



SG Capital Research

Global Market Insights

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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # JUNE_21

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

By: Suneil R Pavse

Contact: apavse@aol.com

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
- ✓ (In our last report 6/8 we expected a pull back from 1540. It pulled back to 1509 then rallied back to 1553 . We would like to see how it react here for breakout .

DOWNSIDE Target -

No CZ – Analysis yet

● 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.
 - Fresh Capital deployment at POM 12 / POM 13 since it is In Bull market

• Trading & Investment Conclusions

POM 13 - Triggered previously dated 5/6

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



- **GDX**

- **BUY SIDE - Triggered 5/11 previously by CZ TRACKER at Qualified CZ**

- **GDX - CZ 54.5 -52 - Triggered on 5/11 (1/2 positions)**

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

- **GDX – Point to note – GDX rallied from our initial Trigger from 52-54.5 (5/11) to 58 now retesting the CZ lows again_ (see chart below)**

- **GLD, SLV**

- **Pull back materialized from 1553 as expected, now rallied back from 1509 to 1553 . GDX is oversold and triggered Bullish CZ, this suggests GLD should rally to POM 14 . The POM 13 is still in tact from 5/6 Alert @ 1460**

- **CRB (DBC) , OIL**

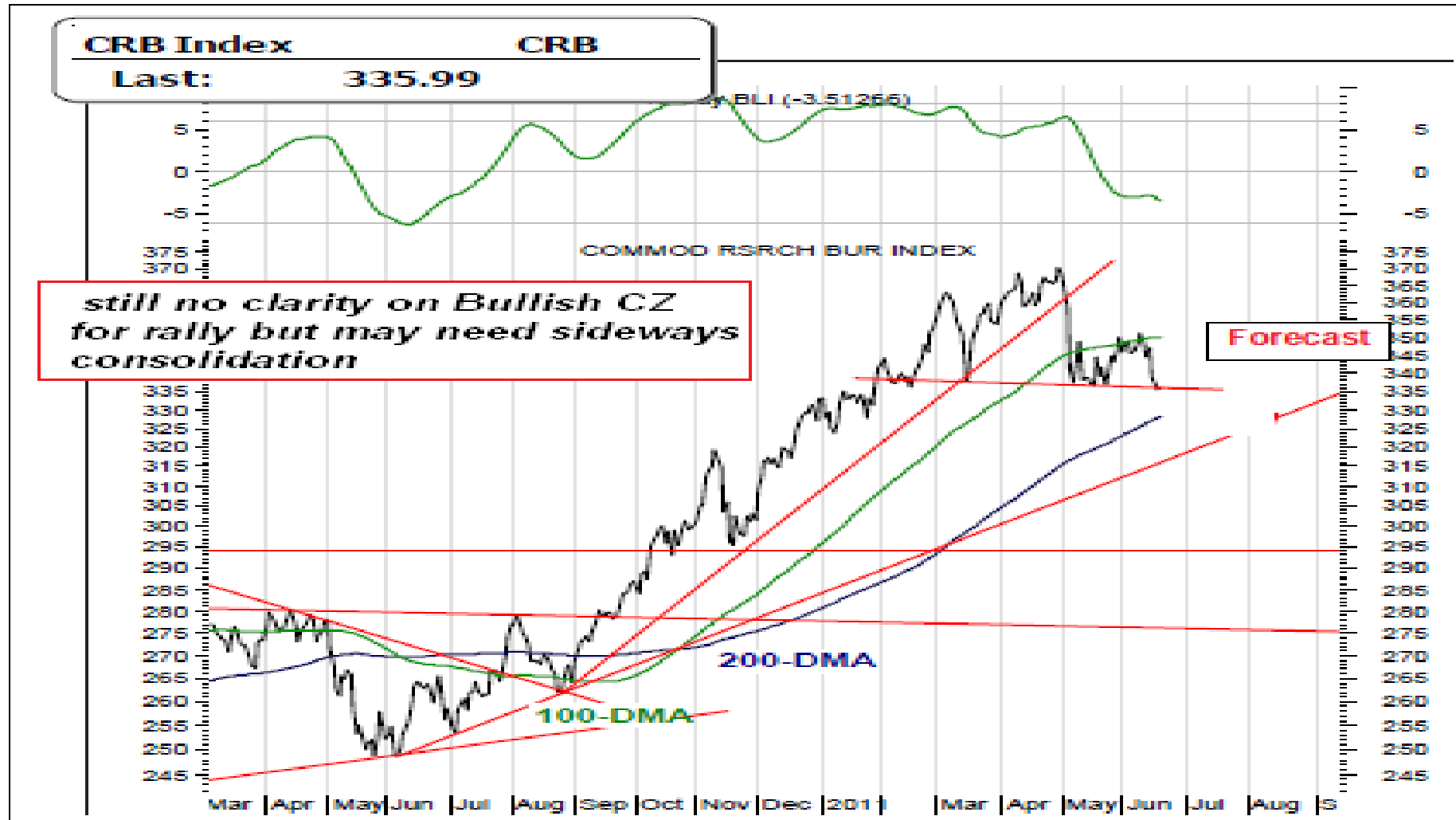
- **CZ signals / Triggers Oil 91**

- **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)



CRB / DBC- with Pattern & Oscillator Analysis

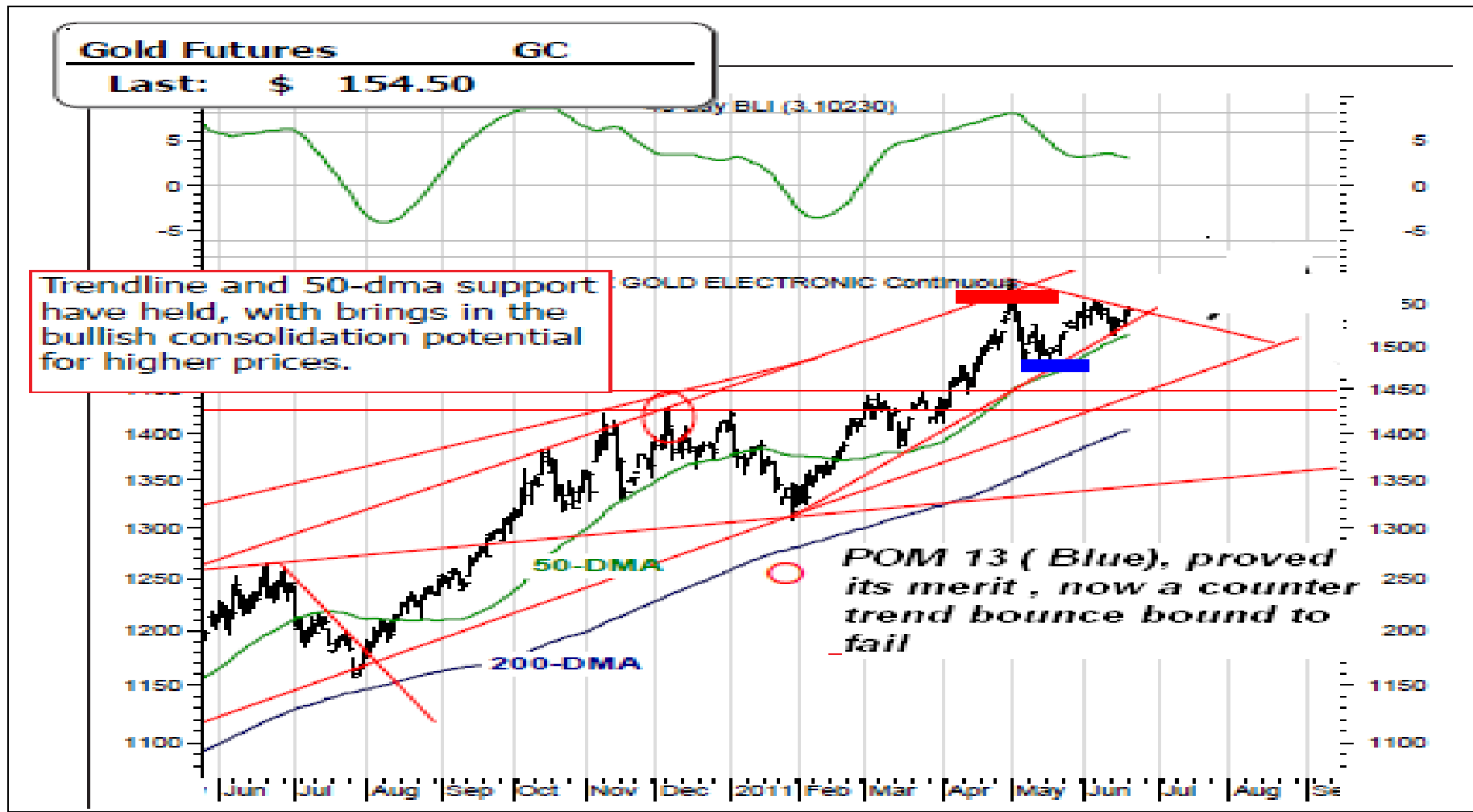
Shorter Term - Poly Trend is approaching. It is all one market if Poly Trend should hold & CRB should rally with SPX



GOLD – MA / Pattern & Oscillator Analysis

Earlier it initiated from POM 13 / @ (GLD 144) 1470 (blue) within the Bull Market

Gold could be forming a lower high in a long-term uptrend, but a lower high could be forming just below the May high. A rising price channel has taken shape over the last three years. Longer term RSI holding back to the 50 area during a correction. The January trendline and June low marked at 1510 and the @ 1470 – POM 13 Triggered 5/6 (Refer notes within chart)



2 - GOLD – PEC D - Analysis

Last Report D point signaled pull back that materialized . Now close above 1560 should initiate a rally. We have been on POM 13 / (GLD 144) 1470



GOLD : SLV RATIO – with RSI & SMA – **No change**

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



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).



2 - SILVER – PEC D - Analysis

By PEC–D Method - is showing the possibility to rally up to the 40. If close above 37



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

- *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)*
- *CZ imported from past crosses currents is projected at 52-54.5 (in green) .and CZ is validated for ½ position. & The 2nd Half – is touch of 52 and close above 53.5 with 11 M Shares.*
- *The miners themselves should play a catch-up move to the rally in the metal*
- *SD levels of GDX v/s GLD are at extreme level. (Rfer Ratio chart in 2nd window at nose bleed @ 0.28 . 0.38 is normal (-2SD)*
- *SPX is setting up rally that will help XAU to rally*



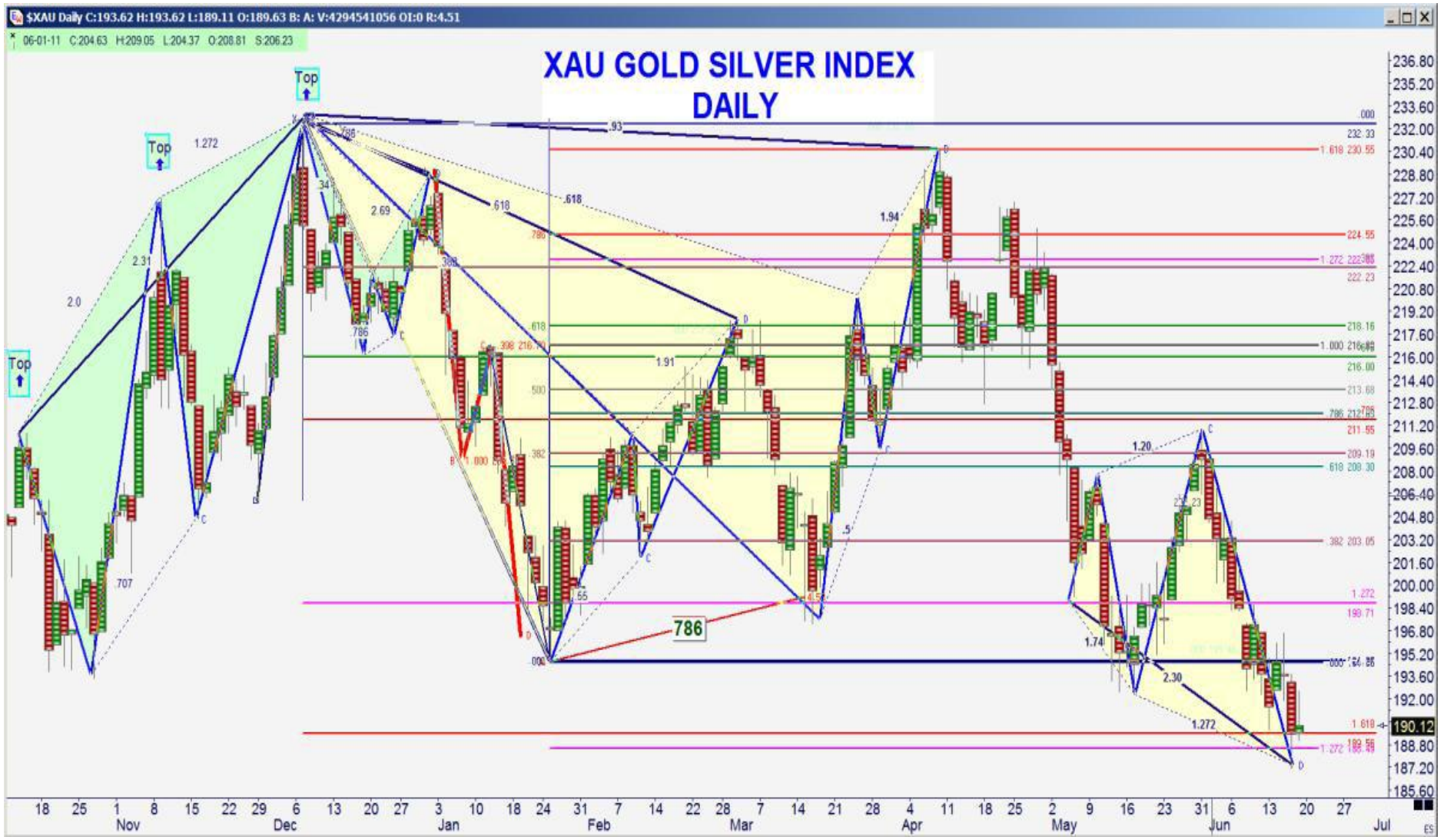
GDX : GOLD RATIO - Analysis

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 again last Friday). Last Friday the weekly RSI closed at 29.95. 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 will be 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



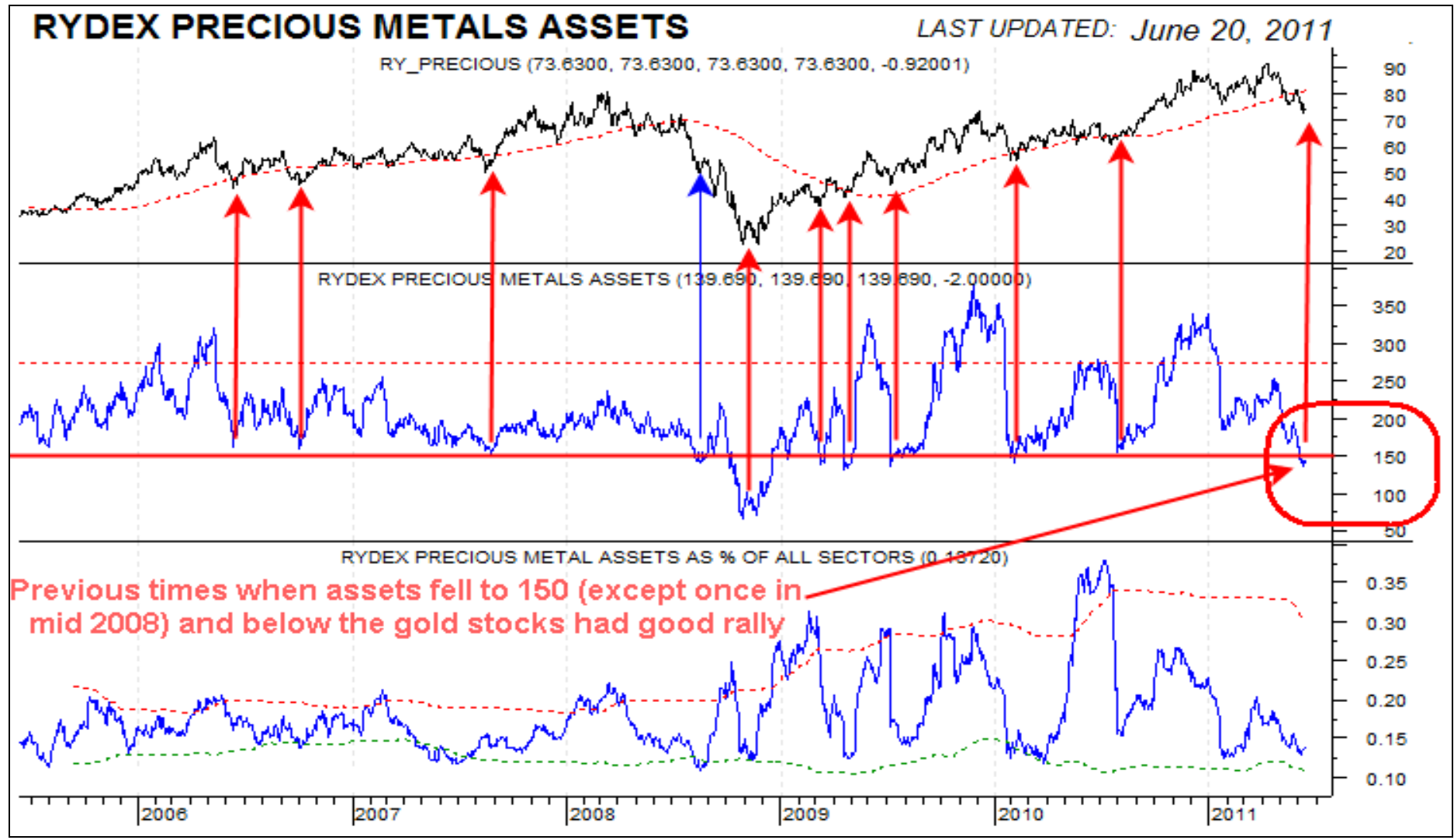
XAU – PEC D

PEC D – Pattern completed at 188 on XAU .



RYDEX SENTIMENTS – Sentiment Traders curtsey

Refer notes within charts



2- OIL – PEC D – ABCD Method

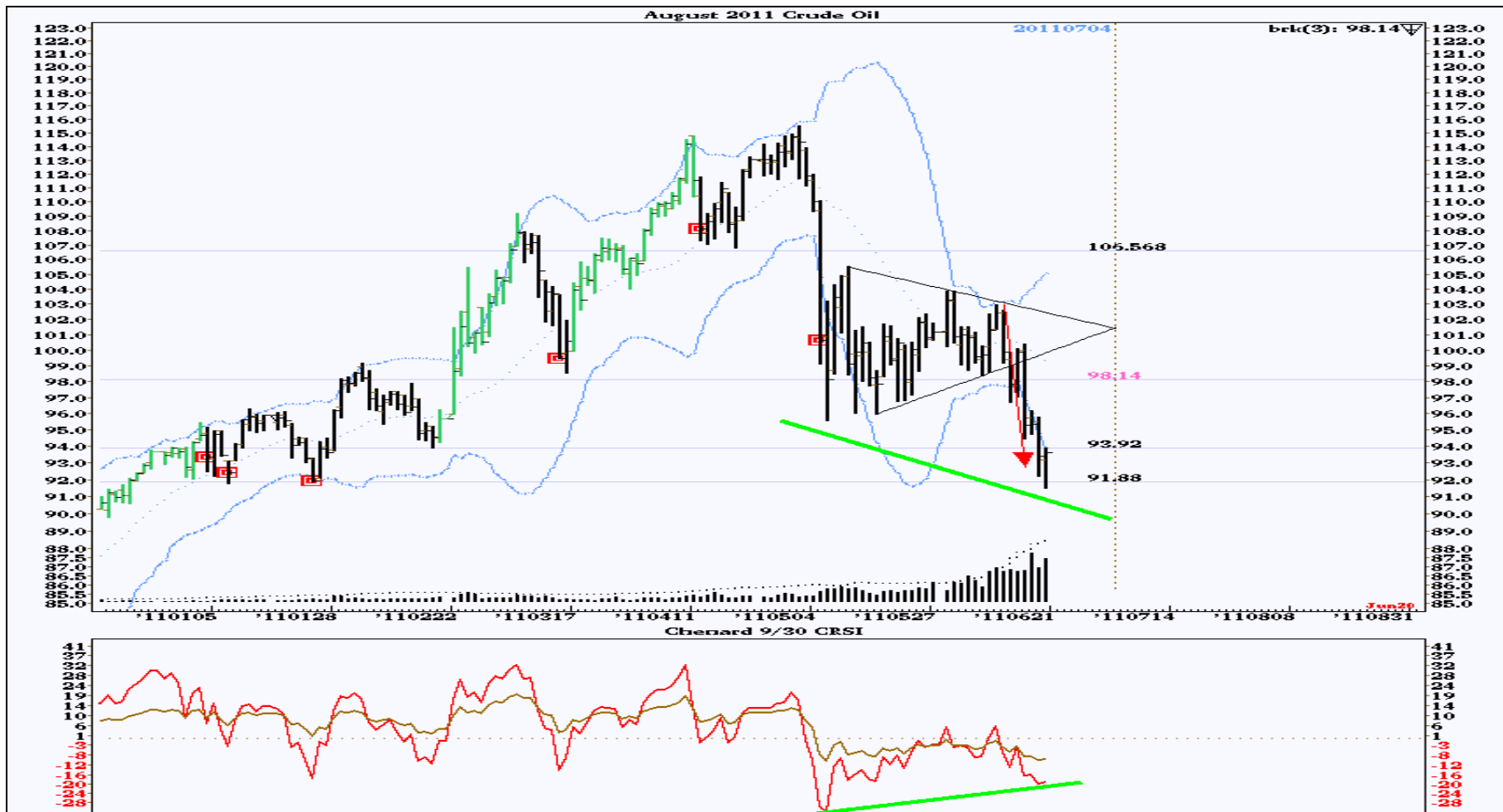
We think Current levels should Hold I which is the 0.786 level as shown on the enclosed chart. Last week oil at 95 did not have good texture as mentioned and would fail .



2- OIL – Pattern & Oscillator Analysis

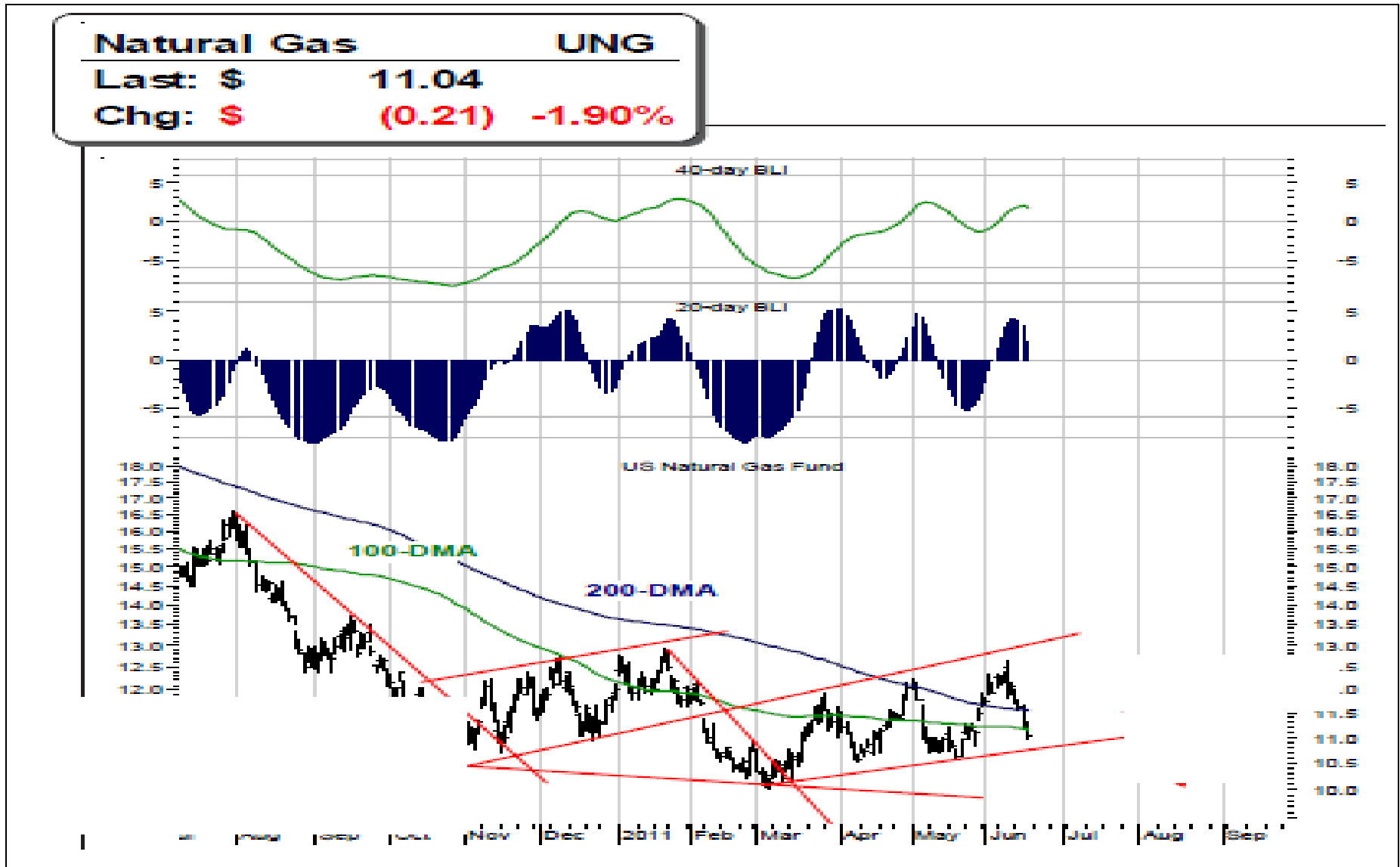
We think oil has made low around 91 , it could rally sharply higher to a higher high in July.

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. The apex gives an estimate of the Fourth of July.



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

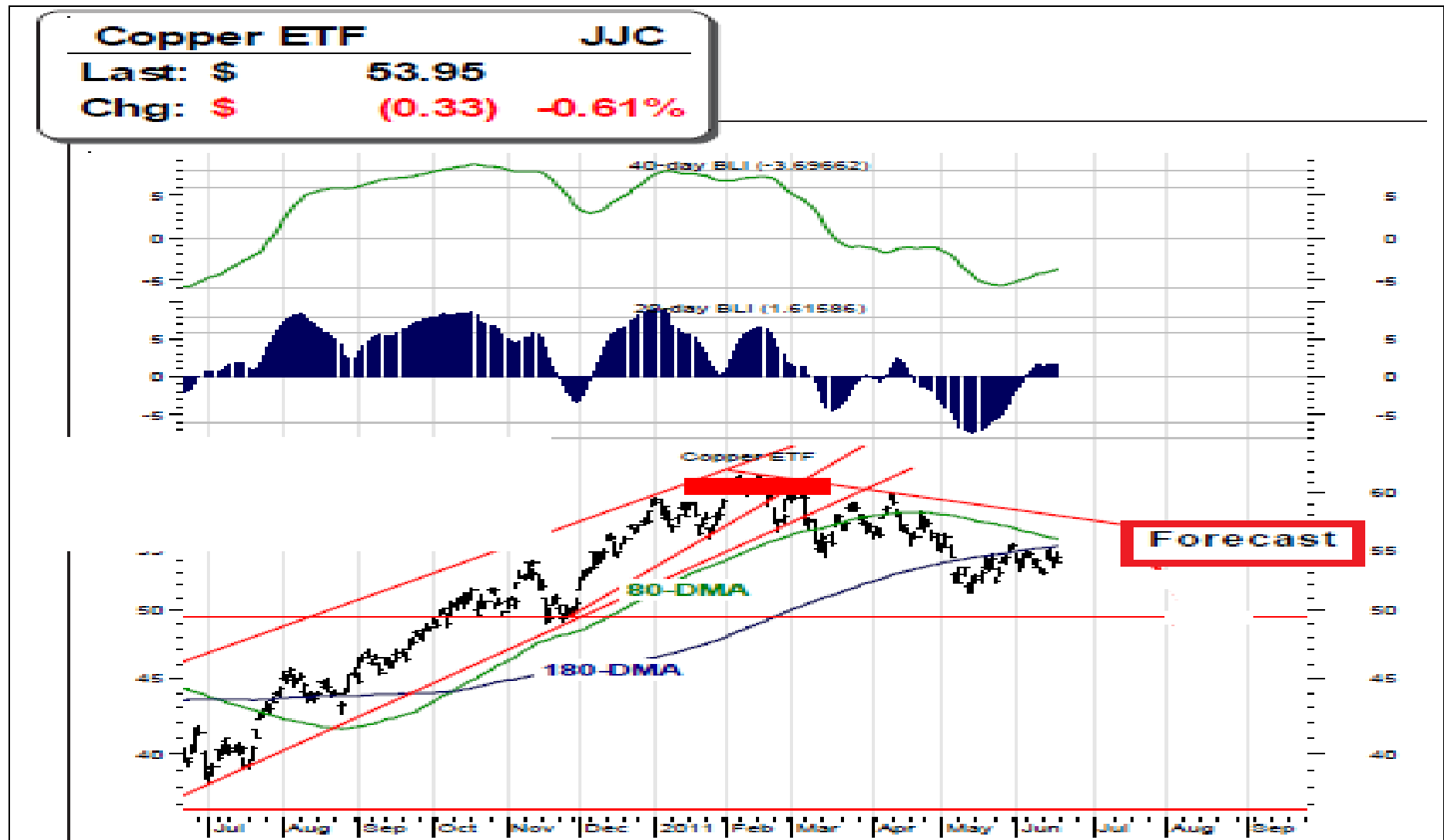
We are looking for Pull back towards Trend line – Currently - No indication of Bullish / Bearish CZ



COPPER (JJC) – MA / Pattern & Oscillator Analysis

Sine our CZ was triggered (in Red) - Copper has been down for a consecutive number of weeks . LT – CZ should remain as cloud on upside. But ST a breakout would be bullish

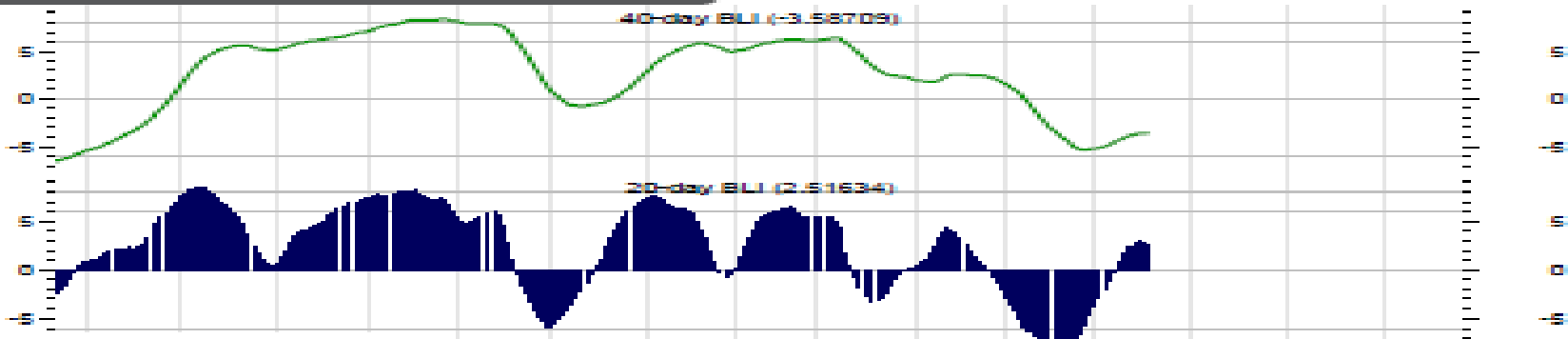
Currently - No indication of Bullish / Bearish CZ



BASE METAL - DBB - MA / Pattern & Oscillator Analysis

Currently - No indication of Bullish / Bearish CZ

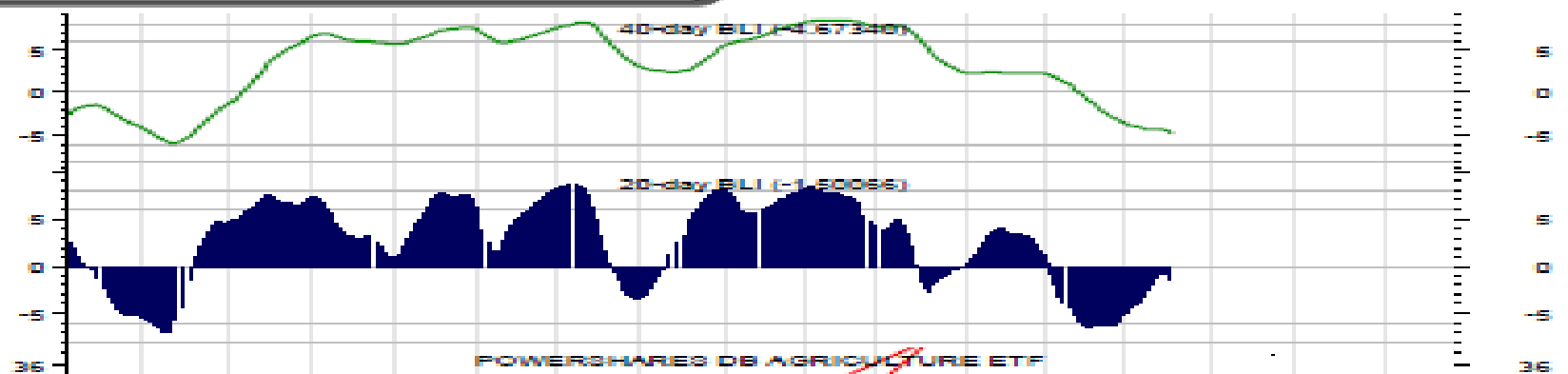
Base Metals	DBB
Last: \$ 23.05	
Chg: \$ (0.22)	-0.95%



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

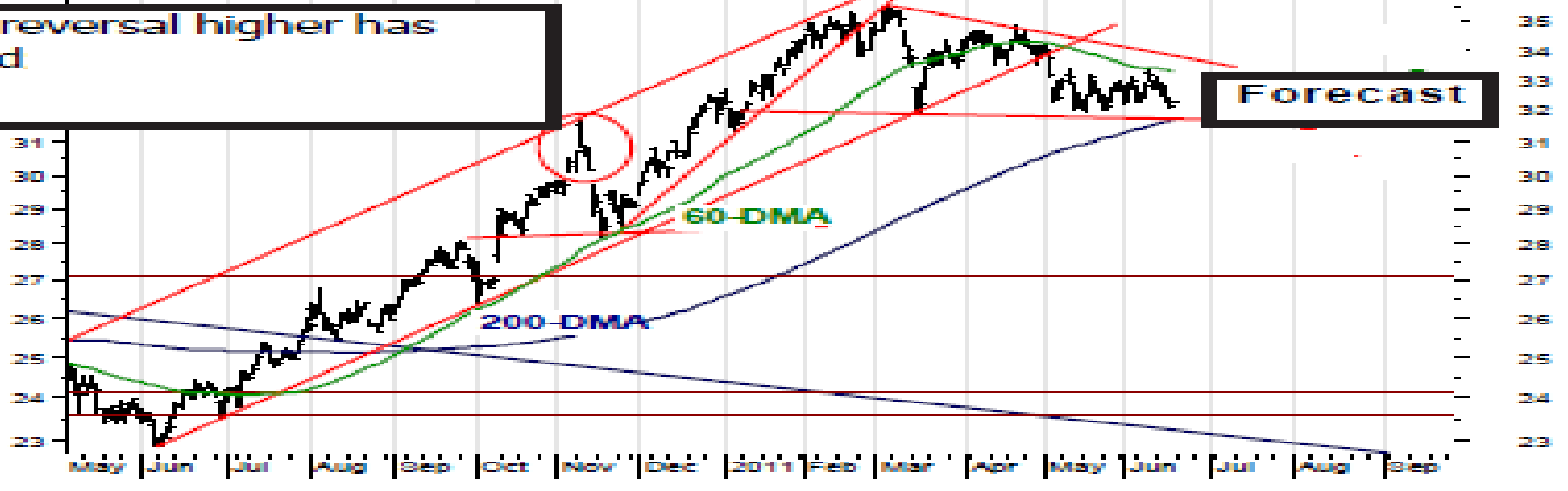
DBA – No signal but very close to reversal. A triangle consolidation - The direction of the break will dictate the next signal.
 Overall, DBA traded flat the last few weeks.

Agriculture	DBA
Last: \$ 32.24	
Chg: \$ 0.09	0.28%

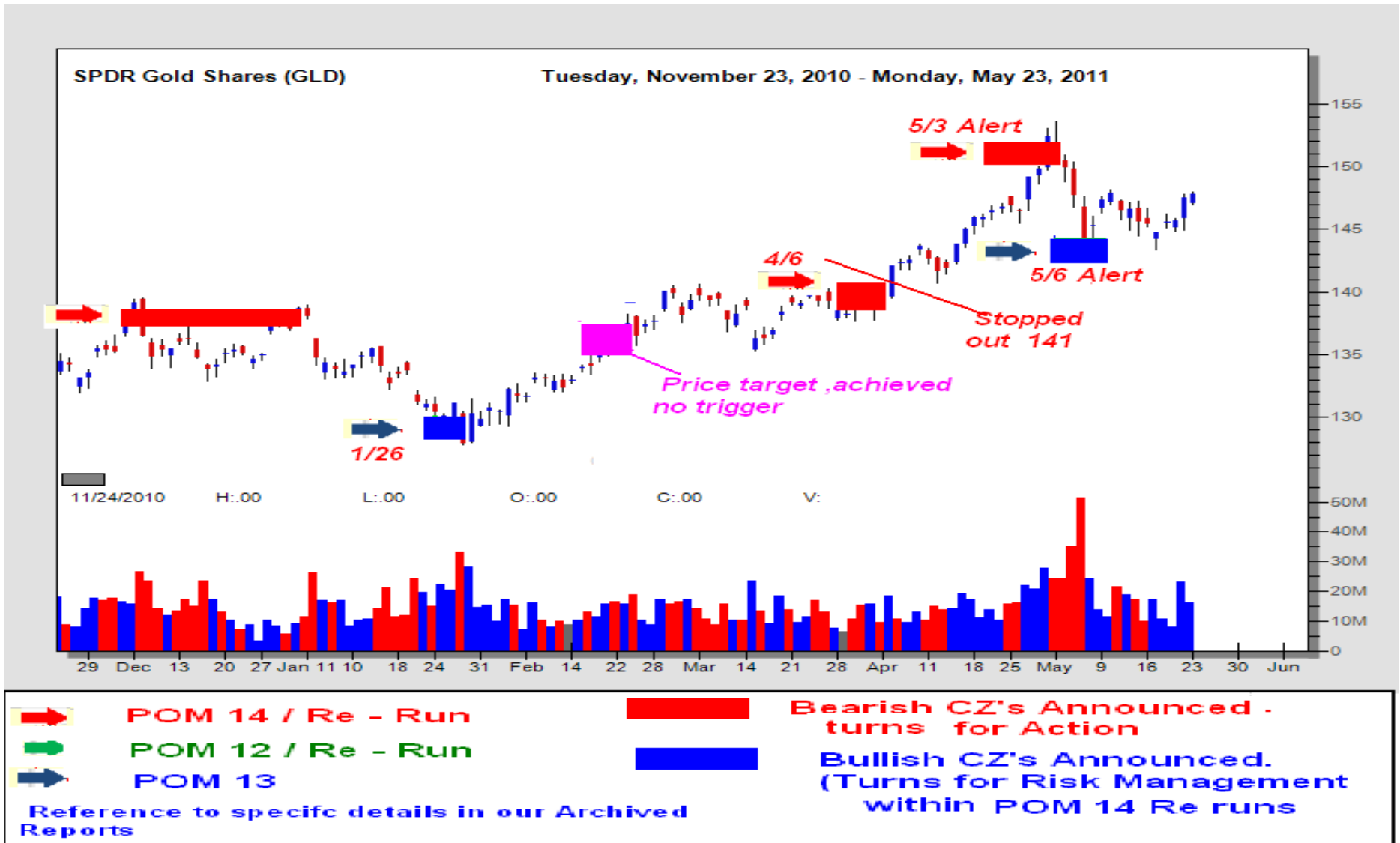


A key reversal higher has formed

Forecast



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



Appendix

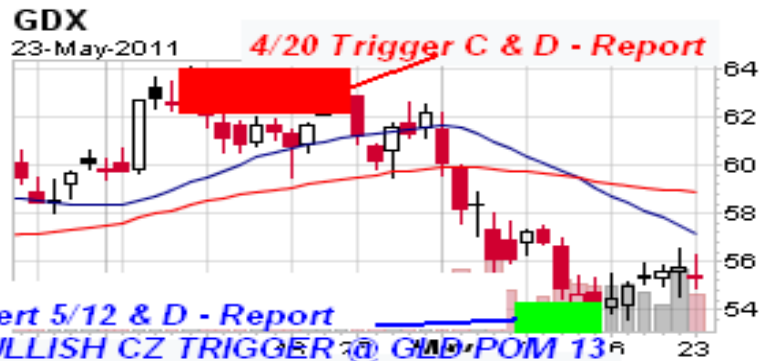
Latest History on Triggers-

(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

Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.