



SG Capital Research

Global Market Insights

Research Note – Commodity Analysis (C)

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # MAR 02

For Immediate Release – *Wednesday AM (EST)*

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Commodity Analysis (C)

- CRB
- GOLD
- SLV, SLW (**Special Situation**)
- GDX
- OIL / USO
- COPPER / JJC
- METALS / DBB
- AGRO / DBA
- 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
- 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” – Flat @ 1324**

3x3 /9EMA – Momentum Break Indicator - Next Signal – Buy SPX above 1340 close

- **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.

● GOLD / SLV Signals & Price Projections

- ✓ First Target @ POM 13 (achieved) – GLD – 1320 & SLV – 25/ 26 (both Achieved Dated 11/17 & Dated 01/26)
- ✓ We have been awaiting for bounce to 1375 –GLD & 29 In SLV (Exceeded to GLD 1400 & SLV 31)

Second Target @ POM 12 – (pending) possibly Re test of GLD - 1300

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

● Trading & Investment Conclusions (update)

ACTIONABLE ZONE - (Refer to the Charts for PRICE CONFLUENCE Zone - CZ)

- GOLD - Triggered POM 13 at 1320 on 1/25 , (for Covering Hedges from POM 14. i.e Holding Long term Long Positions) . No signal at POM 14 – Re Run yet, however it has reached / exceeded the CZ 134 -136 that we have been expecting on bounce
- OIL - No new signal
- SLV - Triggered POM 13 at 26 on 1/25 (Covering Short Positions Initiated at POM 15) , No signal at POM 14 – Re Run yet, however it has reached / exceeded the CZ 29 -30 that we have been expecting on bounce.
- COPPER - We have Triggered Short Sell Signal (Refer to CZ in JJC – ETF in Sector Report - D)

Our start point 2011 in GOLD @ 1420

Monitoring from 1st Jan reference point POM 14 @ 1420 to POM 13 @ 1320 dt . 1/25

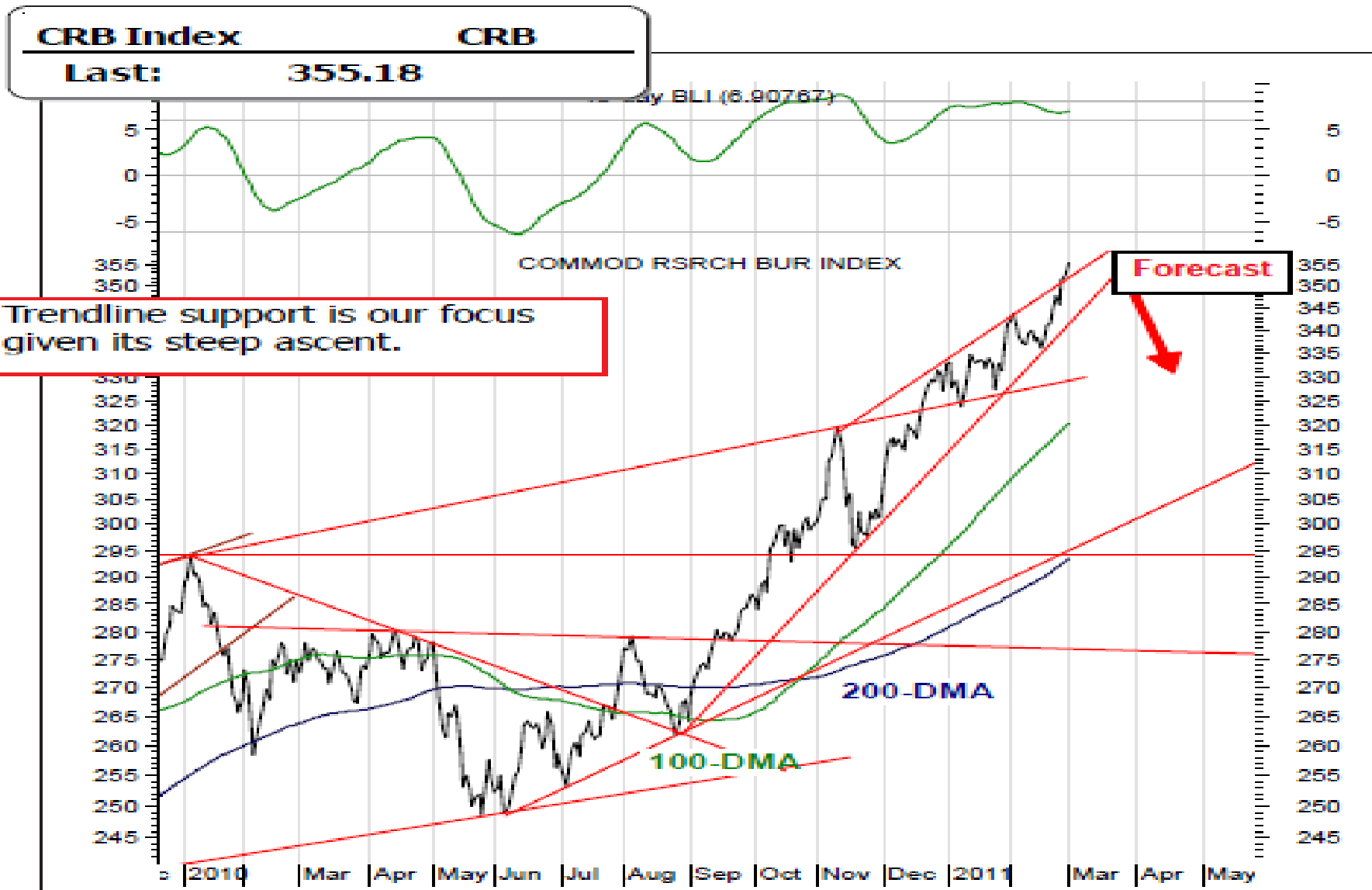
- Long Side –
 - POM 12 Calls – **None** so far this year.
- Hedge Longs / Risk Management for Downside Corrections -
 - We recommend Hedges be **closed at POM 13** (@ 1325), on Existing long positions from POM 14 @ 1420 (since 1st Jan) Redeploy the same capital in partial **upon bounce to CZ 1375 -1395 or POM 14 – Re run (pending)**
- Net Short –
 - **None recommended** for Bull market by this Model.
- The Model would suggest Capital deployment at next POM 12 (since its been a Bull market) and / or at POM 12 at oversold equilibrium point

• Insights

- **GLD / GDX / SLV having reached and exceeded our CZ target that began from POM 13 dated 1/28, We are currently awaiting for signal on POM 14 – Re run failure of the bounce to re - deploy the same capital exited at POM 13 in partials allocations on scaled in basis with risk management at around Upper CZ . Precious metals having the history of overshooting on both sides.**
- **If we breakout from current levels we will have to look for next different signal. Our Method does not buy the breakouts , if Breakouts defined by volume are real then we consider buy the next Retracements at breakout areas.**
- **Gold producer in particular NEM, ABX, GOLD, AU, KGC. charts show that has not been very effective as a proxy for gold and lagging , but today will be the test day for those stock if GLD can breakout.**
- **. Gold itself is close to its old high of 1435 . Any close above 1435 could set up stop trigger to go higher . We are watching carefully (Breakout or Fake out) , If we close above the Highs, it could very well be like SLV close above 30.5)**
- **Silver, had its Stops triggered at 30.50 and hit the exact 1.618 expansion of that move at the 34.20, that was our Price projection we had indicated on earlier Report once 3x3 volume had picked up .**
 - **The long term chart of the CRB, The pattern is nearly perfect in both price and time. If it goes in parabolic move then hyperinflation is coming, it will almost certainly be accompanied by the USD collapsing below 73 while gold and silver will skyrocket to moon . This is extreme scenario. We don't believe its happening .**
- **On OIL – Social unrest in Middle east caused the Oil prices burst up above our UCZ at 93 to highs of 104 (which also happens to be above the 62% ratio of the entire bear move from the all time high of 143) .**

CRB - with SMA & Trend lines

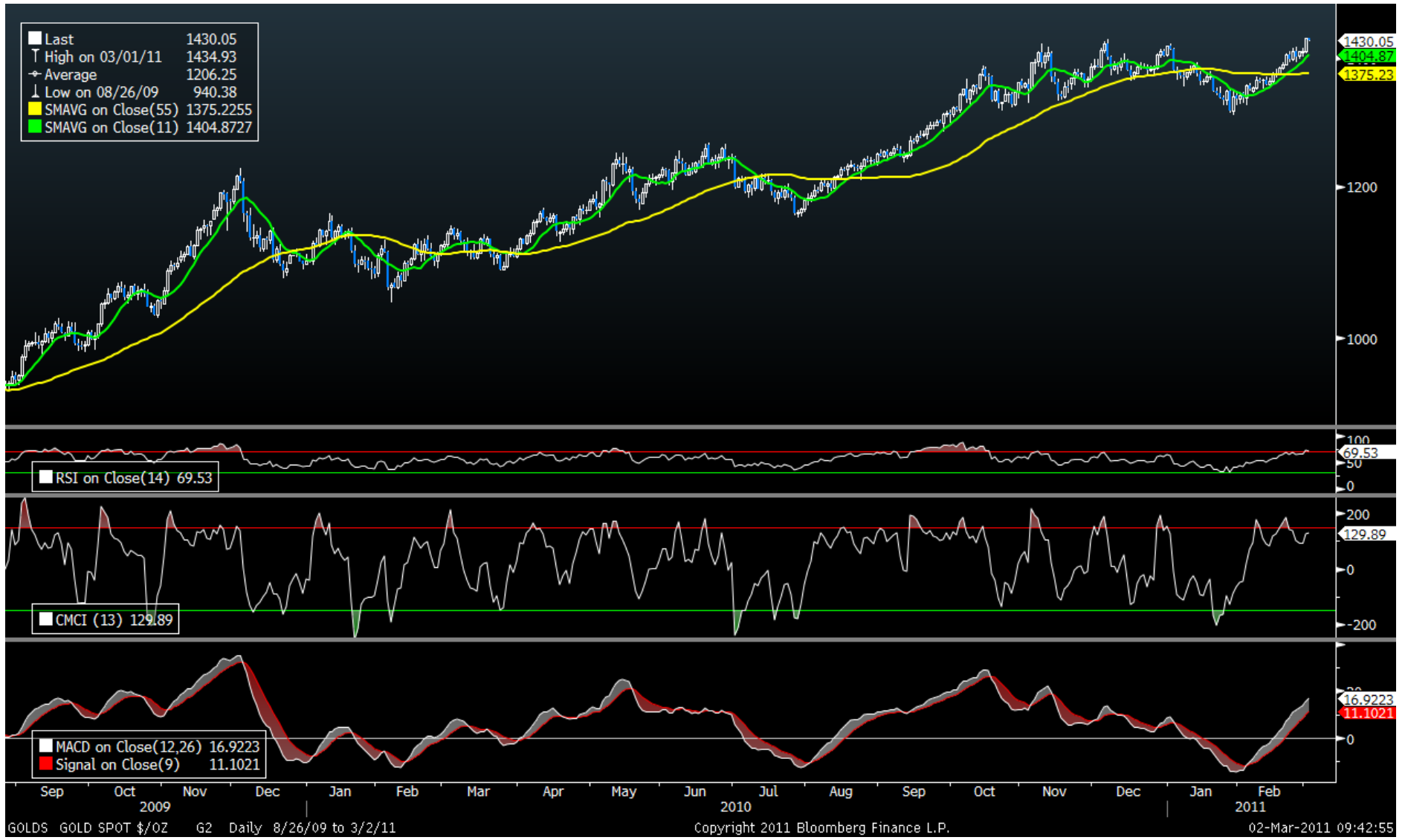
Just a overall view on Commodities in general- CRB is building higher high but Oscillator is lagging. We are watching the trend line break



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



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



1- GLD – Price / Volume (Add \$ 30 to GLD for Continuous contract)

GLD - FIRST reached CZ (134 – 136) (as indicated in Red box) from 129 (POM 13) and exceeded to 140 , We are testing for the ultimate breakout zone of 137 to 140, volatility here increases. Volume picked up to 17 M v/s 9M against the test , Here we need one of the two scenario at Double top, (At Inflection point either volume should pick up or price should pick up)

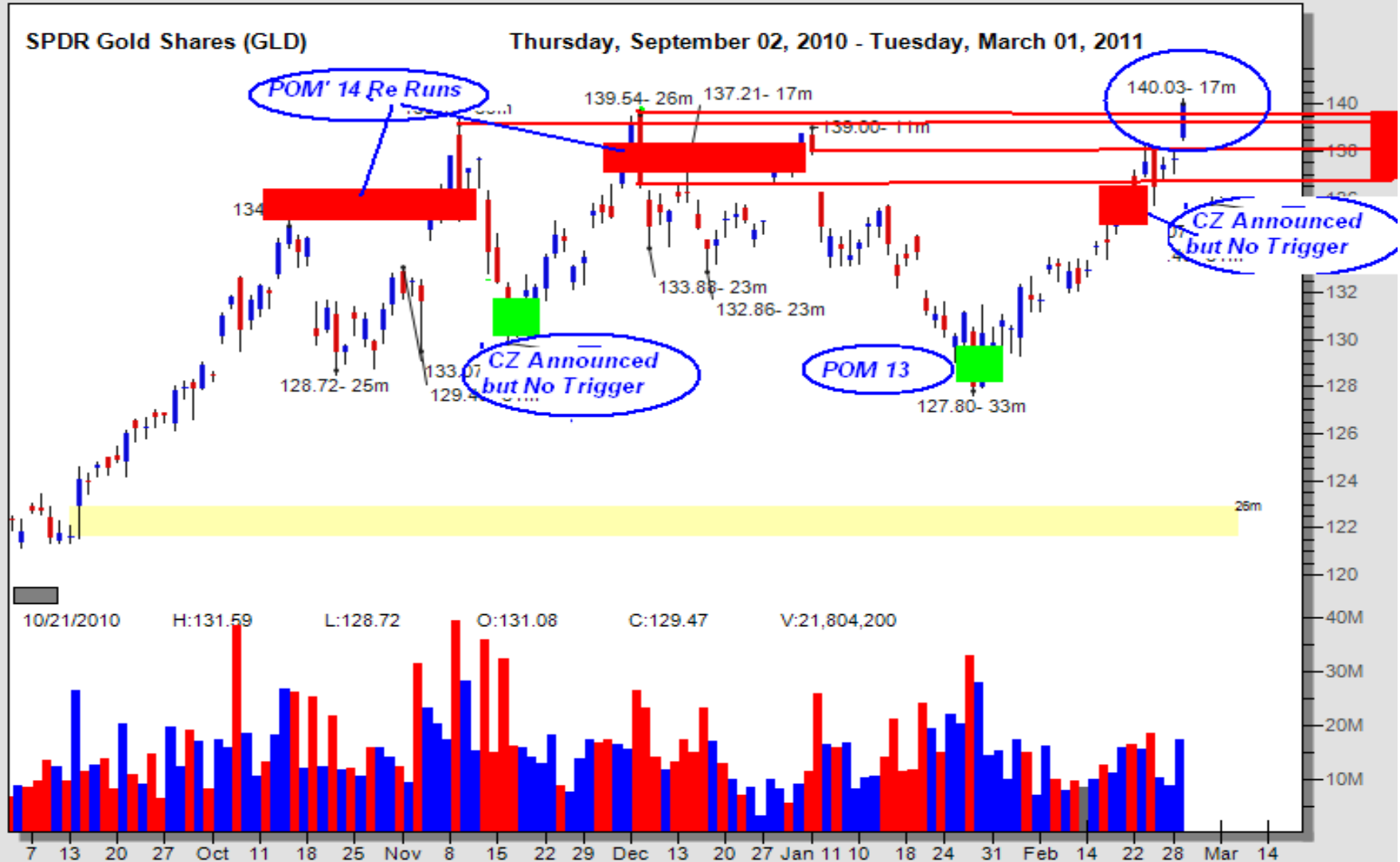
- *CASE 1- Price to stay above 140 and close above, This will trigger all the stops and momentum takes over even if the volume is lower (Similar to what happened to SLV begin ABC up) . We need to see how volume pens out end of the day*
- *CASE 2 - If prices gets rejection going **above 141 with Equal or lesser then 17 M volume and close below 139** , then it could set up bearish ,*
- *No Signal yet , Decision time is when it proves the point and then gets the trigger.*

***On continuous contract ,GOLD equates to - if the Volume picks up 300K towards and close above 1435 then would begin ABC up .** Where Gold goes SLV , GDX will follow. But usually GDX leads the metal higher . GDX is lagging quite a bit which is divergence. But we do not argue with Price & Volume on GLD*

We advise risk management with STOPS on other side of CZ Stops ,

GLD -CZ Mapping

CF zone PRICE TARGET process looks for Predictable market moves that are clear for either adding , lightening up or recycling of capital . The remaining price moves are monitored by either the test volume of CZ's OR 3X3 pick ups at UCZ with 3.30PM rule or 10.30 AM rule to judge the tight stops on other side of CZ for risk managements (notes within the chart



GLD – Money flow

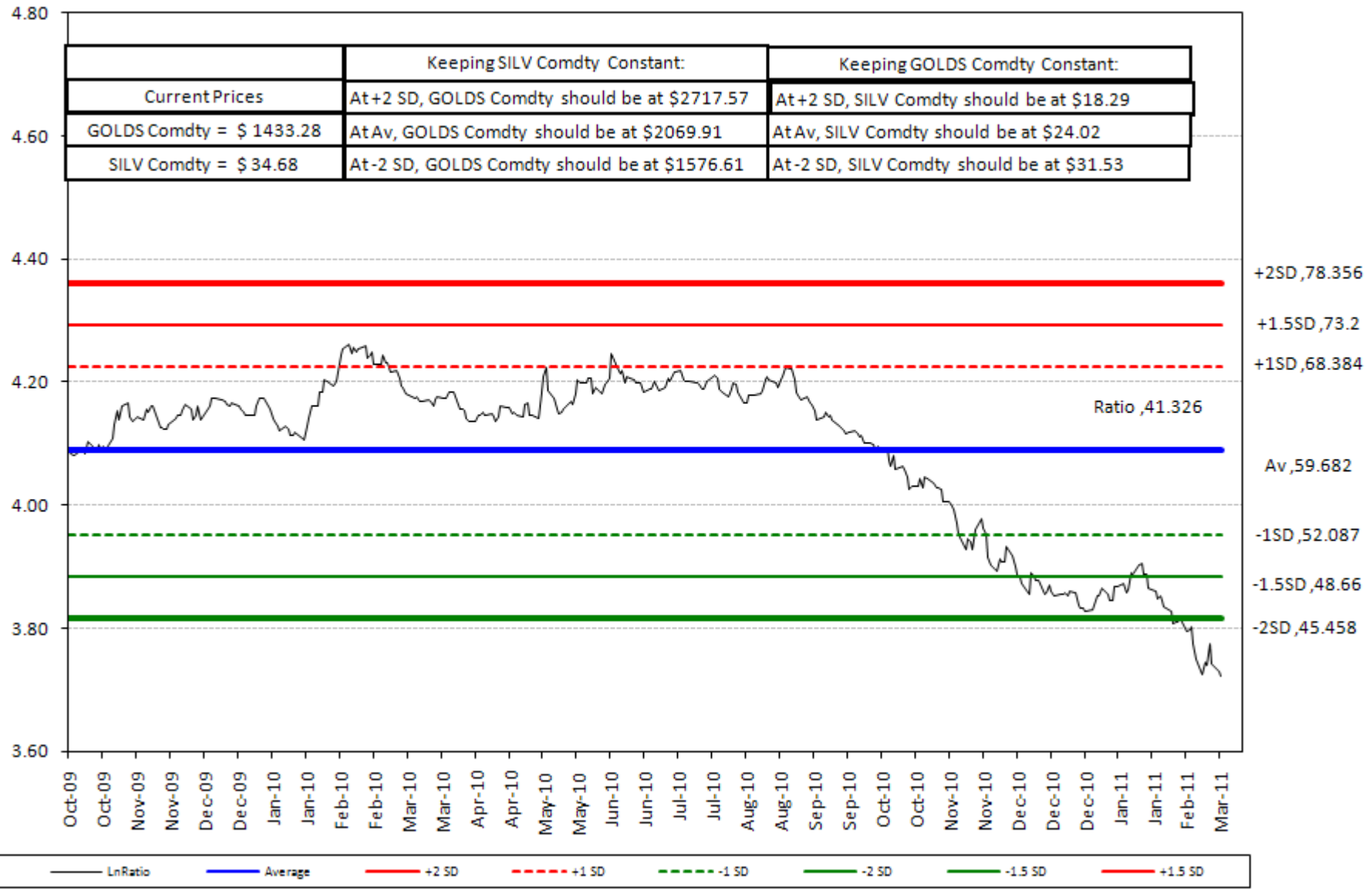
Under 2 time frames , The Money flow is suspect and it Just another Hurdle even on last bounce. If not now, this will bite at the end.



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

With Respect to SLV, GOLD is undervalued.

Long GOLDS Comdty and Short SILV Comdty, Updated till 01 Mar 2011, LAST 365 TRADING DAYS ANALYSIS



GOLD – Correlation Ratio Analysis with SLV – Full Time basis

With Respect to SLV , GOLD is undervalued.

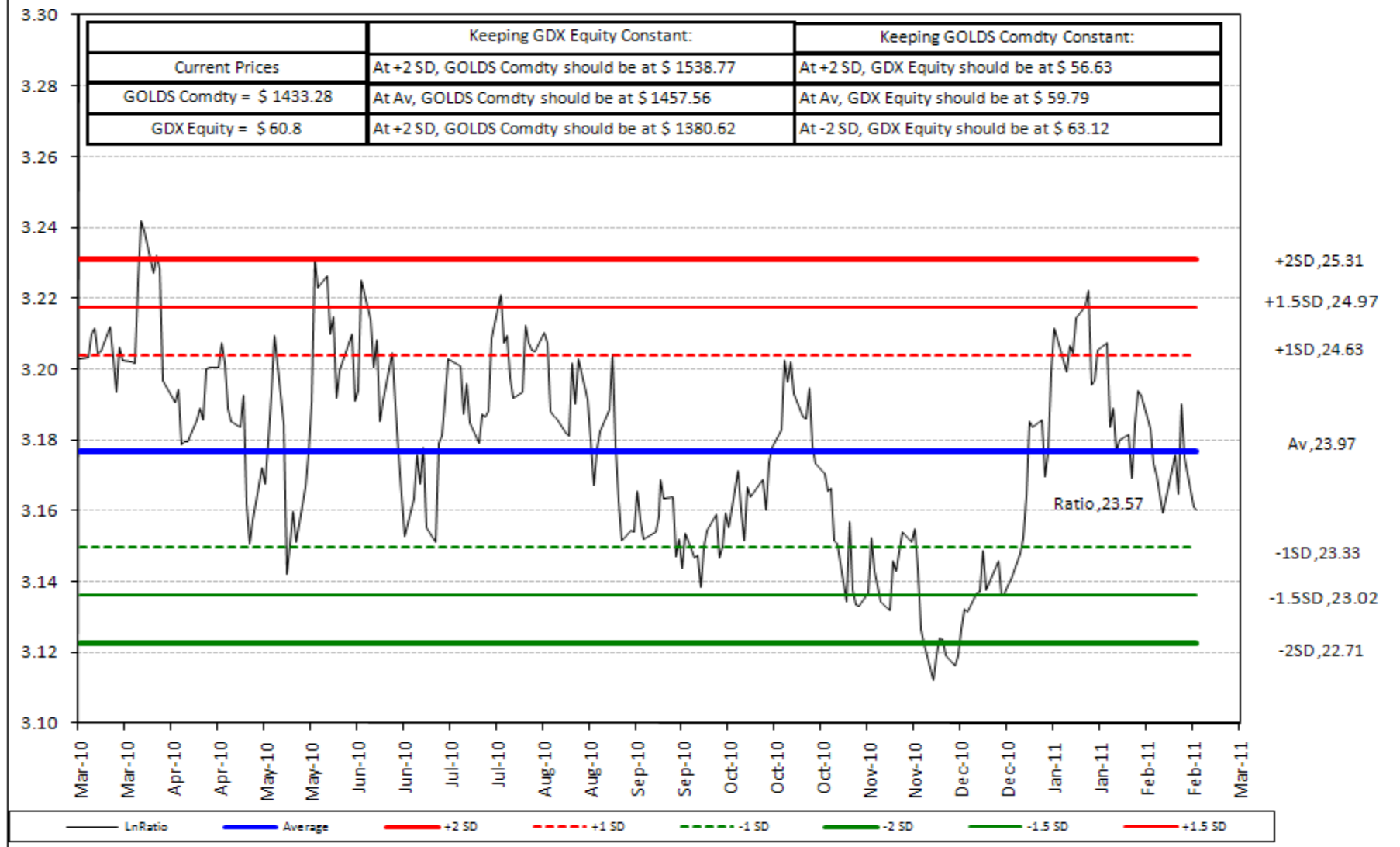
Long GOLDS Comdty and Short SILV Comdty, Updated till 01 Mar 2011, FULL PERIOD



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

With Respect to MINERS , GOLD is reverting to mean, Miners have had deeper correction

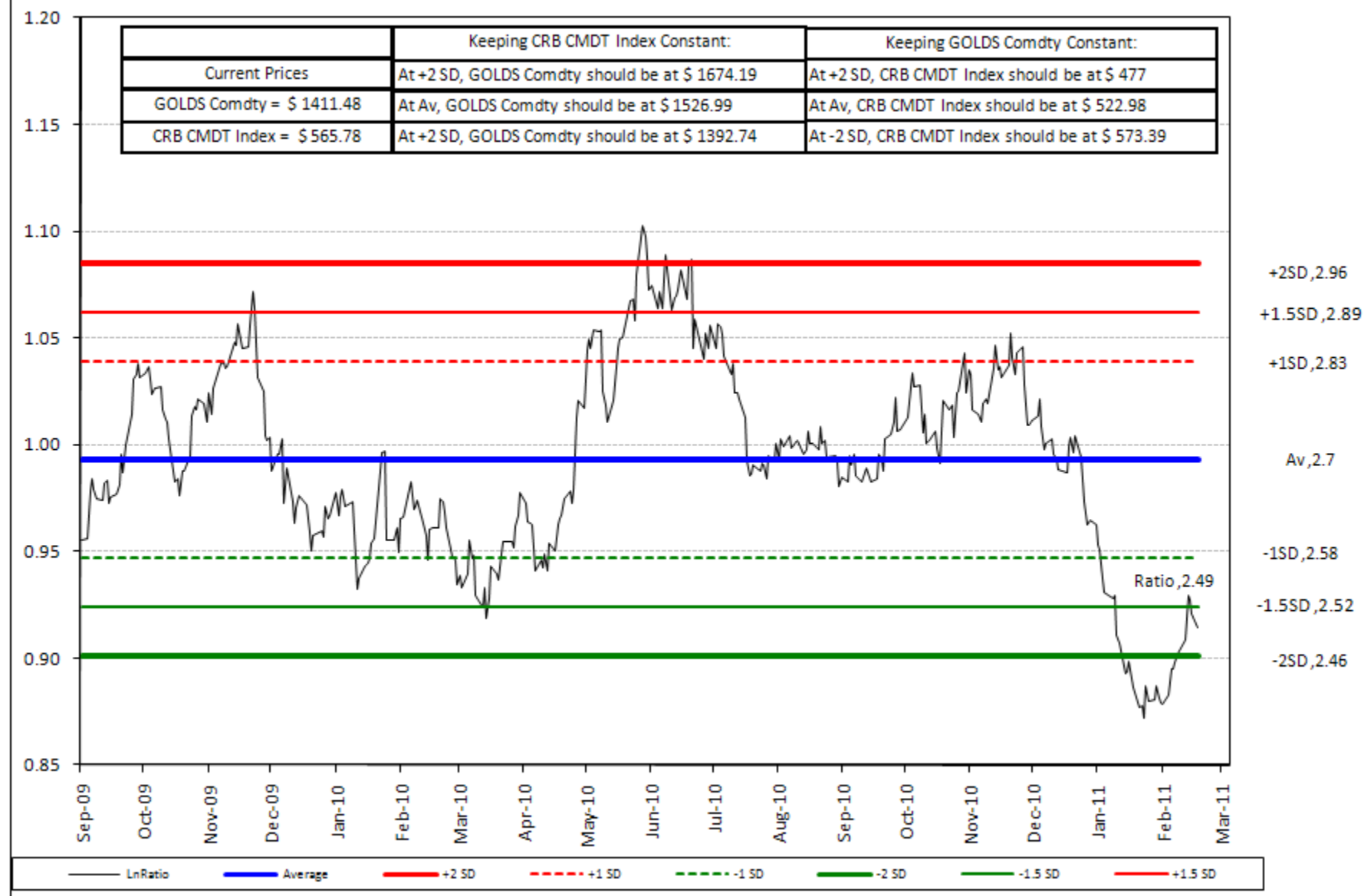
Long GOLDS Comdty and Short GDX Equity, Updated till 01 Mar 2011



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

With Respect to CRB, GOLD is undervalued

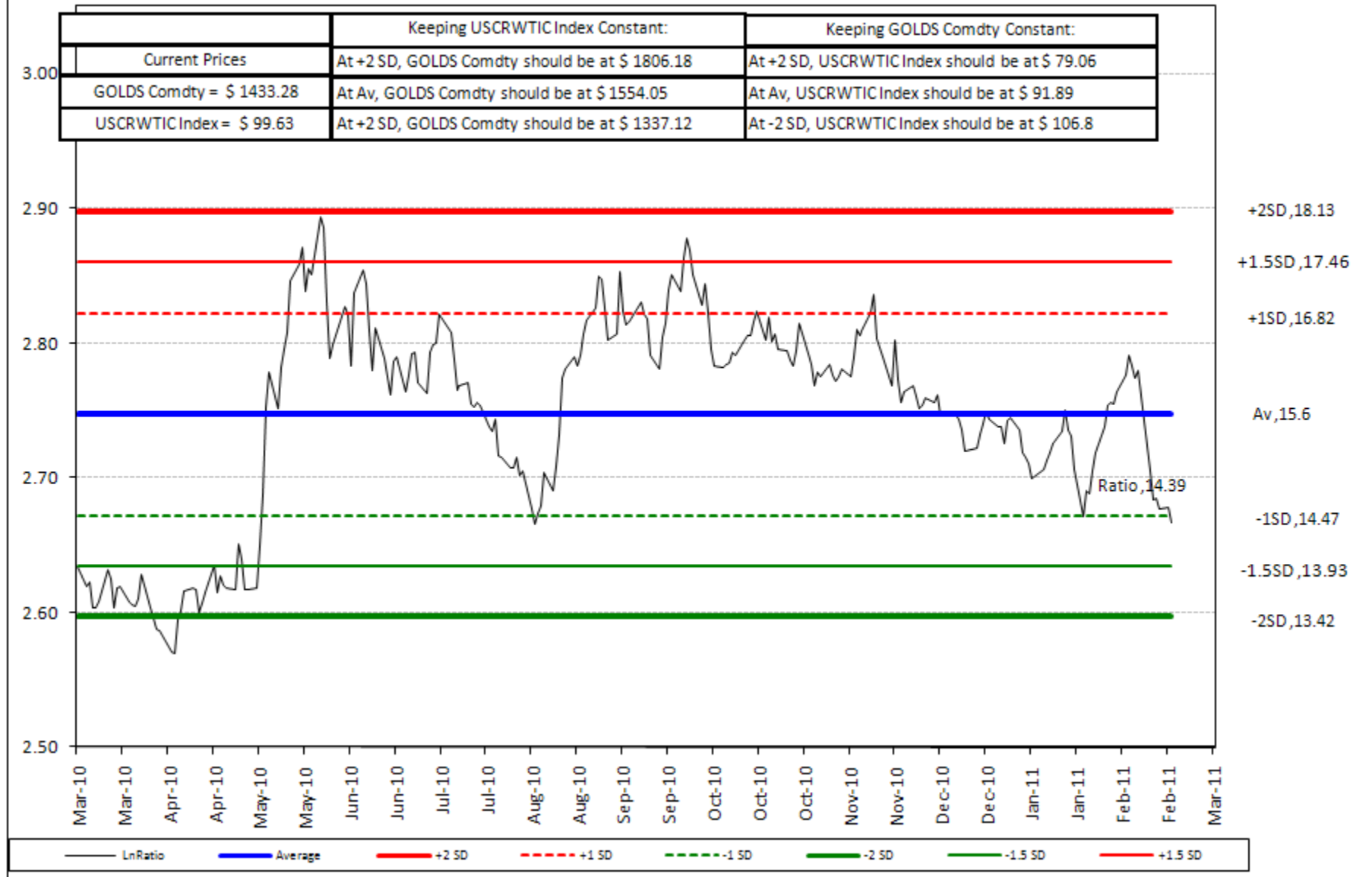
Long GOLDS Comdty and Short CRB CMDT Index, Updated till 28 Feb 2011



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

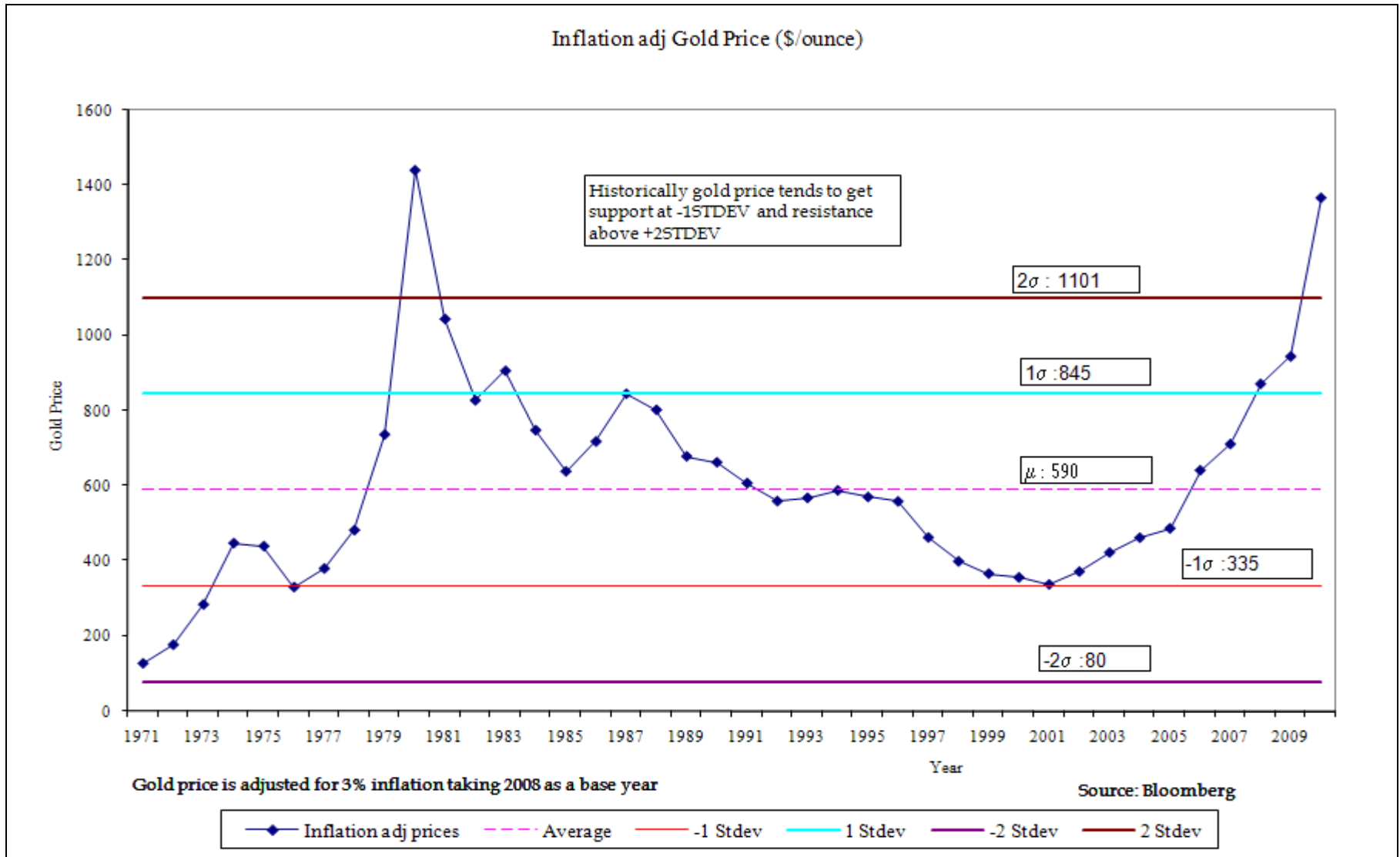
With Respect to OIL, GOLD is beginning to mean

Long GOLDS Comdty and Short USCRWTIC Index, Updated till 01 Mar 2011

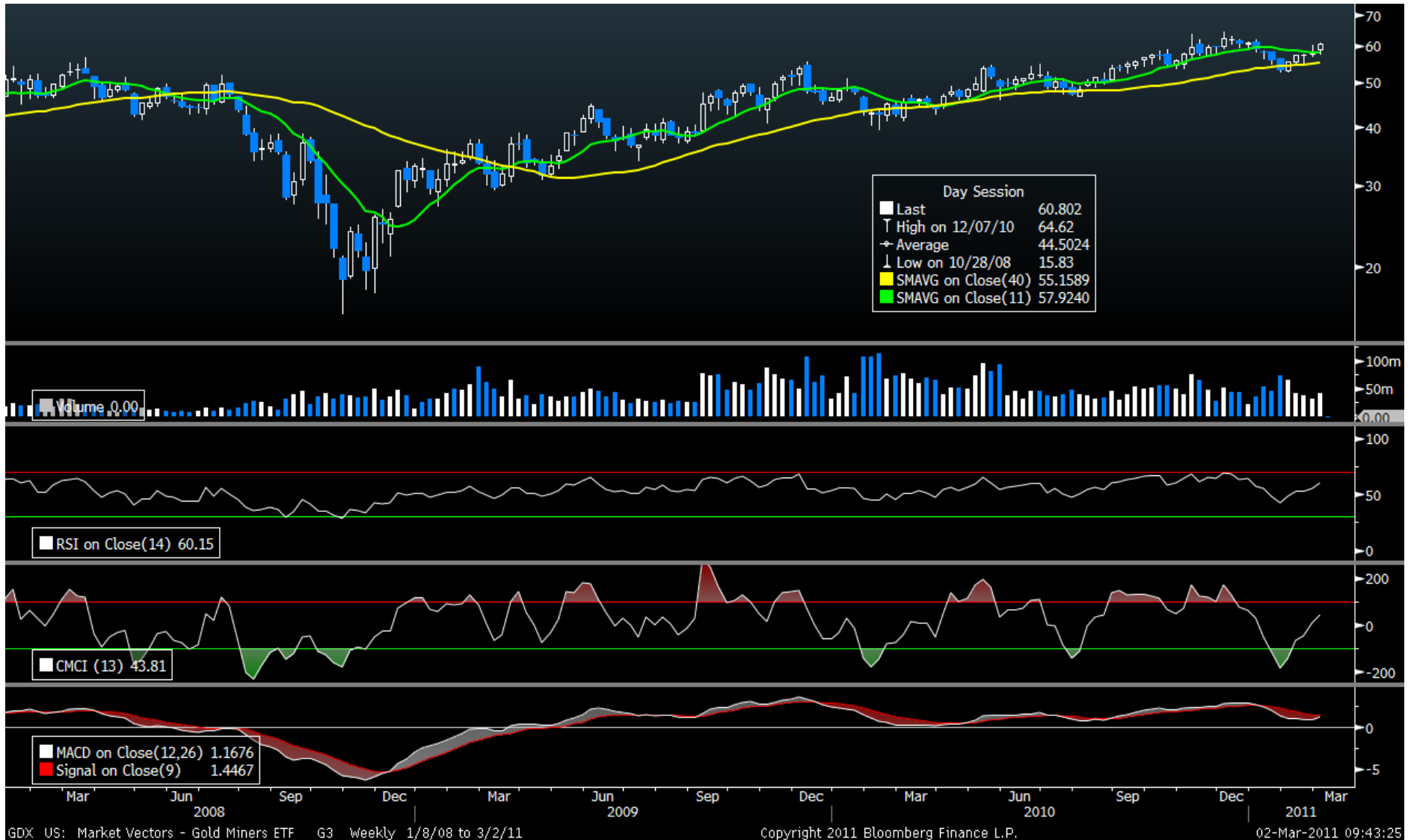


2- GOLD – Trend Reversion Analysis – Long Term – Inflation Adjusted

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 – Money flow

Bearish divergence warns that this rally was simply a market oversold bounce – Another hurdle for breakout. .

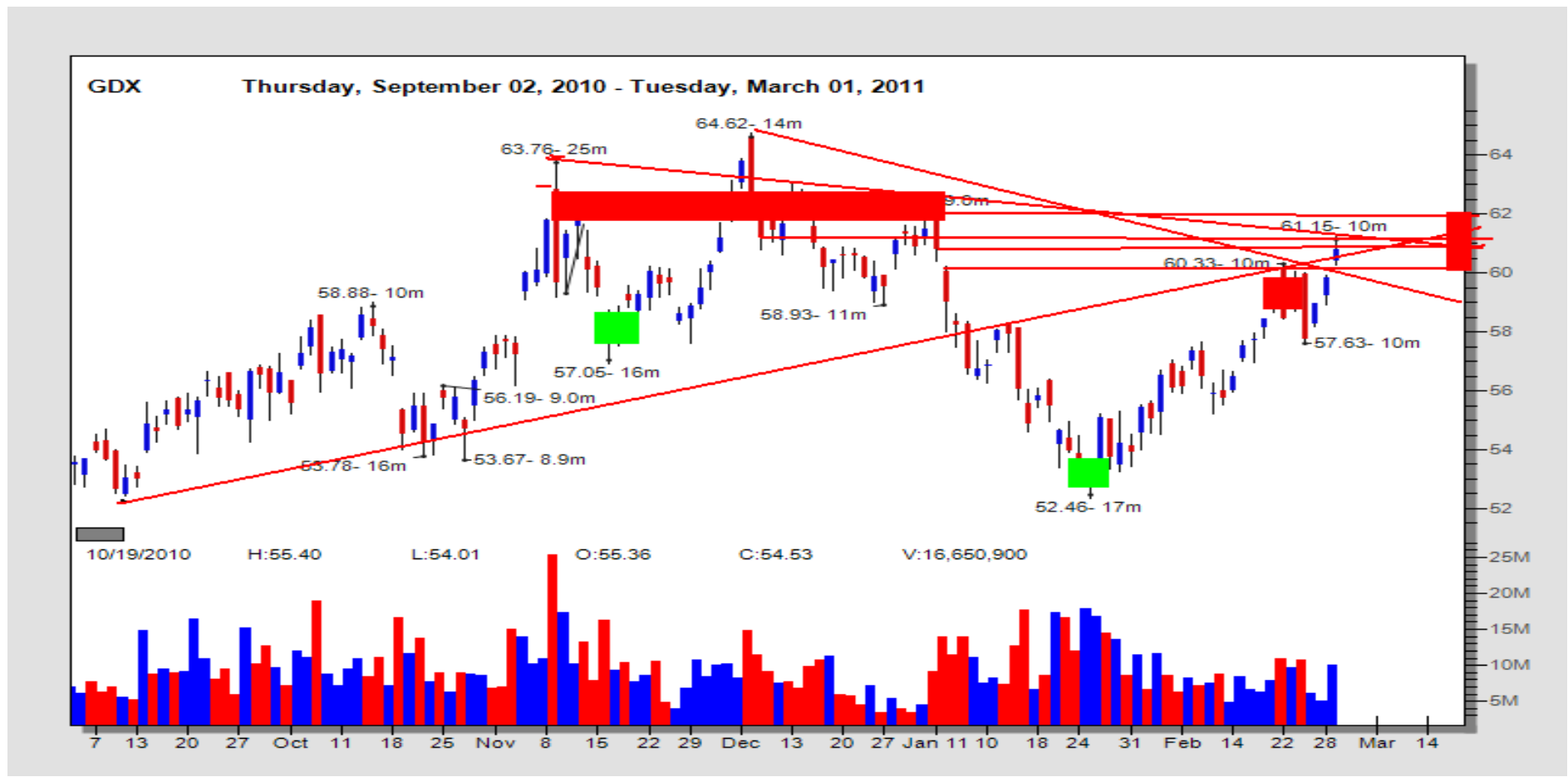


1- GDX – Price / Volume

Chart below indicates our previously announced CZ 's for risk management where the prices failed (RED on Upside and GREEN on Downside)

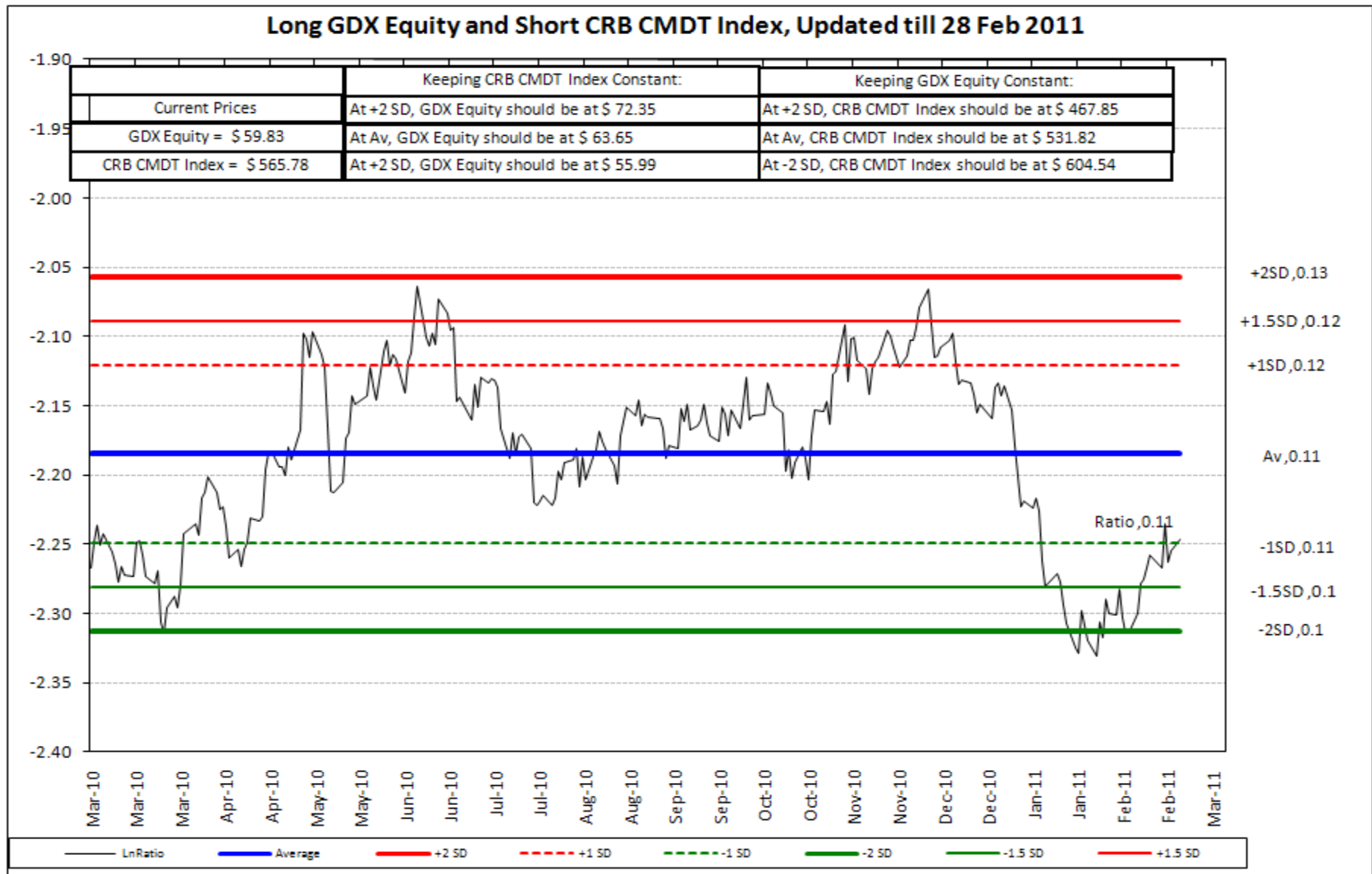
Currently GDX reached our CZ (58-59) target (as indicated in Red box) from 52 and exceeded to 61 . We could be looking for the test of 60 -62 and come back to CZ 60 with 7.5 M for a test. (See the chart below) We advise risk management with STOPS on other side of CZ Stops ,

Currently GDX is top heavy with divergence . It is much easy setup . But Gold would dictate



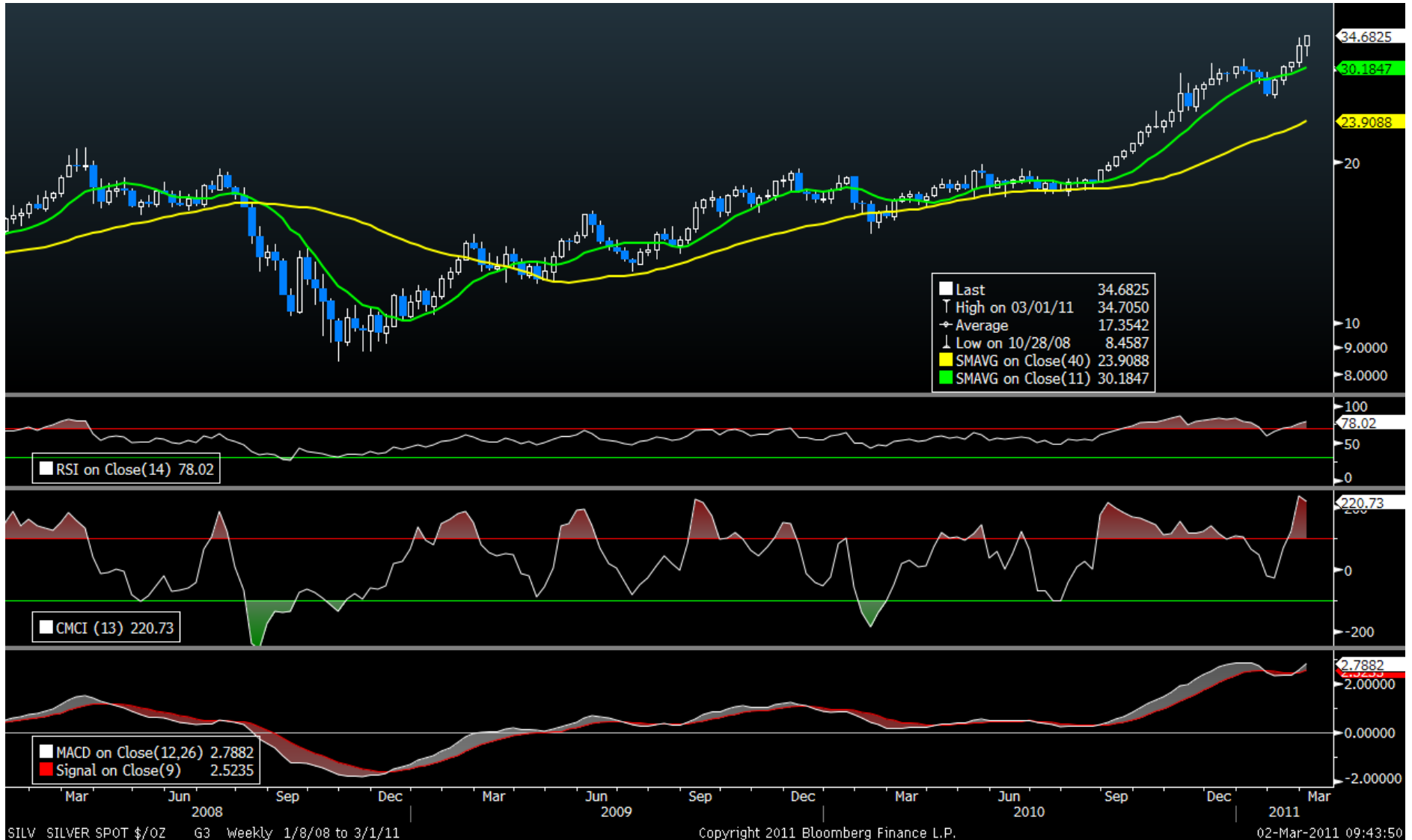
1- GDX – Correlation Ratio Analysis with CRB – 365 days Time basis

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)



1- SLV – PEC D

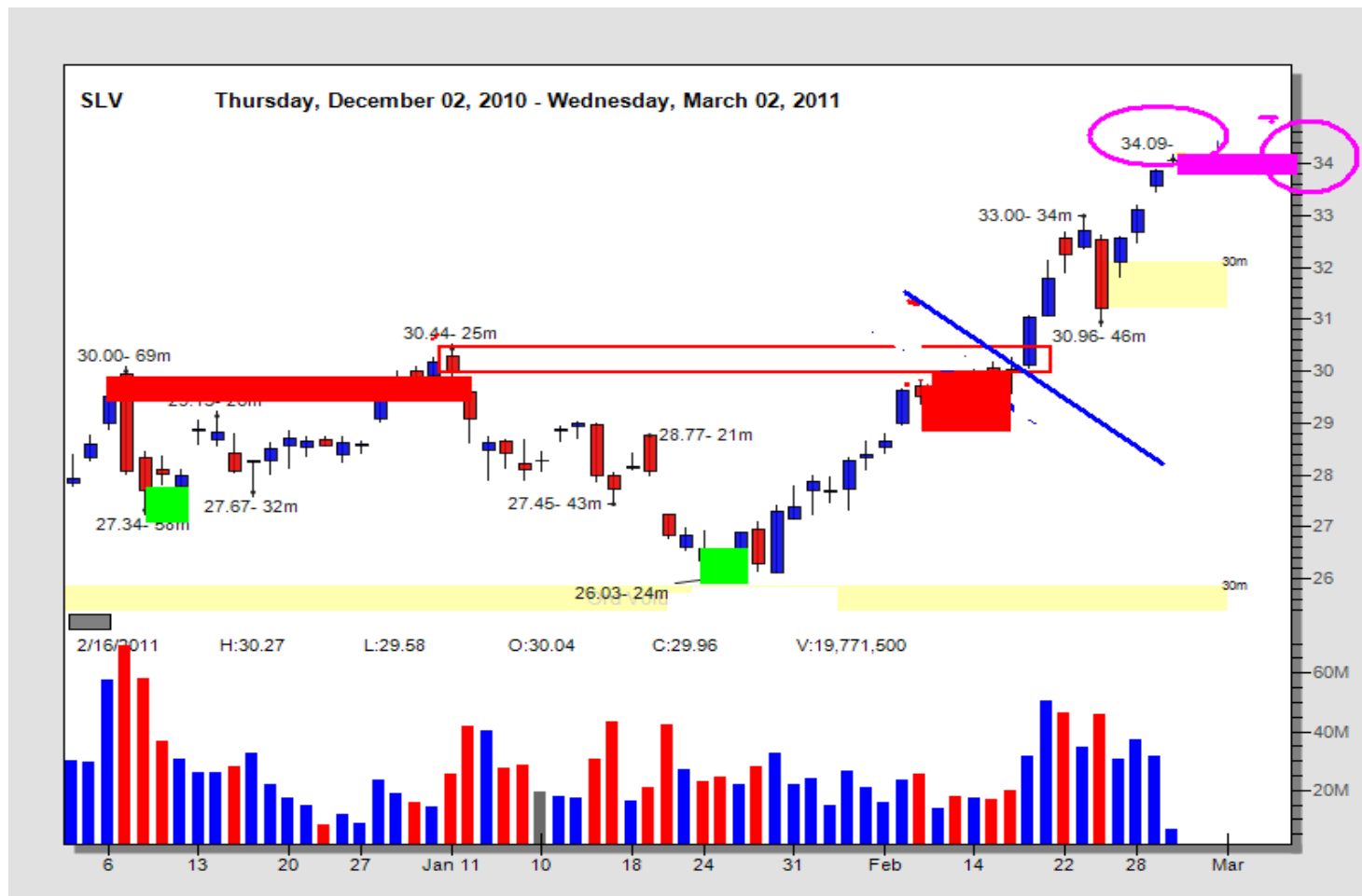
Chart below GREEN BOX @ PEC D @ 26 - coincided with POM 13 , The first red box was at 718 – PEC D 29 coincided but exceeded due to 3X3 Vol pick Straight to ABC up at 34 @ 618 which we had given in our Report earlier once the double top at 30.5 was broken with Volume



SLV – Daily - Price / Volume-

Finally the ABC up on daily basis was achieved to 34 (as we had indicated in earlier report). On pick up of 3x3 vol cross of slant line with 31 M v/s 20M test required, that was Short term valid breakout . now ABC up completed at 34 and No Signal .

What to look for - First clue - We will watch Gold market , the second clue should come from Pull back to Breakout area 30 with volume quality . Usually ABC completions are change of Trend or Consolidation , if any Exhaustion move we will watch carefully for its texture. Gap plays , Angle rise or volumes characteristics.



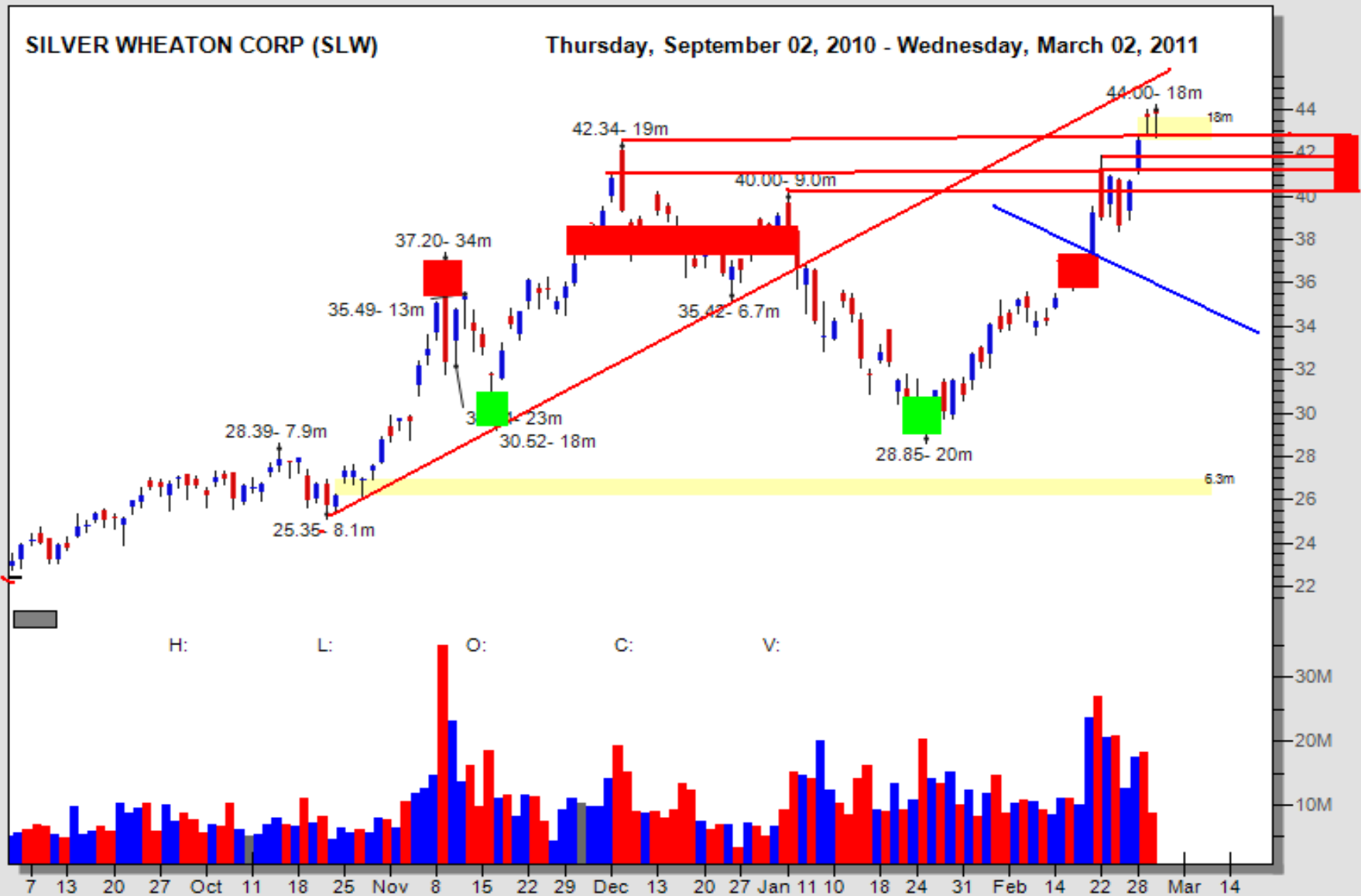
SLW – Daily - Price / Volume (Special Situation)

Chart below indicates our previously announced CZ 's for risk management where the prices have failed (RED on Upside and GREEN on Downside)

SLW - FIRST reached CZ (35 -37) (as indicated in Red box) from 29 (POM 13) and exceeded past that. With 3X3 increase on slant line in chart below , Now we are looking for the ultimate breakout zone of 41 -43 to test . **Yesterday Volume has picked up to 17 M v/s 10M against test** , Here we need one of the two scenario at Double top,

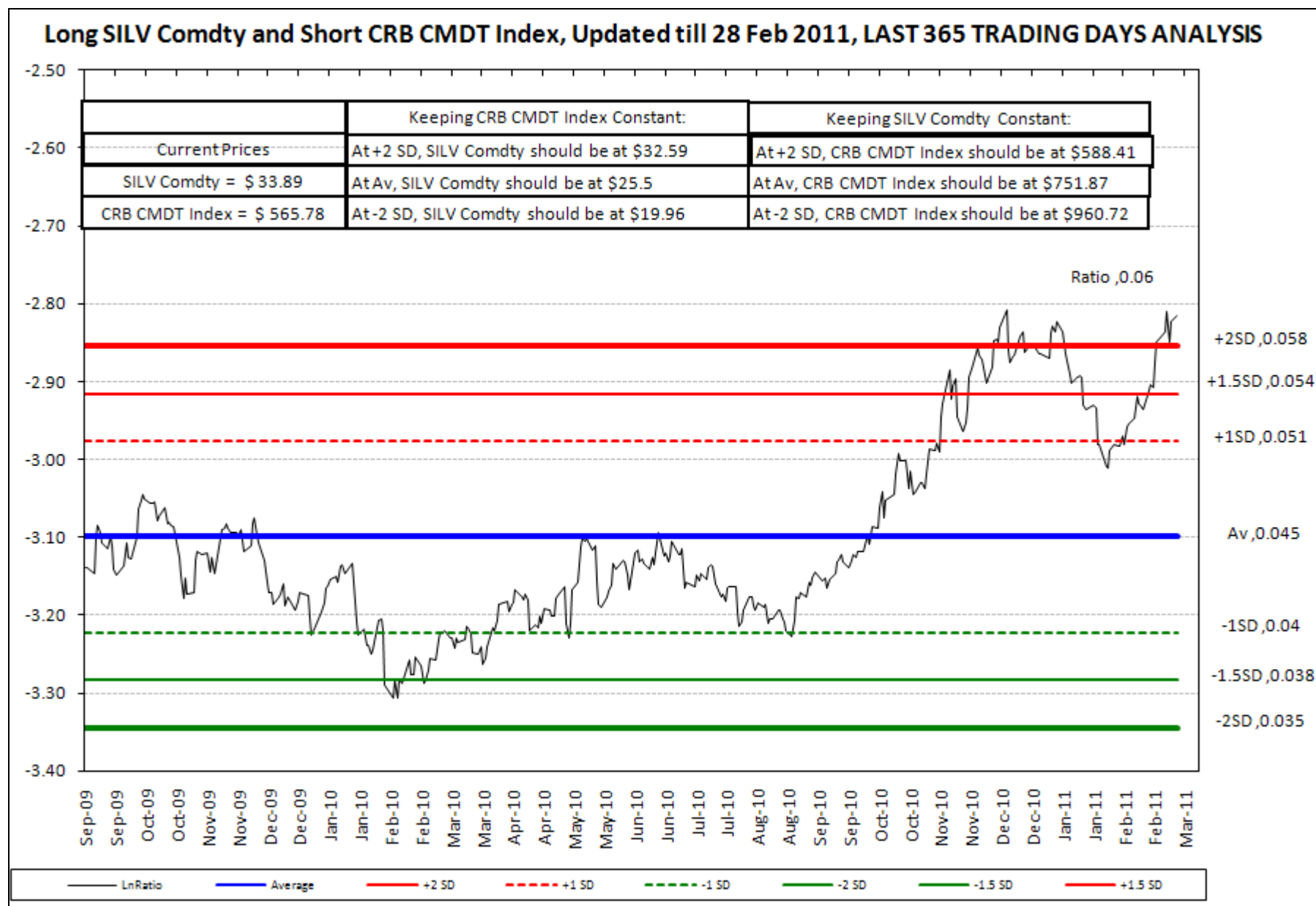
- CASE 1- Price to stay above 43 and close above, This will trigger all the stops and momentum takes over even if the volume is lower.
- CASE 2 - If prices gets rejection going **above 43 with Equal or lesser than 14 M volume and close below 42** , then it would set up bearish case ,
- No Signal yet . Decision time is when it proves the point and then gets the trigger ,

SLW - CZ – Mapping - (Special Situation)



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

With Respect to CRB , SLV Ratio is picking up speed to be overvalued.



SLV – Correlation Ratio Analysis with CRB – Full Time basis

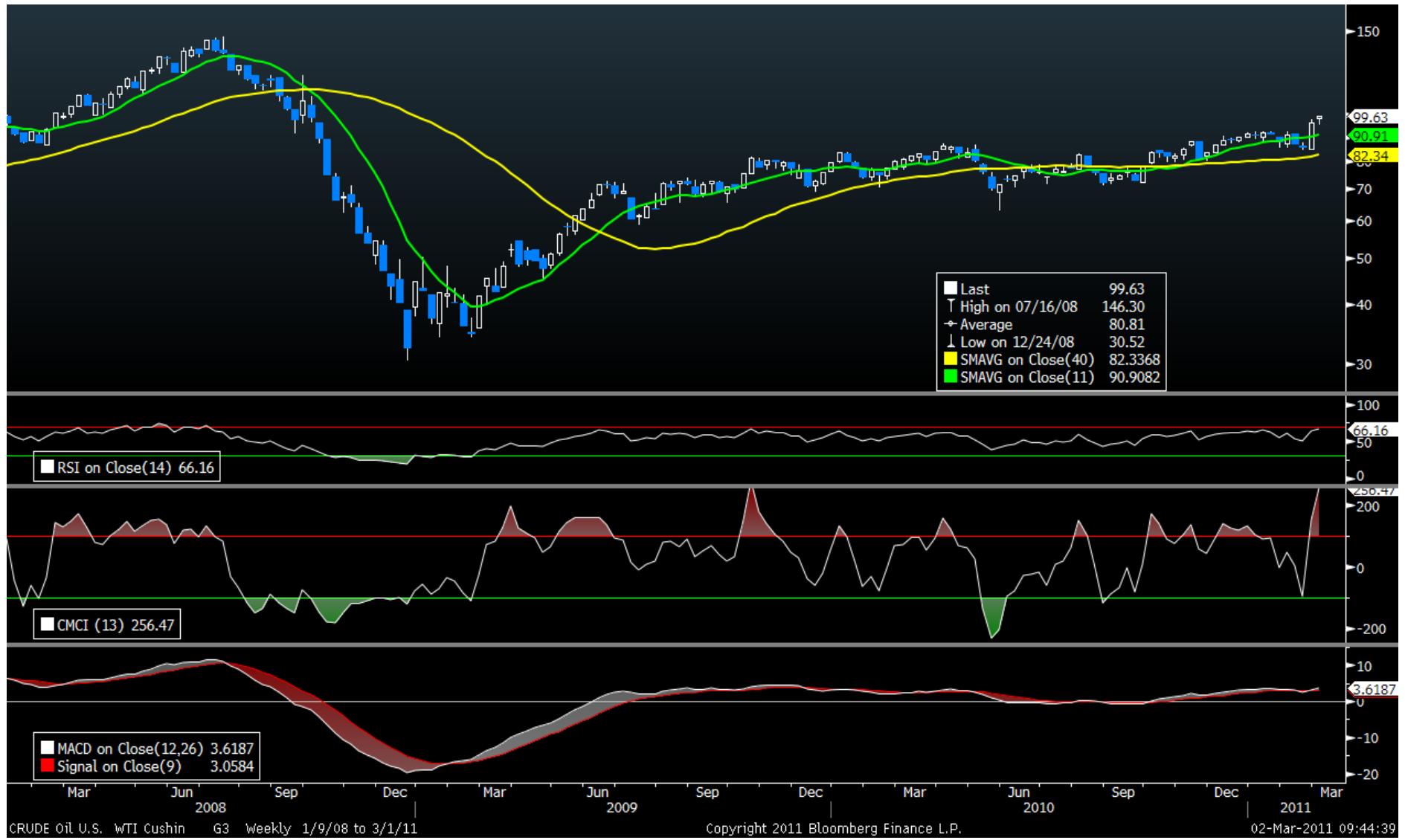
With Respect to CRB , SLV Ratio is picking up speed to be overvalued.

Long SILV Comdty and Short CRB CMTD Index, Updated till 28 Feb 2011, FULL PERIOD



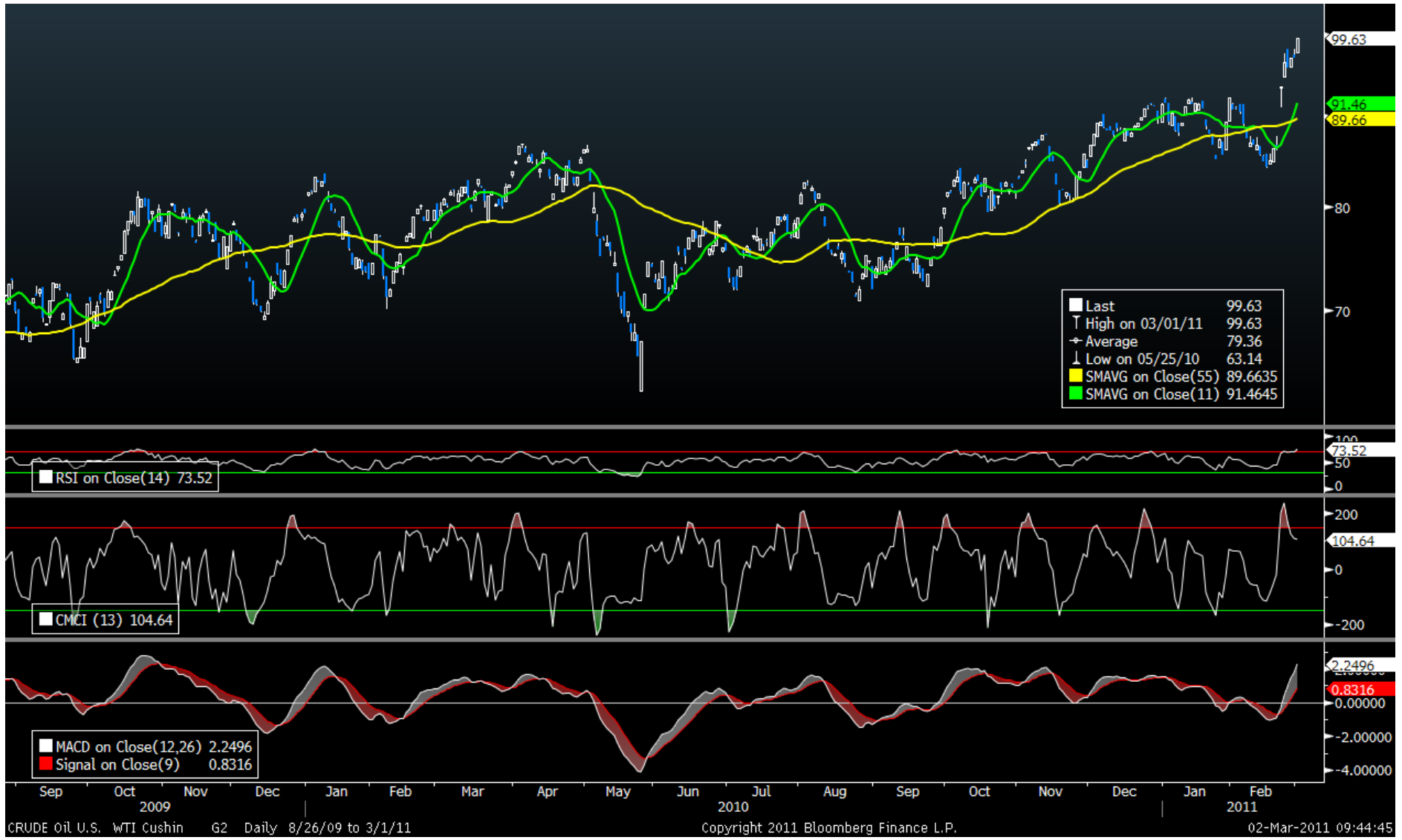
1- OIL - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

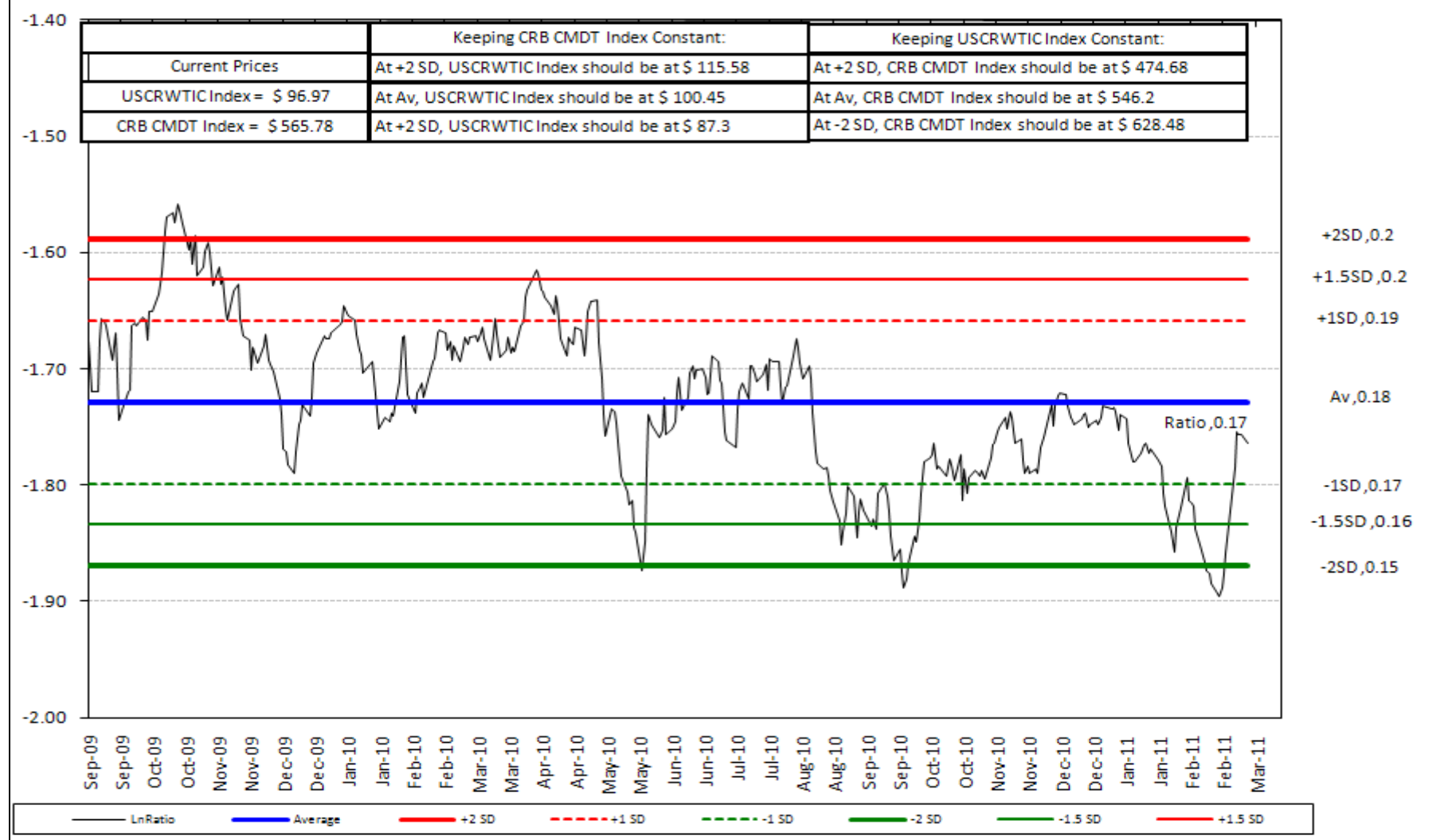
(11D / 55D)



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

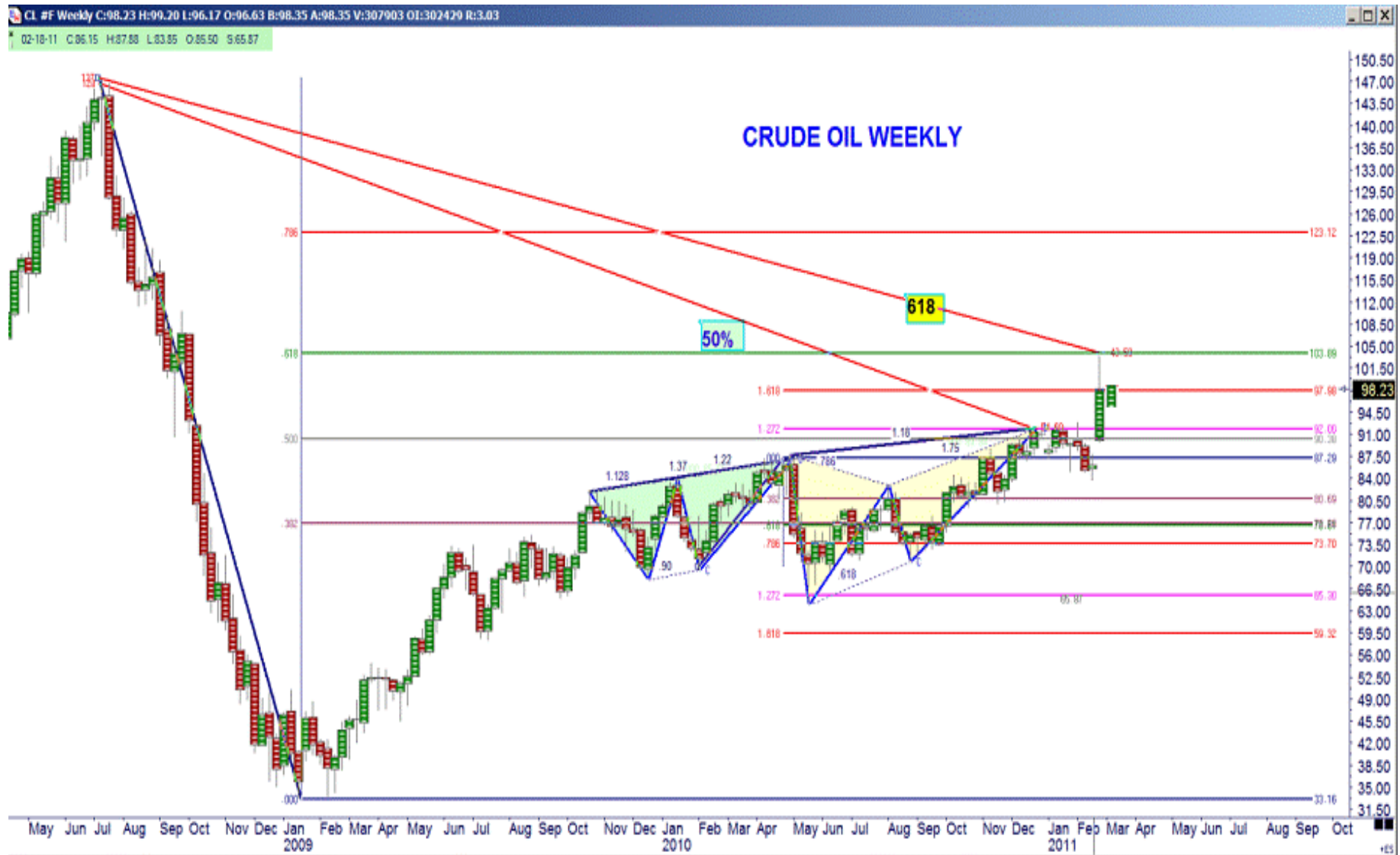
With Respect to CRB , OIL is Undervalued.

Long USCRWTIC Index and Short CRB CMDT Index, Updated till 28 Feb 2011



2- OIL – PEC D – ABCD Method

*Our 85 support held but then due to Geopolitical noise in Middle east our PEC- D point at 93.5 was busted to 104
, This is un predictable market for now (non conformance)*



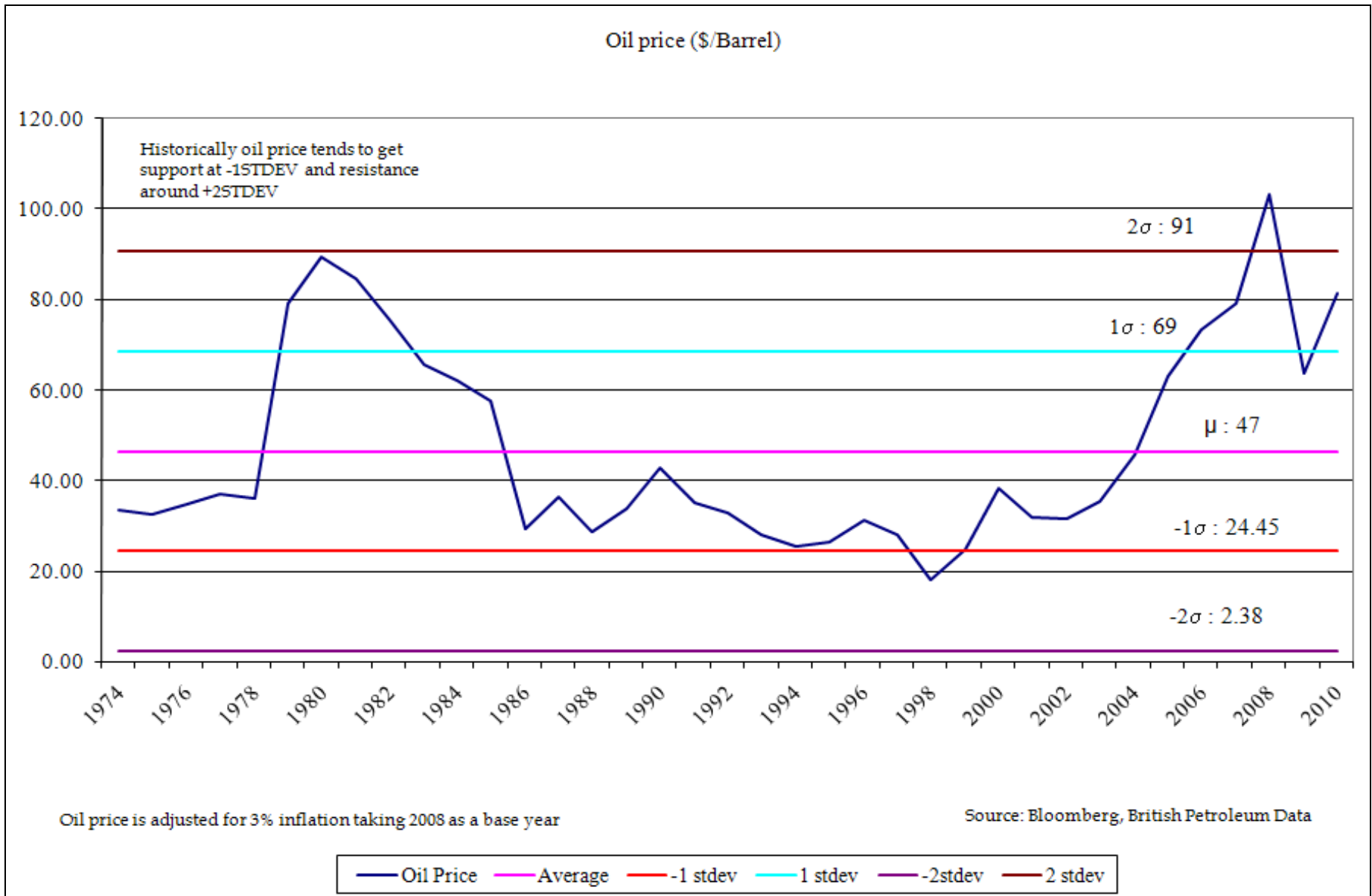
1- OIL (USO) – Technical & Pattern Analysis & Price / Volume

USO at the upper end of the Trend channel line. It had key reversal of exhaustion we would like to see how the pull back happens . No signal yet . Earlier the middle east crisis put some fire power for exhaustion move . .

Crude Oil ETF	USO
Last: \$ 40.48	
Chg: \$ 1.29	3.19%

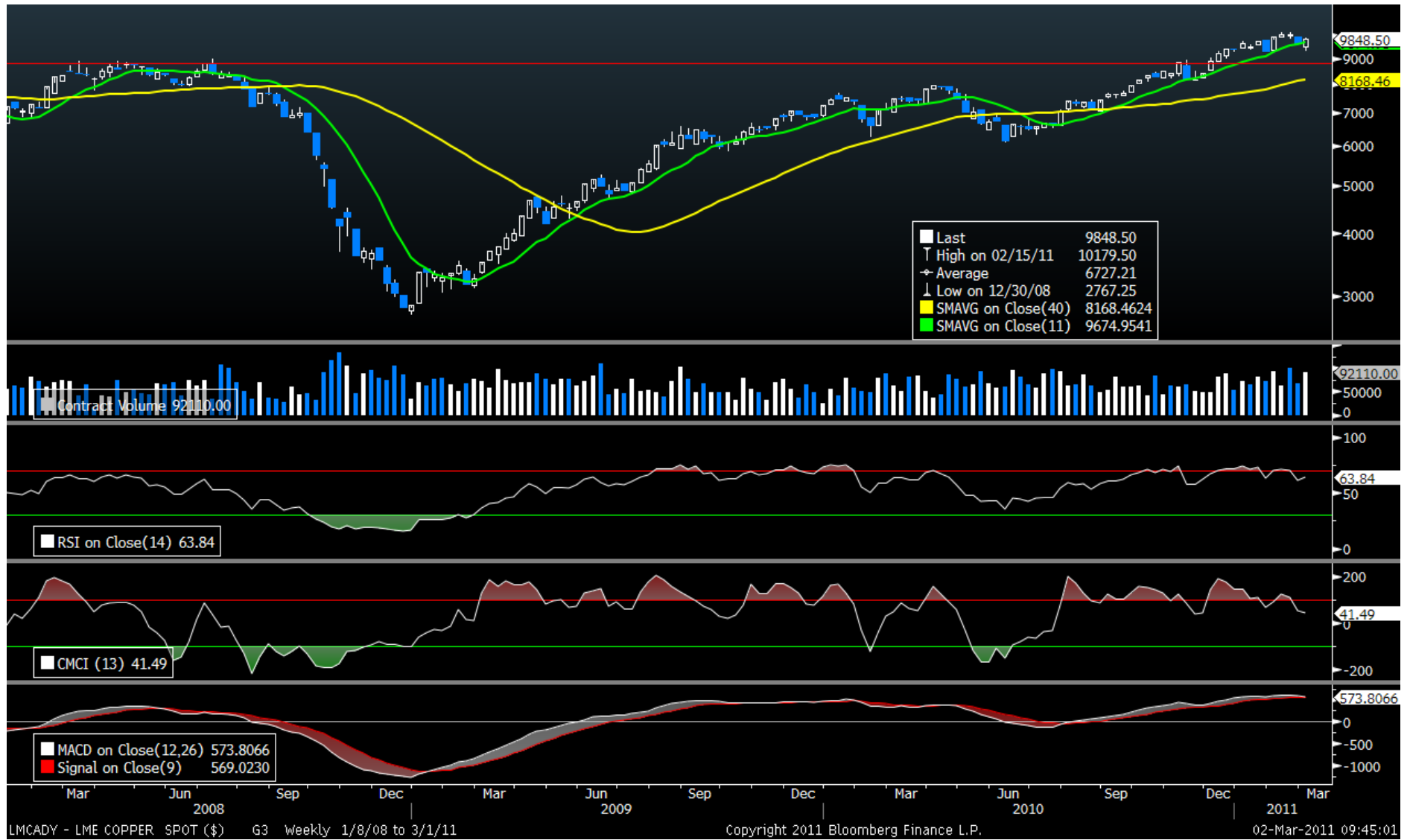


OIL – Trend Reversion Analysis – Long Term – Inflation Adjusted



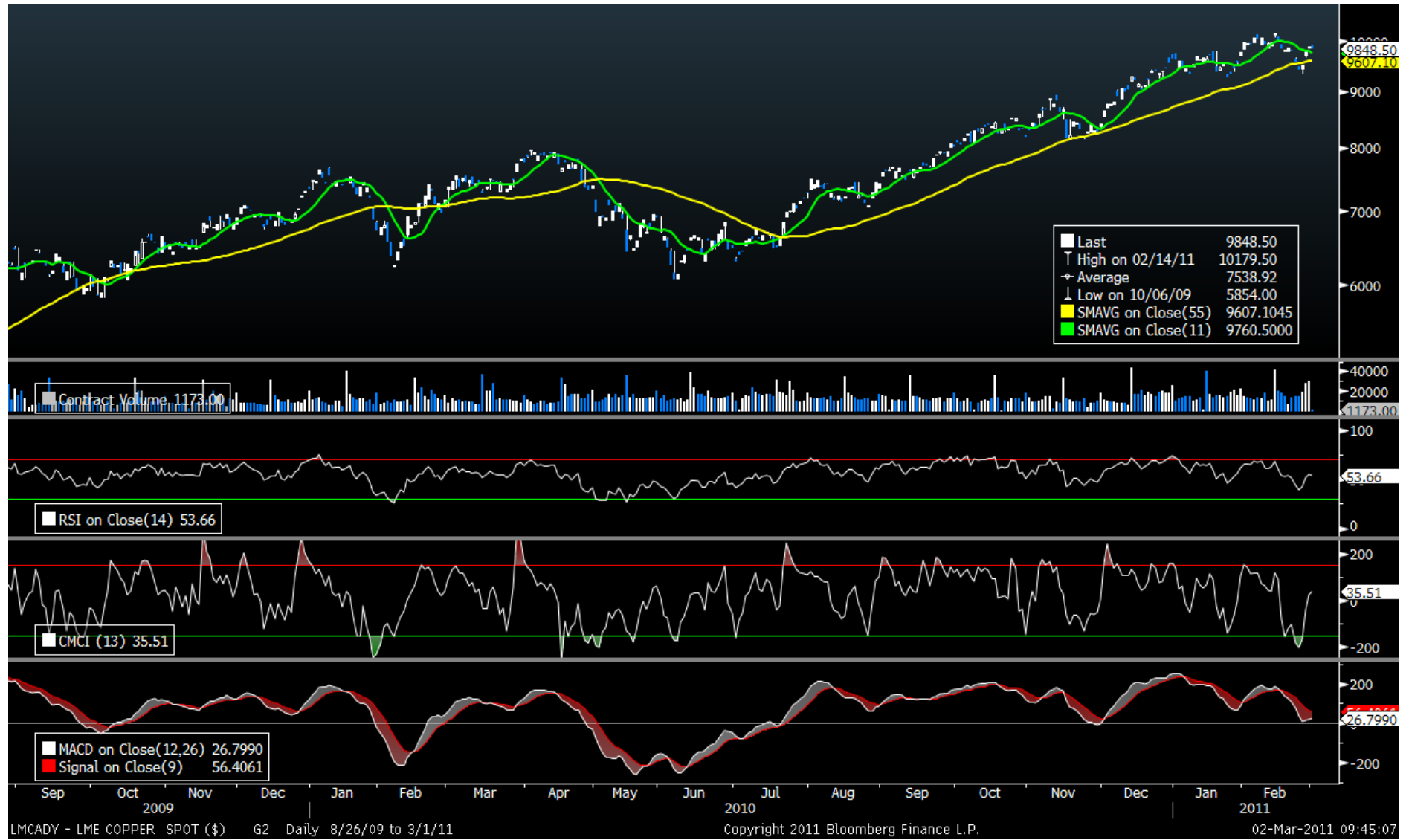
1- COPPER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

(11D / 55D)



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

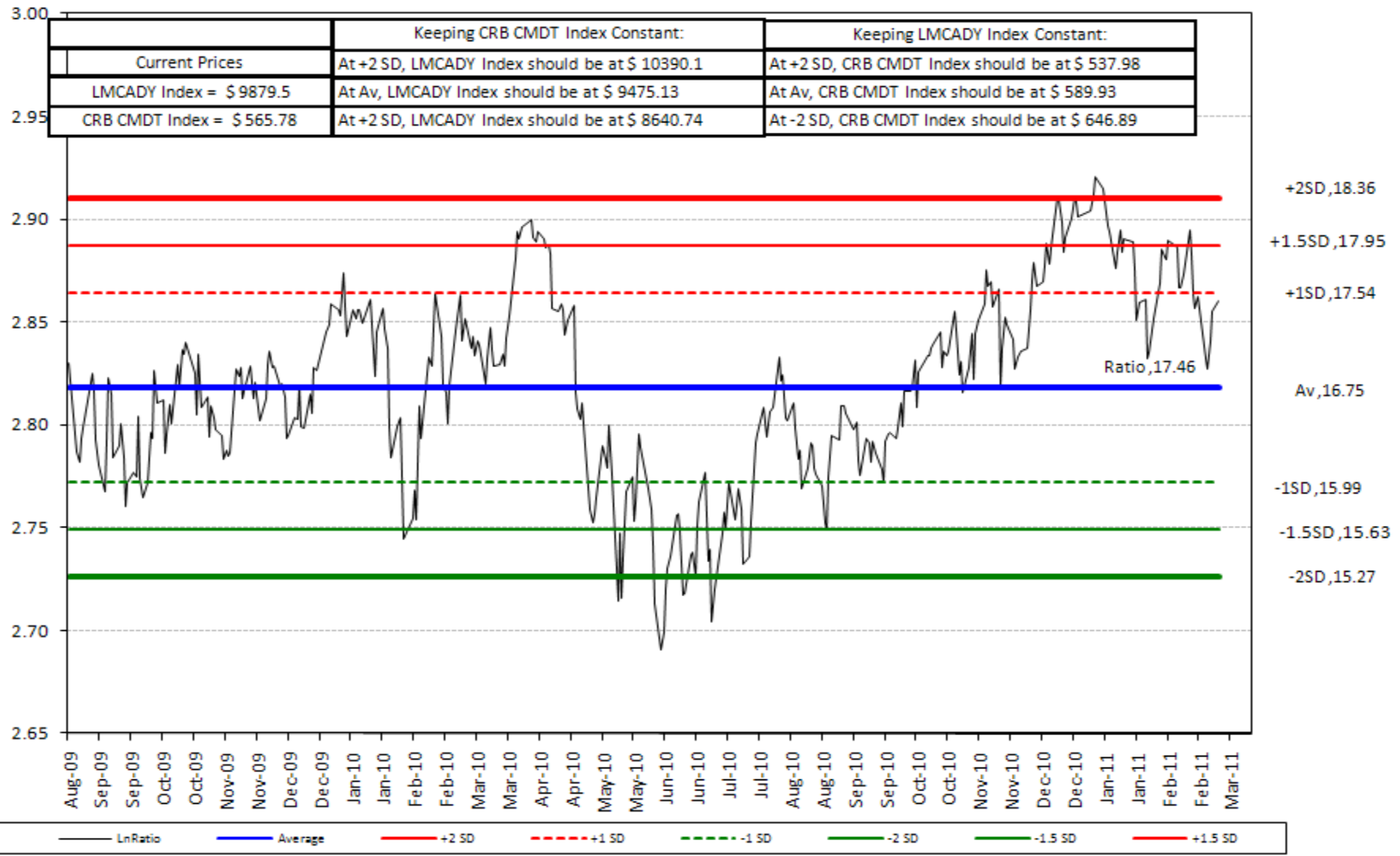
PQV Analysis – After witnessing Bearish divergences in spite of move up. Finally cracked on prices yesterday. Earlier It triggered the PQV Validation test at 59.5 -60 (Indicated in Red) (Refer to CZ – PQV in Sector Report D)



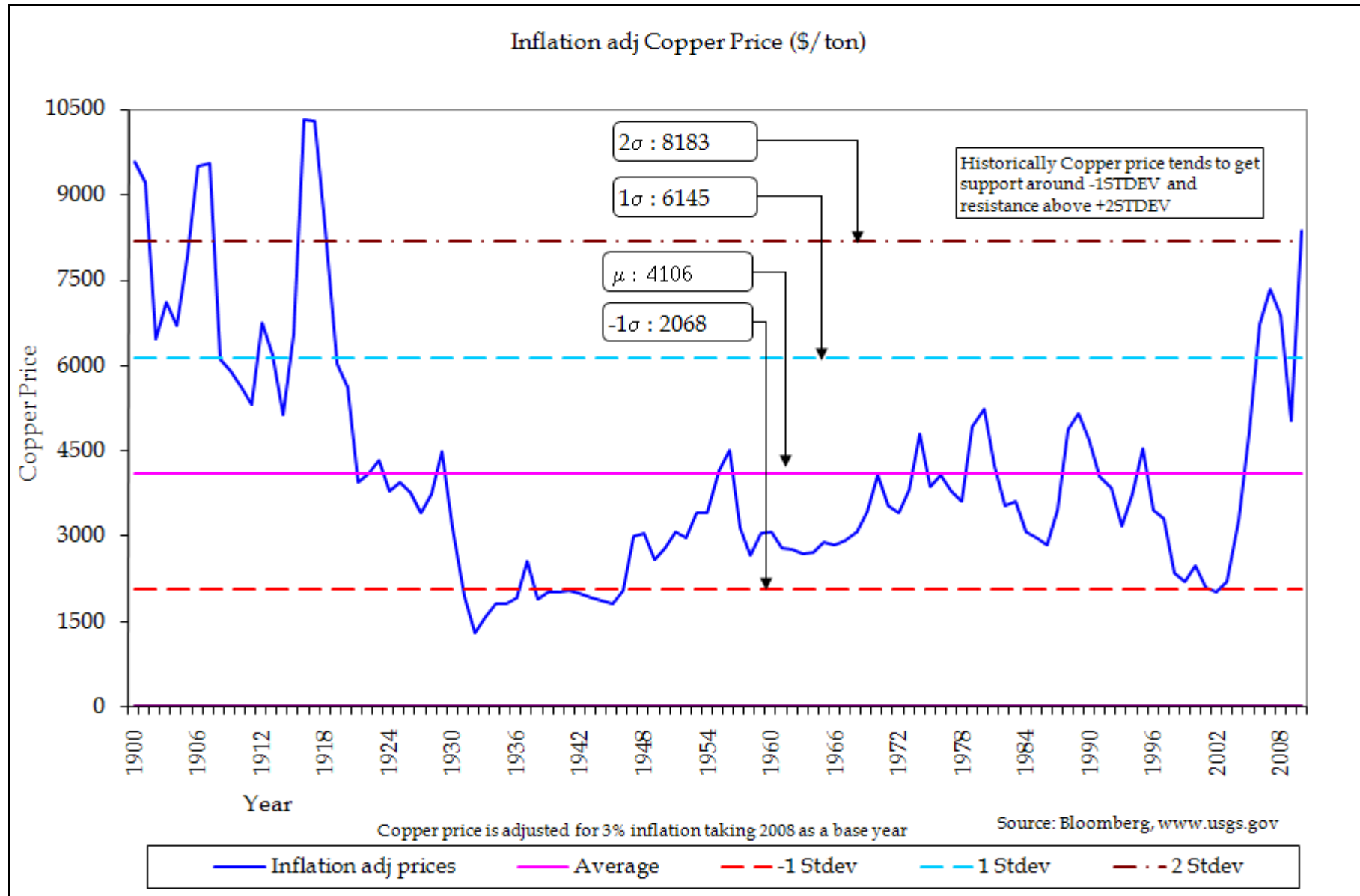
COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , Copper is proceeding to mean

Long LMCADY Index and Short CRB CMDT Index, Updated till 28 Feb 2011



COPPER – Trend Reversion Analysis – Long Term – Inflation Adjusted



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



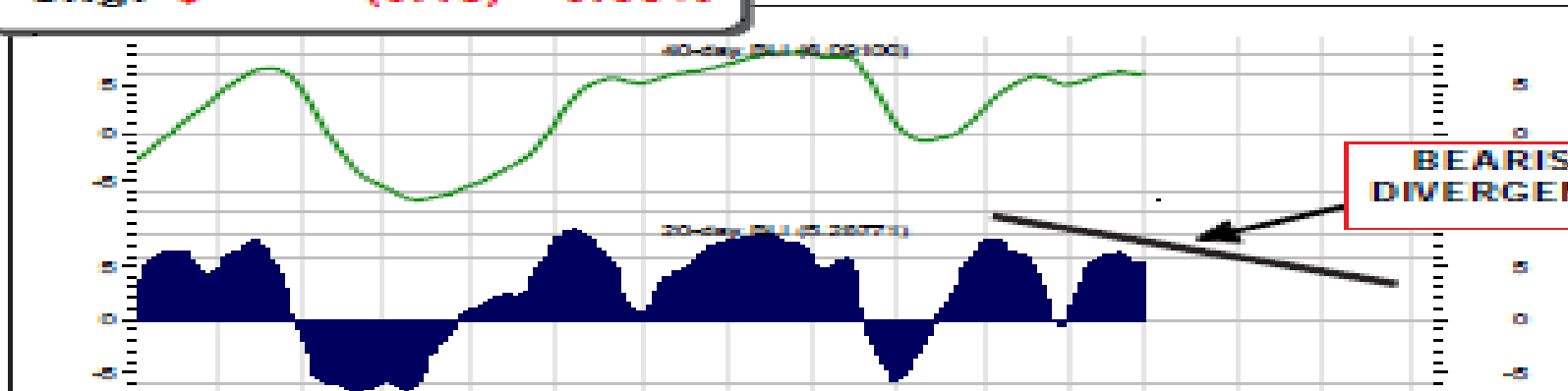
DBB - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



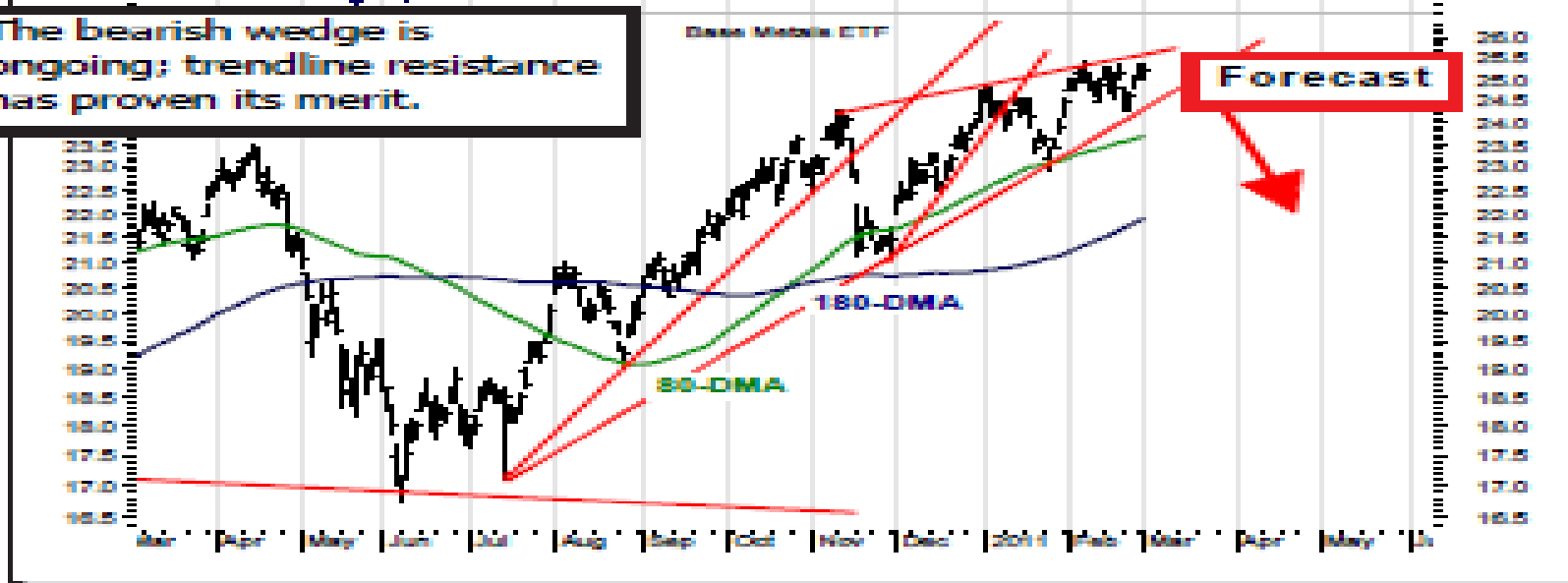
DBB - with SMA & Trend lines

Bearish divergences in Other base metal Index as well, just to give sense of over all picture on XLB and COPPER (JJC), we have both in our PQV Validated Sectors.

Base Metals	DBB
Last: \$ 25.20	
Chg: \$ (0.15) -0.60%	

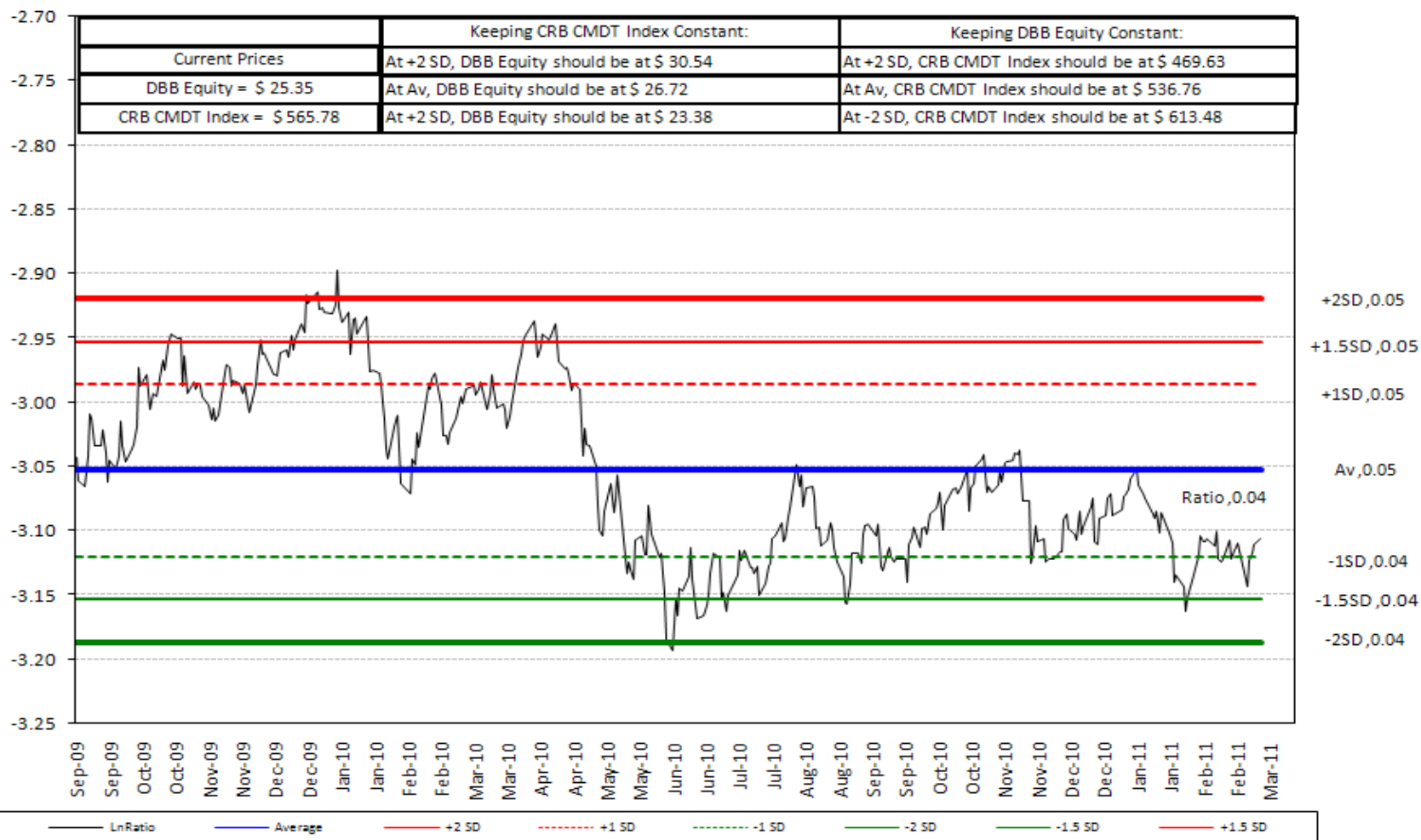


The bearish wedge is ongoing; trendline resistance has proven its merit.



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

Long DBB Equity and Short CRB CMTD Index, Updated till 28 Feb 2011



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



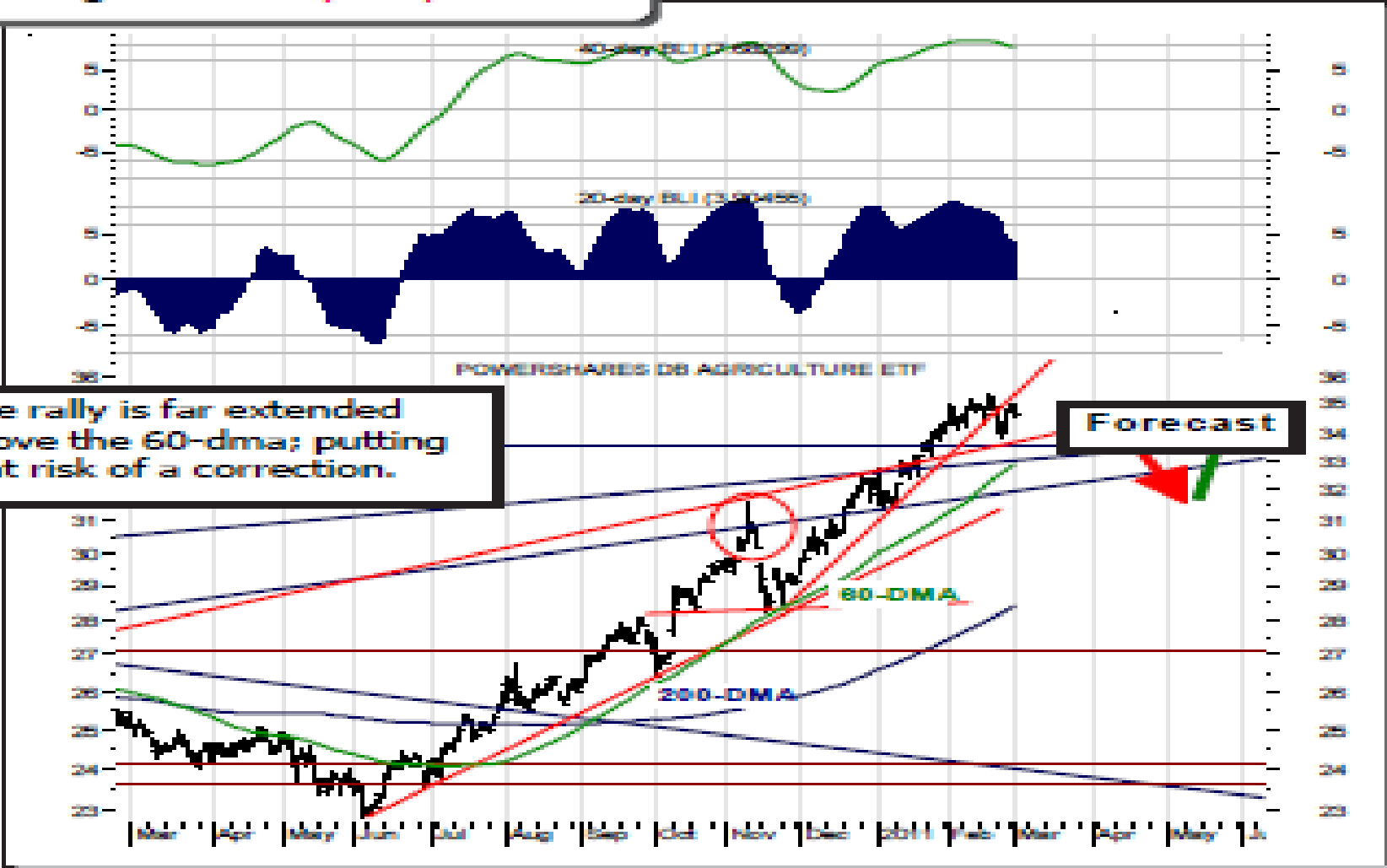
DBA – (**AGRO**) Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



DBA - with SMA & Trend lines

We broke the Trend line and now testing it back . the Parabolic move in Agro markets, far extended on SD # 2 with respect to CRB ,

Agriculture	DBA
Last: \$	34.62
Chg: \$	(0.35) -1.00%

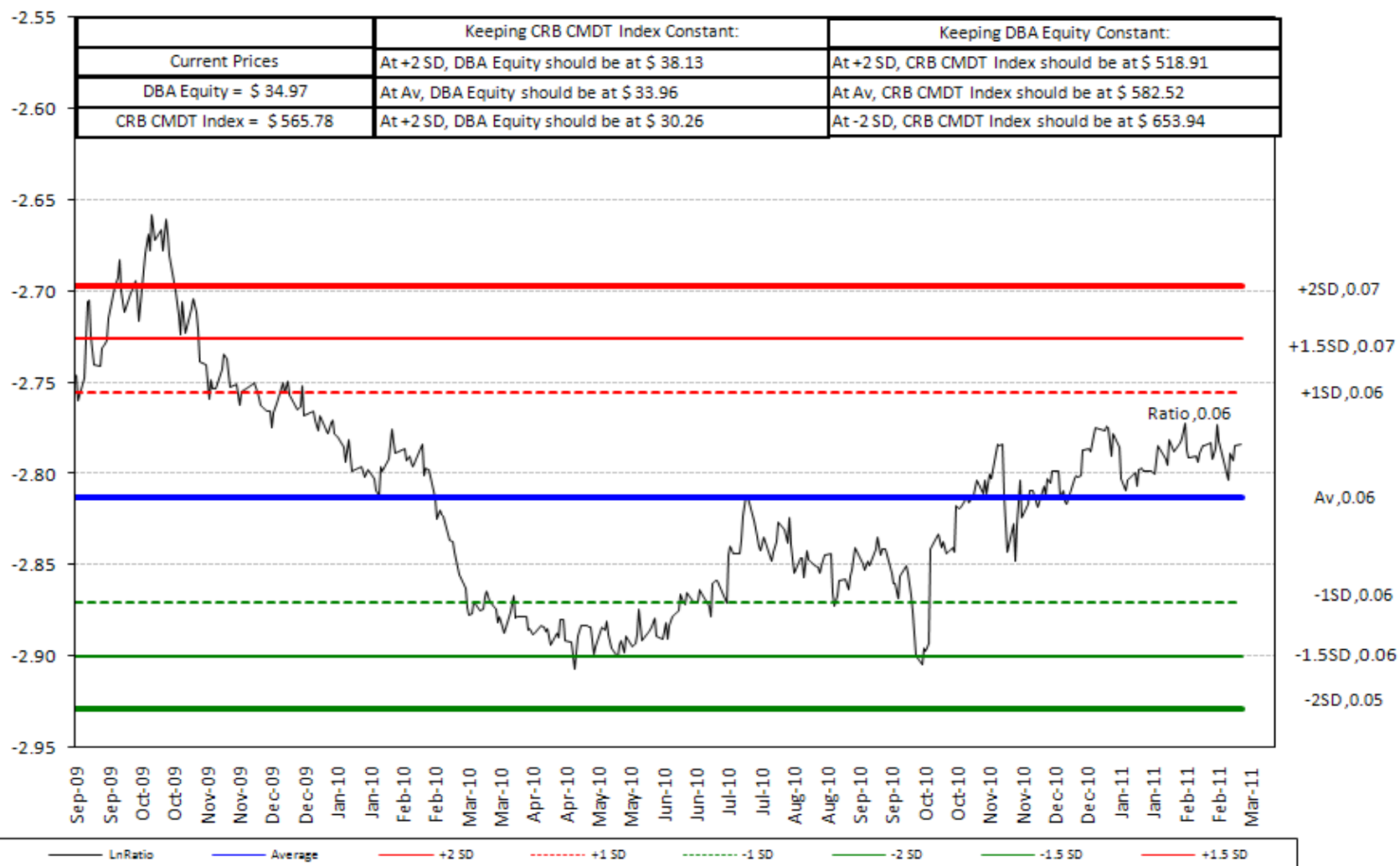


The rally is far extended above the 60-dma; putting it at risk of a correction.

Forecast

DBA – Correlation Ratio Analysis with SPX – 365 days Time basis

Long DBA Equity and Short CRB CMTD Index, Updated till 28 Feb 2011



Appendix

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

• 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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