



SG Capital Research

Global Market Insights

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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # JULY_05

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

● Net Short –

- None recommended to SHORT Bull market by this Model.
- POM 15 – None – Triggered this year

UPSIDE Target

- ✓ On GLD / SLV - **Upside move towards POM 14 - No Target yet**

DOWNSIDE Target -

POM 13 Levels

● 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

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

● Long Side –

- POM 12 Calls – None so far this year.
 - **However since it is confirmed Bull Market by this Model - POM 13 for Recycled or partial capital to go Long & POM 12 for Full capital to go long .**

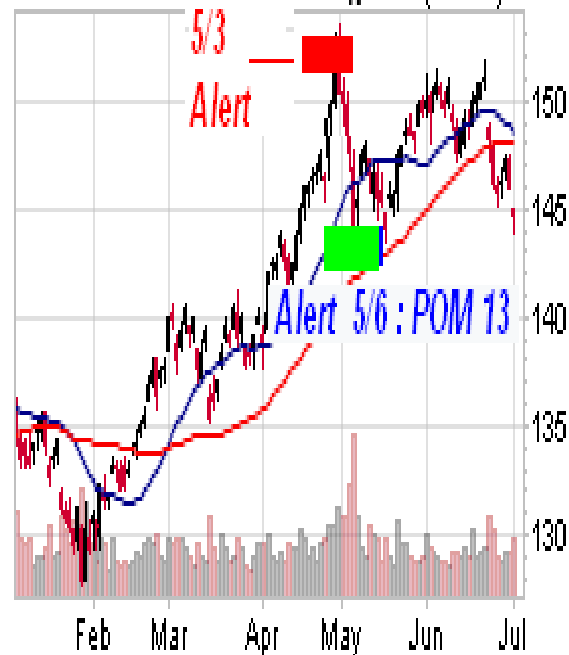
• Trading & Investment Conclusions

POM 13 - Triggered dated 5/6

- *GLD, SLV, GDX (CZ validation price indicated in green) – POM 13 within Bull Market*

GLD (SPDR Gold Trust) NYSE

1-Jul-2011 **Close** 144.93 **Chg** -1.07 (-0.73%) ▼



SLV (iShares Silver) NYSE

1-Jul-2011 **Close** 33.00 **Chg** -0.84 (-2.48%) ▼



GDX (MV Gold Miners) NYSE

1-Jul-2011 **Close** 53.74 **Chg** -0.85 (-1.56%) ▼



- **GDX**
- **BUY SIDE - Triggered 5/11 previously & 2nd Trigger on 6/27 by CZ TRACKER at Qualified CZ**
- **GDX - CZ 54.5 -52 - Triggered on 5/11 (1/2 positions)**
- **GDX – (The 2nd Half) – Triggered on 6 /27 - Touch of 52 and close above 53.5 with 11 M Shares or less for test. stops always below CZ**
- **GDX – Point to note – GDX rallied from our initial Trigger from 52-54.5 (5/11) to 58 now retested CZ lows again_ (see chart below)**
- **GLD, SLV**
- **The POM 13 is still in tact from 5/6 Alert @ 1460**
- **CRB (DBC) , OIL**
- **CZ signals / Triggers Oil 91 dated 6/21 C # Commodity Report.**
- **DBA, UNG , Copper (JJC) , DBB**
- **No Signal.**

CRB / DBC- with Pattern & Oscillator Analysis

Longer term CRB retraced a Fib 62% of its 2008-2009 bear market and ran into CZ (similar to DBC- ETF) . Now it is holding 50% retracement . (Notes within the chart)

shorter Term - Poly Trend rejected the lows as expected & CRB should rally with SPX



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

In Currency Report Last week 6/26 on the same chart & indicators . The expectation was 145-144 could reach. It is very common that POM 13 get re - tested after the first bounce. It did so successfully.

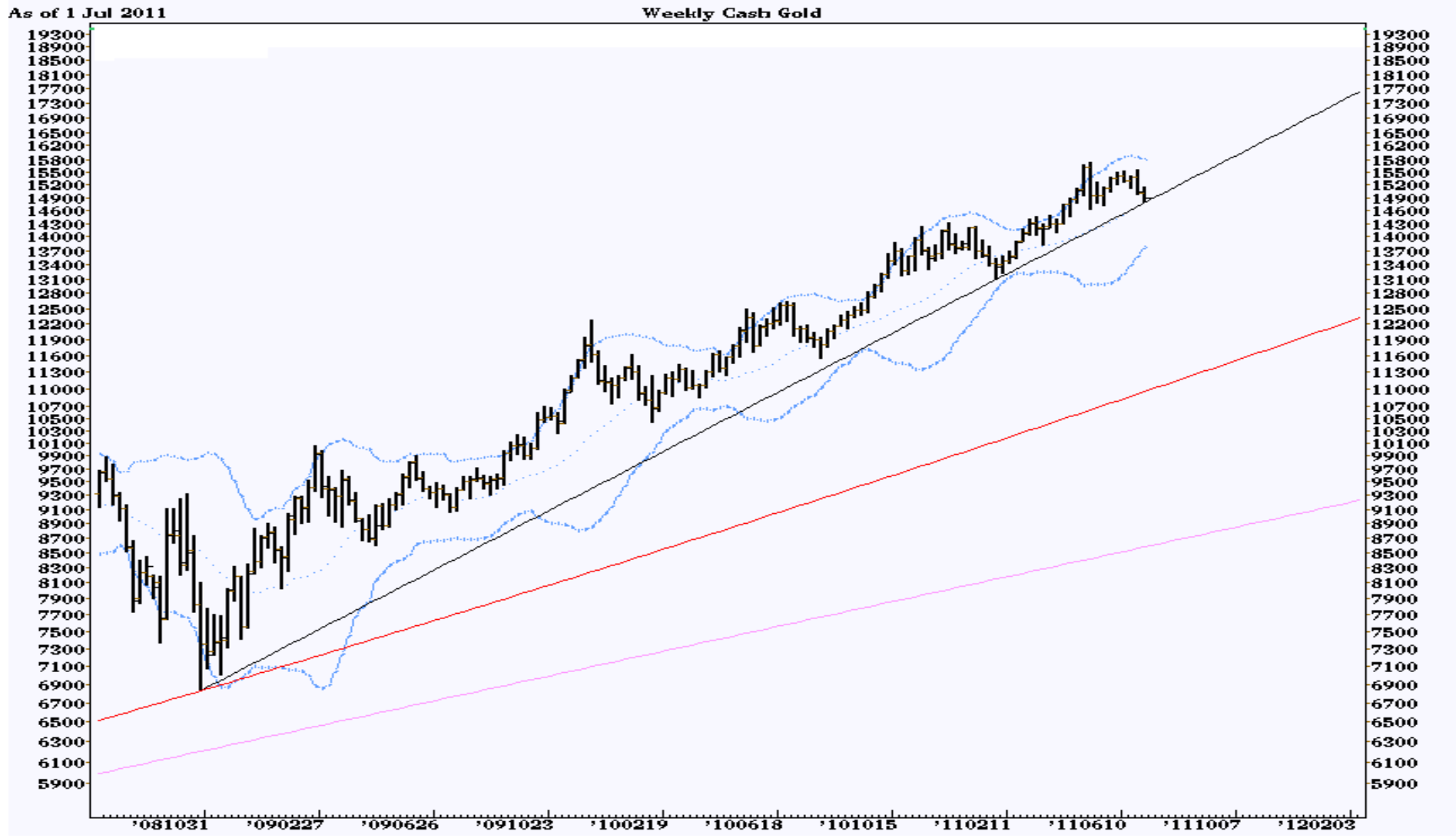
REASON - GLD formed a “Rising Wedge” pattern over the last couple of months after POM 13 was triggered on 5/6 Trigger. Rising Wedge pattern have targets back to where the pattern began and in this case a move back near 145 - 144 range. The decline on GLD began with “Break away” gap, followed by sign of weakness,

Earlier it initiated from POM 13 / @ (GLD 144) 1470 (green) within the Bull Market, **stops always below CZ**



2 – GOLD Trend line Analysis

Tested the rising Poly Trend line while testing the POM 13 area as indicated in chart above .



2 - GOLD – PEC D - Analysis

Gold has completed a bullish pattern at the 0.786 & 1.618 projection of 1480 (145 in GLD)



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

SLV – MA / Pattern & Oscillator Analysis

Trend line held on pull back, close above 37 should Trigger Rally. It was initiated POM 13 / (SLV 34) (blue) .

Comments – Its doing ditto as Gold tested the POM 13 area – It should follow GOLD

GDx – SMA & Trend Analysis – CZ – Price & Volume

- **GDx chart - Bullish Percent index for the Gold Miners has triggered a bullish crossover buy signal . The Slow Stochastics which has reached extreme oversold below 20 bullish sign. Next window up is the GDx/GLD ratio with a close above the blue downtrend line and triggered a bullish sign. On the GDx chart, the price has been hovering near Neckline support for the last couple of months and appears that CZ will hold .**
- **GDx has reached CZ Trigger in classic AB=CD fashion and rallied from 53 to 58. Then had 100 % retracement back to 52 double testing the CZ . (Refer Chart below) . SD levels of GDx v/s GLD are at extreme level. (-2SD)**



GDx : GOLD RATIO - Analysis

The biggest rallies in GDx occurred when the weekly RSI of the GDx/GLD ratio was below 30 (this condition occurred at the 2000 and 2008 bottoms and now). Therefore once GDx turns back up it should be a strong and lasting rally.

The bottom window is the Slow Stochastics %K (60) %D(3) of the GDx/GLD ratio. When the Slow Stochastics closes above 20 a bullish signal is triggered. Current reading on Stochastics is 4.42 and very oversold and suggest there is little downside on GDx/GLD ratio and shows gold stocks will not get much cheaper compared to gold. This potential bullish signal could last for months



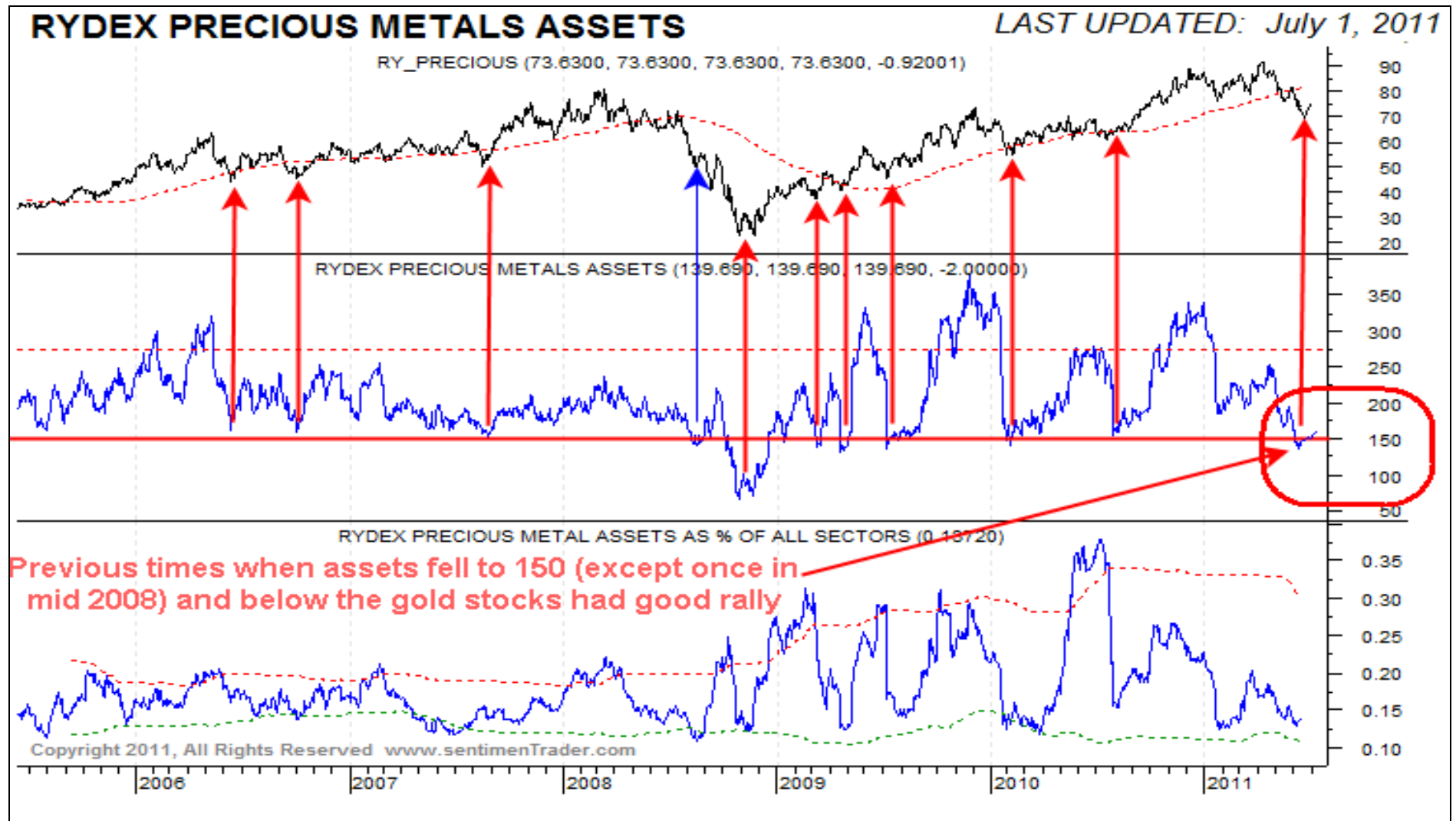
GDx Money flow

Gold stocks are diverging bullish and should rally—



RYDEX SENTIMENTS – Sentiment Traders curtsey

Refer notes within charts



2- OIL – Pattern & Oscillator Analysis

We think oil has made low around 91 as Trigger point given in last Commodity Report 6/21 , then rallied as Indicated in Green box

The pattern — a triangle continuation pattern within an ABC correction, followed by a thrust out of the triangle . At the end of the thrust, the correction will be over and an impulse to the upside should commence



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

Currently - No indication of Bullish / Bearish CZ

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

Sine our Bearish CZ was triggered - Copper has been down for a consecutive number of weeks . LT – CZ should remain as cloud on upside. But ST it should with CRB

Currently - No indication of Bullish / Bearish CZ

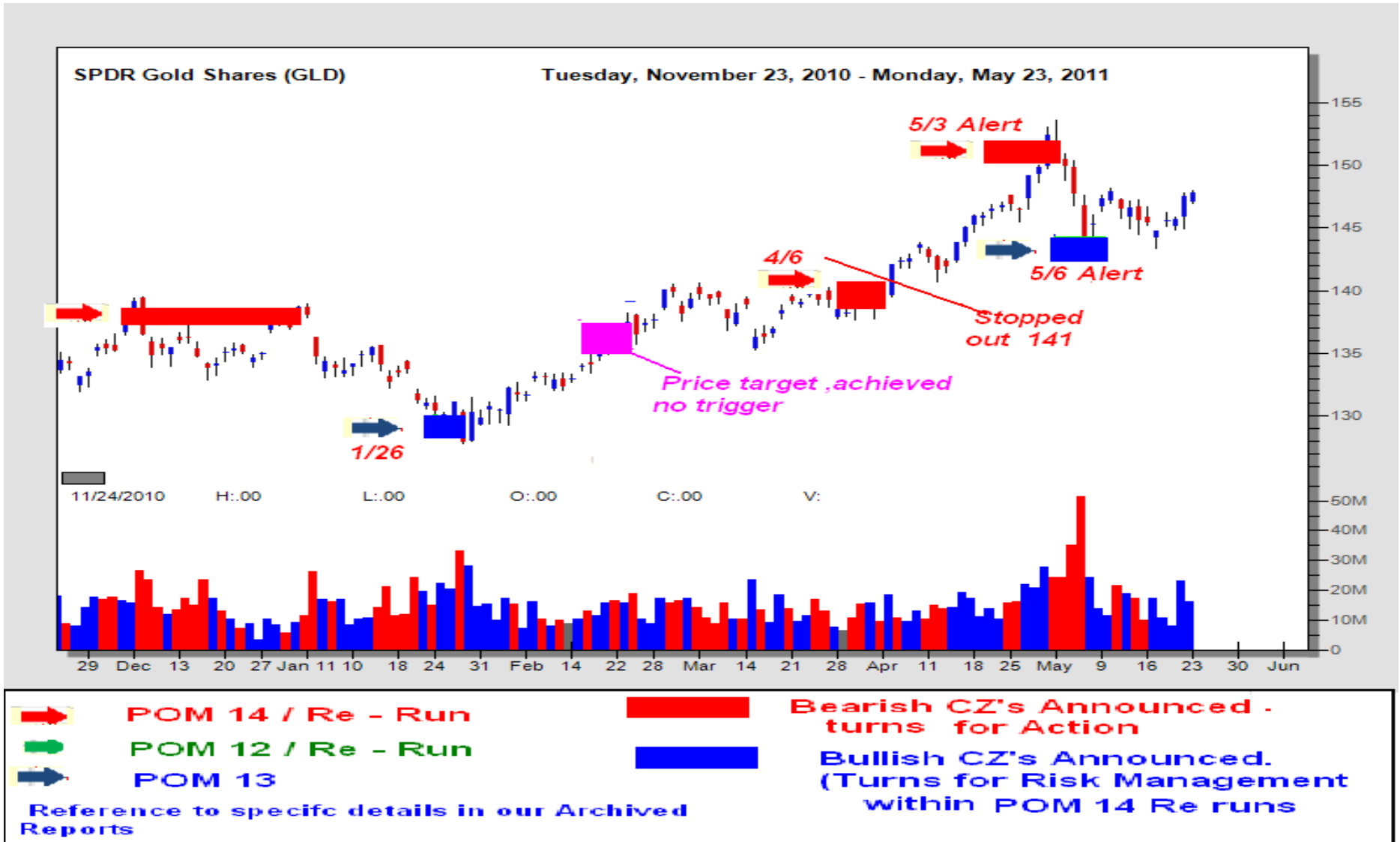
4 BASE METAL - DBB - MA / Pattern & Oscillator Analysis

Currently - No indication of Bullish / Bearish CZ

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

Currently - No indication of Bullish / Bearish CZ

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



Appendix

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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