



SG Capital Research

Global Market Insights

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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # JULY_20

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

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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 to SHORT in Bull market by this Model. (Except SLV)
- POM 15 – None – Triggered this year

UPSIDE Target

- ✓ LONG TERM - On GLD / SLV - Upside move towards POM 14 - No Target Yet
- ✓ SHORT TERM – ALERT – GOLD TARGET BEARISH CZ 1598 & 1612 - PECD
- ✓ SHORT TERM – ALERT – GDX TARGET 60 BEARISH CZ

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

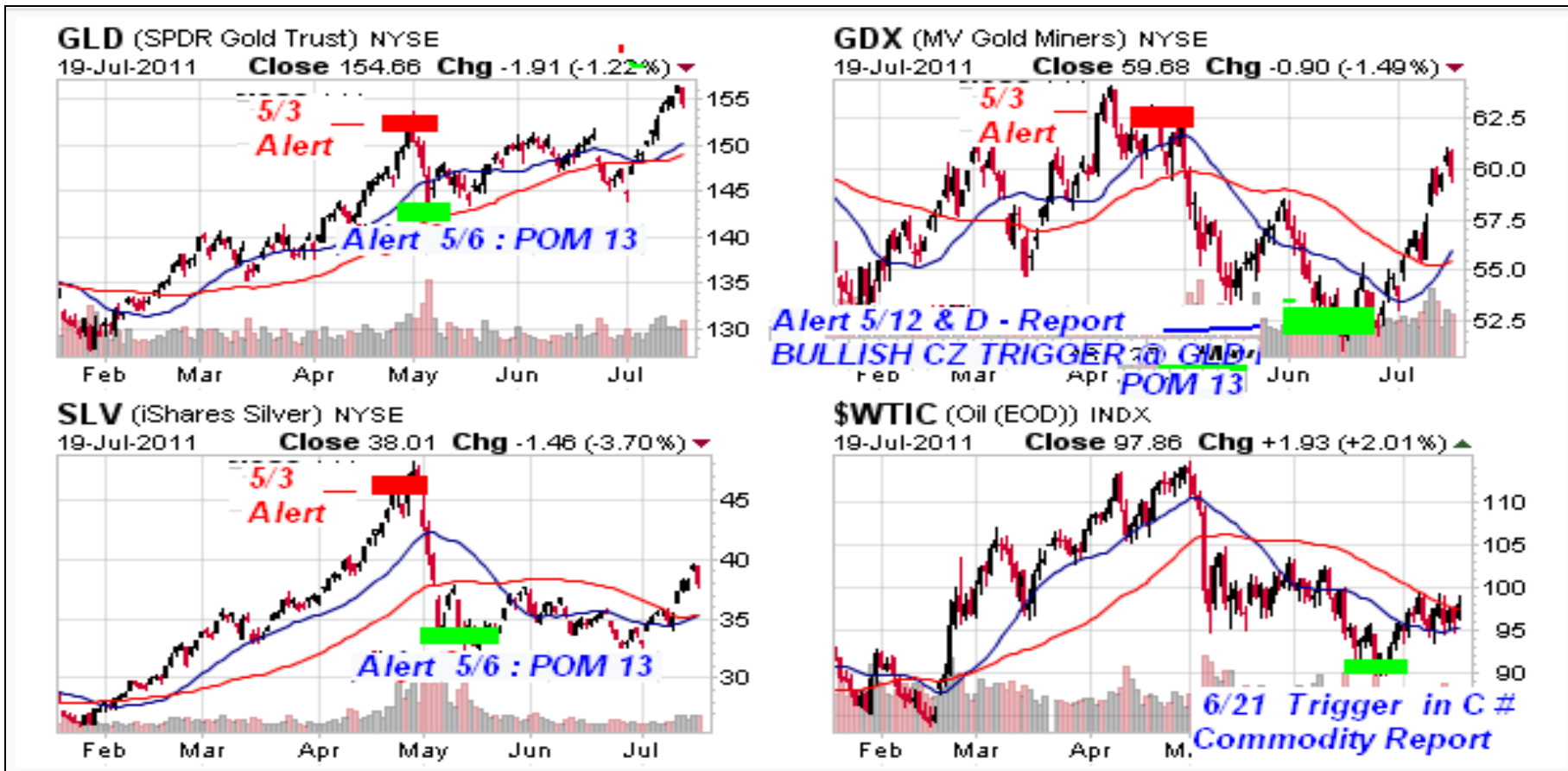
- 4th Hedge - Closed on 5/6 at POM 13 @1460 (GLD = 143) from POM 14 @ 1544 (150.48) = 84 points gain
- 3rd Hedge - (stopped on 4/5 @ 1450) from POM 14 – Re run Trigger at 1425) = (-25) points loss
- 2nd Hedge - Closed on 3/16 at CZ (@ 1380) , from POM 14 – Re run Trigger at 1425) = 45 points gain
- 1st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

● Long Side –

- POM 13 – Triggered 5/6 @ 144-145 (1470) for Recycle capital or Partial fresh capital to go Long
- Current move is 125 point gain from 1470 POM 13 to 1596 Bearish CZ
- POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long)

- Trading & Investment Conclusions

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



- **GDX**

- **BUY - Triggered 5/11 & 2nd Trigger on 6/27 RETEST at Qualified CZ**

- **GDX - CZ 54.5 -52 - Triggered on 5/11 (½ positions)**

- **GDX – (The 2nd Half)– Triggred on 6 /27 - Touch of 52 and close above 53.5 with 11 M Shares or less for test**

- **GDX – Rallied from our BUY Trigger 52 – 54 to 60.**

- **SHORT TERM – ALERT – GDX TARGET 60 BEARISH CZ**

- **GLD, SLV**

- **Triggered – Alert 5/6 email - POM 13 @ 1460 for Recycle capital or Partial fresh capital to go Long .**

- **GLD – Rallied from 1460 to 1598 ABC pattern and by PEC D Projecting to 1616.**

- **SHORT TERM – ALERT – GOLD TARGET BEARISH CZ 1598 & 1612 - PECD**

- **CRB (DBC) , OIL**

- **Triggered Oil 91 dated 6/21 C # Commodity Report.**

- **OIL – Rallied from 91 Trigger to 99 , Target 103**

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

- **Bullish consolidation but No Signal & Trigger.**

- **Insights**

On Short term basis GOLD is slightly topy after a good run to the upside and suggests the pull back is near . The PROJECTION of ABC up into CZ is met at 1598 with BULLISH TOP.

This suggests that the flight-to-safety buying may have stopped for now that came from the disintegration of the euro crisis and the debt limit fiasco in US.

After the pull back Gold should move higher with Good seasonality in August and top is due in late September – October into the 6- year cycle high . The Pull back Target is not clear yet as we need more Data point

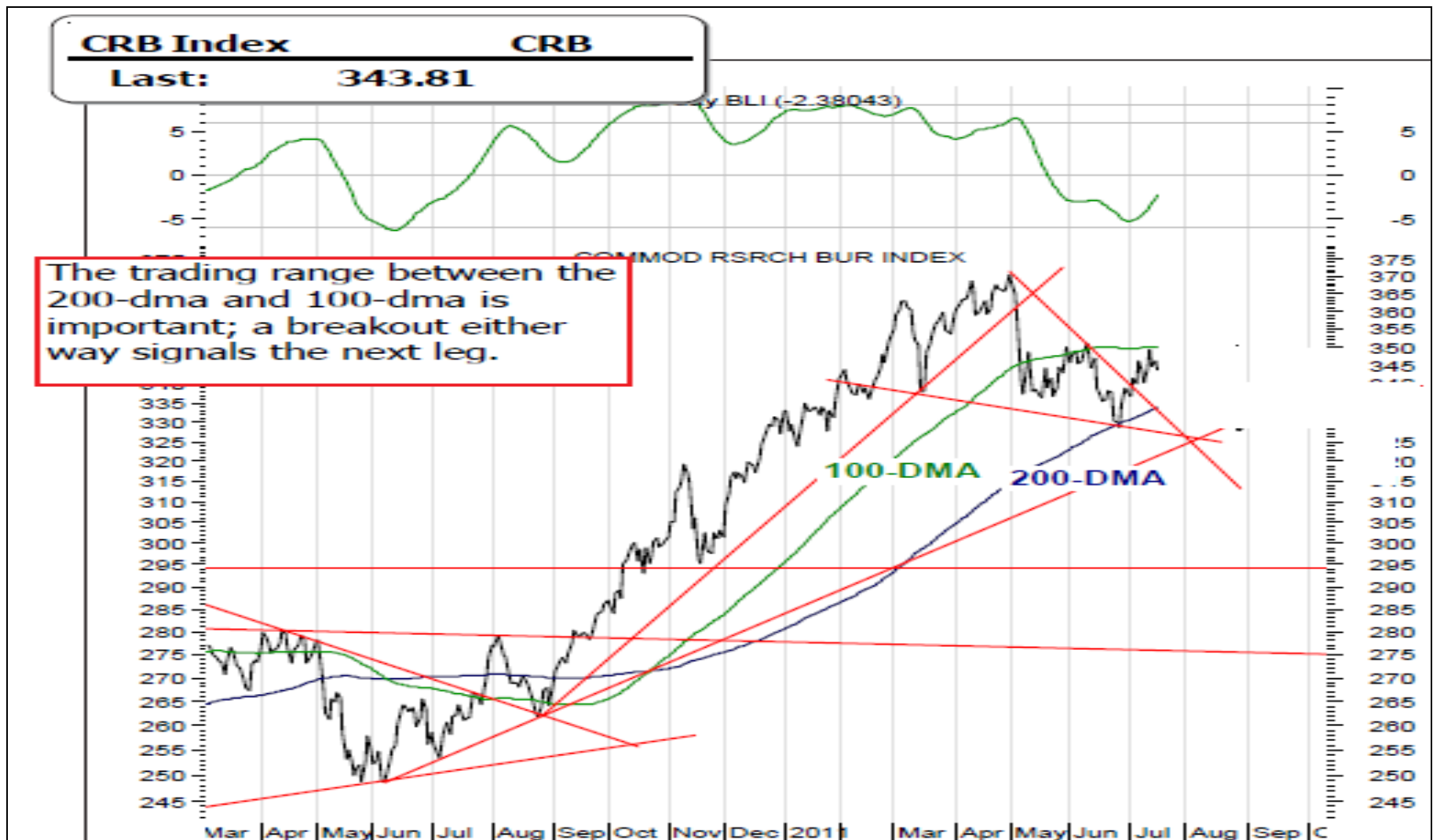
Caution – GOLD has not gone parabolic as SILVER , but a close above 1630 in this leg up may very well Trigger such phenomena similar to what SLV did few months ago, (although Short term there is divergence but that doesn't matter for such math)

In Abnormal Price behavior of – 1630 - Apex point of PEC –D in All time high region. By our calculations the 2nd point of “ Stop & Reversal “ Parabolic point initiation for Angular upward Trajectory with 65 to 80 deg is 1630. This can add 120 points (Similar to what we had pointed out in SLV in our April 25th Report in SLV at 42 which moved to 48) . We will wait to see how it reacts at 1630 (if at all it gets there in extension moe) . This is possibility but need a Trigger

CRB / DBC- with Pattern & Oscillator Analysis

Shorter Term - Poly Trend , EMA , Trend Analysis marked the ST bottom & CRB should rally with SPX. Currently CRB is consolidating and we are looking for next break up or down (not clear) . 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 it is holding 50% retracement .



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

Projection of 1598 ABC is being met here with BULLISH TOP, suggests after the pull back GLD should go higher.

Earlier it initiated from POM 13 / @ (GLD 144) 1470 dt 5/6 & Retest on 6/26 within the Bull Market, stops always below CZ



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



SLV – PEC – D

PEC D Pattern has Target point of 41. The 50% level Trend line held on pull back,

Earlier it Initiated POM 13 / (SLV 34) & In last Report 7/05 - WARNED close above 37 should Trigger Rally



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 61 in classic AB=CD fashion, from 52 double testing the CZ Buy Signal . (Refer Chart below) . Last week GDX jumped the Upper CZ with a “Sign of Strength” and helps to confirm the uptrend. This CZ should hold any decline back and GDX should start moving up again.



GDX : GOLD RATIO - Analysis

The weekly GDX/GLD ratio (RED) and behind that the weekly GDX chart (BLACK) . The bottom window is the weekly Slow Stochastics for the GDX/GLD ratio. A bullish signal is triggered when the Slow Stochastics (for the GDX/GLD ratio) turns up from below 20, which was accomplished two weeks ago and signaled an intermediate uptrend has started. Previous times since the bull market began back in 2000, once the Slow stochastics (of the GDX/GLD ratio) turns up from below 20 it normally makes to above 80. This process can take as little time as six months to as long as one year. Remember that GDX/GLD ratio hit a two year and implies Gold stocks are “Cheap” compared to gold.

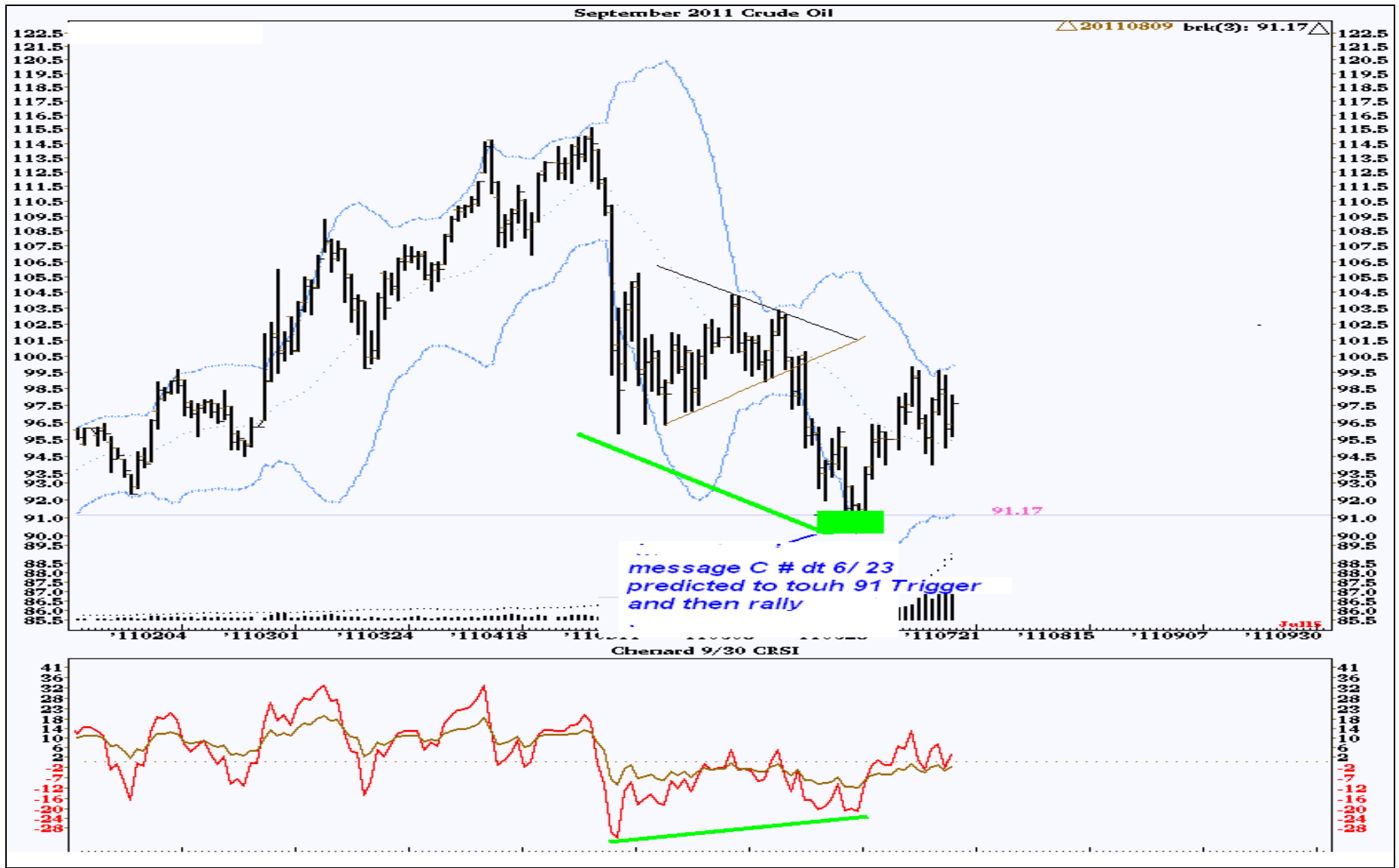


RYDEX SENTIMENTS – Sentiment Traders curtsey

Comments - NEUTRAL

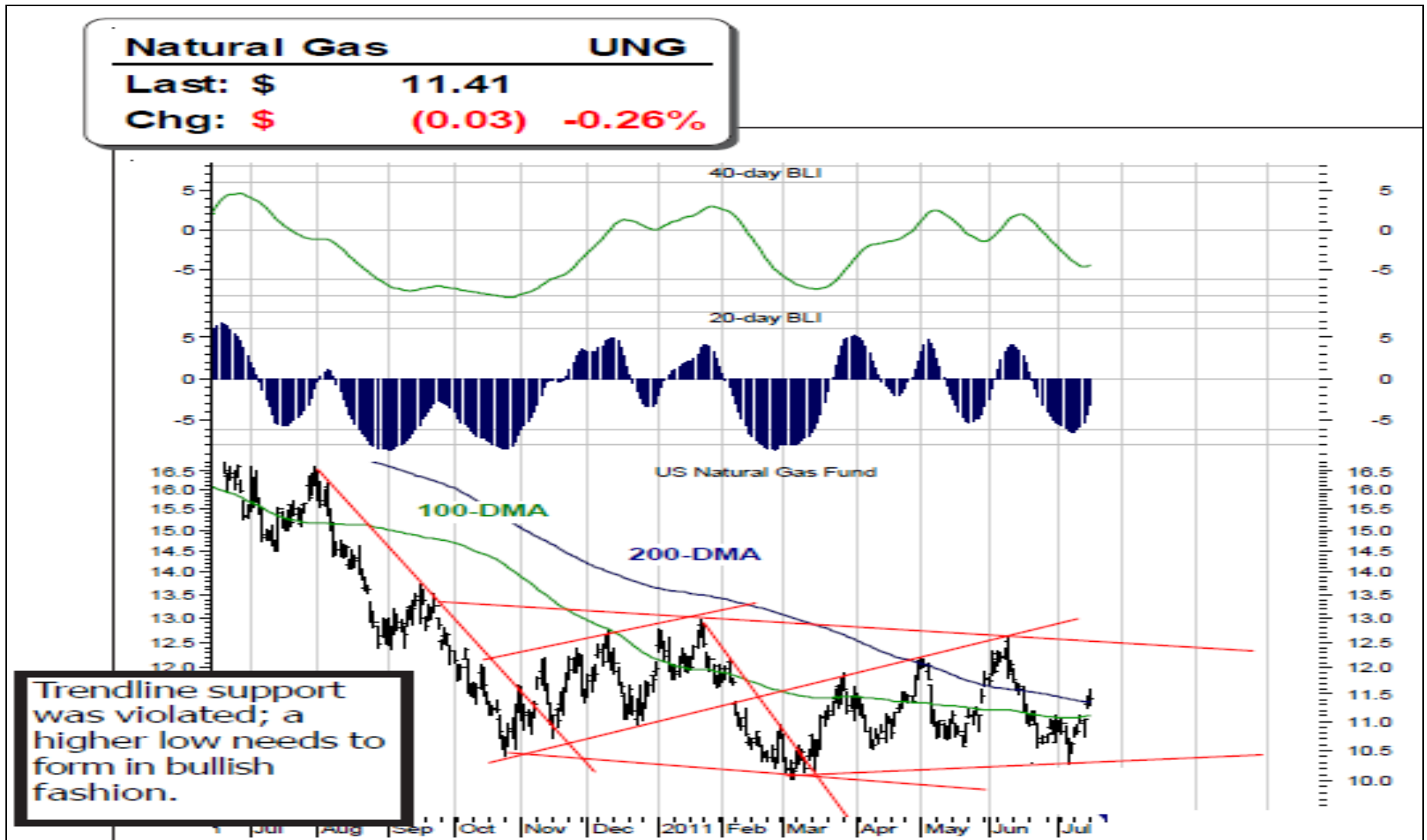
2- OIL – Pattern & Oscillator Analysis

OIL has made low around 91 as Trigger point given in last Commodity Report 6/21 , Oil prices are on an uptrend after putting in a strong bullish divergence at the last low



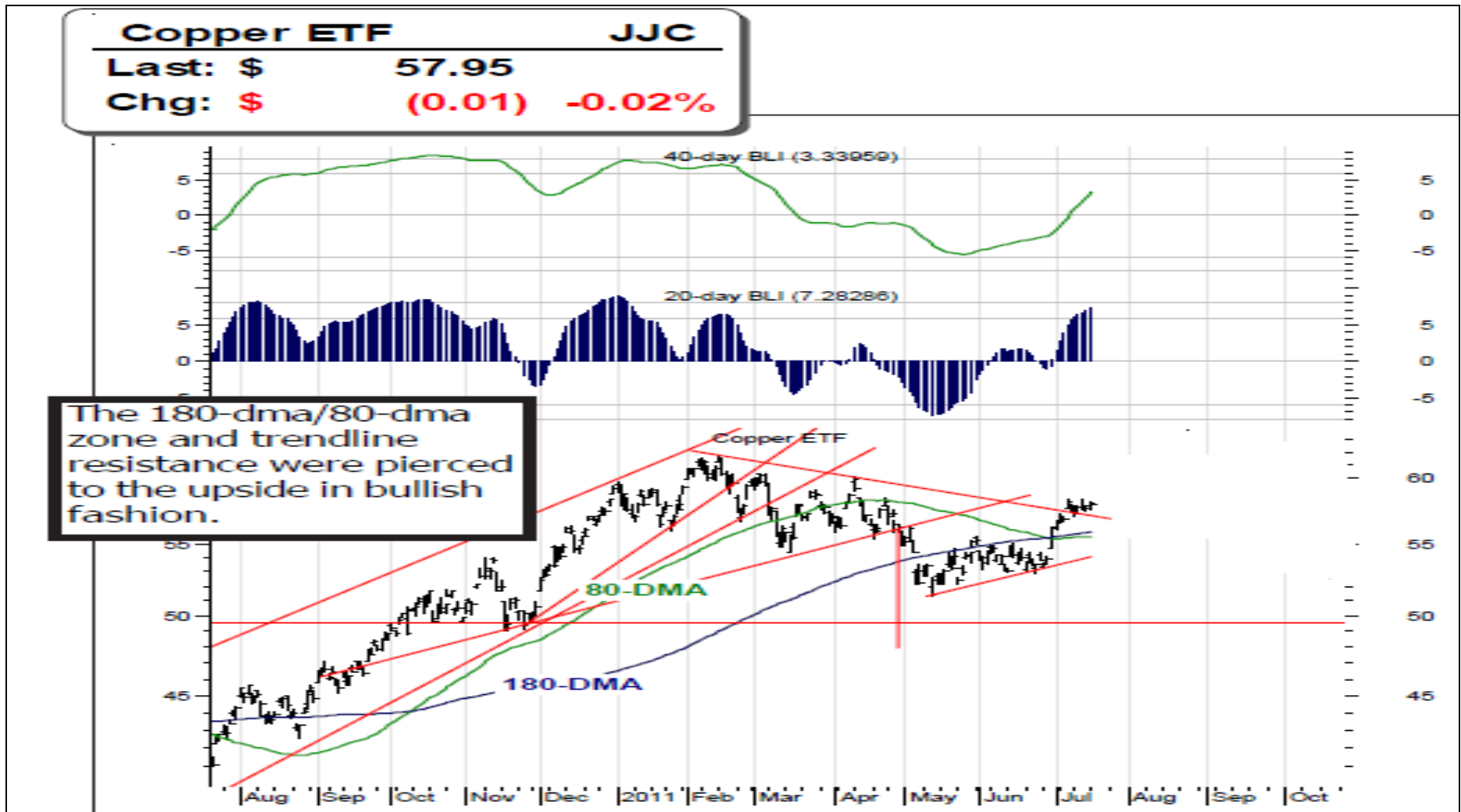
2- NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis

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



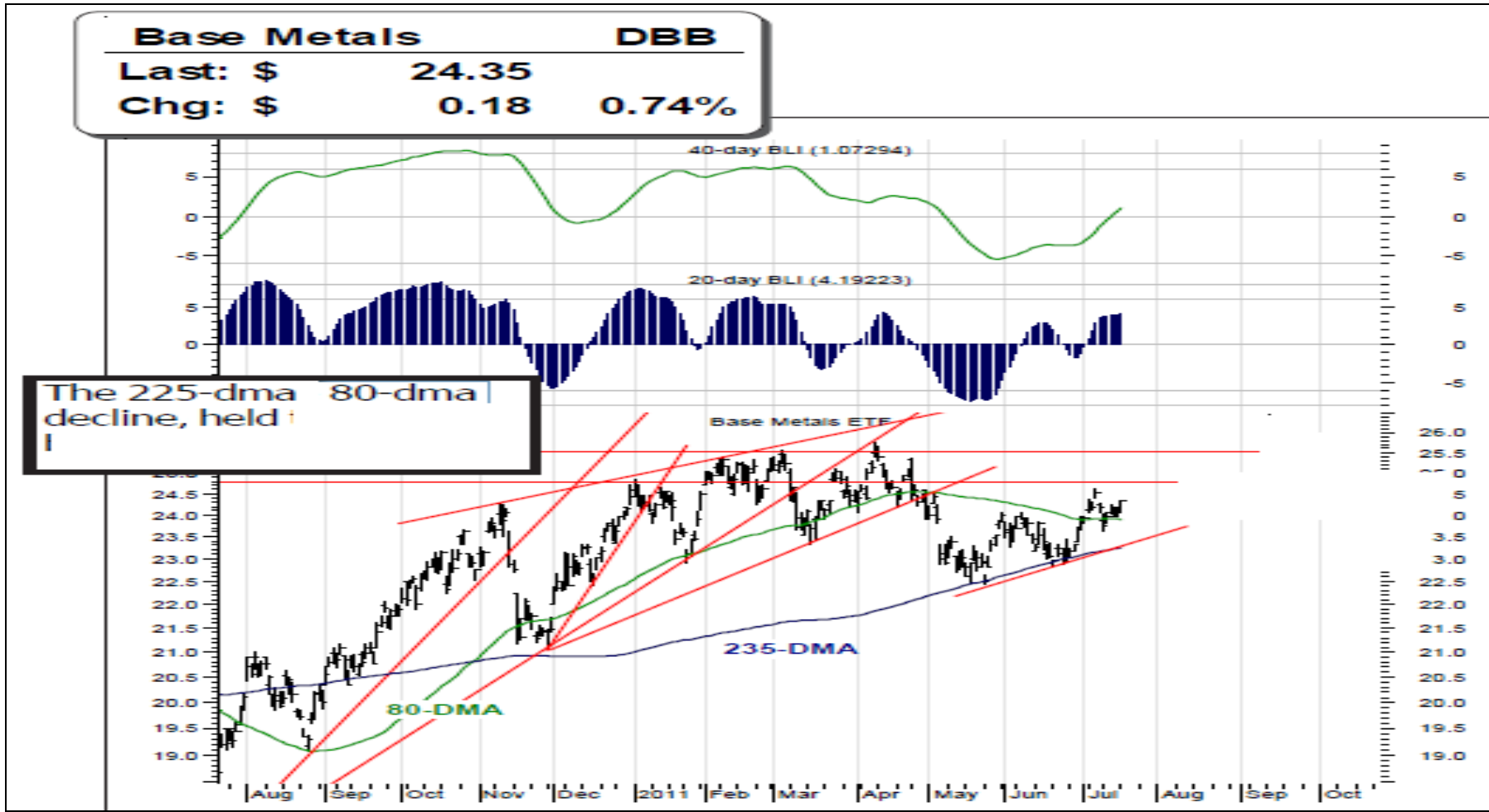
3 COPPER (JJC) – MA / Pattern & Oscillator Analysis

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



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

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



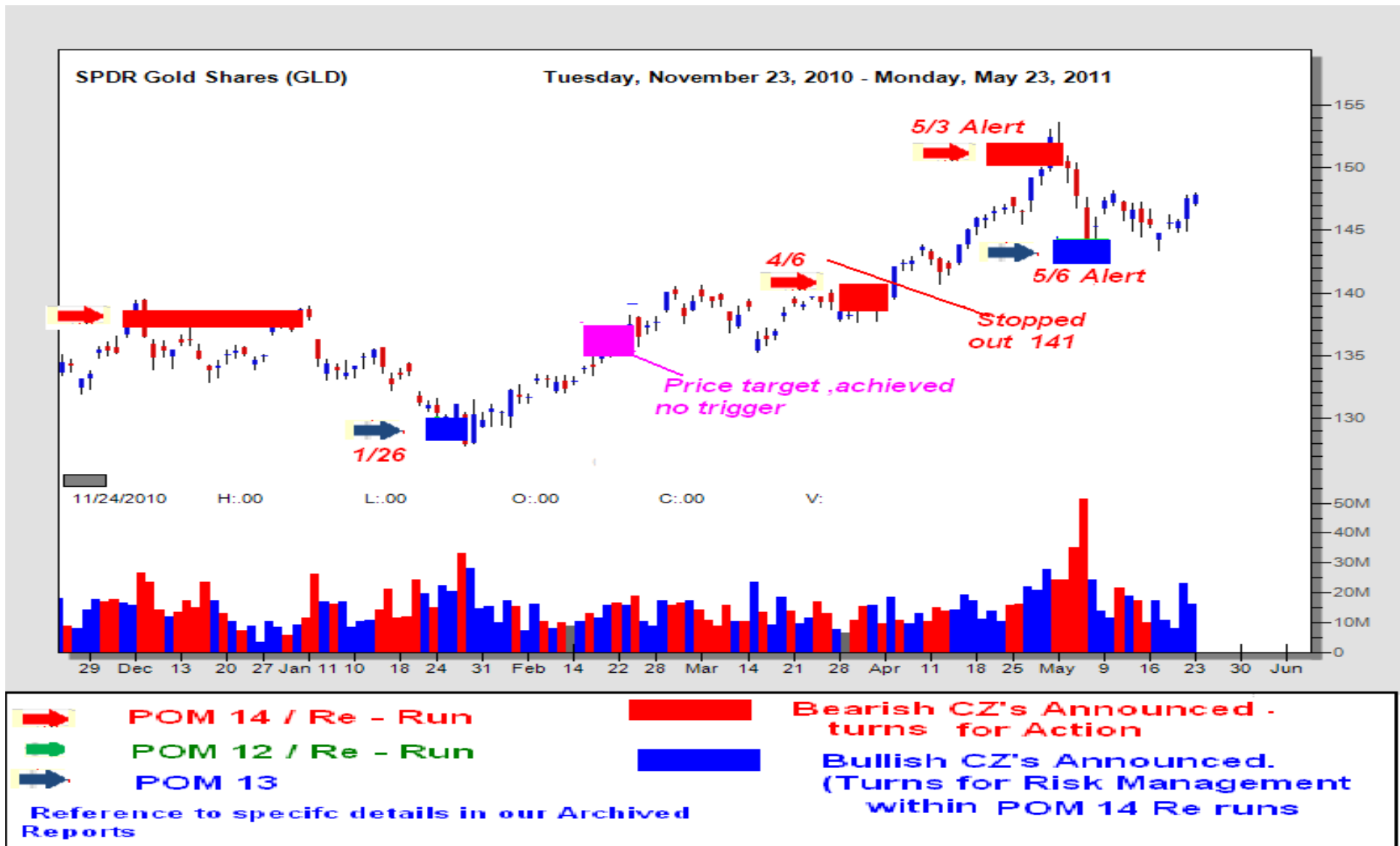
5 - AGRI – COMMODITY – (DBA) - MA / Pattern & Oscillator Analysis

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



Appendix

- 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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