



SG Capital Research

Global Market Insights

Research Note – Commodity Analysis (C)

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # JAN 12

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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

- Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Momentum Break Indicator – Long @ 1228 SPX

- 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%
- For Bull case – Current long position from 1228 is up 3.7%

Currently “ Trend Adjusted Signal “ has Reversal stop @ 1269 SPX & DOW 11637 (Stopped out).

We would consider all 3 major Indices to Trigger below Trend Adjusted Signal for POM 15 Upon rejection of volume in CZ – PQV

- 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.

• Market Insights

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

Now we begin 2011

- Long Side –
 - POM 12 Calls – None so far this year.
- Hedge Longs / Risk Management for Downside Corrections -
 - In progress with Setup 4's , SD # 2's & PQV – CZ Validation on SLV
- Net Short –
 - None recommended for Bull market by this Model.
- The Model would suggest Capital deployment at next POM 13 (since its been a Bull market) and / or at POM 12 at oversold equilibrium point

• 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 @ 27.1 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 (both Achieved Dated 11/17),

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

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

- **Insights**

- *In past 6 yrs every market correction has been led by Commodity correction and then the Broader market has followed.*
- *Currently the traders are placing bids underneath the prices and holding the market.*
- *Gold sold off quickly as we have been indicating, We could get a bounce soon. Next week going into option expiration. We will watch the USD for clues (See chart below). So far GLD, GDX, SLV has been following the script very closely on price paths, since the top has been put in*
- *Gold has completed a major AB=CD pattern on the monthly price charts at 1425.*
- *Silver made a new high (while gold failed to do so) at the exact 0.618 retracement of the 1980 high at 54 (i.e. 31) and immediately reversed directions.*
- *Copper still looks like it's making a triple top.*
- *On Oil, Cold weather patterns have not pushed the oil prices higher last week, but it still managed to close lower for the week near to the 88. On the daily charts at 93 (which also happens to be the 50% ratio of the entire bear move from the all time high of 143 as indicated last week's Report.).*

DXY-

RISING DOLLAR THREATENS GOLD UPTREND... Although the viability of the dollar/commodity link, in my view should come to main stream again. Inter market relationships aren't perfect and do get out of line on occasion. My experience, however, it that sooner or later they snap back into place. This may one of those times.

Chart below **DXY** bouncing sharply this week (after bottoming in November). Gold is most sensitive to dollar moves and was most negatively impacted. **DXY** is still well below its 200 DMA &/ or its late November peak, we think if we get the pull back to Apex, commodities may bounce and once the 82 level is broken upside, then the next leg down in Commodities should happen.



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



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



GOLD – Daily - PEC D - ABCD Method

Currently Gold is holding important trend line in Red coincide with 0.786, suggests we should get a bounce. However on longer pattern, The 3 drives to the top and double top (or slightly lower highs stopped at the gap 1420 and proved its merit). The confirmed ABCD Pattern, first top at 1430 highs. Currently the projected D point on downside is at 1270 by this method .



GOLD – PQV

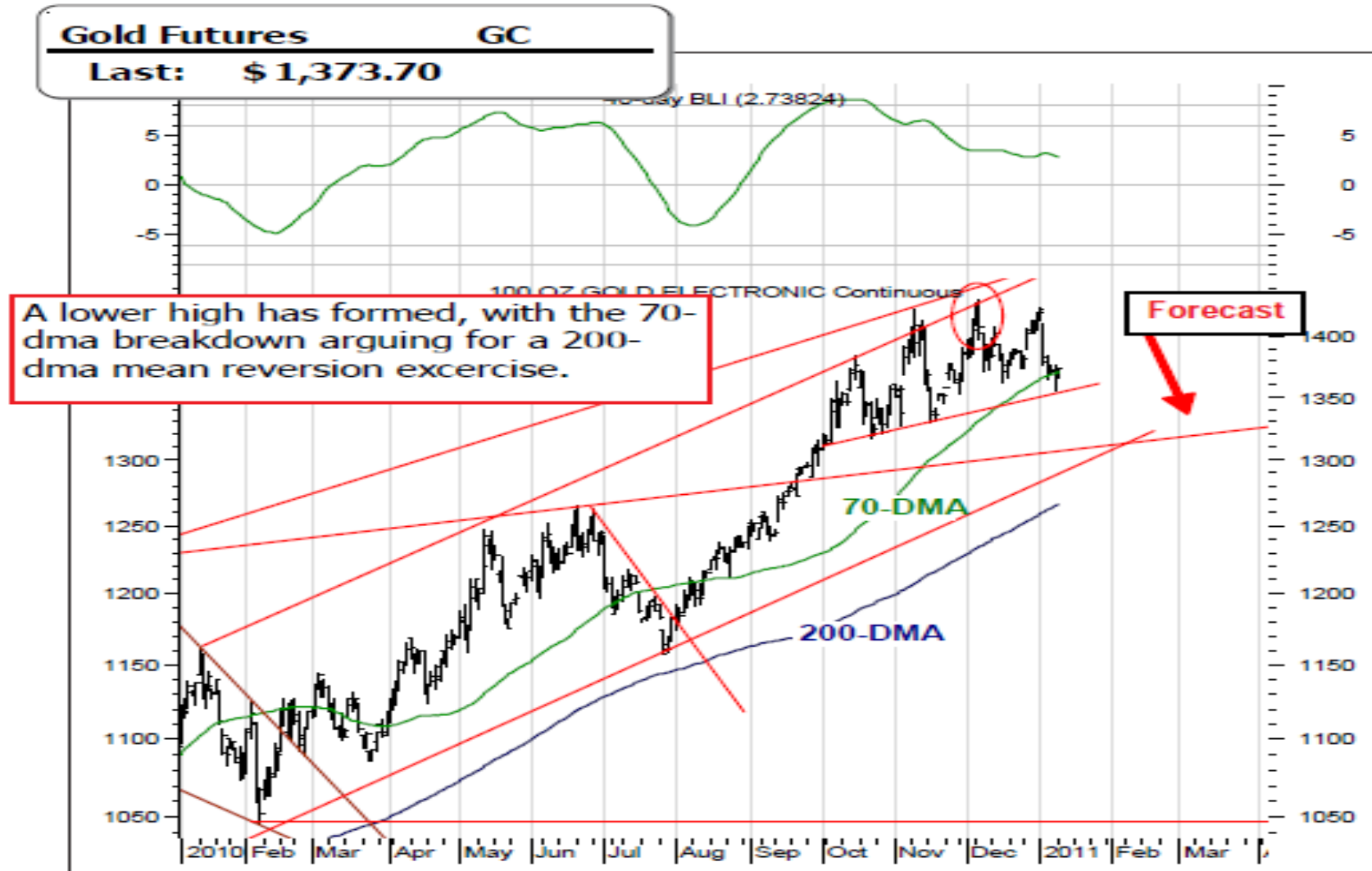
MACD turned down, RSI is weakening, That shows loss of upside momentum. 50DMA broke and the volume picked up but trend line held suggest a bounce areas indicated.

On bigger scale, the price pattern has the look of a "triple top" formation (marked by three peaks). Notice that the first peak took place in early November when the dollar bottomed.



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 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, (in green) Negative divergence on Rate on change on price oscillation

Initial trend line was broken and now should test underneath (in red) and fail if volume confirms it.



GOLD – Bigger picture – “ No Change” – We prefer to save this to give us road map every week

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 – “No Change”

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



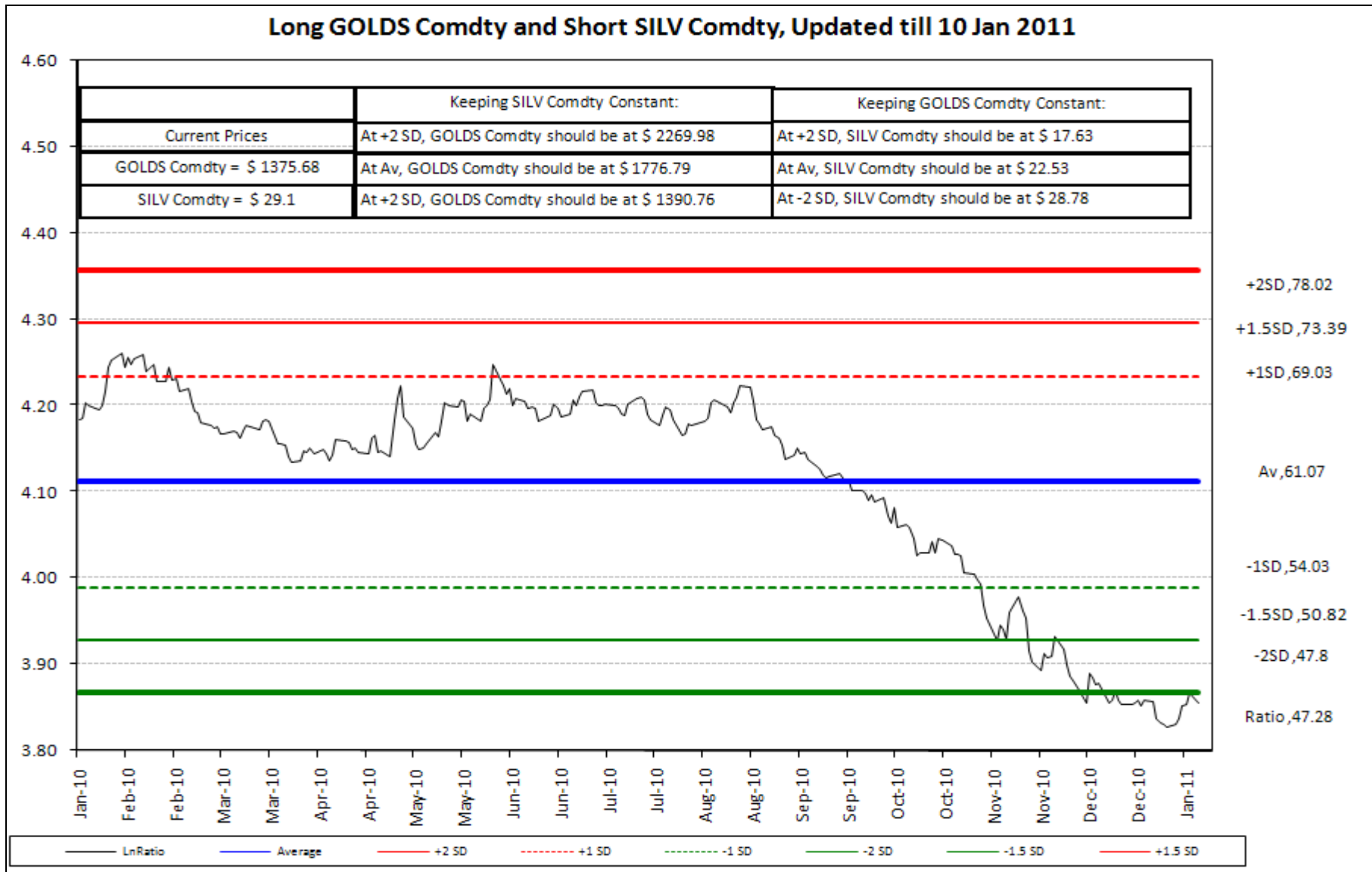
GOLD : SILVER RATIO

The 40 W MA seem to get tested 3 times a year, if this is any indication, we should be at 6.00 sooner rather than later. RSI is diverging positively on the new lows, The current decline in GLD has not had a material impact yet.



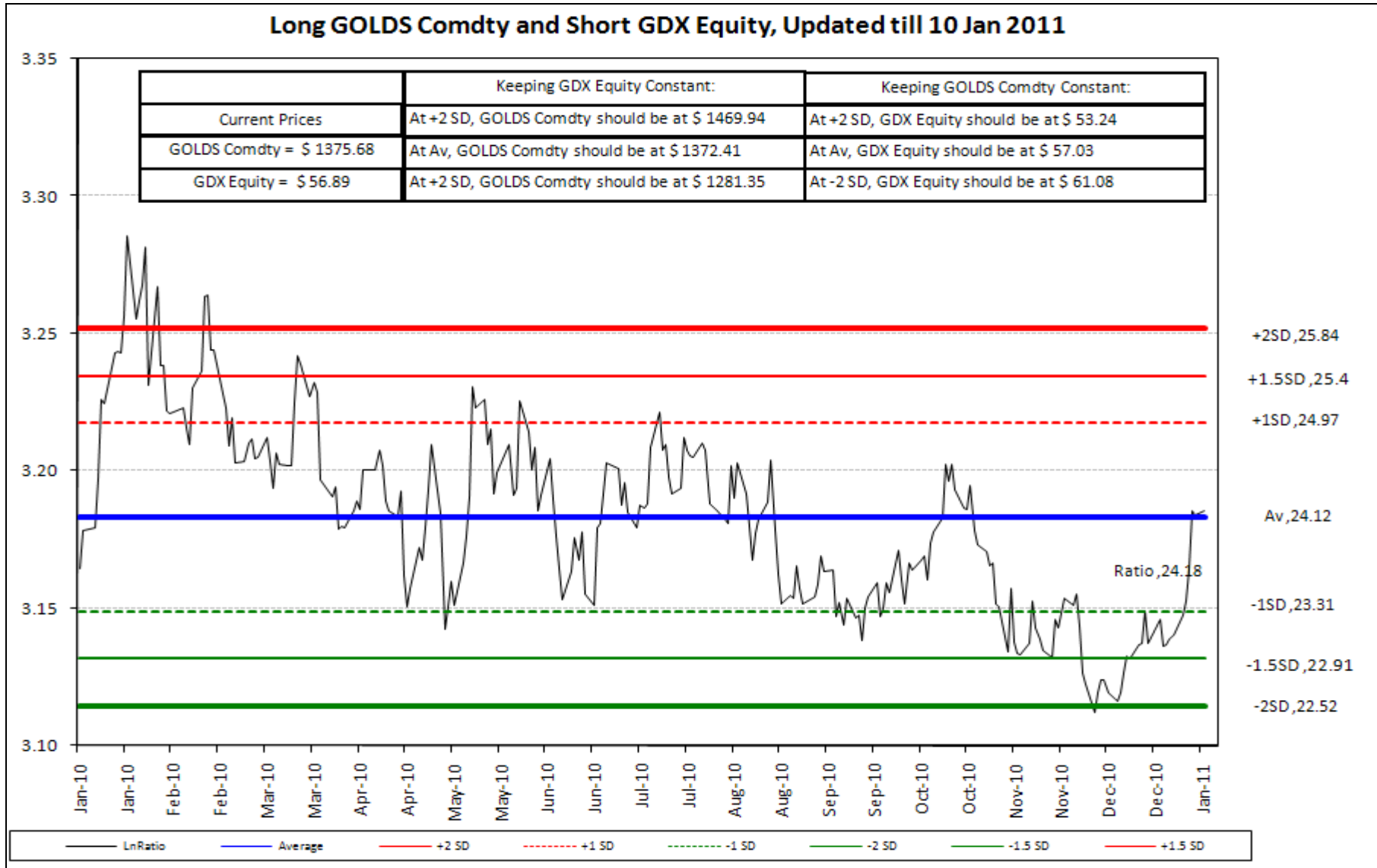
1- GOLD – Correlation Ratio Analysis with SLV – 365 days Time basis

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



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

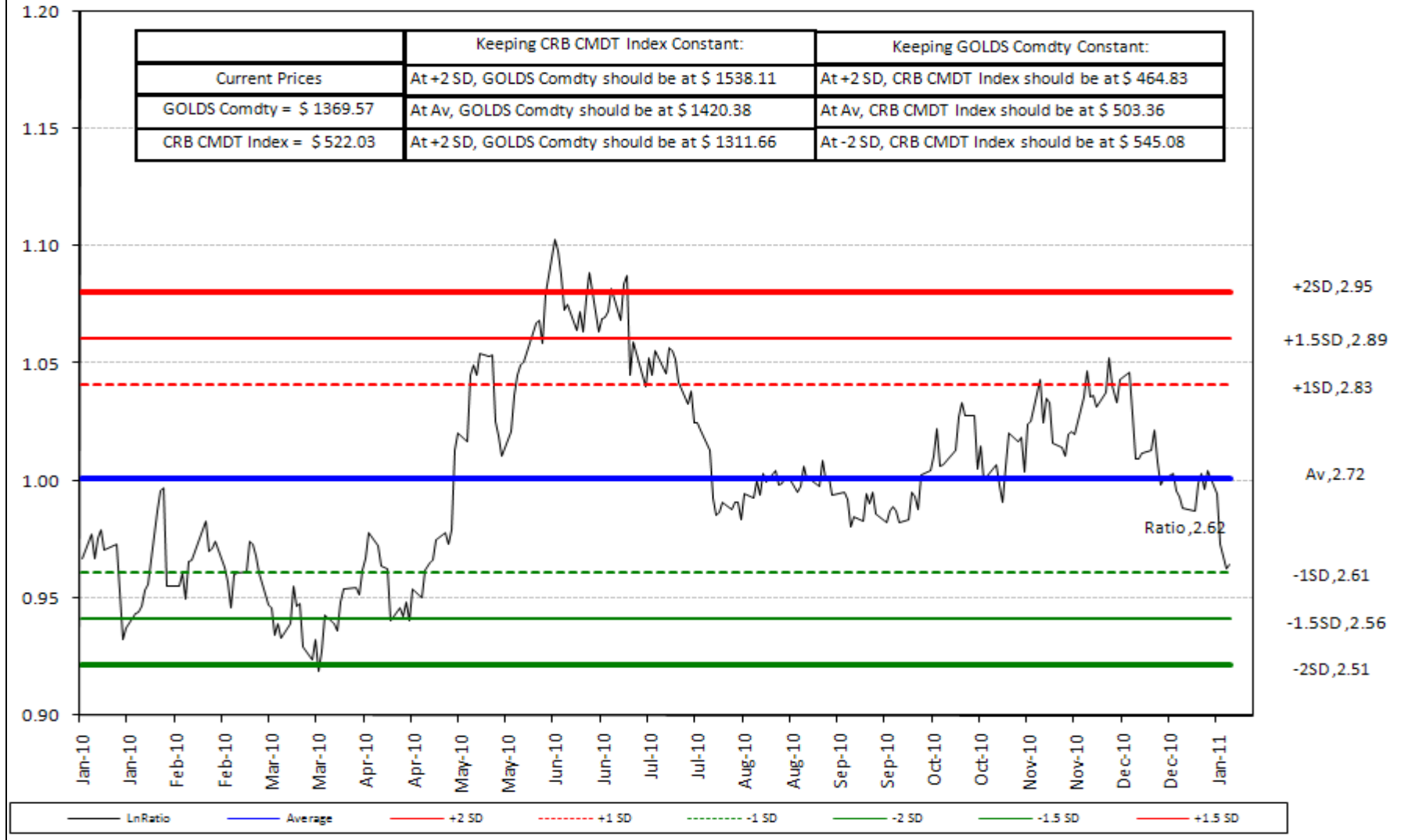
With Respect to GOLD , Miners Ratio are reverting to mean, Miners have had deeper correction



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

With Respect to CRB, GOLD is beginning to get weak

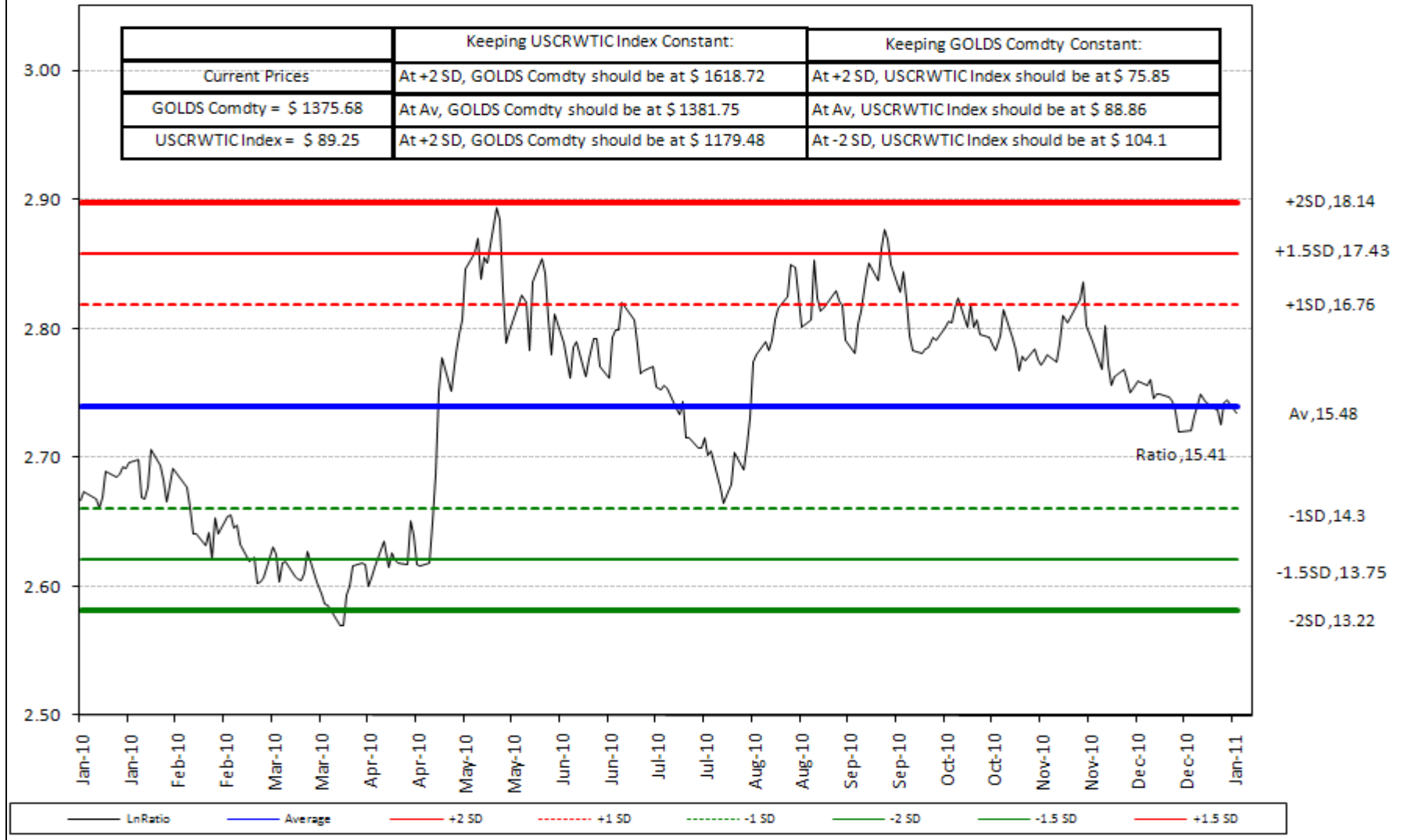
Long GOLDS Comdty and Short CRB CMTD Index, Updated till 07 Jan 2011



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

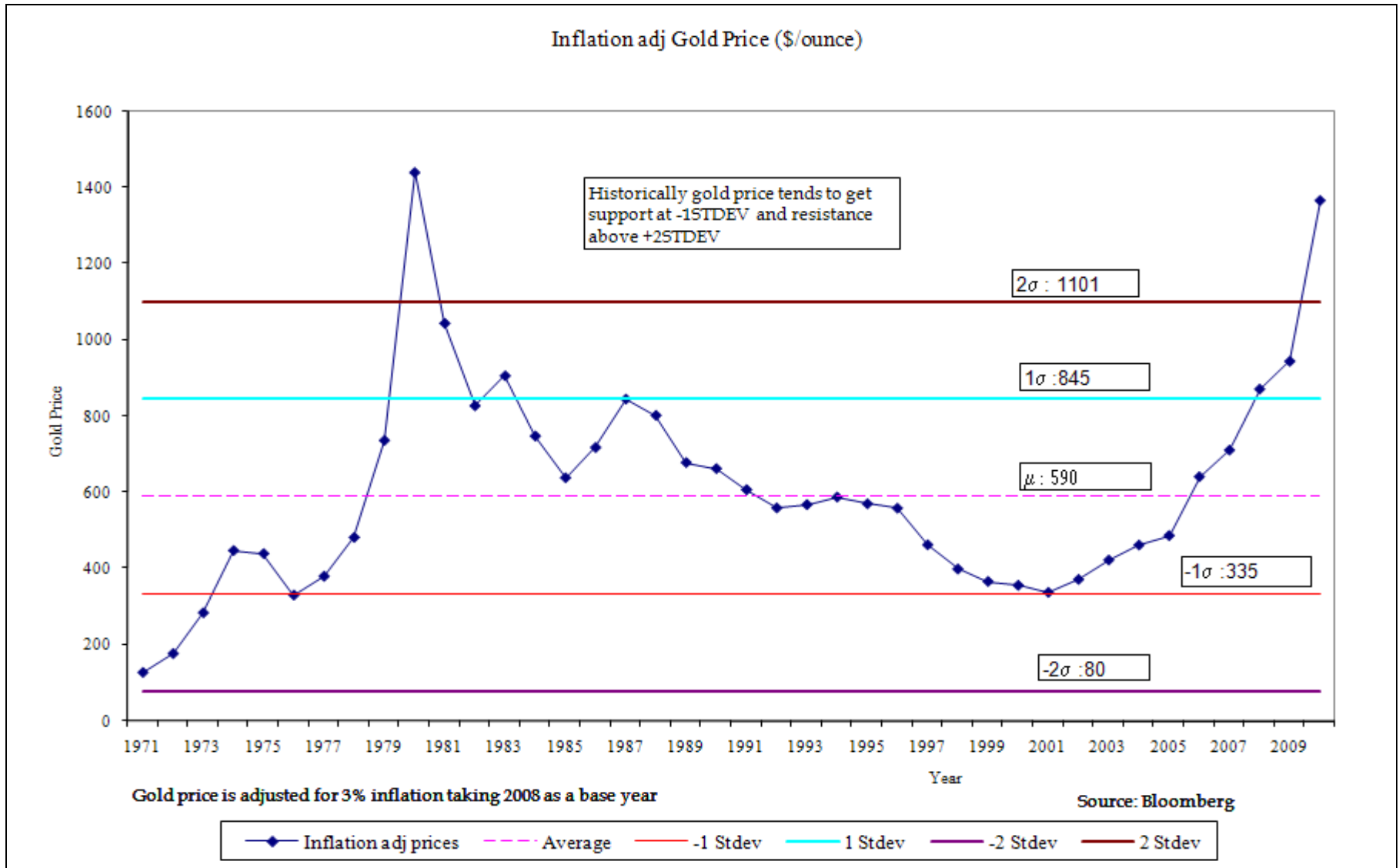
With Respect to OIL, GOLD is beginning to mean

Long GOLDS Comdty and Short USCRWTIC Index, Updated till 10 Jan 2011

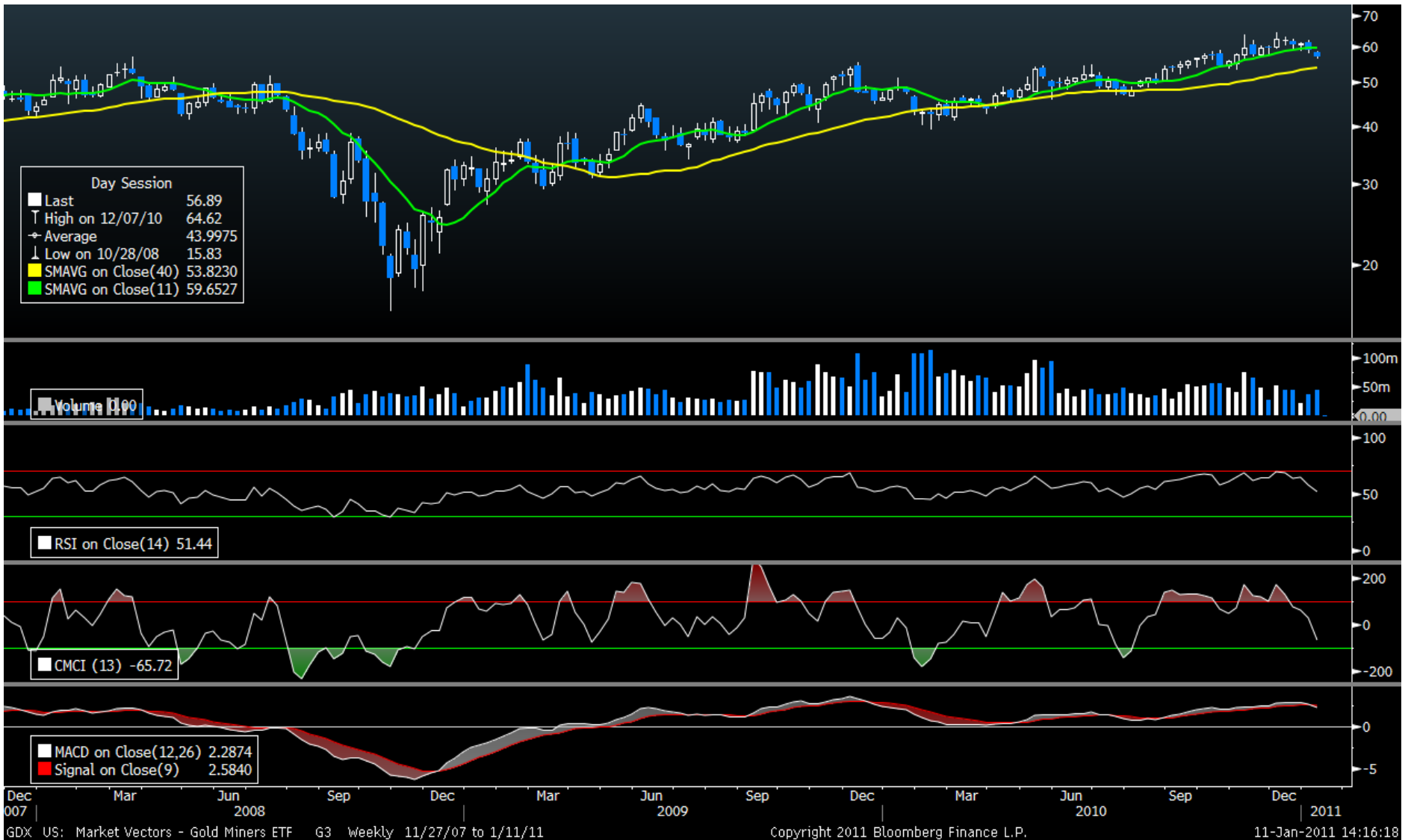


5- GOLD – Trend Reversion Analysis – Long Term – Inflation Adjusted

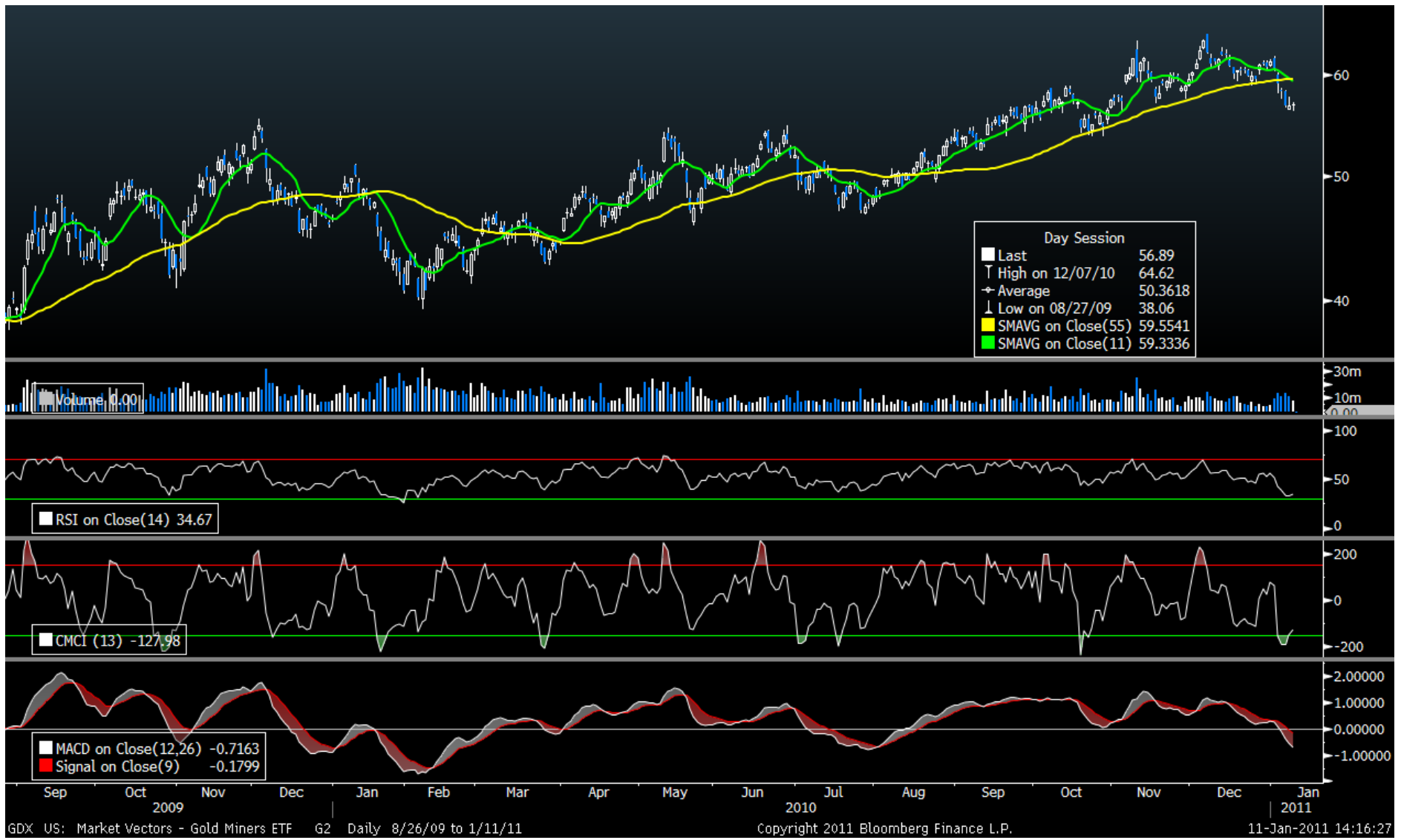
Is almost double topping



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)



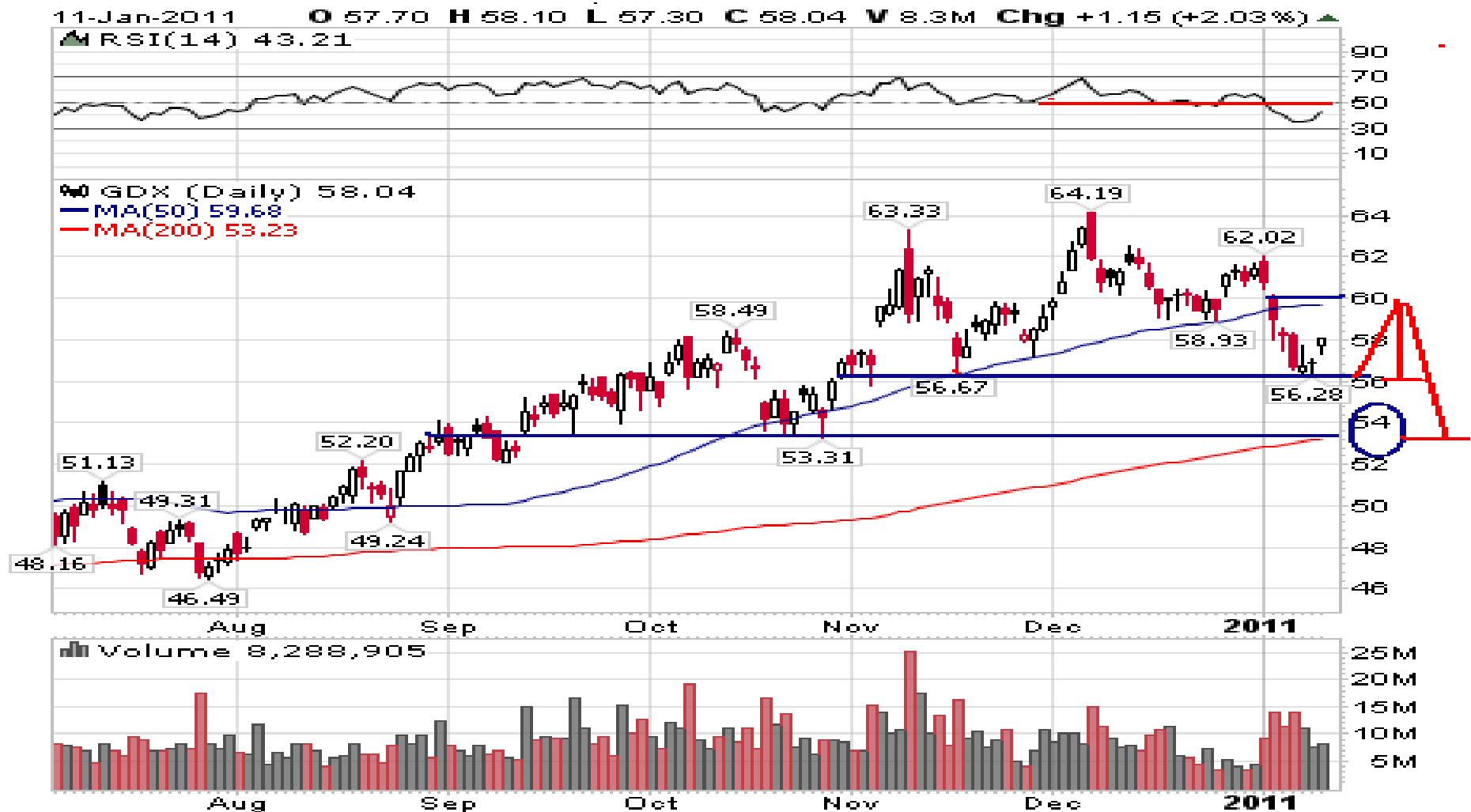
GDX – Daily - Technical & Pattern Analysis & Price / Volume

GDX the first trend line broken decisively after key reversals, Our price target 56 is met and now a bounce should be in progress. Strong support lies near 54. Where Trendlines and Key SMA's meet.



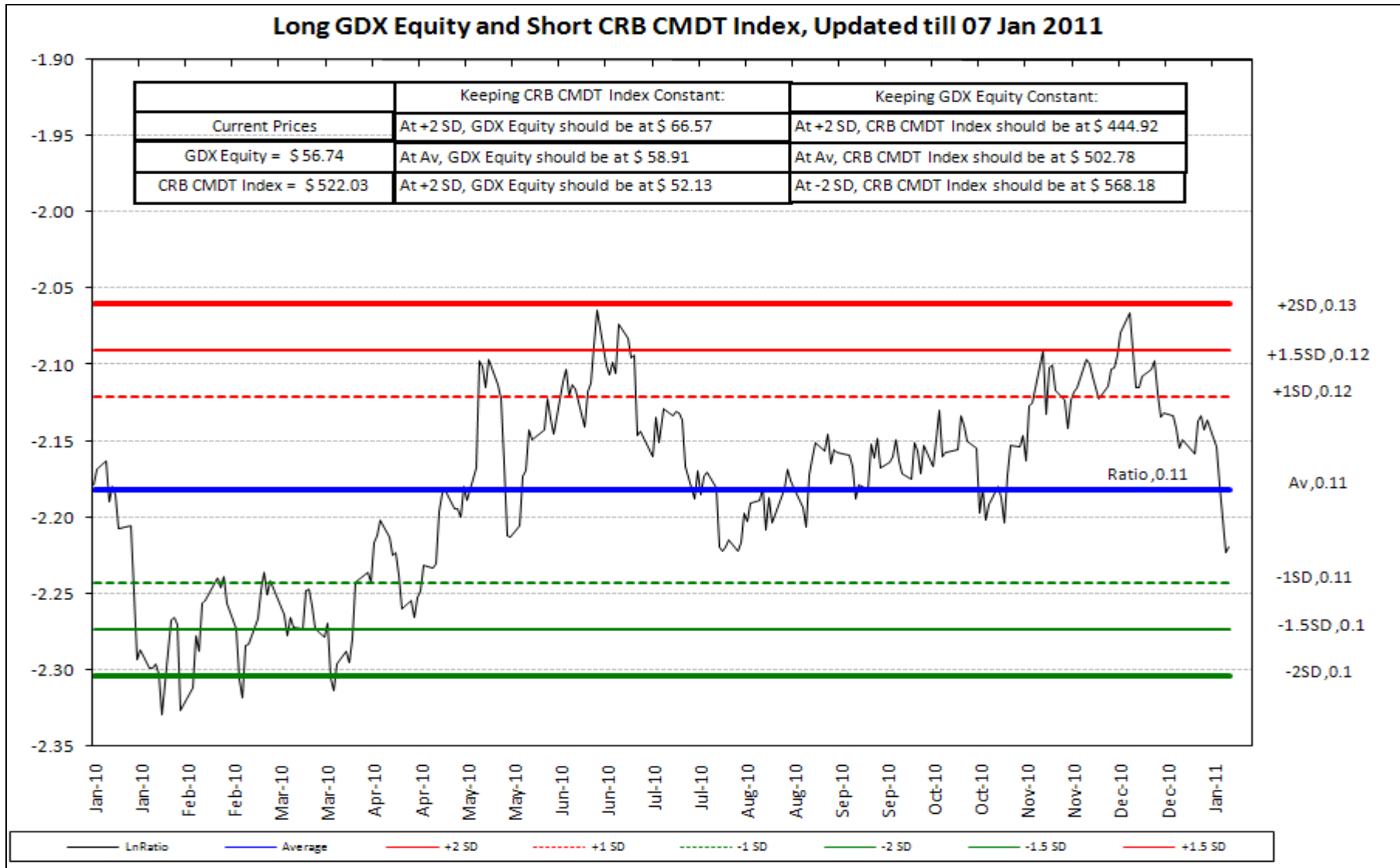
GDX-

As indicated , GDX rejected the GAP area top line on lighter volume and decline began, the Volume picked up on down, and reached our price target of 56. The current bounce may lead into 60 range. The next decline may be the buyable one and could lead to a worthwhile rally which may come later this month. Either the 56 retest level on GDX or possible as low as 54 most likely where the next buy signal will be generated.



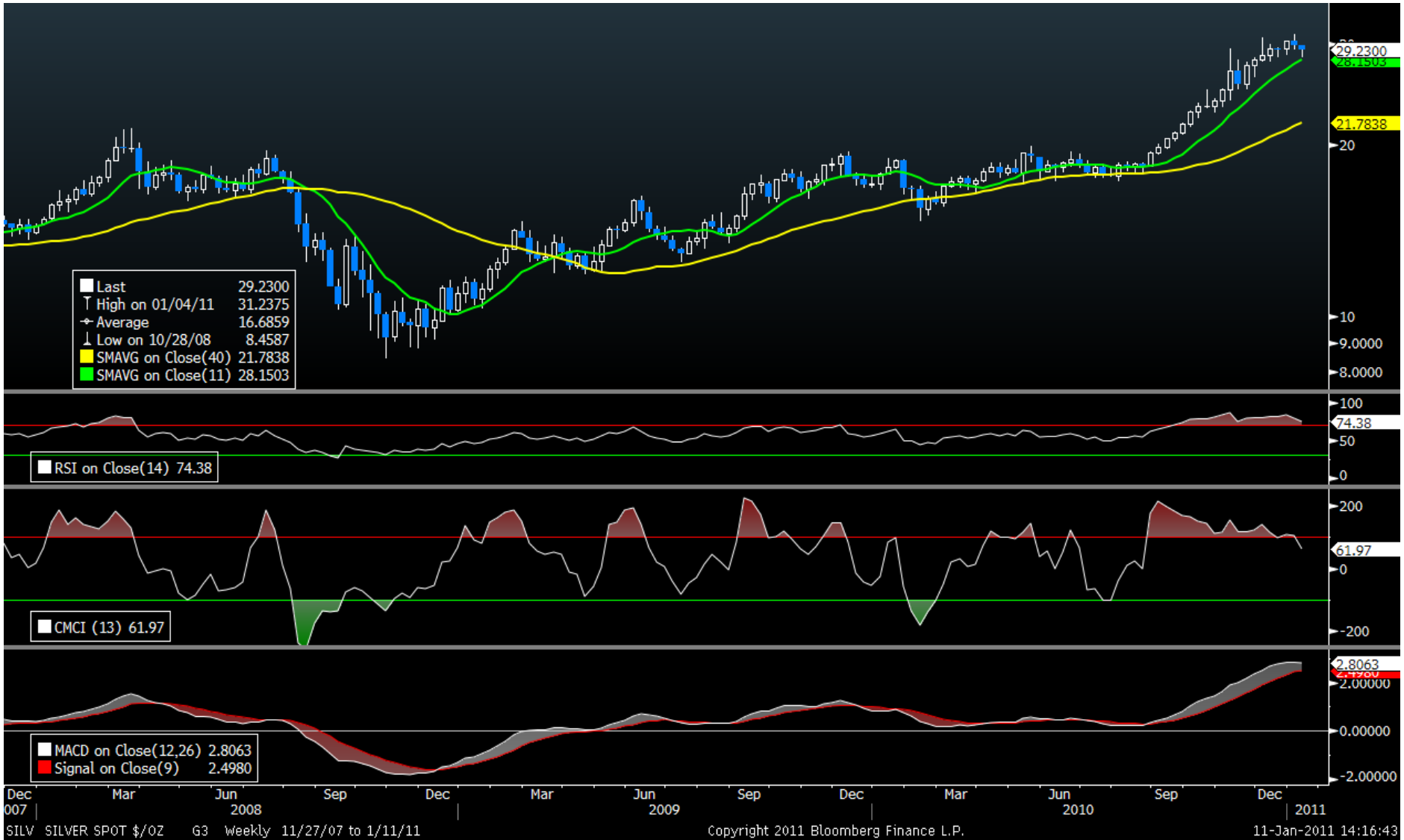
1- GDX – Correlation Ratio Analysis with CRB – 365 days Time basis

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



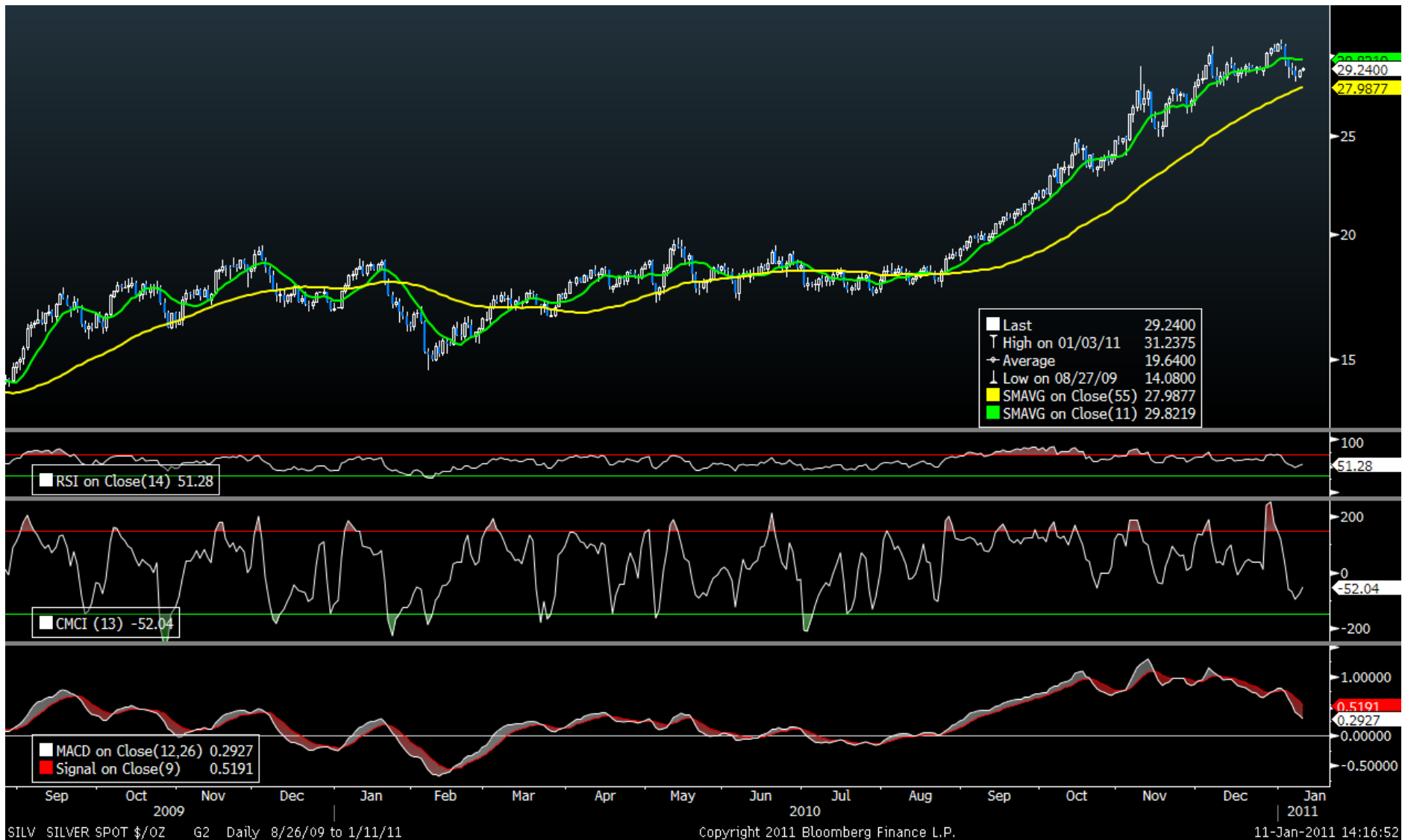
1- SILVER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

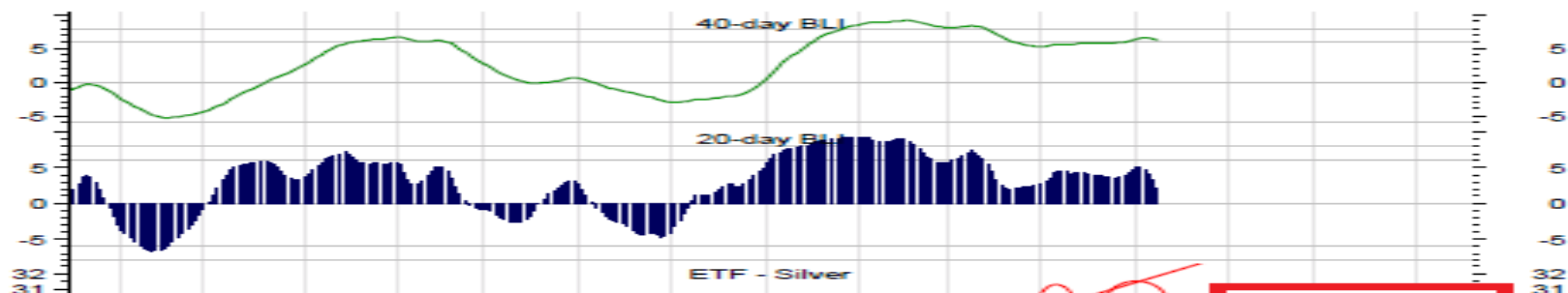
(11D / 55D)



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

- **SLV - 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 , whiles 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 , Broke the trend line after testing the Dark cloud 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. Trend lines and Key SMA's meet.

Silver ETF	SLV
Last: \$ 28.29	
Chg: \$ 0.19	0.67%



New highs formed last Monday; then reversed lower in key reversal fashion. A 35-dma break would be bearish.



SLV – PQV

SLV failed the highs as indicated on lighter volume, It tested area around swing lows and 50DMA of 27.50. MACD turned down, RSI is weakening, That shows loss of upside momentum, the volume picked up but longer term trend line held suggest a bounce would be coming back to area indicated.

On bigger scale, the price pattern is 3 drives to the top (marked by three peaks).



SLW – PQV – (Special Situation)

SLW failed the highs as indicated on lighter volume , It tested area around swing lows on swing lows and trend lines on heavy volume . MACD turned down, RSI is weakening , That shows loss of upside momentum, the volume picked up but longer term trend line held suggest a bounce would be coming back to area indicated.

On bigger scale, It appears as H & S top, and confirmed by the volume, On the short term the bounce should take us to areas on Heavy head triangle as indicated



SLV – MT - “ No Change” – We prefer to save this to give us road map every week

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



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

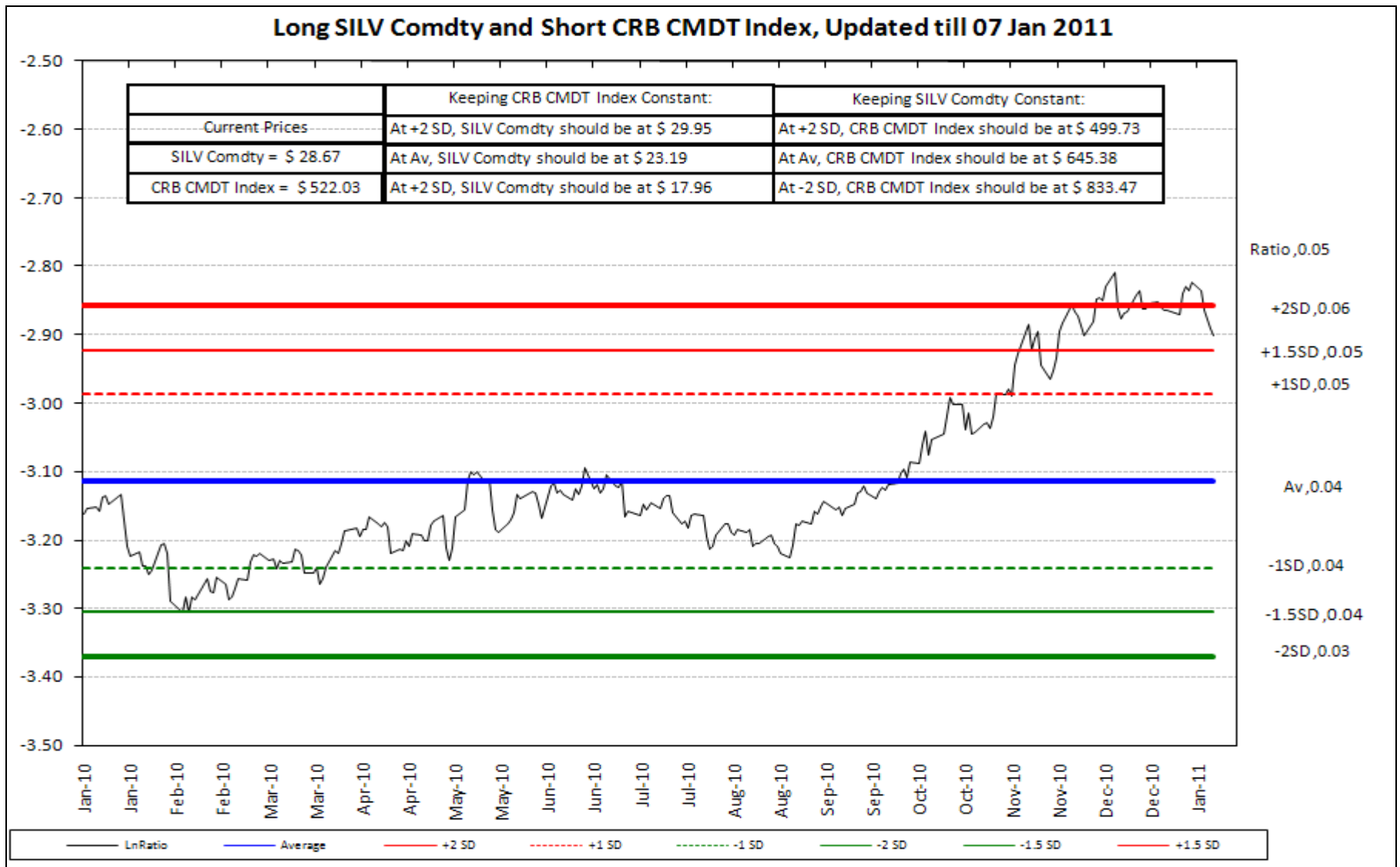
We prefer to save this to give us road map every week

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.



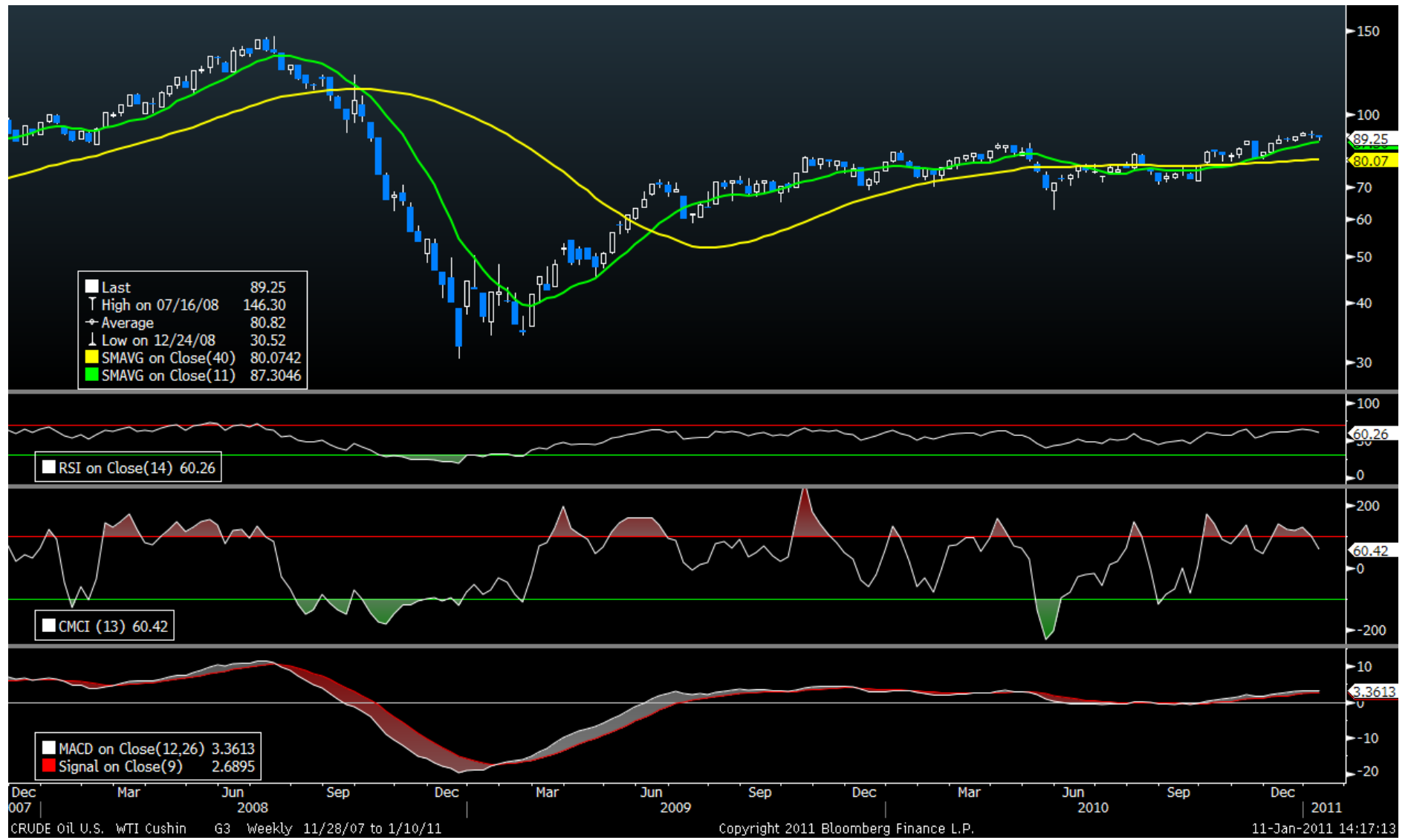
2- SLV – Correlation Ratio Analysis with CRB – 365 days Time basis

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



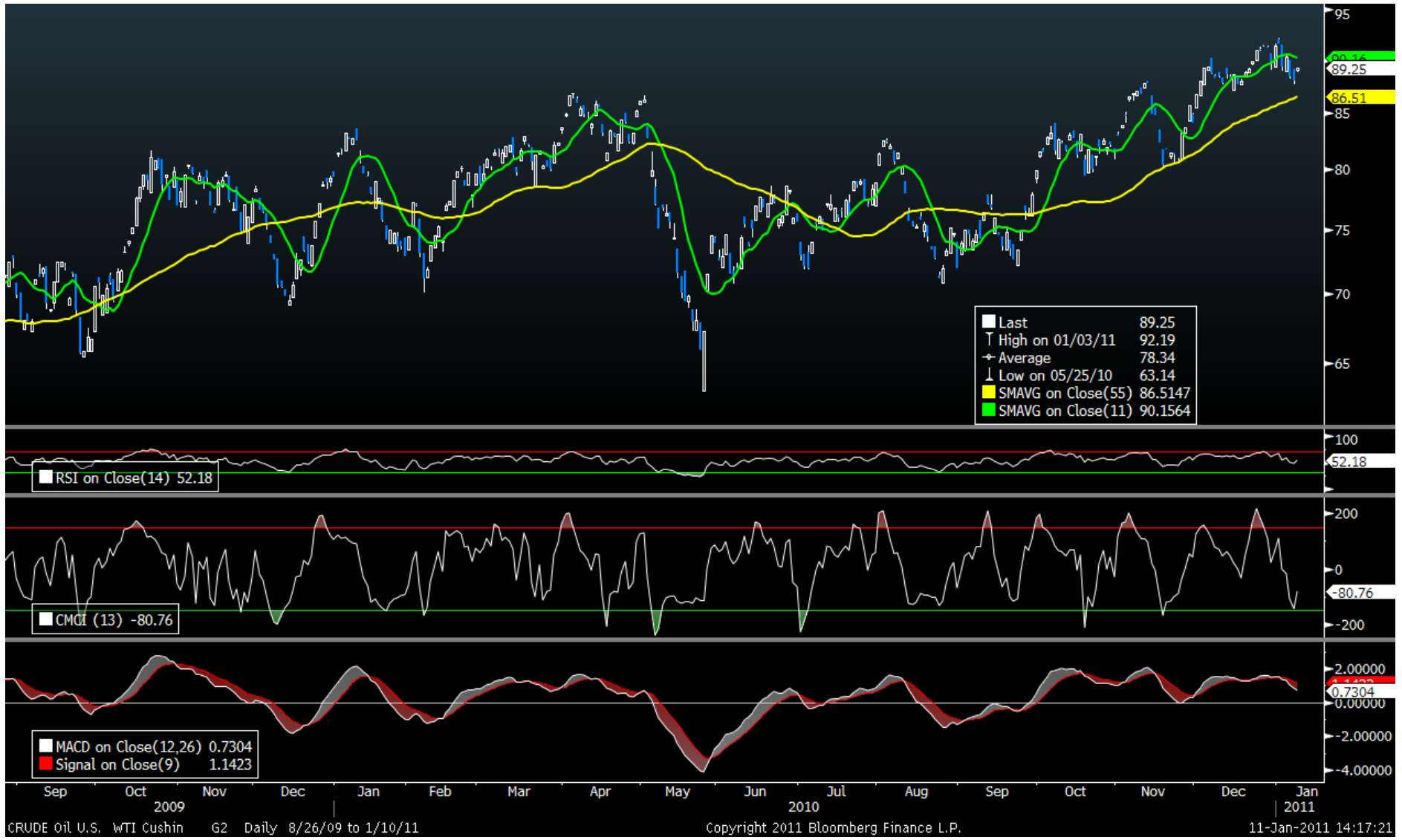
1- OIL - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

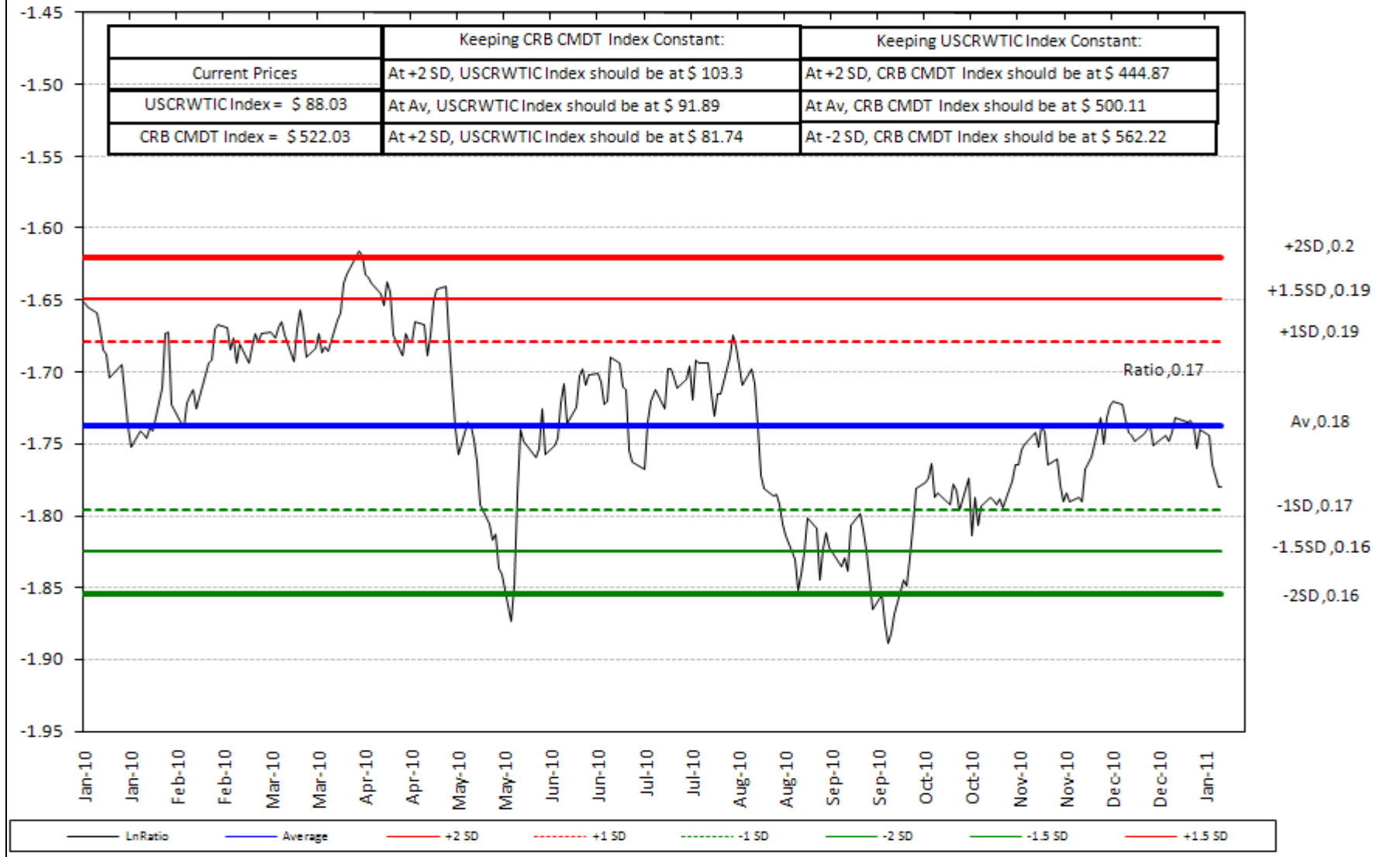
(11D / 55D)



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

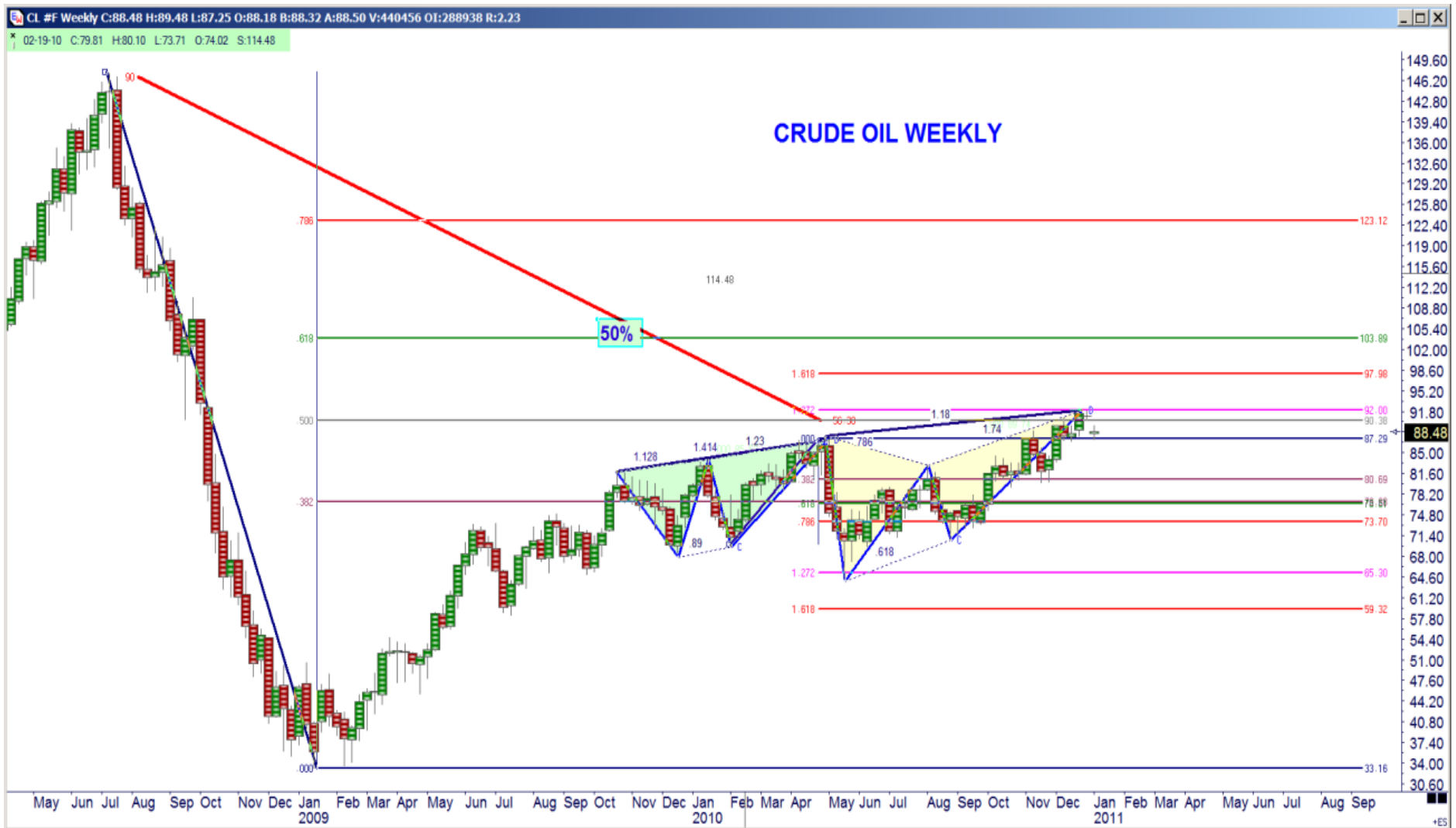
With Respect to CRB , OIL is Neutral

Long USCRWTIC Index and Short CRB CMTD Index, Updated till 07 Jan 2011



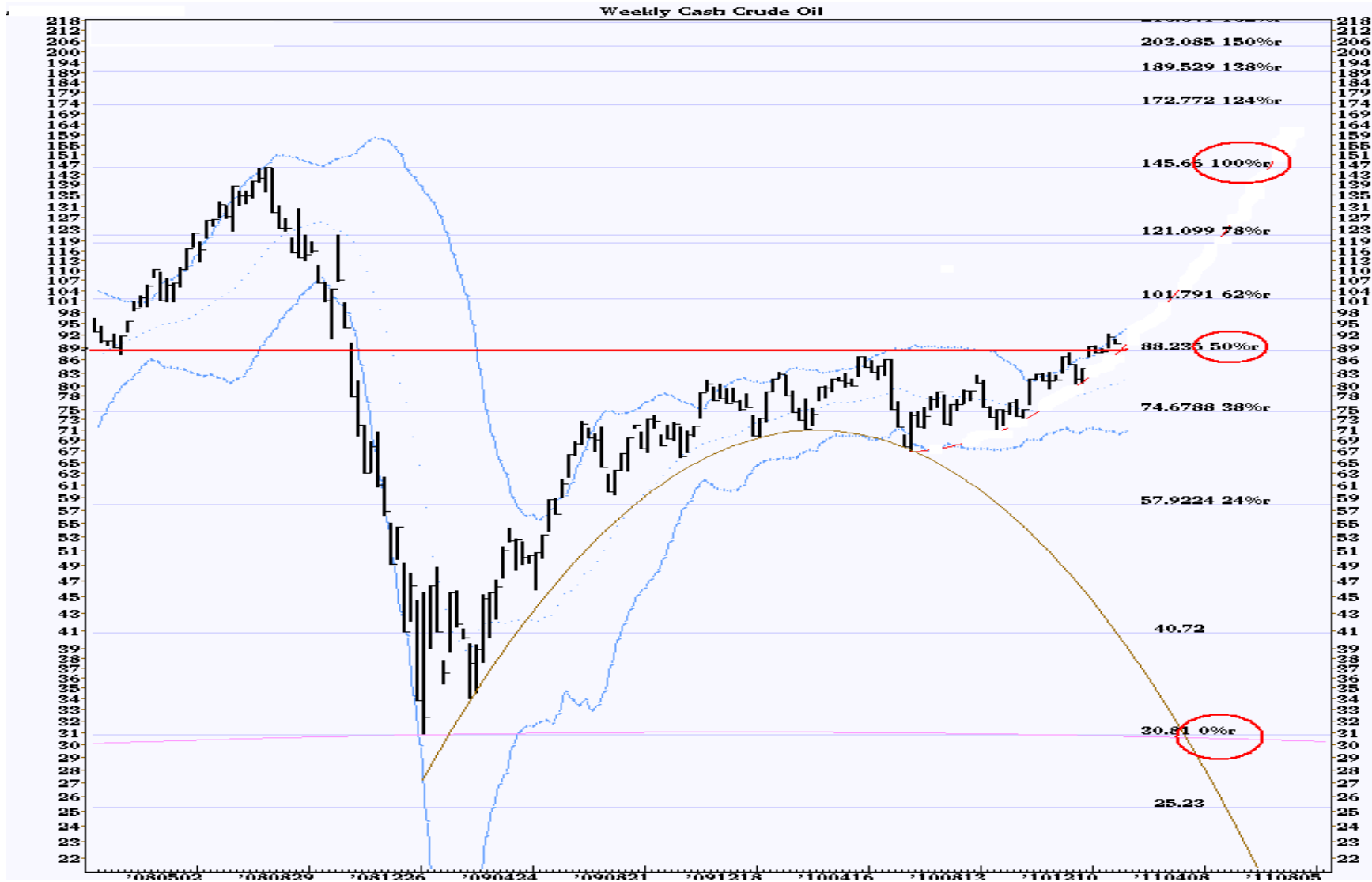
2- OIL – PEC D – ABCD Method

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. that probably should be the top - 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 No change- We prefer to save this to give us road map every week

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)



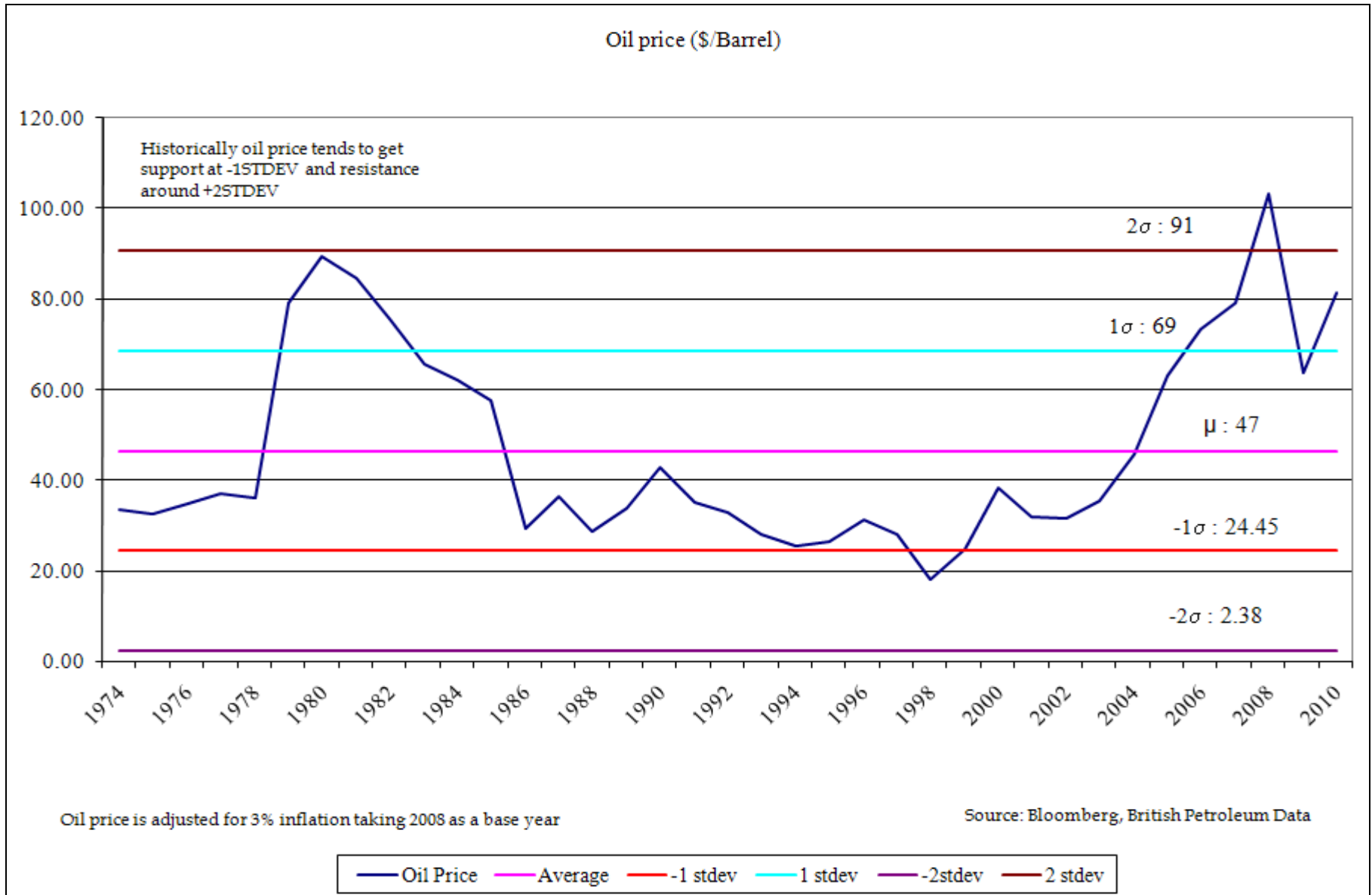
2- OIL (USO) – Technical & Pattern Analysis & Price / Volume

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

Crude Oil ETF	USO
Last: \$ 38.17	
Chg: \$ 0.50	1.31%

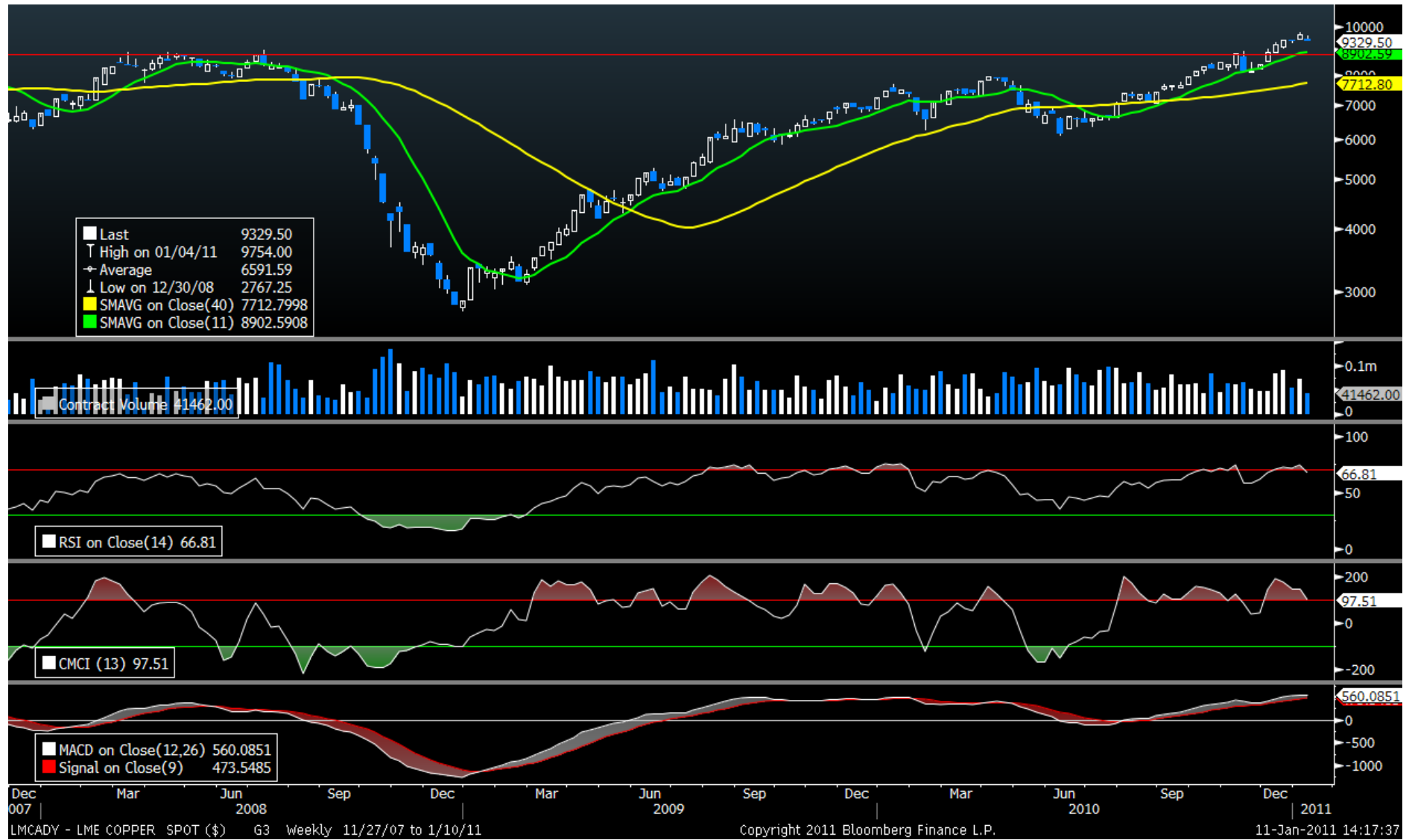


OIL – Trend Reversion Analysis – Long Term – Inflation Adjusted



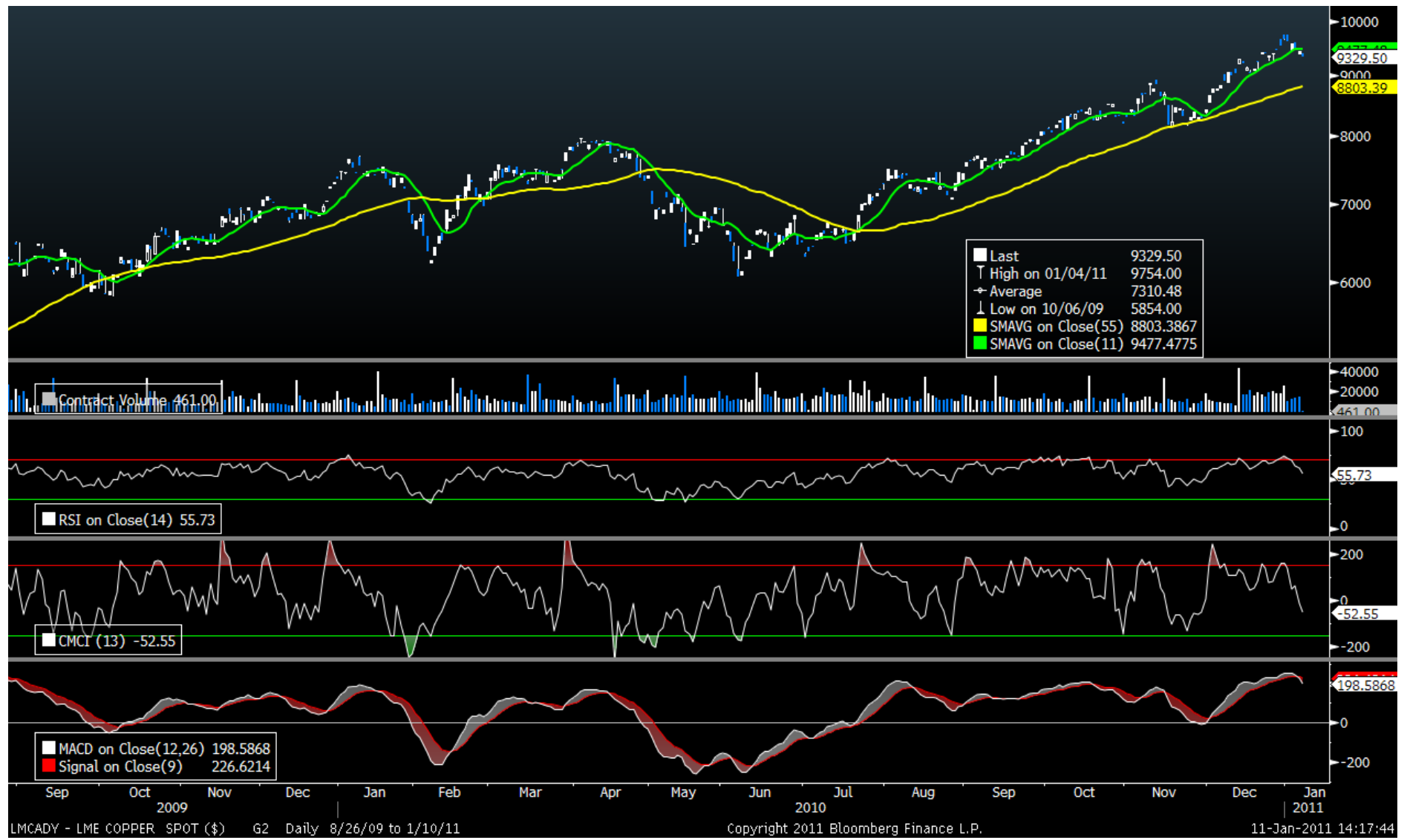
1- COPPER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

(11D / 55D)

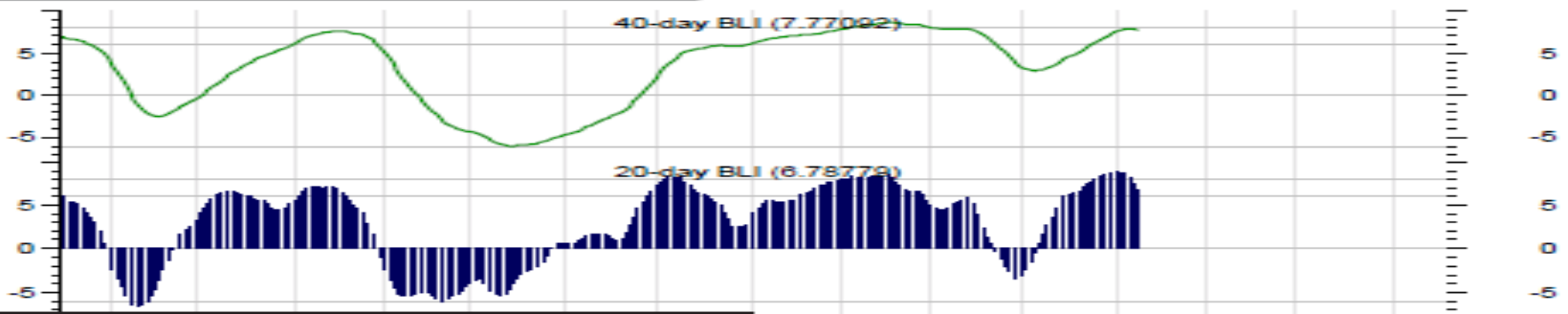


3- Copper (JJC) – Technical & Pattern Analysis & Price / Volume

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 ETF		JJC
Last: \$	56.93	
Chg: \$	0.03	0.05%



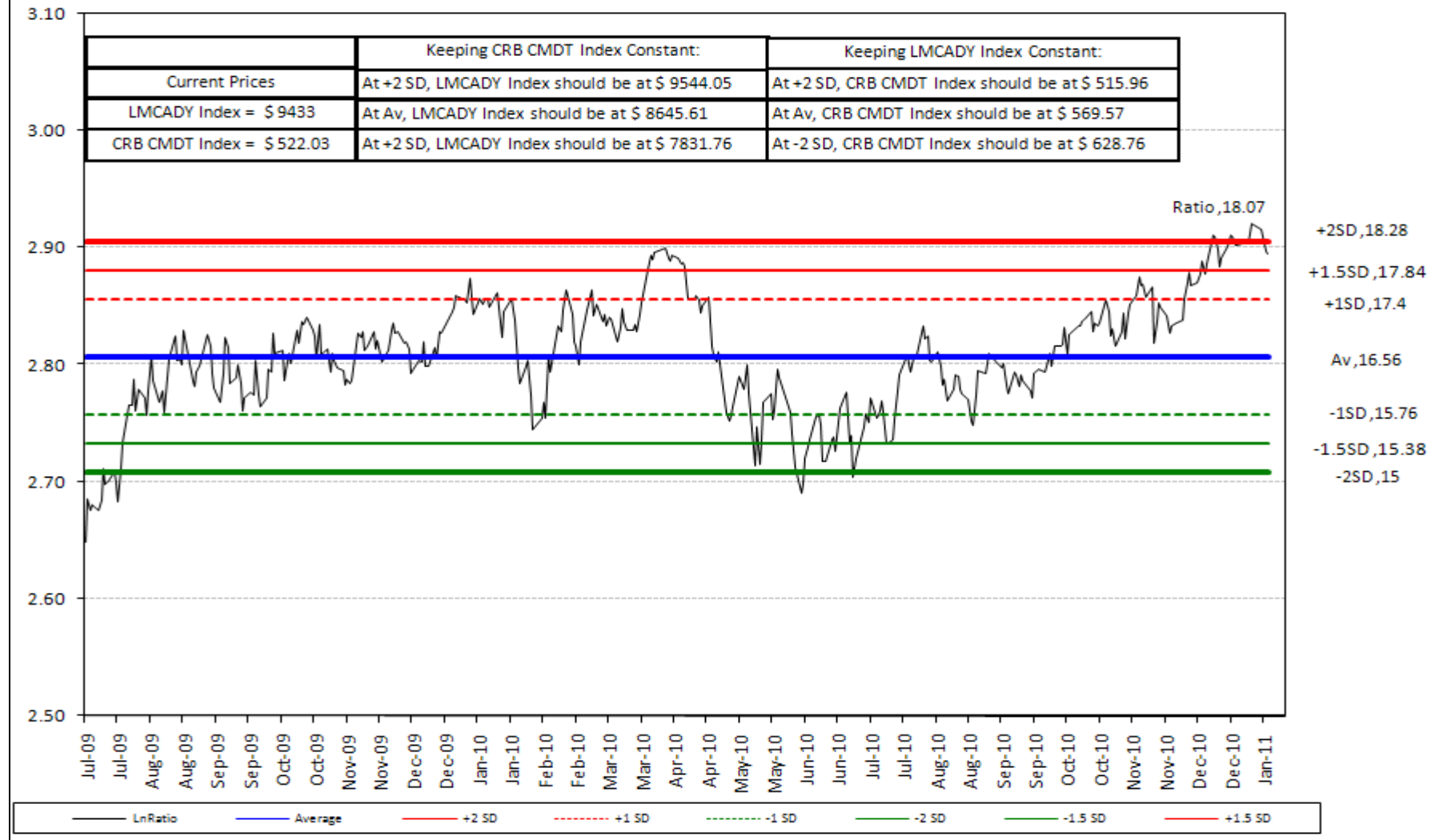
The trendline resistance overshoot should continue to weaken given the model position.



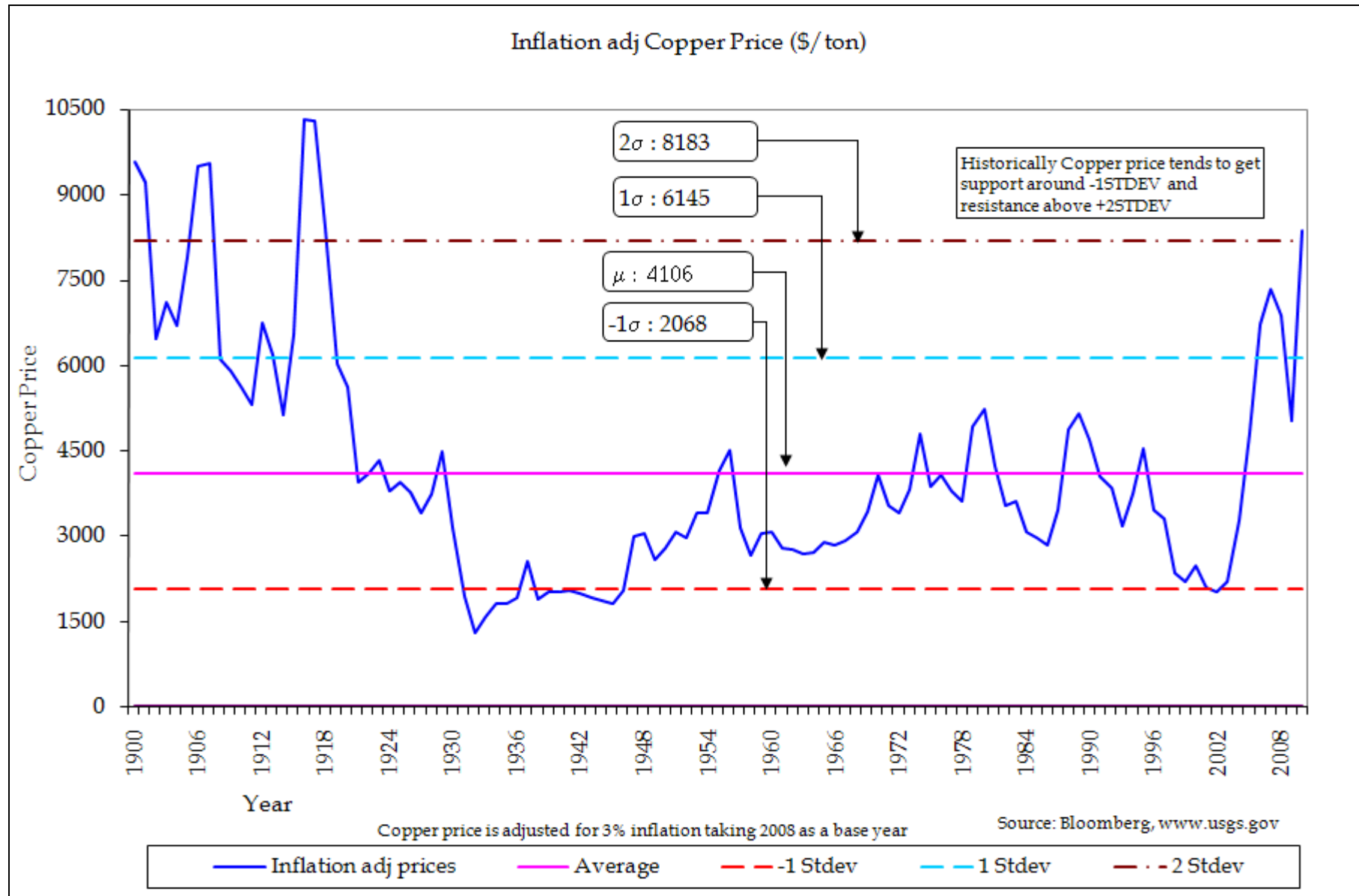
COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , Copper is extended

Long LMCADY Index and Short CRB CMDT Index, Updated till 07 Jan 2011



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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