



SG Capital Research

Global Market Insights

Research Note – Commodity Analysis (C)

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # JAN 05

For Immediate Release – *Wednesday AM (EST)*

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Commodity Analysis (C)

- GOLD
- SLV
- GDX
- OIL / USO
- COPPER / JJC
- 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
 8. Trend Reversion Analysis ((Inflation Adjusted) – 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

● SPX - Long @ 1228 - “Trend Adjusted Signal” - (update)

By : Momentum Break Indicator / 3X3 – 9EMA

- For Bull case - Previous long exit was on 11/17 at 1193 from 1105 entry 09/05 for 8%
- For Bear case - SS from last Sell Signal at 1193 to 1225 = - 2.6%

Currently “Trend Adjusted Signal “ has Reversal stop @ 1254 (Revised) SPX & DOW 11575 (Revised).

(This Signal has worked very well in post POM 14 - Momentum market)

● 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.

• Trading & Investment Conclusions

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

- **GOLD** - POM 14 Re Run @ 1250 since Mid Sept. (For Partial Hedge of Long Positions) . The Bull market Indicators hasn't qualified POM 15 for 100% Hedge Long Positions yet.
- **OIL** - No new signal
- **SLV** - Triggered POM 15 @ 27 dated 11/10 on Parabolic / Blow off move ,
- **COPPER** - No signal but its Topping on the Trend. (Refer CZ in JJC – ETF in Sector Report - D)

• GOLD / SLV Signals & Price Projections

On the downside Test – Monitoring

First Target – GLD - 1340 & SLV – 25 (Achieved Dated 11/17),

Second Target – GLD - 1290 - 1250 & SLV - 20 -22 (See charts below)

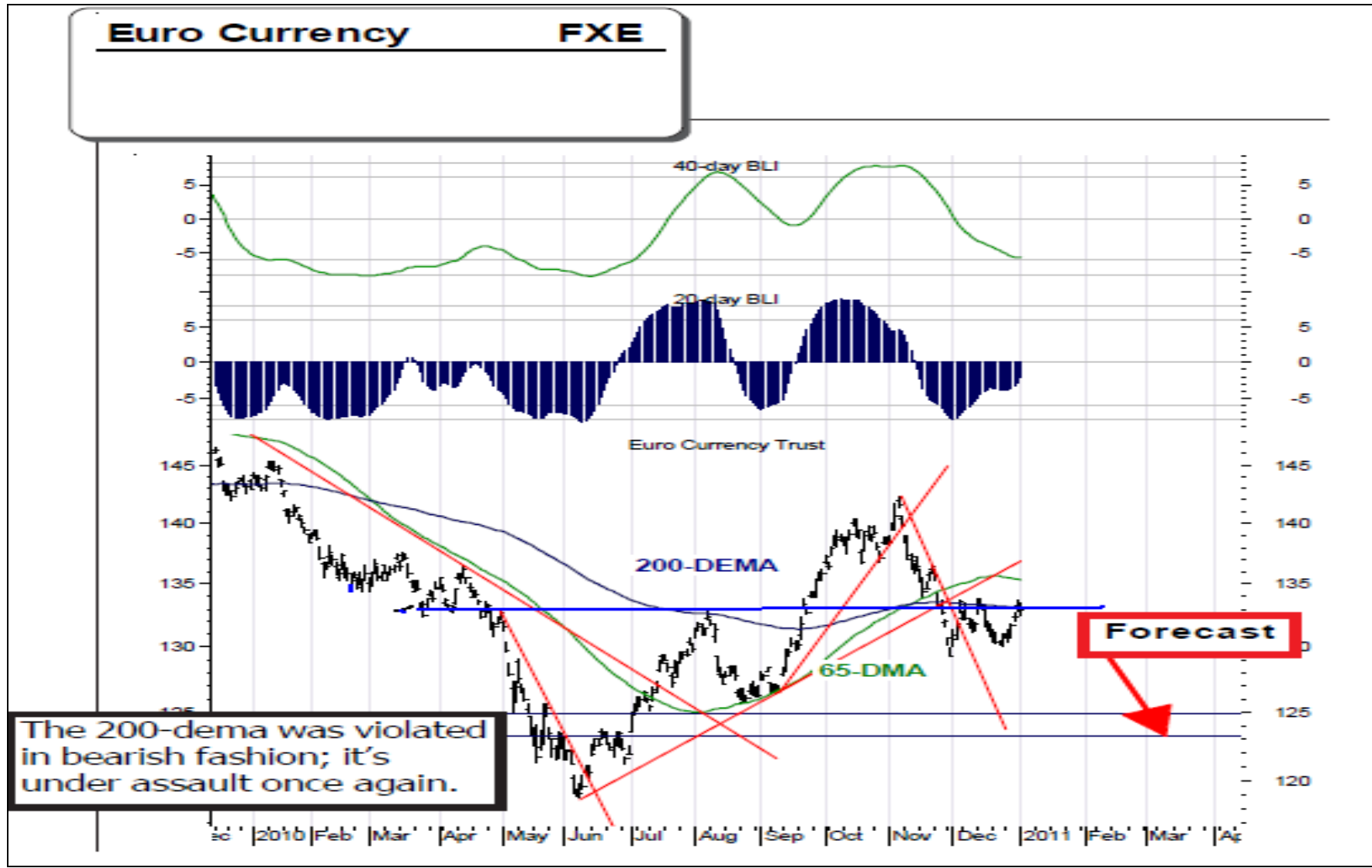
On completion of the downside side target the next Bull run will take place .

- **Insights**

- *Yesterday , In General Market Russell showed the first sign of Crack with Hugh decline on heavy volume coming of the top, while the main Indices held flat. We will have detail coverage in tomorrow's MS – A # 2*
- *This decline came in just a day after down had 100 point Rally which to us was high volume shooting start which tends to get tested after the first pull back*
- *In past 6 yrs every correction has been led by Commodity correction and then the Broader market has followed*
- *Yesterday in Gold market , It took 6 ½ hrs to take back 2 months of gains. (we are at Oct 14th level)*
- *In Silver market came down with 77k contract v/s 41k contract on way up on the previous day when it tested the previous peak high volume 2nd bearish engulfing of 140k contracts.*
- *Our focus is on Euro and it tested its Creek areas of 1.34 on secondary basis and failed again, that could very well be trigger.*
- *We have broad outline chart on FXE & DXY to justify the correlation process with Commodity and Broader market*

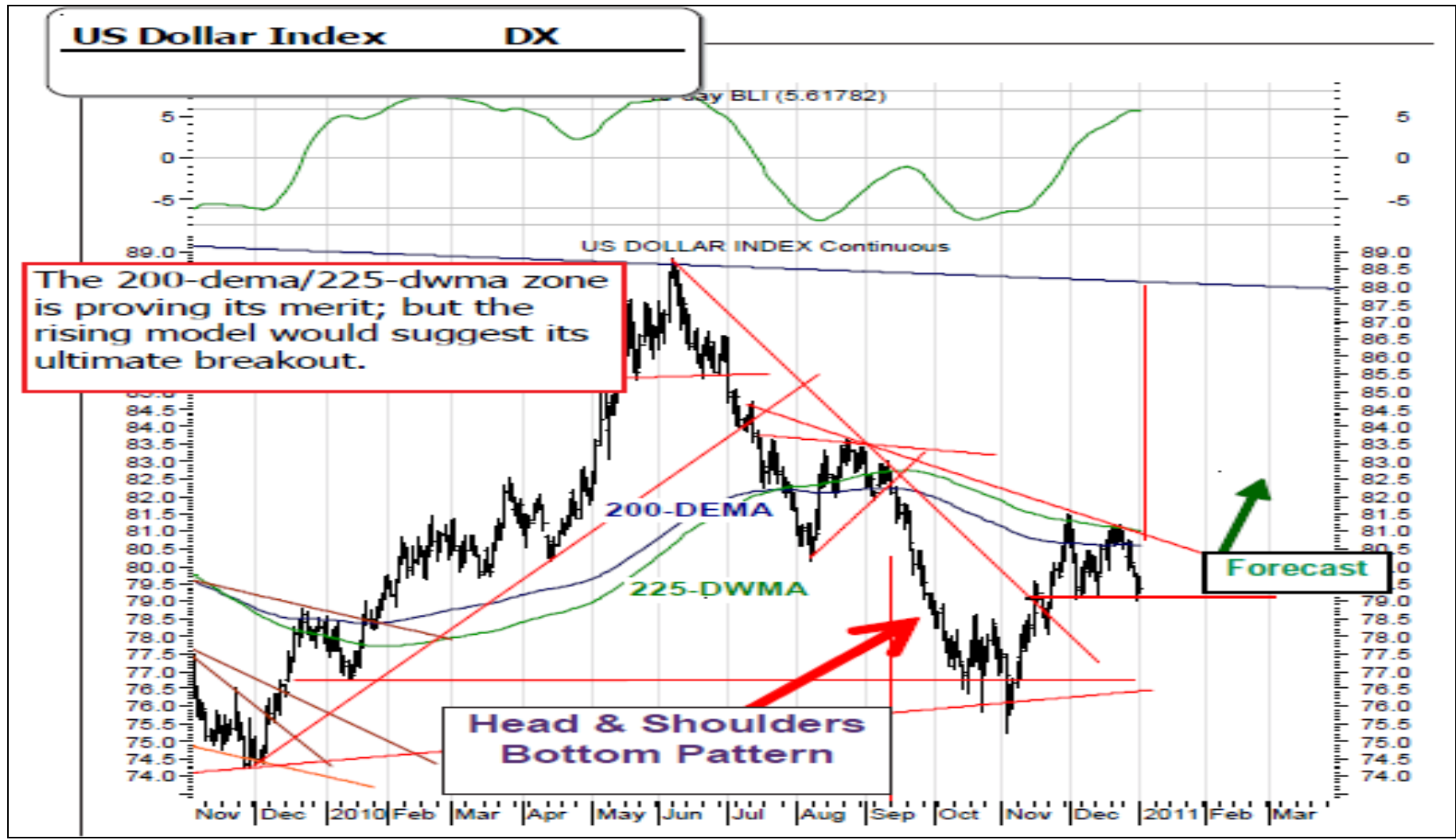
EURO

Our focus is on Euro and it tested its Creek areas of 1.34 on secondary basis and failed again, This area is at 200 DMA , that has been stoppage point . that could very well be trigger.



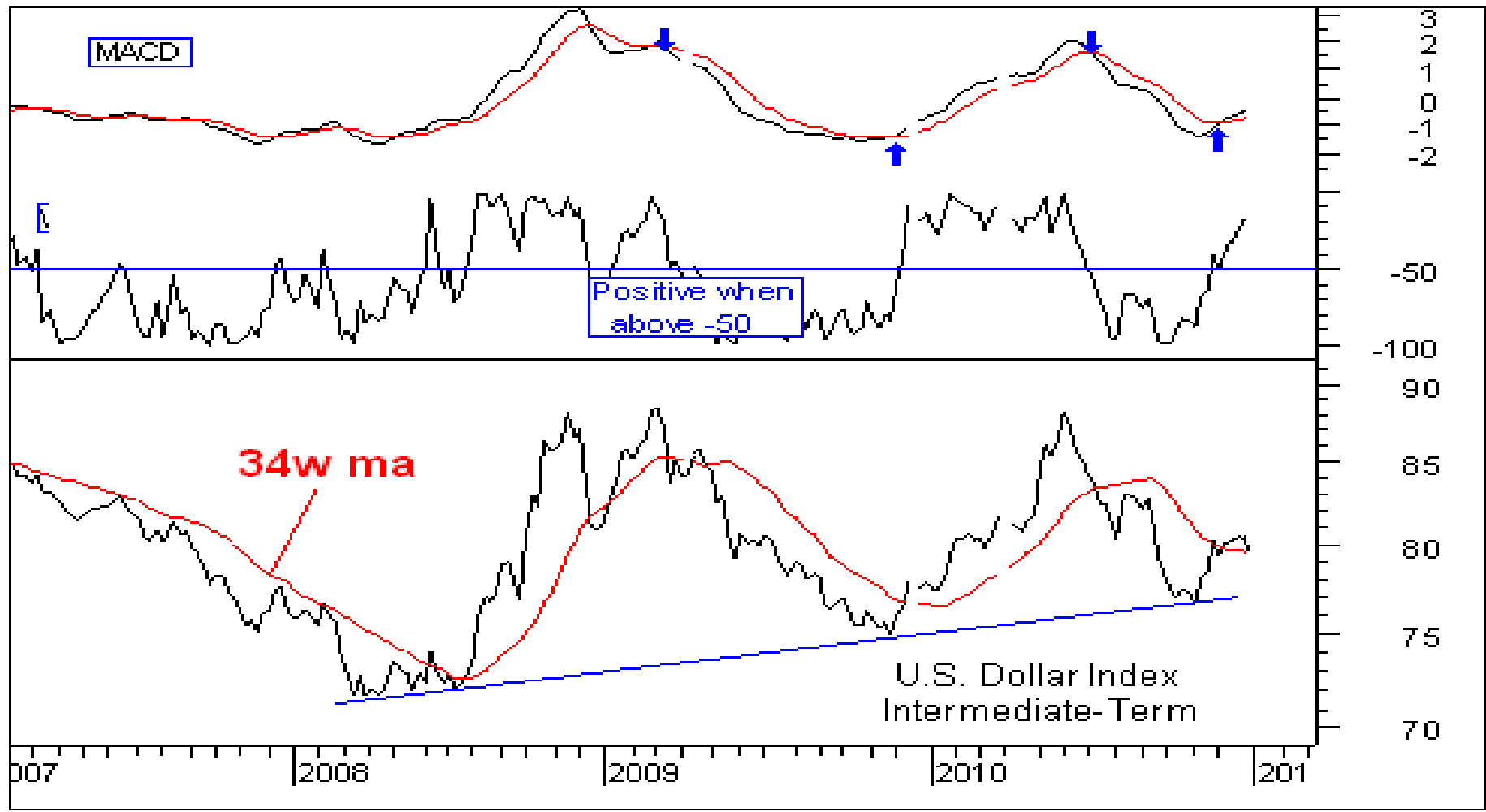
DX

DX held the lows at 79 , if EURO weakens , this could very well build the C to D leg up breaking through the Triangular consolidation on the way to complete its H & S bottom.



DX

Chart below reinforces the bigger picture with MACD turned up, Momentum turning up and successfully testing 34 W on pull back which has been hallmark of past 3 lows



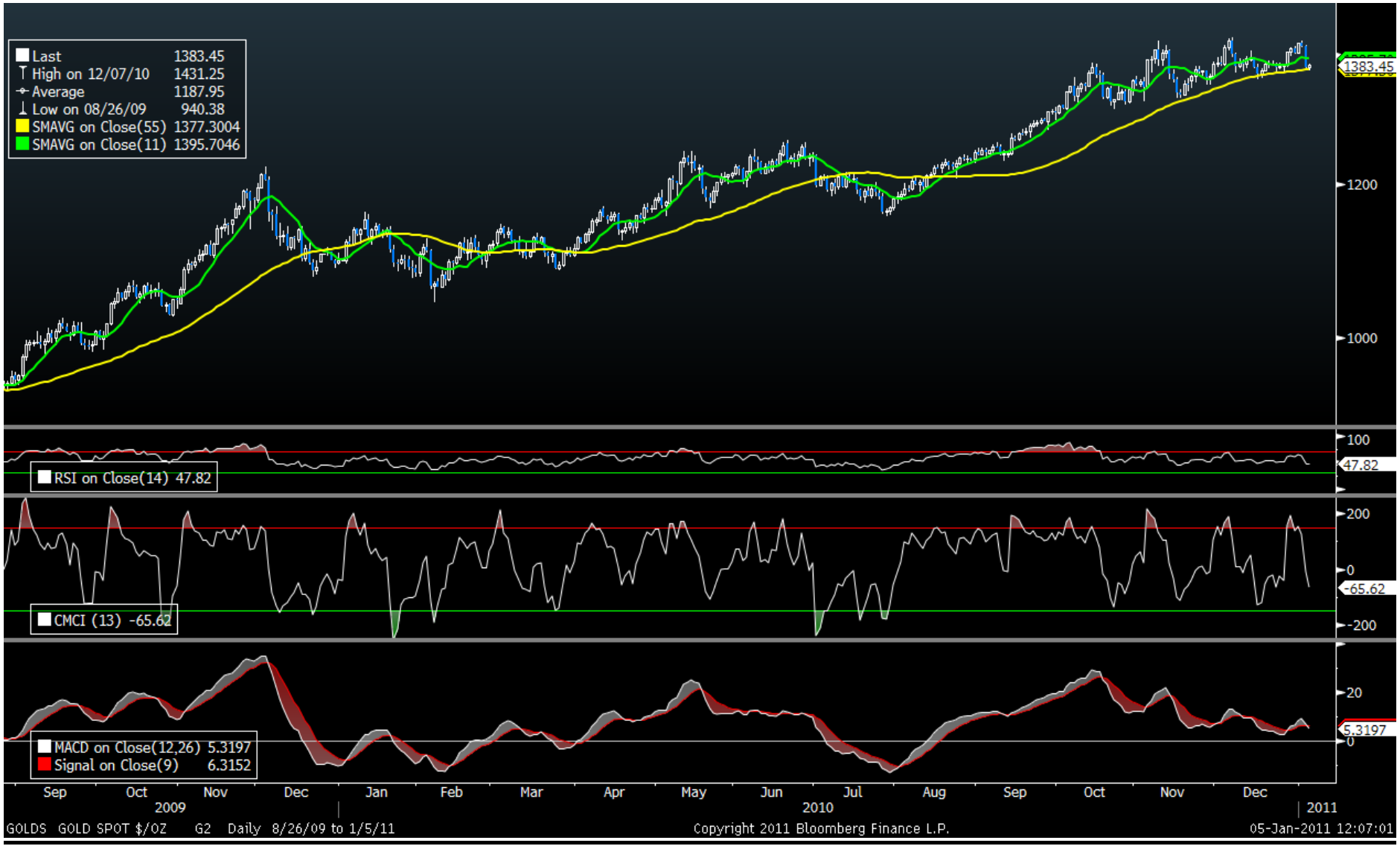
GOLD - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

(11D / 55D)



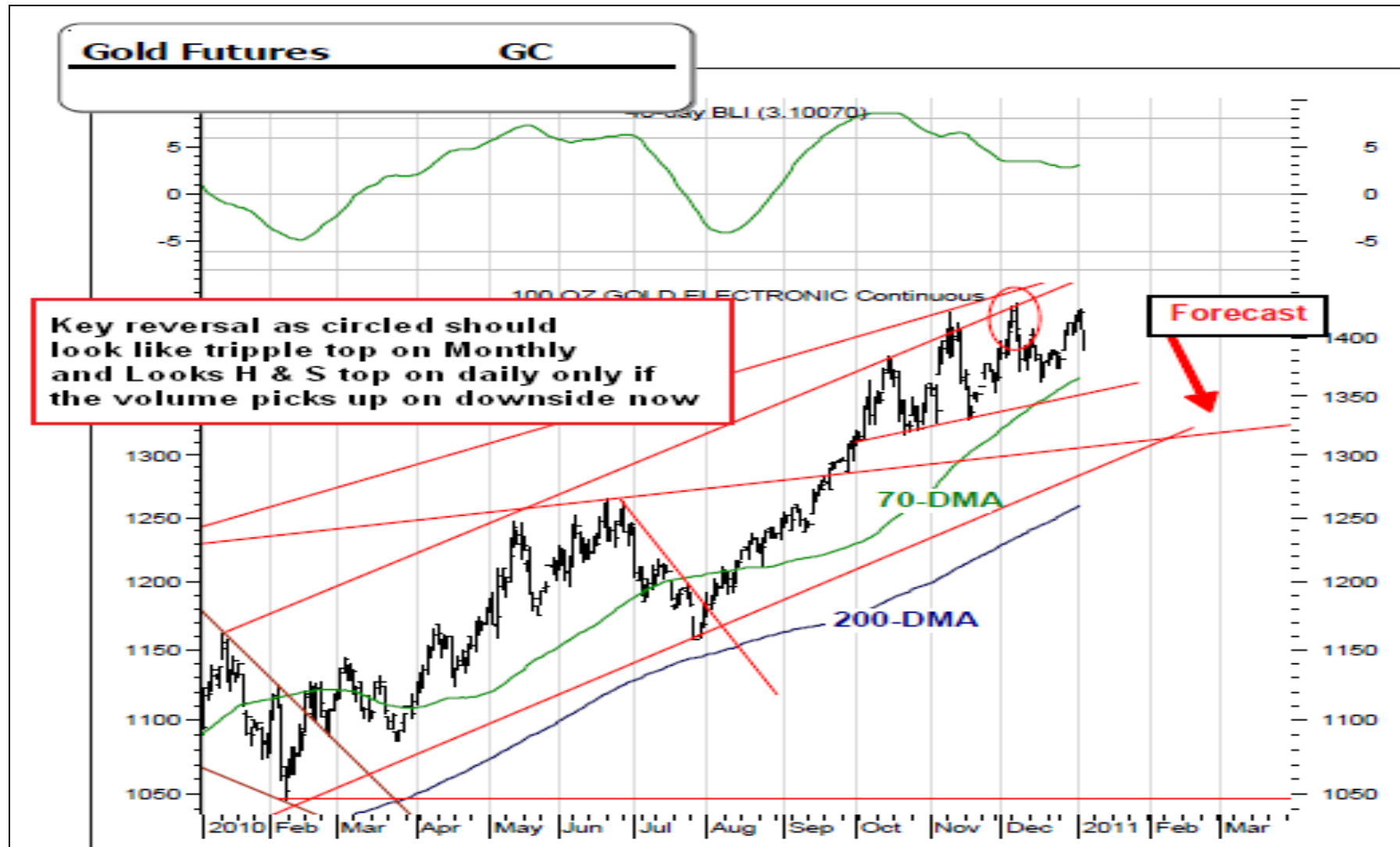
GOLD

MACD turned down, RSI is weakening , if 50 Holds and volume lightens up then we could get a bounce, Two days ago tested the 21 D from underneath and failed , then the decline began .



GOLD – with SMA & Trend lines - Pull back Target 1290 - 1250

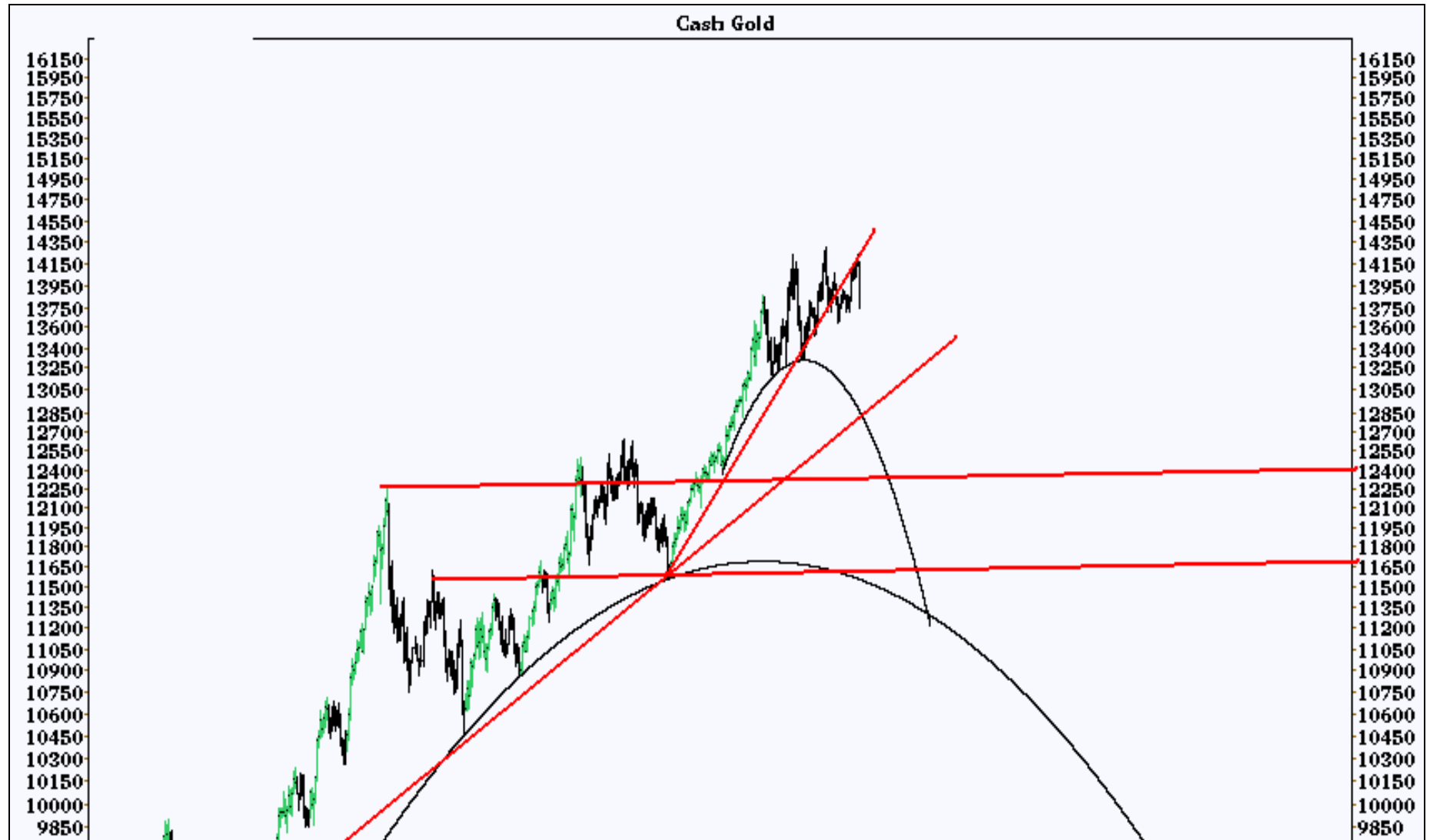
Earlier the upper trend lines were met with key reversal , with H & S top forming (volume should confirm here on downside) now the lower Trend lines and SMA's will be met on downside, combined with extended 40 w MA, all should be tested on way back down by this method. This is a better Risk / Reward prices for next entry for another leg up



GOLD –

By Poly – trend work gives the same target of 1290, Negative divergence on Rate on change on price oscillation

Initial trend line was broken and tested underneath and failed.



GOLD – Bigger picture – **No Change**

Gold is hanging up high and pull back to 1290 - 1250, a move to the support line would present a much better buying opportunity. Once again, bearish divergence warns of limited upside.

This is classic 3 Drives to the top with –ve divergences in RSI & MACD (just like seen before on previous top with target to lower trend line) **and then next leg up to 1600, if volume confirms on break at 1420 double top.**

Downside is 1250 where the first low volume breakouts have happened that will be tested at some point.



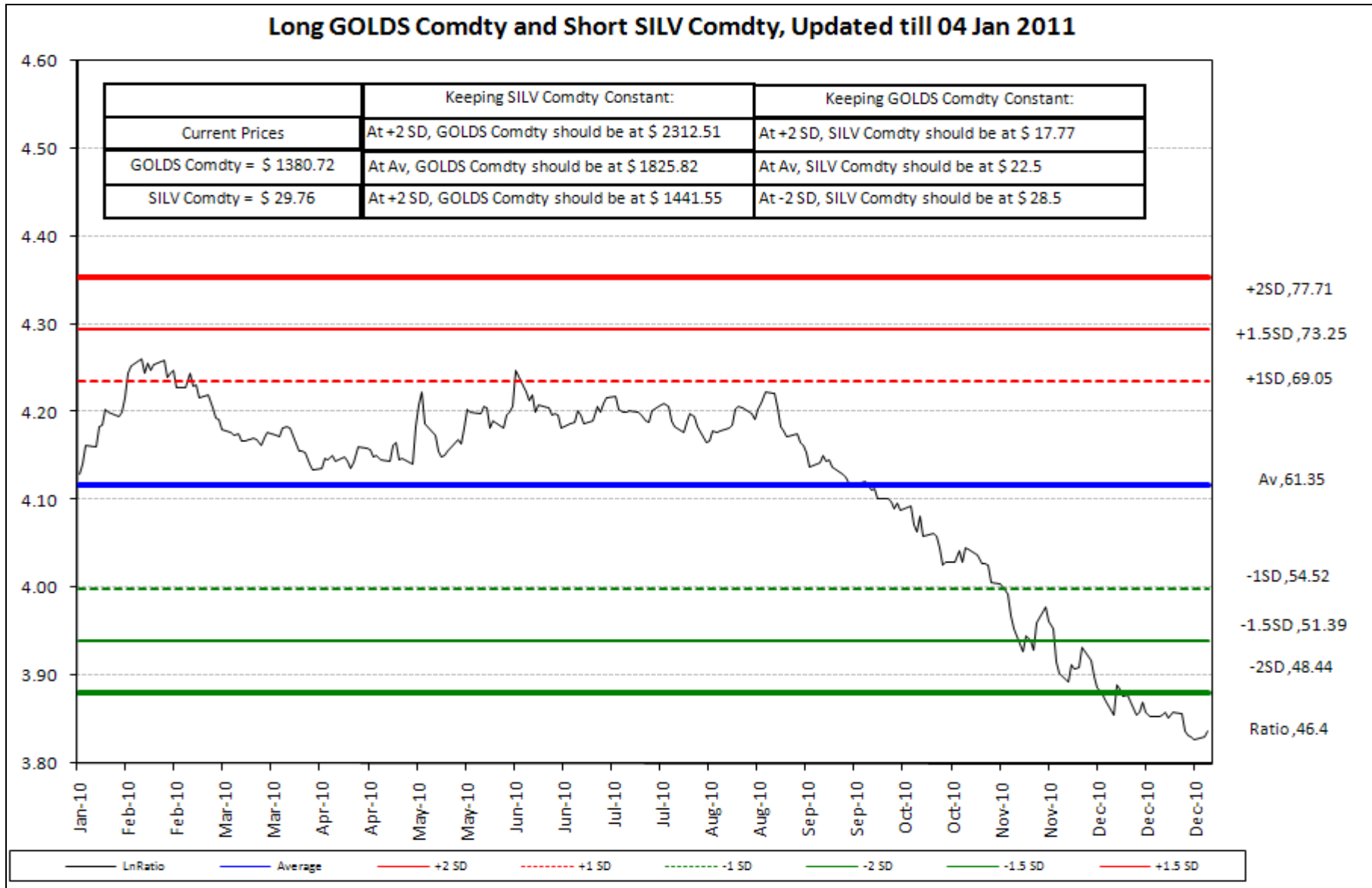
GOLD – Bigger picture

After the pull back to Channel line lows at 1270 , high probability we should have another leg up to Area indicated as Extremes red circle, (A point note – The lows were formed Nov 08 with Extremes circled in green) . Similar pattern could emerge on upside as well for the Final top



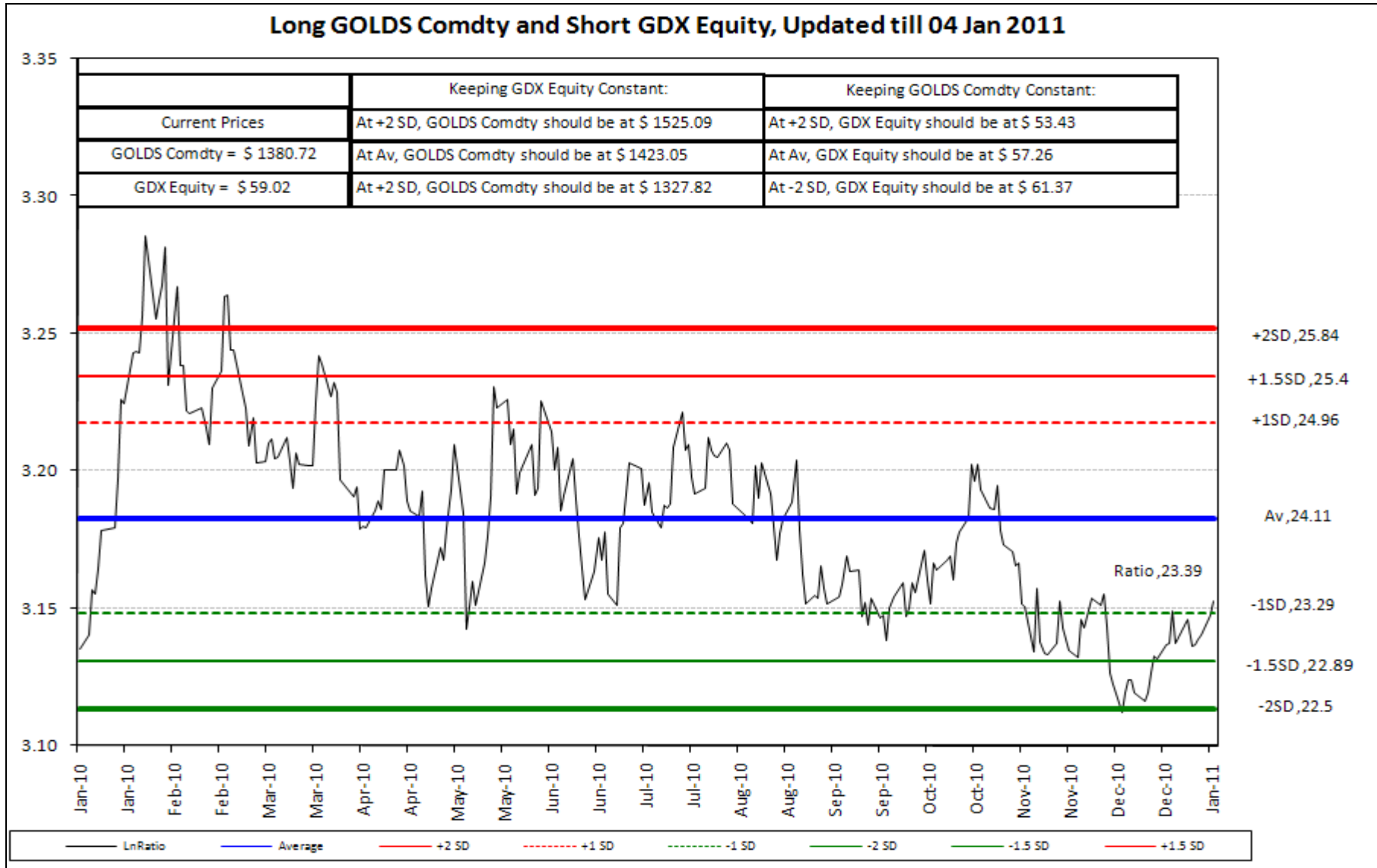
1- GOLD – Correlation Ratio Analysis with SLV – 365 days Time basis

With Respect to GOLD , SLV Ratio is at Nose bleed Levels



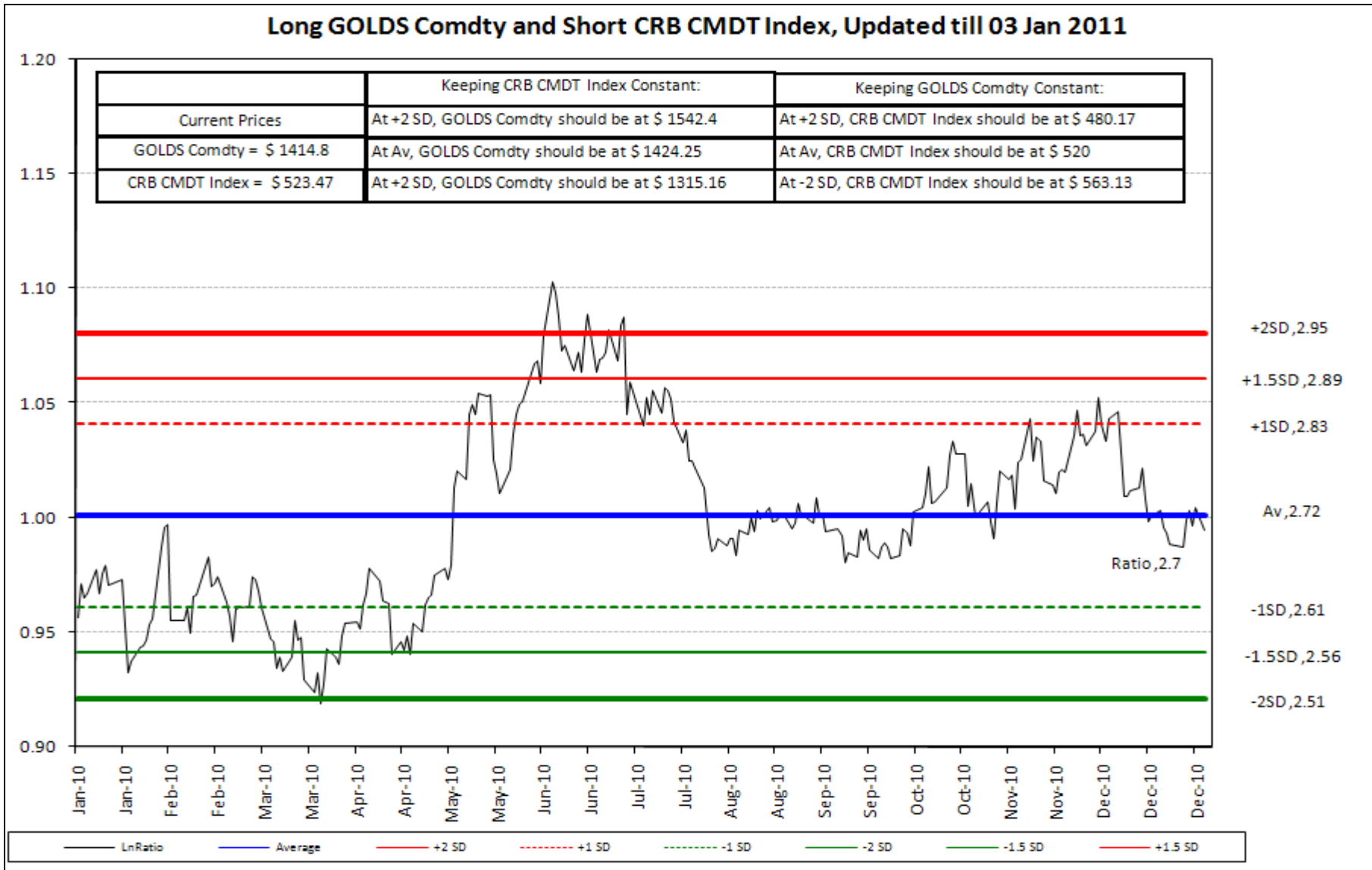
2- GOLD – Correlation Ratio Analysis with GDX – 365 days Time basis

With Respect to GOLD , Miners Ratio are reverting to mean, Miners have had deeper correction



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

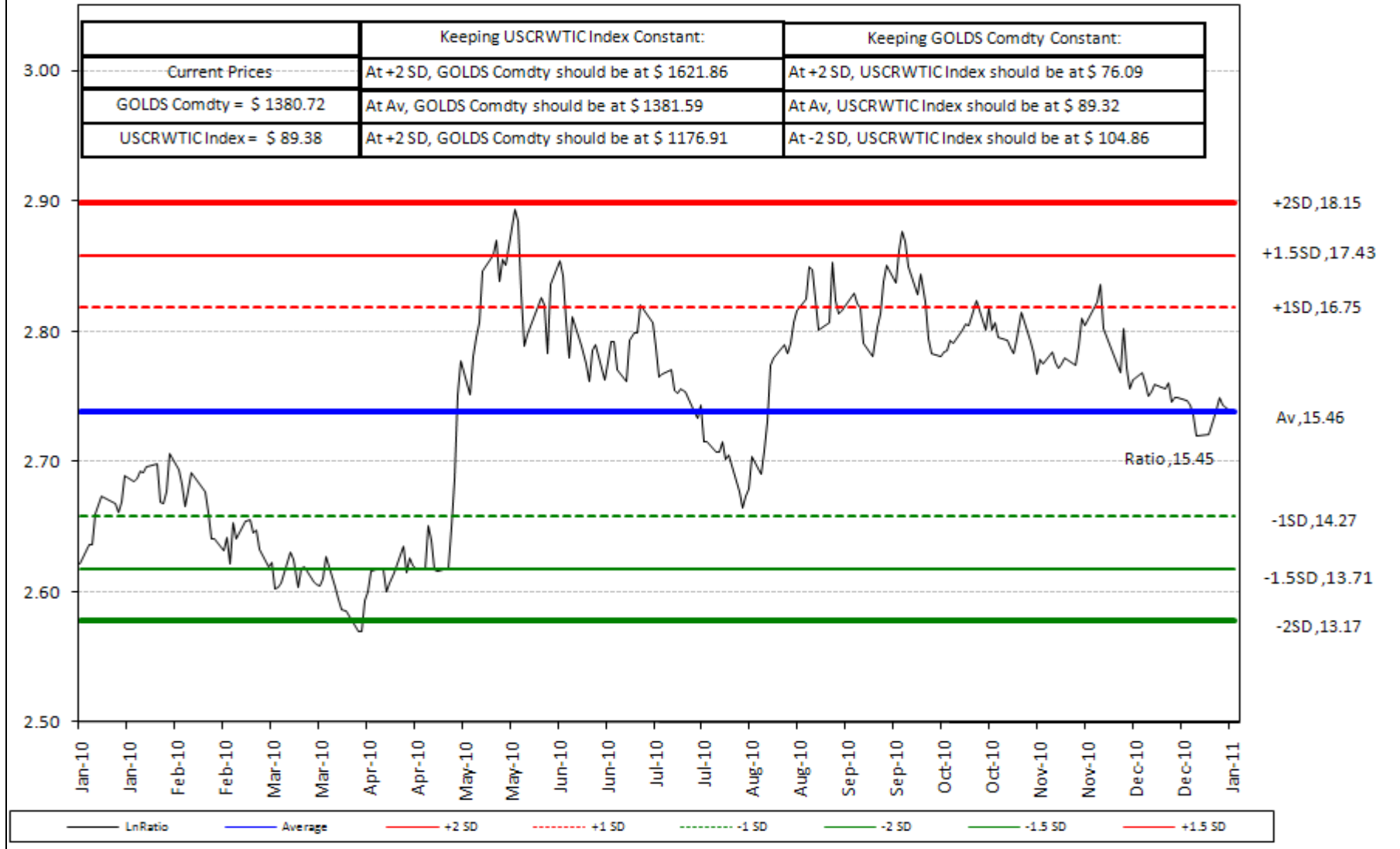
With Respect to CRB, GOLD is beginning to get to mean



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

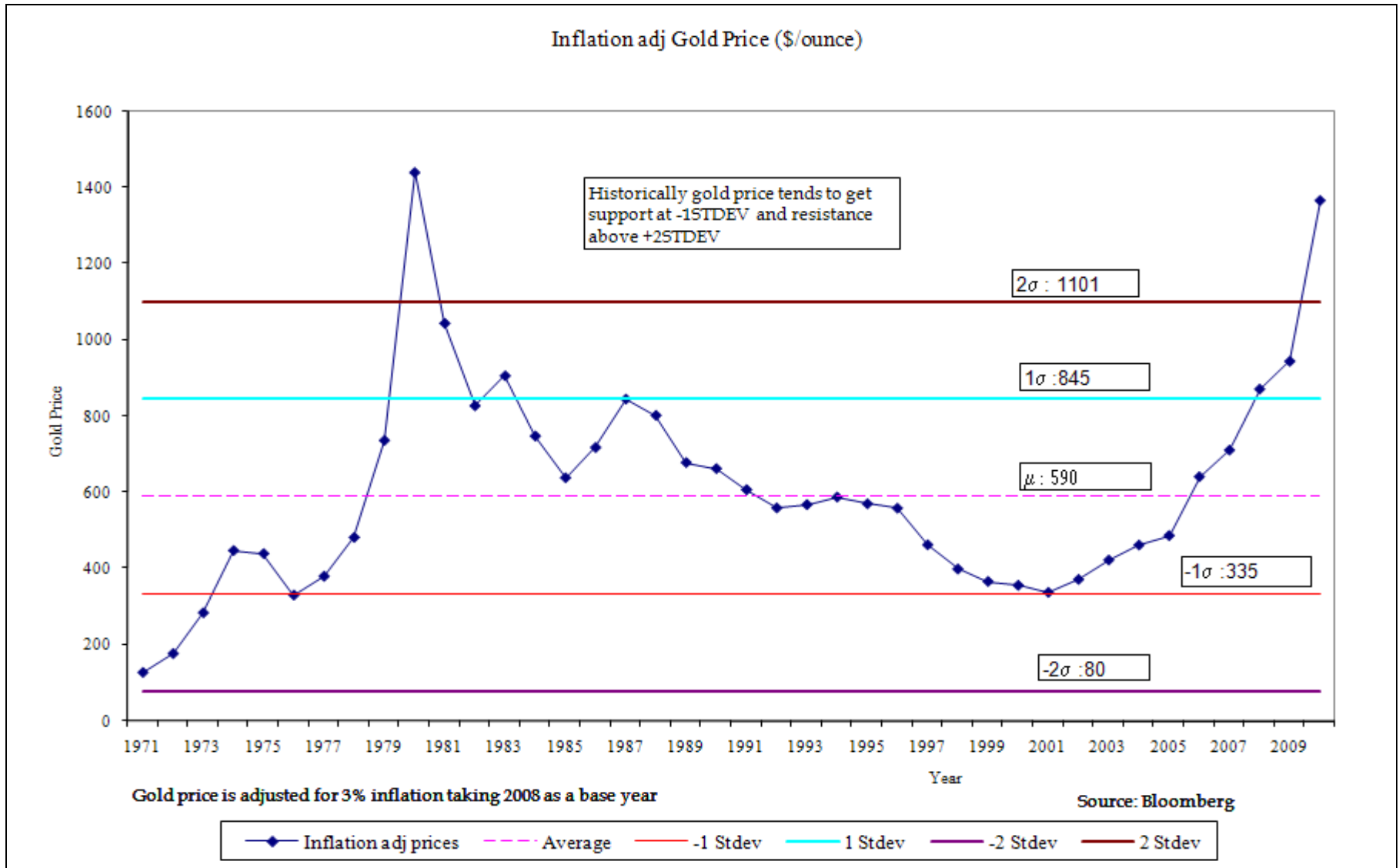
With Respect to OIL, GOLD is beginning to mean

Long GOLDS Comdty and Short USCRWTIC Index, Updated till 04 Jan 2011



5- 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)

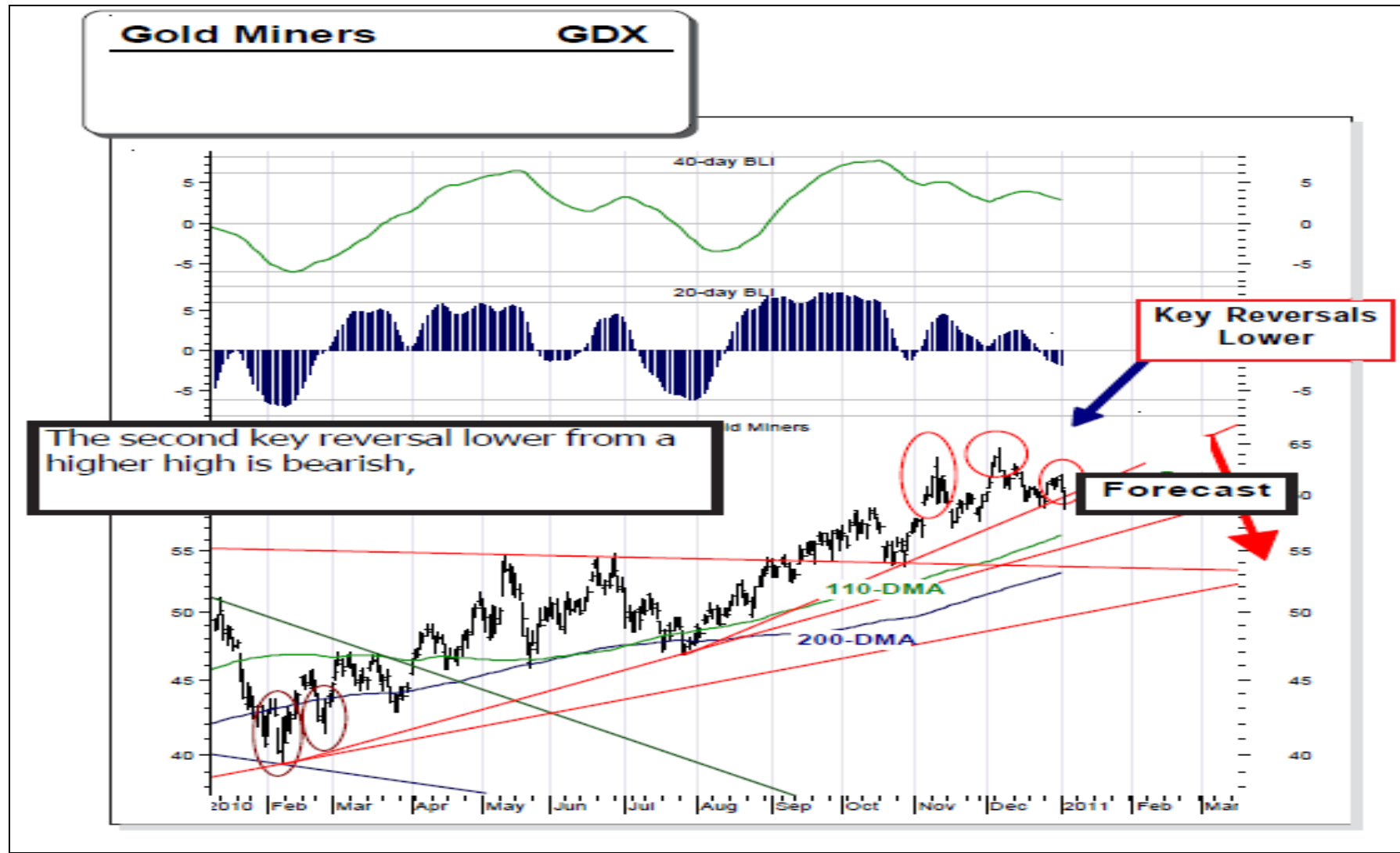


2- GDX - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



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

GDX the first trend line broken decisively after key reversals, Our price target is near 57. Strong support lies near 54. Where Trendlines and Key SMA's meet.



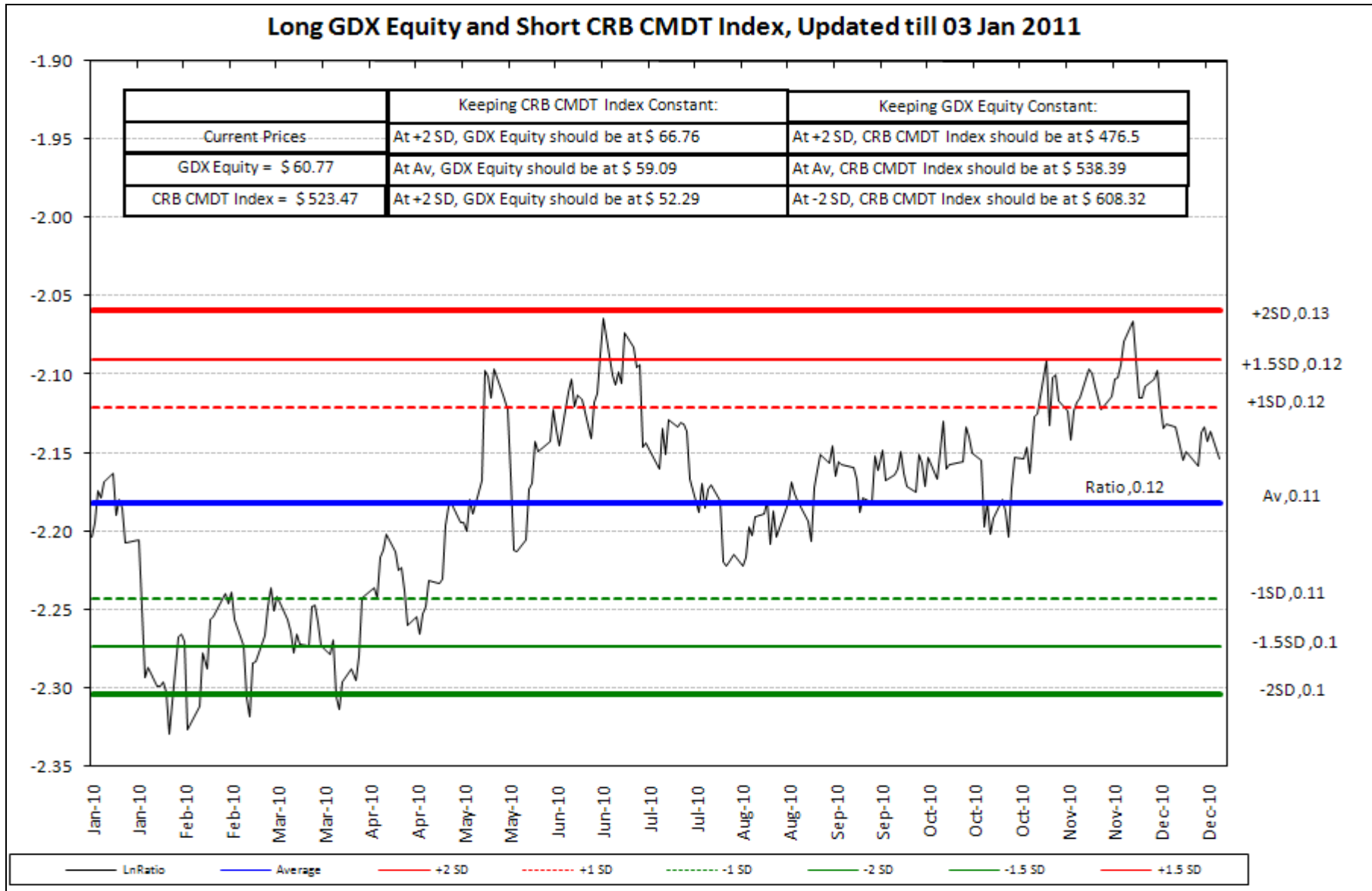
GDX-

2 Days ago rejected the GAP area top line on lighter volume and decline began, the Volume picked up on down, Broke the 50D SMA, RSI is below 50 suggests it should go to 30



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

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



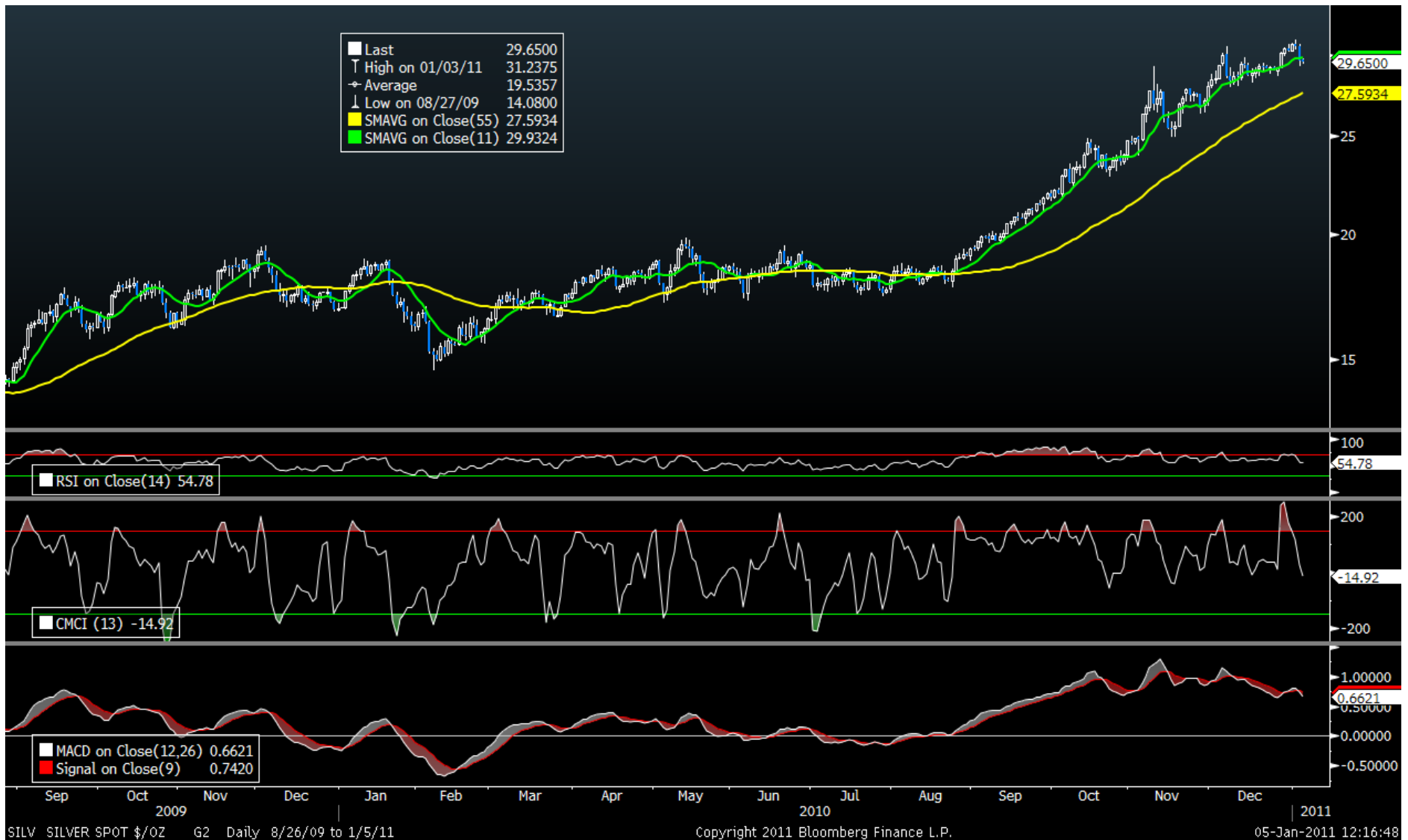
1- SILVER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

(11D / 55D)



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

SLV , Broke the trend line after testing the 2nd Bearish Engulfing on lighter volume and quickly snapped back Last week's indicators pointed that out to put in the top . The MT price target is near 21 -22. Strong support lies near 20. Trend lines and Key SMA's meet.

- SLV - POM 15 at 27 on 11/9. . – and immediately our first Target of pull back was achieved little under 25 , leaving behind a heavy volume , while the RSI diverged bearishly on that subsequent bounce with MACD crossed over, suggest the trend has shifted to downside. Then ...
- On 12/8 @ 27.34 we left another high volume 2nd lows at 27.50 in SLV that's bearish for another bounce with negative divergence .



SLV – Daily

SLV failed the highs as indicated on lighter volume , RSI should at 50 for any bounce . It should be testing 27 swing lows and 50DMA.



SLV – MT

SLV at the top end of the channel lines in overbought condition, on lighter volume. On intermediate term basis, the swing towards the lower end of the price channel and horizontal heavy volume breakout area at 21 . That should be the next Buy for next leg up (if volume dries up) which we think will



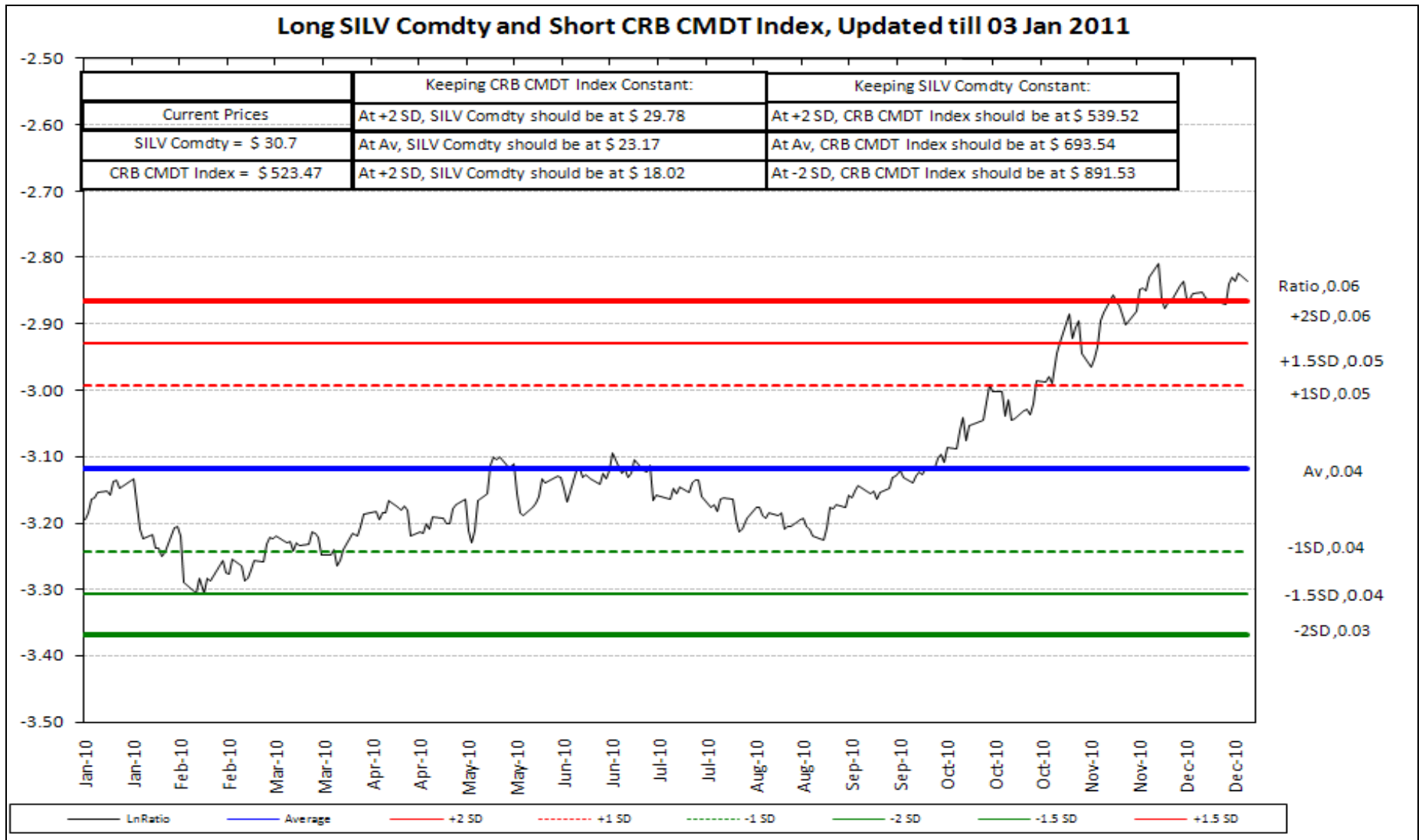
1- SLV – Monthly 20 yr - Technical & Pattern Analysis & Price / Volume – No change

On bigger scale , SLV broke 20 on higher volume along with previous 2 occasion hit the swing on high volume suggests that 20 could stop the fall below , that should be a equilibrium (Mid term) on test of those level should target for next leg up. High volume breakout (at 20) suggests another ABC up still left in the market.



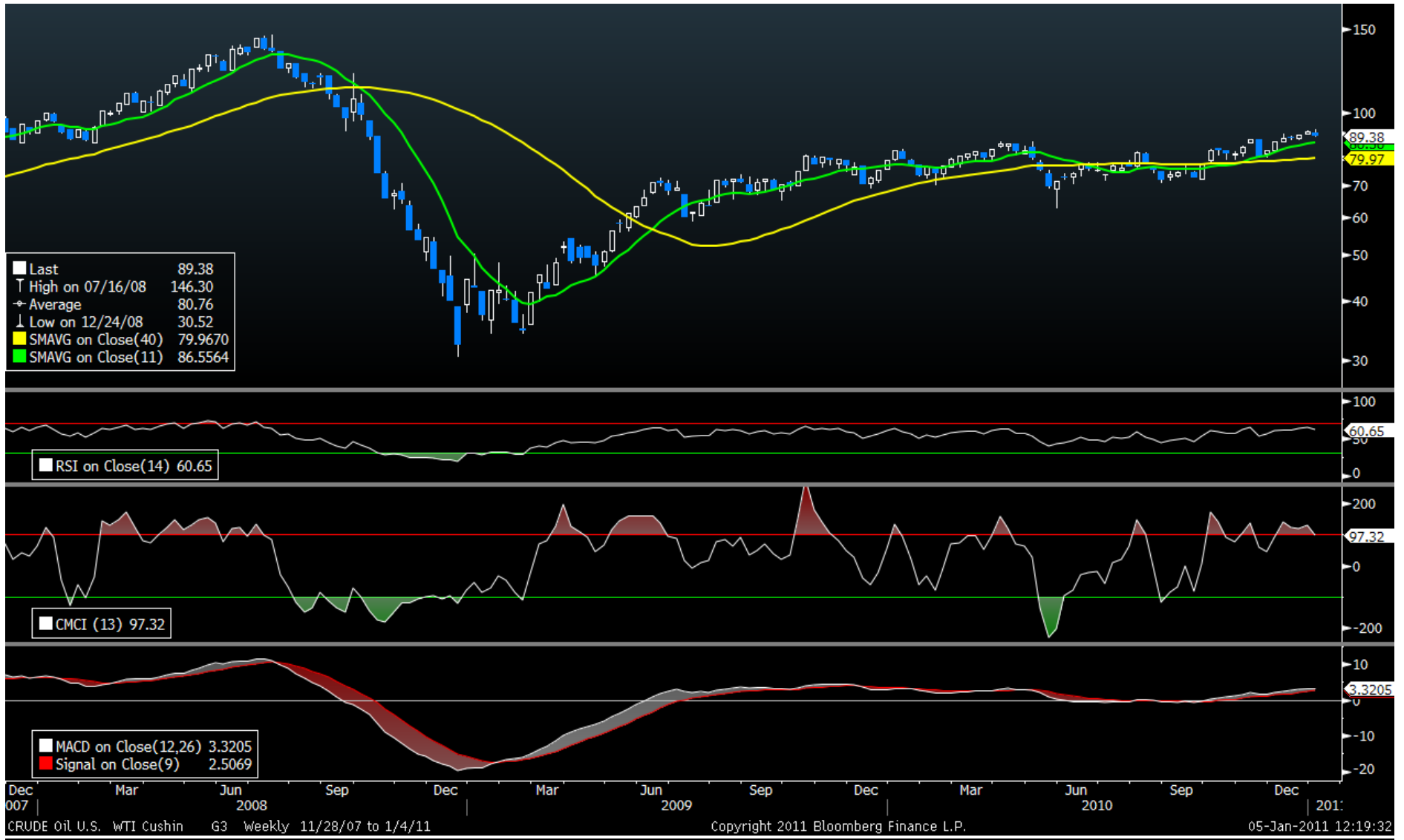
2- SLV – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , SLV Ratio is way above SD # -2.0 Levels



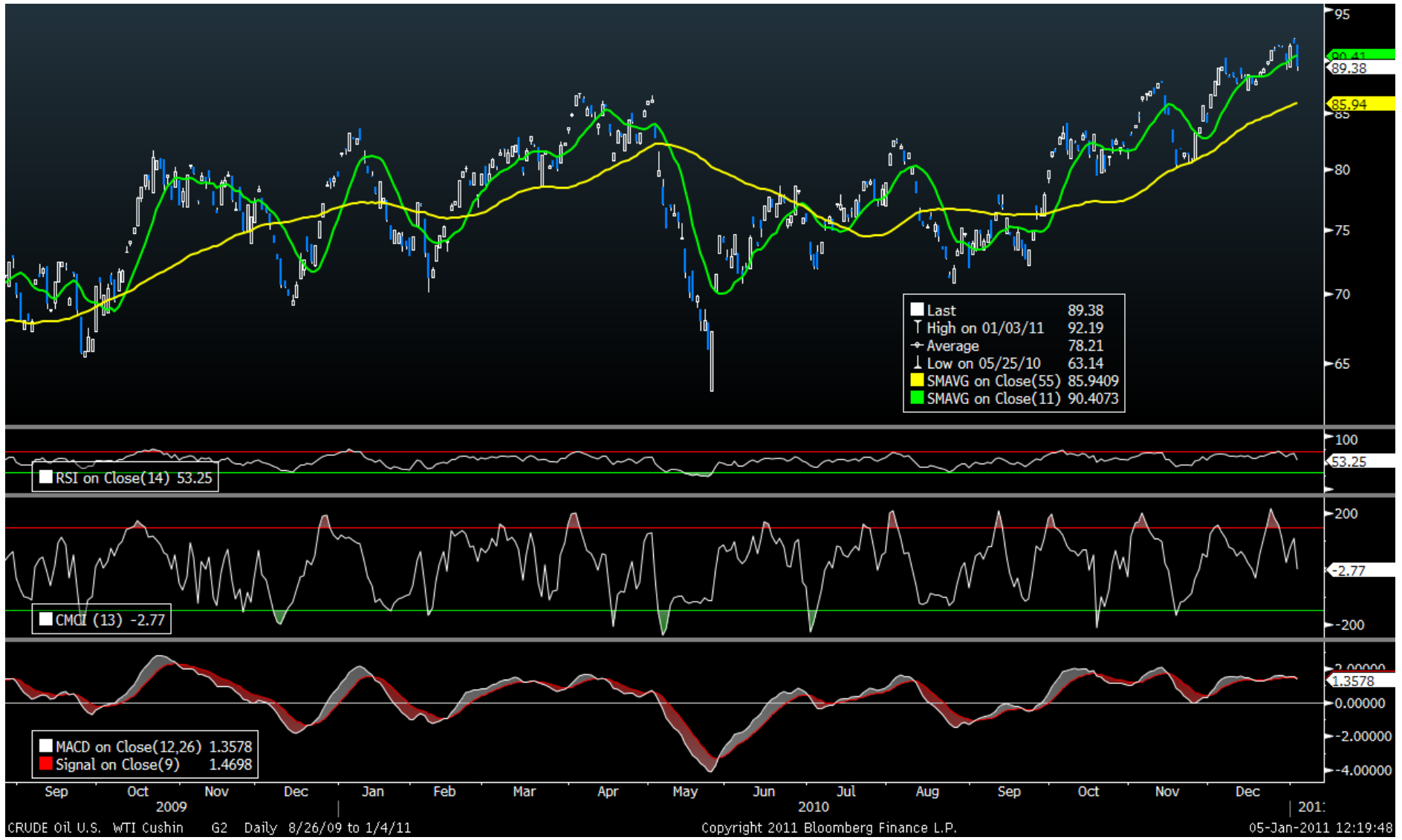
1- OIL - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



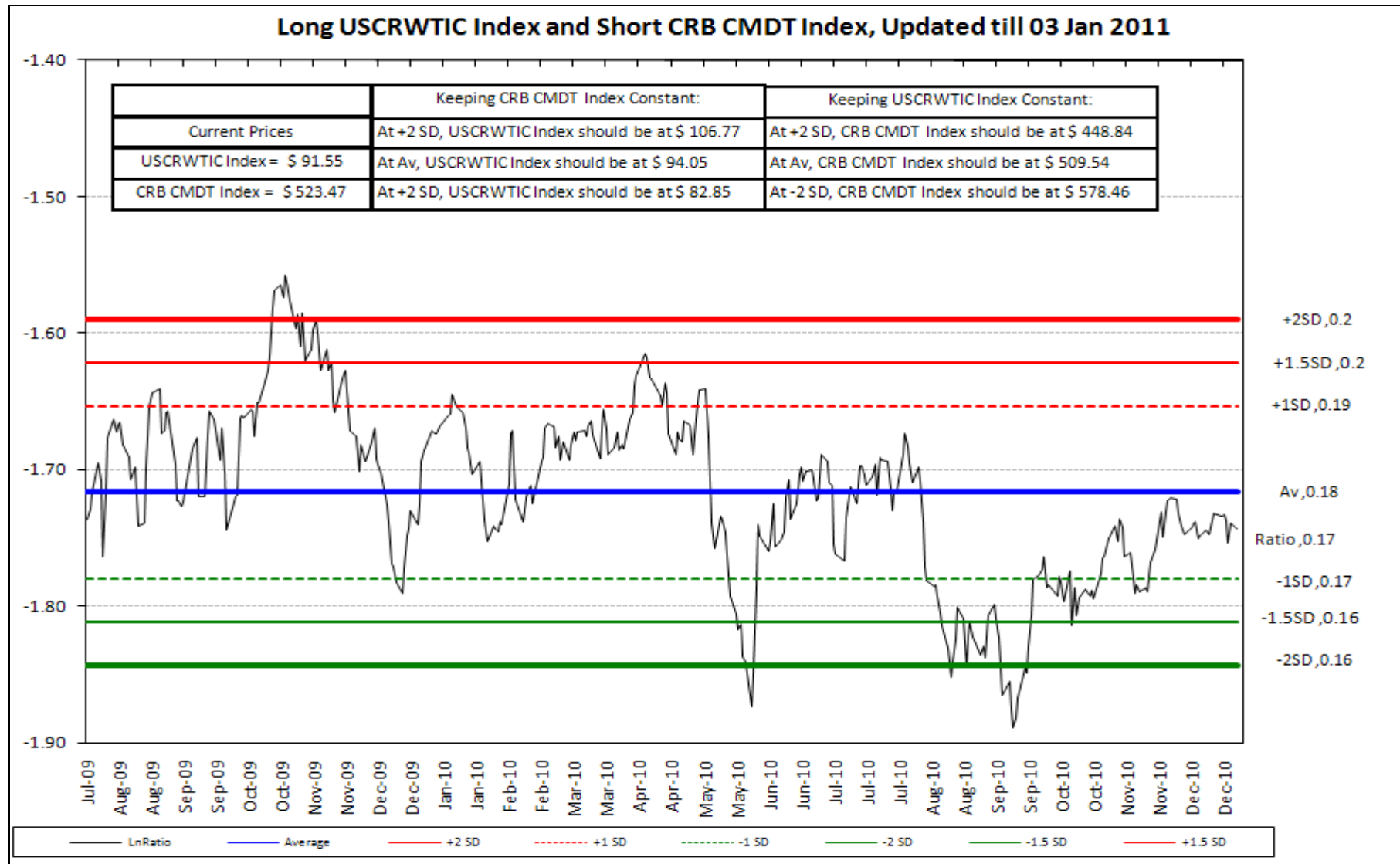
OIL - Daily - 3 Year with RSI, CCI, MACD

(11D / 55D)



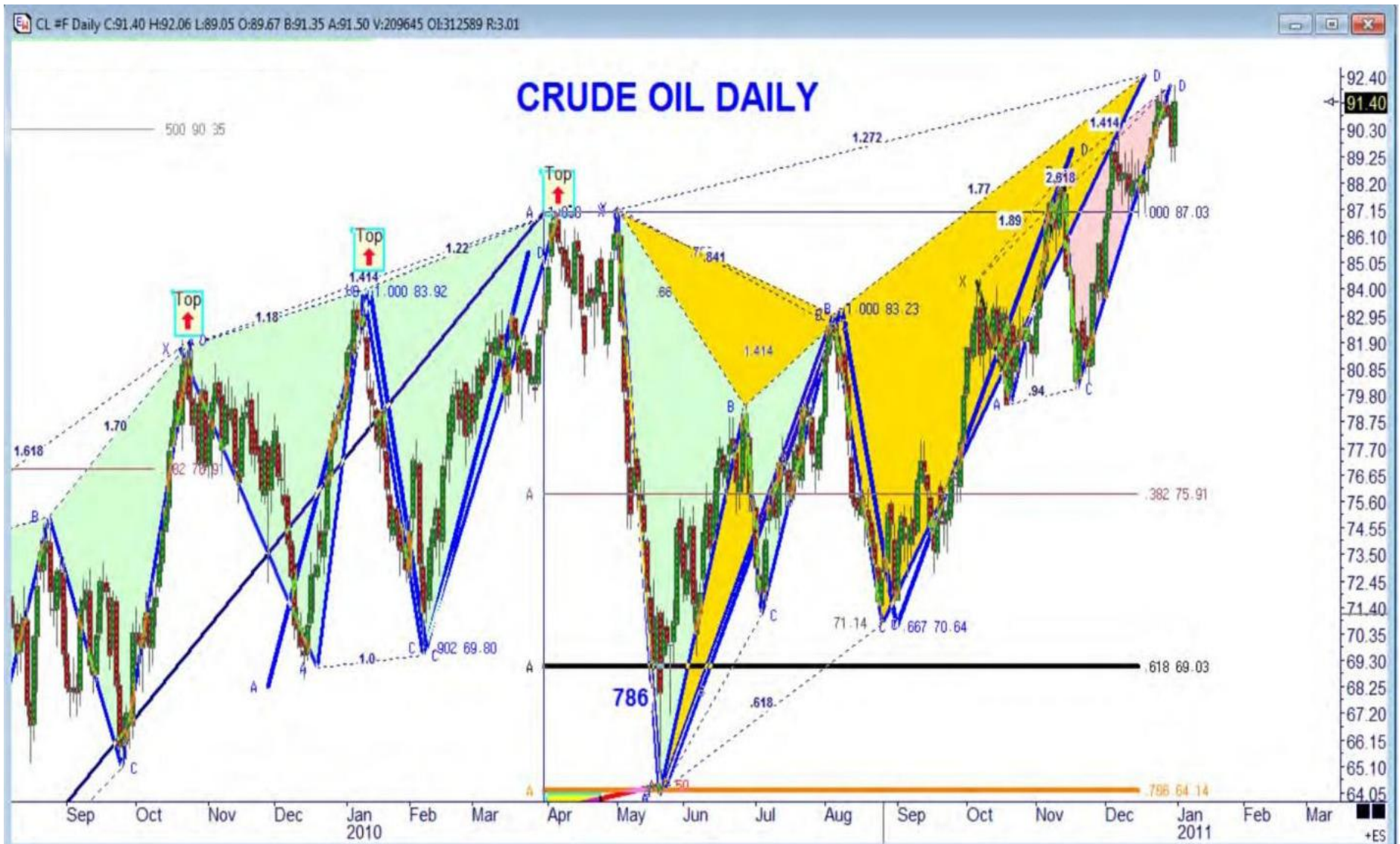
OIL – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , OIL is Neutral



2- OIL – PEC D – ABCD Method

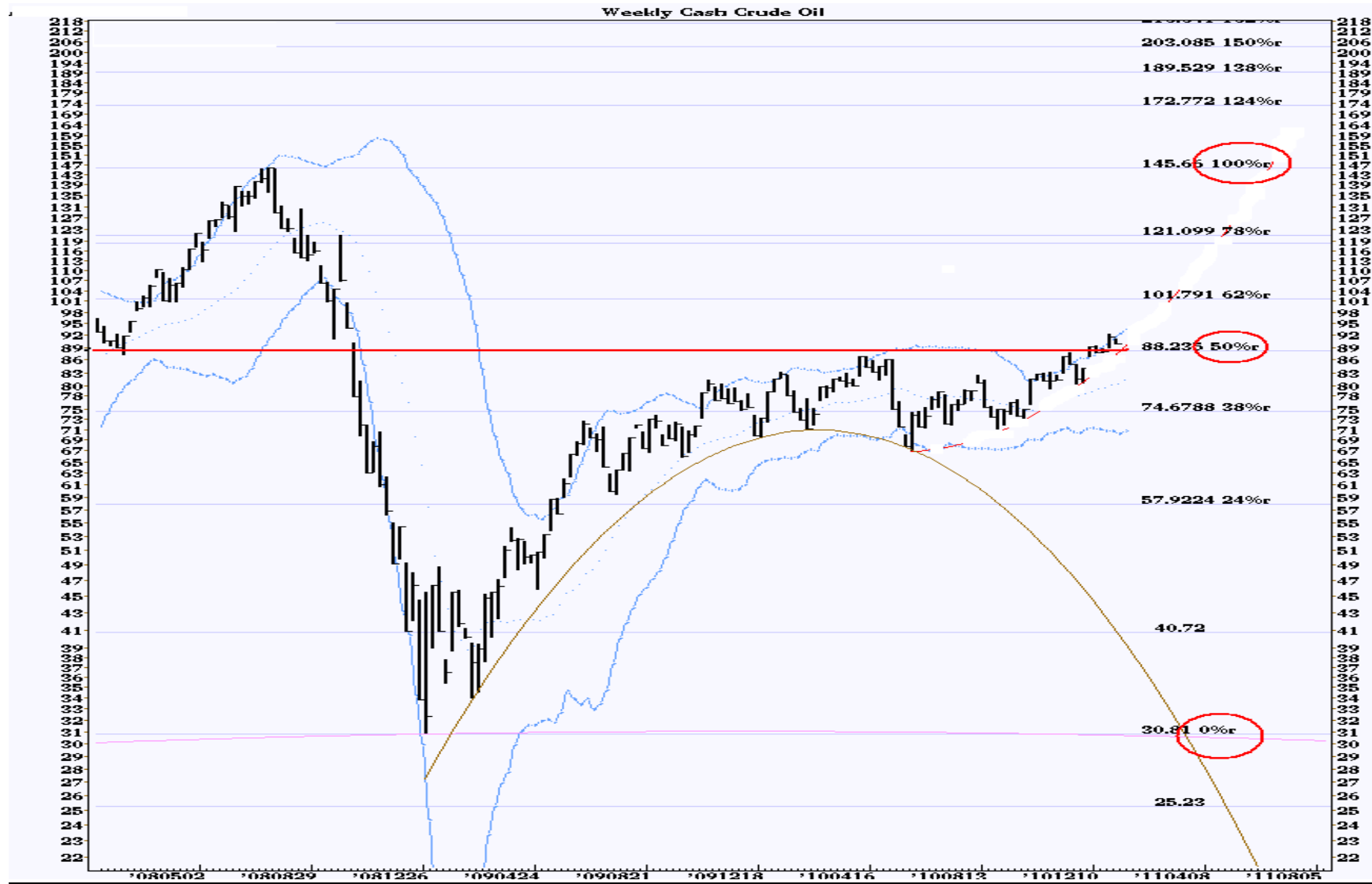
The ABCD point at 90 with 0.618 retracement on ST time frame and on larger Time frame ABCD - PEC- D point is at 93.5.
Conclusion for entry by this method., The SD Level for OIL is still not at extreme level of # 2 but XLE is at Extremes



2- OIL – Bigger picture

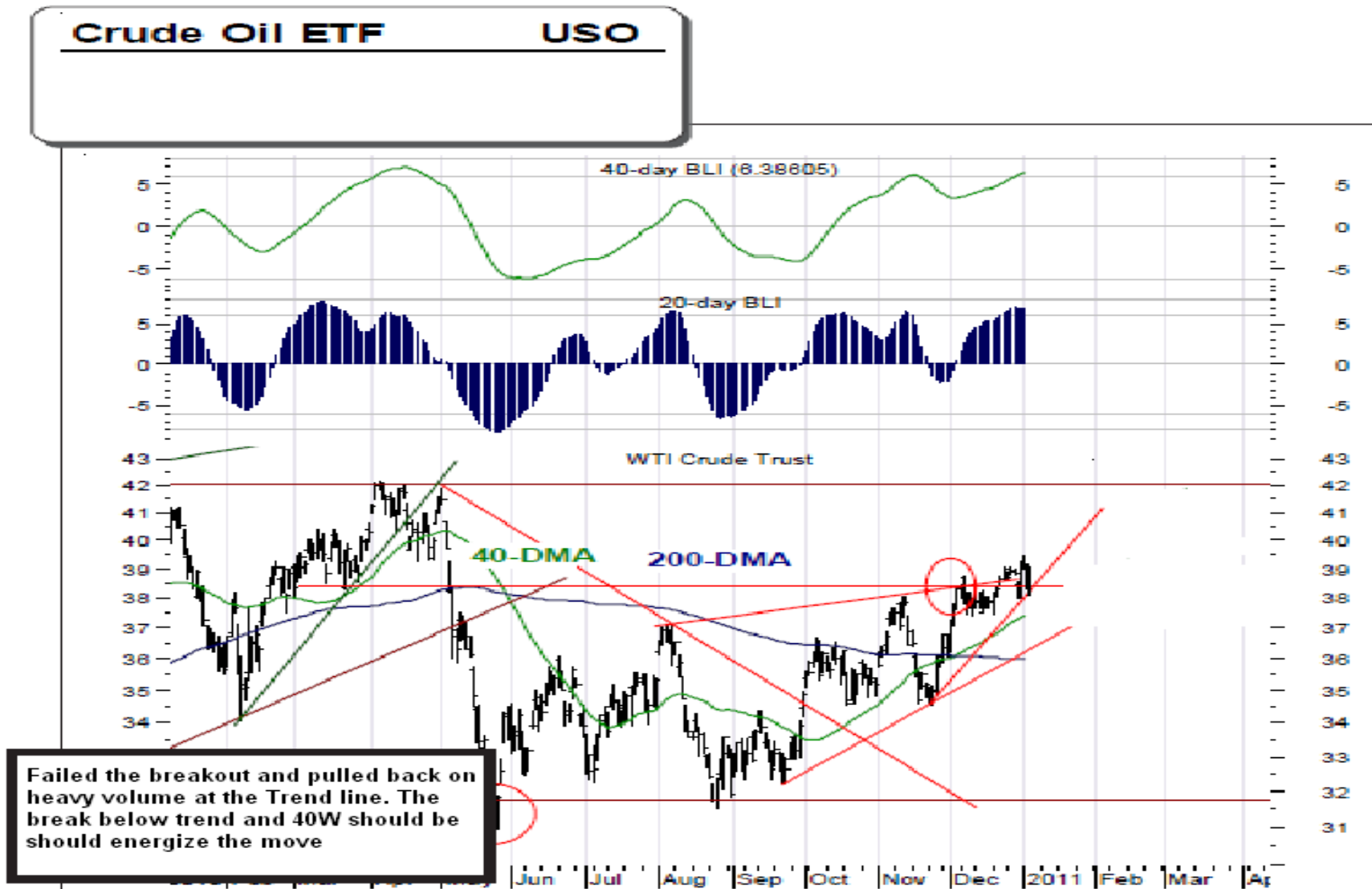
At inflection point, currently at 50% retracement on bounce, for bullish case the bounce should be at least 62%. (if 38% the market tends to break the lows with volume.

In this case the Trading range is between 50% & 38% (93 to 75)

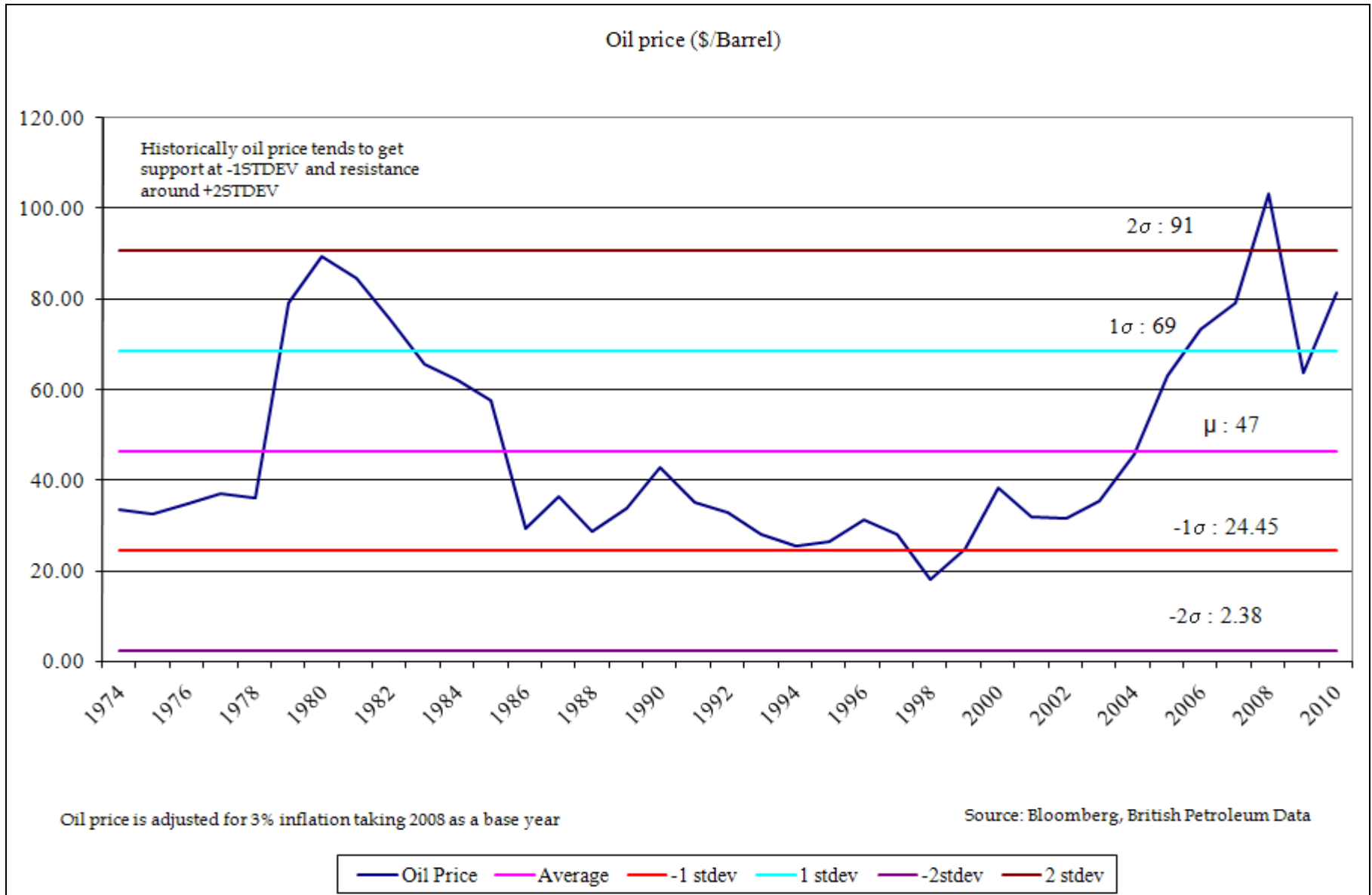


2- OIL (USO) – Technical & Pattern Analysis & Price / Volume

USO has been lagging far behind the WTIC , it has false break to upside on lighter volume and yesterday dropped on heavy volume in the range and broke the trend line.

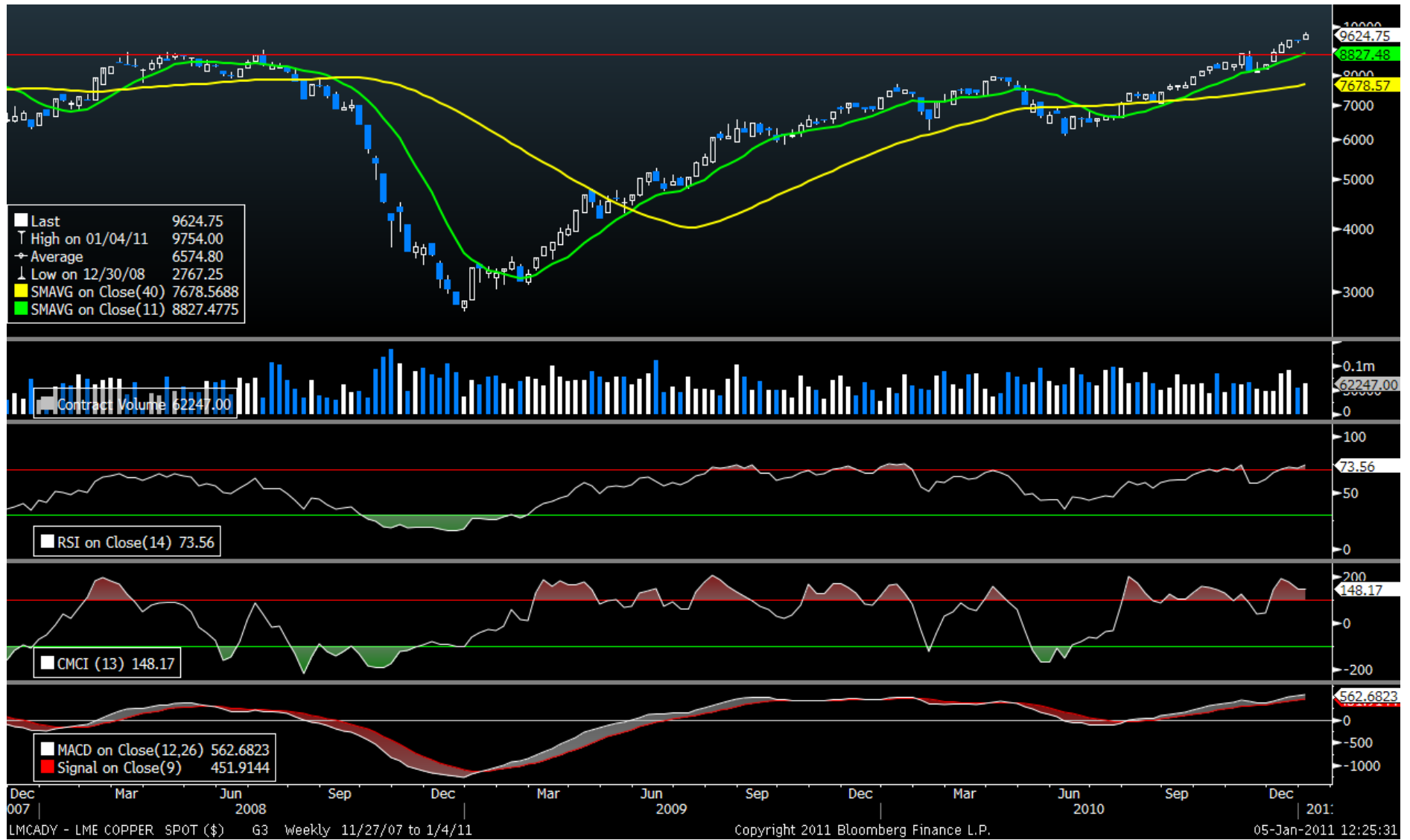


OIL – Trend Reversion Analysis – Long Term – Inflation Adjusted



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

(11 W / 40 W SMA)



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

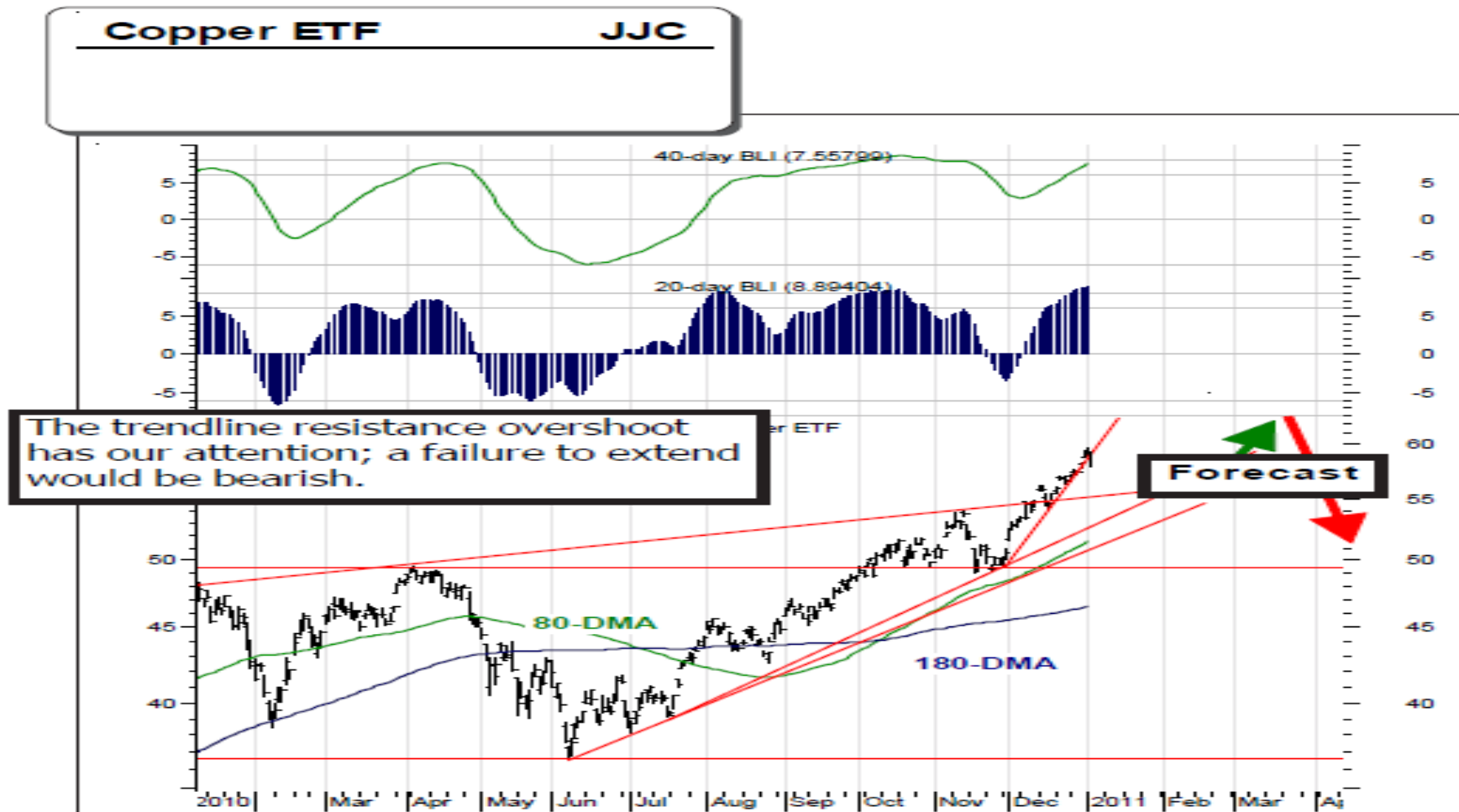
(11D / 55D)



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

By this Trendline and DMA method, it is topping but USD move will drive this market. . *Both on relative basis and absolute basis confirms over valuation, on break of trend lines , decline should begin toward 80DMA and breakout area 50.*
By this method without Volume Analysis

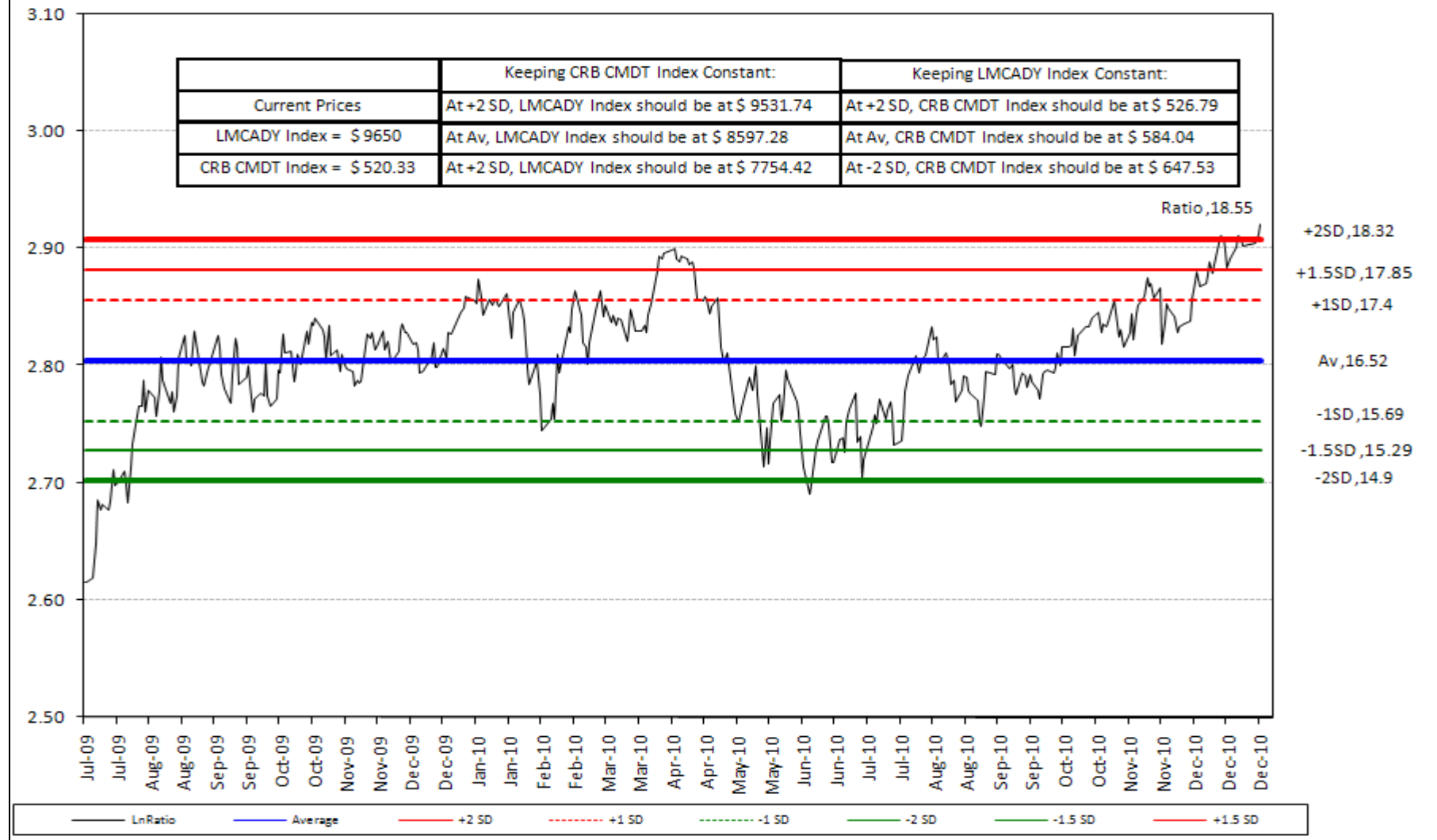
JJC – PQV Analysis - *This has entered the CZ on 3x3 on volume expanded at the swing high, For better Risk reward , first a sign of pull back on heavy volume and at least 180 -200 k and then test of 60 with 100 K shares and close under 59 for failure. (Refer to CZ – PQV in Sector Report D)*



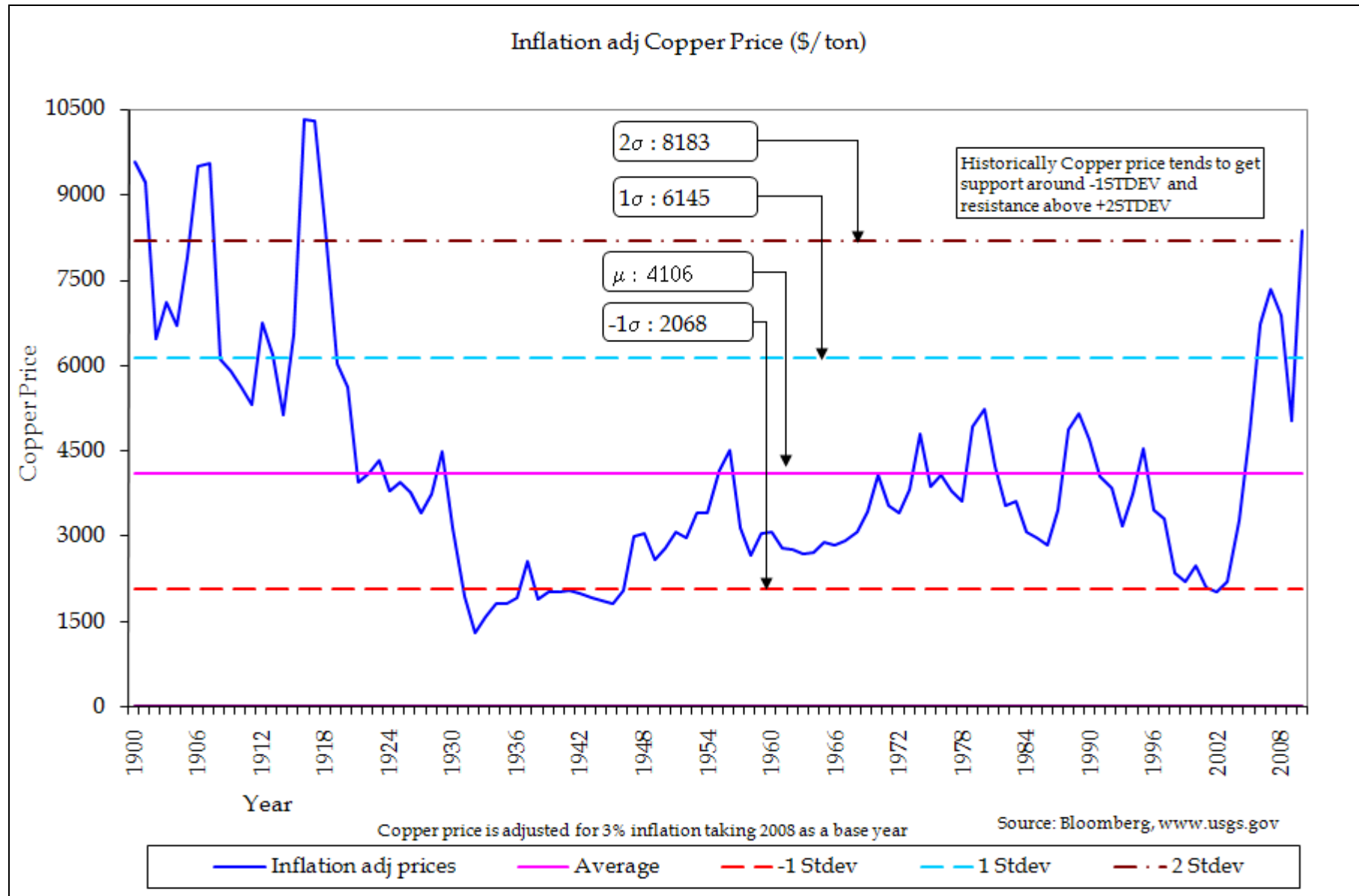
COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , Copper is extended

Long LMCADY Index and Short CRB CMTD Index, Updated till 31 Dec 2010



COPPER – Trend Reversion Analysis – Long Term – Inflation Adjusted



Appendix

• 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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