



SG Capital Research

Global Market Insights

## **Research Note – Commodity Analysis (C)- STRATEGY & PROP Analysis (SP)**

**MAEG – WKLY COMMODITY ANALYSIS SG 2011 # AUG\_16**

**For Immediate Release – *Bi – Wkly Tuesdays AM (EST)***

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### **Commodity Analysis (C) -SP**

- CRB / CCI / DBC
- GOLD
- SLV,
- GDX
- OIL / USO
- NAT GAS / UNG
- COPPER / JJC
- BASE METALS / DBB
- AGRI COMMODITY / DBA
  
- Selected Sector may have Analytic Charts as Titled below
  1. POM Analysis ( Only if applicable)
  2. Technical , Pattern & Oscillator Analysis
  3. Confluence Zone ( CZ) & Price / volume Analysis,
  4. PEC Analysis, Ratio Analysis ( Only if applicable)
  5. Sentiments ( If Extreme character)
  
- Appendix - OBJECTIVE , HISTORY of past Signals & POM Key Criteria

## ● GOLD – POM Signals & Price Projections

### Trading & Investment Conclusions – GLD / SLV / GDX / OIL

#### ● Net Short –

- None recommended in GLD to SHORT in Bull market by this Model. ( Except SLV)
- POM 15 –, SLV – Triggered once @ 47.5 target 42

#### UPSIDE Target

**ALERT – On 8/09**, A # 3 Report Release Announced – Trigger POM 14 - Fully Hedge Position Averaging from 1760 to 1790 end of Parabolic move – ( In Bull market we do not get POM 15 )

#### ● Long Side –

- POM 13 – Triggered 5/6 @ 144-145 ( 1470 ) for Recycle capital or Partial fresh capital to go Long ,
- **Resulted in 135 point gain from 1470 POM 13 to 1596 – 1615 Bearish CZ**

- ✓ **Alert - Parabolic Warning announced 7/20 @ 1628 - C # Commodity Report** – would put in a Parabolic Apex pattern for 130 point move in very Short time to 1760 target - Although we announce it as forecast , such long play is for special Type of specialized Trading Desk
- ✓ POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long)

#### ● Hedge Longs / Risk Management for Downside Corrections - Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in

- 4<sup>th</sup> Hedge - Closed on 5/6 at POM 13 @1460 ( GLD = 143) from POM 14 @ 1544 ( 150.48) = 84 points gain
- 3<sup>rd</sup> Hedge - ( stopped on 4/5 @ 1450 ) from POM 14 – Re run Trigger at 1425 ) = (-25) points loss
- 2<sup>nd</sup> Hedge - Closed on 3/16 at CZ ( @ 1380) , from POM 14 – Re run Trigger at 1425) = 45 points gain
- 1<sup>st</sup> Hedge - closed on 1/25 at POM 13 ( @ 1325 ), from POM 14 @ 1420 ( since 1<sup>st</sup> Jan) = 95 points gain

- **CRB ( DBC) , OIL**

- Counter Trend bounce in process towards 89 , before getting to lows again
- OIL – Rallied from 91 Trigger to 100 & sold back to 91 and stopped out at CZ 91
- Triggered Oil 91 dated 6/21 C # Commodity Report.

- **GDX**

- GDX – Rallied from our BUY Trigger 52 – 54 to 60. For 15% gains, **ALERT – GDX TARGET 60 BEARISH CZ, Now Awaiting for Gold pull back to assess the new entry point**

- **GLD, SLV**

**ALERT – On 8/09, A # 3 Report Release Announced –Trigger POM 14 - Fully Hedge Position Averaging from 1760 to 1790 end of Parabolic 130 point move – ( In Bull market we do not get POM 15 )**

**Alert - Practice Stop above 1825 highs ( just in case)**

**Alert - Parabolic Warning announced 7/20 @ 1628 - C # Commodity Report** – trigger of 1628 would put in a Parabolic Apex pattern for 130 point move in very Short time to 1760 target - Although we announce it as forecast , such long play is for special Type of specialized Trading Desk with pre positioning Agenda.

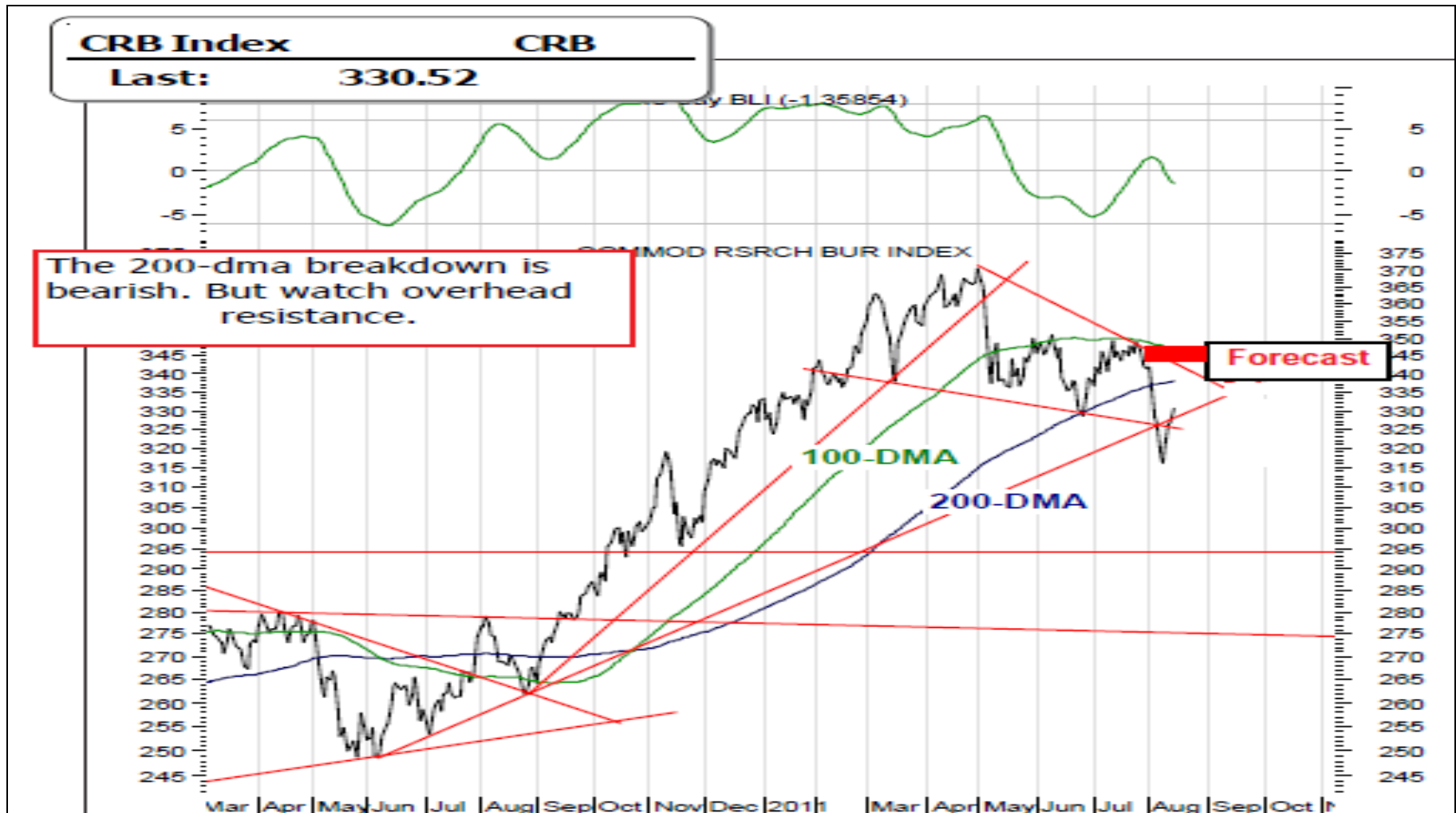
- **DBB, DBA, UNG , Copper ( JJC)**

- Bullish consolidation but No Signal & Trigger. – DBA , UNG
- Bearish on bounce but No Signal & Trigger - DBB
- Neutral pull back is almost over but No Signal & Trigger JJC (CU) -

## CRB / DBC- with Pattern & Oscillator Analysis

Shorter Term - Poly Trend , EMA , Trend Analysis suggest CRB should rally to 345 -350 indicating in Red . See the notes within the chart)

Longer term - CRB retraced a Fib 62% of its 2008-2009 bear market and ran into CZ ( similar to DBC- ETF) . Now below 50% retracement . in bearish way

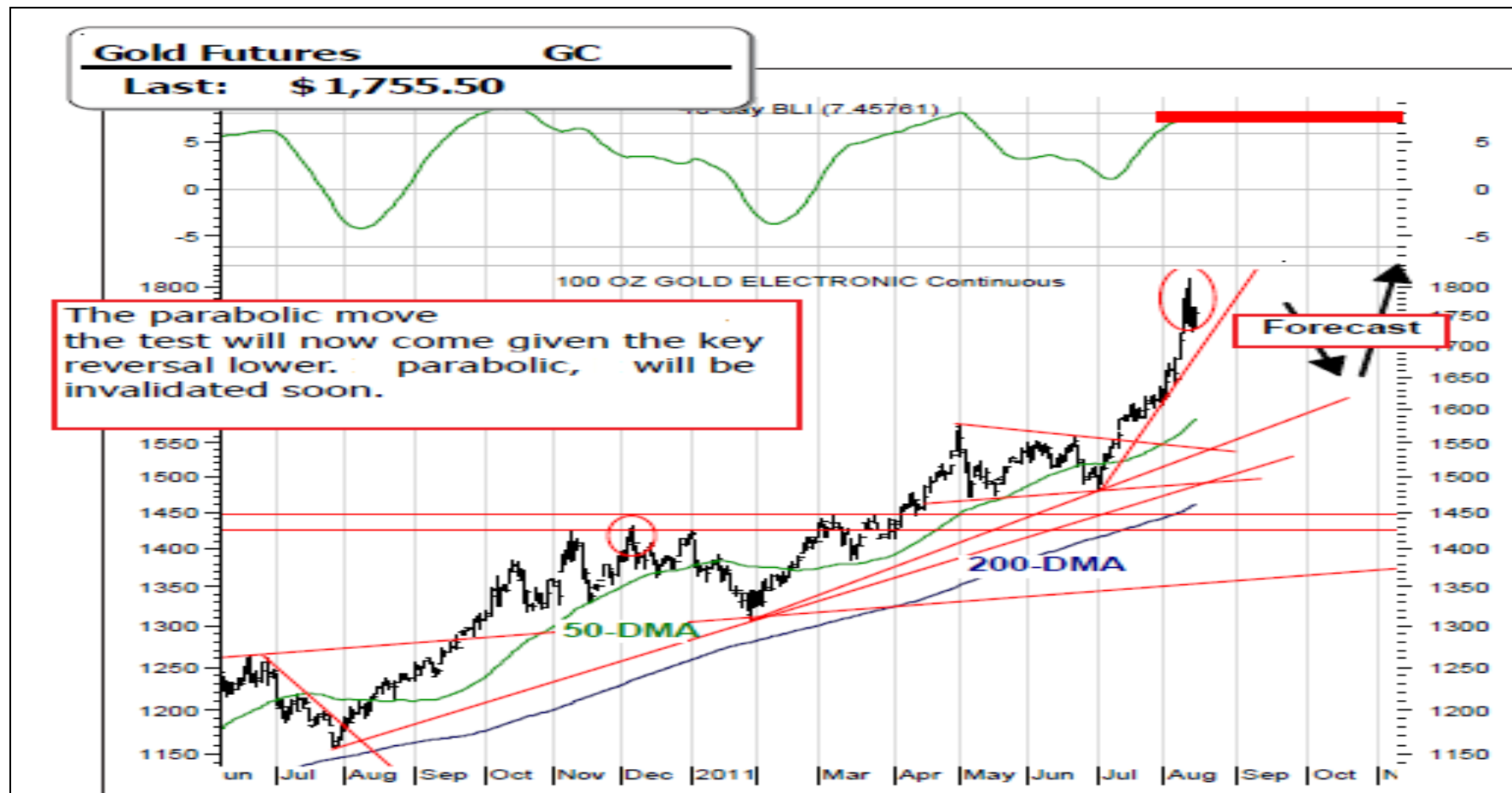


## 2 – GOLD Analysis – ( GLD + \$ 30 ) = GOLD continuous contract.

Gold currently going back to highs to retest 1800 ( STOP 1822) *stops always below CZ* , Pull back could be towards 1700

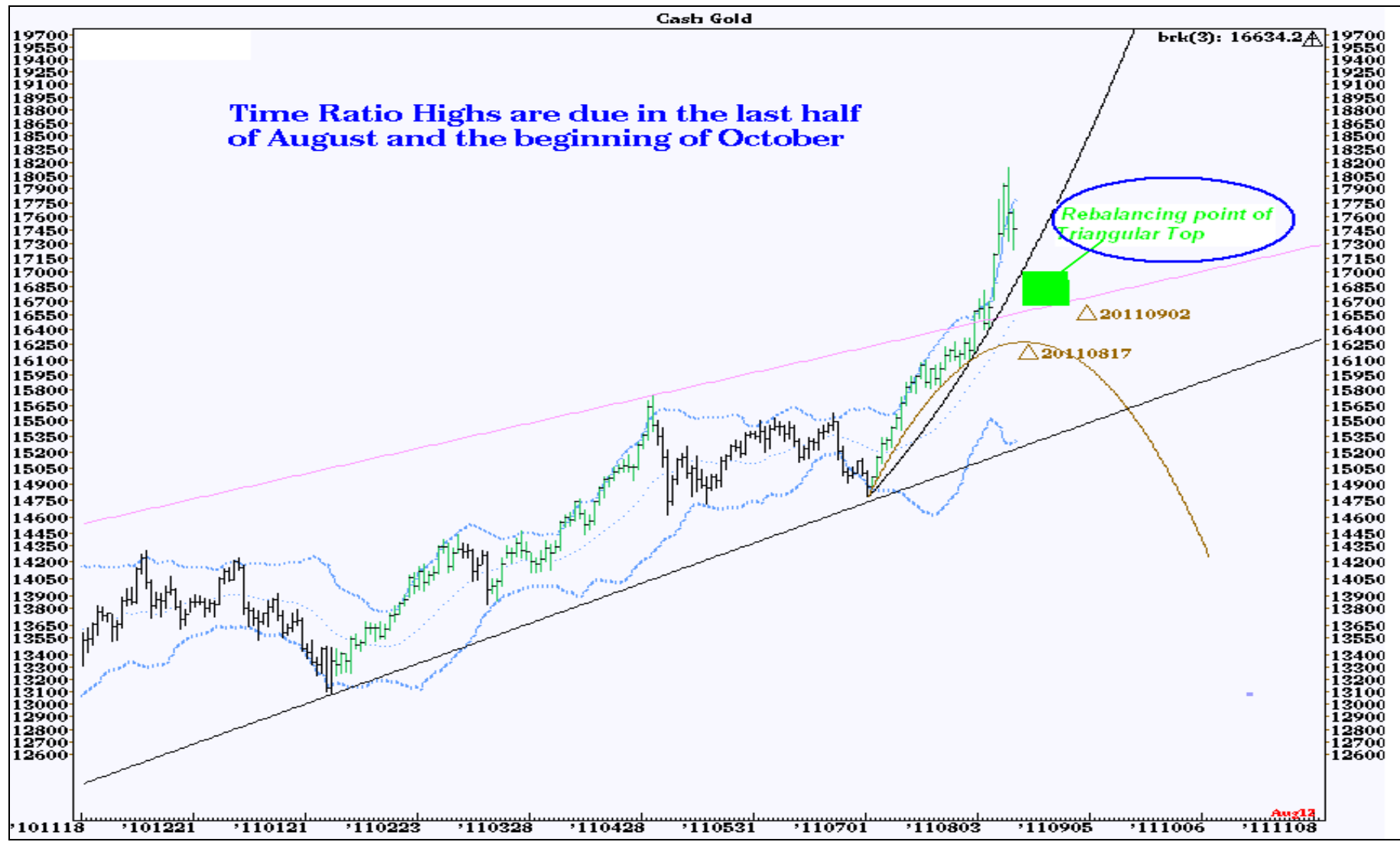
From initial Trigger of POM 14 – 1760 -179 , it dropped 60 points

From Trigger of Parabola 1628 to Projection of 1760 -1790 was met with BULLISH TOP, suggests after the pull back GLD should go higher.



## 2 – GOLD Trend line Analysis

*Bearish divergence warns that we are going to see a ST top in gold. But the Top for next leg up is Bullish*  
**The Pull back rebalancing point is around 1700 as first stop based on Poly Trend Analysis**



## 2 - GOLD – PEC D - Analysis

*ABCD Pattern on completion of 2 Parabola . There could be third happening later in weeks or months in similar manner*

*Currently - On trigger of POM 14 –gold pull back \$ 60 now rallying back for another test . On Short term basis GOLD is slightly toppy after a good run to the upside and suggests the pull back is near . The PROJECTION to 1760 to 1790 is met with BULLISH TOP.*

*After the pull back Gold should move higher with Good seasonality in September – October into the 6- year cycle high .*





## 2 - GOLD

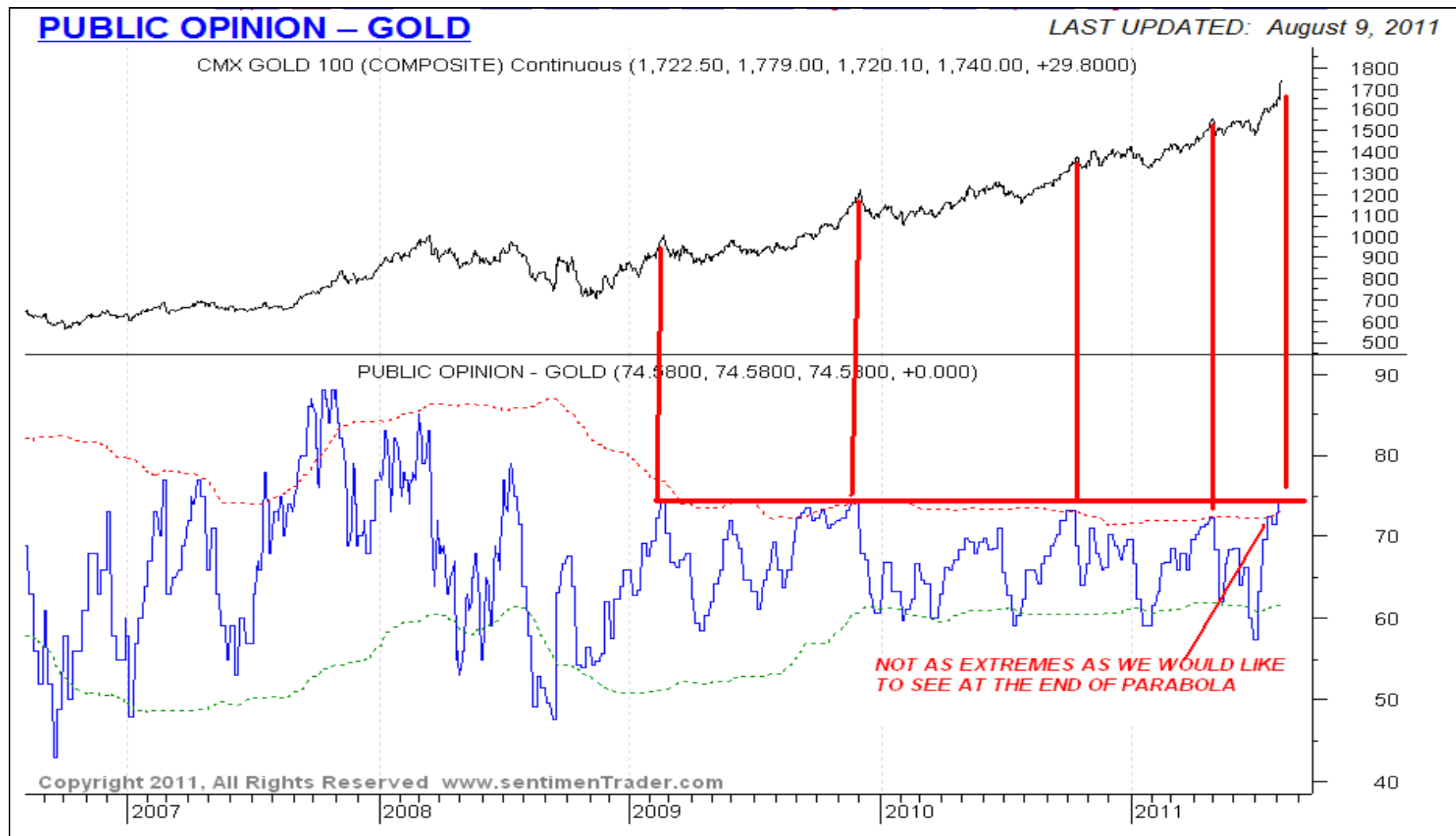
The weekly gold ETF GLD chart that dates back to mid 2007. The second window up from bottom is the weekly Chaikin Oscillator. Reading above 100m show the market is extended. The top window is the weekly RSI and reading above 75 show the market is extended. The pull back in the market is very near. We will be looking to get long again on the next pull back. around 155 -158 by this method . ( add \$ 30 to GLD for GOLD)





## RYDEX SENTIMENTS – Sentiment Traders curtsey

**Comments - In spite of rally still sentiments are not extremes – Suggests after retracement the rally has more to go - This jives well with the Bullish Top and potential next rally**



# SLV – PEC – D

*Divergence between Gold and Silver ( refer chart below)*



## GOLD : SLV RATIO – with RSI & SMA –

At one time this ratio was at extreme. Now RSI has reached 50 along with Ratio value at 4.5 , ( consolidation is needed here at 4.5 indicated in red ) but still little room towards 40W. (This has intersected at least once a year in past). Ultimately 6.5 should be mean to reversion, step by step

**Comments - No change**

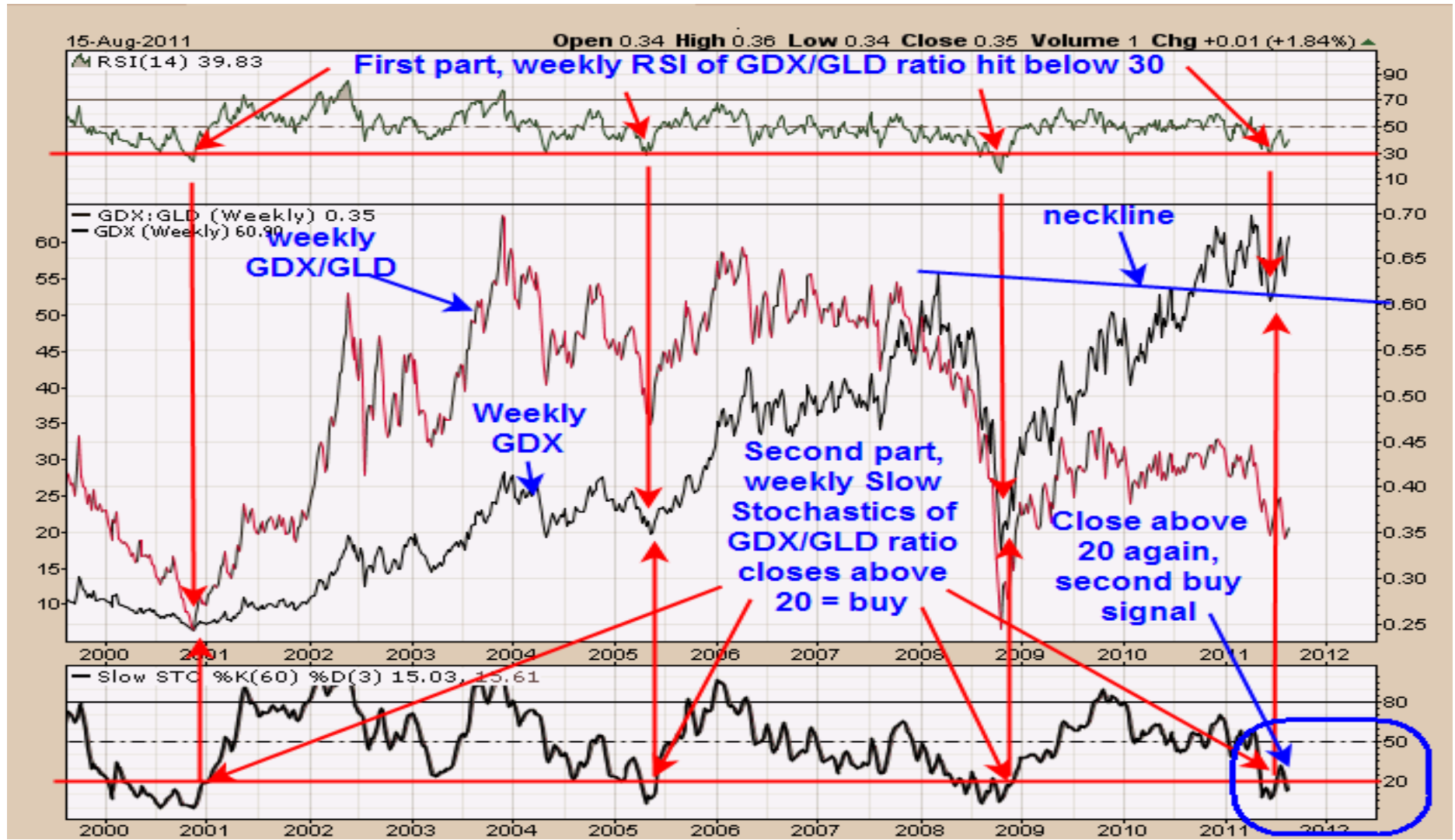
## GDX – SMA & Trend Analysis – CZ – Price & Volume

**GDX has reached Price Projection of 60 in classic AB=CD fashion, from 52 CZ Buy Signal . ( Refer Chart below ) . Although pull back will happen , we would look to enter back when GOLD finishes its pull back or when SPX finish pull back . But over mid term it appears Bullish**



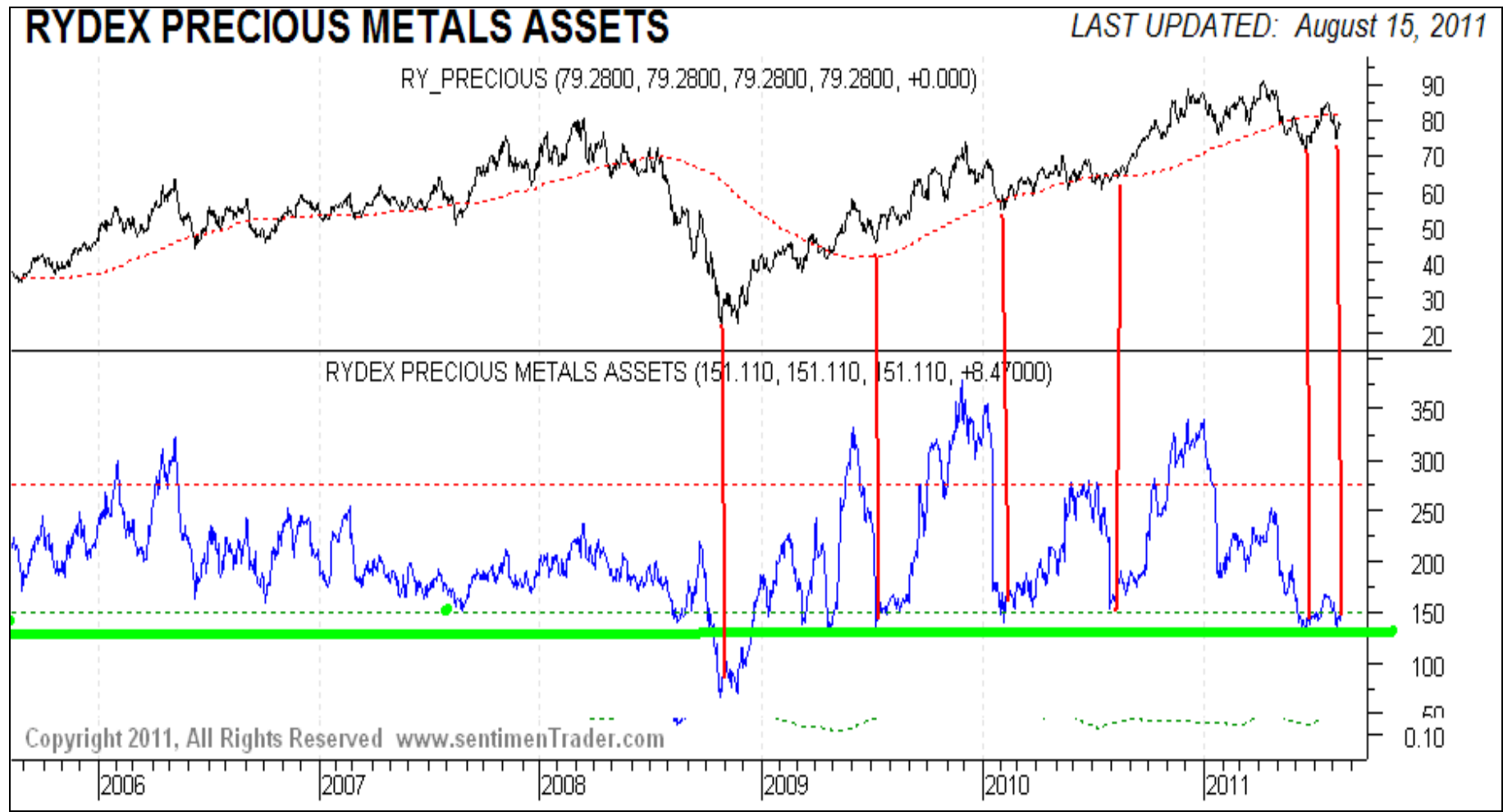
## GDX : GOLD RATIO - Analysis

*. In Mid term uptrend the GDX/GLD ratio will rise. Great buying opportunities arise when the weekly GDX/GLD plunges to a low value with the RSI of this ratio plunges below 30. When the weekly Slow Stochastics of the GDX/GLD ratio turns up from below 20 an intermediate term bullish signal is generated which has happen three times before and all proved to be bullish intermediate signals.*



## RYDEX SENTIMENTS – Sentiment Traders curtsey

**Comments - In spite of rally still at very low range – Suggests after retracement the rally has more to go**



## SD – PROCESS – Conclusion from QT Report

**Under/Over** valuation criteria based on +/- 2 SD levels v/ s CRB or Specific Commodity.

1. Undervalued - Below -2 SD level on 365 D basis: v/s CRB

- **GDV v/s GLD -ST**

2. Overvalued - Above +2 SD level on 365 D / LT basis:

- **GLD v/s CRB – ST**

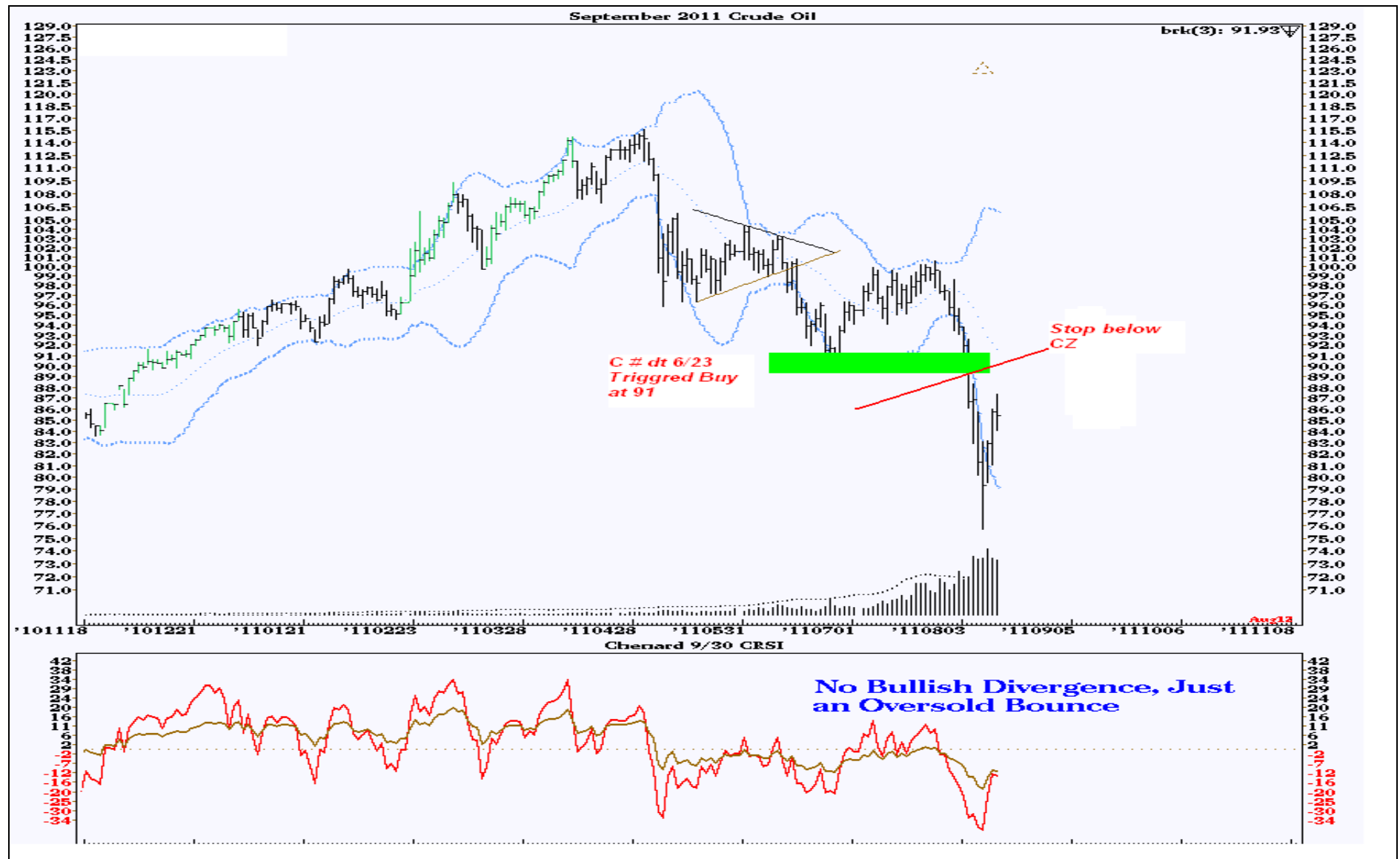
- **GLD v/s OIL - ST**

- **SLV v/s CRB - LT**



## 2- OIL – Pattern & Oscillator Analysis

**OIL** made low around 91 as Buy Report dt t 6/21 , rallied to 100 and then broke below the CZ ( STOPPED 89 ) and **CRASHED**. Now counter Trend bounce



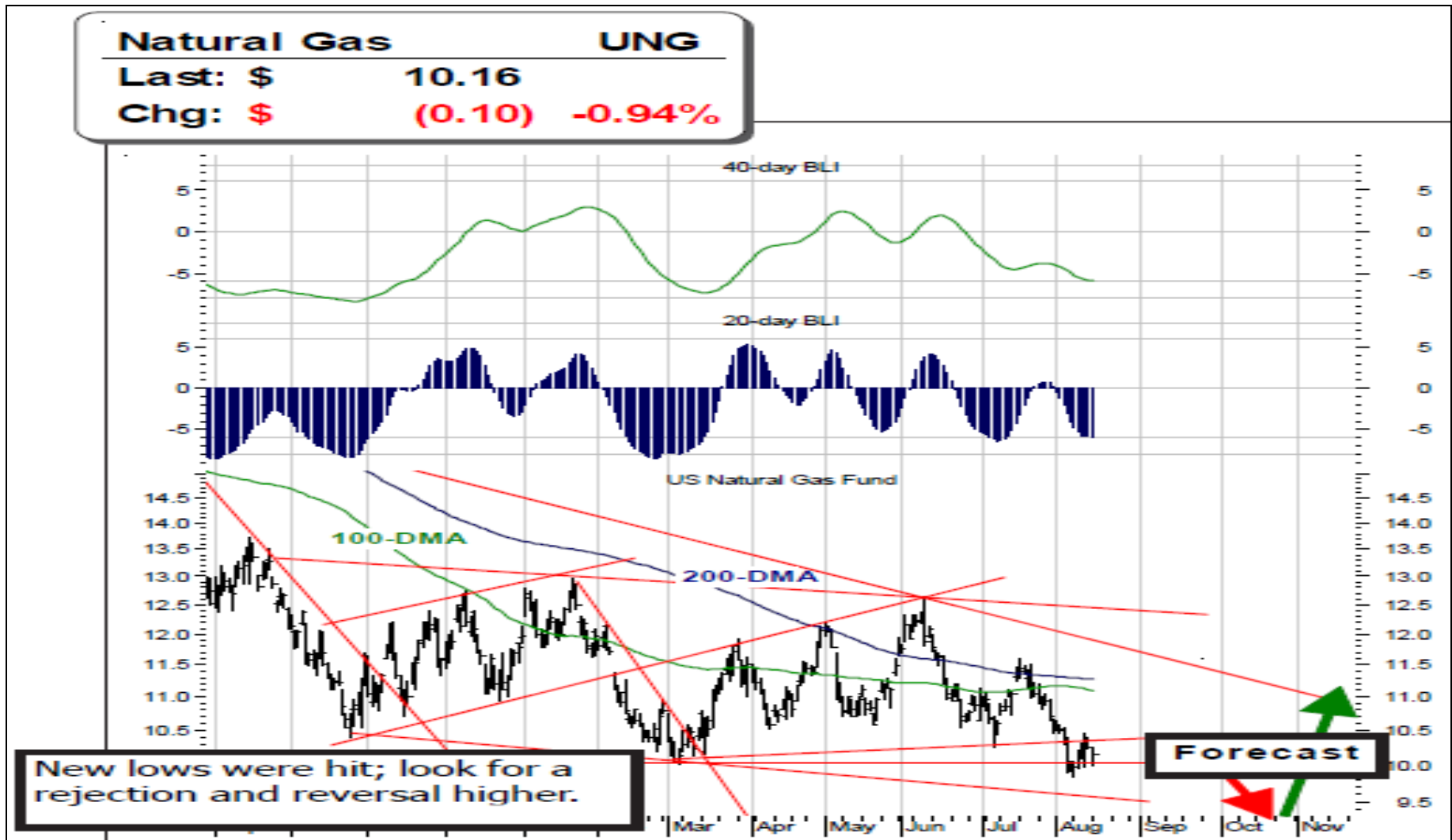
## 2- OIL – PEC D – Method

Oil - Bounce is in progress should go **back to 90** before heading down again, but No signal .



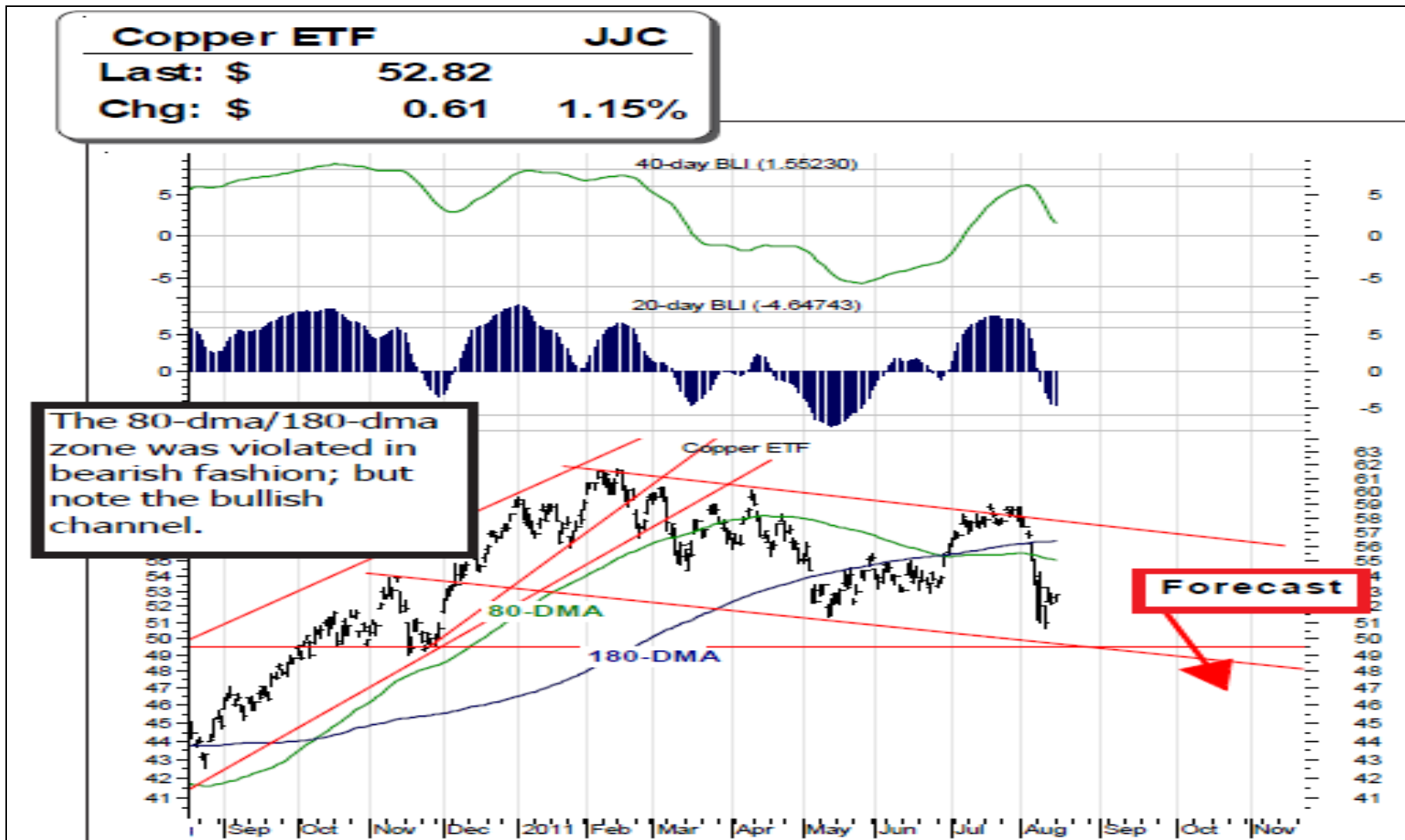
## 2- NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis

**Currently – Bullish consolidation but No Trigger CZ - ( Refer notes within the charts)**



### 3 COPPER ( JJC) – MA / Pattern & Oscillator Analysis

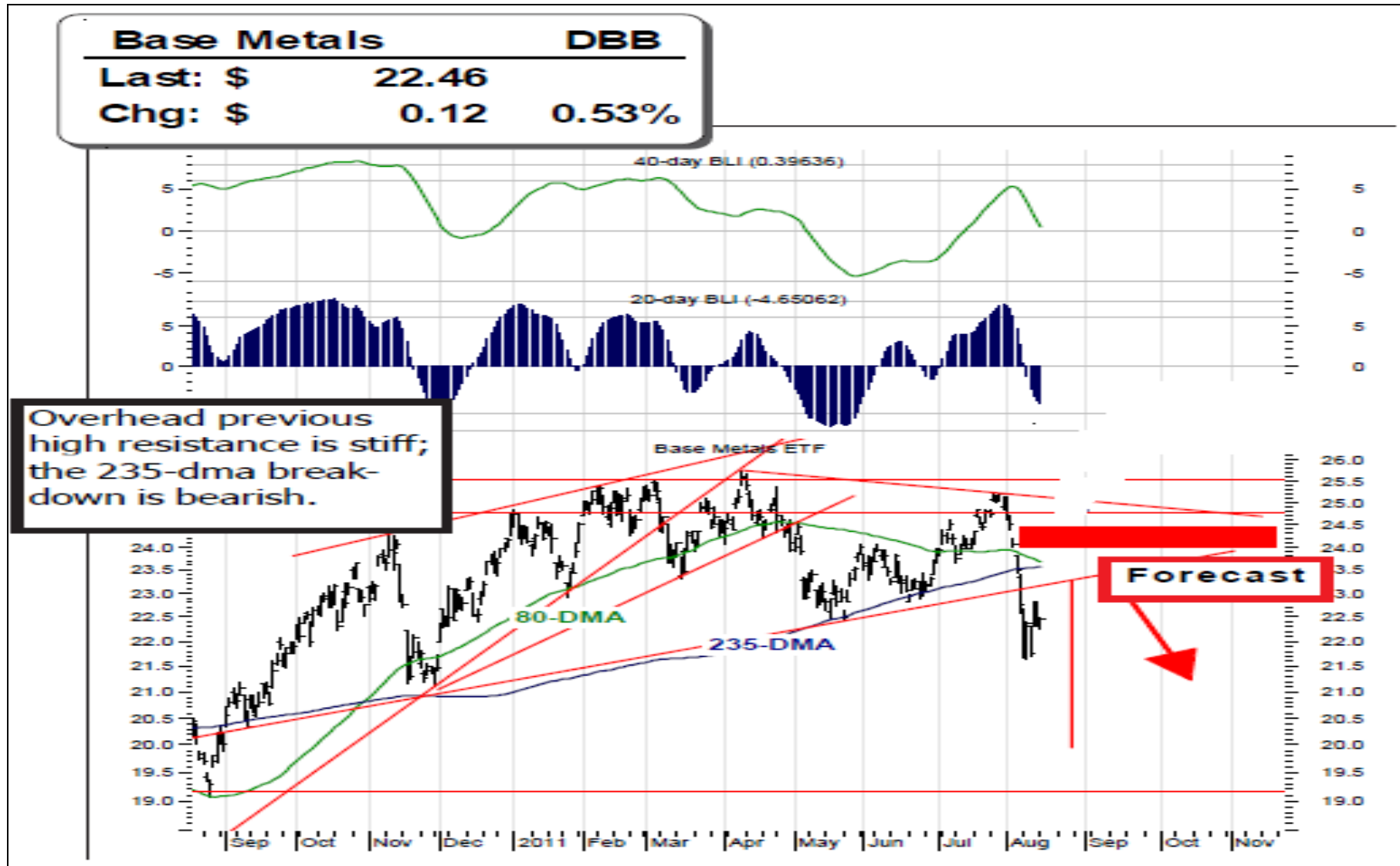
**Currently – When at the bottom of the channel would look in Bullish consolidation but No Trigger CZ - ( Refer notes within the charts)**



## 4 BASE METAL – (DBB) - MA / Pattern & Oscillator Analysis

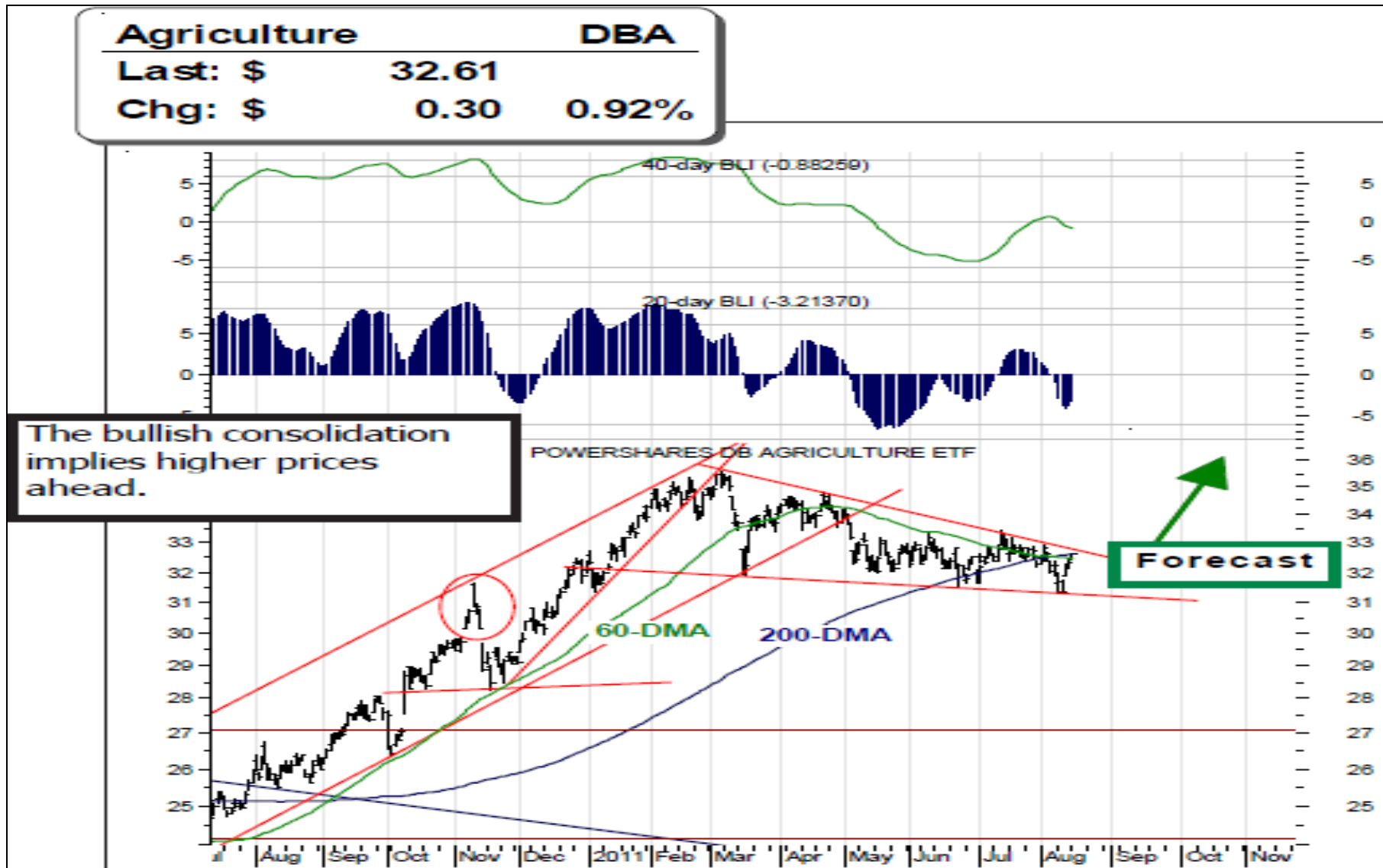
**Currently – Bearish but No Trigger CZ - (Refer notes within the charts)**

*This appears similar to CRB, CZ is above the current prices as bounce continues.*



# 5 - AGRI – COMMODITY – (DBA) - MA / Pattern & Oscillator Analysis

**Held very well in correction - Currently – Bullish consolidation but No Trigger CZ - ( Refer notes within the charts )**

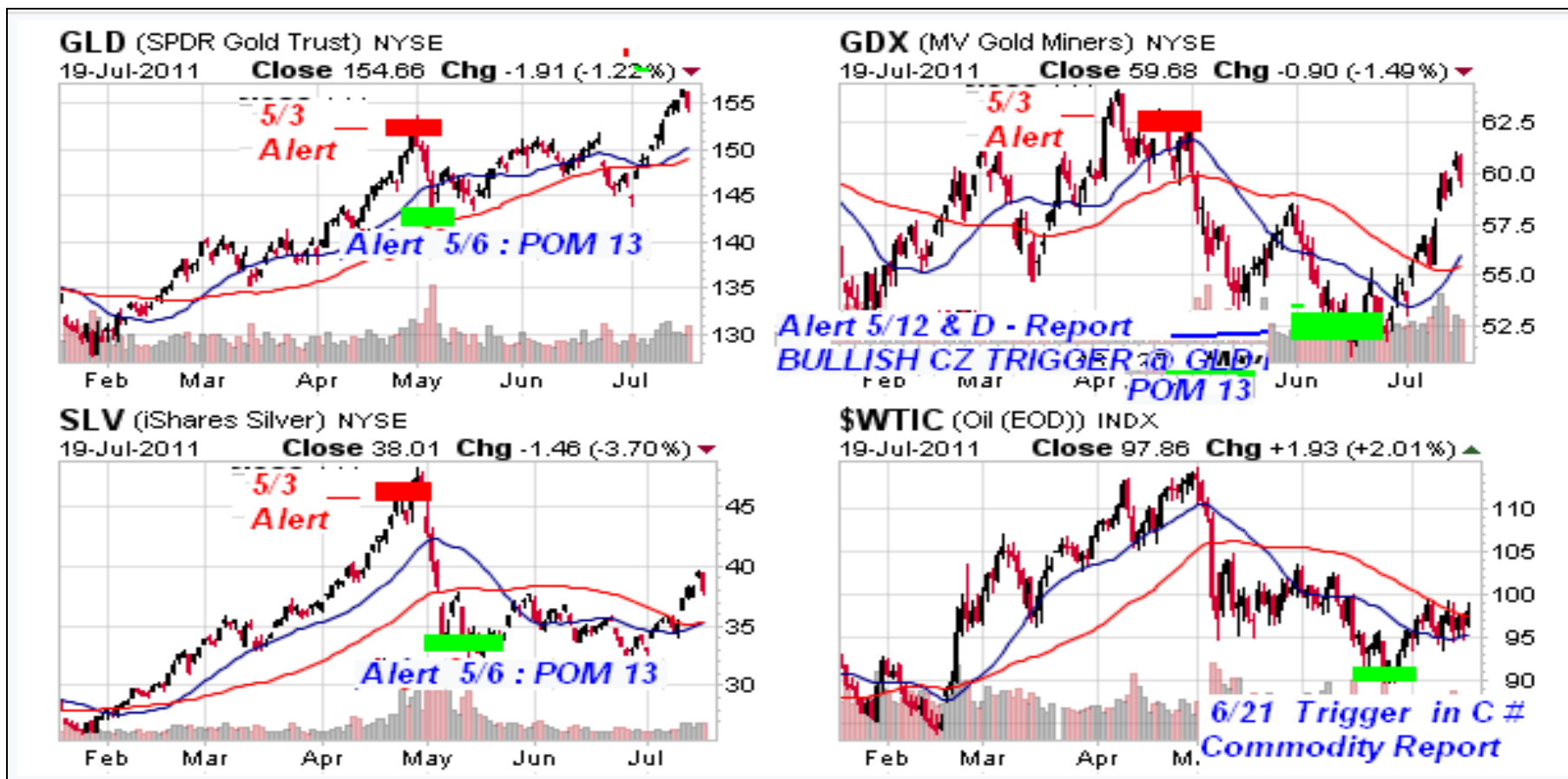




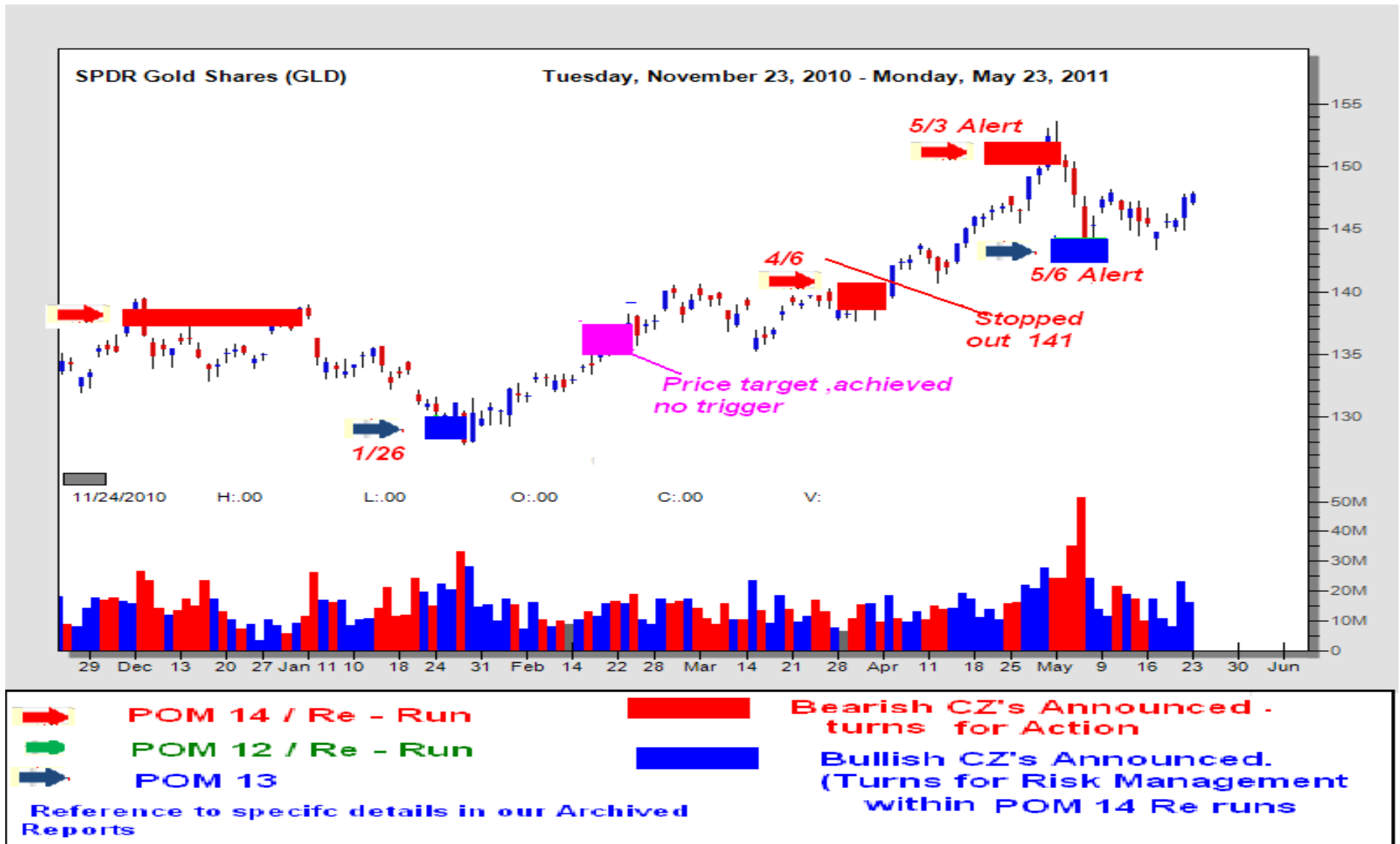
# Appendix

## Latest History on Triggers-

- **GLD, GDX, \$ WTIC ,SLV (Last Price Trigger indicated in green ) Charts below**



• YTD - POM / CZ - GOLD Signal ( updated 5/23)



## Latest History on Triggers-

( ½ positions) – Triggered previously by CZ TRACKER at Qualified CZ – Stops above UCZ as Programed

- GLD ( touch of 154 and close under 151) with 25 M or less test triggered CZ Sell (NEW by @ 3.00 pm rule
- SLV – ( Touch of 48 and close under 47) with 125 M or less test triggered - CZ Sell by @ 3.00 pm rule ( Alert 4/28 message) – ( we will re assess this on bounce)
- DBC - ( 31 - 32 )... with 1.7M or less test - qualified at CZ Sell ( Old) 4/27
- GDX – ( 62 – 64.5) .. with 9.5M or less test - qualified at CZ Sell (Old) 4/20
- JJC – (59-60) with 160k or less test – qualified at CZ Sell ( Old ) 3/31
- OIL – No Trigger
- All others – No CZ Validation

**SELL SIDE - Triggered previously by CZ TRACKER at Qualified CZ**

- GLD, SLV, GDX, DBC, JJC ( CZ validation time & price indicated Red on charts below & Trigger points in Appendix)
- Remaining Commodities including OIL had – No Validation or Triggers



- **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.*

## 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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