



SG Capital Research

Global Market Insights

Research Note – Commodity Analysis (C)

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # FEB 23

For Immediate Release – *Wednesday AM (EST)*

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Commodity Analysis (C)

- CRB
- GOLD
- SLV, SLW (**Special Situation**)
- GDX
- OIL / USO
- COPPER / JJC
- 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” – Cash @ 1324

3x3 /9EMA – Momentum Break Indicator –

- # 1 -For Bull case - Previous long exit was on 11/17 at 1193 from 1105 entry 09/05 for 8%
- # 2- For Bull case – Long position from 1228 to 1276 = 4.0 % & from reference point 2011 @ 1257 = 1.5%
- # 3 – For Bull case – Long position from 1307 to 1324 = 1.3%

Currently “ Trend Adjusted Signal “ **Triggered** STOP 1324

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

On the downside Test – Monitoring from 1st Jan reference point POM 14 @ 1420

- ✓ First Target @ POM 13 (**met**) – GLD – 1320 & SLV – 25/ 26 (**both Achieved Dated 11/17 & Dated 01/26**)
- ✓ We have been awaiting for bounce to 1375 –GLD & 29 In SLV (**Exceeded to GLD 1400 & SLV 31**)

Second Target @ POM 12 – (**pending**) GLD - 1290 to 1250 & SLV - 20 to 22 (See charts below for price path)

On completion of the downside side target the next Bull run will take place .

● Trading & Investment Conclusions (update)

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

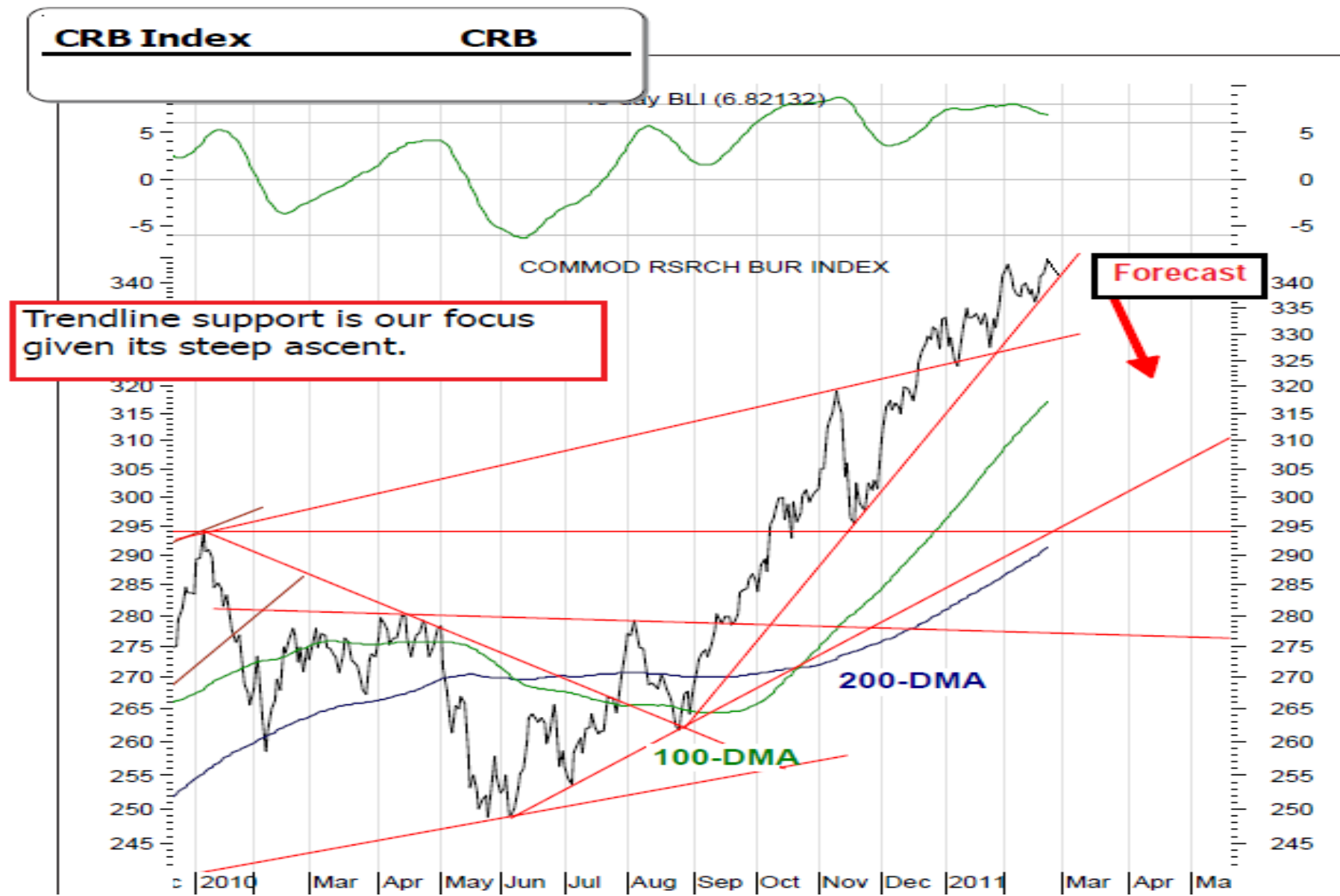
- GOLD - **Triggered POM 13 at 1320 on 1/25**, (Covering Hedges from POM 14. i.e Holding Long term Long Positions) . **No signal at POM 14 – Re Run yet, however it has reached / exceeded the CZ that we have been expecting on bounce**
- OIL - **No new signal**
- SLV - **Triggered POM 13 at 26 on 1/25** (Covering Short Positions Initiated at POM 15) , **No signal at POM 14 – Re Run yet, however it has reached / exceeded the CZ that we have been expecting on bounce.**
- COPPER - **We have Triggered Short Sell Signal** (Refer to CZ in JJC – ETF in Sector Report - D)

Our start point 2011 in GOLD @ 1420 – Current Indicators

- Long Side –
 - POM 12 Calls – **None** so far this year.
- Hedge Longs / Risk Management for Downside Corrections -
 - We recommend Hedges be **closed at POM 13** (@ 1325), on Existing long positions from POM 14 @ 1420 (since 1st Jan) Redeploy the same capital in partial upon bounce / POM 14 – Re run in the CZ as indicated.
- Net Short –
 - **None recommended** for Bull market by this Model.
- The Model would suggest Capital deployment at next POM 12 (since its been a Bull market) and / or at POM 12 at oversold equilibrium point
- Insights
 - On OIL – Social unrest in Middle east caused the Oil prices burst up above our UCZ at 93 to highs of 98 (which also happens to be above the 50% ratio of the entire bear move from the all time high of 143) .
 - Gold participated in that Geopolitical move as well, First fulfilling our counter trend bounce rally to UCZ (135.5) = 1385 and then exceeding by \$ 15 on close to 1400. Earlier it had highs of 1415. We would imagine those highs would hold under the circumstances.
 - We are verifying the validity of the move via signal on POM 14 – Re run and failure of the bounce on GDX etc , to re - deploy the same capital exited at POM 13 in partials allocations on scaled in basis with risk management at around Upper CZ . Precious metals having the history of overshooting on both sides
 - The high volume reversal lows such as the POM 13 (1/28) brings the possibility of Retest of those areas. Now it is long forgotten by the market as though it never existed .

CRB - with SMA & Trend lines

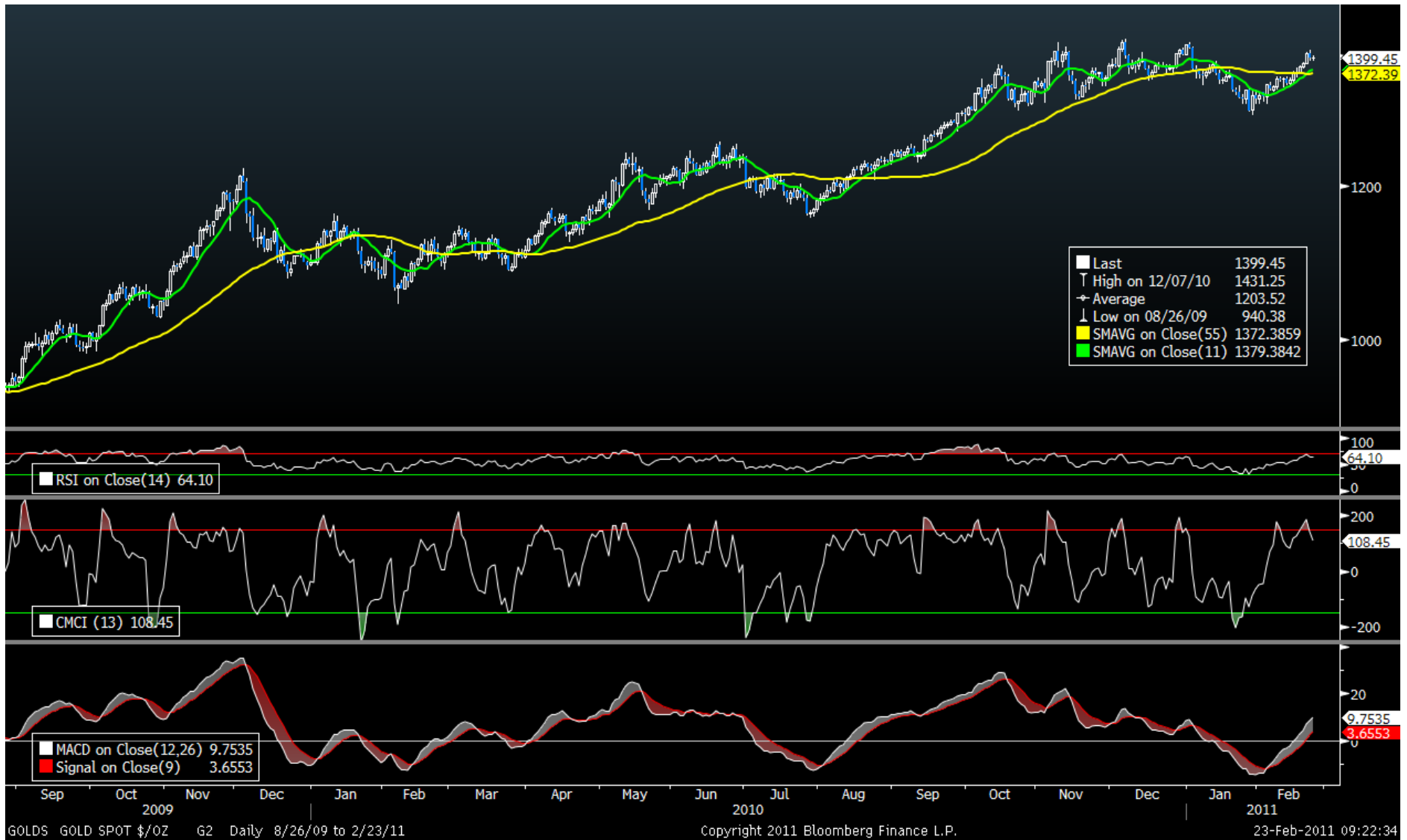
Just a overall view on Commodities in general- CRB is building higher high but Oscillator is lagging. We are watching the trend line break



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



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



GOLD – with SMA & Trend lines - *Re test of 1310 or Pull back Target 1290 - 1250*

Slightly Mid term picture, 1310 lows we had recently has high volume. This may require a retest.

longer term picture , there are areas on downside Trend lines & combined with extended 40 w MA at 1270 -1290, all critical areas should be tested on way back down by this method.

Gold ETF	GLD
Last: \$	136.29
Chg: \$	0.88 0.65%

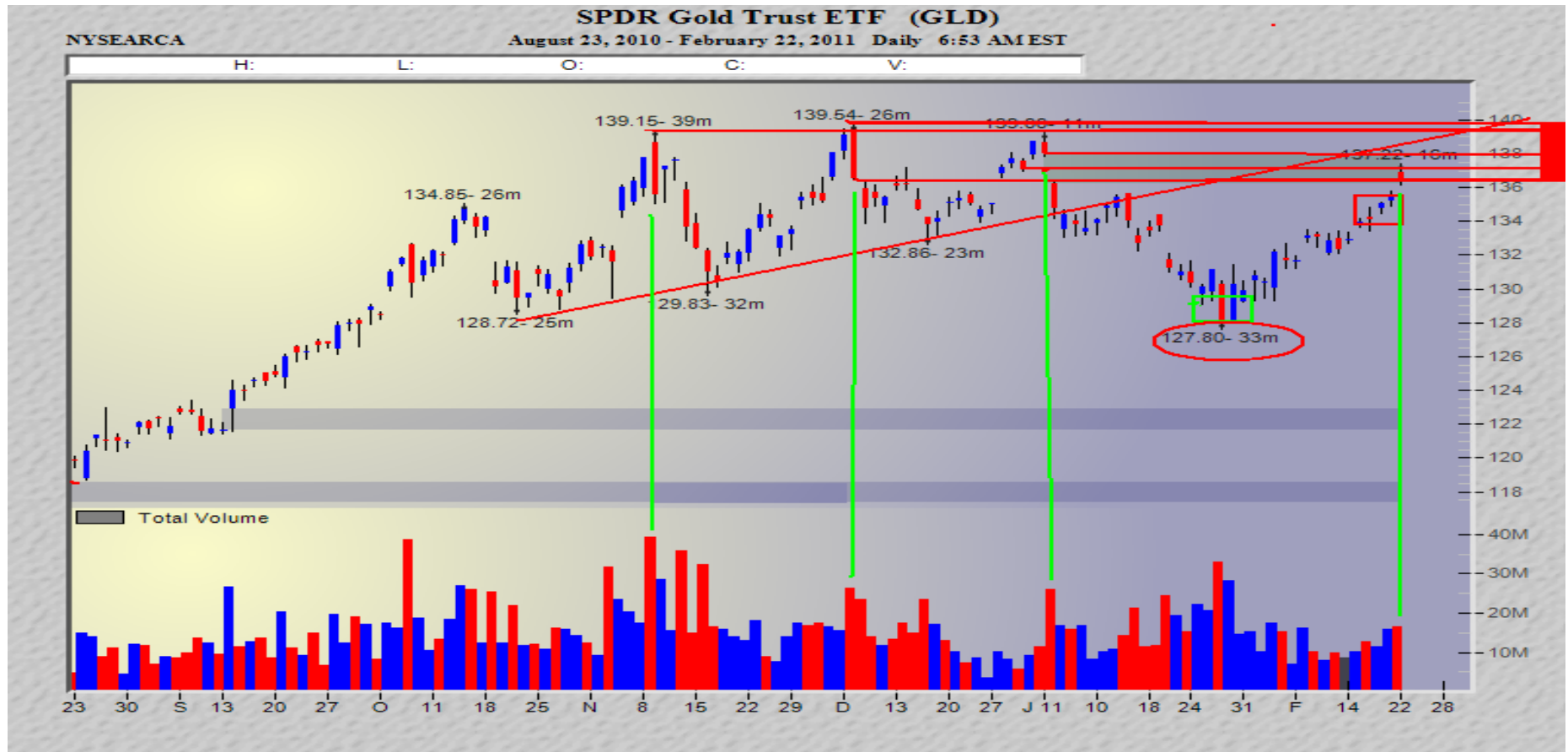


1- GLD – Price / Volume (Add \$ 30 to GLD for Continuous contract)

GLD reached our CZ (133.5 – 135.5) (as indicated in Red box) and exceeded by \$ 15, the volume came in 13 M v/s 9 M required for the test . (bit higher than we would like) but price did not hold (need to close within CZ) . However the current price is in more difficult spot on crosscurrent (Indicated in Red) . Volatility will increase now.

Here is the criteria, We could move up within \$ 20 range (even double top), then volume drops to 9M as required for test and close within UCZ that will be failure and trigger POM 14 – Re Run, (but No signal yet) (Stops always pre positioned on other side of CZ after the trigger) while re- deploy recycled position.

Earlier GLD Triggered POM 13 Trigger 1/28 @ 129 (PQV / CZ Plot in green box). (Cut back Short Position) On touch of this CZ, volume expanded(see chart below circled in green), this suggest after the bounce this area could be tested at 129 (1310), if not broken . Entrance into CZ always gets very volatile , there is maximum imbalance of supply / demand



GLD – PEC D – No signal currently

But earlier GLD Triggered PEC D 1/28 @ 129 (1315) by this method. Point to note, We have not Triggered Re Run POM 14 yet due to the fact that Geopolitical issues may drive to close higher than 1435 and attempt to close all the stops above. (So we wait for failure).

The Bullish case is if the Volume picks up 300K contract towards 1435 we could began ABC up . The volume is key here for the break. This could be larger consolidation between lows of 1300 , to the highs of 1435 to digest the earlier gains from 1150 to 1425 . Trading range so to speak. We will wait and see.

The Bearish case is to Double top and fail on volume



GLD – Money flow

Just another Hurdle for time being.



GLD – Bigger picture – Price / Volume (Add \$ 30 to GLD for Continuous contract)

As we have indicated for while , these channel lines on Mid term with CZ at 1290 -1250 underneath, the channel lines (which apparently is the breakout area as indicated , a move to the support line would present a much better buying opportunity. Once the volume and prices are tested , then the rally should begin for next leg up to 1420 double top or to 1600 (which is the upper channel line)

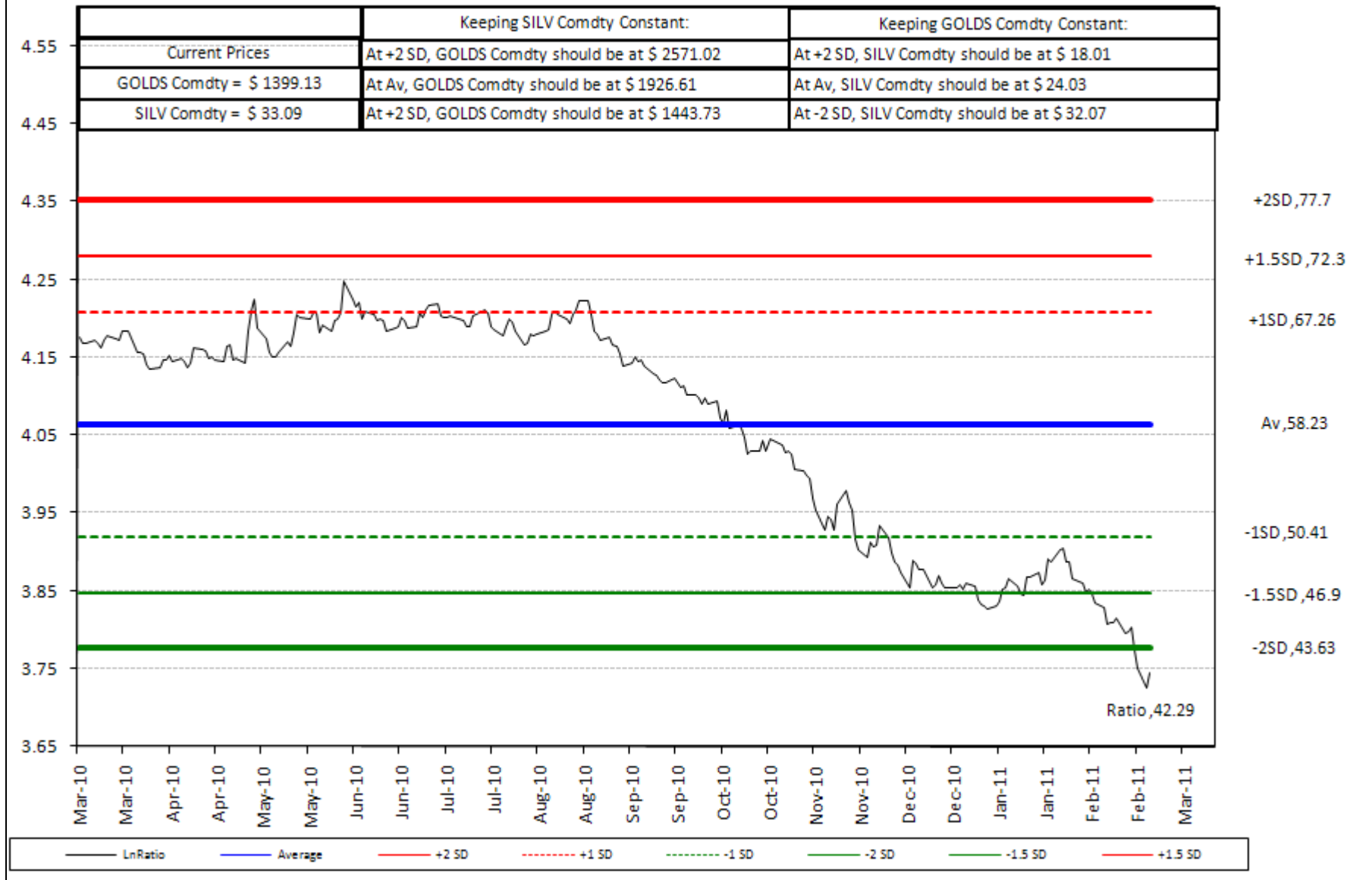
The lower trend line see to coincide with our CZ 2 for POM 12 indicated in lower pink circle. 122 -124 (Equal to 1250-1280 on contract. Or Ateast a successful test of 1310 lows



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

With Respect to SLV, GOLD is undervalued.

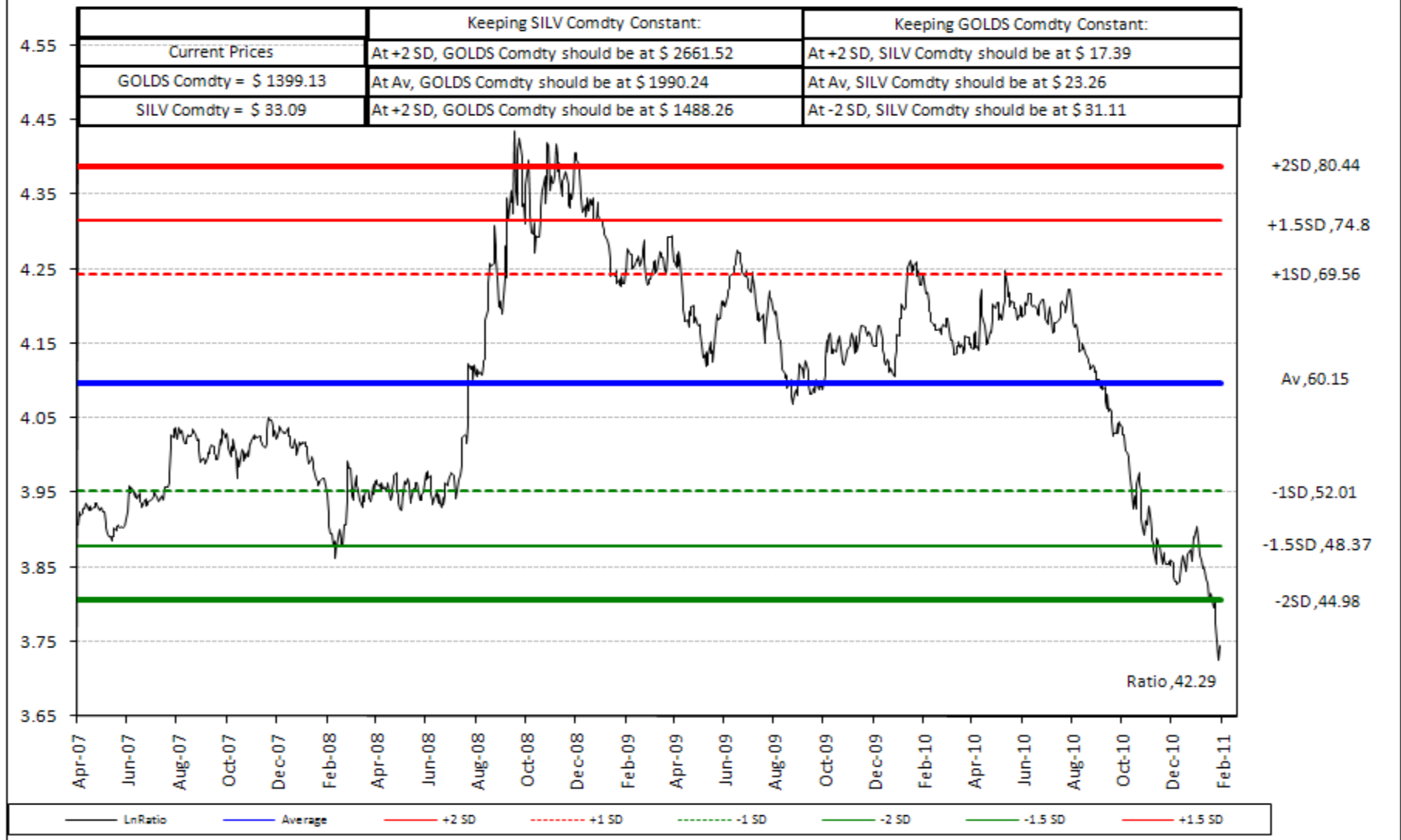
Long GOLDS Comdty and Short SILV Comdty, Updated till 22 Feb 2011



GOLD – Correlation Ratio Analysis with SLV – Full Time basis

With Respect to SLV , GOLD is undervalued.

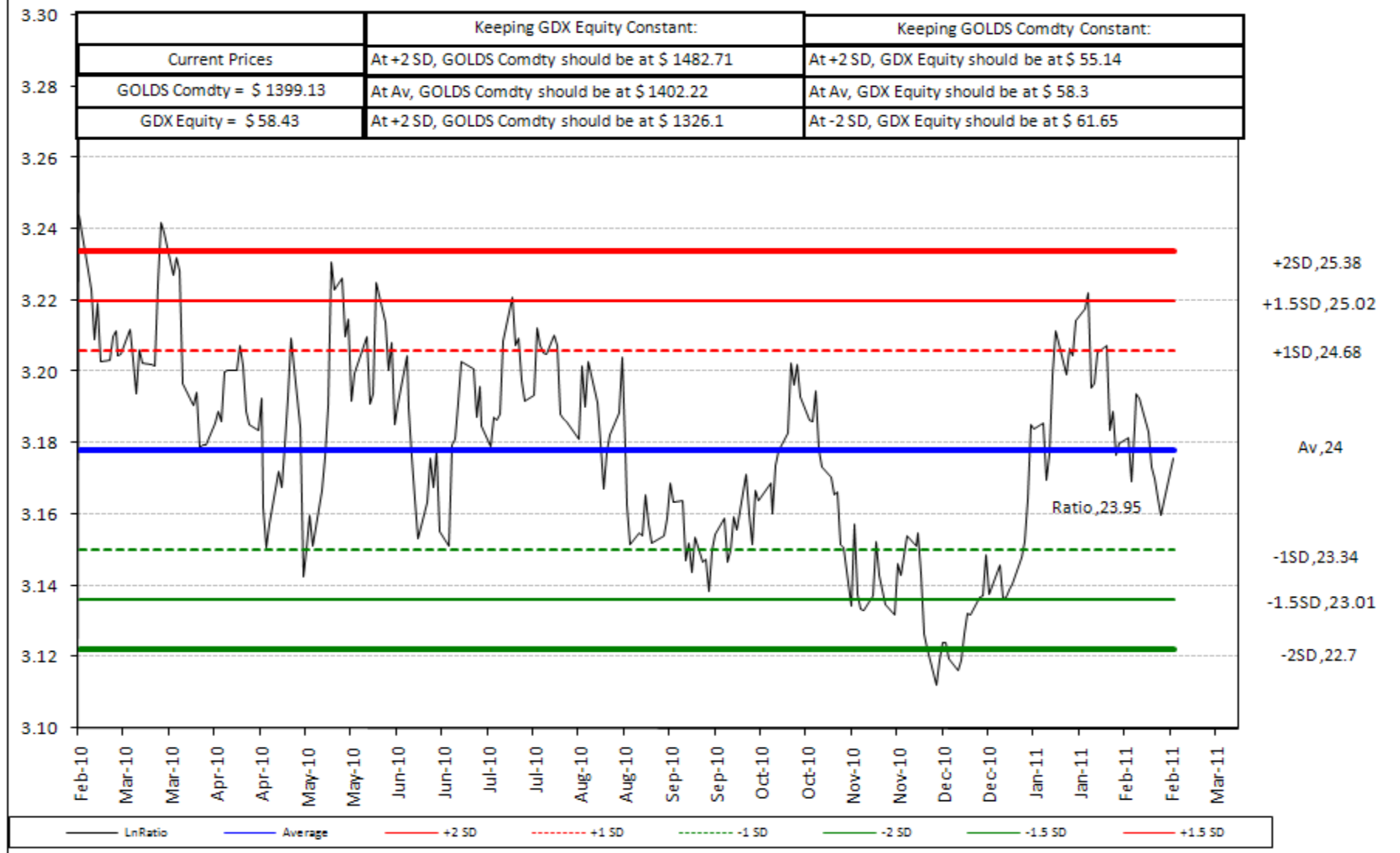
Long GOLDS Comdty and Short SILV Comdty, Updated till 22 Feb 2011



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

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

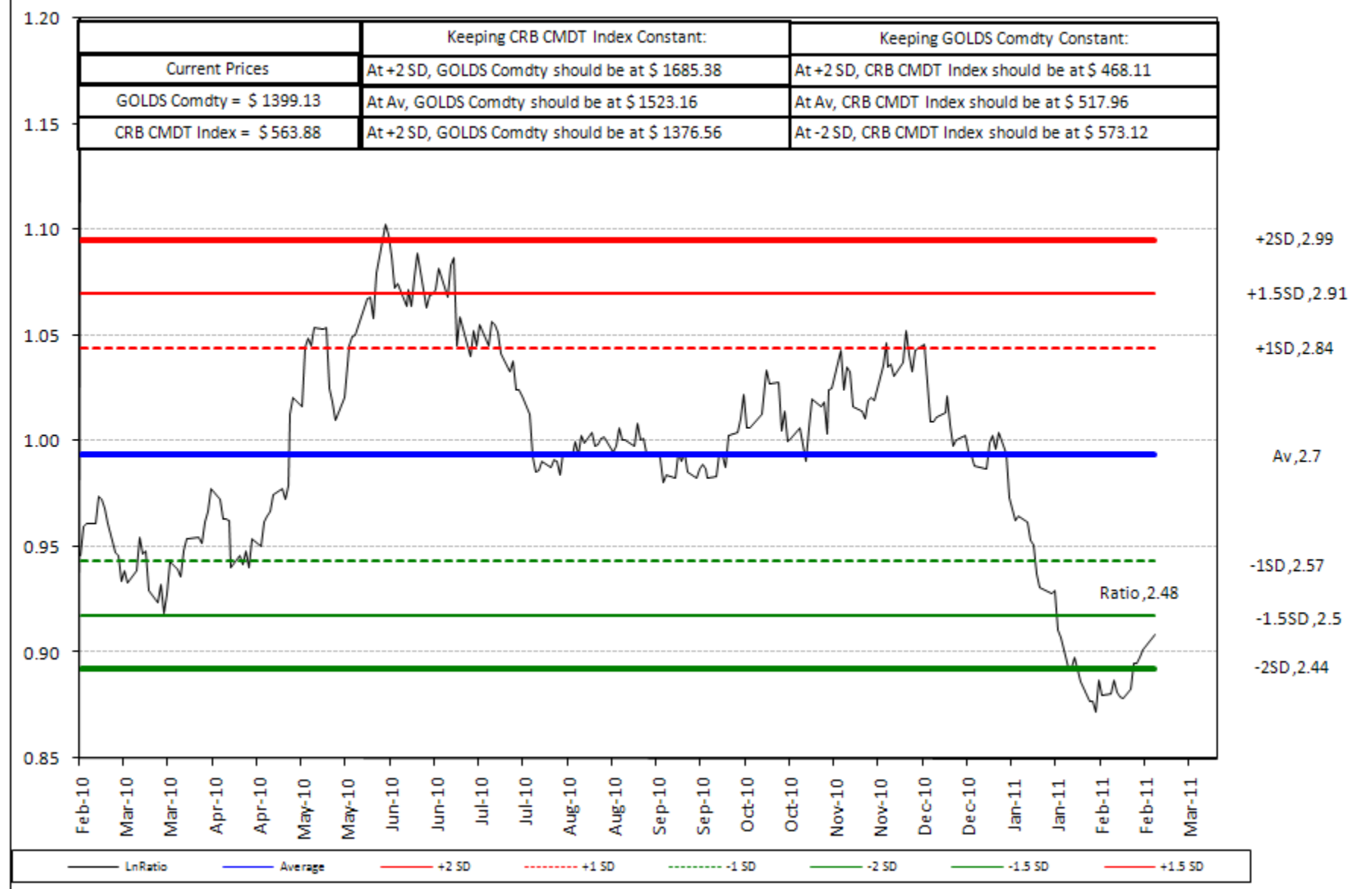
Long GOLDS Comdty and Short GDX Equity, Updated till 22 Feb 2011



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

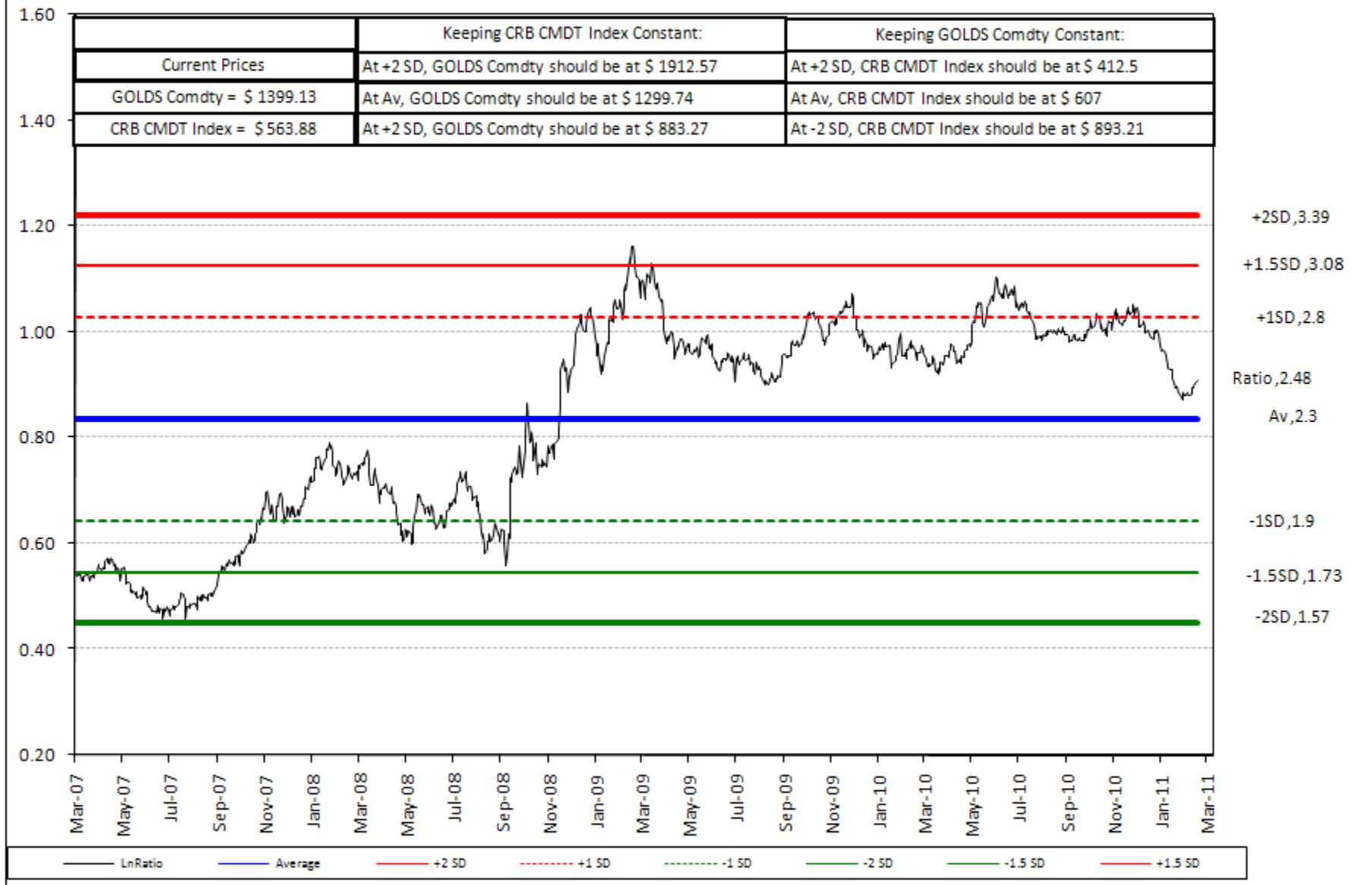
With Respect to CRB, GOLD is undervalued

Long GOLDS Comdty and Short CRB CMDT Index, Updated till 22 Feb 2011



GOLD – Correlation Ratio Analysis with CRB – Full Time basis

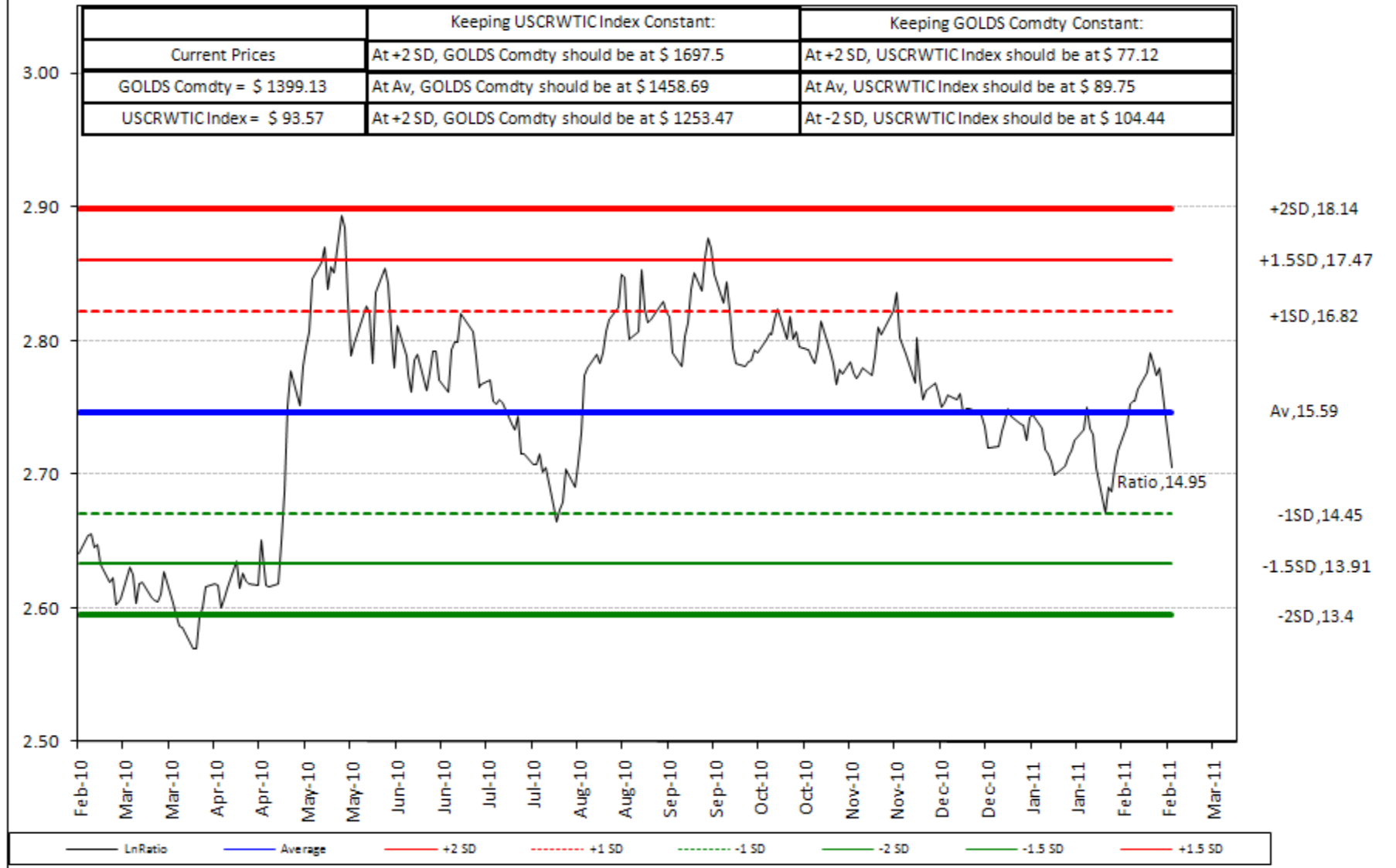
Long GOLDS Comdty and Short CRB CMDT Index, Updated till 22 Feb 2011



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

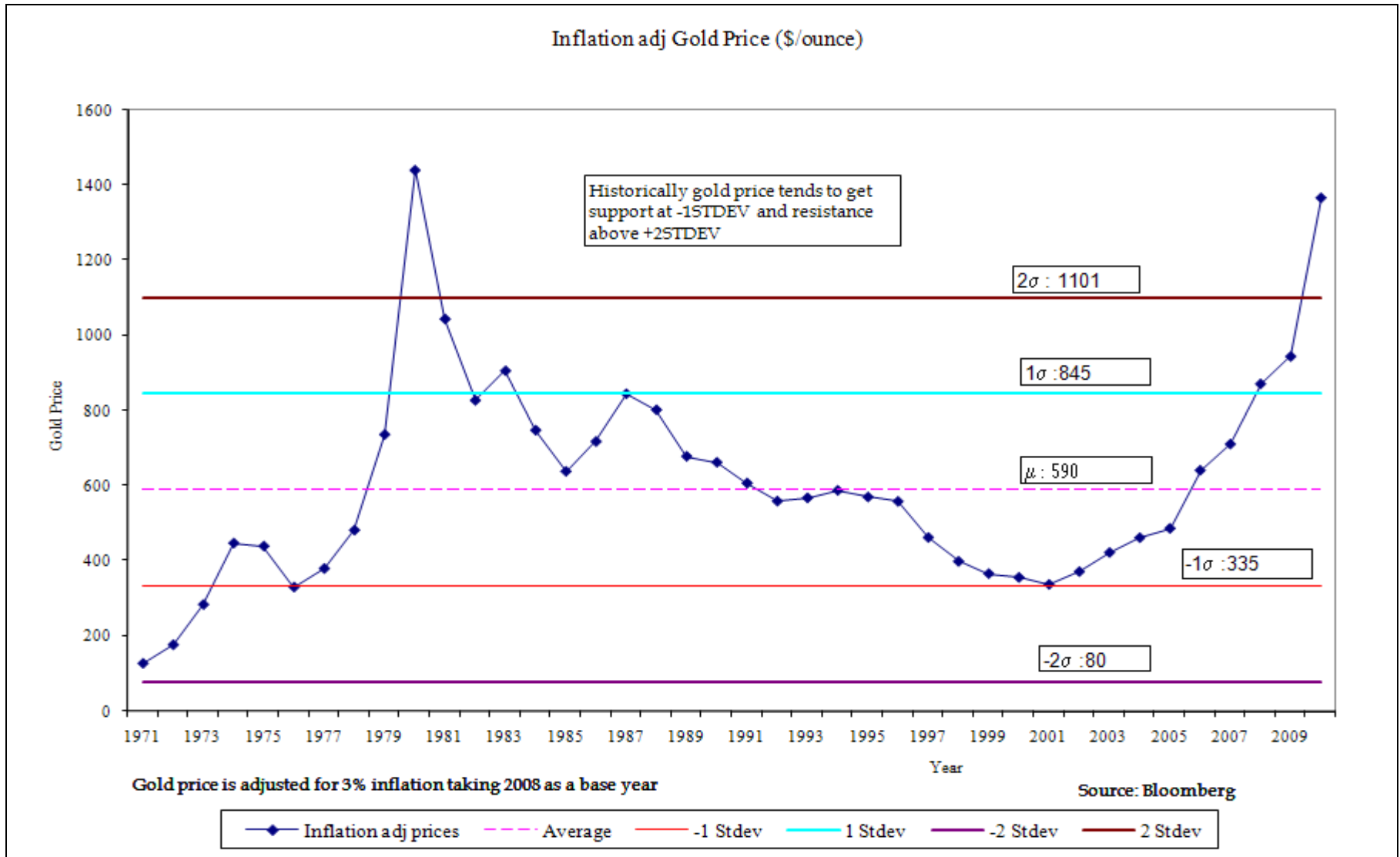
With Respect to OIL, GOLD is beginning to mean

Long GOLDS Comdty and Short USCRWTIC Index, Updated till 22 Feb 2011

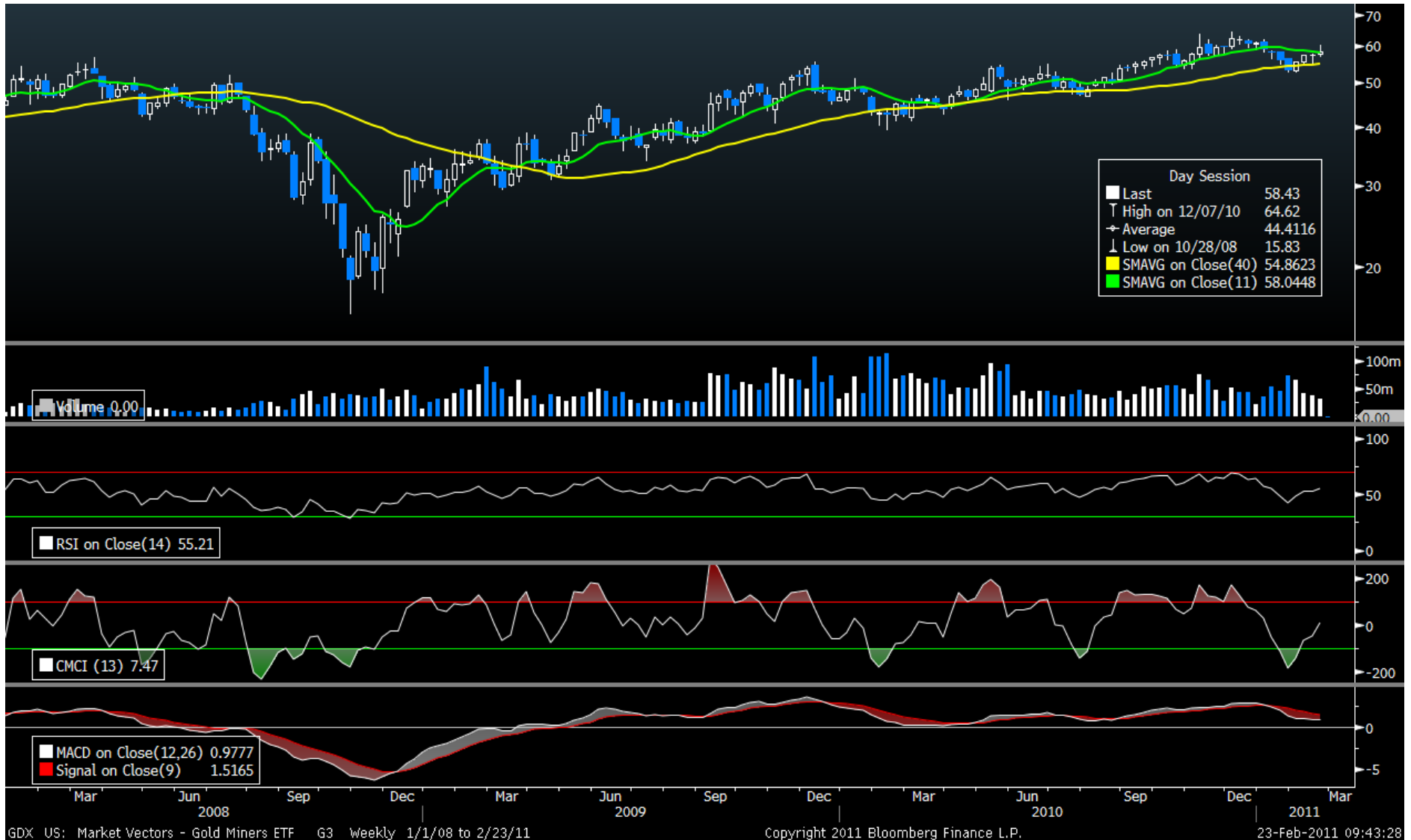


2- GOLD – Trend Reversion Analysis – Long Term – Inflation Adjusted

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)



GDX – Daily - Technical & Pattern Analysis & Price / Volume

GDX - The bounce is in progress around the CZ, by this analysis GDX had key reversal . Earlier 200D MA held at 53.

Gold Miners		GDX
Last: \$	58.43	
Chg: \$	(0.55)	-0.94%



GDx – Daily – Money flow

Bearish divergence warns that this rally was simply a market oversold bounce – Another hurdle for breakout. .

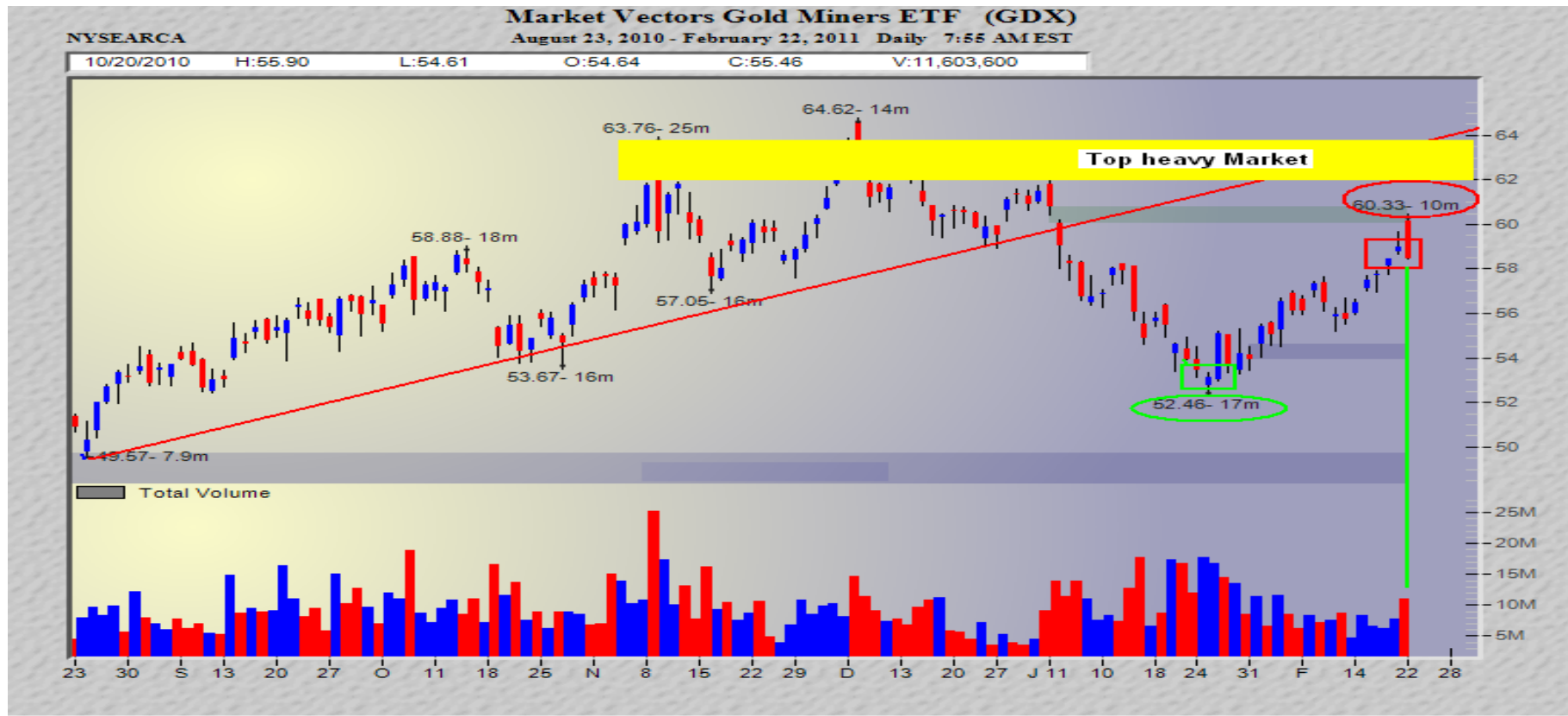


1- GDX – Price / Volume

GDX reached our CZ (58 -59) (as indicated in Red box) and exceeded by \$ 1.50 and closed with the CZ range. the volume came in 10 M v/s 7.5 M required for the test . (bit higher than we would like) but failing on price and closed within CZ . (Good signal for Bears).

Here is the criteria, We should get a retest of 60-61 highs once gain and then volume drops to 7.5 M as required for test and close within UCZ that will be failure and trigger POM 14 – Re Run, (but No signal yet) (Stops always pre positioned on other side of CZ after the trigger) while re- deploy recycled position.

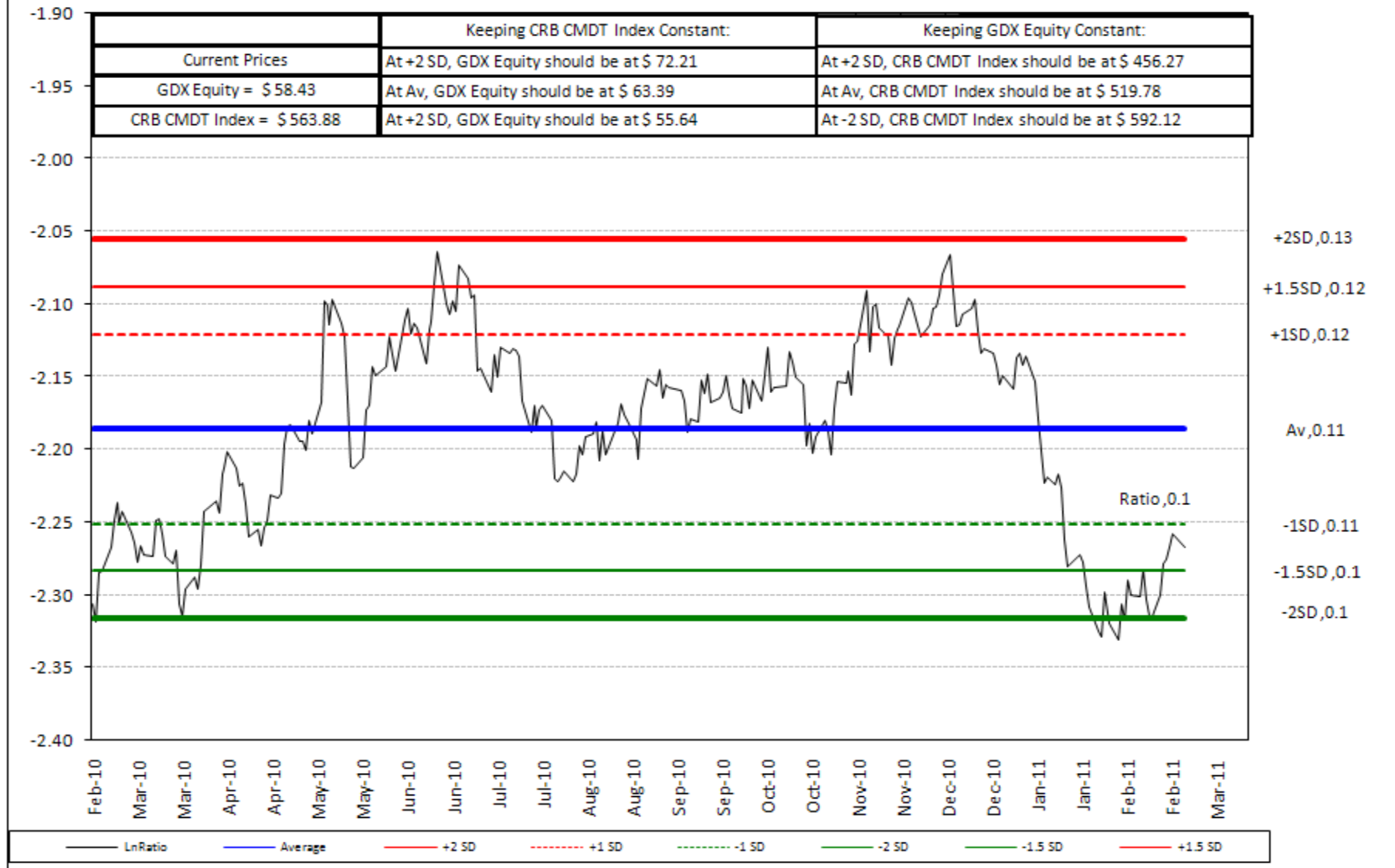
Earlier GDX Triggered POM 13 Trigger 1/28 @ 53-54 (PQV / CZ Plot in green box). (to cut back Short Position) . On touch of this CZ, volume expanded(see chart below circled in green) , this suggest after the bounce this area could be tested at 52-54 if not broken . Entrance into CZ always gets very volatile , there is maximum imbalance of supply / demand



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

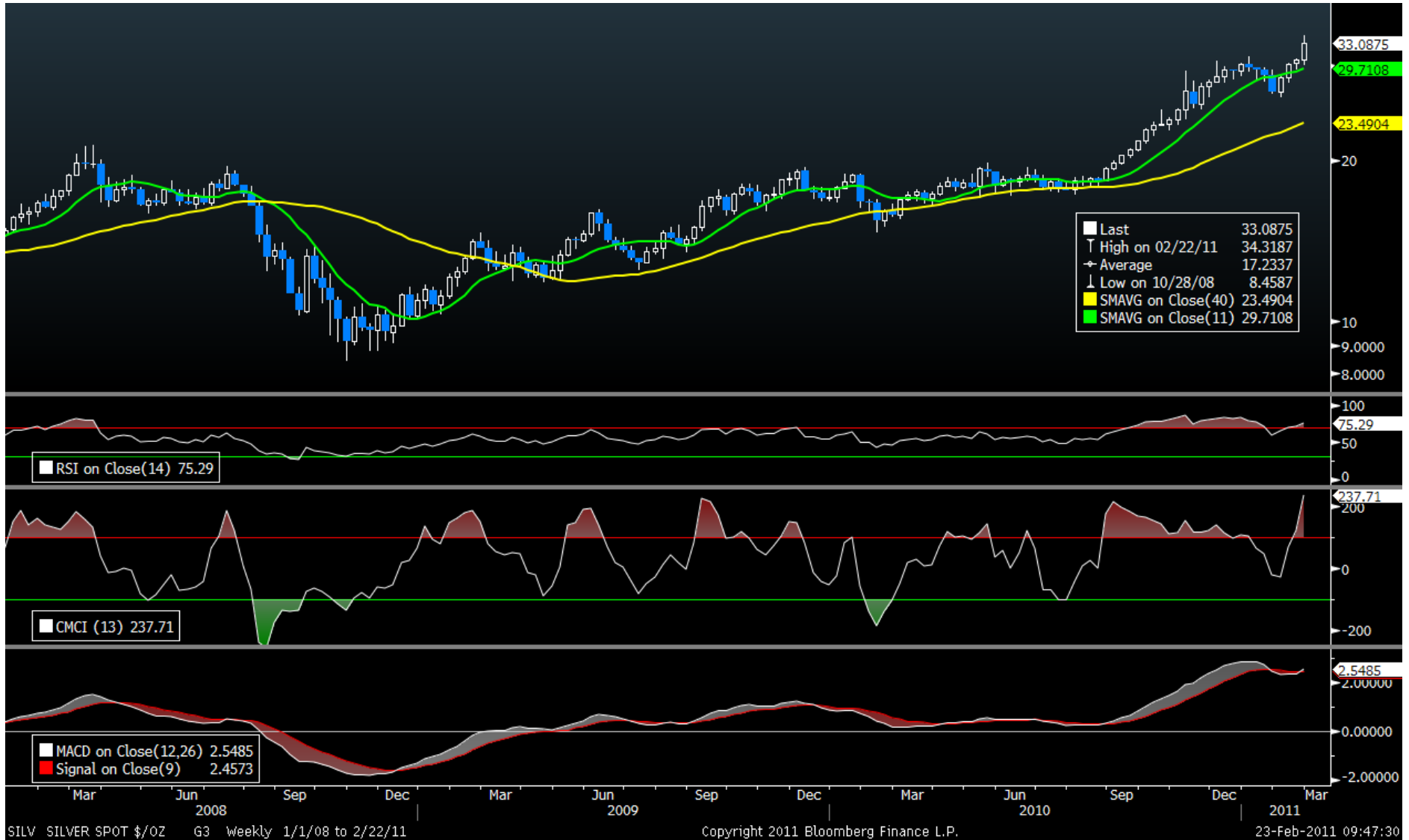
With Respect to CRB , GDX is beginning to get to Undervalued

Long GDX Equity and Short CRB CMTD Index, Updated till 22 Feb 2011



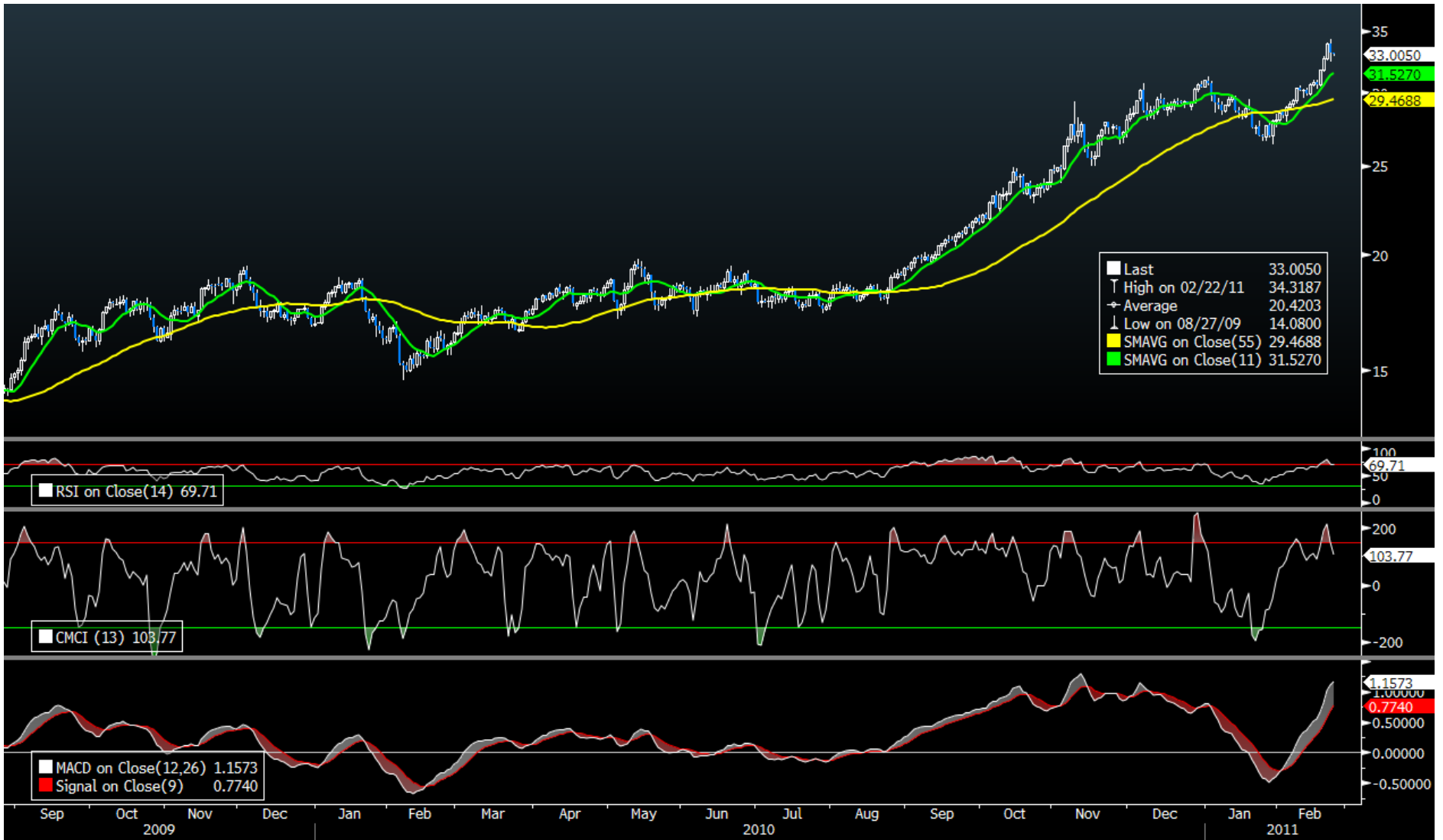
1- SILVER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

(11D / 55D)



1- SLV – Daily - Price / Volume

Back Drop - Silver is know to extend in both direction. Unlike GLD/ GDX which is at or around CZ, SLV had similar price behavior as SLW (which we highlighted in our E # 3 Release yesterday) . As it approached UCZ (Red box) volume picked up 3x3, 19 M v/s 9M (warn 1) , Stops always pre positioned on other side of CZ. The following day just above UCZ (Blue slant line warn 2 - by 10.00 had 2X vol on hrly up 0.40 over UCZ). On daily close it had Double top close above 30.5 (triggered stops) with 31 M much higher then v/s 20 M required. **Short term this is valid breakout . hence can go higher**

On intermediate term – In spite of short term volume breakout, the weekly we are 50% lighter on break of double top CZ

Possible next path – Here is the criteria, we could finish ABC up projection at 34 (marked in yellow) from that short term breakout , then volume drops to 20 M & below , then close under (marked in pink lines) 30 on weekly and daily that will be failure and trigger POM 14 – Re Run, (but No signal yet) (Stops always pre positioned on other side of CZ after the trigger) whiles re- deploy recycled position.

Earlier SLV Triggered POM 13 Trigger 1/28 @ 26 (PQV / CZ Plot in green box). (Cut back Short Position) On touch of this CZ, volume expanded(see chart below circled in green) , this suggest after the bounce this area could be tested at 26, if not broken . Entrance into CZ always gets very volatile , there is maximum imbalance of supply / demand

1- SLV – Daily - Price / Volume



SLW -PRICE & VOLUME ACTION (SPECIAL SITUATION)

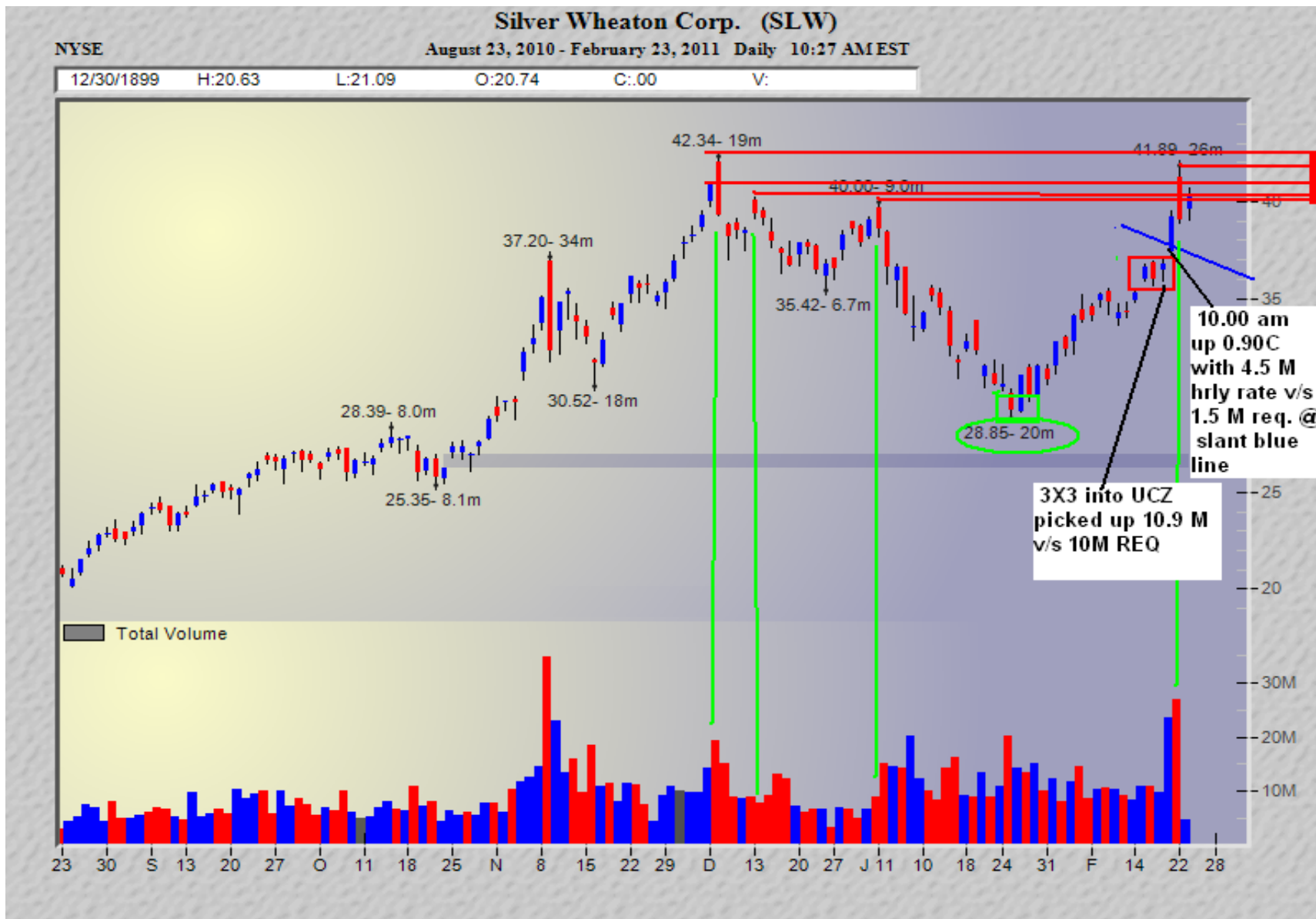
The current price is outside UCZ but is in more difficult spot on crosscurrent (Indicated in Red) .

Here is the criteria, We should get a retest of 42 -43 highs once gain and volume drops to 10 M as required for test and close below 40 that will be failure and trigger POM 14 – Re Run, (but No signal yet) (Stops always pre positioned on other side of CZ after the trigger) whiles re- deploy recycled position.

As discussed in E # 3 Release yesterday_ – Earlier SLW reached our CZ (35 -37) and as it approached UCZ (Red box) volume picked up 3x3, 10.9 M v/s 10M (warn 1) , Stops always pre positioned on other side of CZ. The following day just above CZ (Blue slant line warn 2 - by 10.00 had 2X vol on hrly up 0.90 c above UCZ) and then close the day up \$ 2.50 .

POM 13 was Triggered 1/28 @ 29 (PQV / CZ Plot in green box) . (Cut back Short Position) . On touch of this CZ, volume expanded(see chart below circled in green) , this suggest after the bounce this area could be tested at 29 if not broken . Entrance into CZ always gets very volatile , there is maximum imbalance of supply / demand

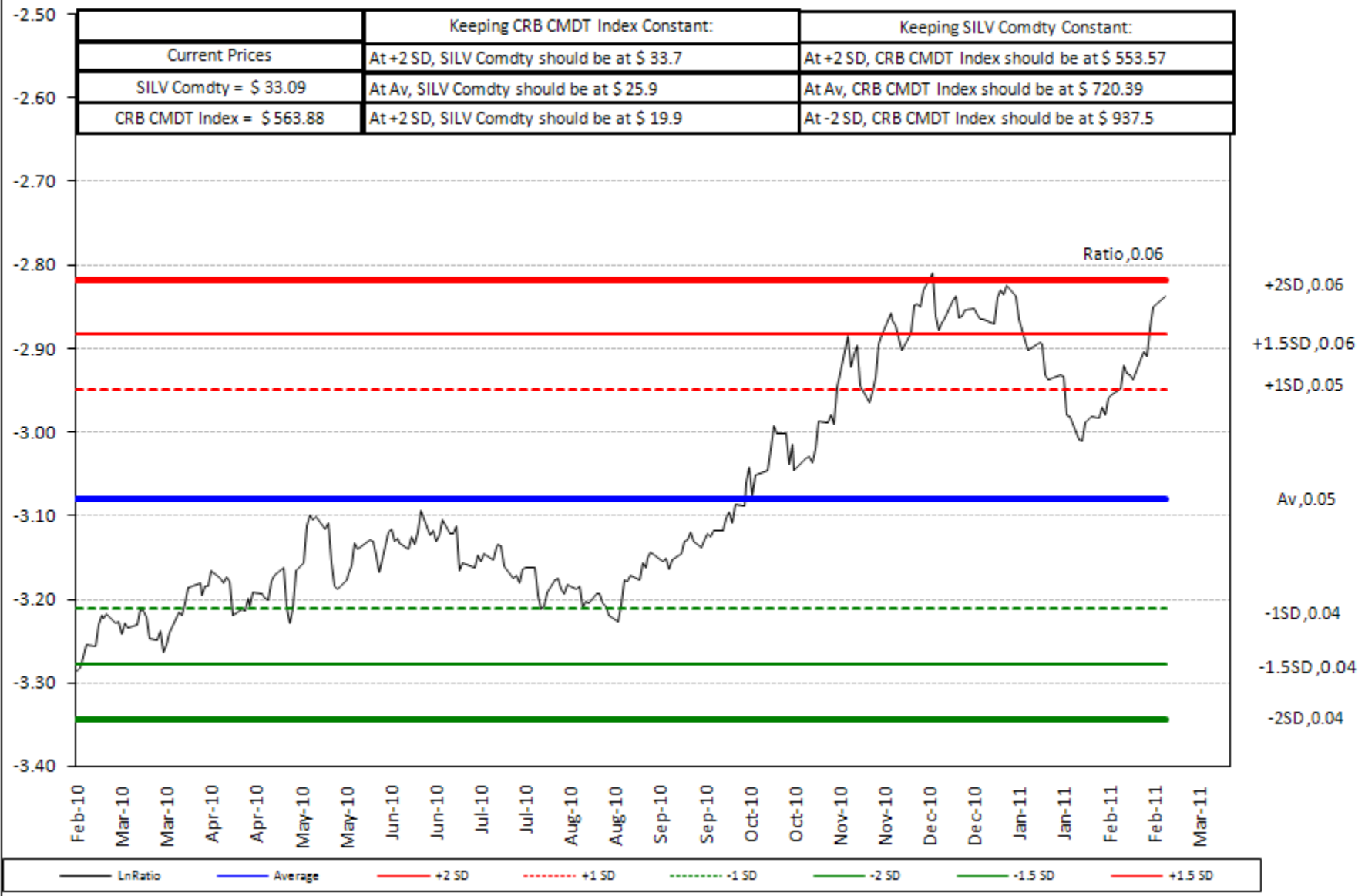
SLW -PRICE & VOLUME ACTION (SPECIAL SITUATION)



SLV – Correlation Ratio Analysis with CRB – 365 days 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 22 Feb 2011



SLV – Correlation Ratio Analysis with CRB – Full Time basis

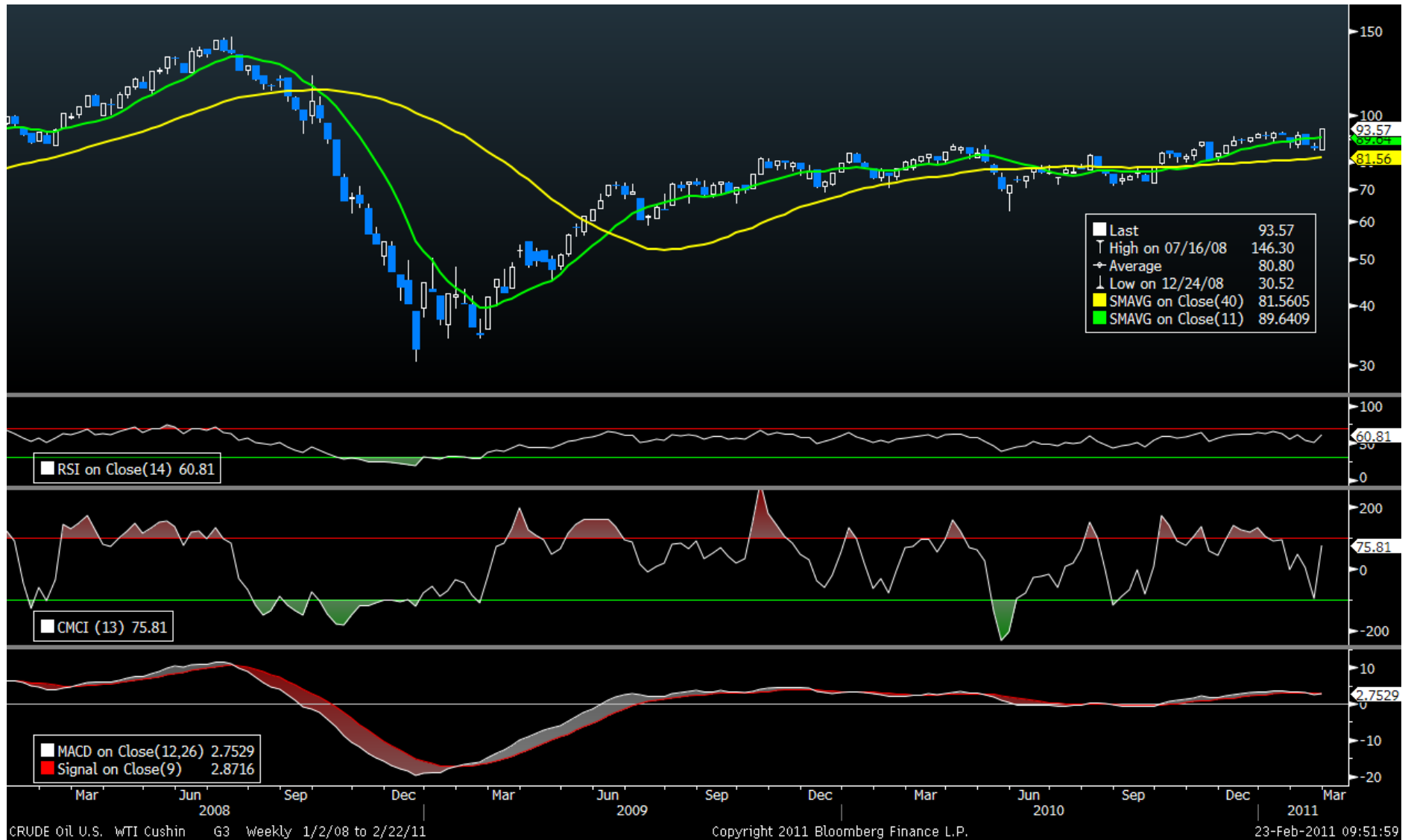
With Respect to CRB , SLV Ratio is picking up speed to be overvalued.

Long SILV Comdty and Short CRB CMDT Index, Updated till 22 Feb 2011



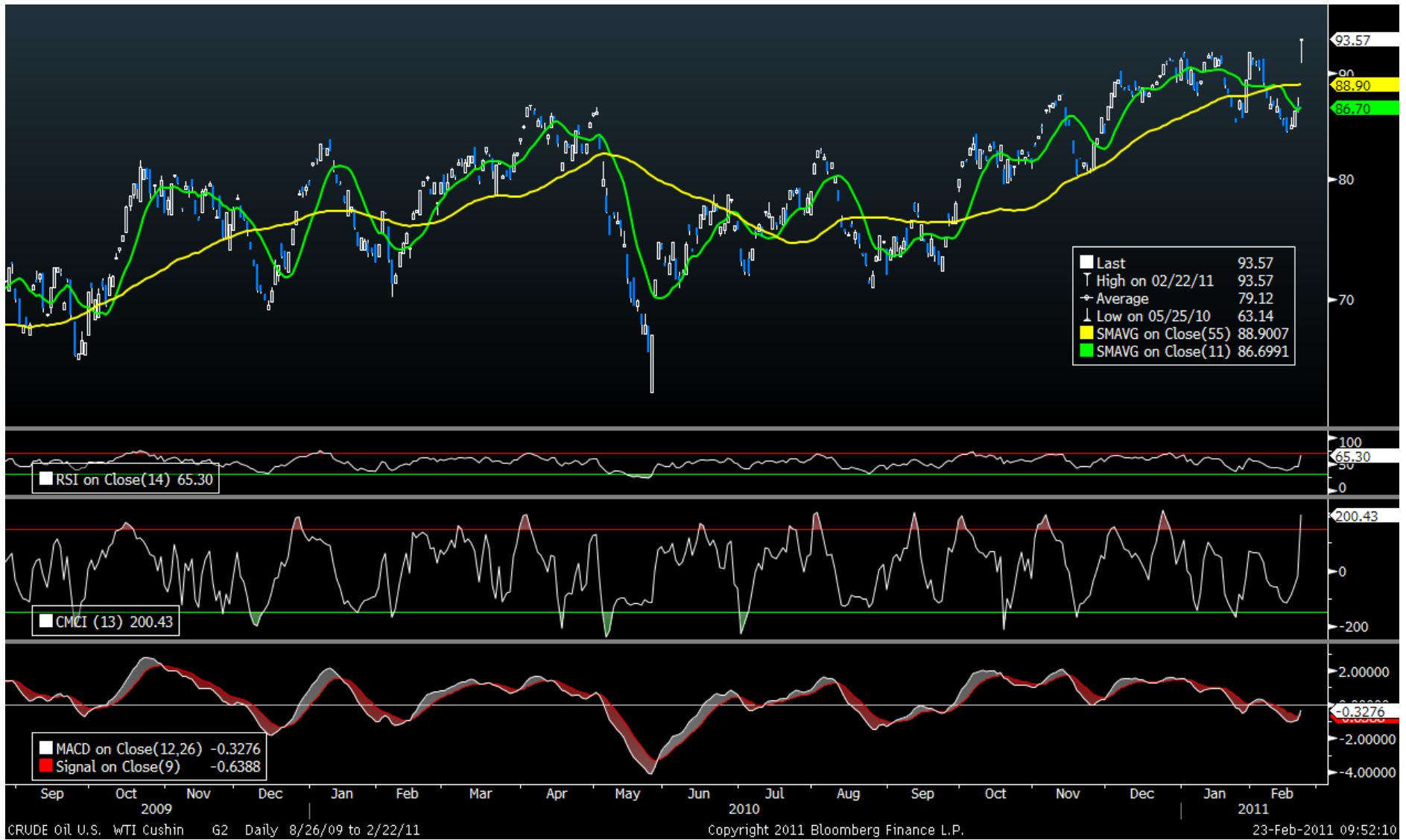
1- OIL - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

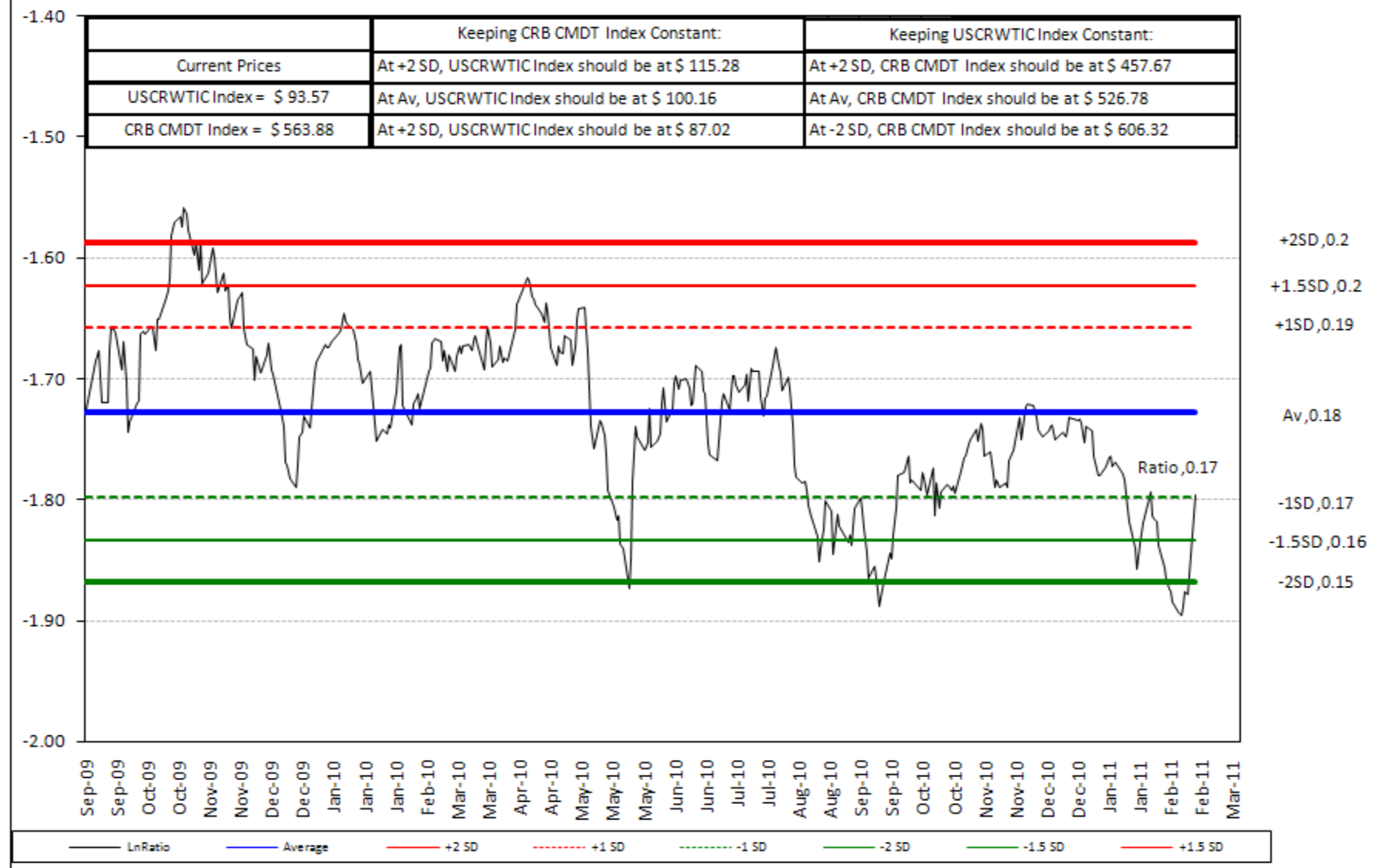
(11D / 55D)



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

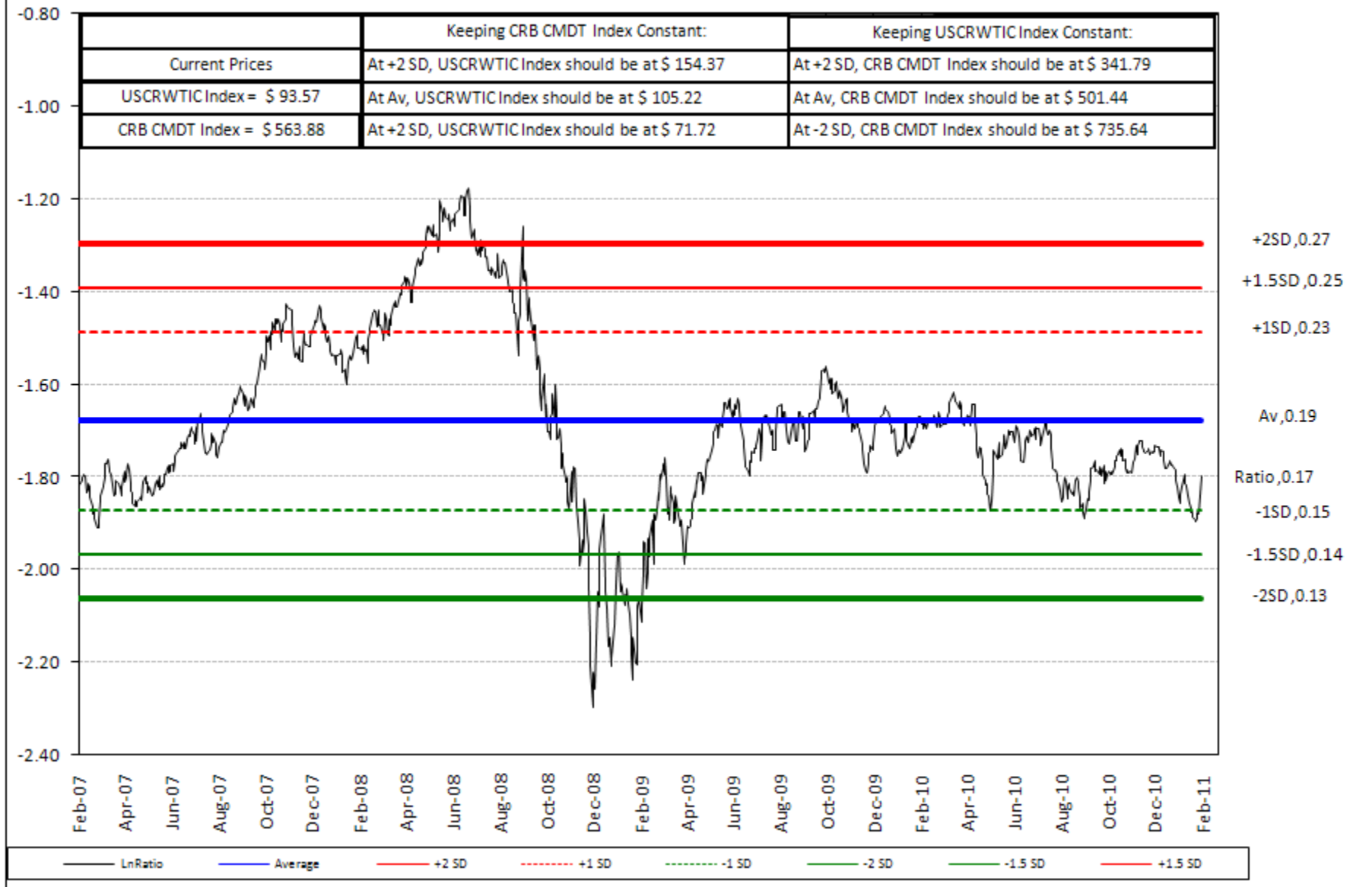
With Respect to CRB , OIL is Undervalued.

Long USCRWTIC Index and Short CRB CMDT Index, Updated till 22 Feb 2011



OIL – Correlation Ratio Analysis with CRB – Full Time basis

Long USCRWTIC Index and Short CRB CMDT Index, Updated till 22 Feb 2011



2- OIL – PEC D – ABCD Method

Our 85 support held an then due to Geopolitical noise in Middle east our PEC- D point is at 93.5 was busted

, The SD Level for OIL is still not at extreme level of # 2 but XLE is at Extremes (This is non conformance)



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

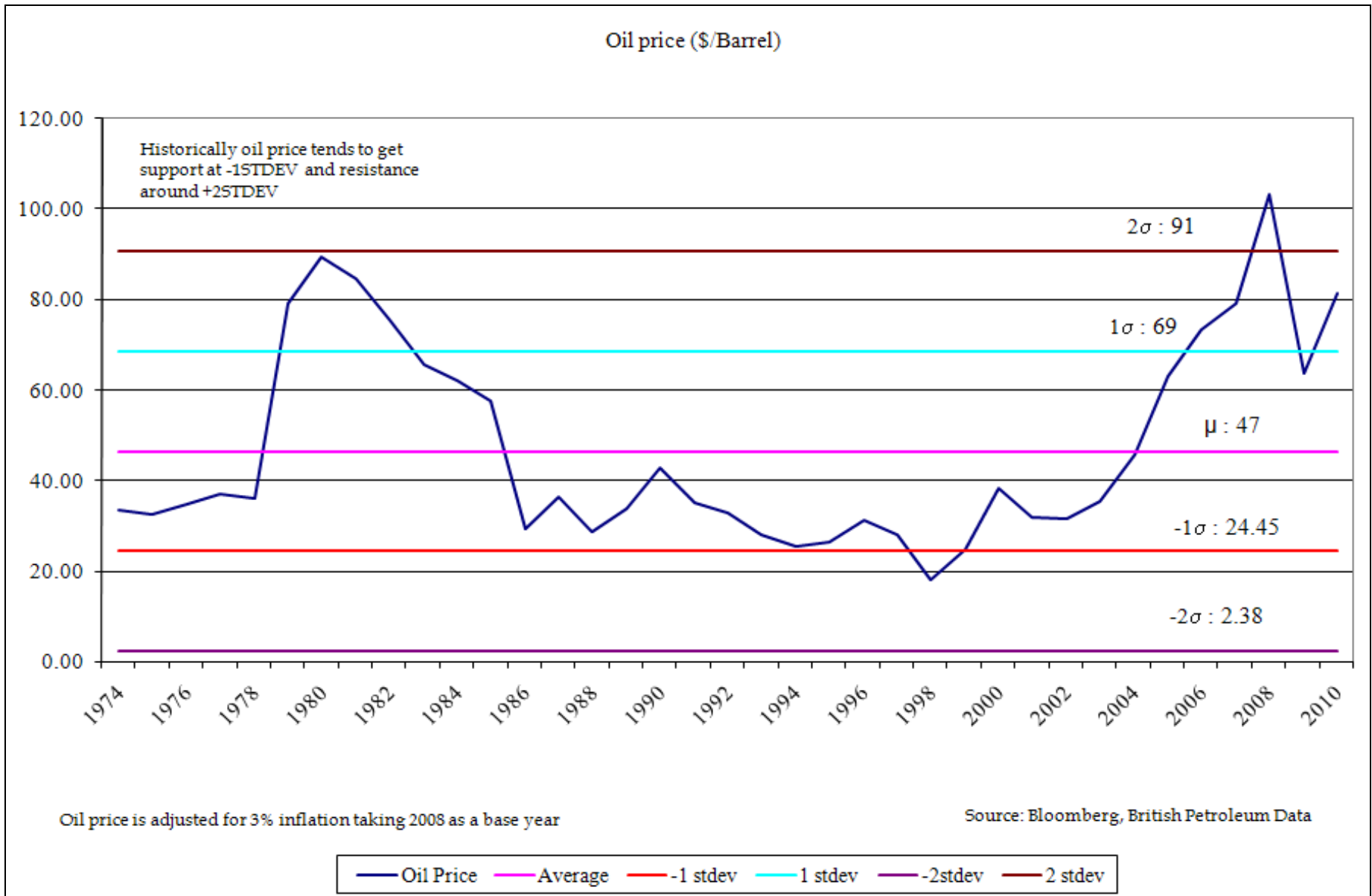
3-

USO broke down and bounced right back at 200D , then broke out from 40 DMA , now setting up bullishly , but no signal .

Crude Oil ETF	USO
Last: \$	38.49
Chg: \$	2.13 5.53%

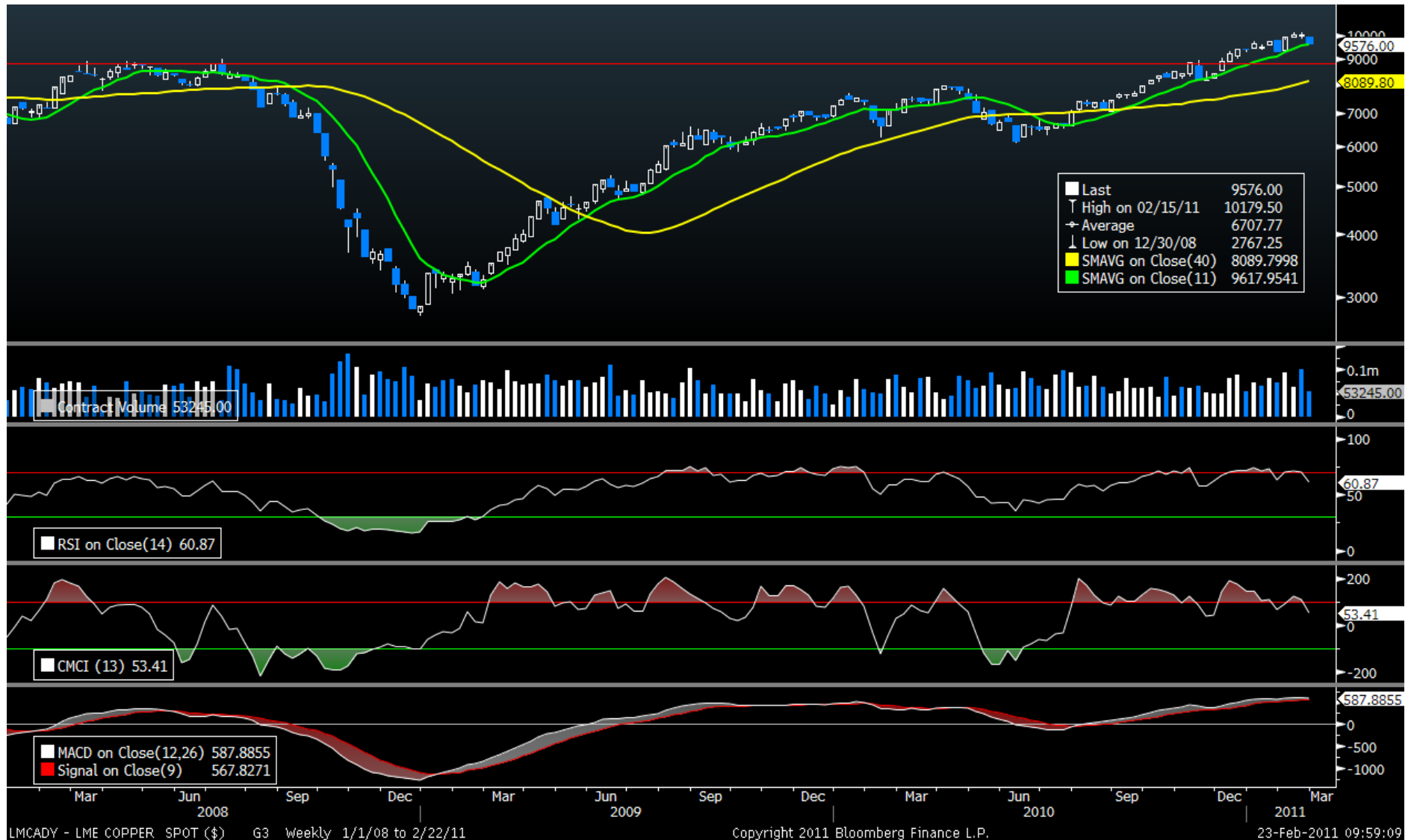


OIL – Trend Reversion Analysis – Long Term – Inflation Adjusted



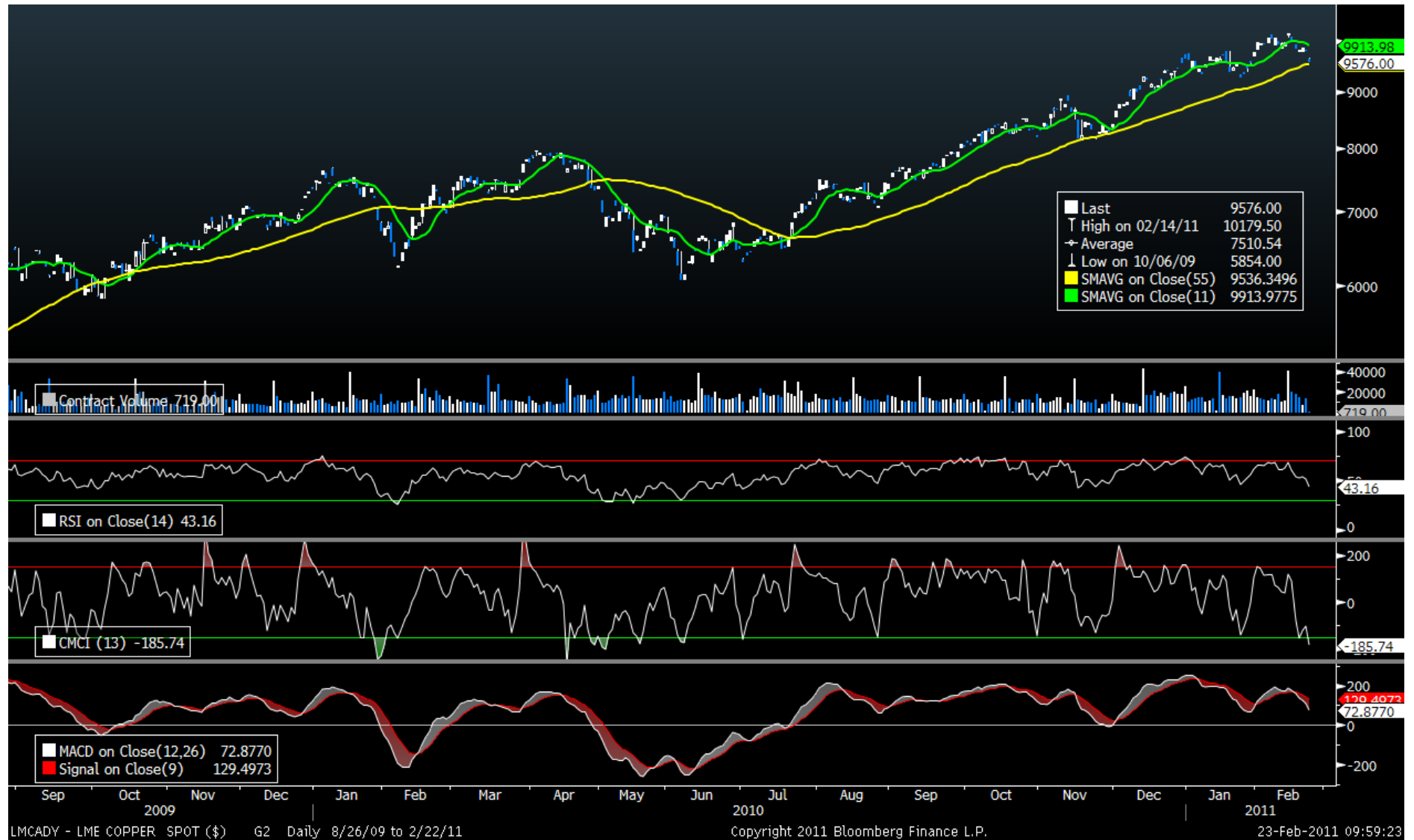
1- COPPER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

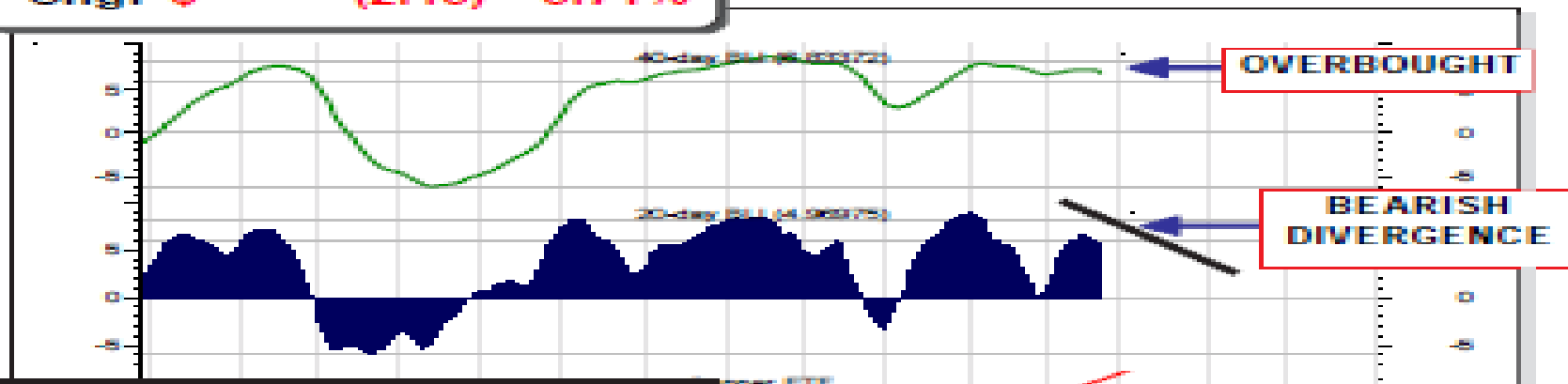
(11D / 55D)



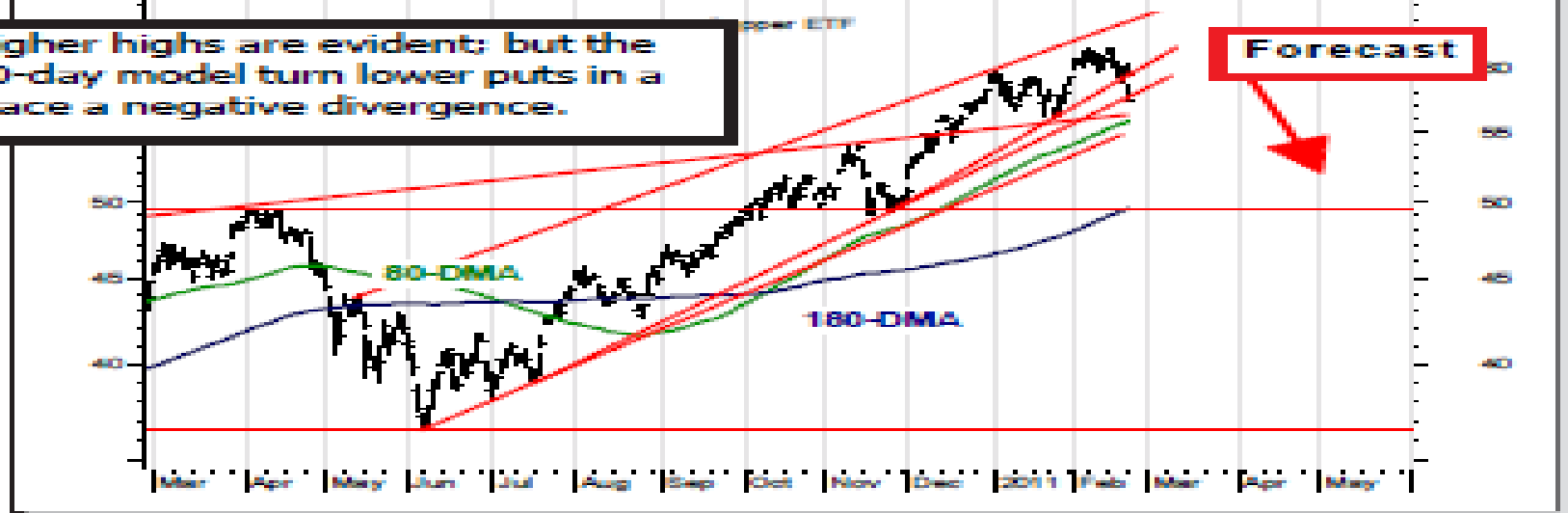
3- Copper (JJC) – Technical & Pattern Analysis & Price / Volume

PQV Analysis – After witnessing Bearish divergences in spite of move up. Finally cracked on prices yesterday. Earlier It triggered the PQV Validation test at 59.5 -60 and on secondary test the re entry on into CZ with 140 k test and failed . (Refer to CZ – PQV in Sector Report D)

Copper ETF	JJC
Last: \$	57.43
Chg: \$	(2.13) -3.71%



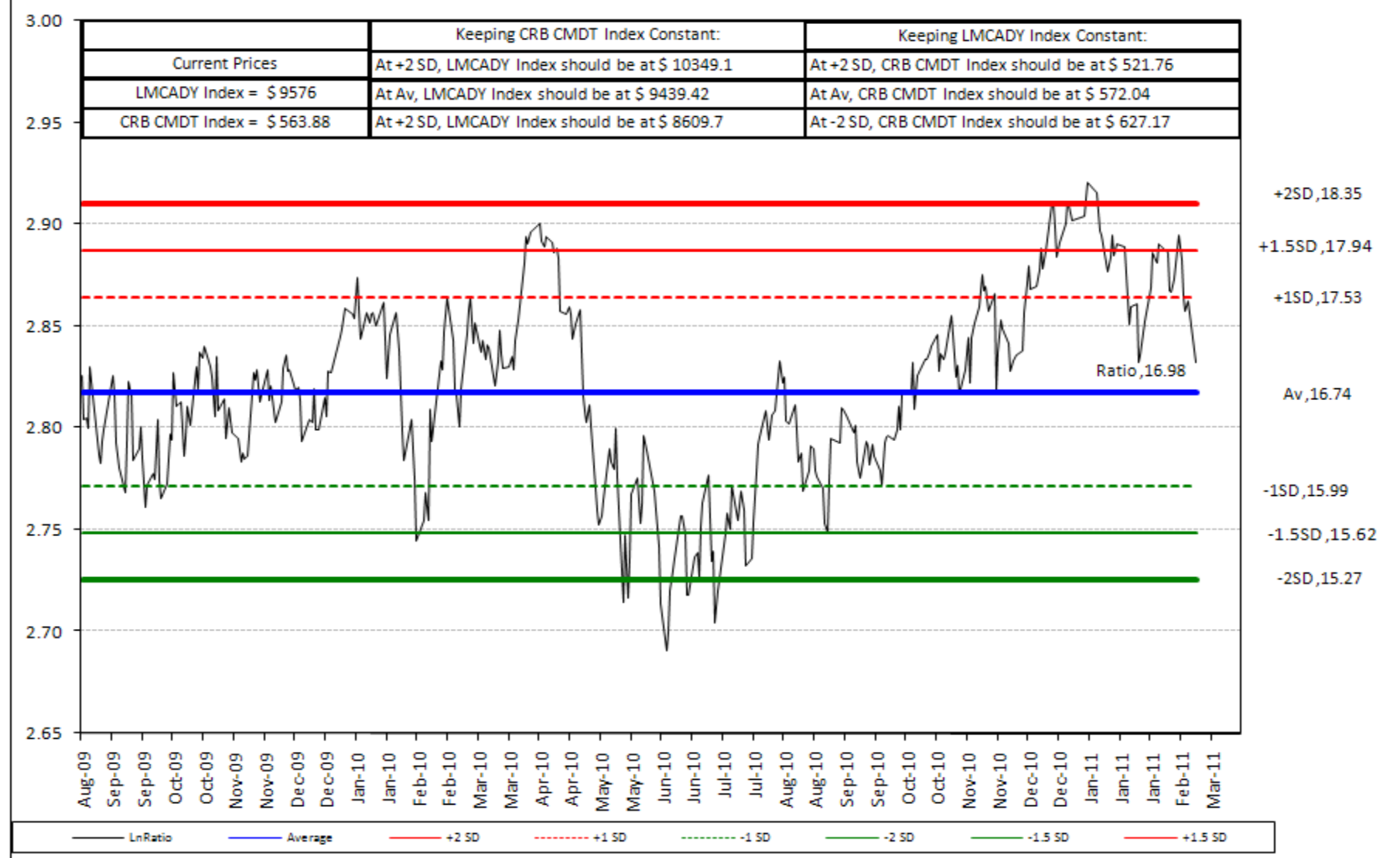
Higher highs are evident; but the 20-day model turn lower puts in a place a negative divergence.



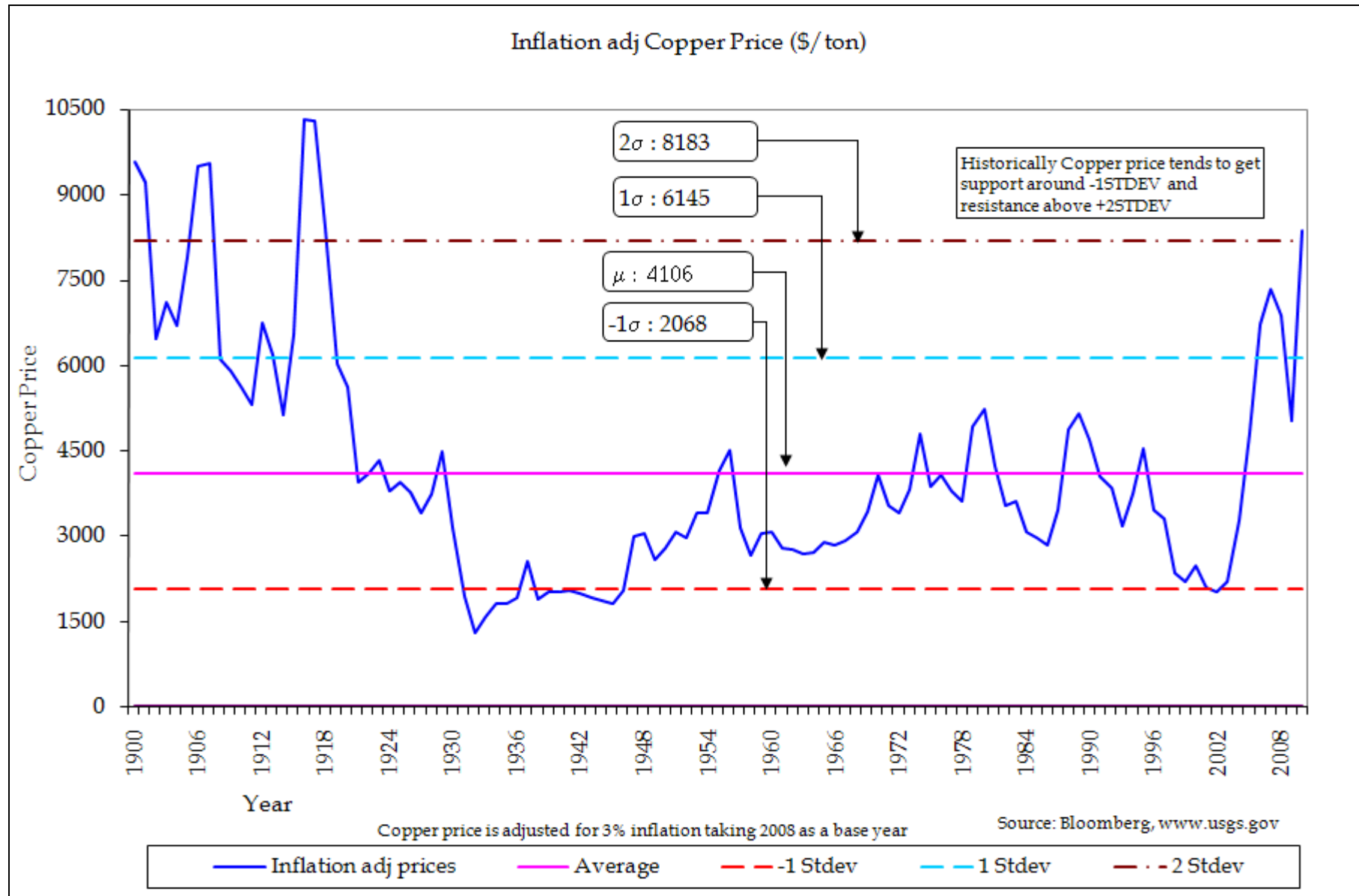
COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , Copper was extended

Long LMCADY Index and Short CRB CMDT Index, Updated till 22 Feb 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)



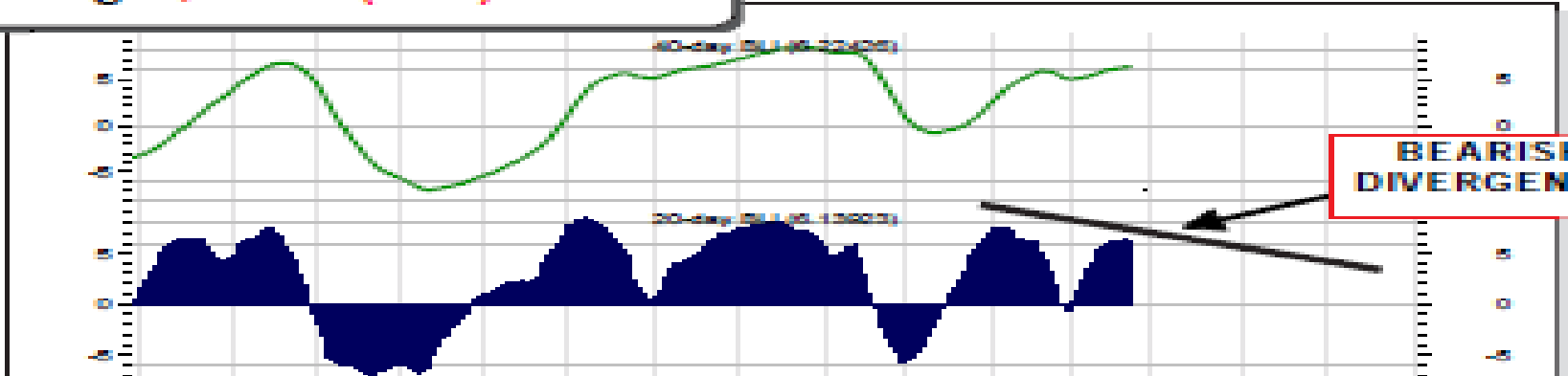
DBB - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



DBB - with SMA & Trend lines

Bearish divergences in Other base metal Index as well, just to give sense of over all picture on XLB and Copper

Base Metals	DBB
Last: \$ 24.33	
Chg: \$ (0.84)	-3.45%

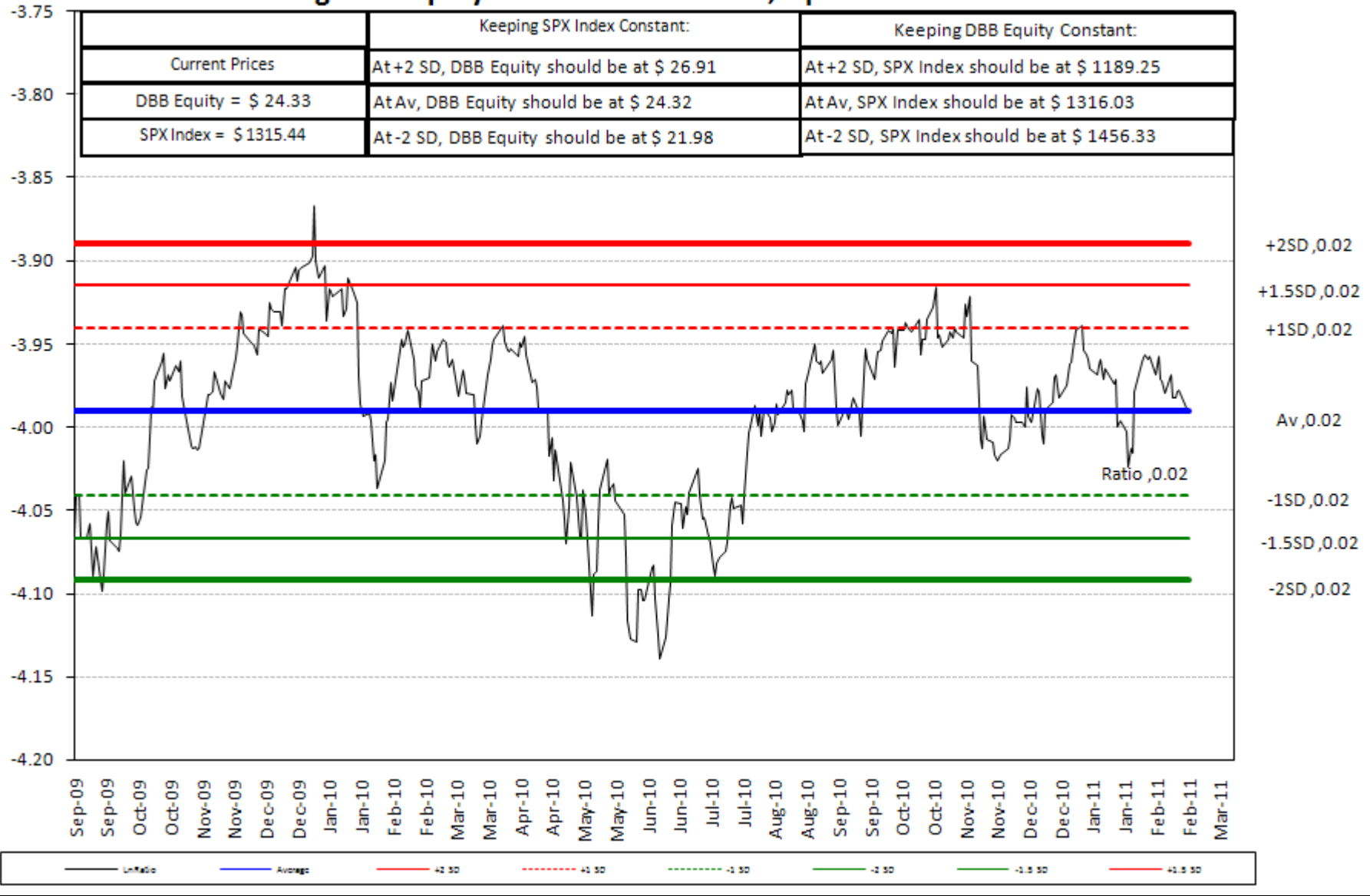


The bearish wedge is ongoing; trendline resistance has proven its merit.



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

Long DBB Equity and Short SPX Index, Updated till 22 Feb 2011



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



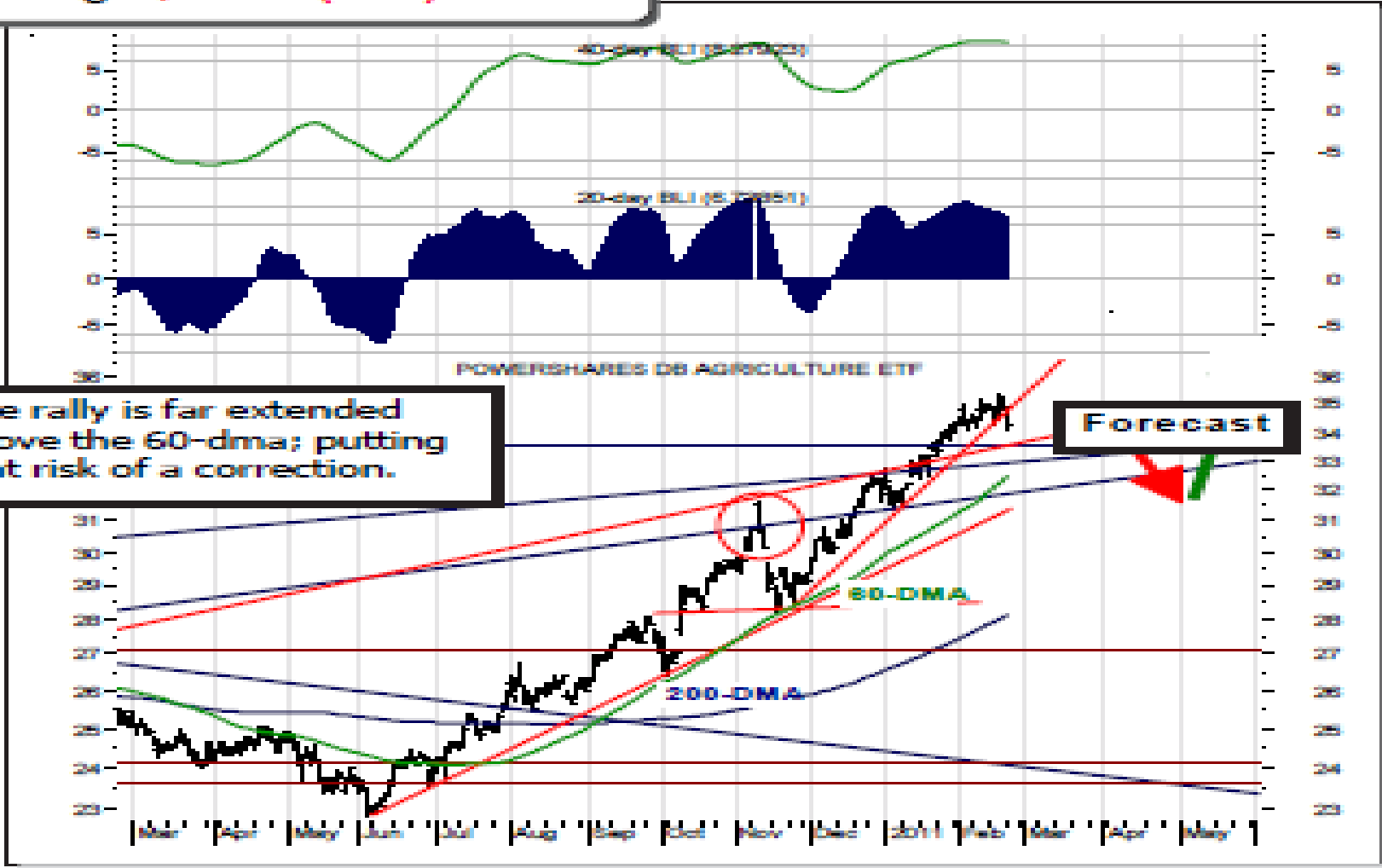
DBA – (**AGRO**) Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



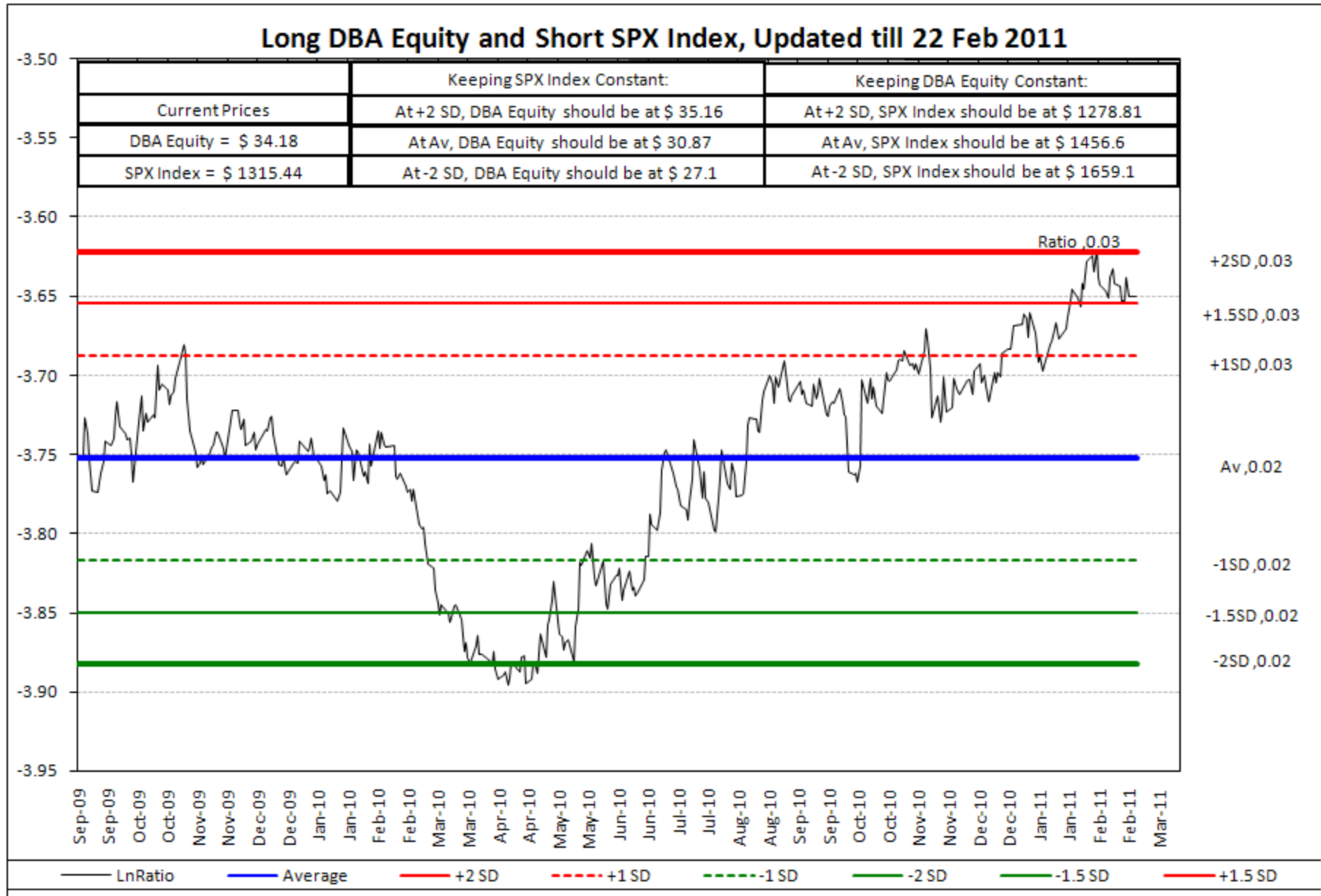
DBA - with SMA & Trend lines

Parabolic move in Agro markets, far extended on SD #2 with respect to CRB , Yesterday broke the trend line.

Agriculture	DBA
Last: \$	34.18
Chg: \$	(0.73) -2.14%



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



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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