



SG Capital Research

Global Market Insights

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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # JUNE_08

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 - **Should initiate a pull back from (151) 1540 (see the charts below) .**

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)
- 3rd Hedge - (stopped on 4/5 @ 1450) from POM 14 – Re run Trigger at 1425)
- 2nd Hedge - Closed on 3/16 at CZ (@ 1380) , from POM 14 – Re run Trigger at 1425)
- 1st Hedge - closed on 1/25 at POM 13 (@ 1325) , from POM 14 @ 1420 (since 1st Jan)

● Long Side –

- POM 12 Calls – None so far this year.
 - Fresh Capital deployment at next POM 12 / POM 13.

• Trading & Investment Conclusions

POM 13 - Triggered previously by CZ TRACKER at Qualified CZ

- **GLD, SLV, GDX**(CZ validation price indicated Blue – POM 13



- **GDX**

- **BUY SIDE - Triggered previously by CZ TRACKER at Qualified CZ – Stops below LCZ**

- **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 we noted in last Report 2 weeks ago 5/24 – There will be some back filling and retracement in this move for double testing CZ , (see chart below)**

- **GLD, SLV**

- **GLD,SLV are ST - Top and pull back should begin . But it is AOM (All one market lately) , SPX & GDX is oversold and triggered Bullish CZ, this suggests the pull back in GLD should be limited or at least towards POM 13 – CZ . (see the charts below)**

- **CRB (DBC) , Copper (JJC) , DBB, OIL**

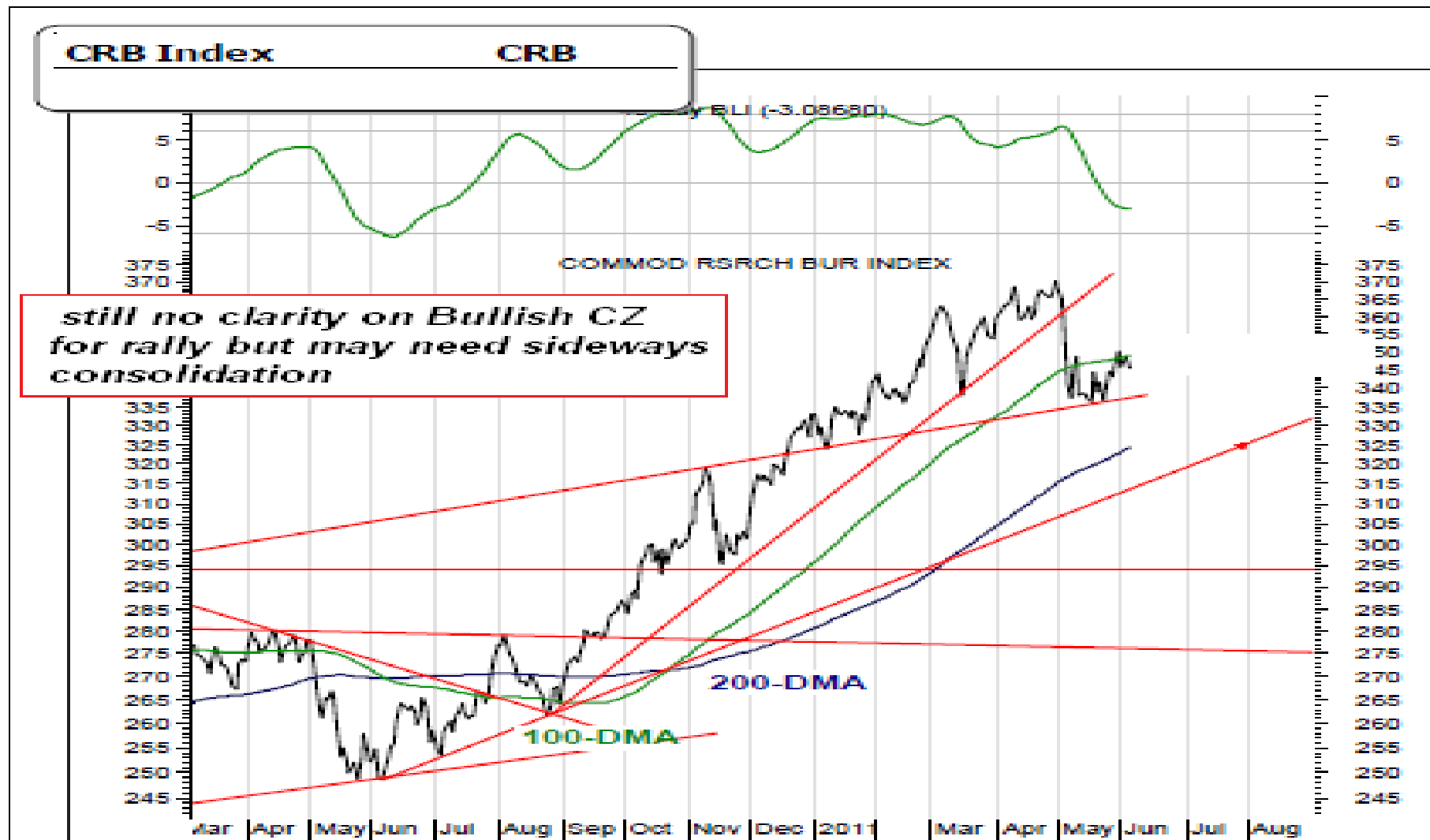
- **No ST – CZ signals / Triggers**

- **DBA, UNG**

- **Bullish – but No Signal.**

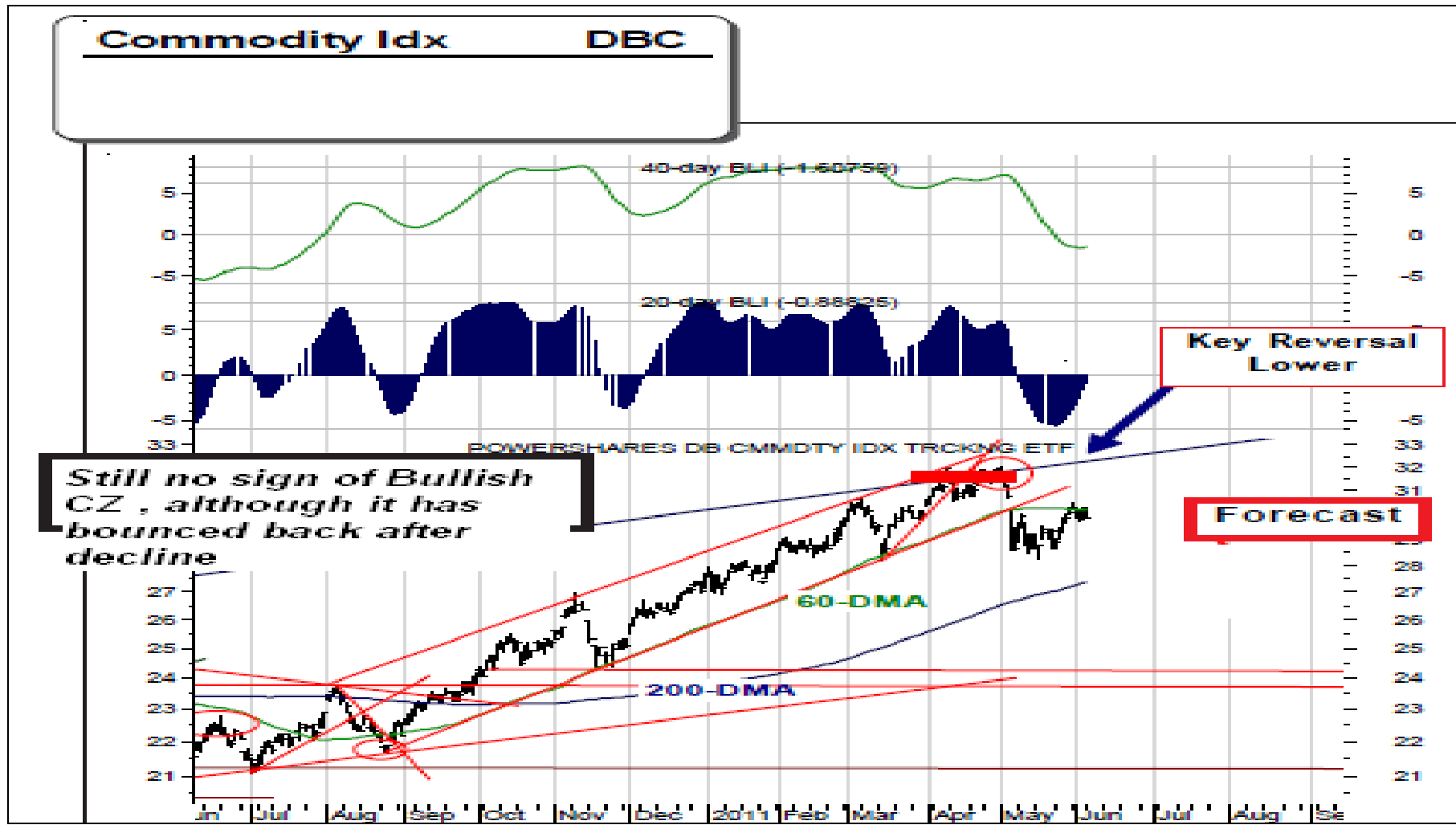
CRB / DBC- with Pattern & Oscillator Analysis

The 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

Currently - No indication of Bullish / Bearish CZ but Key reversal at the top & CZ – PQV Validated 4/27 (Indicated in red is remains as cloud Longer term)



- GOLD – MA / Pattern & Oscillator Analysis

Currently the bounce towards 1540 should be complete for pull back , Earlier it initiated from POM 13 / (GLD 144) 1470 (blue)



2 - GOLD – PEC D - Analysis

From 2 weeks ago our expectation by PEC –D Method was the target towards 1541. Apparently it is complete at 1552 . We do not have any trigger for POM 14 . but the pull back in progress . We would like to see the quality of the pull back .

Gold has reached the 0.786 level after the 120 correction from POM 14 re run to POM 13 early May. Silver on the other side has had 0.382 , which is usually a sign of weakness.



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



SLV – MA / Pattern & Oscillator Analysis

Currently the bounce towards 36 should be complete . It was initiated from POM 13 / (SLV 34) (blue) . Notes within the chart.



2 - SILVER – PEC D - Analysis

By PEC–D Method - No Signal yet . This has bounced much weaker then GLD. Silver has now undergone a big drop in open interest (i.e over 25% below its top). SLV has lost its leadership.



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

- *GDX has reached CZ Trigger in classic AB=CD fashion and rallied from 53 to 58. Currently in retracement mode.*
- *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. There will be retracement for double testing the CZ*
- *The rally in gold is extended, but the miners themselves, may be making a catch-up move to the rally in the metal SD levels of GDX v/s GLD are at extreme level.*
- *SPX is setting up rally that may help Miners as well*

GDJ : GOLD RATIO - Analysis

The weekly GDJ and GDJ/GLD ratio dating back to 1999. When the weekly RSI of the GDJ/GLD ratio reaches 30 and below and intermediate term rally is not far off. The best bullish case is when the RSI of this ratio falls below 30 which happen at the beginning of the bull market in 2000 and at the 2008 low. Right now the RSI is in that area a Bullish sign. The bottom window is the Slow Stochastics turns up through 20 a bullish signal will be triggered.



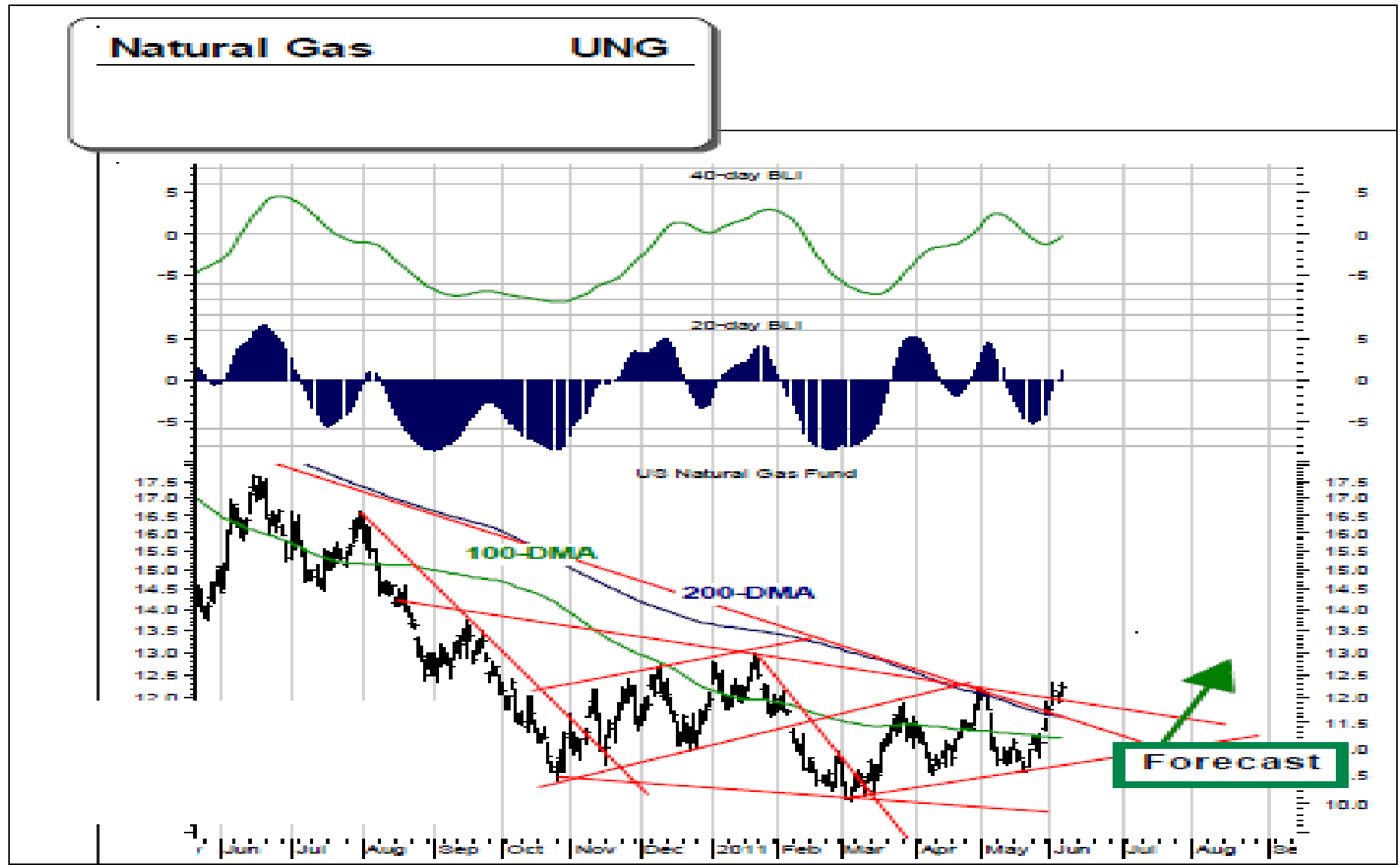
GDx – MA / Pattern / Oscillator Analysis

The daily GDx chart. GDx has been in a trading range since early December which has been 6 months building “Cause” for the next rally. The longer in time the trading range, the longer in time the next rally will take once it breaks out of the trading range. The bottom window is the Bullish Percent index for the Gold Miners index which has had a bullish crossover.



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

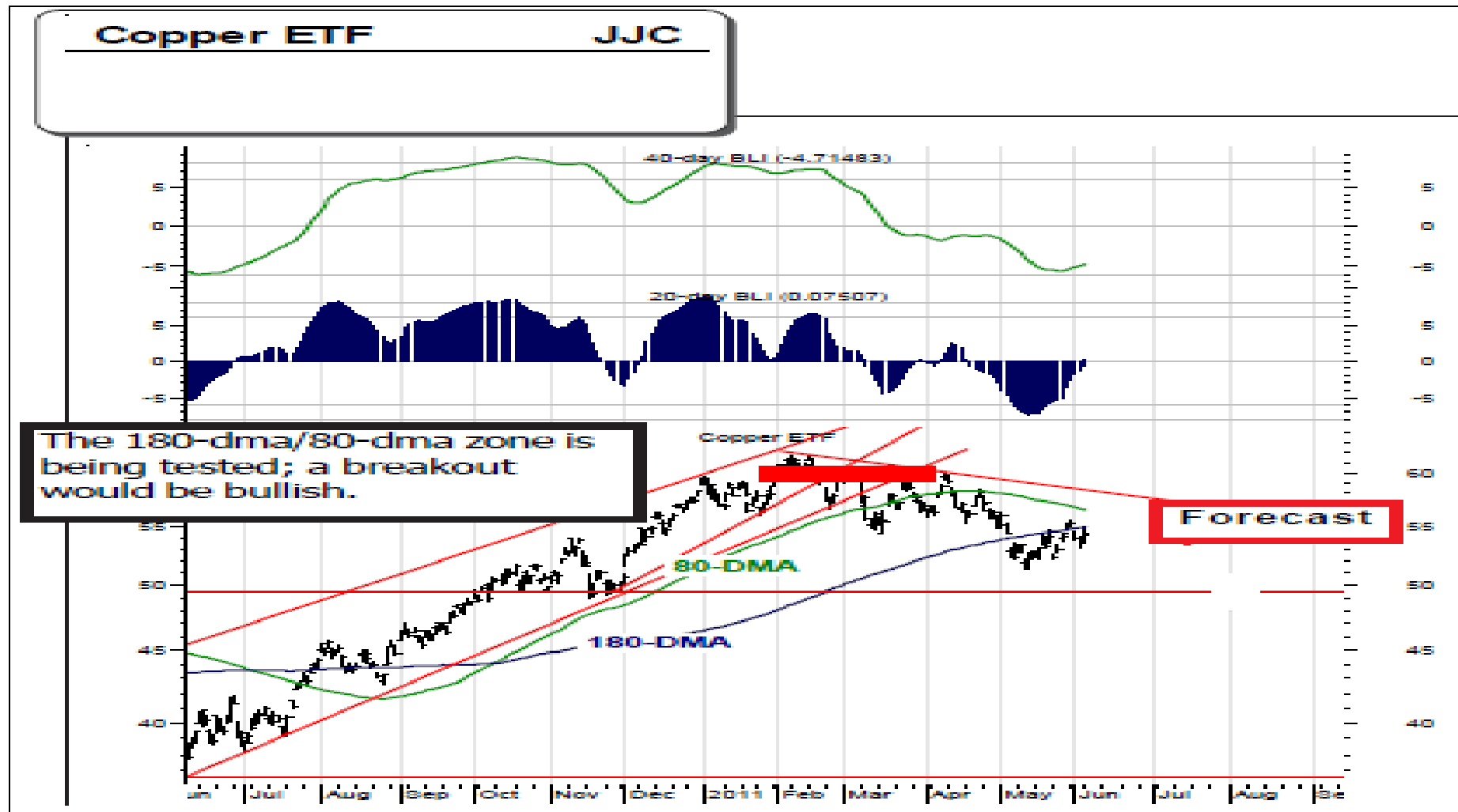
2 Weeks ago in our last Report 5/24, our expectation was 2nd ABC up (It is very much in progress) . In march it put in classic bottom (*but we did not have any coverage on UNG at that time*) .



COPPER (JJC) – MA / Pattern & Oscillator Analysis

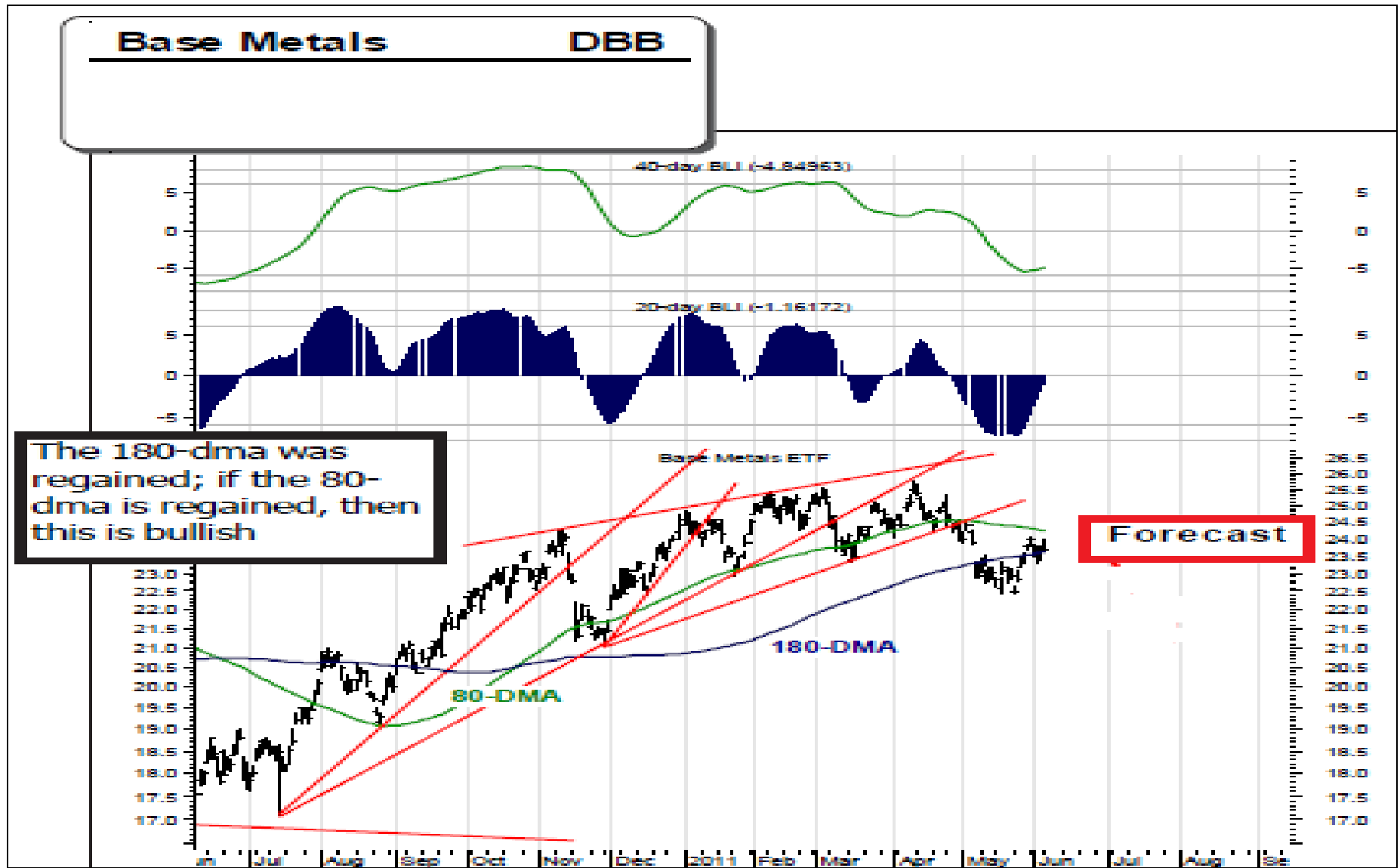
Sine our CZ was triggered (in Red) - Copper has been down for a consecutive number of weeks . LT – CZ should remain as cloud on upside. But ST a breakout would be bullish

Currently - No indication of Bullish / Bearish CZ



BASE METAL - DBB - MA / Pattern & Oscillator Analysis

Currently - No indication of Bullish / Bearish CZ

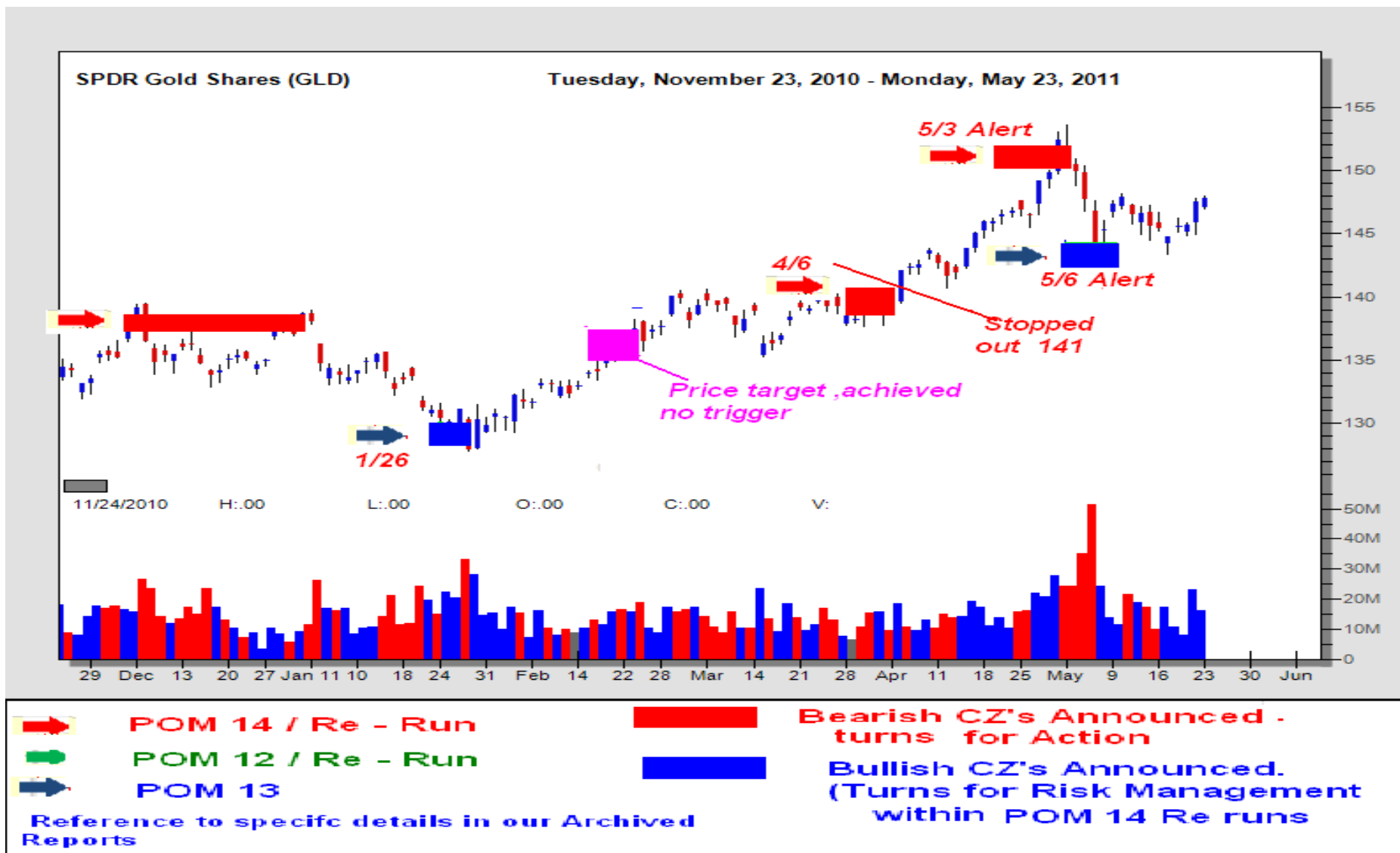


AGRI – COMMODITY - DBA - MA / Pattern & Oscillator Analysis

DBA looks bullish by this method, might be good candidate for CZ Analysis on Buy Side . No signal yet



• 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 U CZ 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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