



SG Capital Research

Global Market Insights

Research Note – Commodity Analysis (C)

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # MAR 09

For Immediate Release – *Wednesday AM (EST)*

By: Suneil R Pavse

Contact: apavse@aol.com

Commodity Analysis (C)

- CRB / **DBC (New)**
- GOLD
- SLV,
- GDX
- OIL / USO
- **COPPER / JJC**
- **BASE 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

UPSIDE & DOWSIDE

- ✓ **Awaiting for POM 14 – Re Run confirmation.**
- ✓ **Bounce target (achieved) 1375 - 1395 -GLD & 29 – 30 SLV**
- ✓ **First Target @ POM 13 – GLD – 1320 & SLV – 25/ 26 (Dated 11/17 & Dated 01/26)**
- ✓ **Second Target on next leg down - @ POM 12 – (pending) at least a Re test of GLD - 1300 lows**

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 . No signal for POM 14 – Re Run yet, however it has reached above the CZ 1375 -1395 that we have been expecting on bounce. Earlier - At POM 13 - 1320 (Covering Hedges set in at POM 14. i.e on Long term Long Positions)**
- **OIL - No new signal**
- **SLV - No signal for POM 14 – Re Run yet, however it has reached above the CZ 29 -30 that we have been expecting on bounce. Earlier - At POM 13 at 26 (Covering Short Positions set in at POM 15),**
- **COPPER - Triggered Short Sell Signal on JJC @ 60 (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 New fresh Capital deployment at next POM 12 (since its been a Bull market) and / or at POM 12 at oversold equilibrium point

• Insights

- *From POM 13, GLD / GDX / SLV reached above our projected CZ target , 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 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 signal. Our Method does not buy the breakouts , if Breakouts are real (validated) then we will review the next Retracements BC leg.

- *. 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 for Breakout or Fake out (If we close GLD above the Highs, it could very well be similar to SLV's close above 30.5 where stops Triggered)*
- *If GOLD breaks out ,Silver has the potential to make a parabolic move, straight up for several dollars. However, it also has potential to do the exact opposite. In March 2008, silver broke more than 7 dollars in just one day and then proceeded to drop more than 14 next few weeks . The reason for my concern at this time is that the divergence between gold and silver versus their mining stocks is unprecedented in any stage in the history of the precious metals market*
- *Gold producer in particular NEM, ABX, GOLD, AUJ , KGC. charts show that has not been very effective as a proxy for gold and lagging , Confirmation will come only if GLD can breakout but for now this divergence should make us very cautious in going long metals.*
- *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 shall see.*
- *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) .*

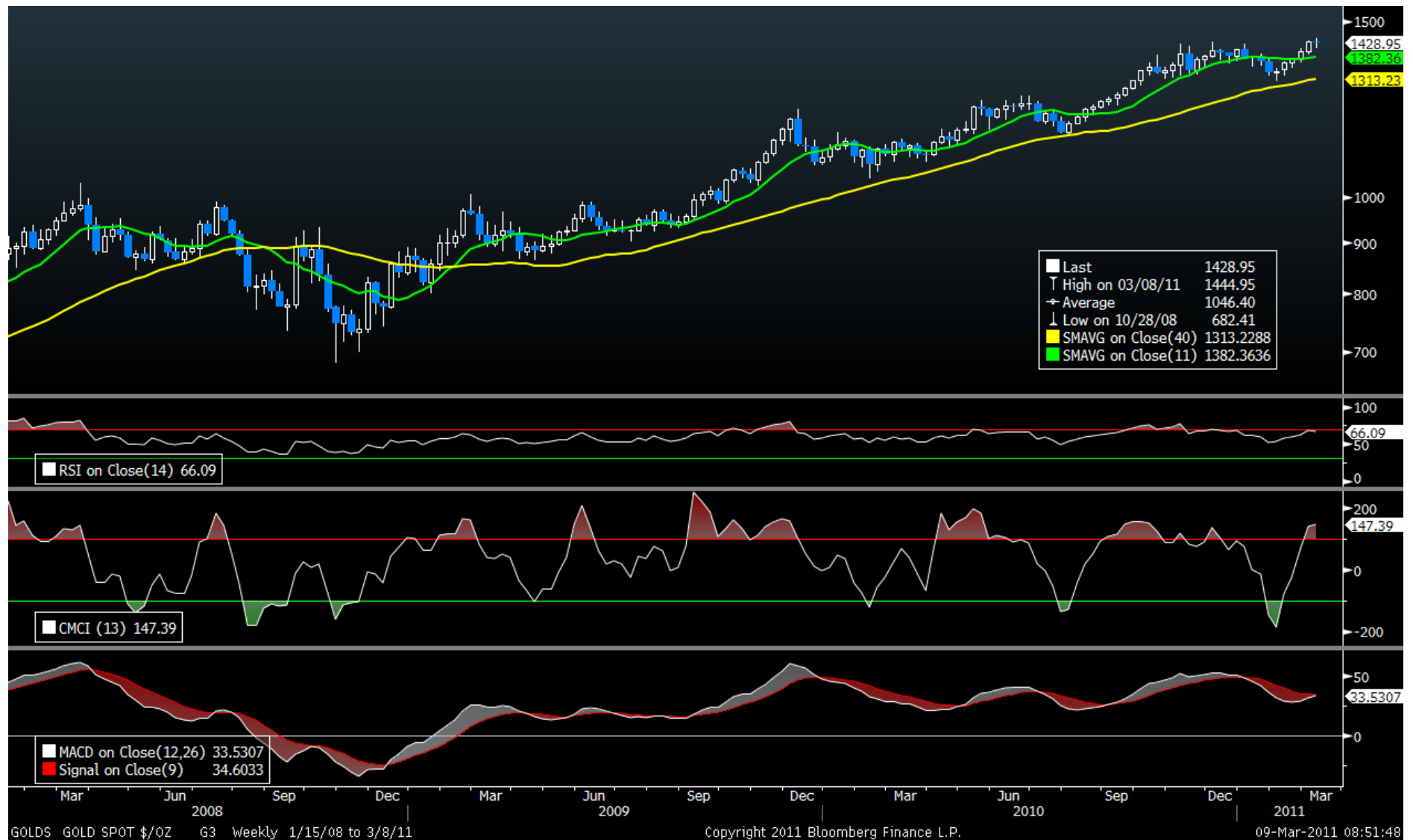
CRB - with SMA & Trend lines

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

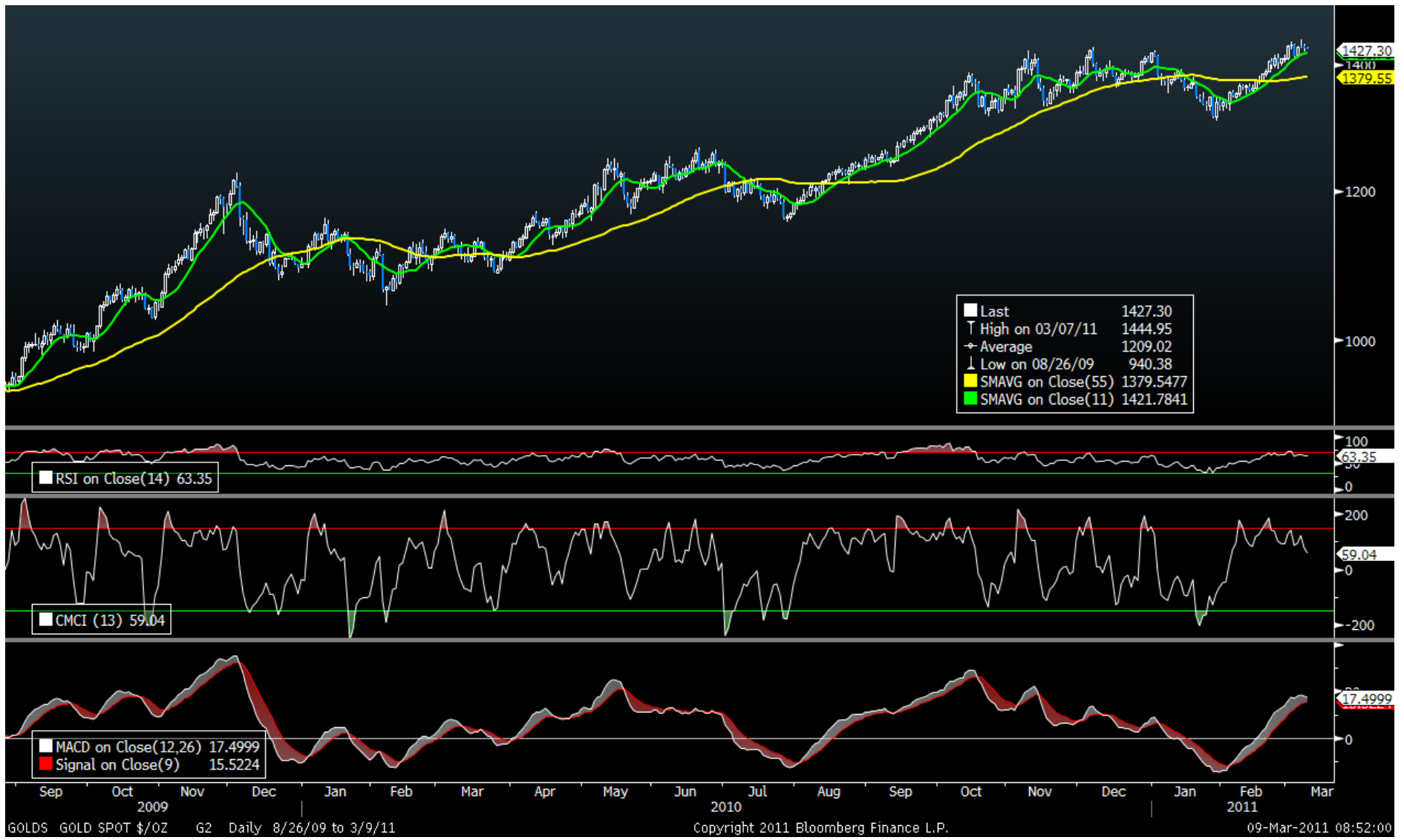
Commodity Idx		DBC
Last: \$	30.03	
Chg: \$	(0.26)	-0.87%



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



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



GOLD : SILVER RATIO

Mean of the ratio is 6.5 and 40 W is at 5.5 crosses at least twice a year but past 12 month no crossover. RSI of the ratio is at nosebleed 20



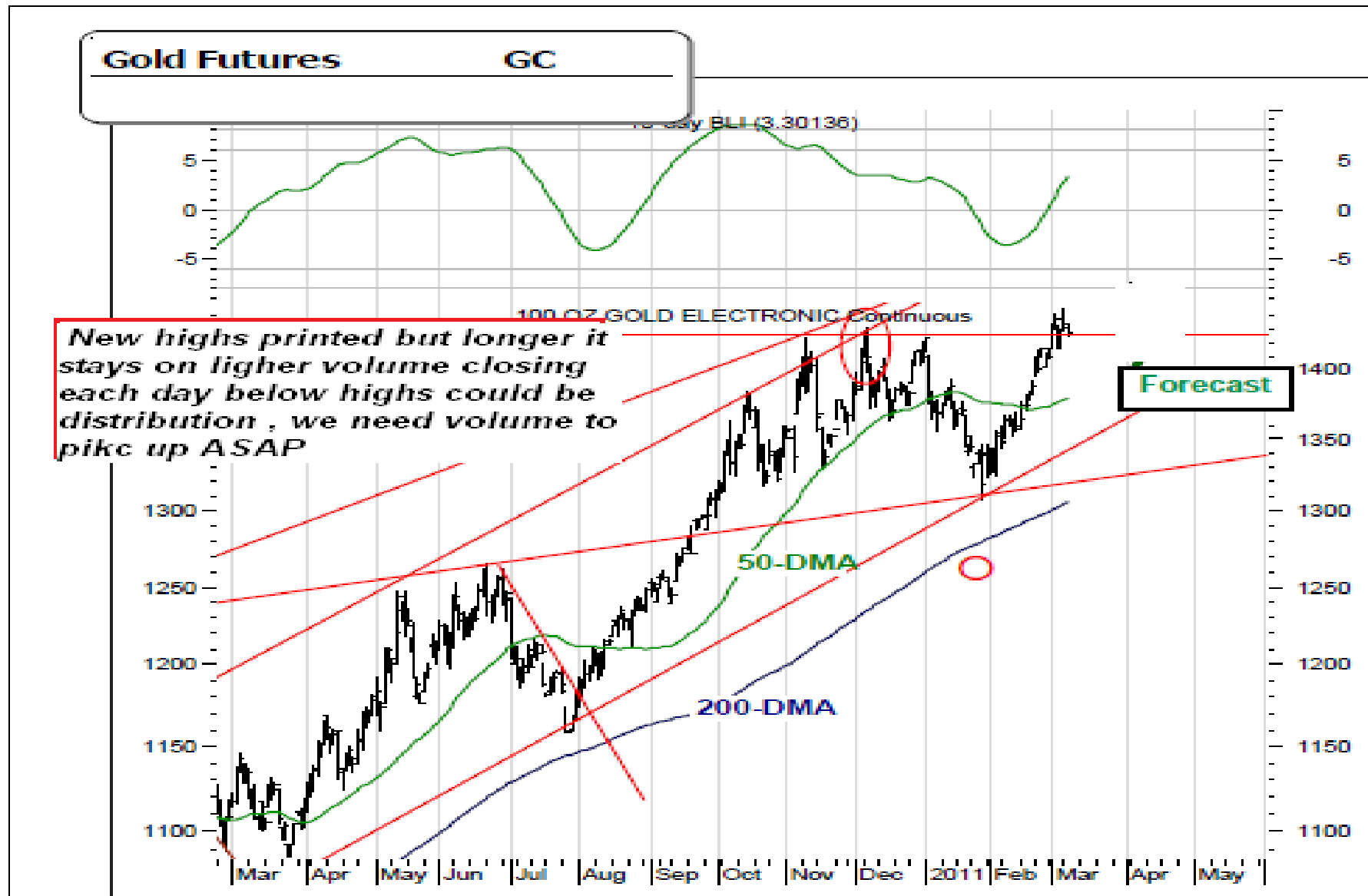
GOLD – PEC Analysis

PEC –D – No confirmation – by this method yet on this move up .(but might come in on completion of the run) . Last confirmation was when coincided with POM 13 at 1310



GOLD – SMA & Trend Analysis

Refer notes within charts.



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

GLD - Currently we are awaiting for POM 14 – Re Run Trigger in 137 -140 Area (pink circled) . Having reached our bounce target. Currently it is at inflection point with some patience game

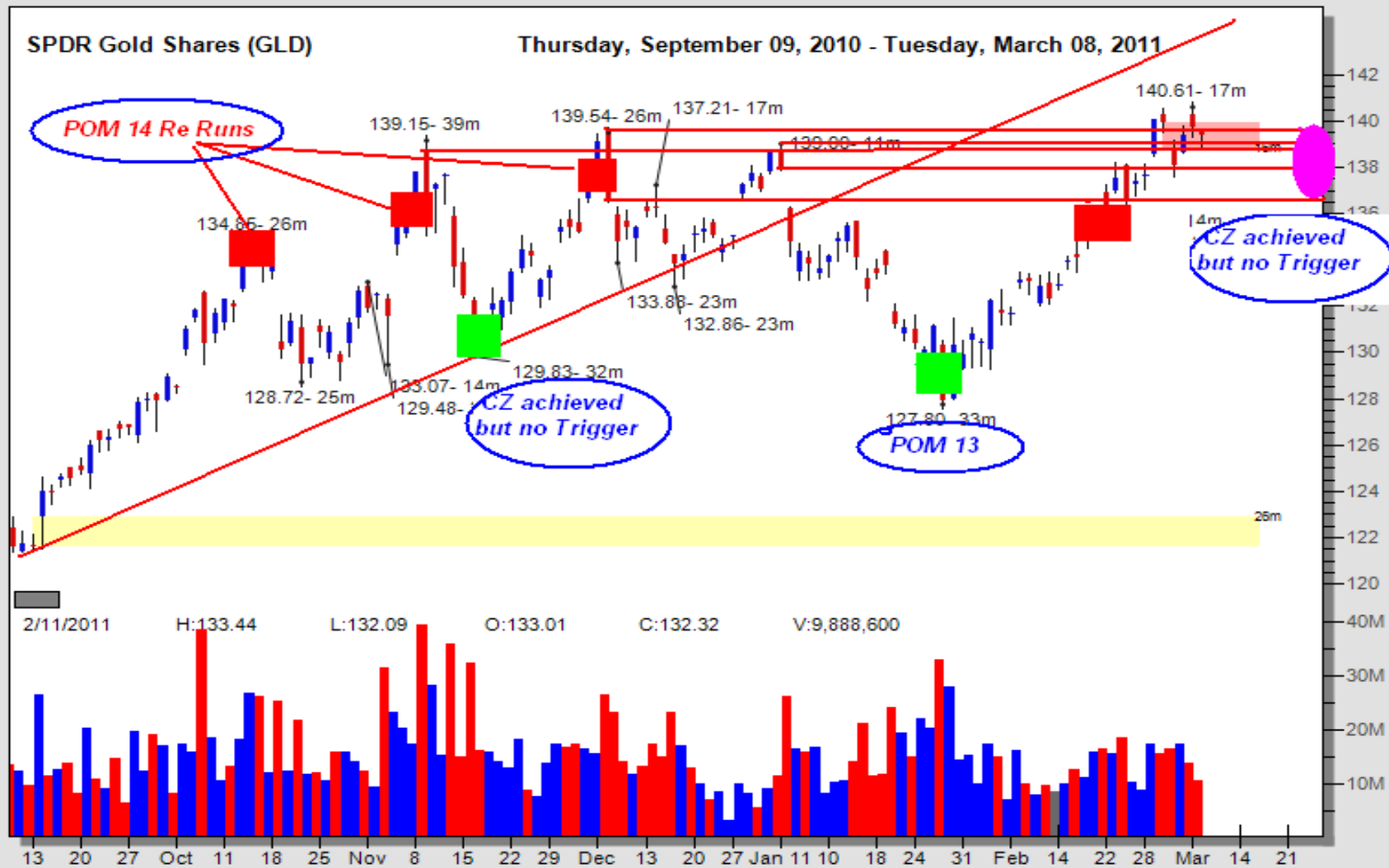
For Failure - Based on current configuration we are looking for 12 M on test on volume and for Price to go to 141 and close below 139 (pink zone)

For Fake out - Go above 141 with 12M and trigger all the stops and then die on its track in 2-3 days. At higher price. But confirmation will be delayed.

For Break out - This corresponds to on continuous contract ,GOLD - if the Volume picks up 300K towards and close above 1435 then would begin ABC up . currently the volume has been at 180 k . 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



GLD – Money flow

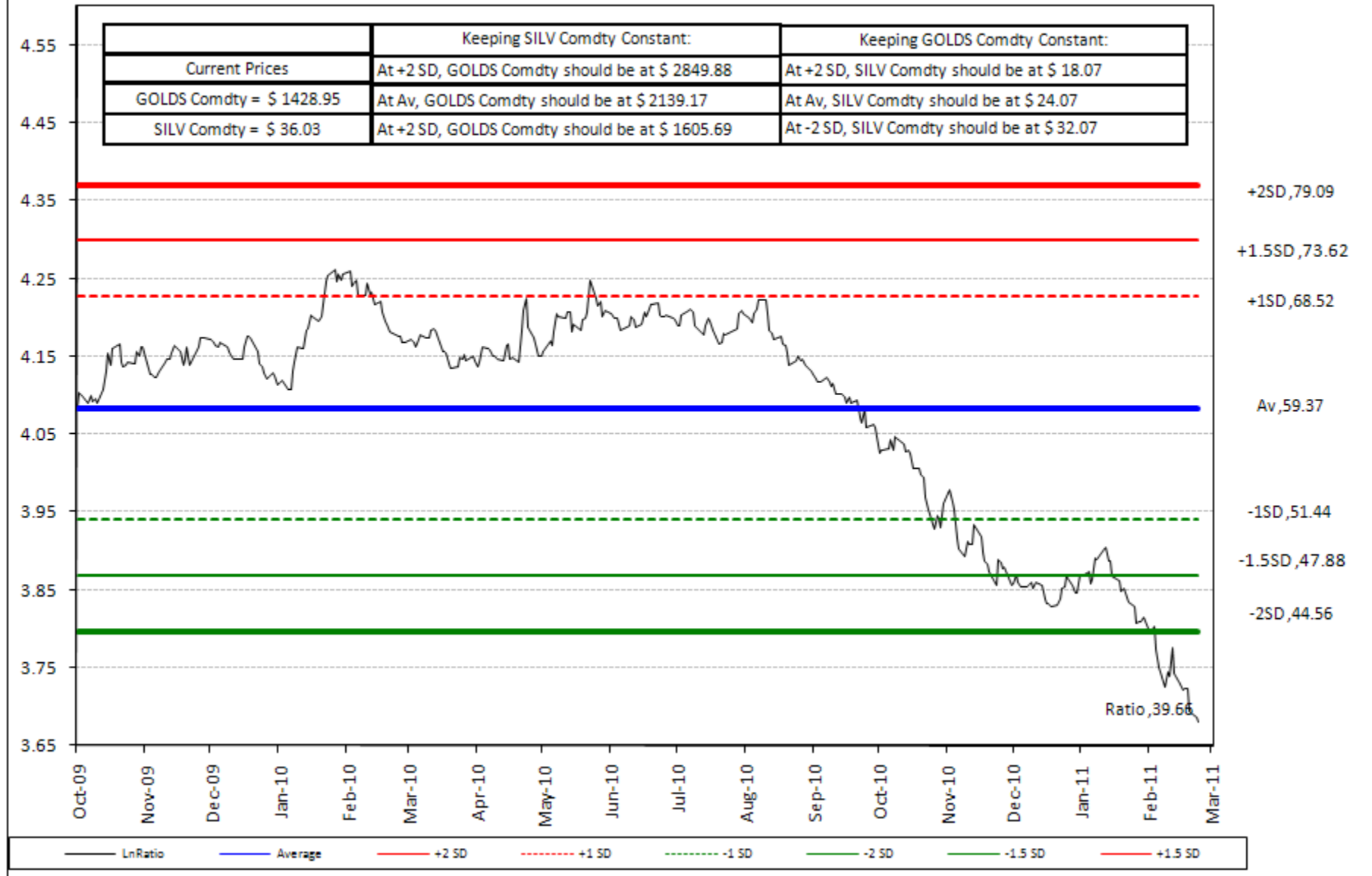
The Money flow is suspect and it Just another Hurdle even on last bounce. If not now, this will bite at the end.



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

With Respect to SLV, GOLD is undervalued.

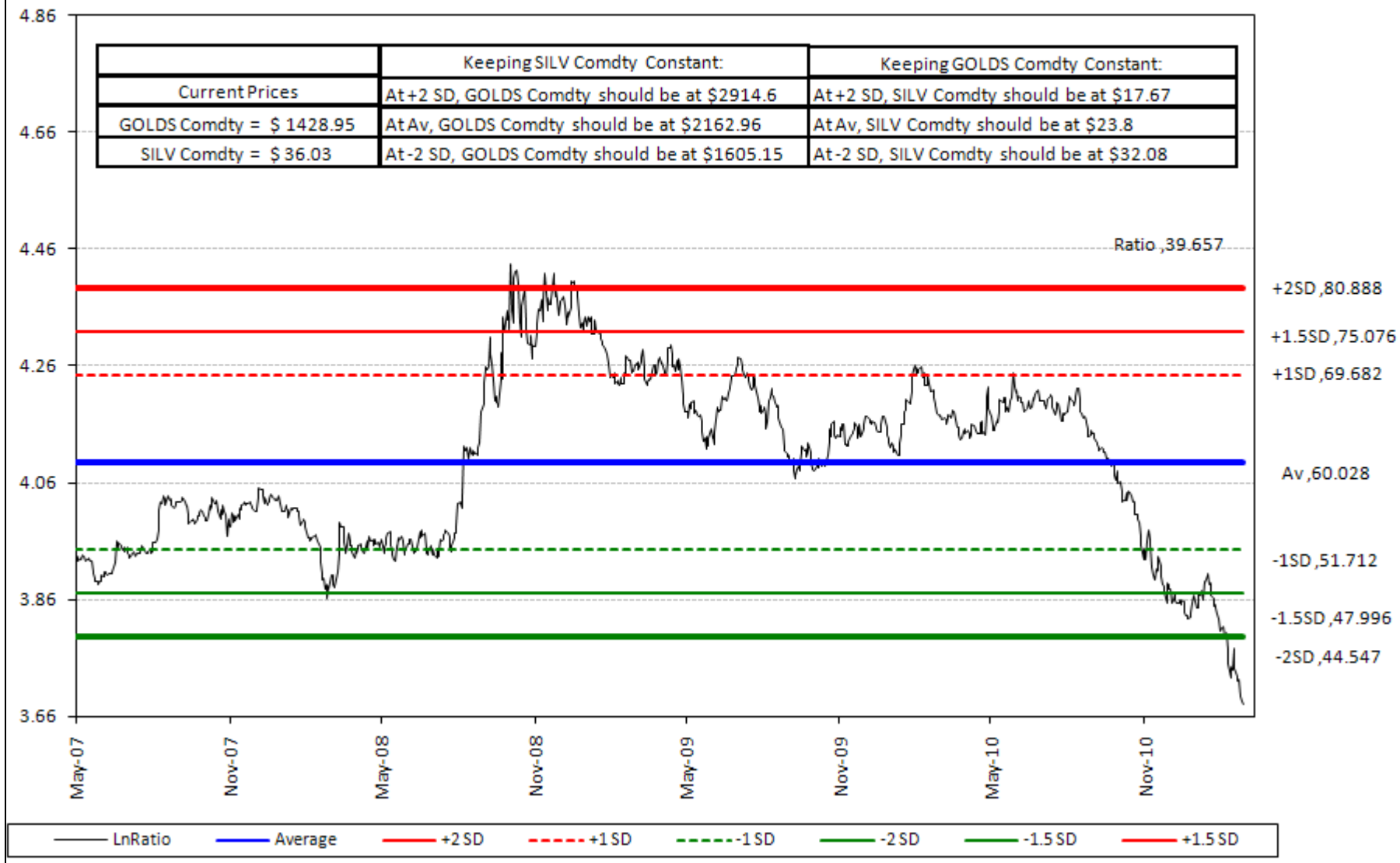
Long GOLDS Comdty and Short SILV Comdty, Updated till 08 Mar 2011



GOLD – Correlation Ratio Analysis with SLV – Full Time basis

With Respect to SLV , GOLD is undervalued.

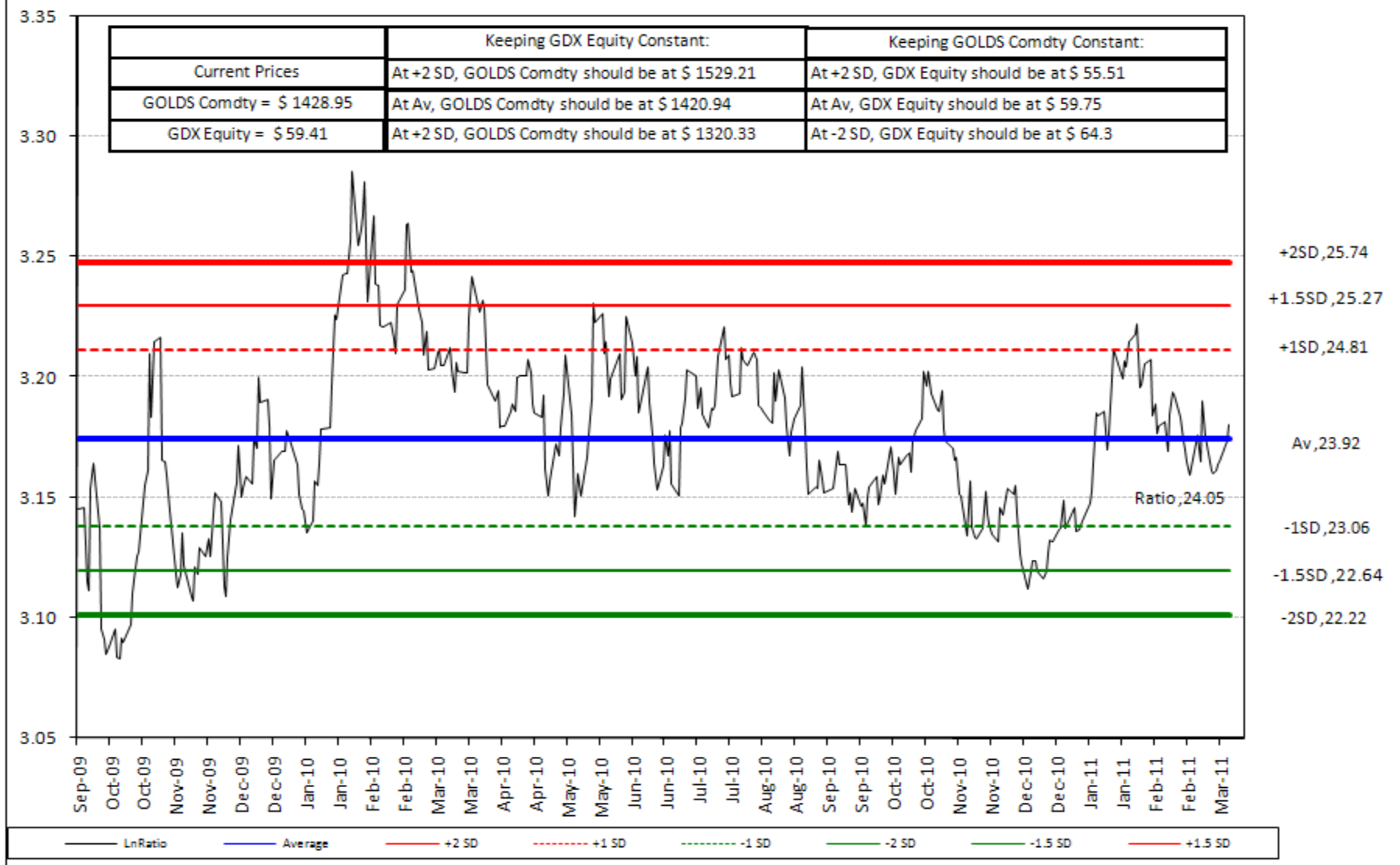
Long GOLDS Comdty and Short SILV Comdty, Updated till 08 Mar 2011, FULL PERIOD



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

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

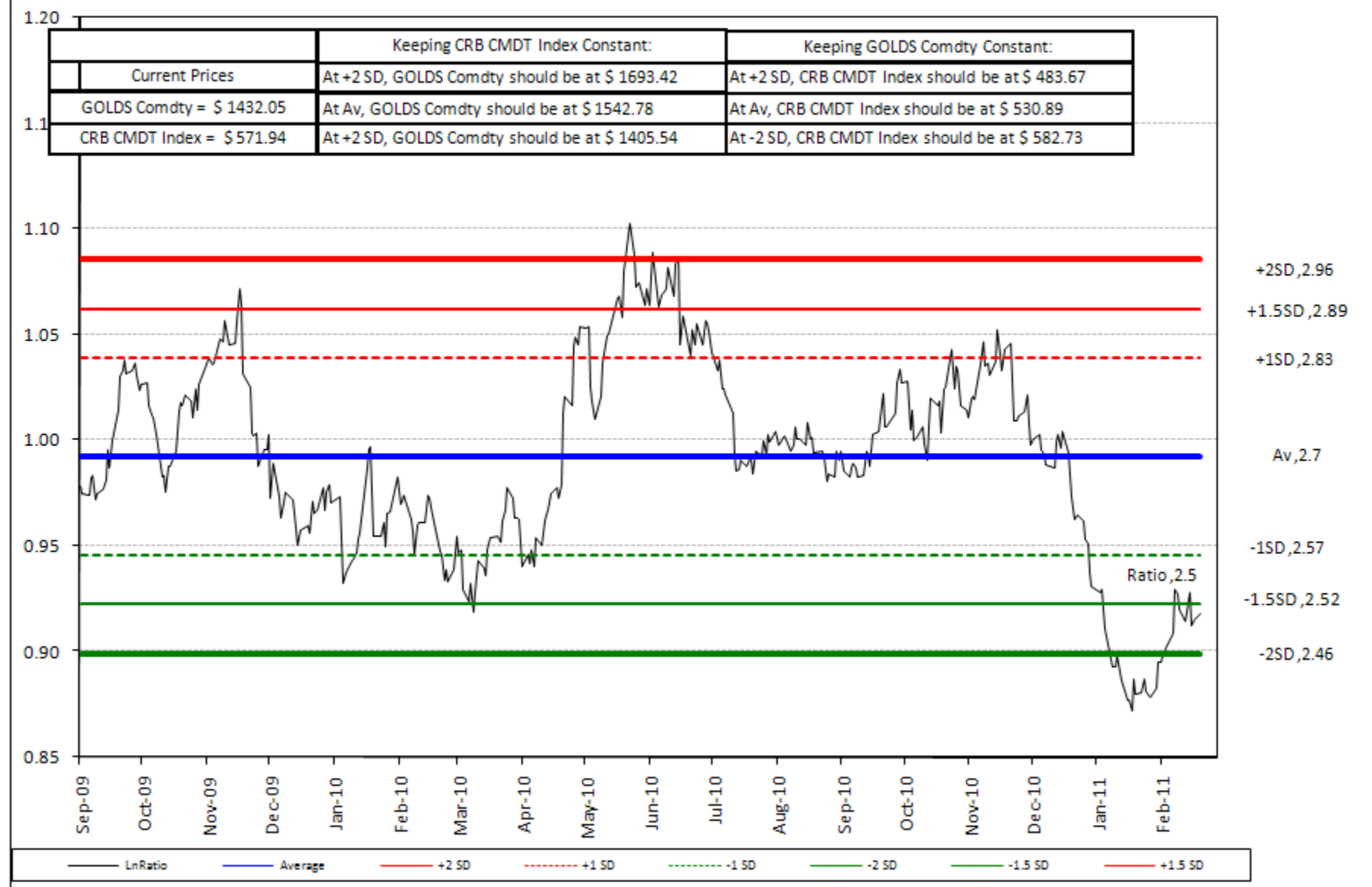
Long GOLDS Comdty and Short GDX Equity, Updated till 08 Mar 2011



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

With Respect to CRB, GOLD is undervalued

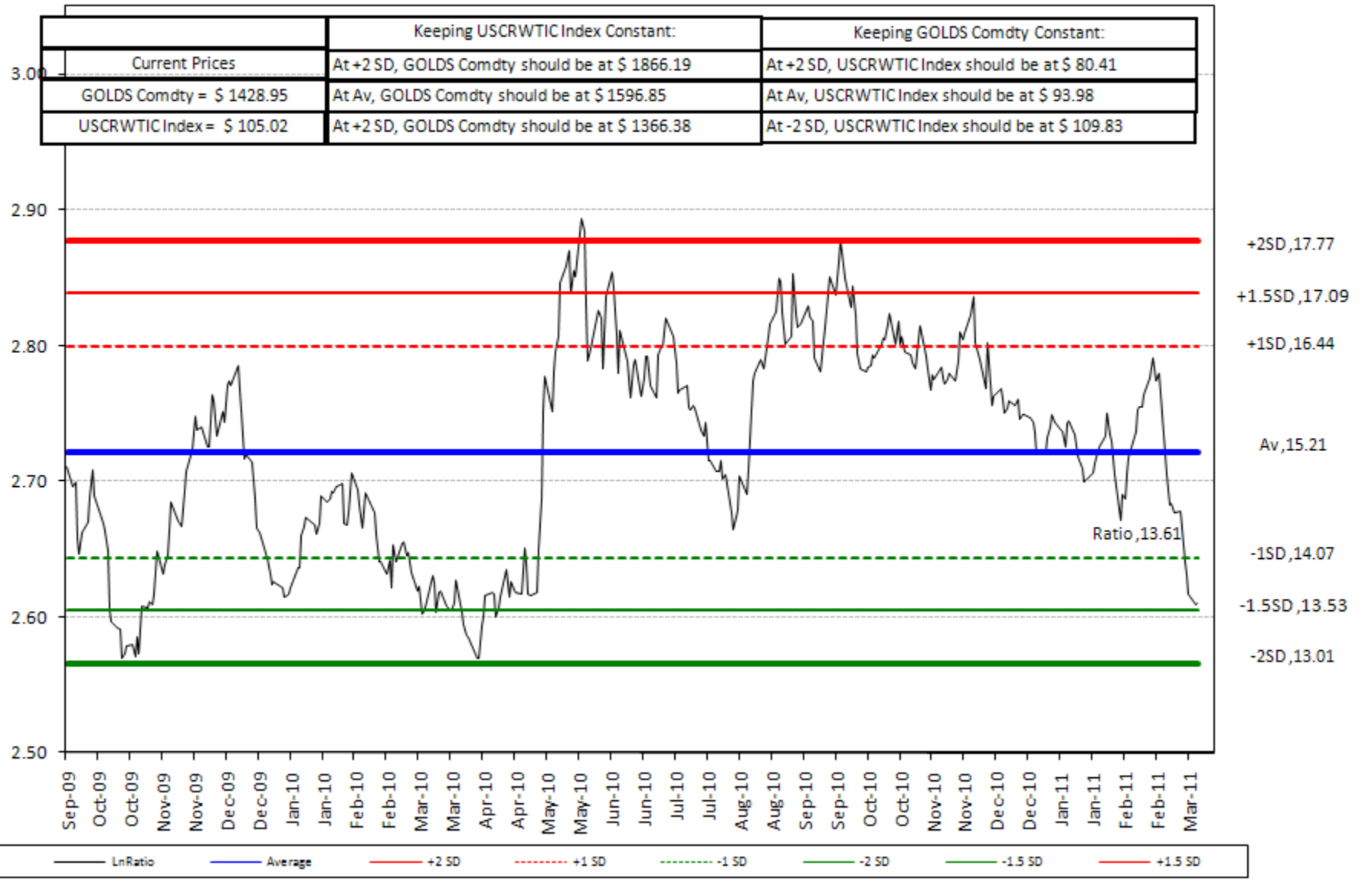
Long GOLDS Comdty and Short CRB CMDT Index, Updated till 07 Mar 2011



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

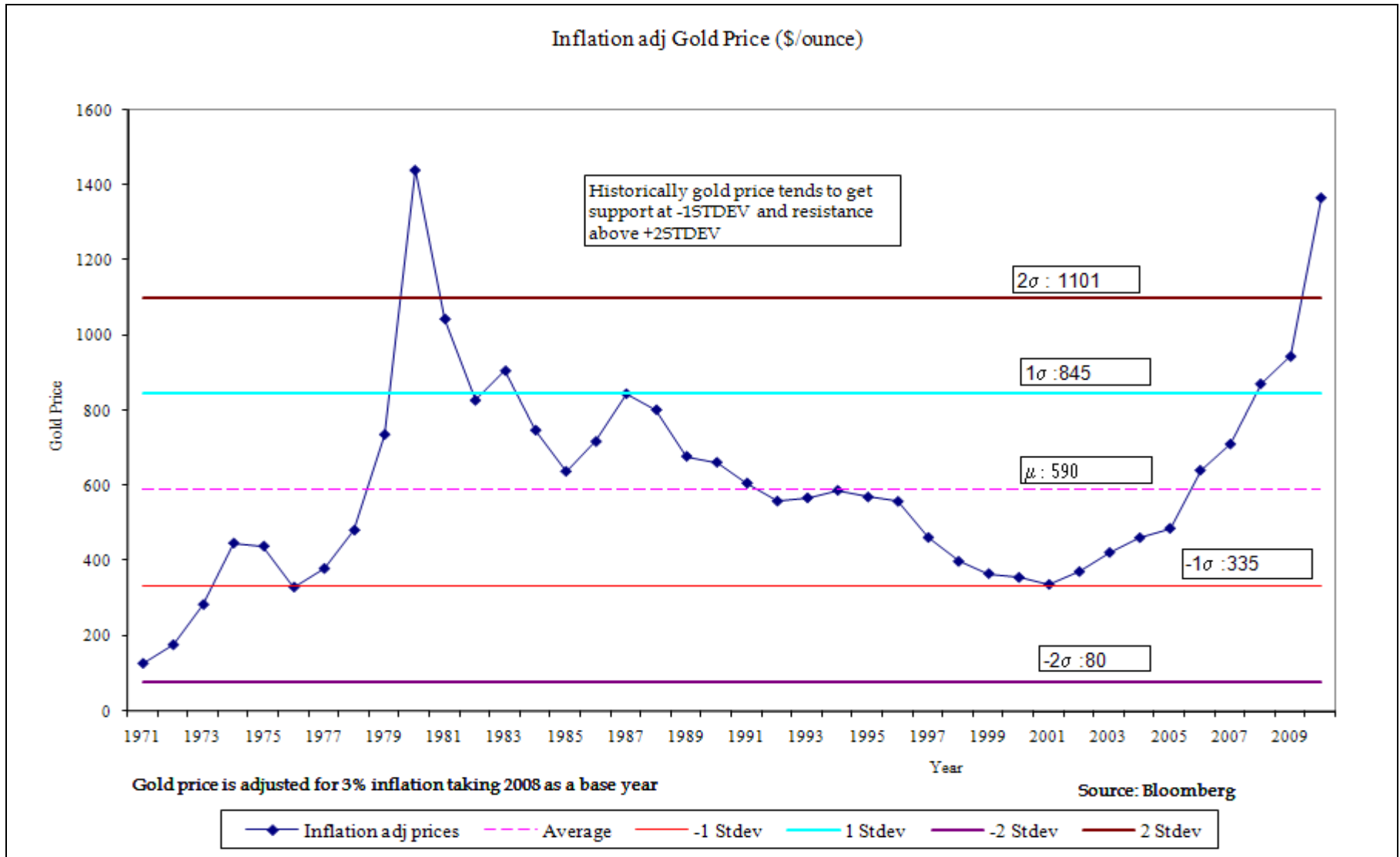
With Respect to OIL, GOLD is beginning to get undervalued

Long GOLDS Comdty and Short USCRWTIC Index, Updated till 08 Mar 2011

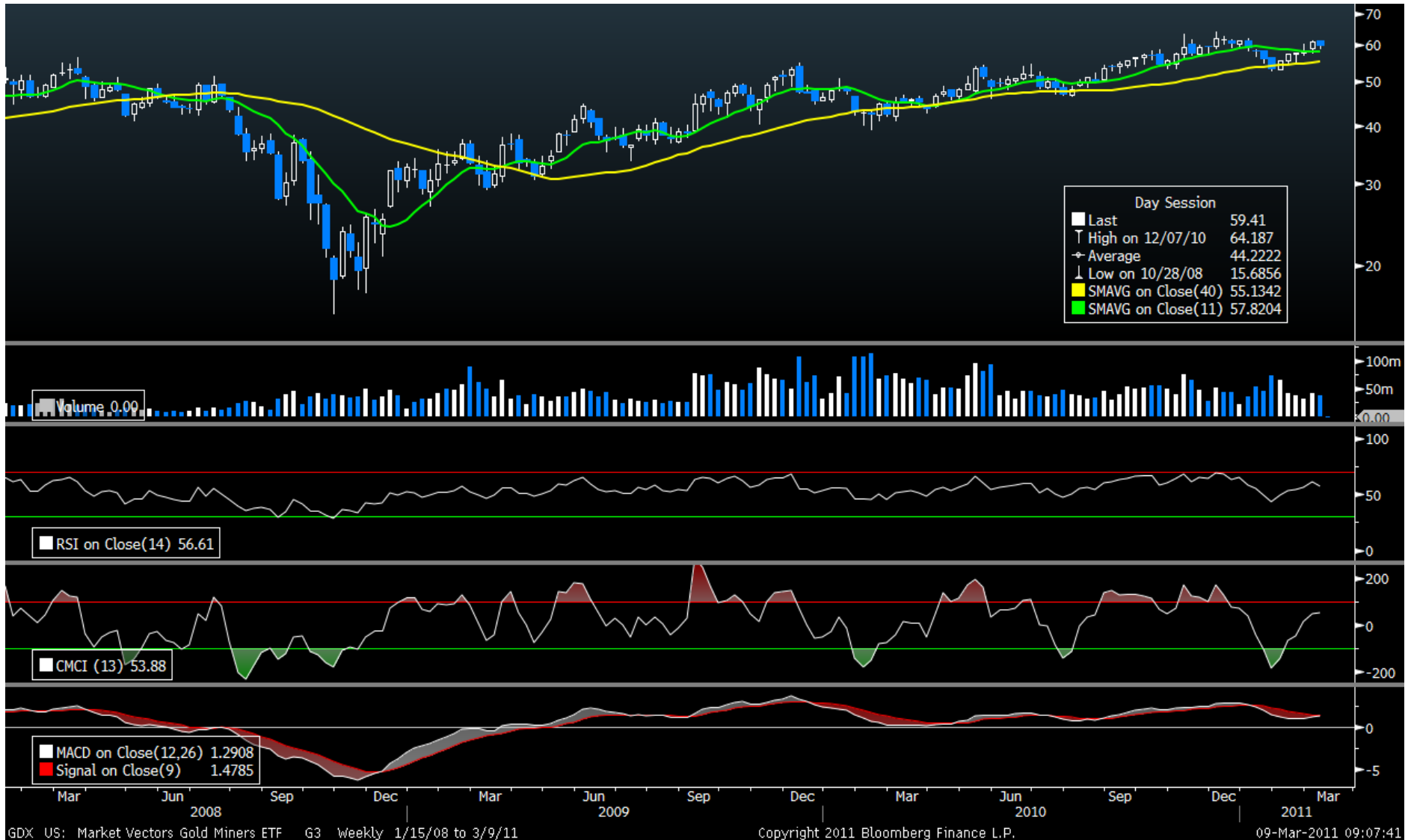


2- GOLD – Trend Reversion Analysis – Long Term – Inflation Adjusted

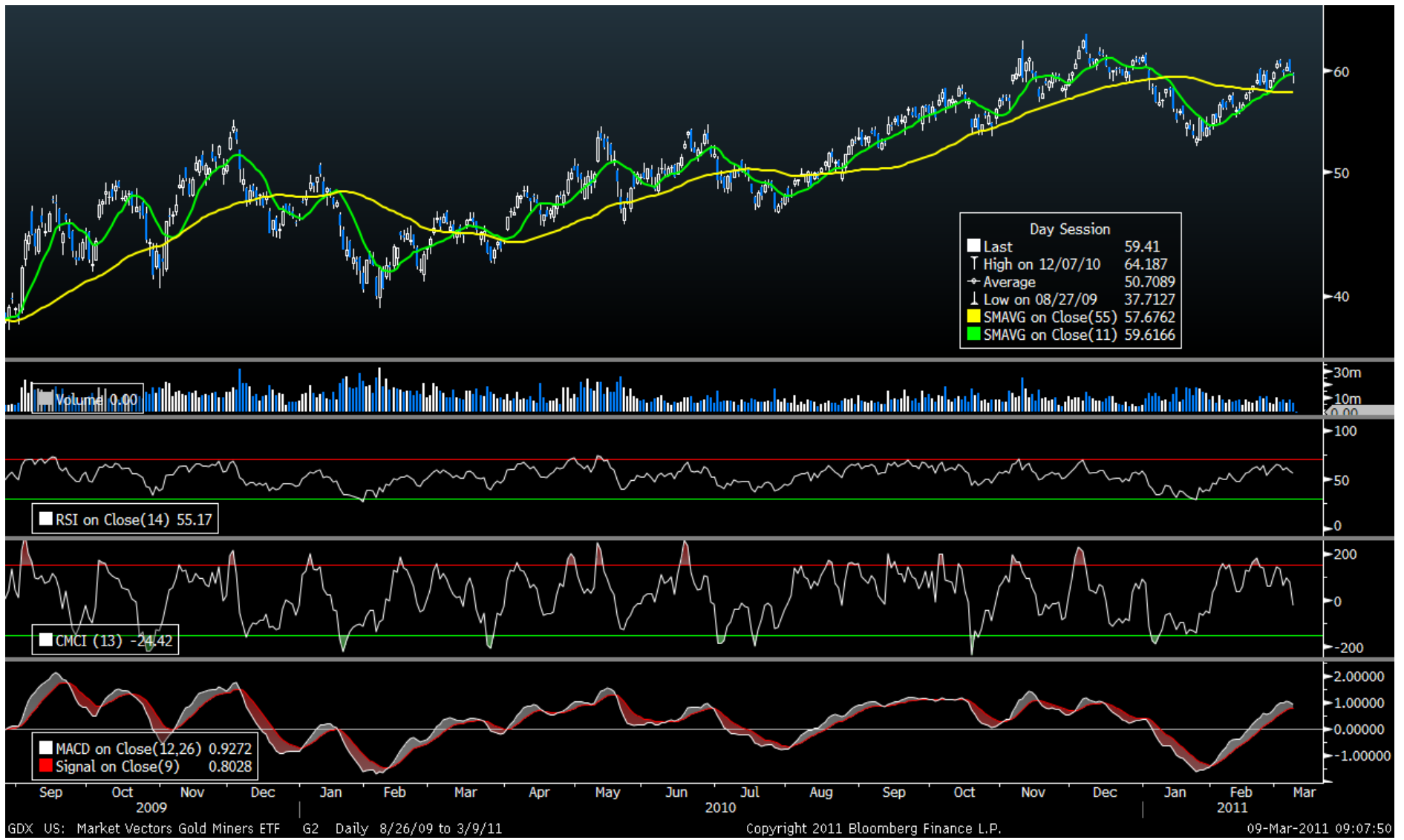
Is almost double topping



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)



XAU – PEC Analysis

PEC – D is CONFIRMED by this process , Now will look for POM – PQV to line up - (Earlier POM 13 was confirmed by this process as well) . We are always looking for 2-3 methods to confirm our process.



GDX – Daily – Money flow

Sellers are bailing our Mining stocks - Bearish divergence warns that this rally was simply a market oversold bounce – Another hurdle for breakout .

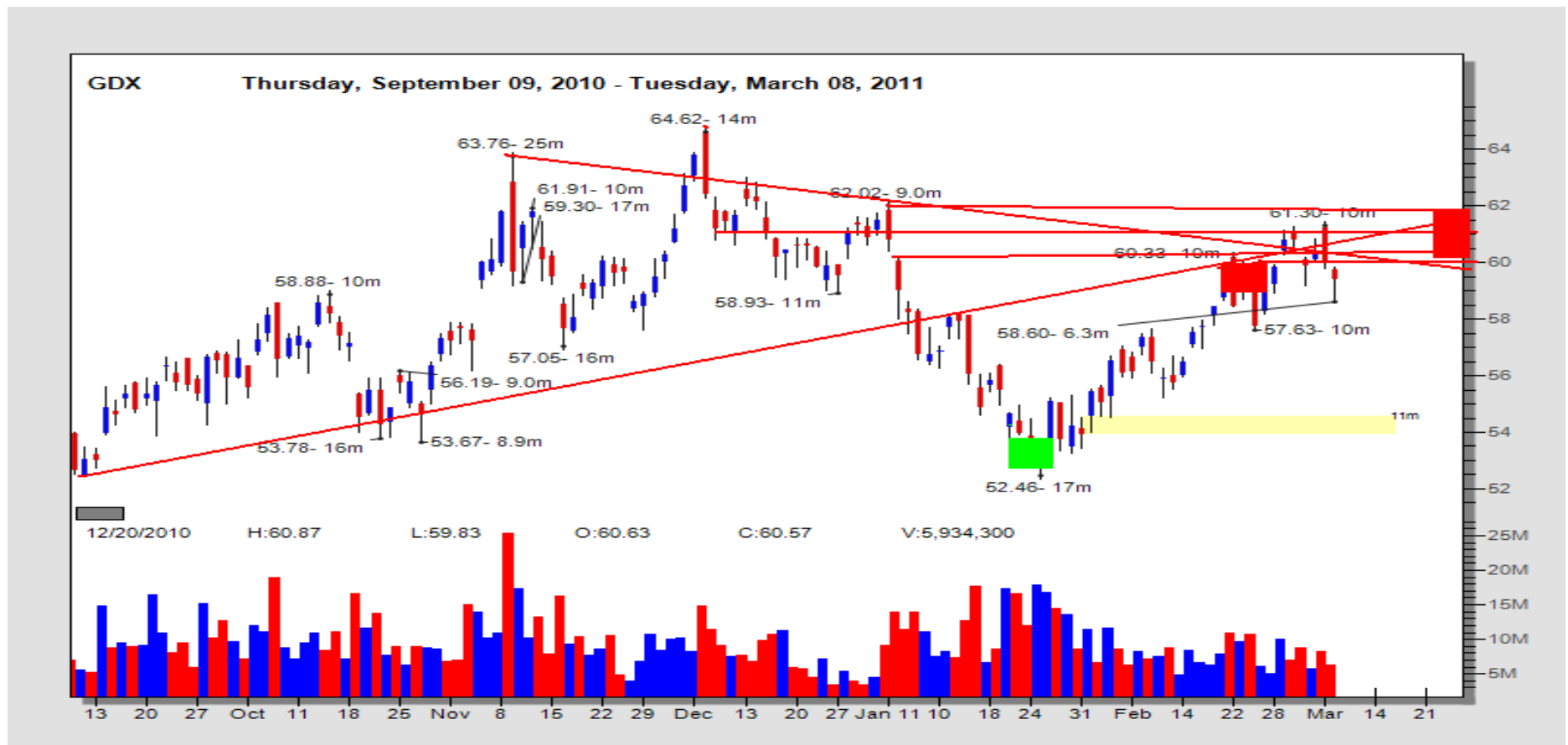


1- GDX – Price / Volume

GLD - Currently we are awaiting for POM 14 – Re Run Trigger in 60-62 Area (red marked above) . Having reached our bounce target (red marked below) . This index is Top heavy and weak compared to GLD, this is kind of divergence.

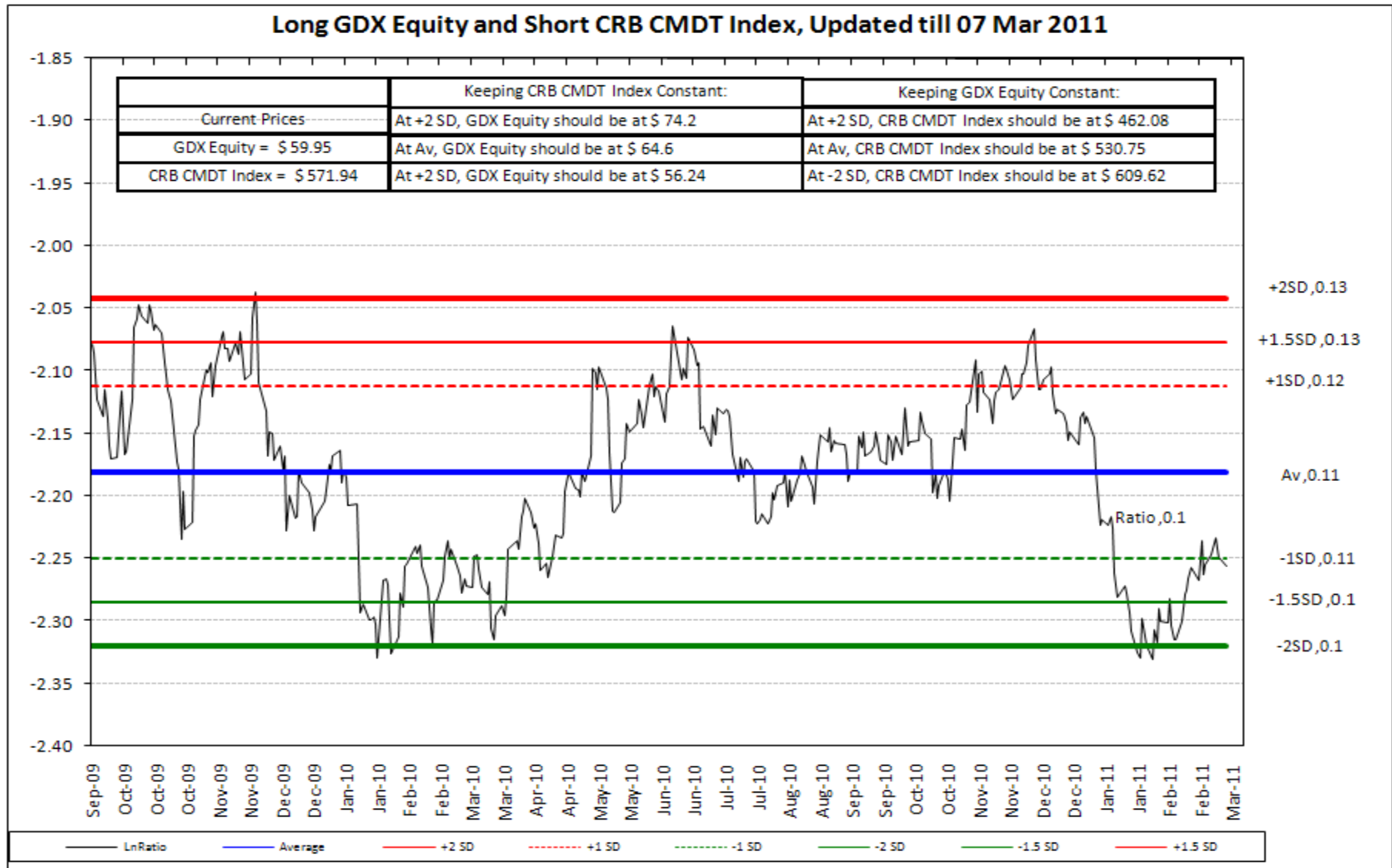
For Failure - Based on current configuration we are looking for 7.5 M on test on volume and for Price to go to 62 and close below 61

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



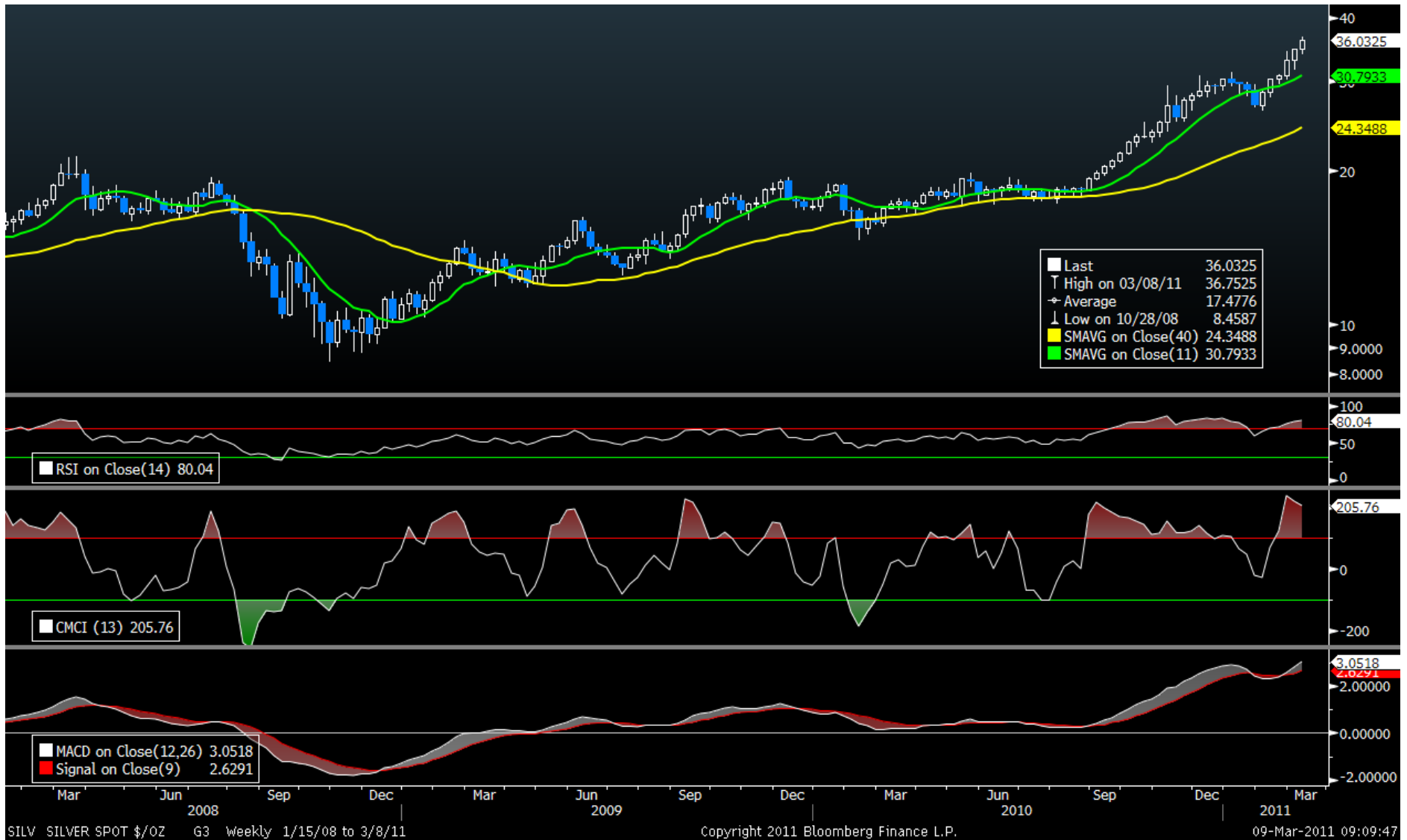
1- GDX – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , GDX is beginning to get to mean



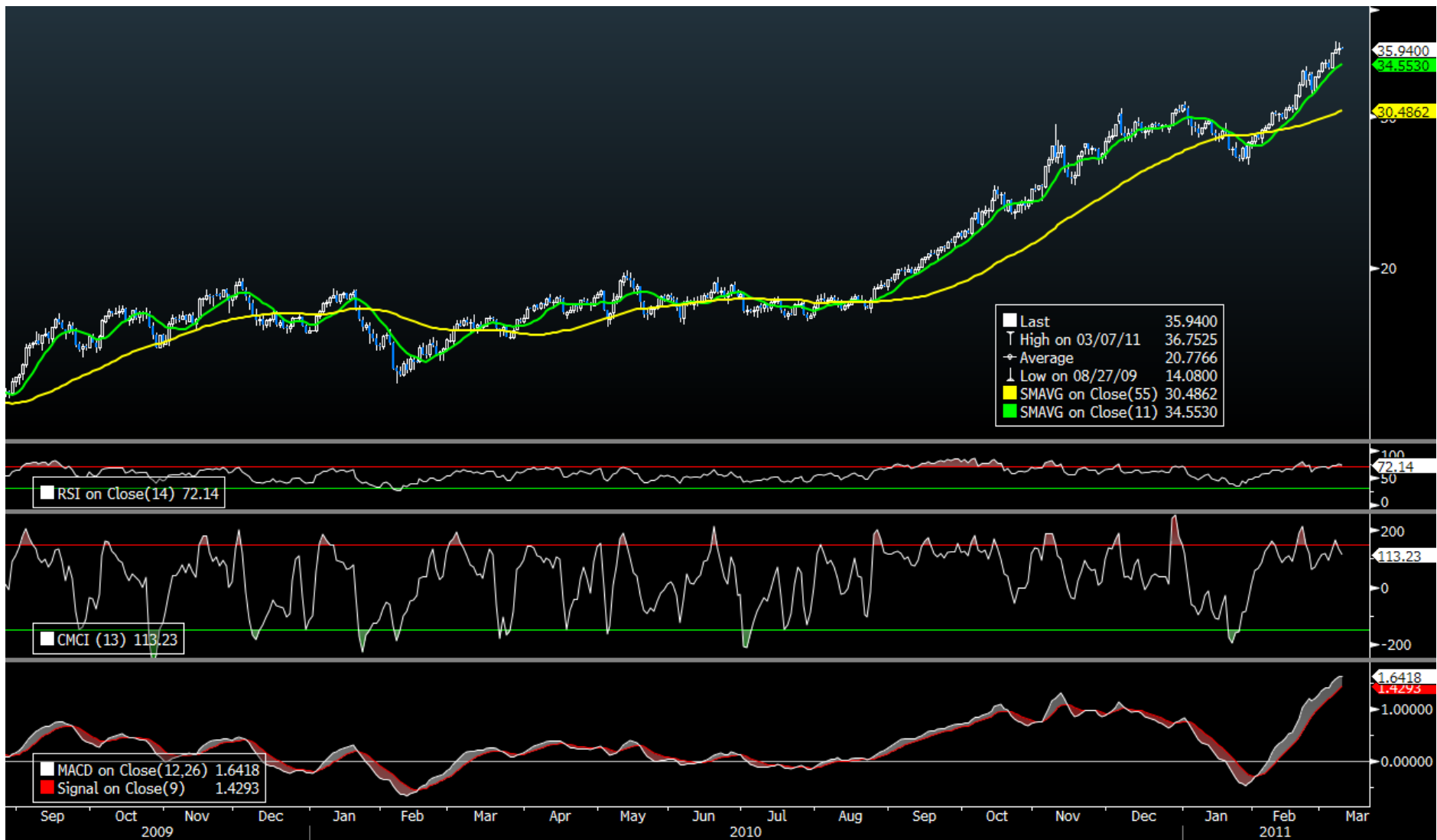
1- SILVER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



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

(11D / 55D)



1- SLV – PEC D

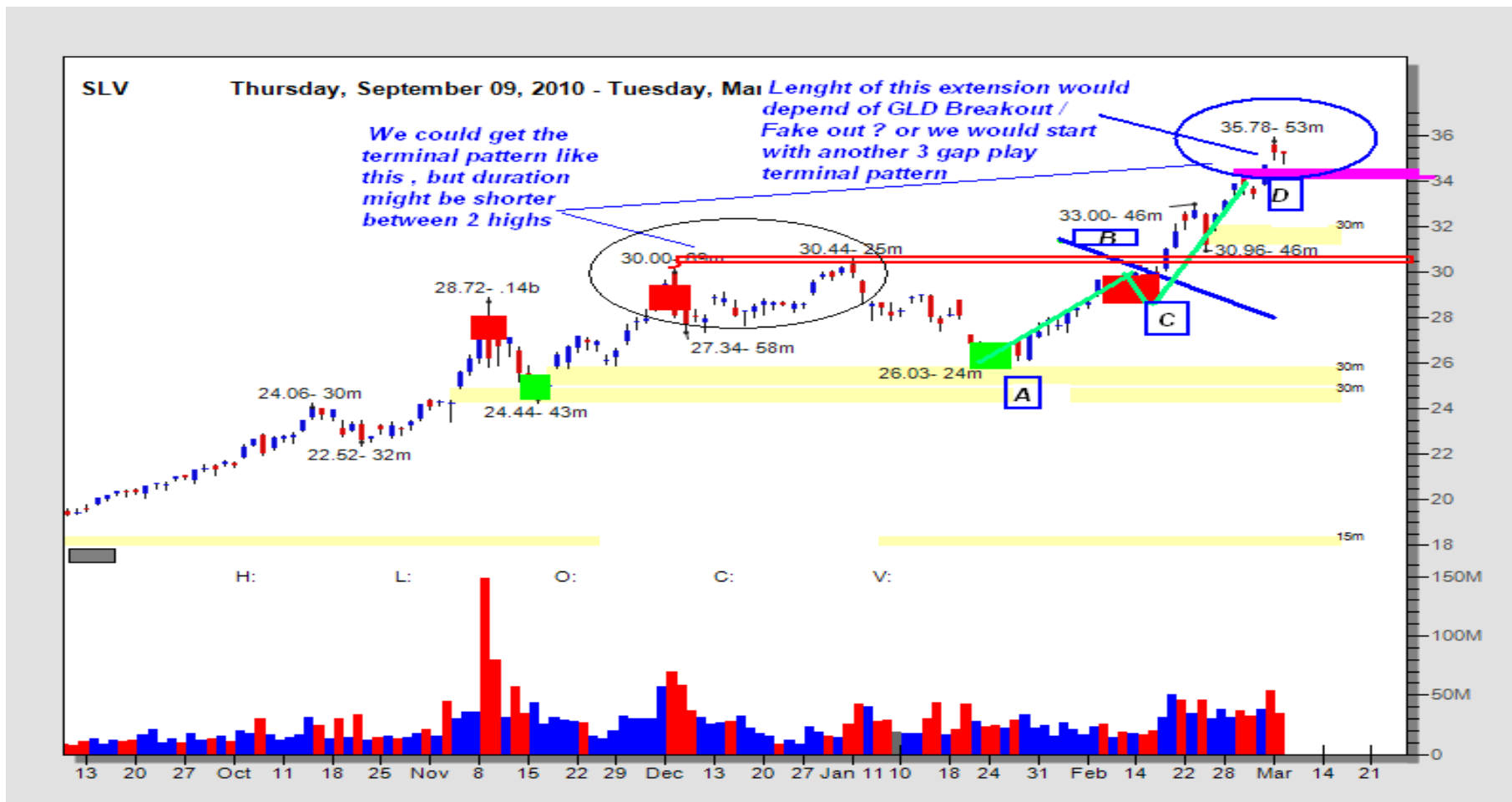
Currently – **No Signal on PEC D** – Awaiting either for GOLD to finish the move. Chart below GREEN BOX @ PEC D @ 26 - coincided with POM 13, The first red box was at 718 – PEC D 29 coincided but exceeded due to 3X3 Vol pick Straight to ABC up at 34 @ 618 (2nd box) which we had given in our Report earlier once the double top at 30.5 was broken with higher volume



SLV – Daily - Price / Volume-

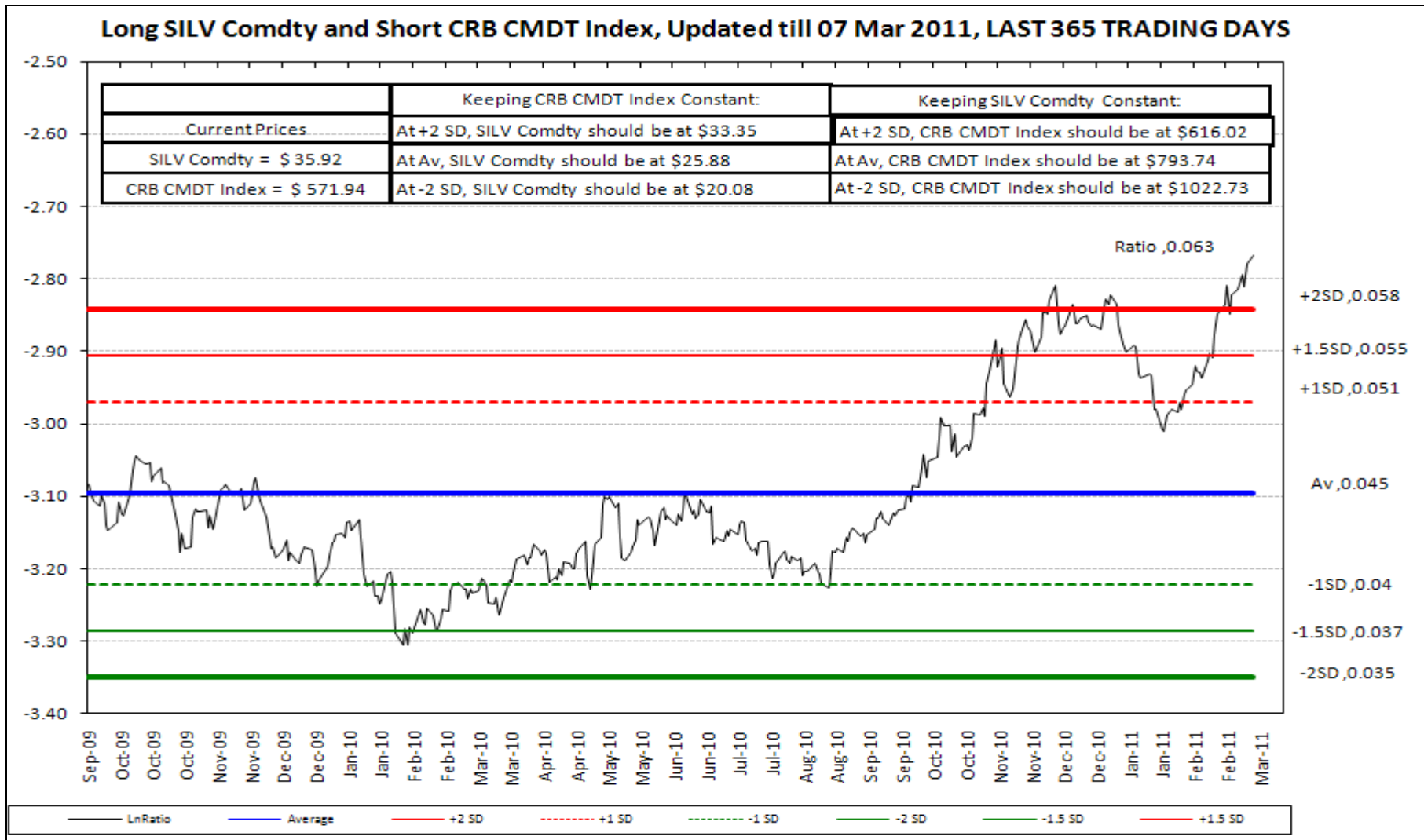
We are looking for a terminal pattern to play out (see the notes within the chart). Signal to watch - - First clue - Gold market. Usually ABCD completions are change of Trend or Consolidation , if any Exhaustion move we will watch carefully for its texture. Gap plays , Angle or move, volumes etc. (No Signal) . Once the pattern is finished we can judge the Volume numbers for next signal

Earlier - ABC up on daily basis was achieved to 34 . On pick up of 3x3 vol cross of slant with 31 M v/s 20M test required, that was the Stops triggered at 30.50 and hit the exact 1.618 expansion of that move at the 34.40, that was our Price projection



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

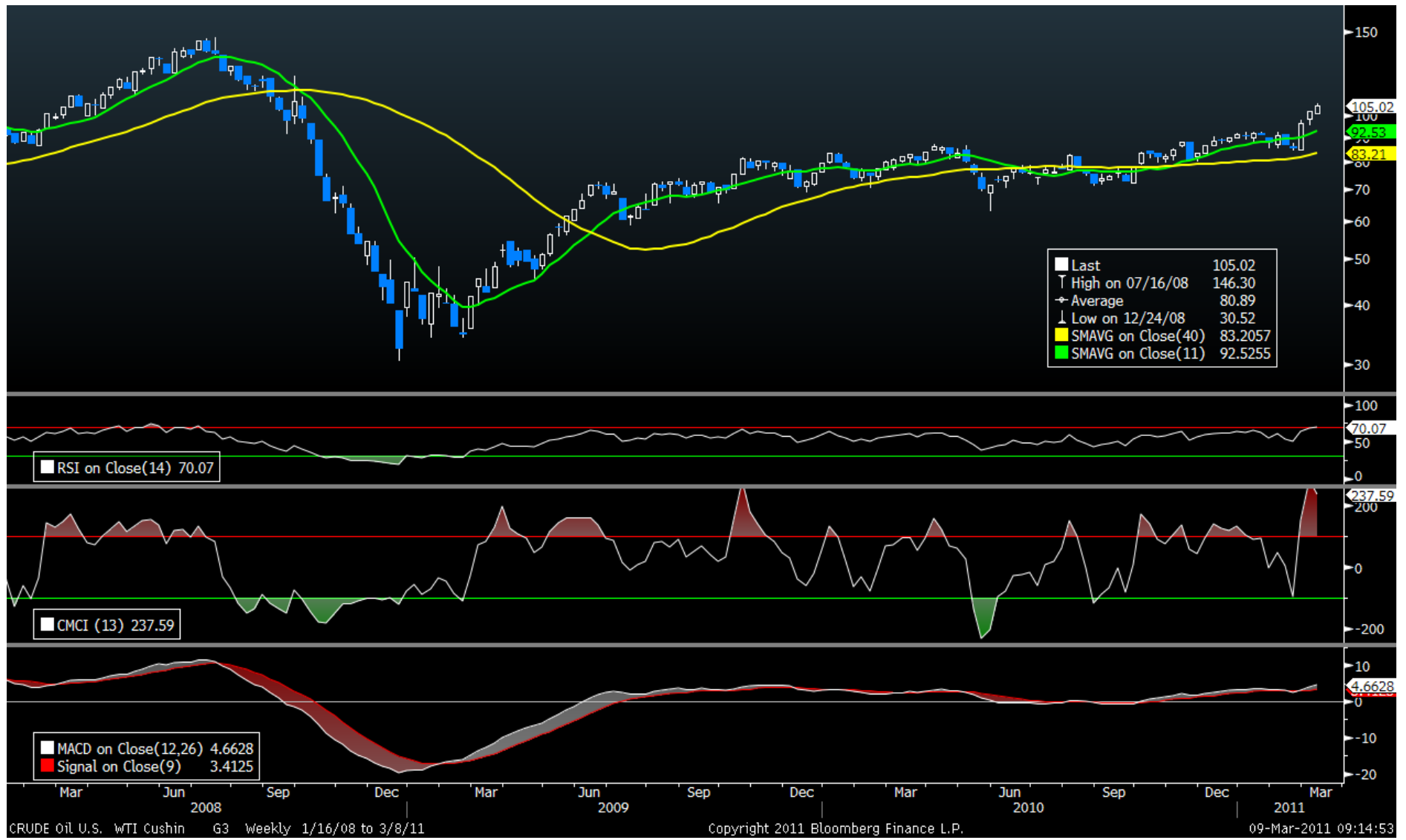
With Respect to CRB , SLV Ratio is picking up speed to be overvalued.

Long SILV Comdty and Short CRB CMDT Index, Updated till 07 Mar 2011, FULL PERIOD



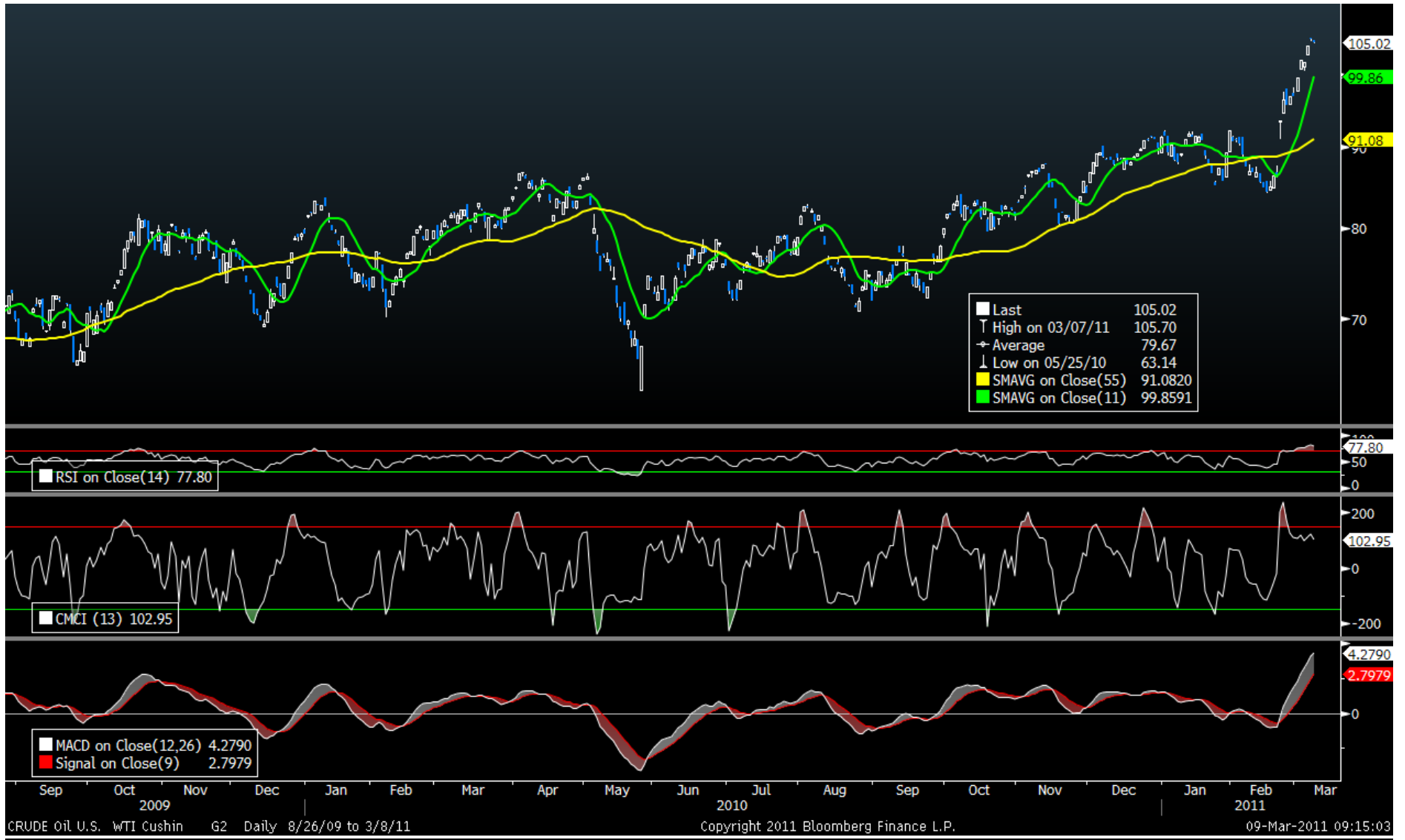
1- OIL - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



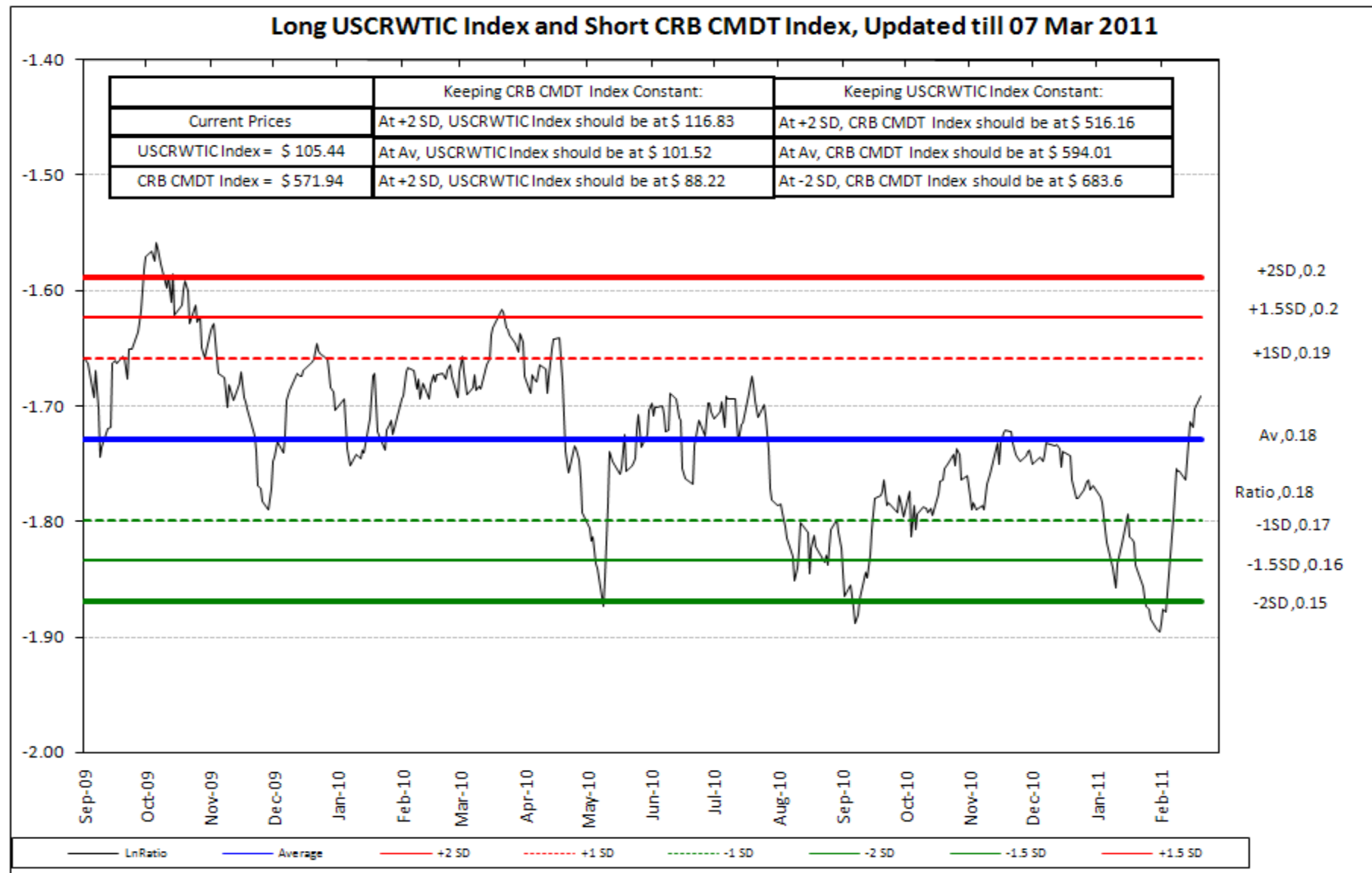
OIL - Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)



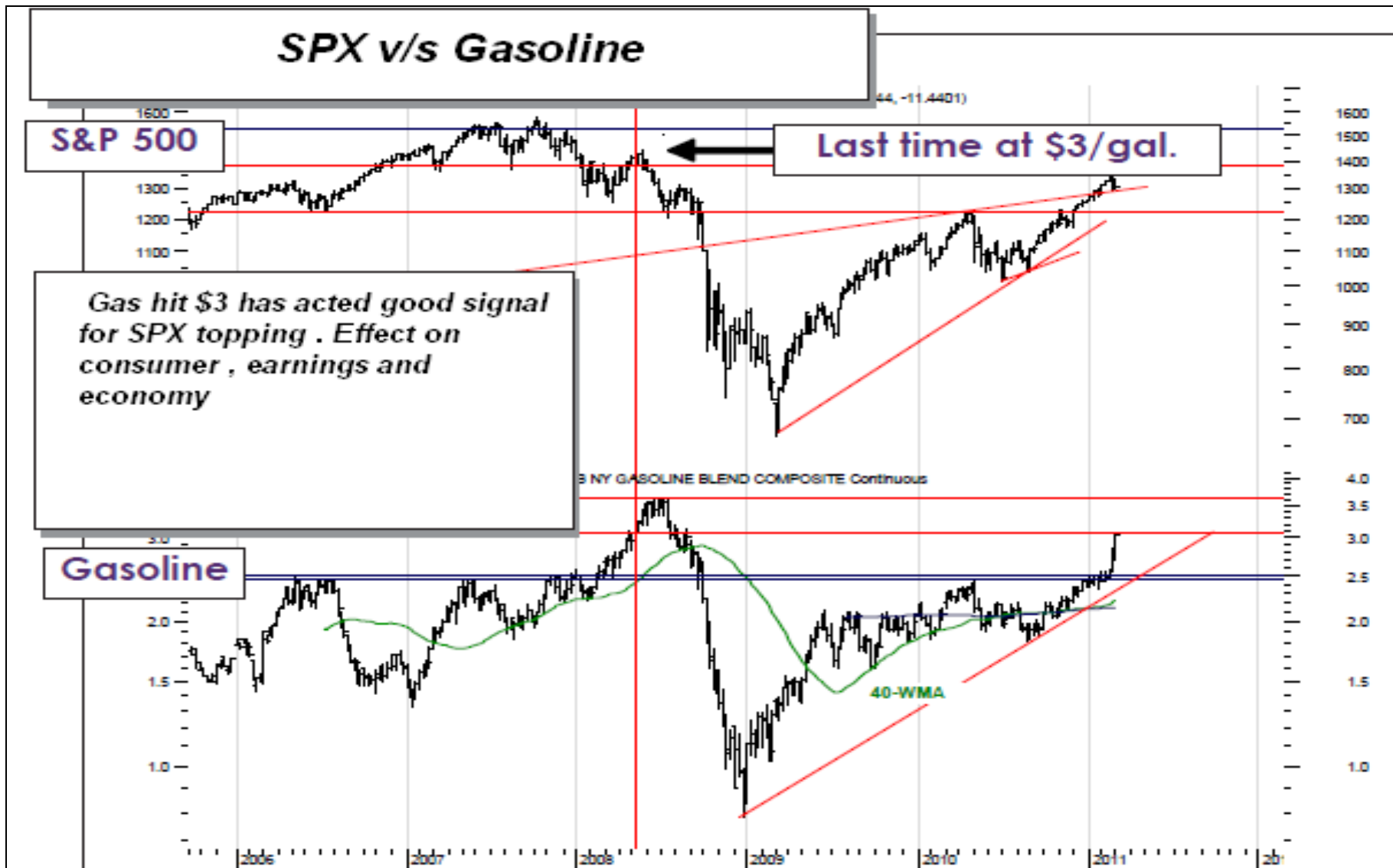
OIL – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , OIL is now at mean .



OIL (Gasoline) v/s SPX

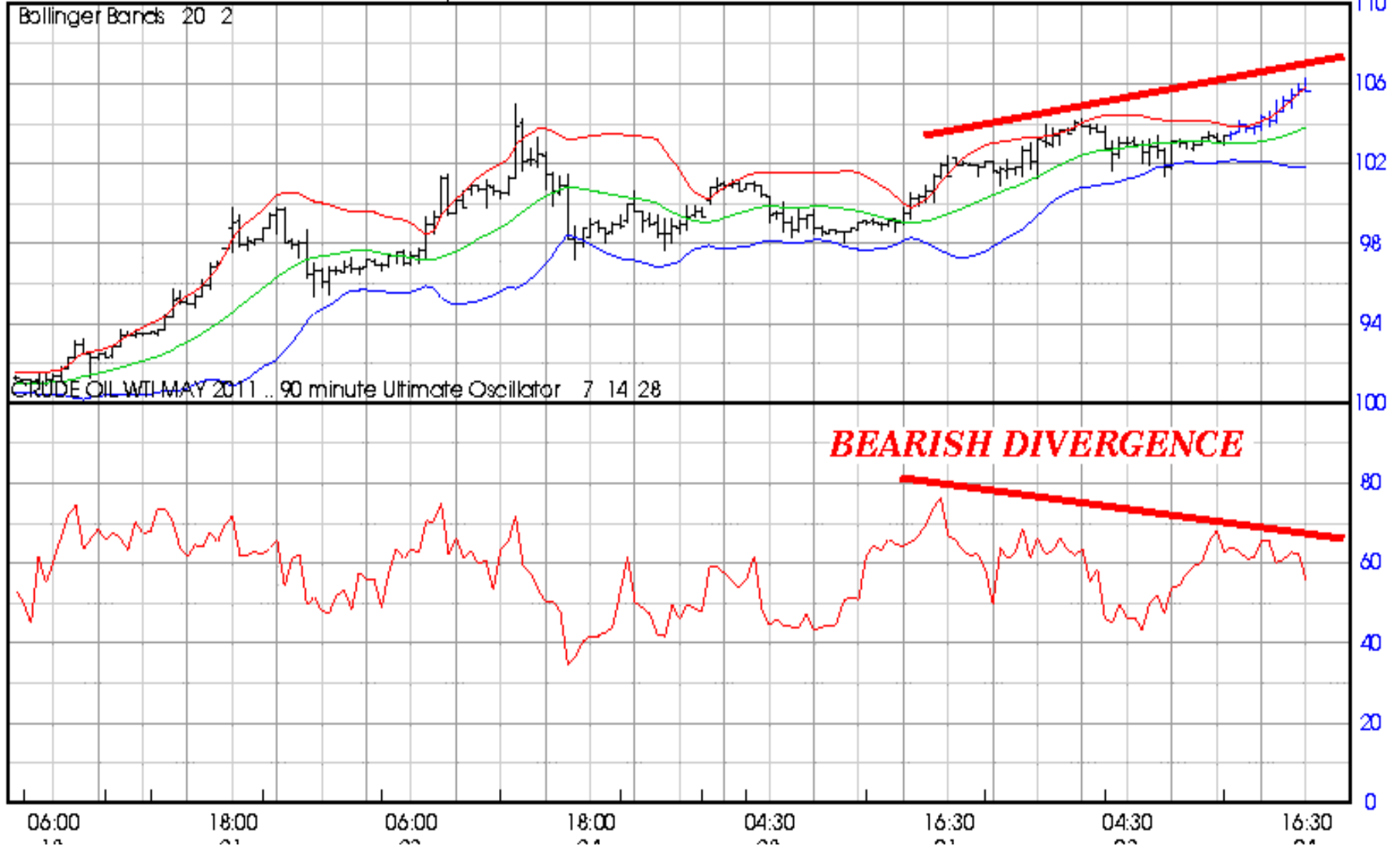
This extremes has direct co relation – See notes within the chart .



OIL – Oscillator

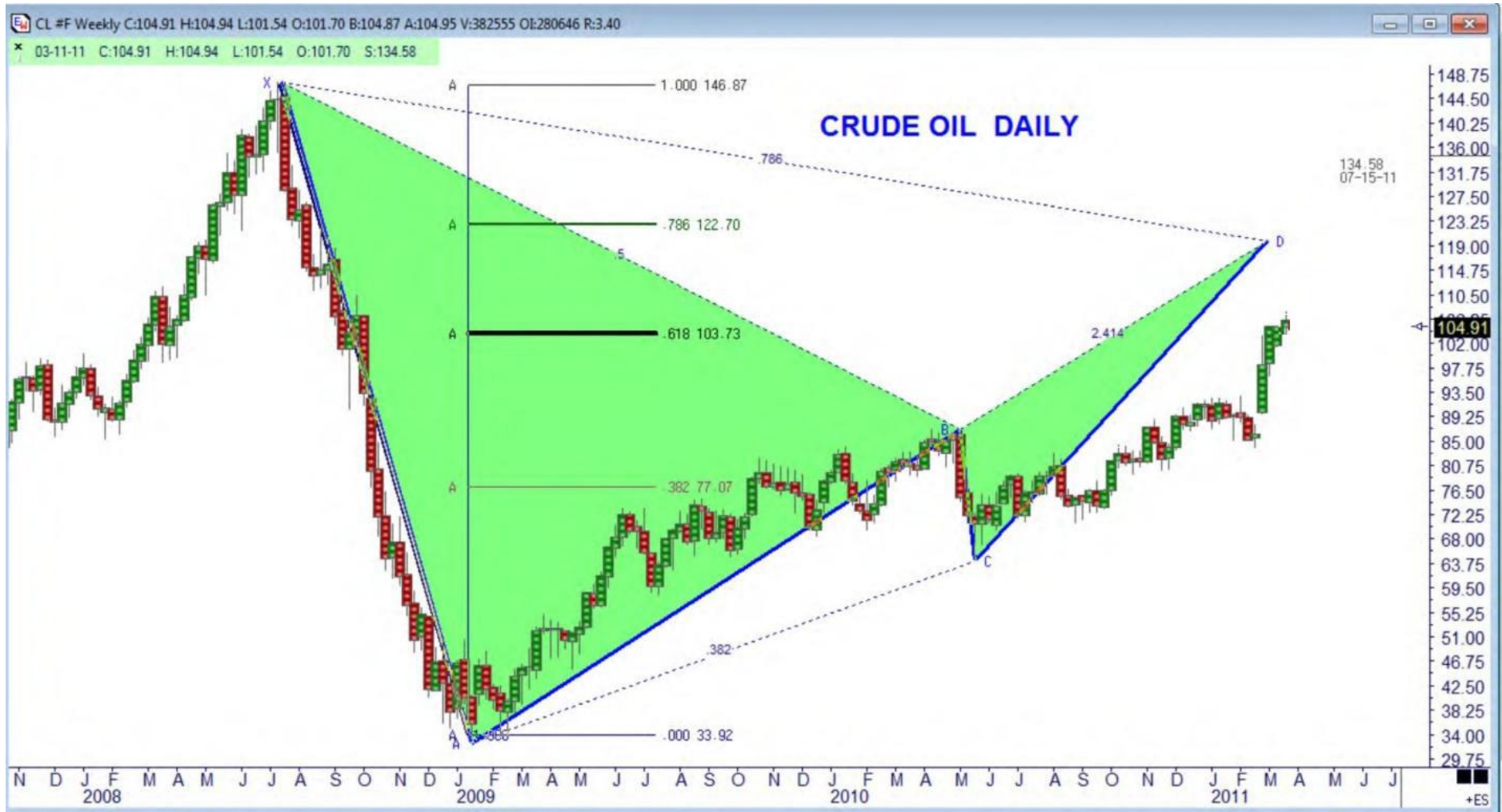
The high and higher highs but bearish divergence is clearly evident. Oil prices are near the 61.80% retracement of the last bear market decline in 2008, so we are likely to see oil prices trending lower in the near future but we will wait till PEC D pattern to line up (But prices suggest higher, we will monitor if it fails)

CRUDE OIL WTI MAY 2011 .. 90 minute OHLC plot



2- OIL – PEC D – ABCD Method

Our PEC – D, Point comes to 119 (Could it get there ??) – The Geopolitical noise in Middle east caused the earlier PEC-D point at 93.5 busted to 104 . This is un predictable market for now (non conformance)



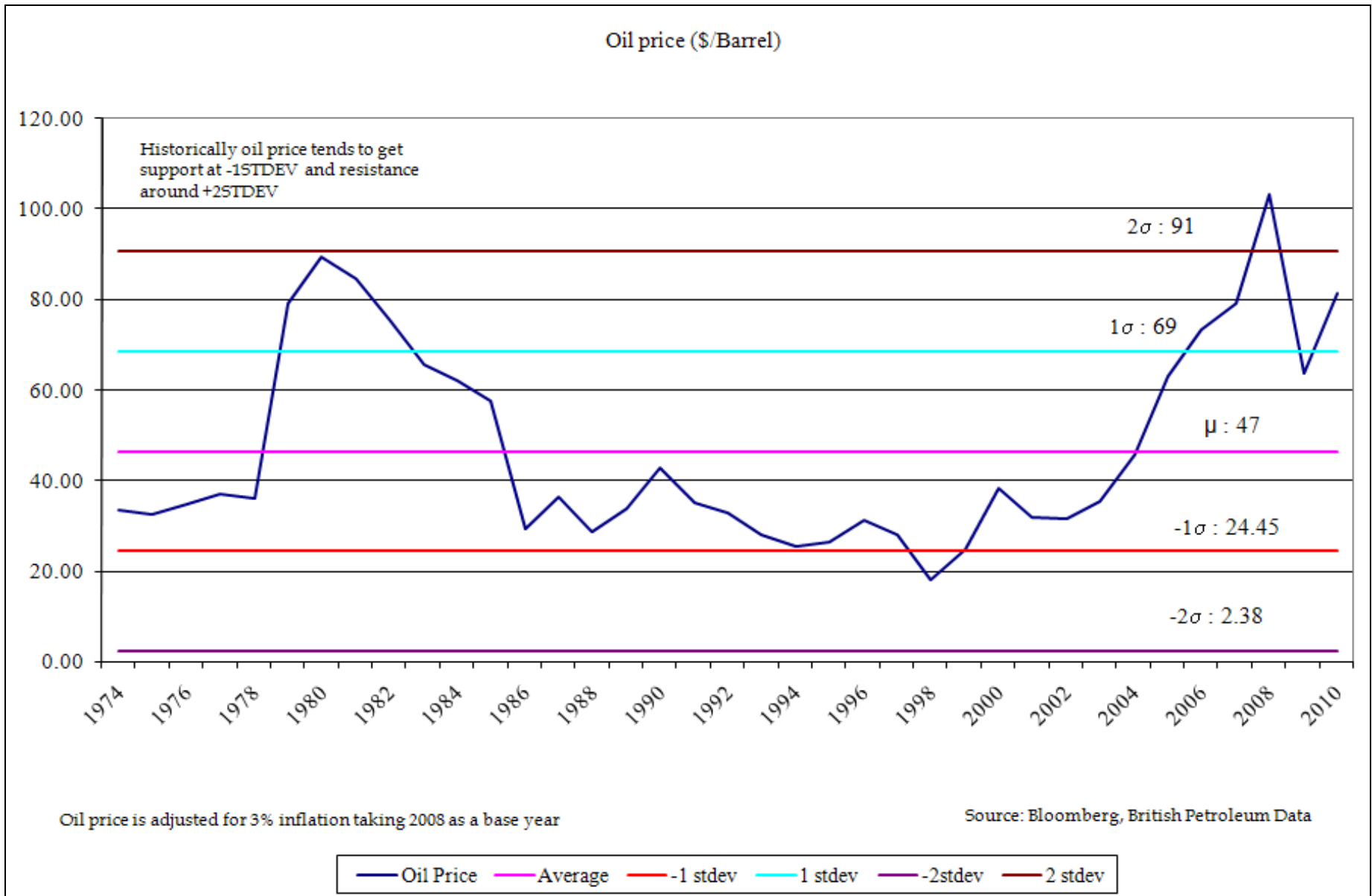
1- OIL (USO) – Technical & Pattern Analysis & Price / Volume

USO at the double top CZ and Volume pick up on the Trend channel line. Suggest higher, No signal yet . Earlier the middle east crisis put some fire power. Even PEC D has higher price move.

Crude Oil ETF	USO
Last: \$	42.31
Chg: \$	(0.06) -0.14%

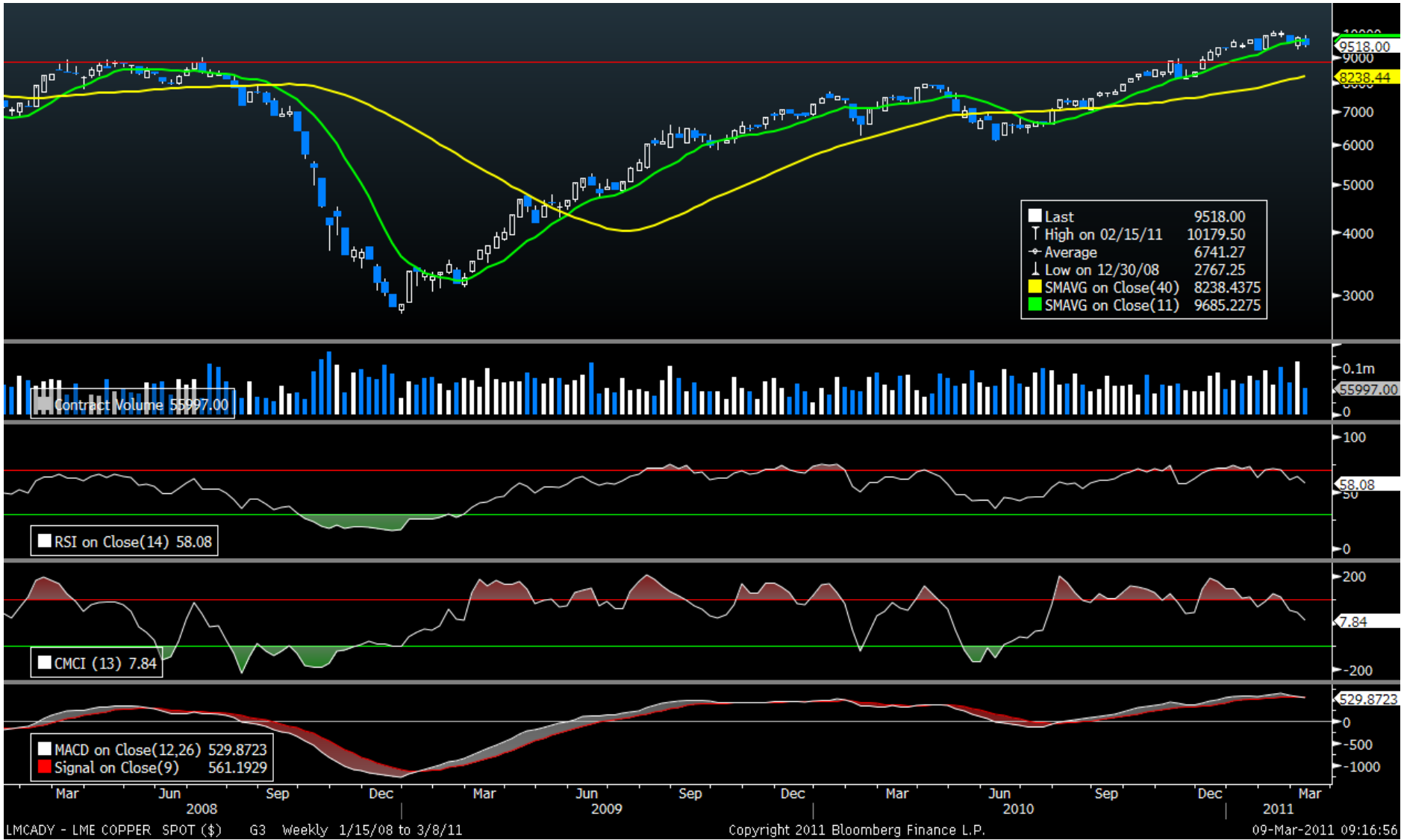


OIL – Trend Reversion Analysis – Long Term – Inflation Adjusted



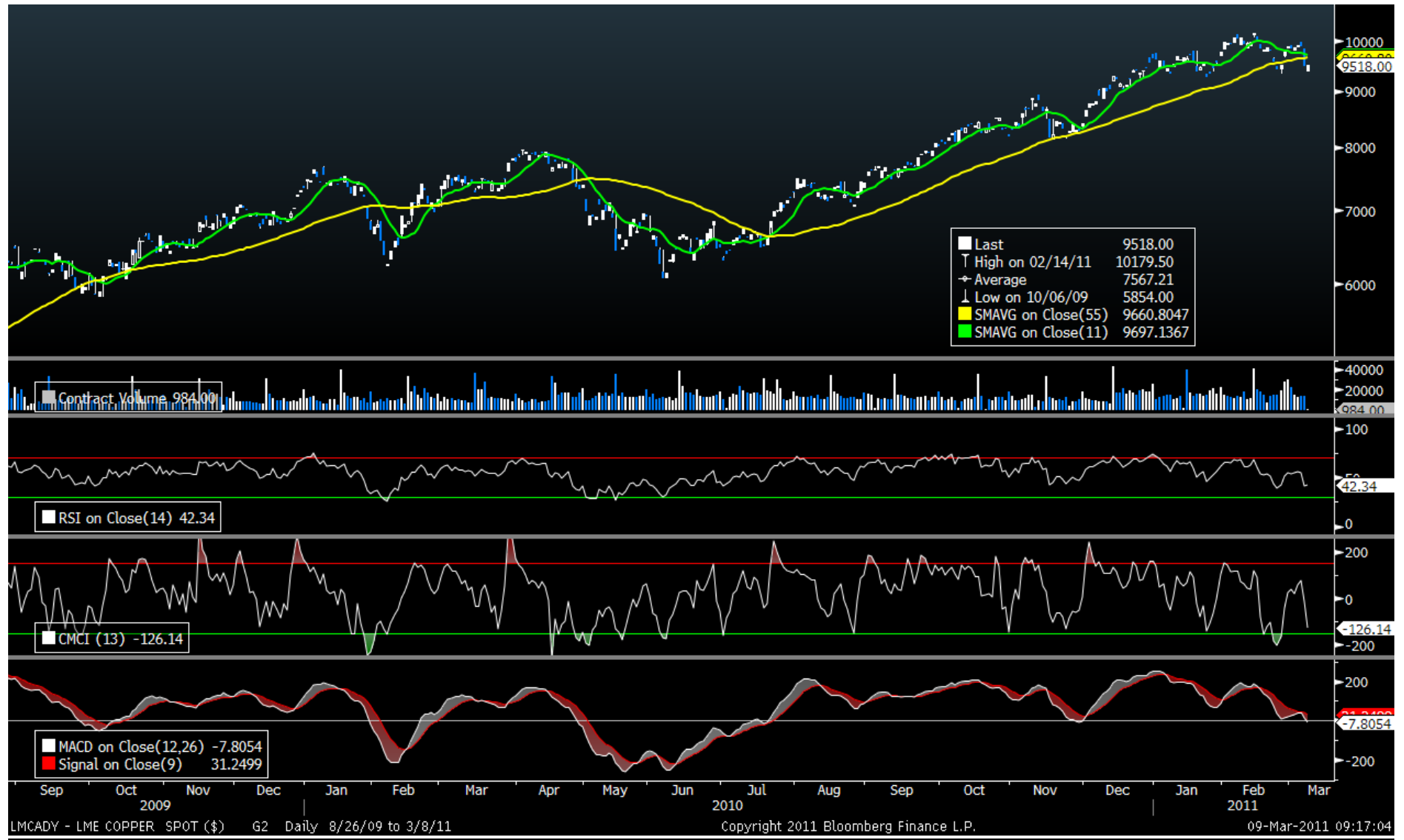
1- COPPER - Weekly- 3 Year with RSI, CCI, MACD

(11 W / 40 W SMA)



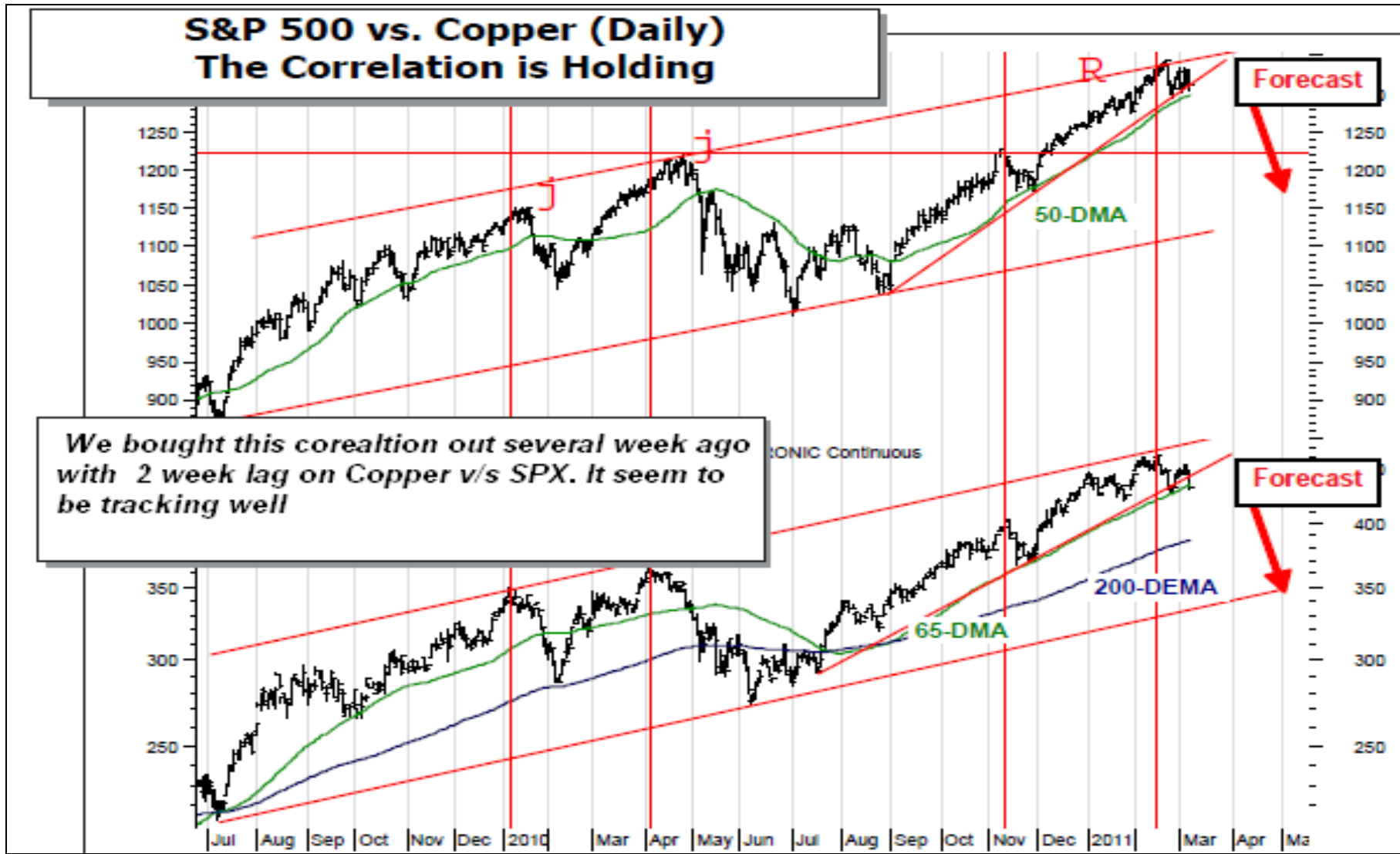
COPPER - Daily – 3 Year with RSI, CCI, MACD

(11D / 55D)



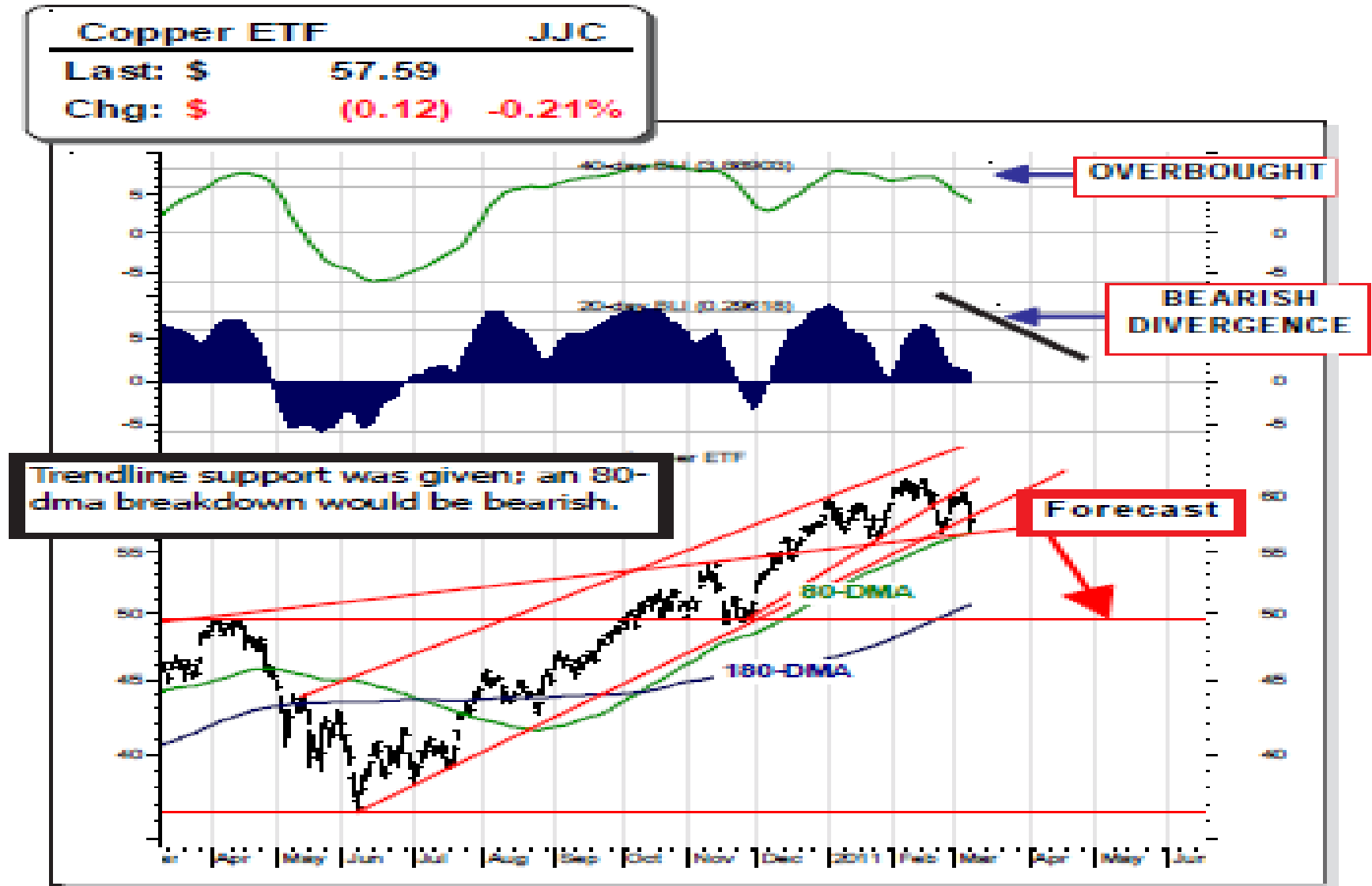
Copper v/s SPX

This extremes has direct co relation – See notes within the chart .



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

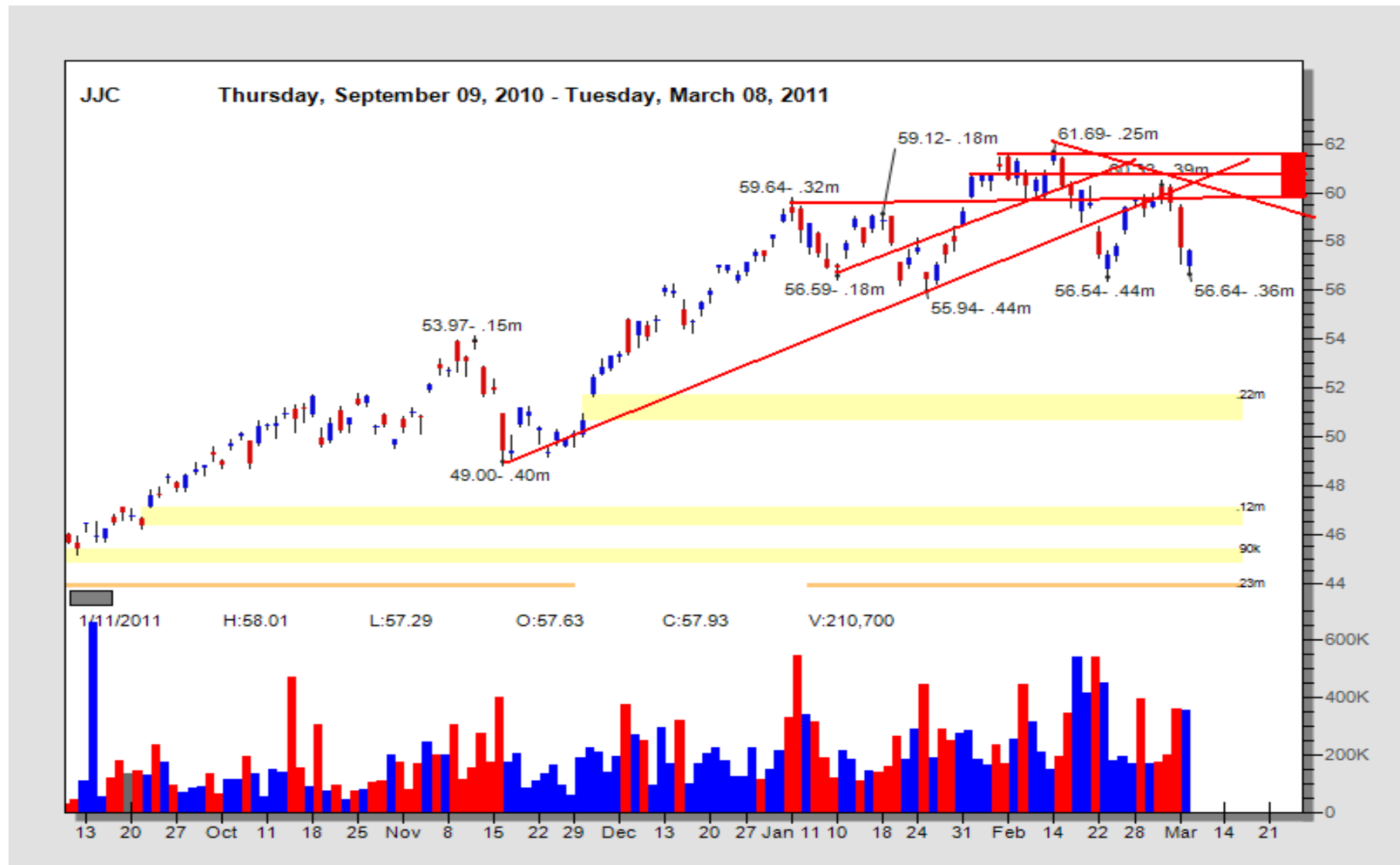
After witnessing Bearish divergences in spite of move up. Finally cracked on prices. Earlier It triggered the PQV Validation test .



Copper (JJC) – PQV Analysis

Our CZ 59-60 from 2008 cross current proved it merit and market stopped on its track.

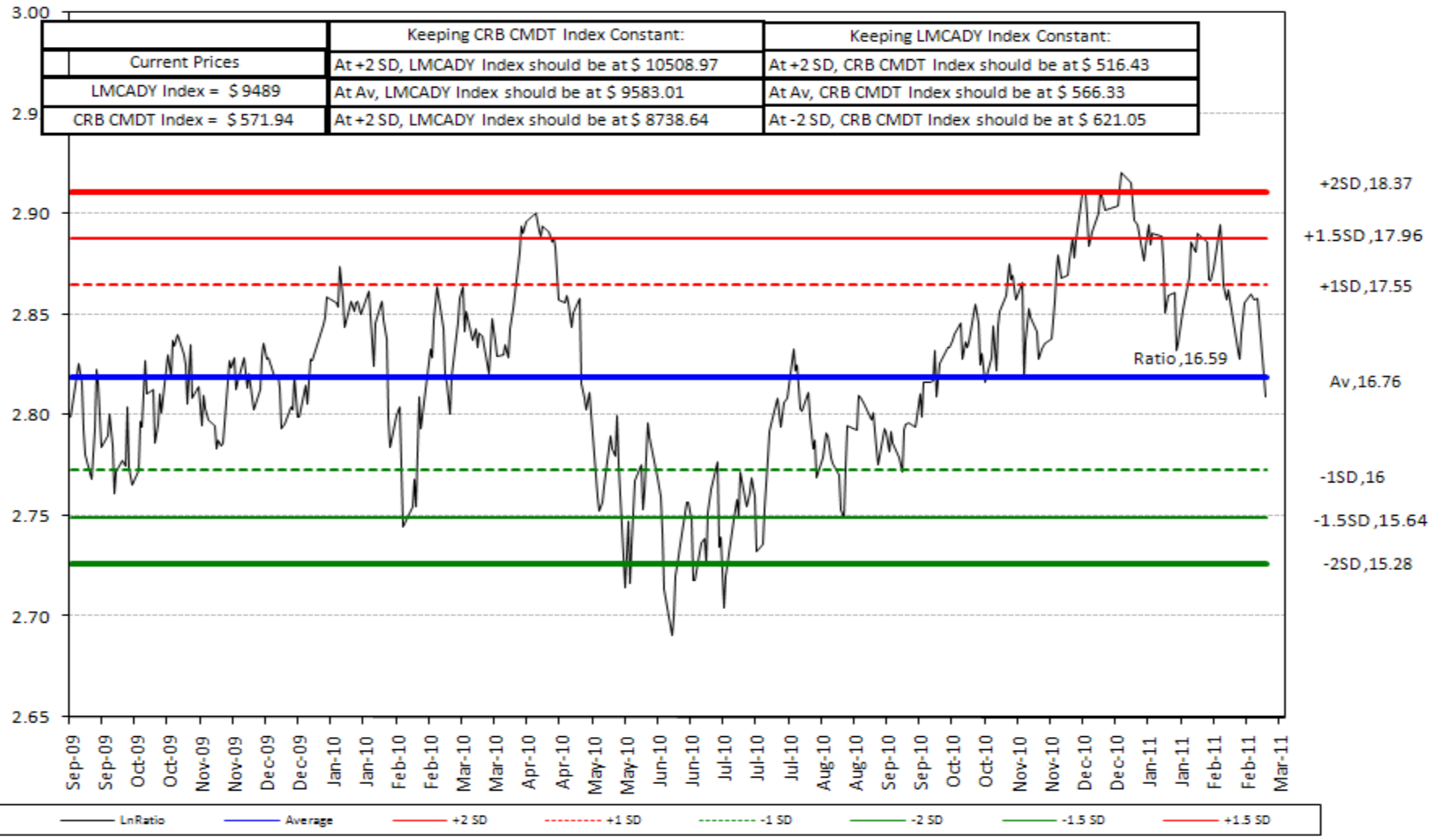
After this current breakdown, now we are dealing with CZ 60-61.5 , the test volume should be 180k on the bounce



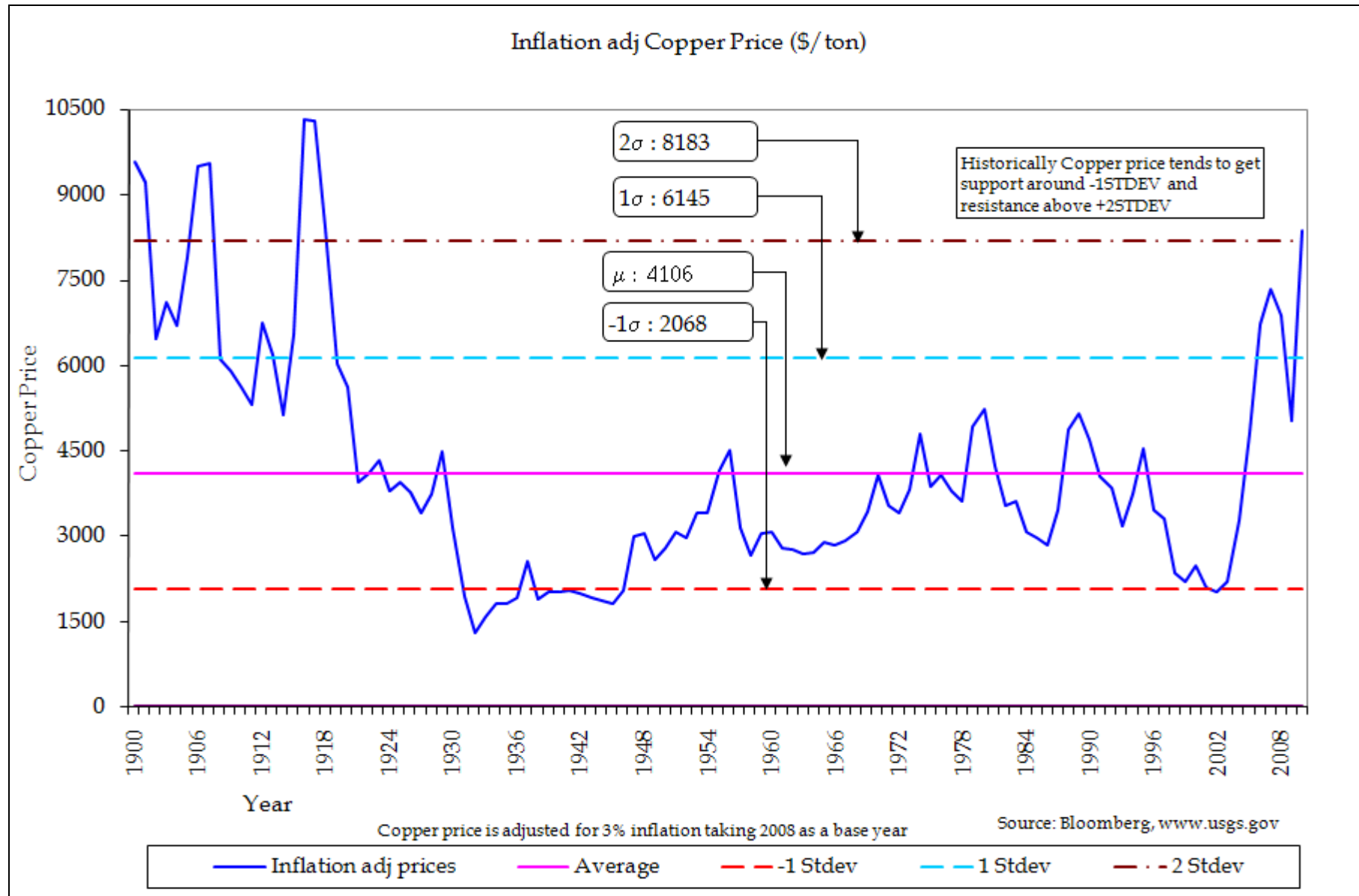
COPPER – Correlation Ratio Analysis with CRB – 365 days Time basis

With Respect to CRB , Copper is proceeding to mean

Long LMCADY Index and Short CRB CMDT Index, Updated till 07 Mar 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)



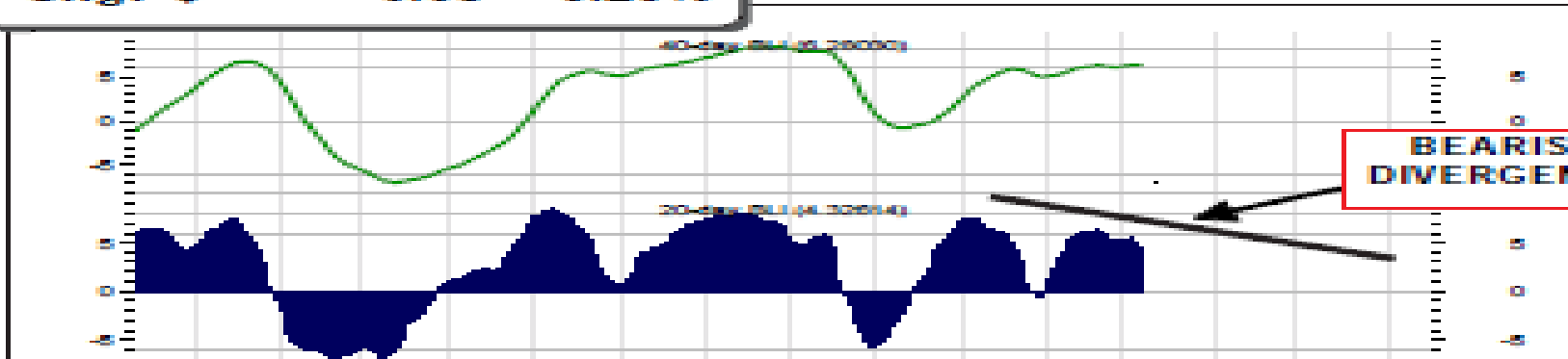
DBB - Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



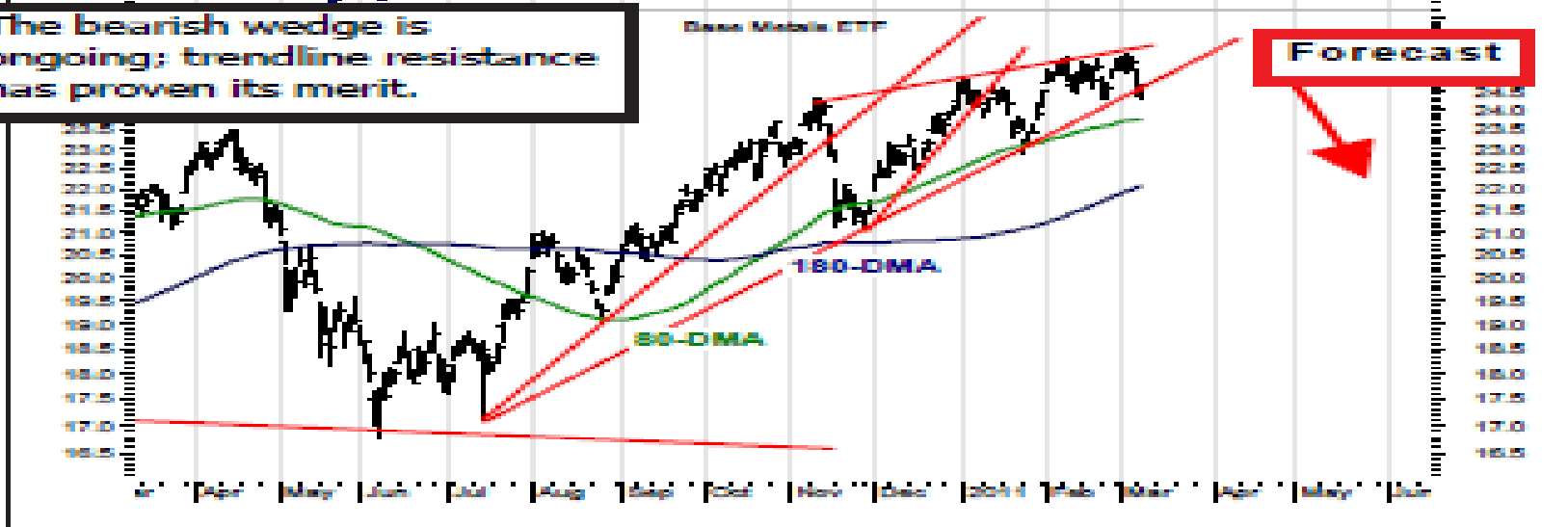
DBB - with SMA & Trend lines

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

Base Metals	DBB
Last: \$ 24.66	
Chg: \$ 0.05	0.20%

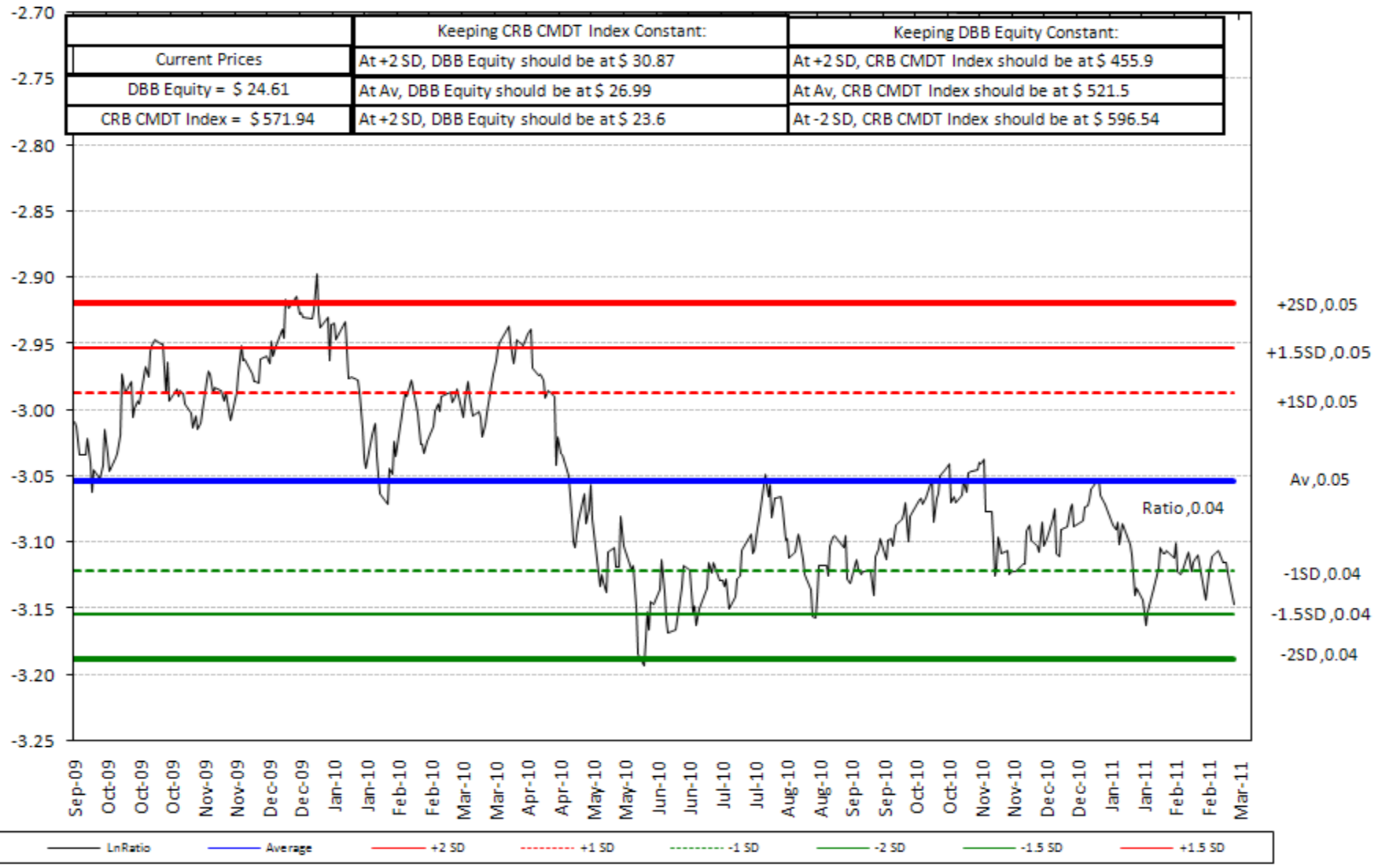


The bearish wedge is ongoing; trendline resistance has proven its merit.



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

Long DBB Equity and Short CRB CMDT Index, Updated till 07 Mar 2011



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



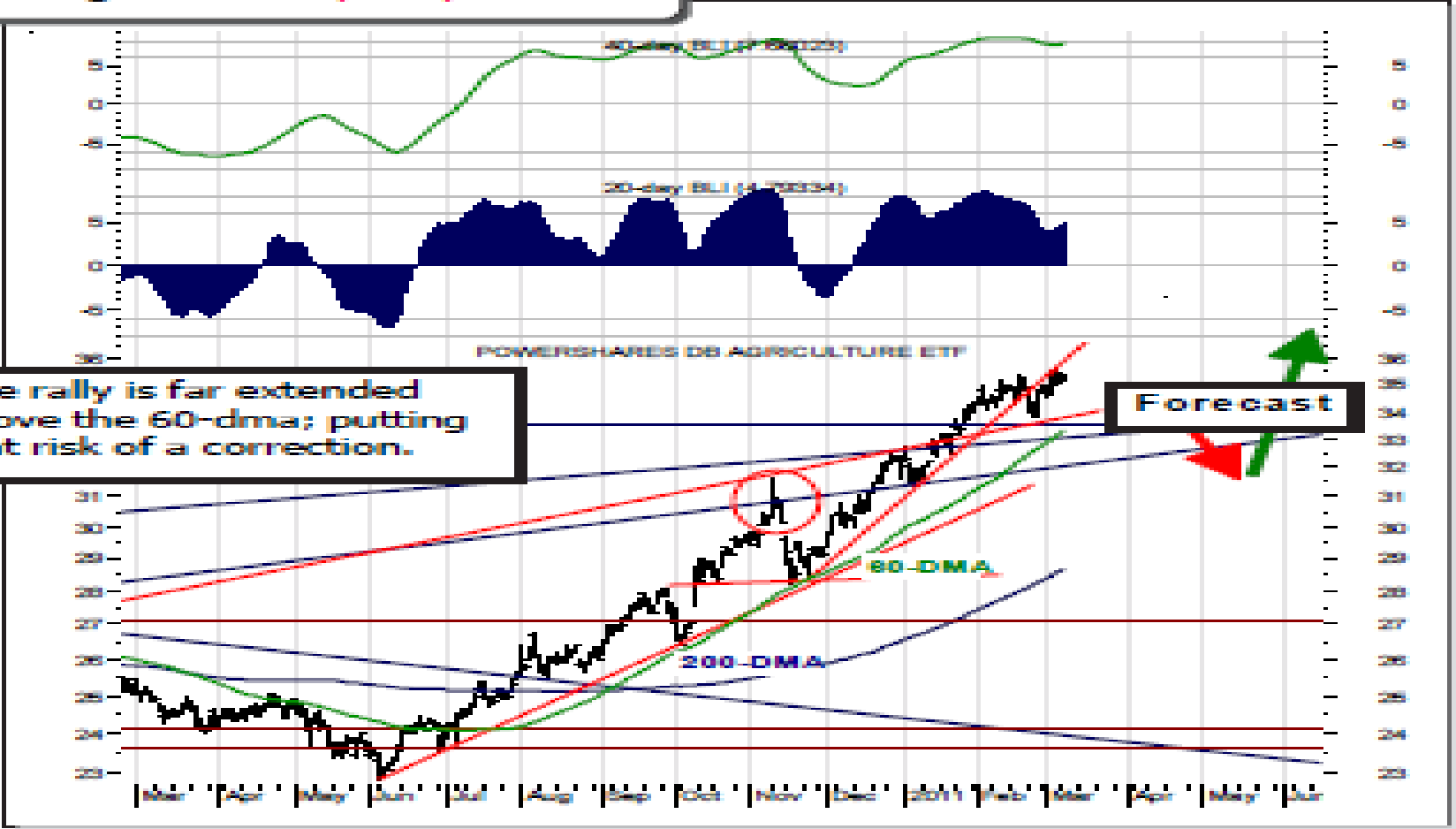
DBA – (**AGRO**) Daily – 3 Year with RSI, CCI, MACD (11D / 55D)



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: \$	35.27
Chg: \$	(0.01) -0.03%

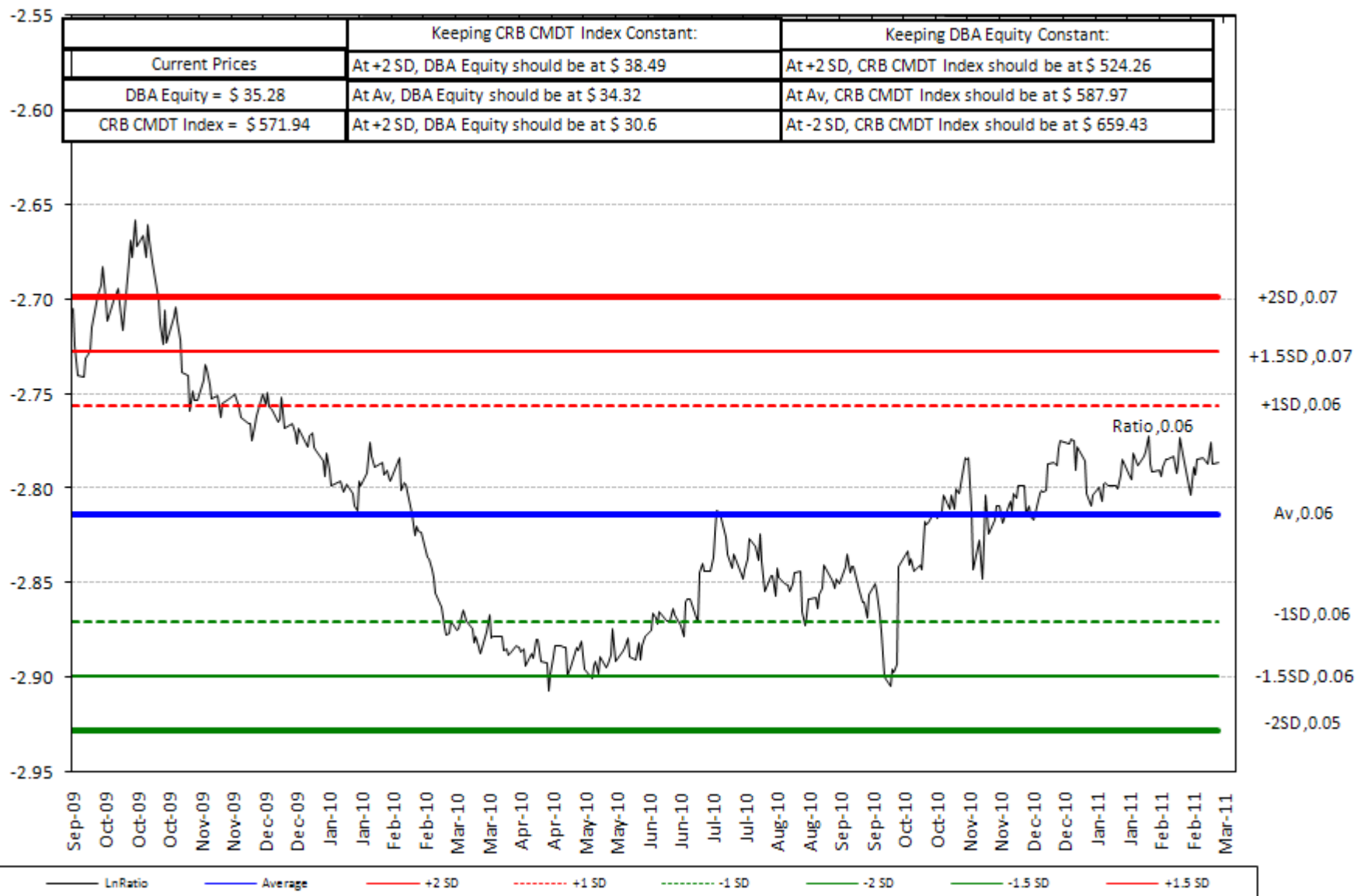


The rally is far extended above the 60-dma; putting it at risk of a correction.

Forecast

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

Long DBA Equity and Short CRB CMTD Index, Updated till 07 Mar 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

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.