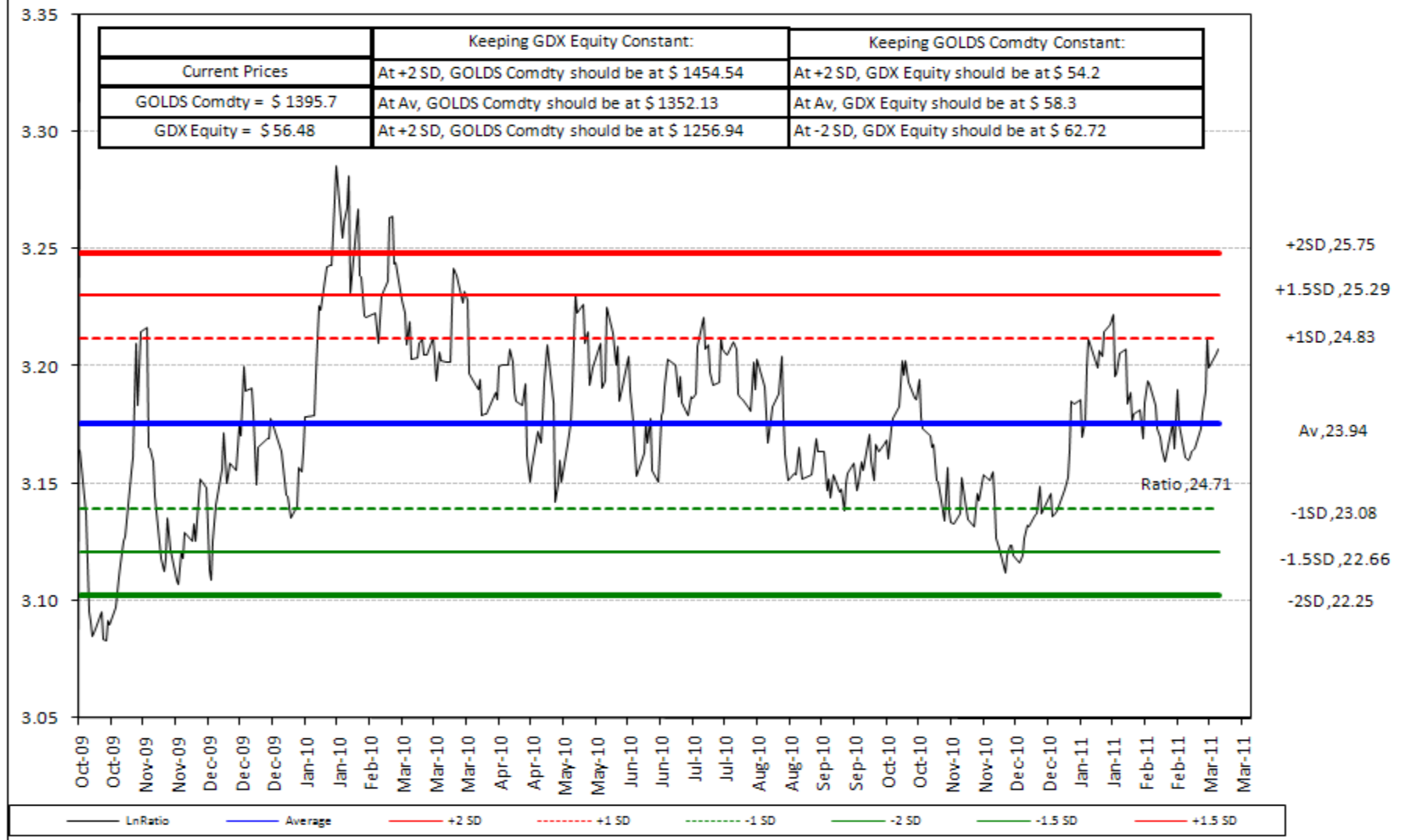
Long GOLDS Comdty and Short SILV Comdty, Updated till 15 Mar 2011, FULL PERIOD



GOLD – Correlation Ratio Analysis with GDX – 365 days Time basis

With Respect to MINERS , GOLD is reverting to mean, Miners have had deeper correction

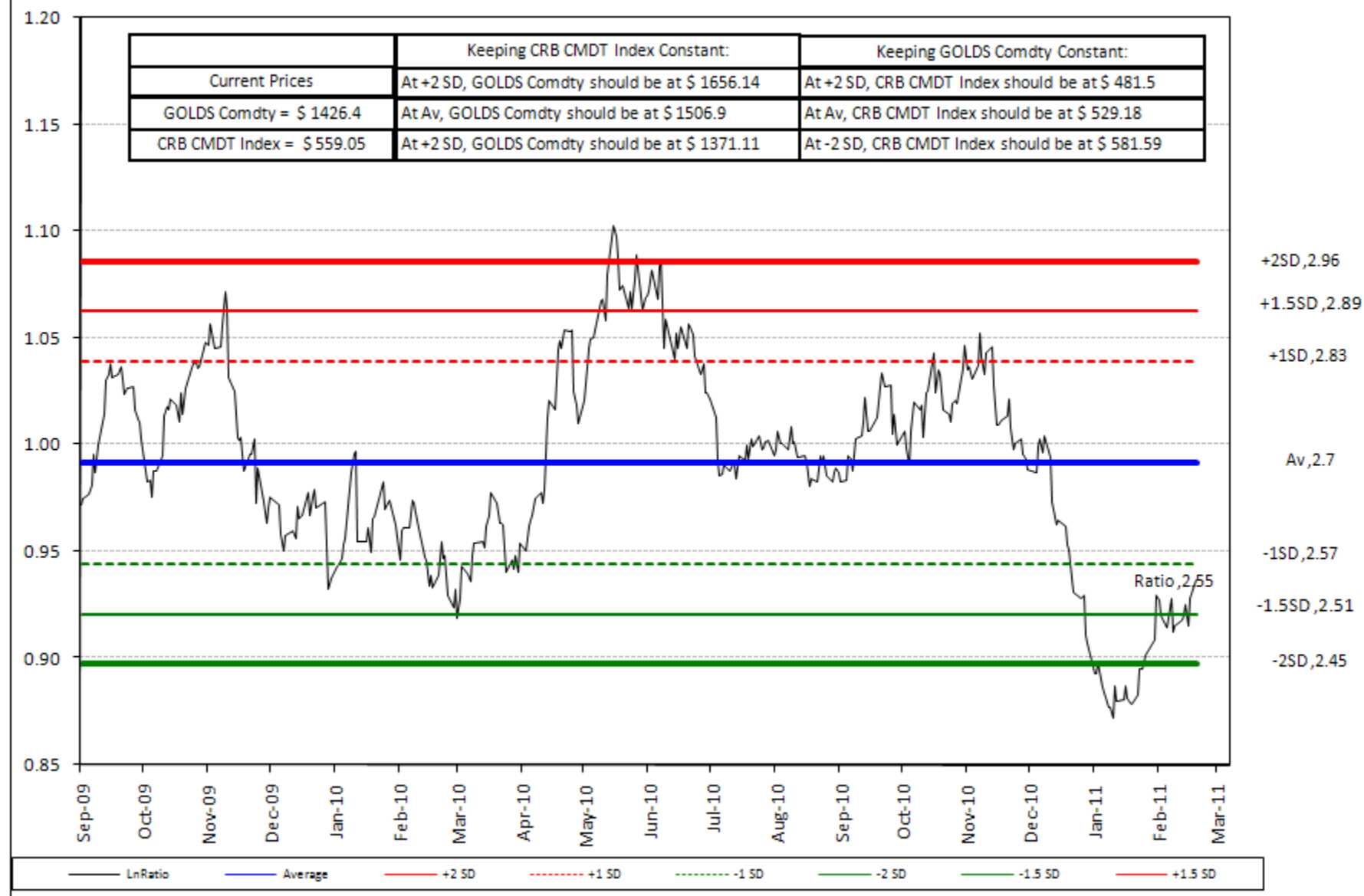
Long GOLDS Comdty and Short GDX Equity, Updated till 15 Mar 2011



GOLD – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB, GOLD is undervalued

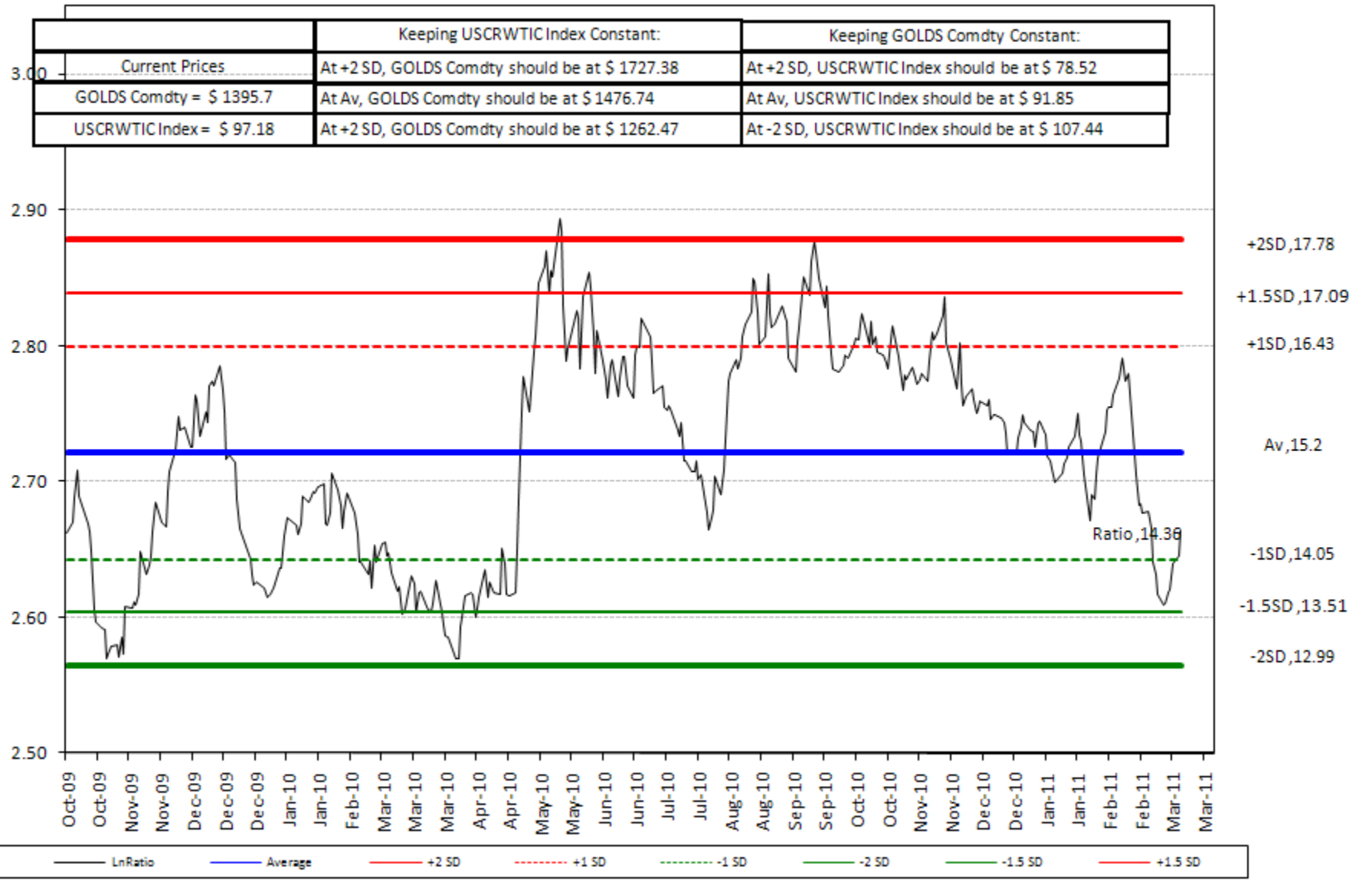
Long GOLDS Comdty and Short CRB CMTD Index, Updated till 14 Mar 2011



1- GOLD – Correlation Ratio Analysis with Oil – 365 days Time basis

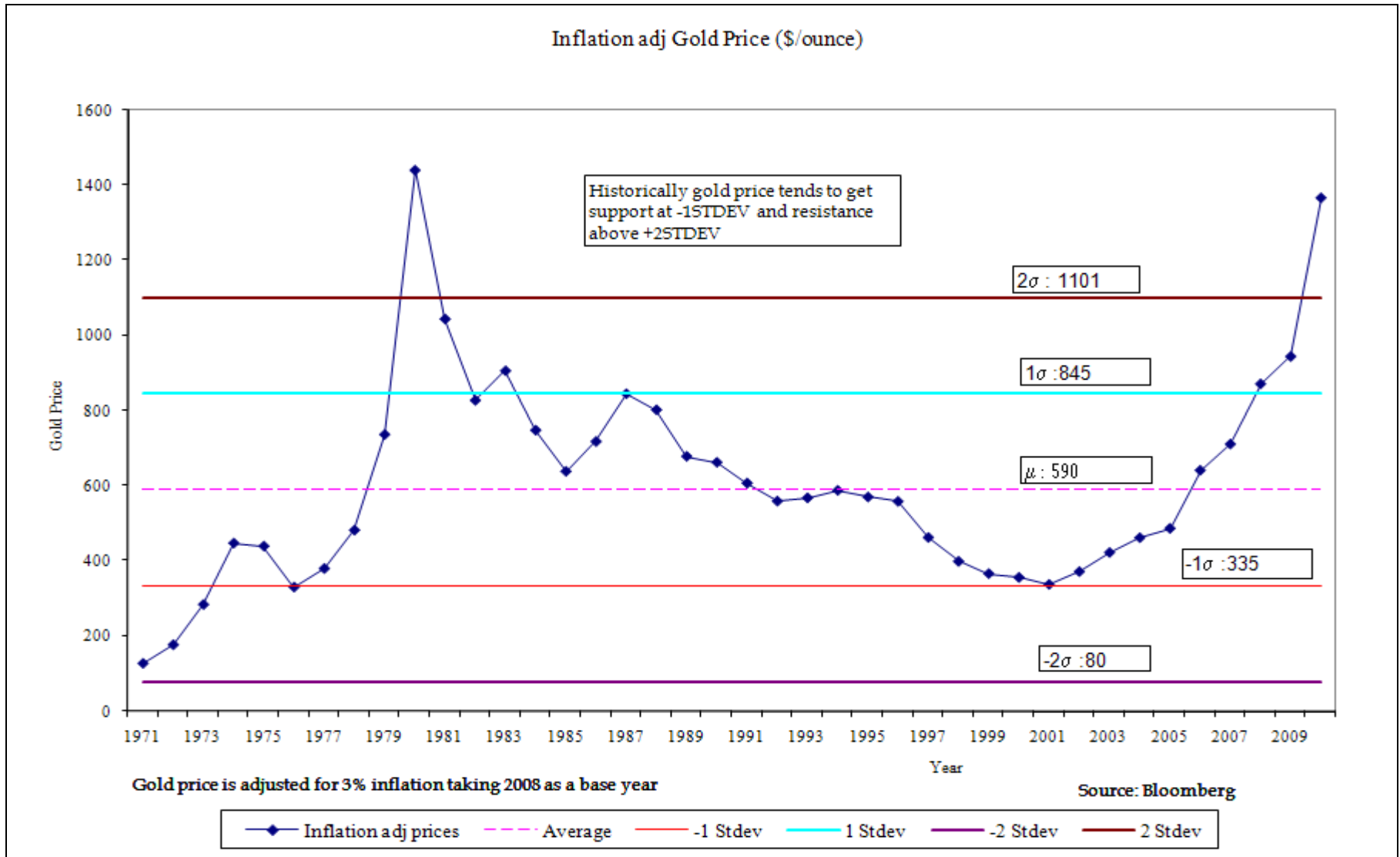
With Respect to OIL, GOLD is beginning to get undervalued

Long GOLDS Comdty and Short USCRWTIC Index, Updated till 15 Mar 2011

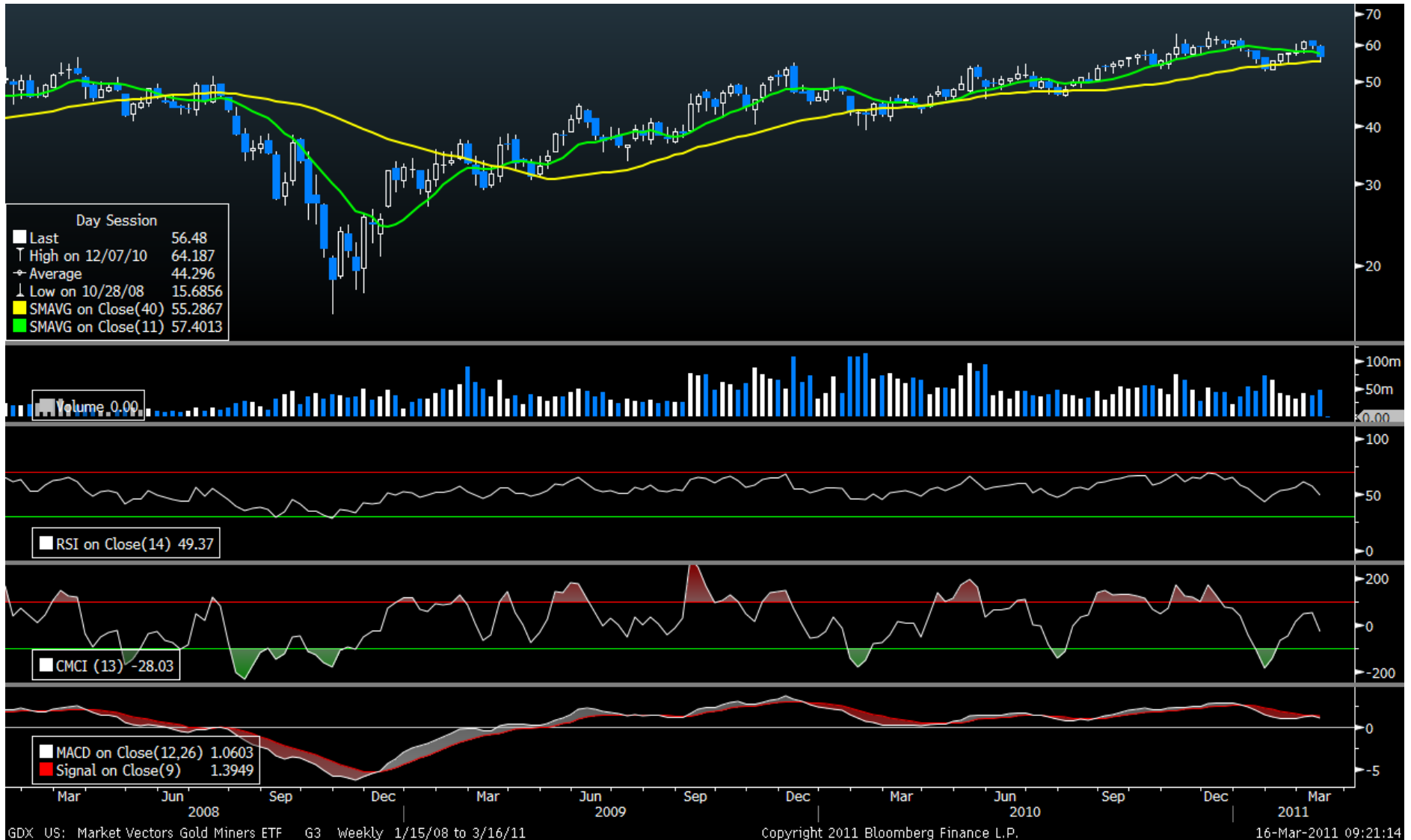


2- GOLD – Trend Reversion Analysis – Long Term – Inflation Adjusted

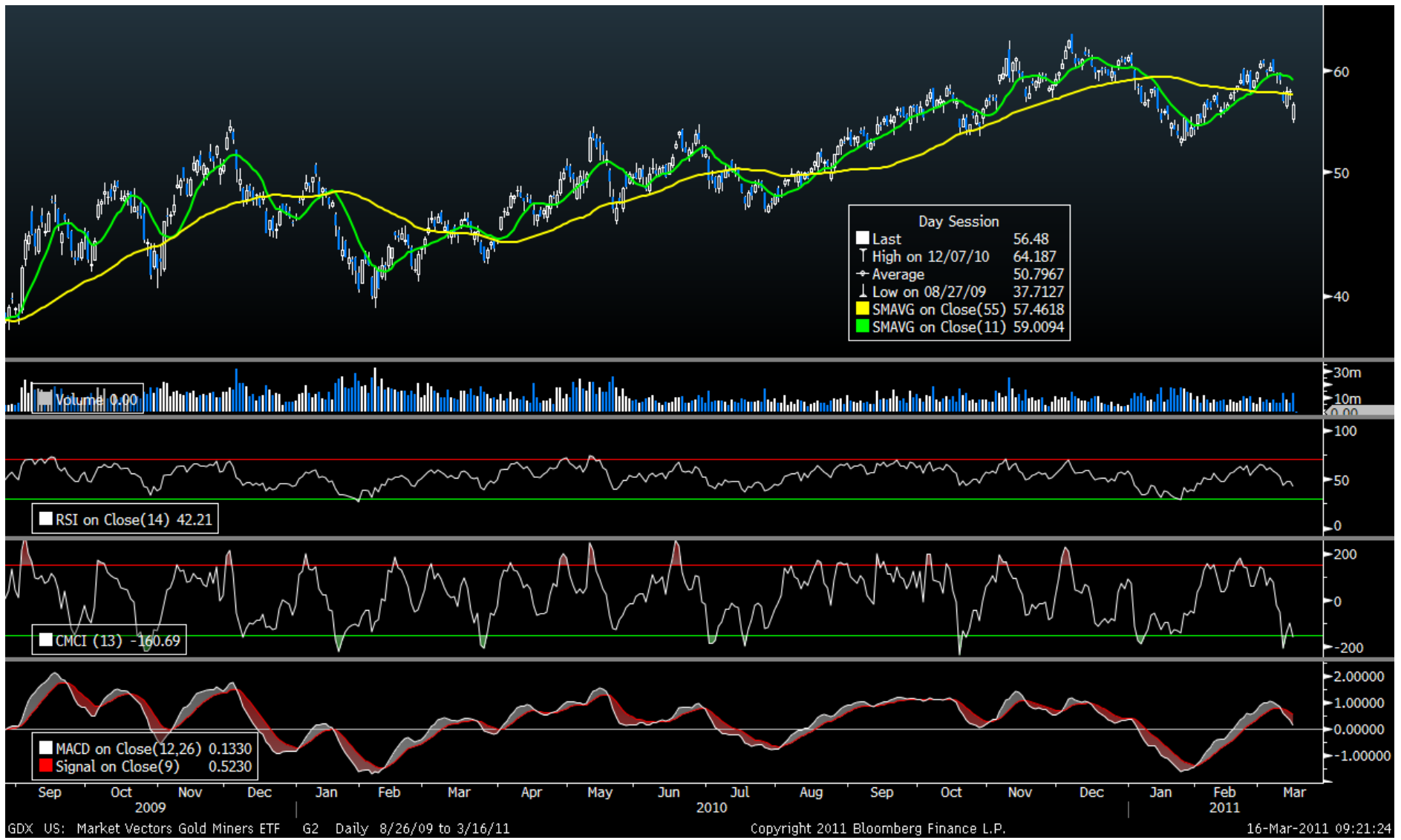
Is almost double topping



1-GDX - Weekly- 3 Year with RSI, CCI, MACD - (11 W / 40 W SMA)



2-GDX - Daily – 3 Year with RSI, CCI, MACD - (11D / 55D)



XAU – PEC Analysis

PEC -D is CONFIRMED by this process as we had indicated last week . POM was confirmed 2 days later with GDX at 59 for POM 14 Re run.



GDX – Daily – Money flow

Sellers are bailing our Mining stocks - Bearish divergence warns that this rally was simply a market oversold bounce – Another hurdle for breakout. .



GOLD – SMA & Trend Analysis

Refer notes within charts. The bounce should be limited .

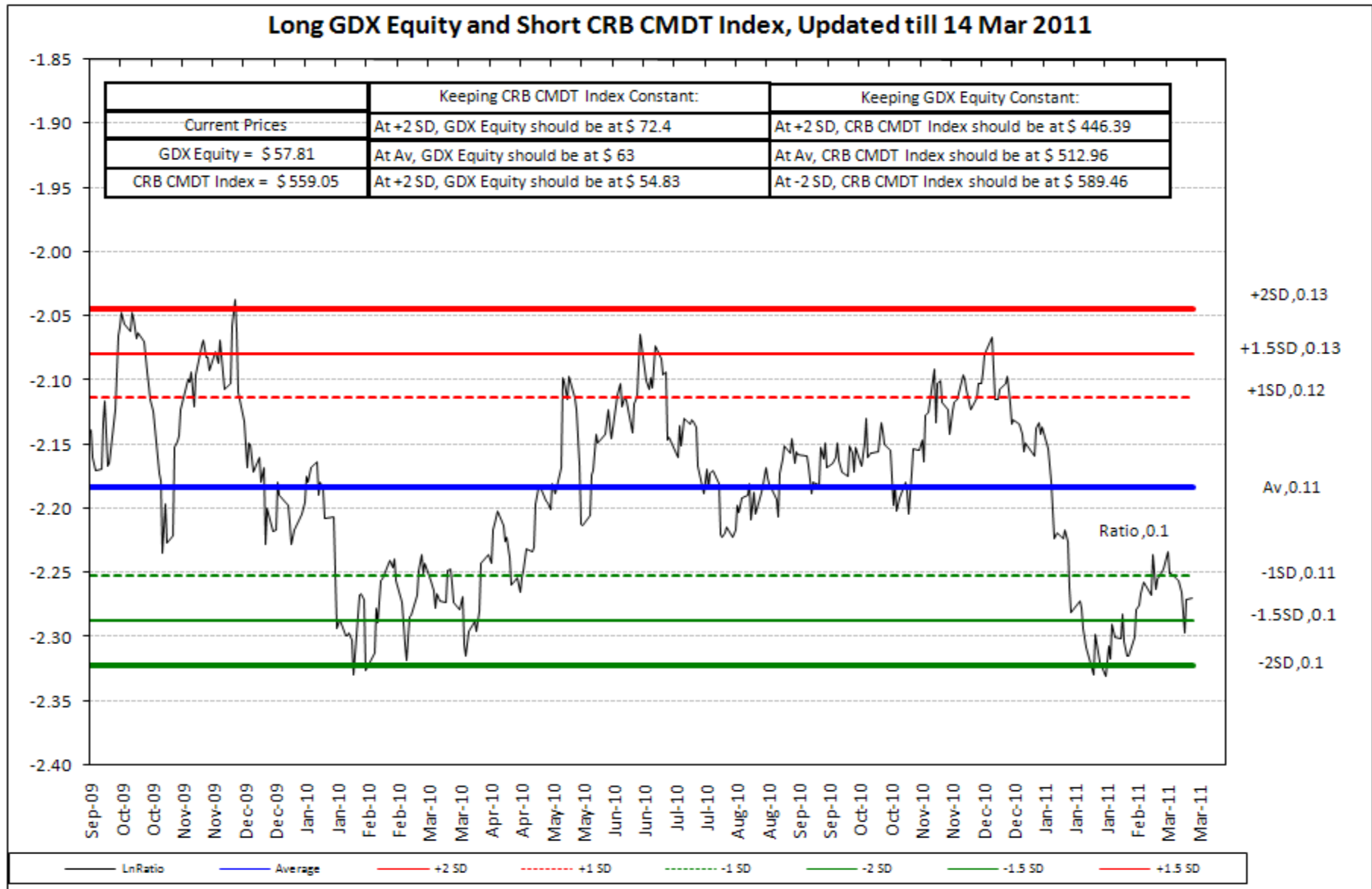
Gold Miners		GDX
Last: \$	56.48	
Chg: \$	(1.33)	-2.35%



The 200-dma was tested again; and it has held for now.

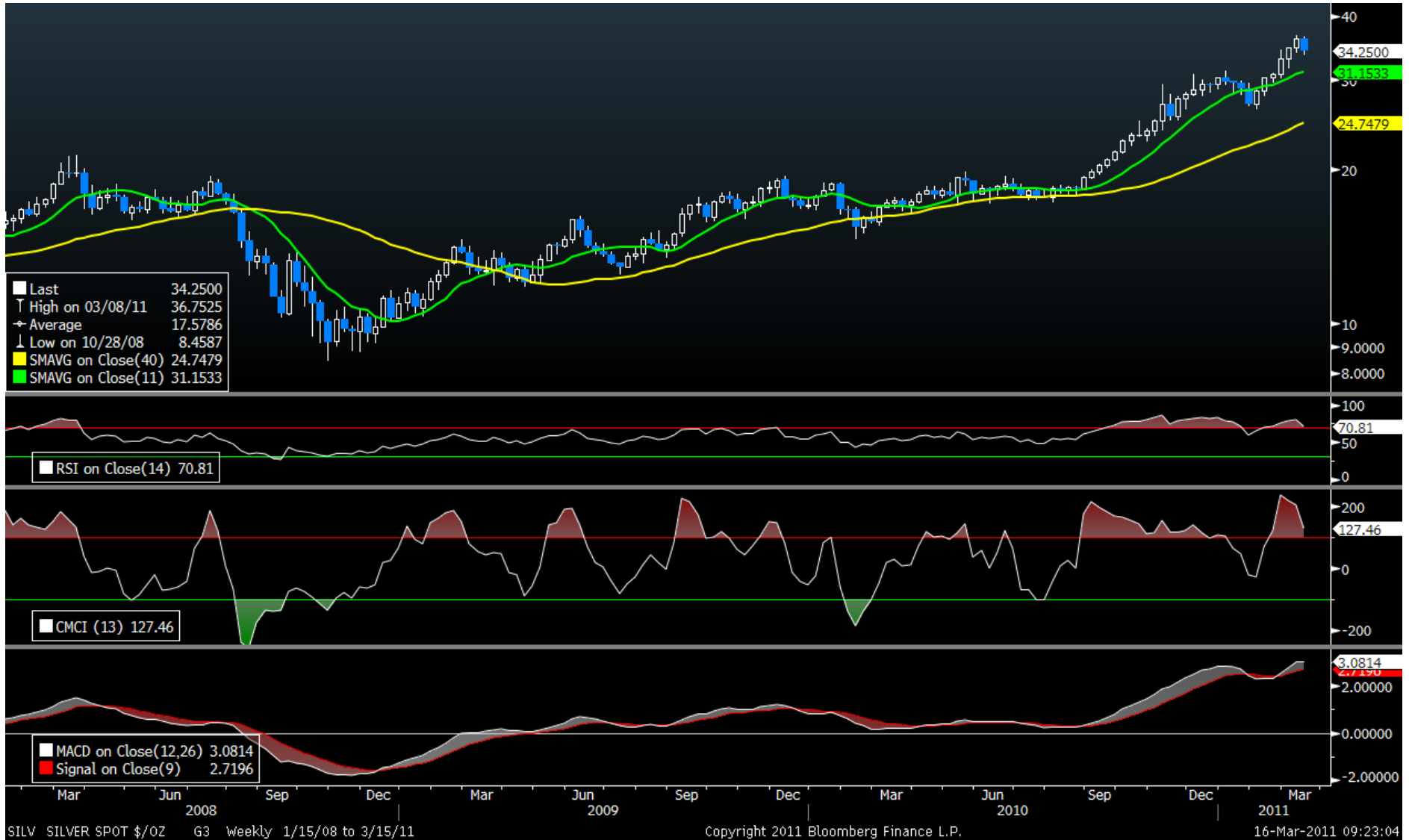
1- GDX – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , GDX is beginning to get to mean



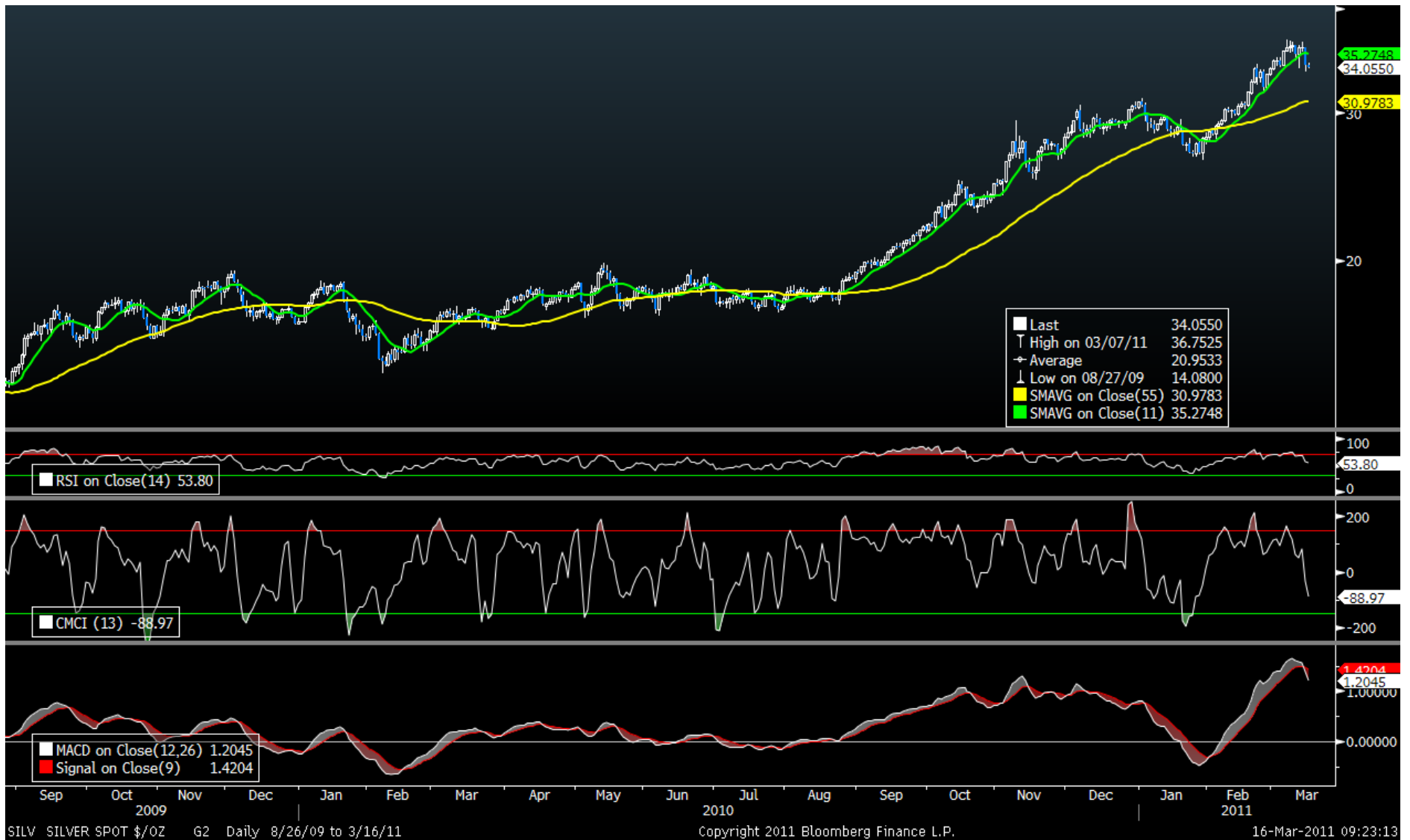
1- SILVER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



SILVER - Daily - 3 Year with RSI, CCI, MACD

(11D / 55D)



1- SLV – PEC D

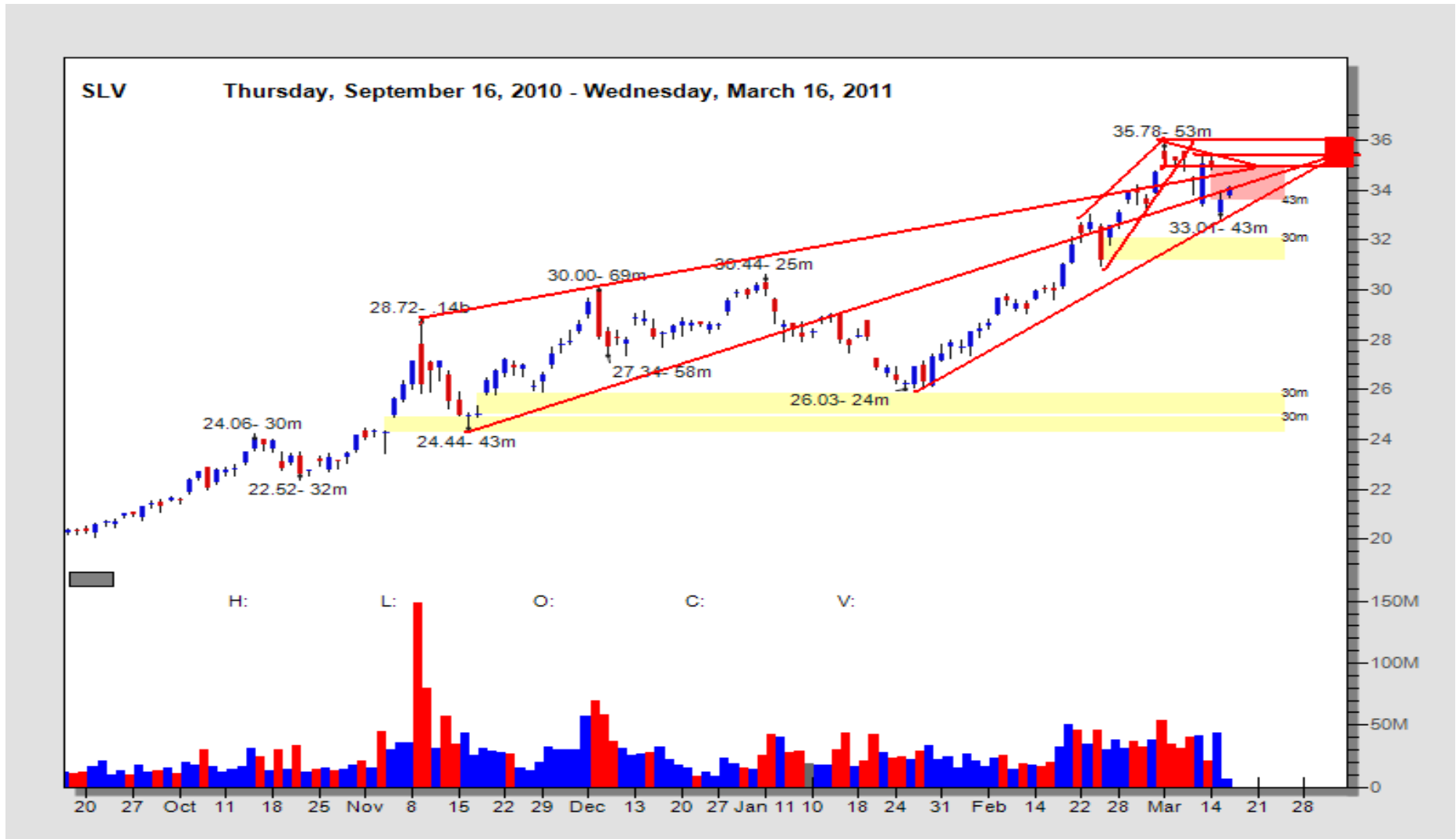
Currently – **No Signal on PEC D** – Although GOLD Triggered POM 14 – Re run. Ultimately it will follow the Gold but no clarity by this method. SLV has finished ABC up for we need more data points for CZ / PQV



SLV – Daily - Price / Volume-

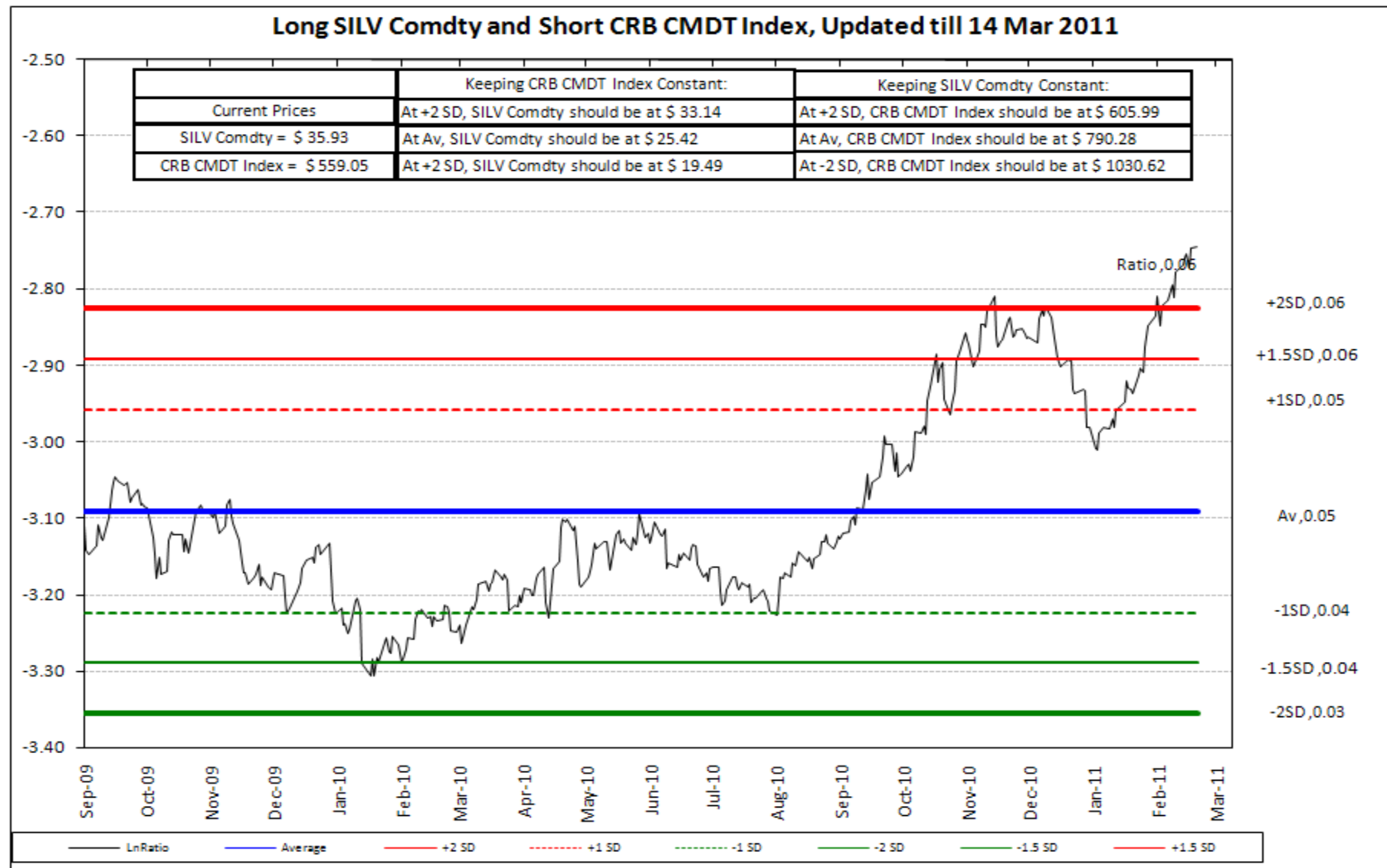
We have triggered POM 14 Re run on Gold and GDX , Although we think this will closely follow there is No signal yet. Possibility of Terminal pattern here . Since ABC up is complete at 34.5 +/- .

CZ for this terminal pattern is 35 -36 with 25 M shares. Test and reject. If 3x3 volume picks up stay neutral . Stop above 37 .



SLV – Correlation Ratio Analysis with CRB – 365 days Time basis

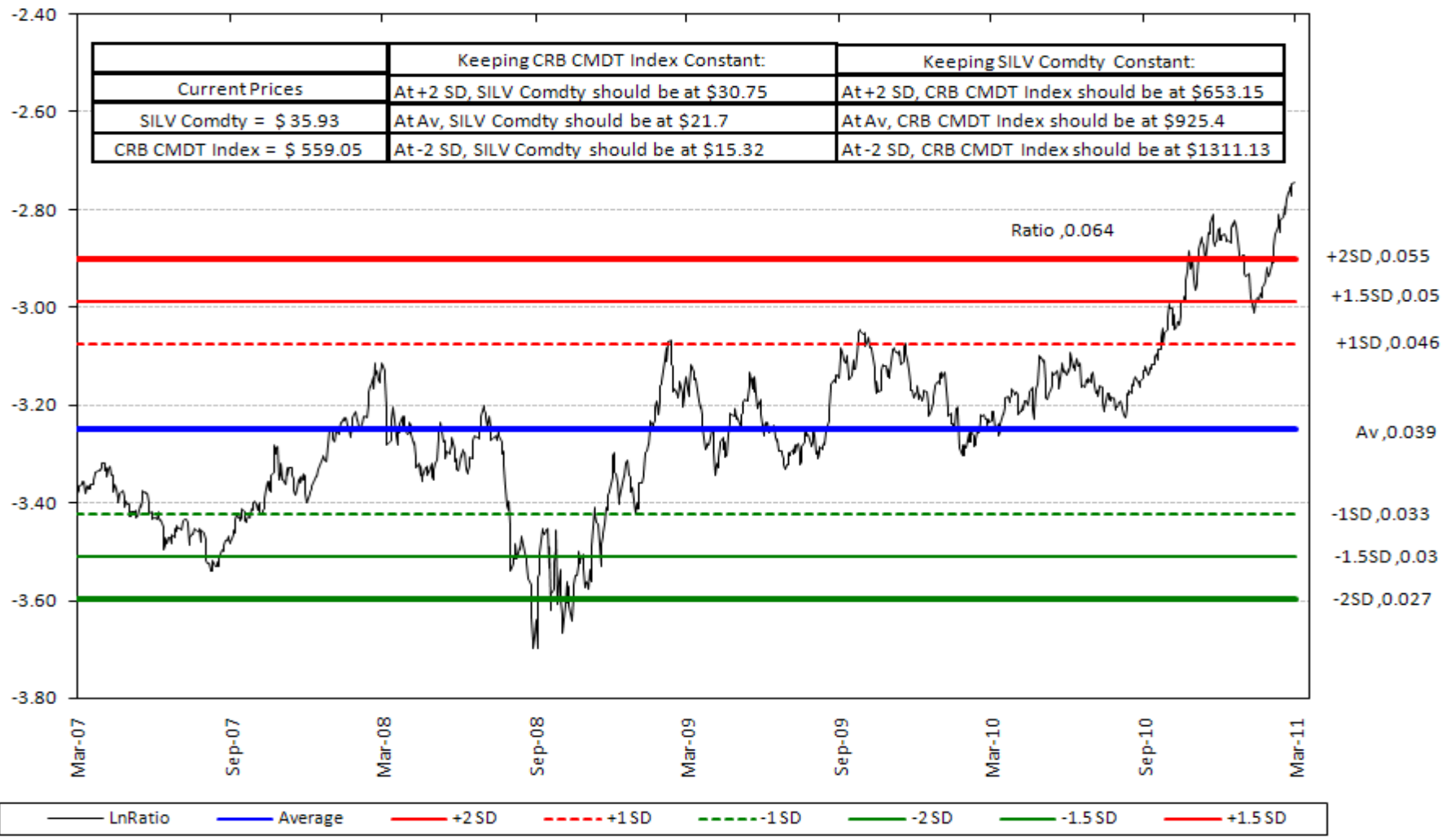
With Respect to CRB , SLV Ratio is picking up speed to be overvalued.



SLV – Correlation Ratio Analysis with CRB – Full Time basis

With Respect to CRB , SLV Ratio is picking up speed to be overvalued.

Long SILV Comdty and Short CRB CMDT Index, Updated till 14 Mar 2011, FULL PERIOD



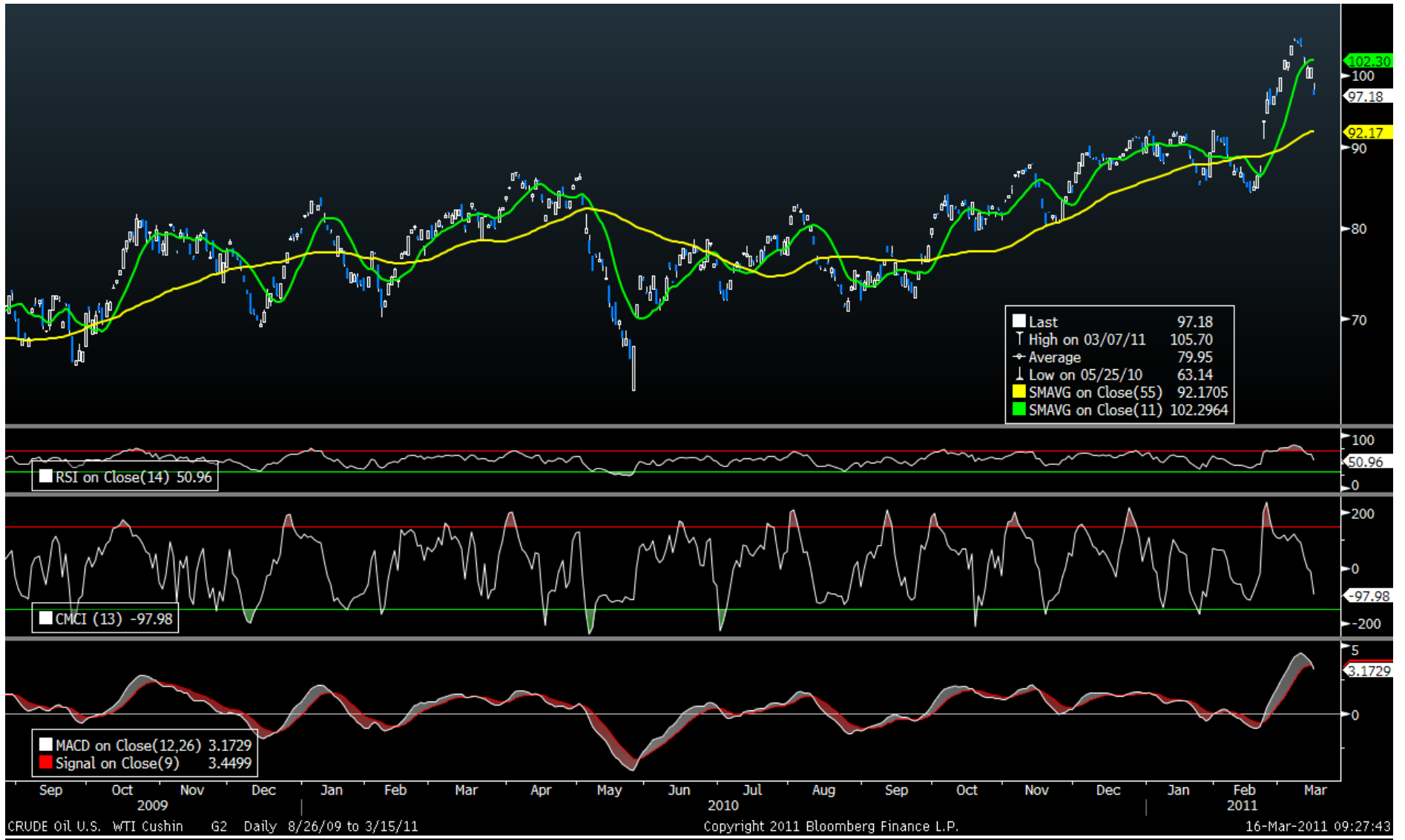
1- OIL - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



OIL - Daily - 3 Year with RSI, CCI, MACD

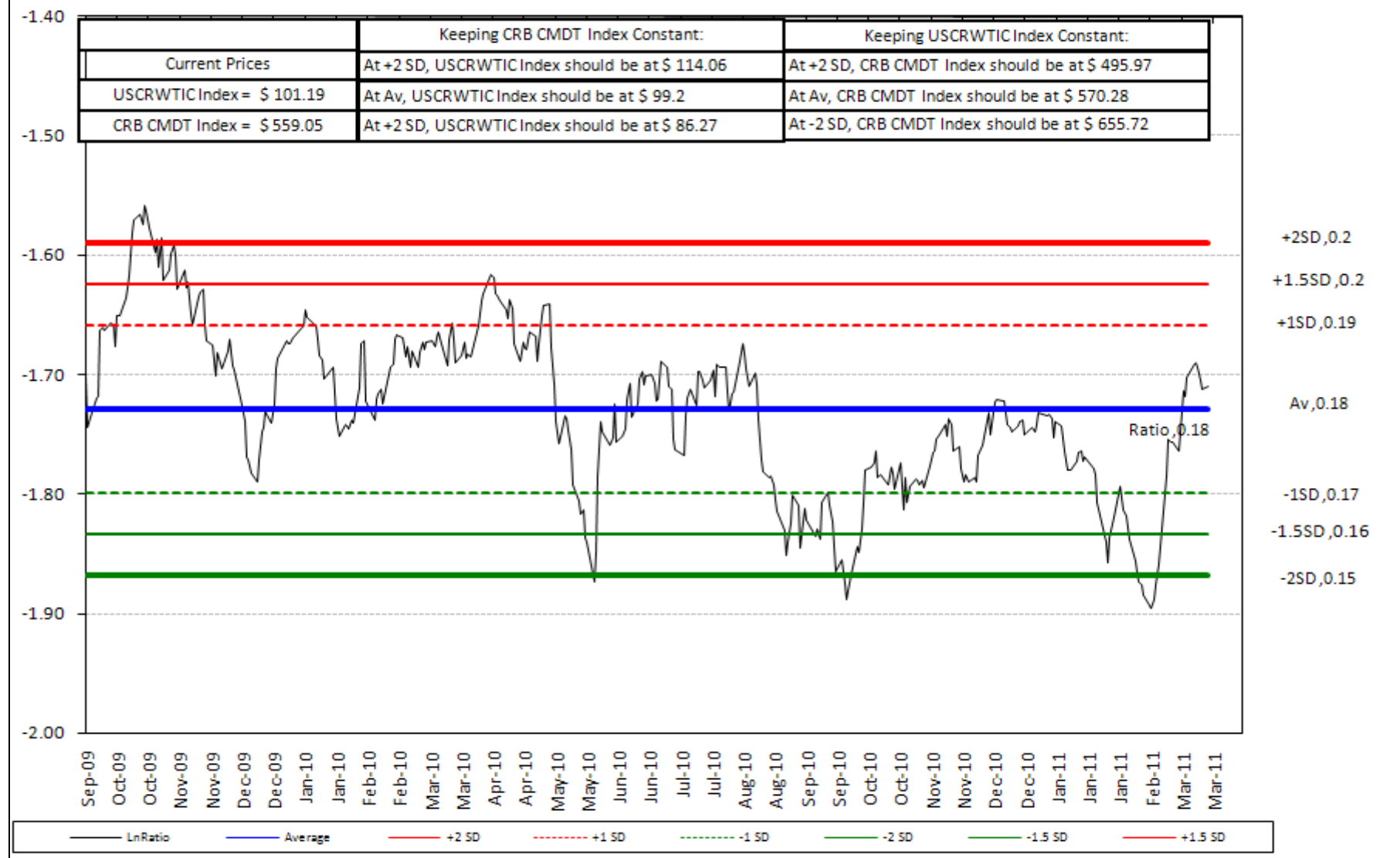
(11D / 55D)



OIL – Correlation Ratio Analysis with CRB – 365 days Time basis

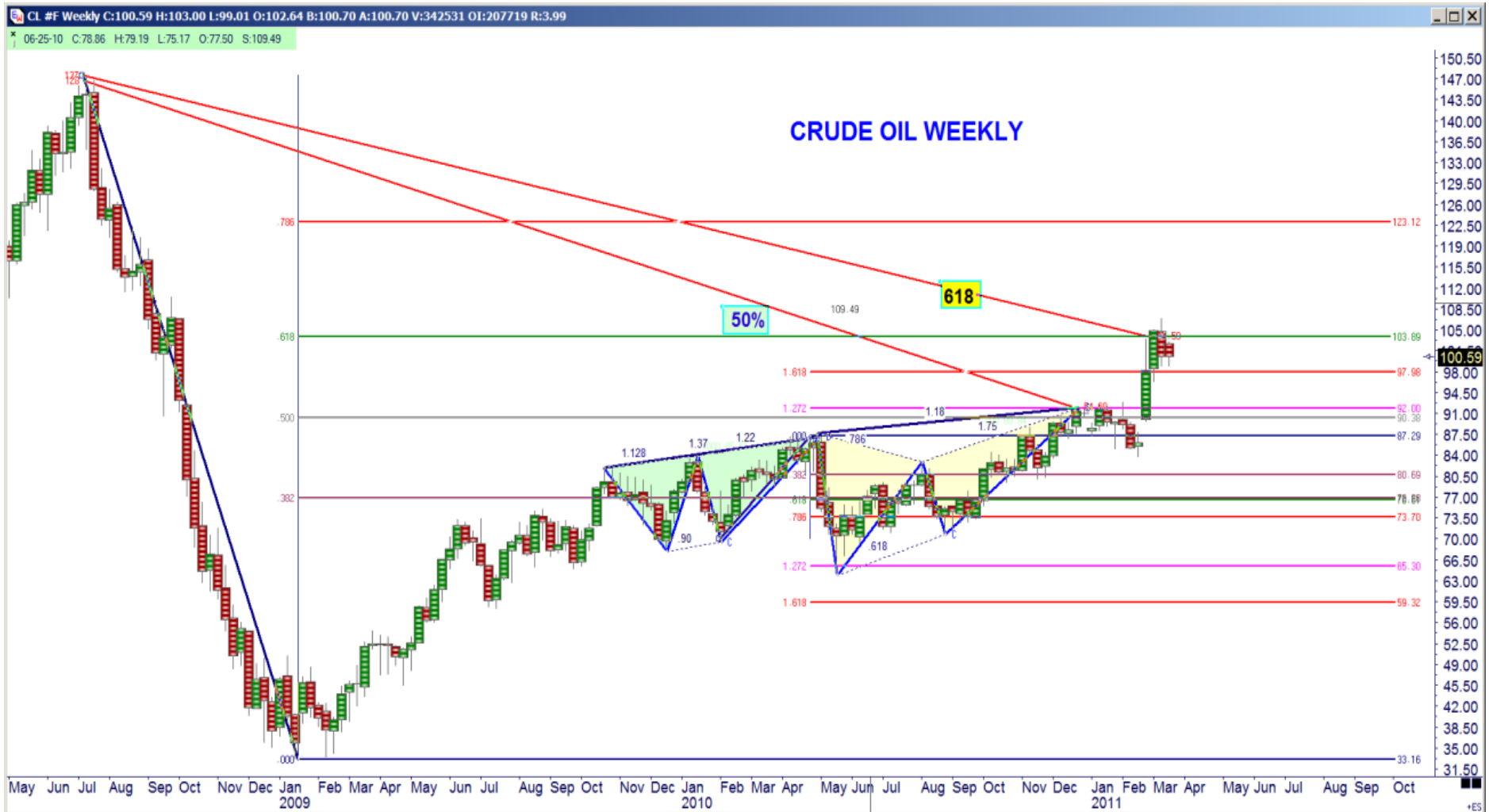
With Respect to CRB , OIL is now at mean .

Long USCRWTIC Index and Short CRB CMTD Index, Updated till 14 Mar 2011



2- OIL – PEC D – ABCD Method

Our PEC – D, Point comes to 119 (Could it get there ??) – The Geopolitical noise in Middle east caused the earlier PEC-D point at 93.5 busted to 104 . This is un predictable market for now (non conformance)



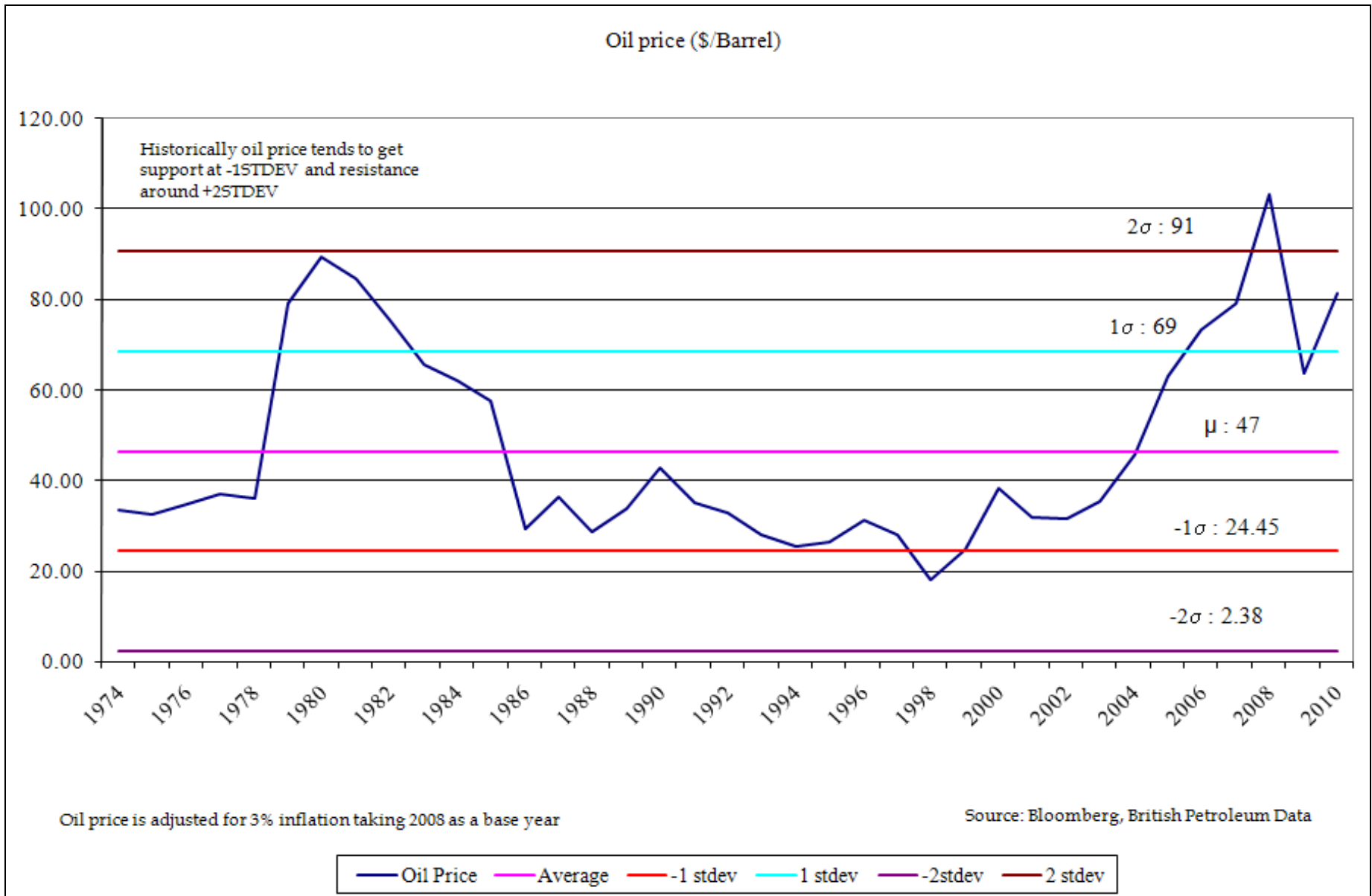
1- OIL (USO) – Technical & Pattern Analysis & Price / Volume

USO at the double top CZ proved its merit , No signal yet . PEC D has higher price move.

Crude Oil ETF	USO
Last: \$	39.39
Chg: \$	(1.52) -3.86%

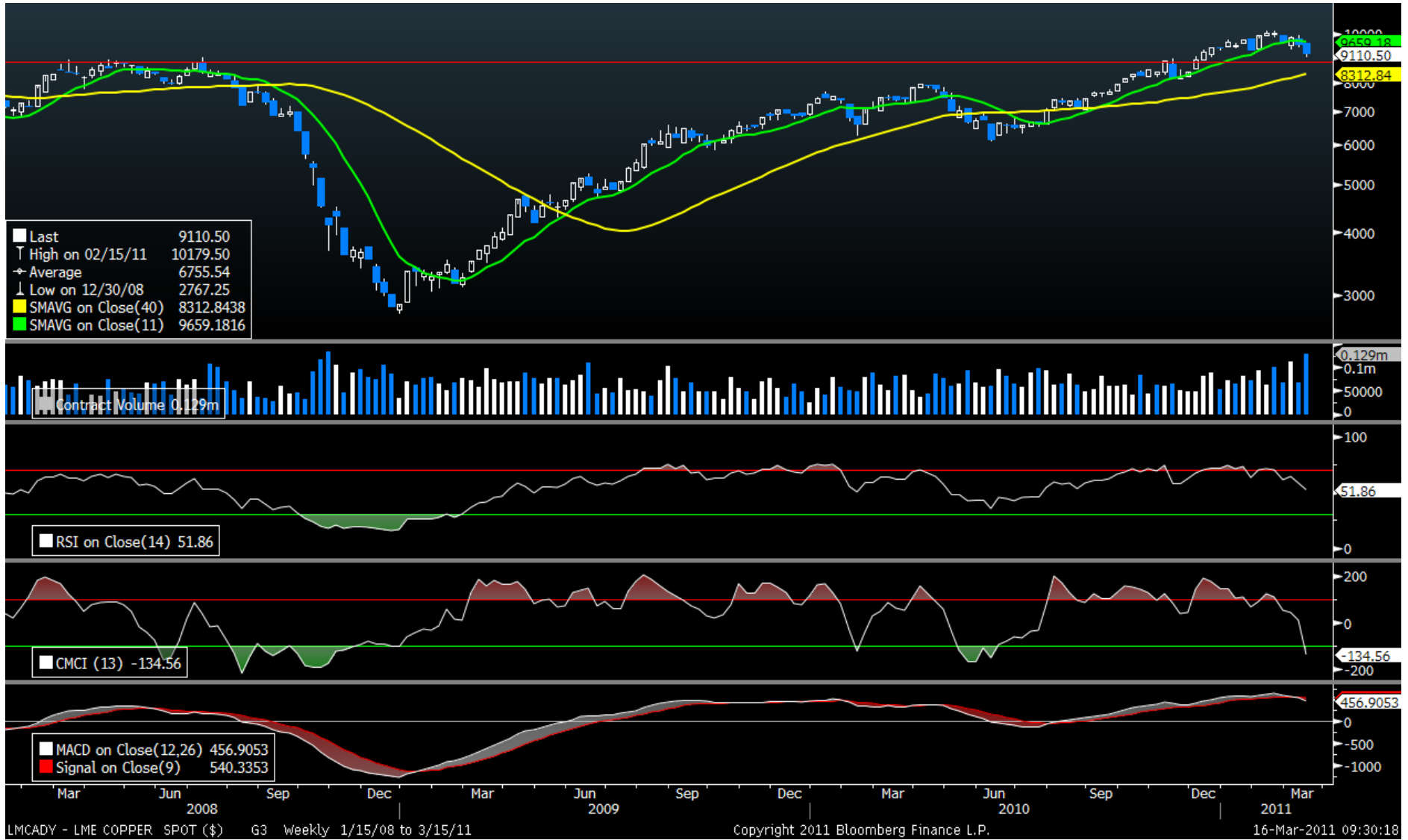


OIL – Trend Reversion Analysis – Long Term – Inflation Adjusted



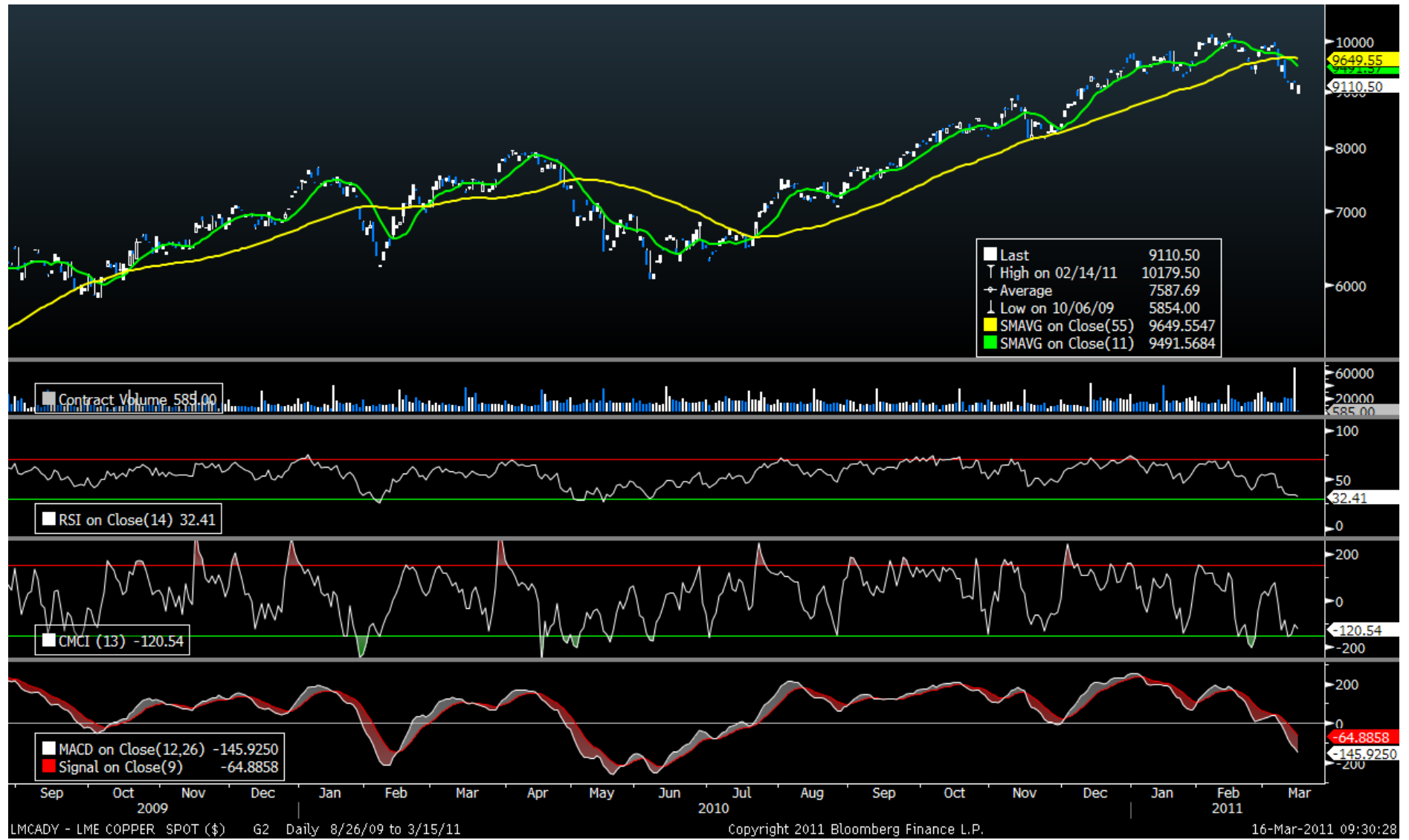
1- COPPER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



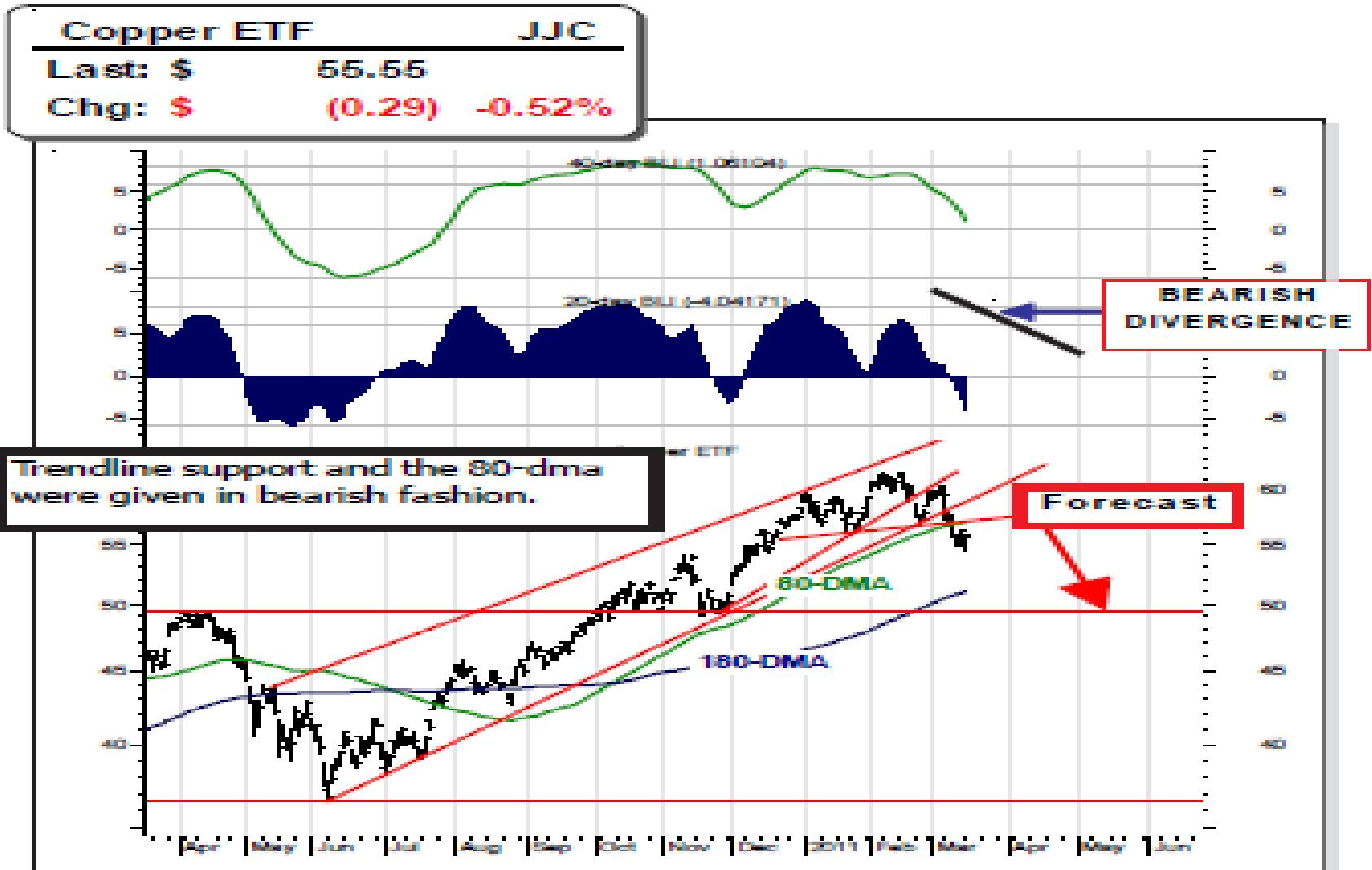
COPPER - Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)



Copper (JJC) – Technical & Pattern Analysis & Price / Volume

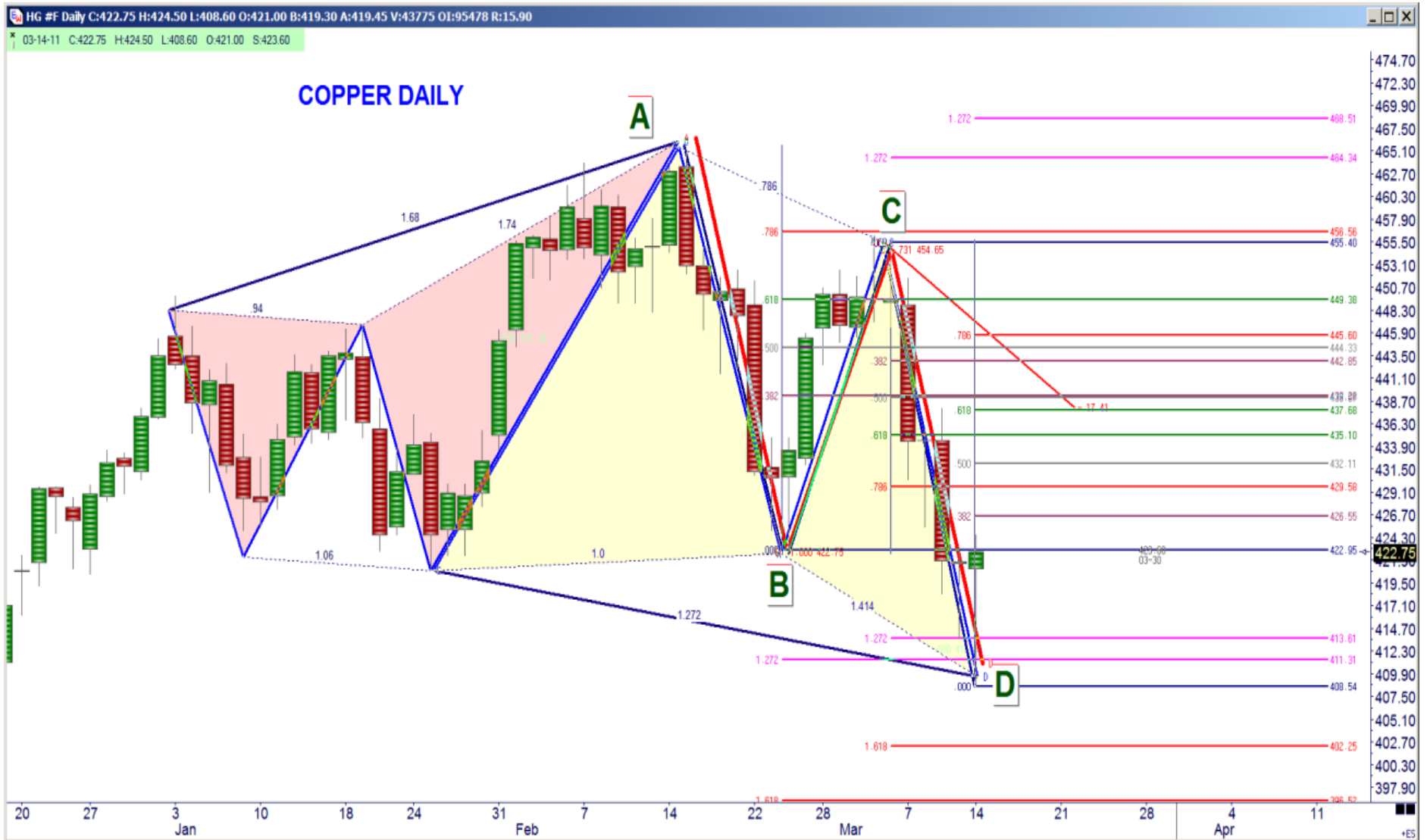
After witnessing Bearish divergences in spite of move up. Finally cracked on prices. Earlier It triggered the PQV Validation test CZ was triggered at 59-60 for decline .



Copper (JJC) – PQV Analysis

In fact **A point** coincided with our JJC – CZ 59-60 proved it merit and market stopped on its track.

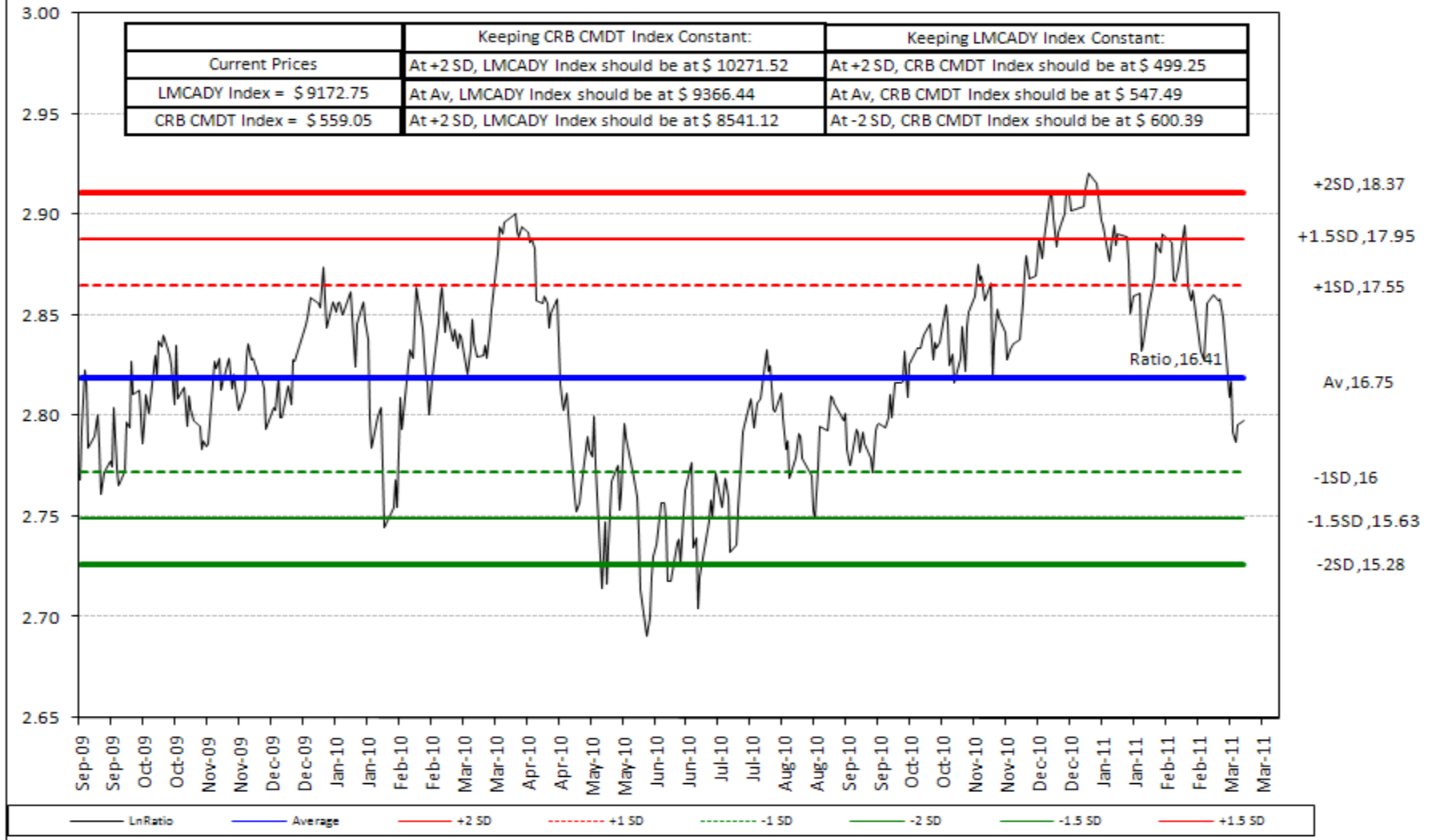
After this current breakdown, **the D point** is ABCD completion on ST basis. **Coincided 54**



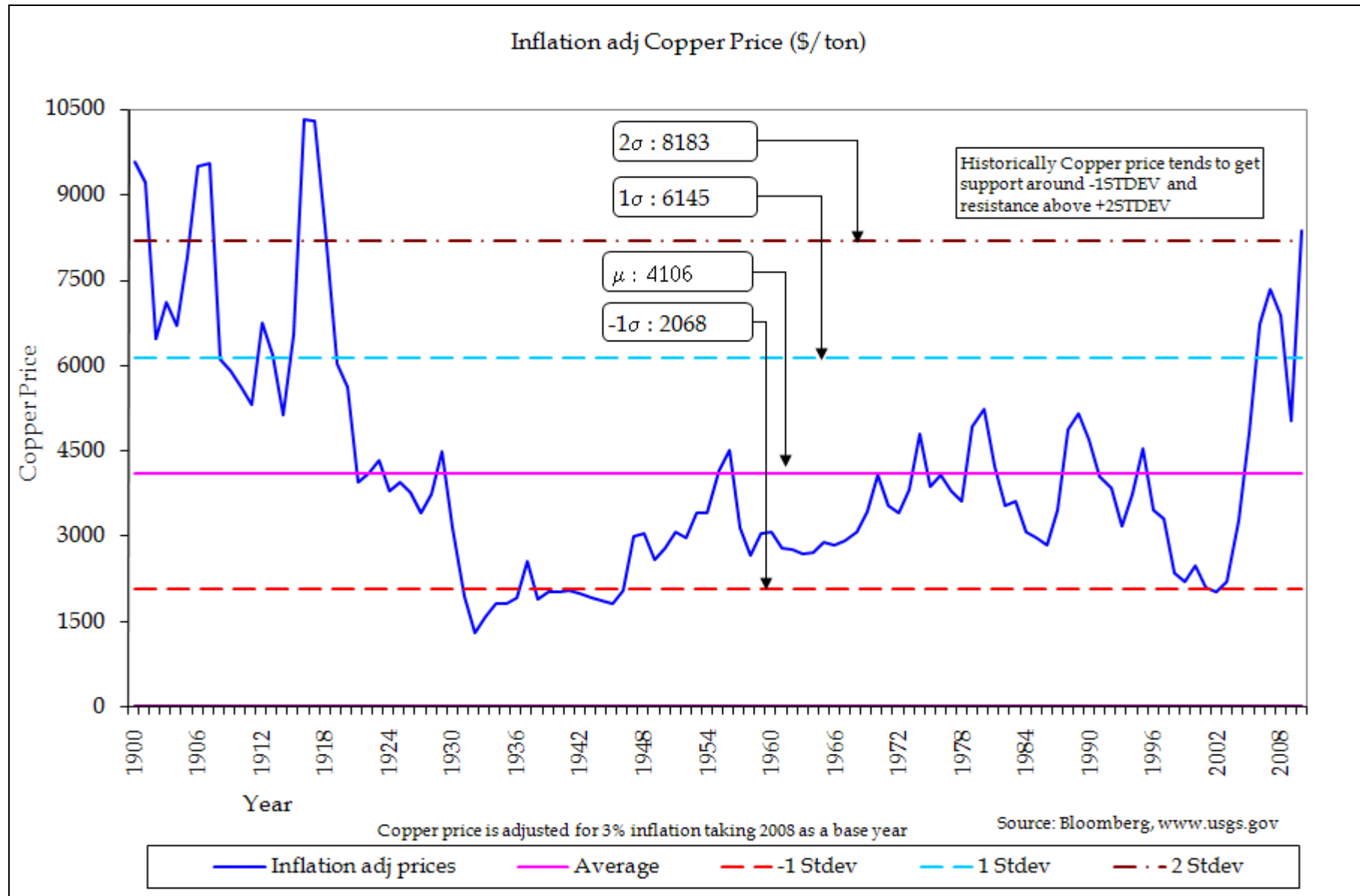
COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , Copper is proceeding to mean

Long LMCADY Index and Short CRB CMDT Index, Updated till 14 Mar 2011



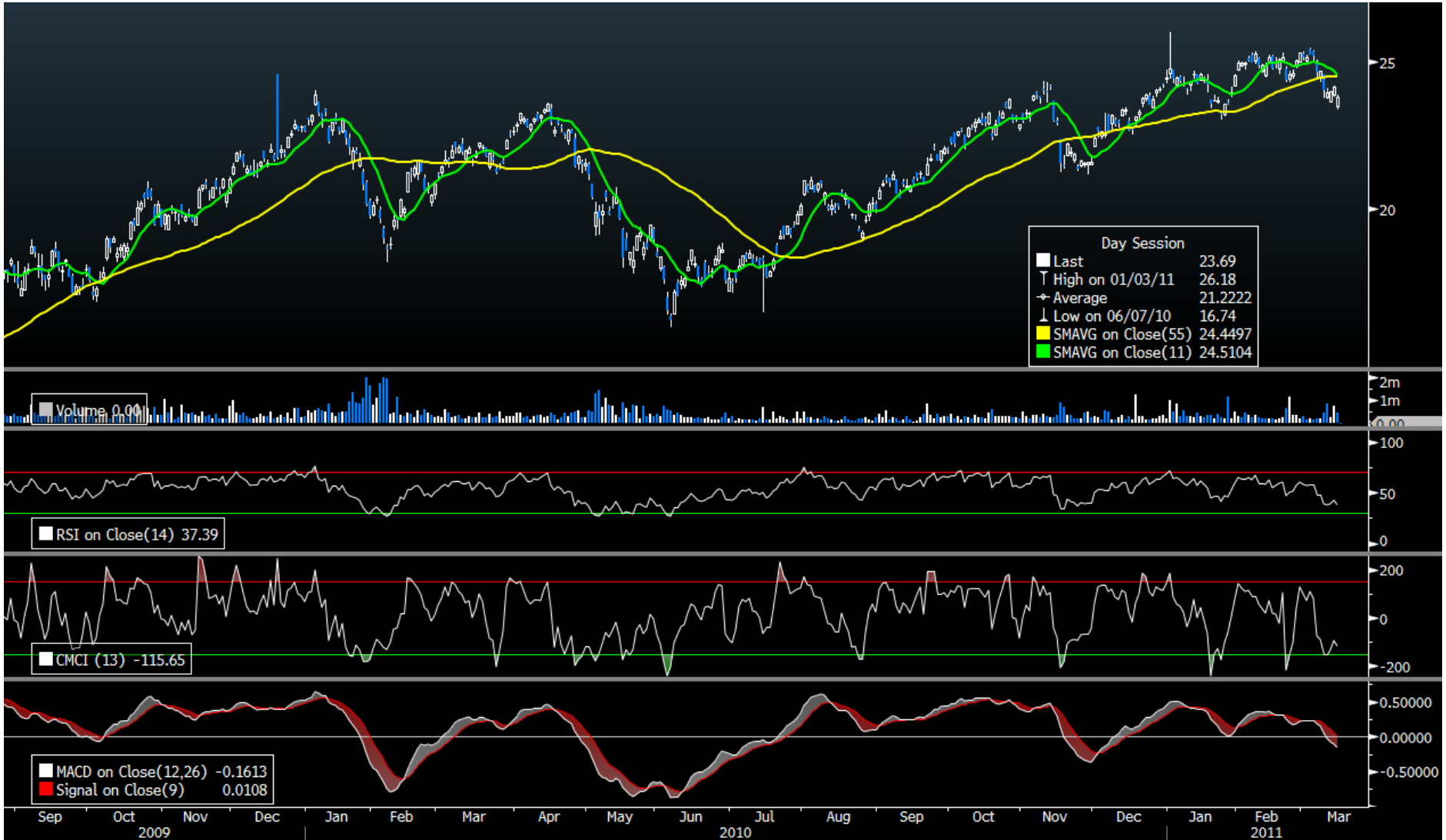
COPPER – Trend Reversion Analysis – Long Term – Inflation Adjusted



DBB - (BASE METAL) Weekly- 3 Year with RSI, CCI, MACD (11 W / 40 W SMA) (BASE METAL)



DBB - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



DBB - with SMA & Trend lines

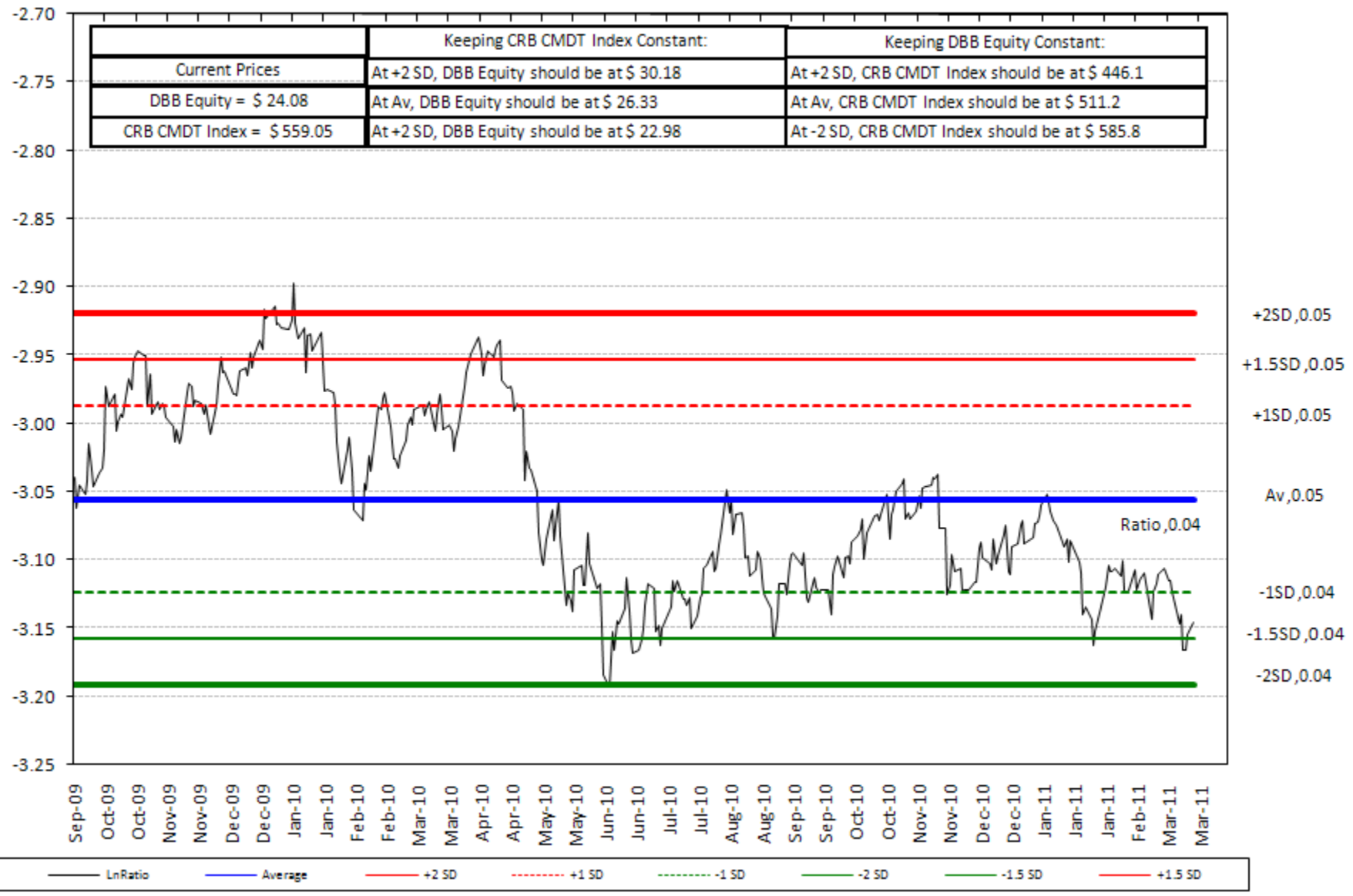
Bearish divergences in Base metal Index as well, just to give sense of overall picture on XLB and COPPER (JJC), we have both in our PQV Validated Sectors.

Base Metals	DBB
Last: \$	23.69
Chg: \$	(0.39) -1.65%



DBB – Correlation Ratio Analysis with CRB – 365 days Time basis

Long DBB Equity and Short CRB CMTD Index, Updated till 14 Mar 2011



DBA - Weekly- 3 Year with RSI, CCI, MACD (11 W / 40 W SMA)



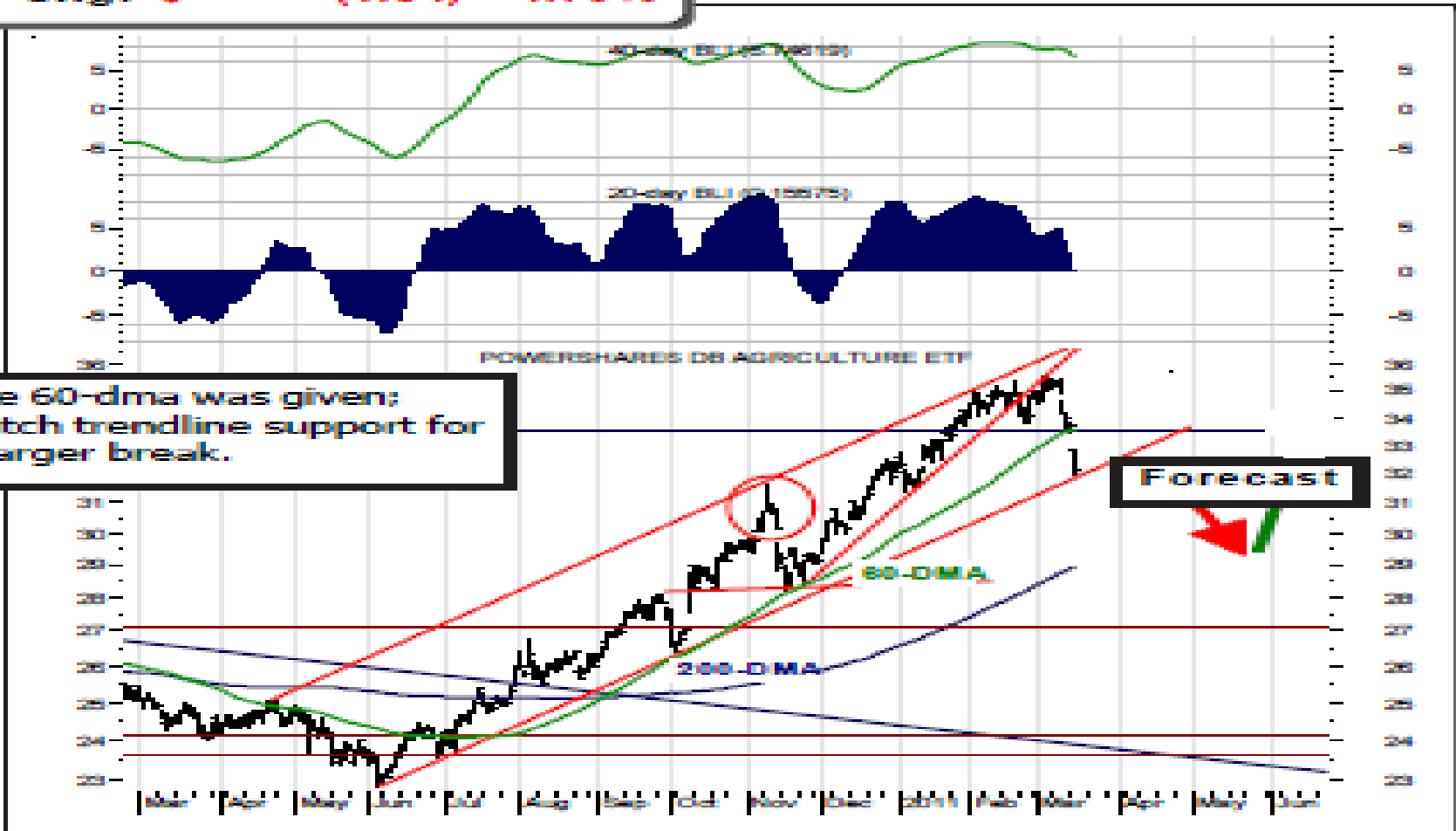
DBA – (AGRO) Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



DBA - with SMA & Trend lines

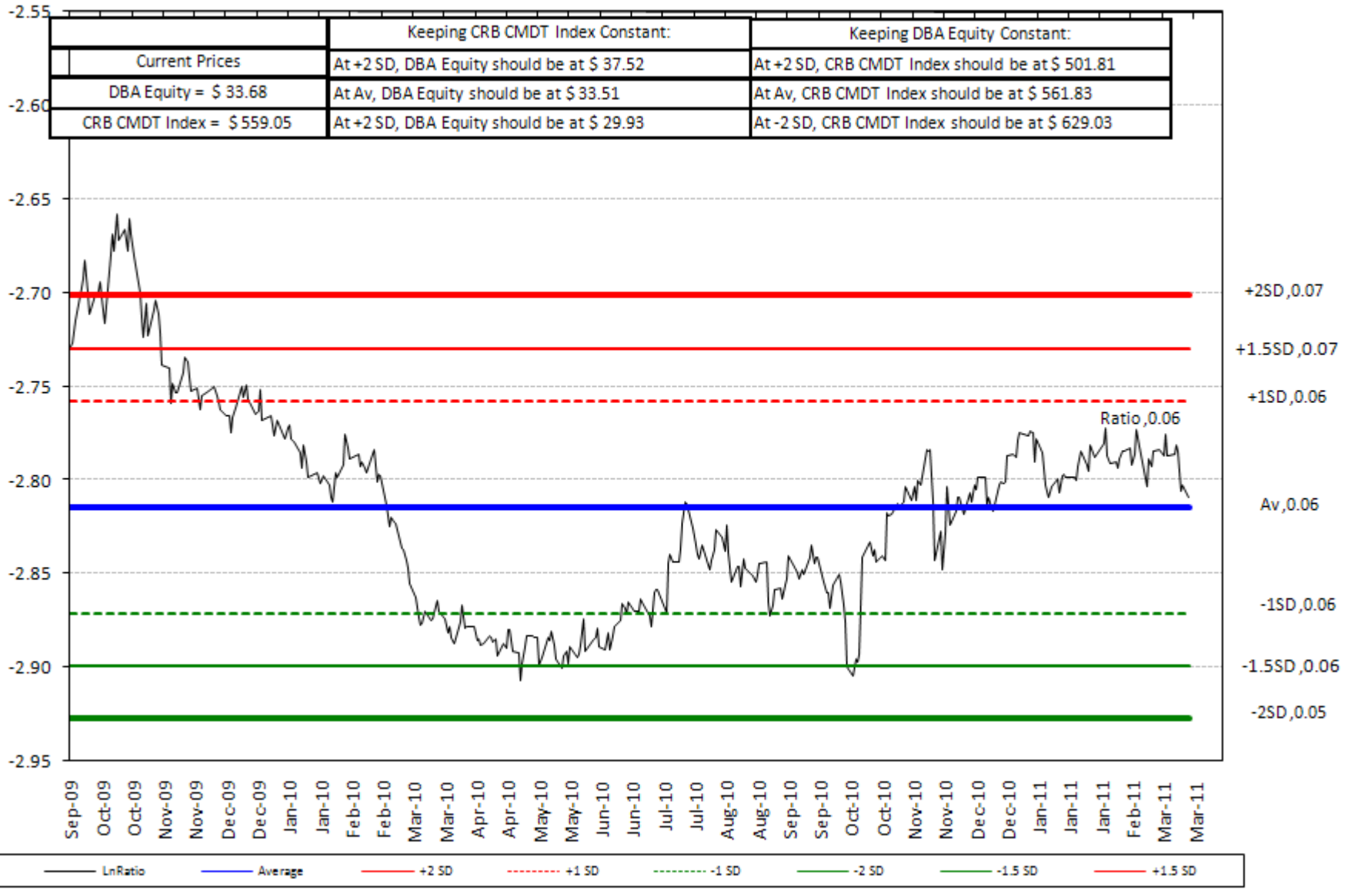
We broke the Trend line ,

Agriculture	DBA
Last: \$	32.14
Chg: \$	(1.54) -4.79%



DBA – Correlation Ratio Analysis with CRB – 365 days Time basis

Long DBA Equity and Short CRB CMTD Index, Updated till 14 Mar 2011



Appendix

On closure of 2010, - GOLD

As we begin 2011, let us Summarize 2010 and put the year behind us. The Aggregate POM Signals for the Full year on absolute basis irrespective of the market moves. Our review is to attempt to do better in the following year as best as we can within our limitations and capabilities.

- Long Side – We had (1) clear POM 12 to POM 14 (FEB to MAY -1050 to 1240) = Total of 18% up move
- Partial Hedge Longs / Risk Management for Downside Corrections - We had (2) , POM 14 to POM 13/12 (7% JAN, 8% JULY & In the last Qtr extended move from POM 14, 1250 to Current 1350, **-7%**) = Total of 8 % Risk management move (Unlike SPX , POM 14 is partial Hedge only on Longs & POM 15 for fully hedge but no Net short)
- Additional Hedge via Short (SLV) – We had (1) Clear POM 15 @ 27.2 dt.11/10 for quick fall to 24.90 first price objective but then bounced to currently @ 28.80, The Nov / Dec move post POM 15 - against of - 4% in 2 months

• History - “ Previous Signals & Projections”

• GOLD

- 2010 YTD – This year, we have had (3) clean TREND SIGNALS rise from “ POM (13 or 12) to POM 14 for LONG IDEAS. POM 13 has high Relative weight age in Bull Market then in Bear Markets
- Feb to May – 1050 to 1200
- May to July – 1170 to 1260
- Aug to Sept – 1170 to 1235

and (2) Risk Managed POM 14 declines (drop of 9 % in Jan) & (drop 10% in July), The current one skewed by QE2 for time being

• .OIL

- August - **PEC D / POM 14. @ 82 for move to 76** (It went as lows as 70, no signal) and rally began back to 80

GOLD & SILVER – Bull Market Criteria

- Since GOLD is in Bull Market, at POM 14 (Run / Re – Run) we prefer to PARTIAL Hedge on past Long positions.. (In Bull market we DO NOT NET SHORT, at Best increase the Hedge fully at POM 15). For POM 15 criteria

1. Price to extend above 10 % of POM 14
2. Price extend above 15 to 20%of 34 W MA
3. Final price Exhaustion Alert
4. 3 Drives to the Top and Double top to it (Inverse Hyperbolic flag post)
5. Sentiment to Extremes on Intermediate term

POM criteria for Implementation

- POM is rated from 10 to 15
- POM 14 , 15 (is Sell Signal) and 12 , 11 (is Buy Signal) both are the Actionable Area whereas POM 13 is A Neutral Signal for Risk management
- On way UP move, POM 13 signifies to STOP executing additional ‘New Buys’ that was initiated at POM 12 or POM 11 levels
- On way DOWN move, POM 13 signifies to STOP executing additional “ New Short Sells” that was initiated at POM 14 or POM 15 levels
- (Bear Markets) POM 15 is for - Net Short & POM 14 is for - Hedge Longs
- (Bull Markets) POM 15 is for -Hedge Longs & POM 14 is for - Partial Hedge
- POM 12 & 11 is for Net Long
- POM 10 is Climatic Crash low Buy Signal to add to Net long position (Rear event)

Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator –

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close

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