



SG Capital Research

Global Market Insights

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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # MAY_03

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

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Commodity Analysis (C)

- CRB / CCI / DBC
 - GOLD
 - SLV,
 - GDV
 - OIL / USO
 - NAT GAS / UNG (New)
 - COPPER / JJC
 - BASE METALS / DBB
 - AGRI COMMODITY / DBA
-
- Selected Sector may have Analytic Charts as Titled below
 1. POM Analysis - Technical & Pattern Analysis & Price / volume Analysis,
 2. PEC Analysis, Ratio Analysis (Only if applicable)
 3. Sentiments (If Extreme character)
 - Appendix - OBJECTIVE , HISTORY of past Signals & POM Key Criteria

● GOLD – POM Signals & Price Projections

Trading & Investment Conclusions – GLD / SLV / GDX

YTD POM's POM – 14 - @ 1420 – since 1st Jan 2011

POM – 13 - @ 1330 - 26TH Jan 2011

POM – 14 Re @ 1425 but stopped out 6th April @ 1452

- **Awaiting Trigger for Re run by CZ Process**

● Net Short –

- None recommended to SHORT Bull market by this Model.
- POM 15 – None –so far Triggered this year

UPSIDE Target

- ✓ On GLD / GDX / SLV - . **We have New CZ - Analysis & Triggers in chart below .**

DOWNSIDE Target -

SHORT TERM - Decline in GLD to 1450

● Hedge Longs / Risk Management for Downside Corrections - Recycled capital CZ to CZ

- **Hedge on long positions @ POM 14 - No Trigger on Re Run**
- **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

Some Majors Commodities at Topping CZ / PQV VALIDATION

(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
- OIL – No Trigger
- All others – No CZ Validation

(½ positions)

- GLD - TBA for CZ Sell – On the bounce
- SLV – TBA for CZ Sell – On the bounce
- DBC – TBA for CZ Sell (**abandoned**)
- GDX - (Touch of 65 and close under 63.5) ... with 9.5 M or less test - qualified CZ Sell

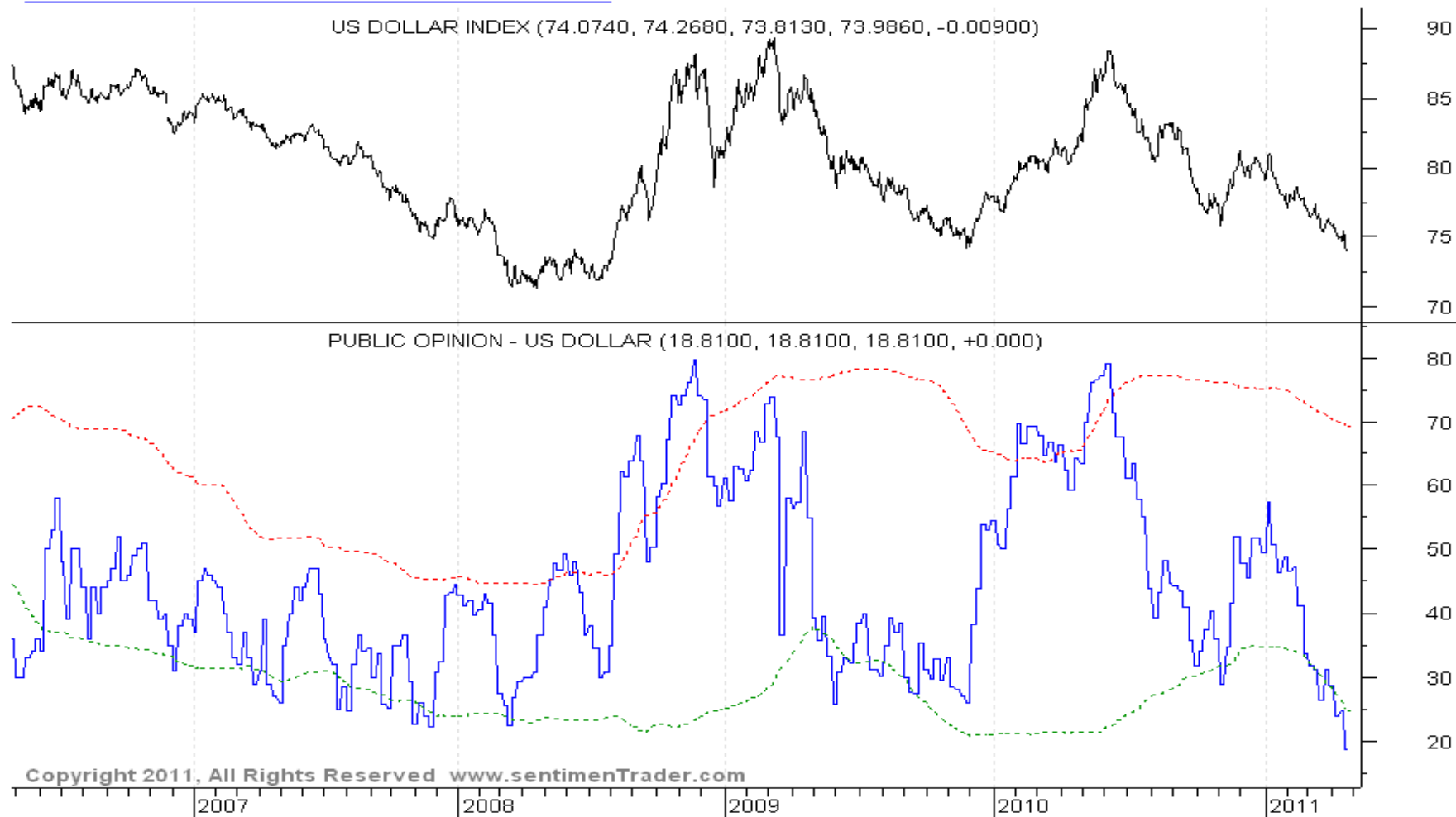
For Best Reward for CZ Trigger – Method does not recommend to SHORT in the hole, if market Gaps down best wait till 10.30 to trigger. Conversely Method does not Buy Gap up – best to wait till 10.30 to Trigger . Primary execution rule to add to Program.

USD – Sentiments

Sentiments are extreme Bearish reported by Sentiment Traders. Rally in USD could very well reverse the commodity from current levels.

PUBLIC OPINION – U.S. DOLLAR

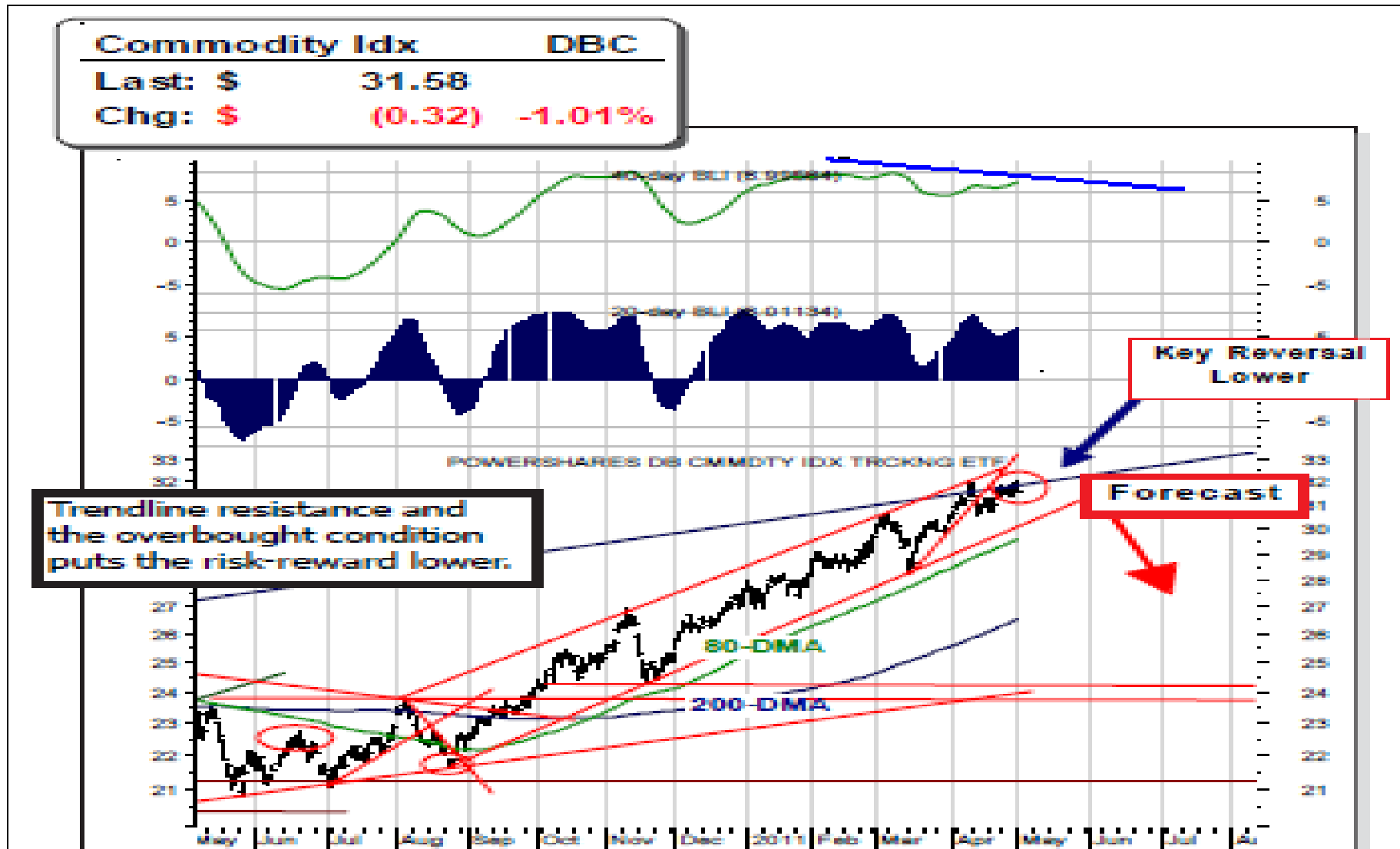
LAST UPDATED: April 26, 2011



CRB / DBC- with SMA & Trend lines

We have reached the CZ with multiple price streams peak on bigger time frame which is quite meaningful.

Key reversal with Oscillator diverging ... CZ – PQV Validated Position (Indicated in red) refer D – Sector Report.



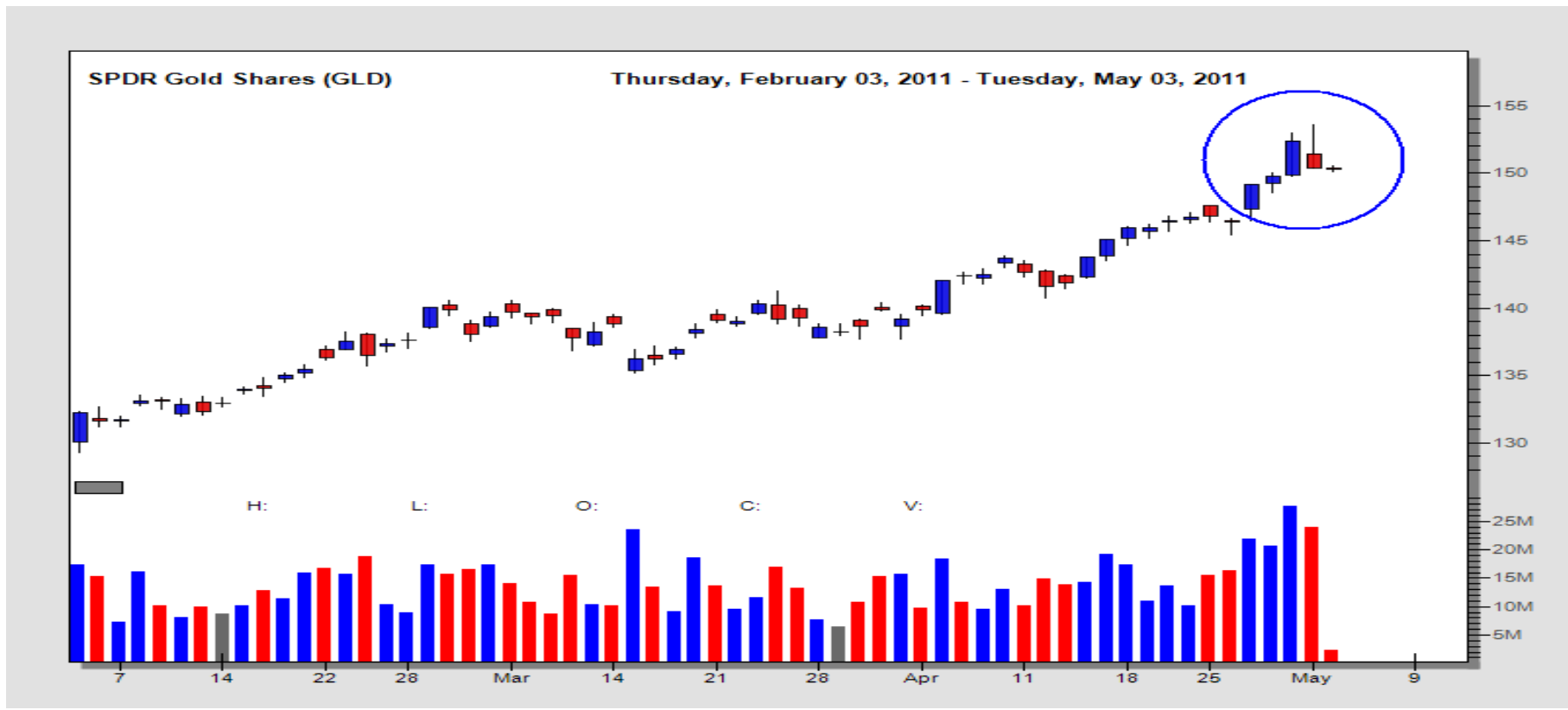
GOLD – SMA & Trend Analysis

Refer notes within charts, Overbought and has downside target of 1450 and CZ – PQV Validation Chart below



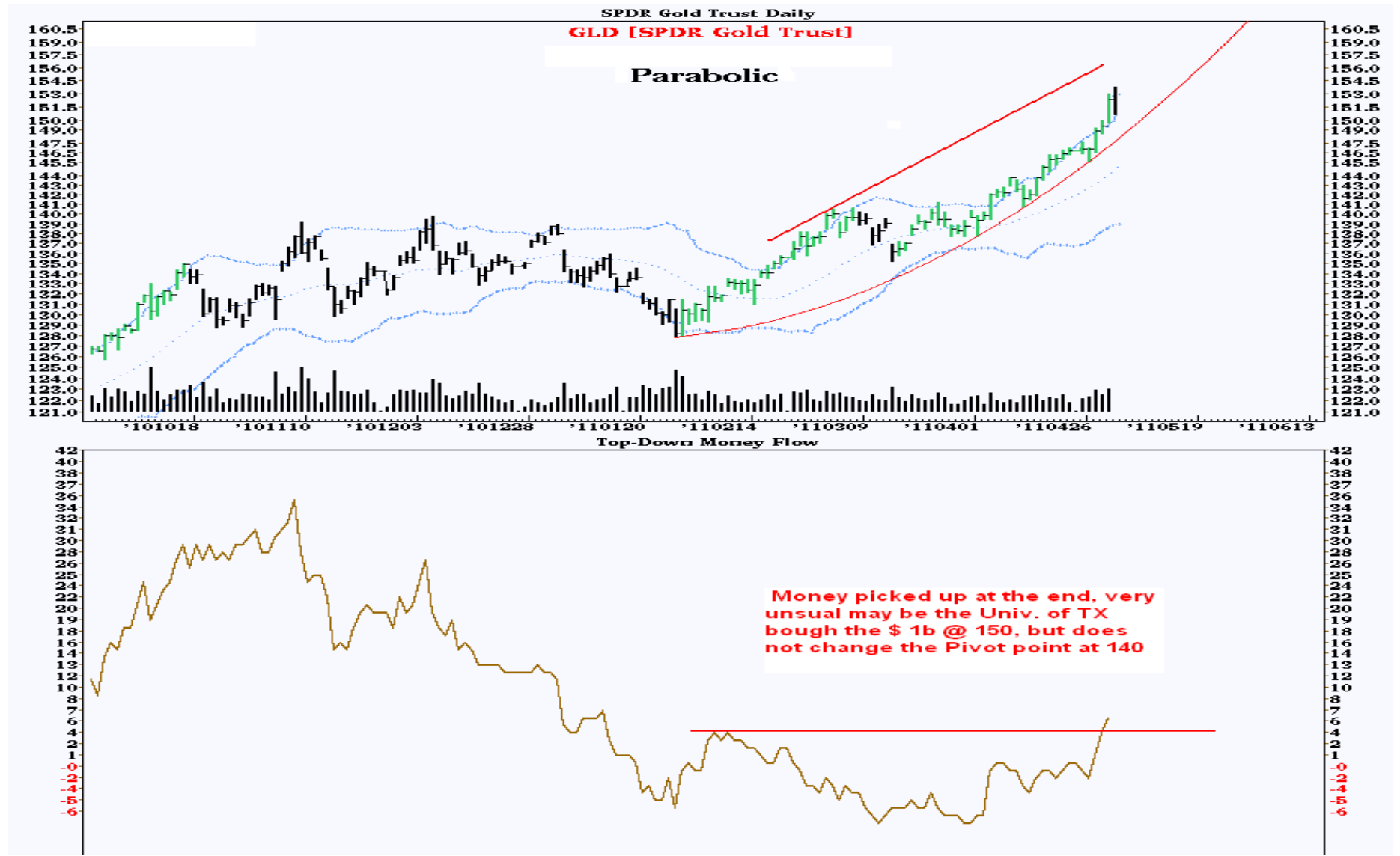
1- GOLD – Price / Volume (Add \$ 30 to GLD for Continuous contract)

- *The terminal process in GLD is a late compared to SLV . GLD did catch up with SLV on terminal pattern i.e Gap plays, white soldiers etc*
- ***CZ – VALIDATION TRIGGER - Yesterday GLD touched 154 and closed below 151 with less then 25 M shares. This was a good Trigger by CZ Tracker @ 3.00- 3.30 PM FOR (½ Position) . We waited patiently for this since 4/5 at 141***
- ***The other half position needs to be Re evaluated since Yesterdays pattern formed in GLD has chances of Flipping back to highs and also creates a inside day . We will monitor it for announcement on failure***



GOLD – Poly Trend Analysis

Ultimately one nasty correction present a buying opportunity., We think after this correction there is another leg up in GOLD market (See the chart below)



GOLD : RATIO – with RSI & SMA

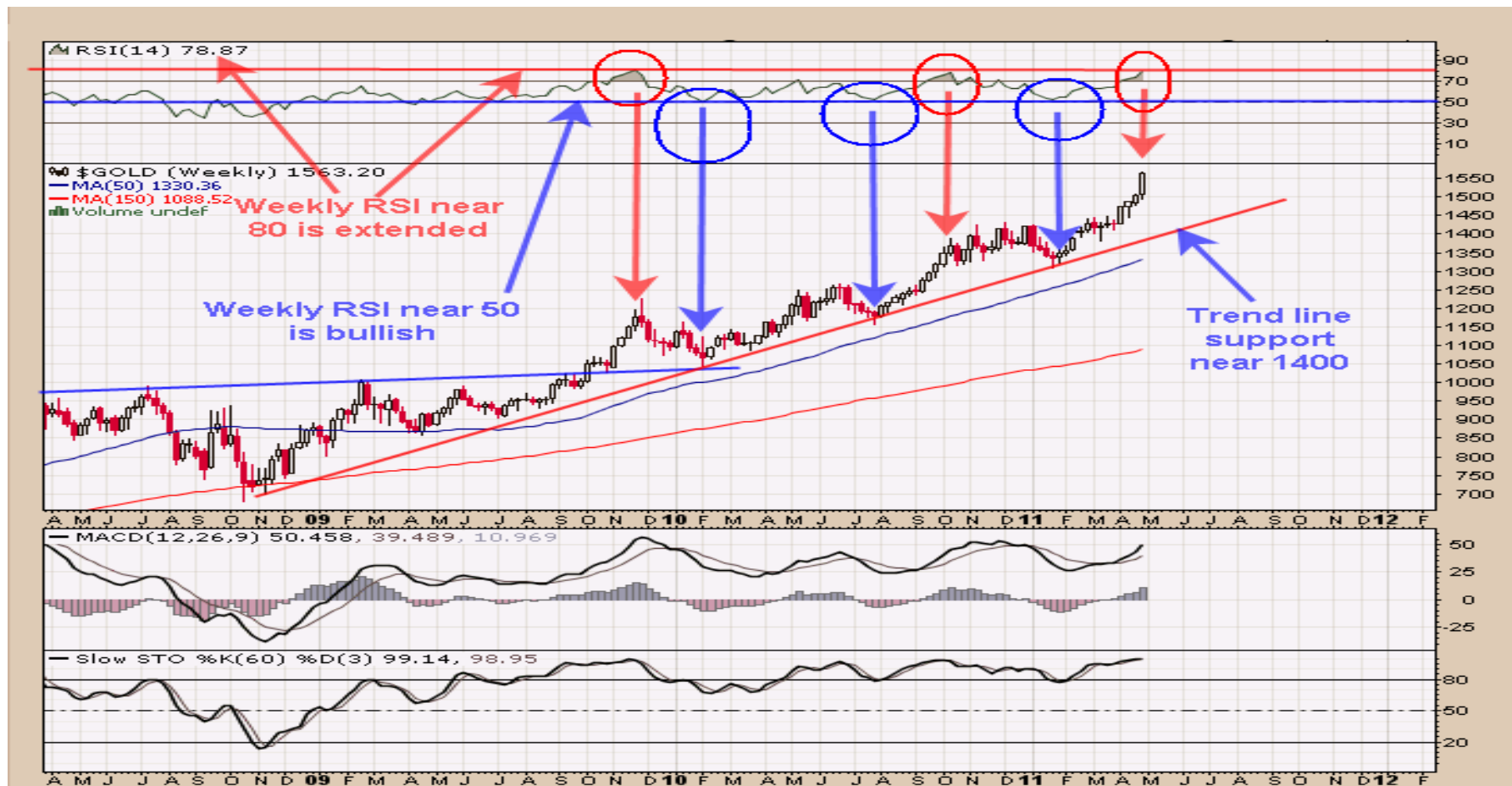
We are looking at Ratio RSI to reach 50 along with touch at 5.5 – 50 W , that has intersected at least once a year in past . and ultimately to 6.5 for mean to reversion . ,



GOLD – (Bigger Picture)

The weekly Gold chart dating back to the bottom of 2008. Gold is extended weekly RSI is in the 80 range . We would look at to Buy at 50 if CZ – PQV validates the Trigger POM 13 . (previous POM 13 was triggered at 1330 on 1/26)

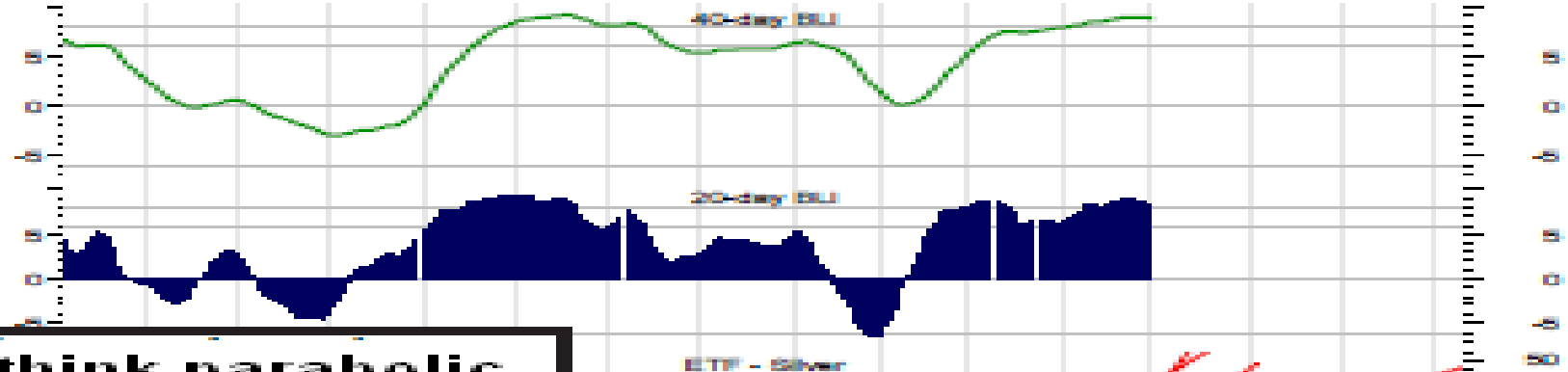
Seasonality wise May and June are usually down months for gold, that may support correction . July a modest month with August and September the strongest months in the 12 month timeframe. We would like to position for that move. The red trend line drawn from the October 2008 low should find strong support and the Gold may work back to that trend line in the next couple of months . A bullish signal on gold could arise near the red trend line when the weekly RSI is near 50 in the July August time frame.



SLV – SMA & Trend Analysis

Trend line needs to be broken with – VTO , but there will be another attempt towards 46-47 that should fail. . This week, the open interest for silver decreased on two trading days, indicates that shorts were exiting the market with no longs were coming on. There are limit down rules and no Market makers. There has never been a parabolic market that has not ended badly.

Silver ETF	SLV
Last: \$	42.83
Chg: \$	(4.05) -9.46%

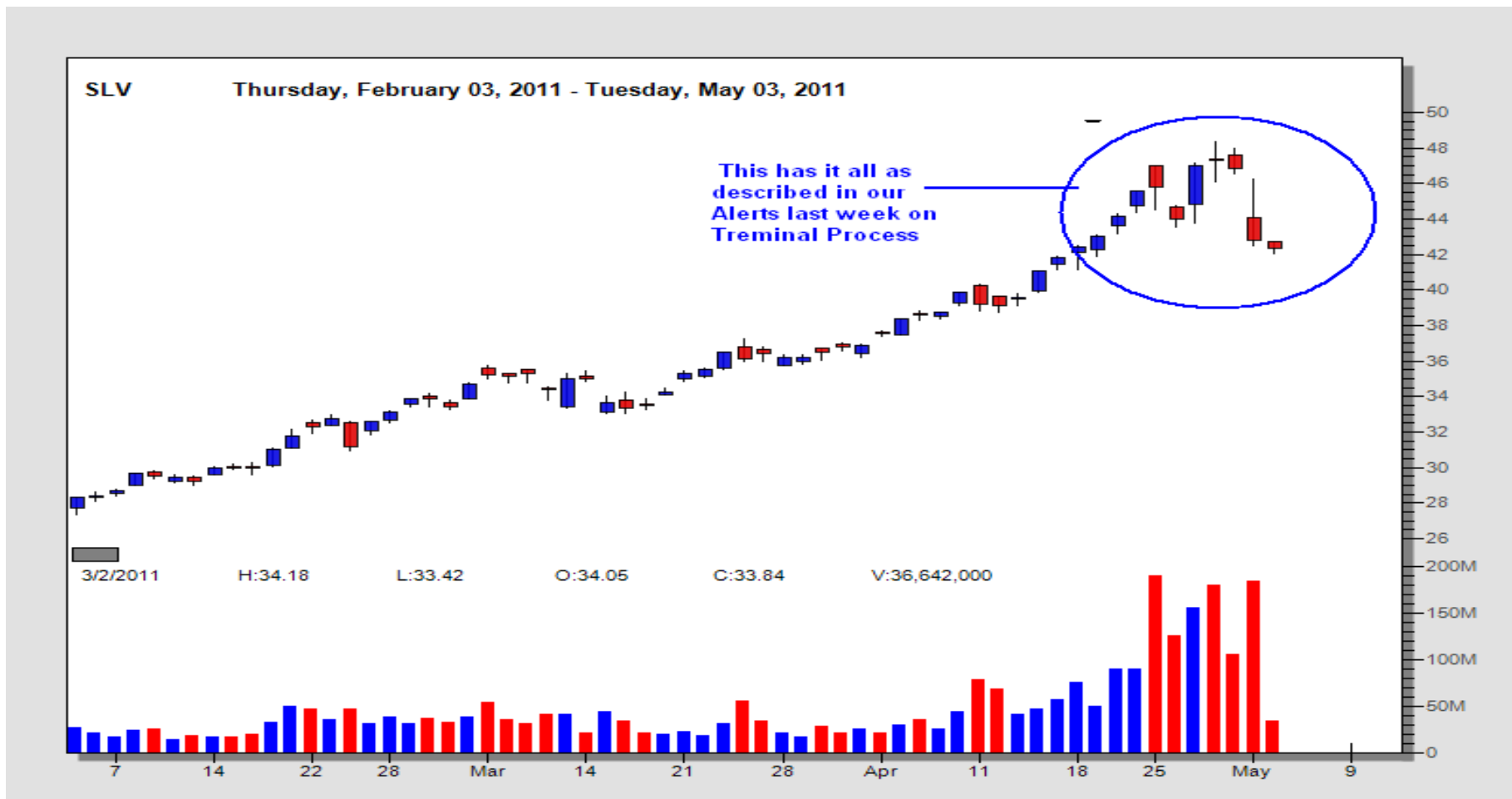


**we think parabolic advance is at risk
with Gapdown and
USD rally**



SLV – Daily - Price / Volume-

- ***CZ – VALIDATION TRIGGER*** – On 4/28 message SLV touched 48 and closed below 47 with less then 125 M shares. This was a good Trigger by CZ Tracker @ 3.00- 3.30 PM FOR (½ Position) . We waited patiently for this price of SLV since 4/5 at 33
- ***The other half position needs to be Re evaluated since pattern formed in SLV has chances of Flipping back to 46-47 and also creates a box pattern. We will monitor it for announcement on failure***



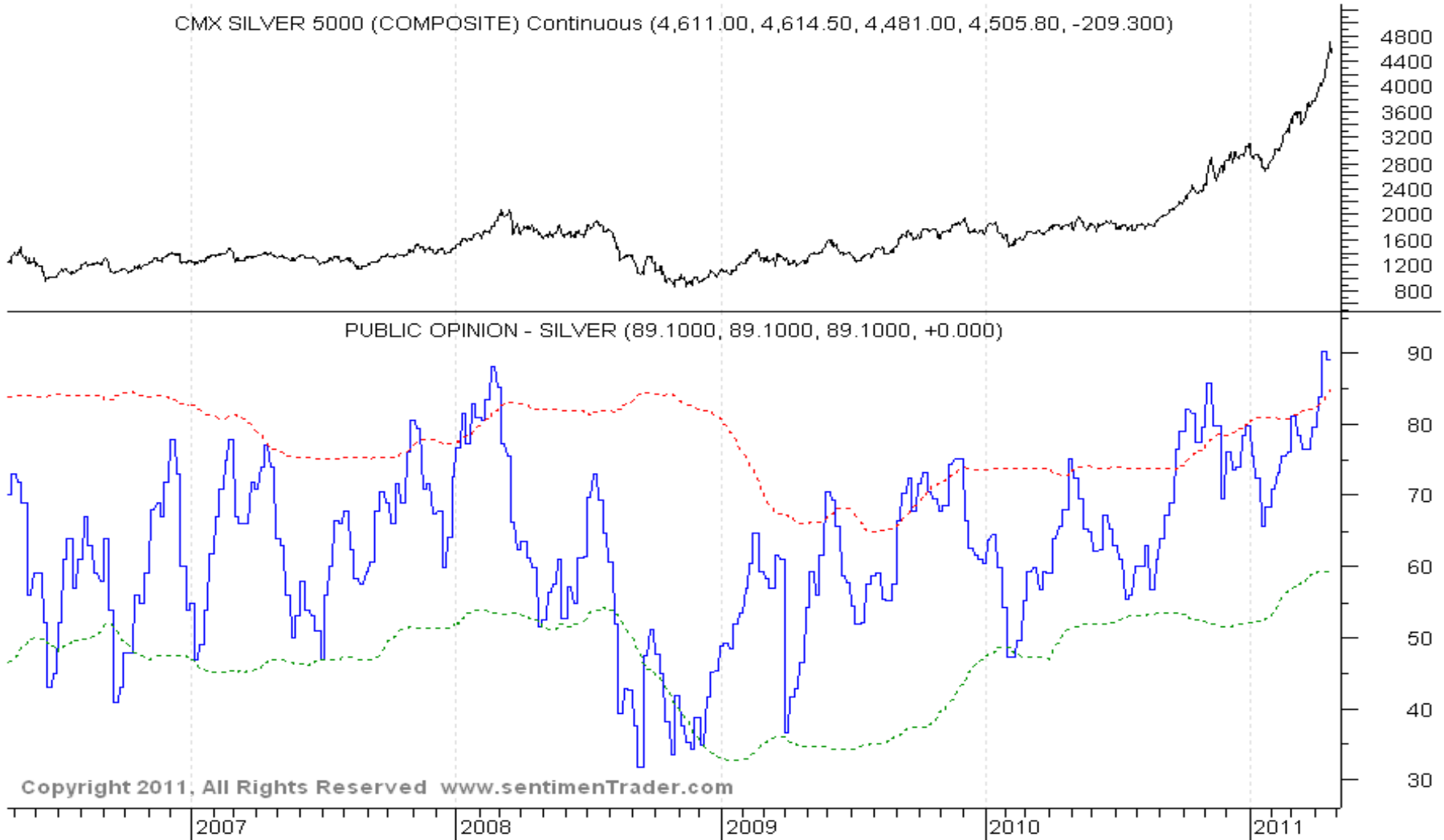
SLV – Sentiments

Sentiments are extreme Bearish reported Curtsey Sentiment Traders.

PUBLIC OPINION – SILVER

LAST UPDATED: April 26, 2011

CMX SILVER 5000 (COMPOSITE) Continuous (4,611.00, 4,614.50, 4,481.00, 4,505.80, -209.300)



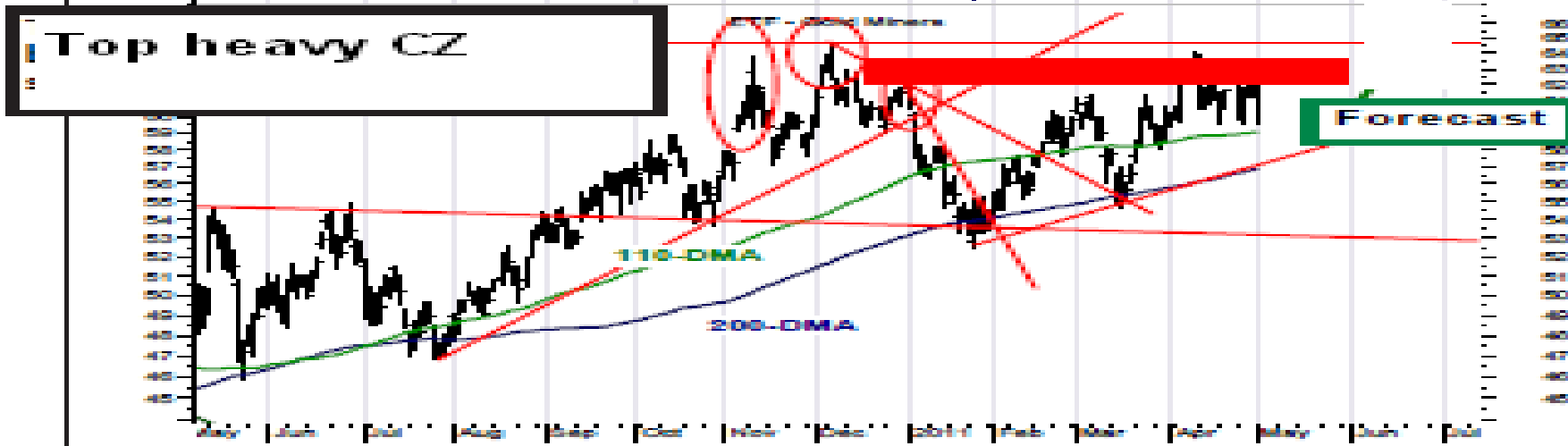
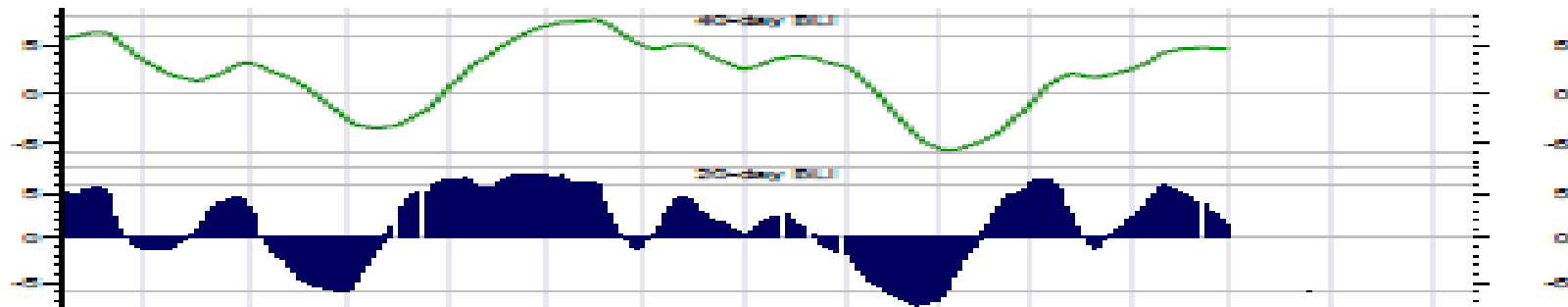
GDX – SMA & Trend Analysis – CZ – Price & Volume

CZ – 64.5 - 62 . We are still around our Core CZ of 63 – 62 where it snapped 3 times since December 2011. This is a top heavy area

These market being Volatile scaling in with 1/2 position enhancing the risk reward in Portfolio – From earlier Reports

- 1/2 position @ CZ – 64.5 – 62 with Test of 9.5 M (Triggered) – 4/20
- 1/2 position @ Touch of 65 and close below 63.5 with test of 9.5 M

Gold Miners		GDX
Last: \$	60.12	
Chg: \$	(2.08)	-3.46%



GDx – Poly Trend Analysis – MF

The mining stocks continue to diverge bearishly against the metal . That gold is now in a "parabolic" blow off phase . The fact that the stocks have not made a higher high is about as bearish a divergence as you can get in the market. Money flow is drying up suggests the Top heaviness



2- OIL – PEC D – ABCD Method

PEC – D now targeting 786 / 618 of larger move to 120 This is un predictable market for now (non conformation)



2- OIL – 5 WAVE TERMINAL

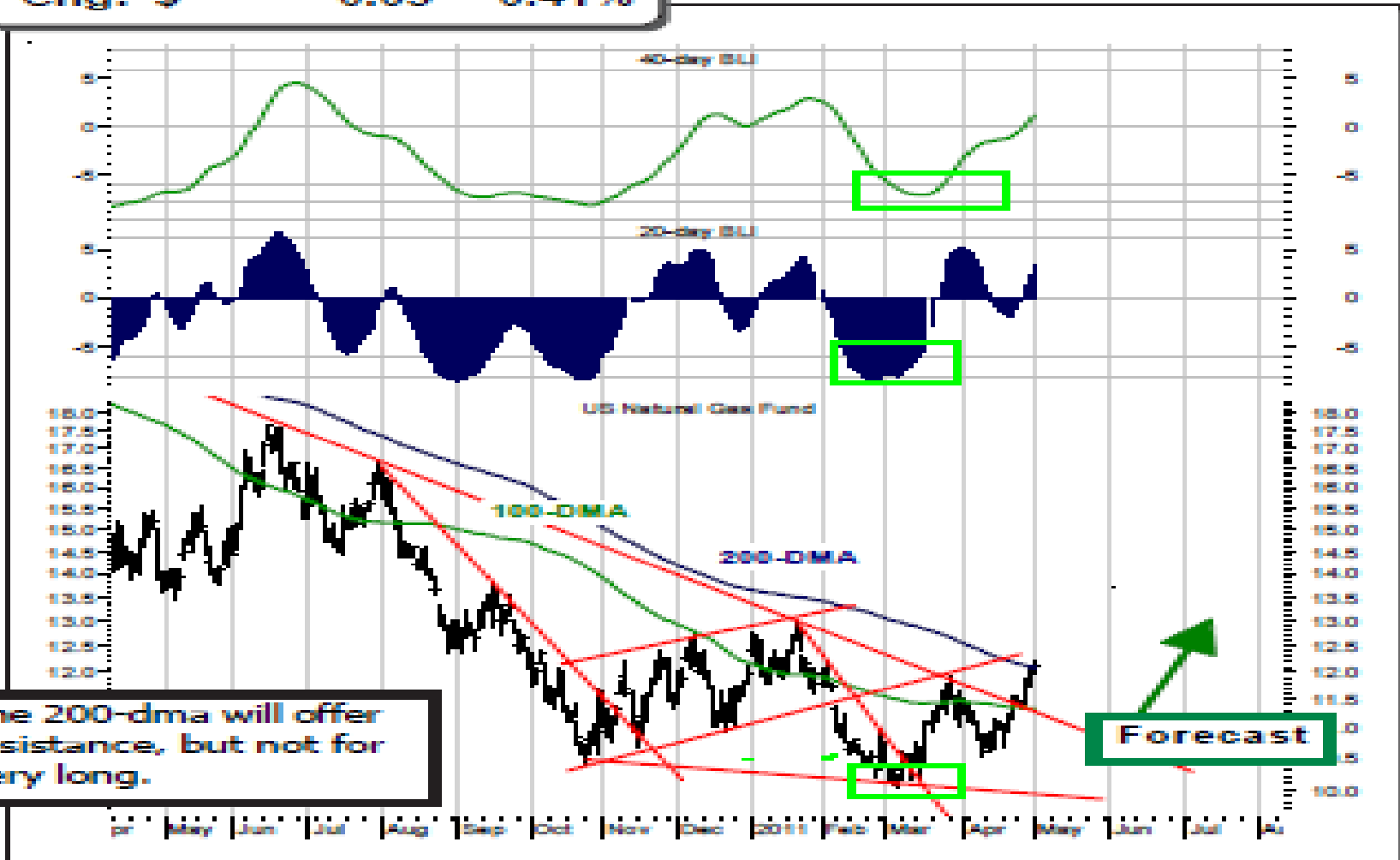
We have 5 - waves at the end of MO . Oscillators is showing divergence at highs.



2- NATURAL GAS – UNG

This is new coverage in this Report – In march it put in classic bottom and now humming its way to 2nd ABC up .

Natural Gas	UNG
Last: \$ 12.11	
Chg: \$ 0.05	0.41%

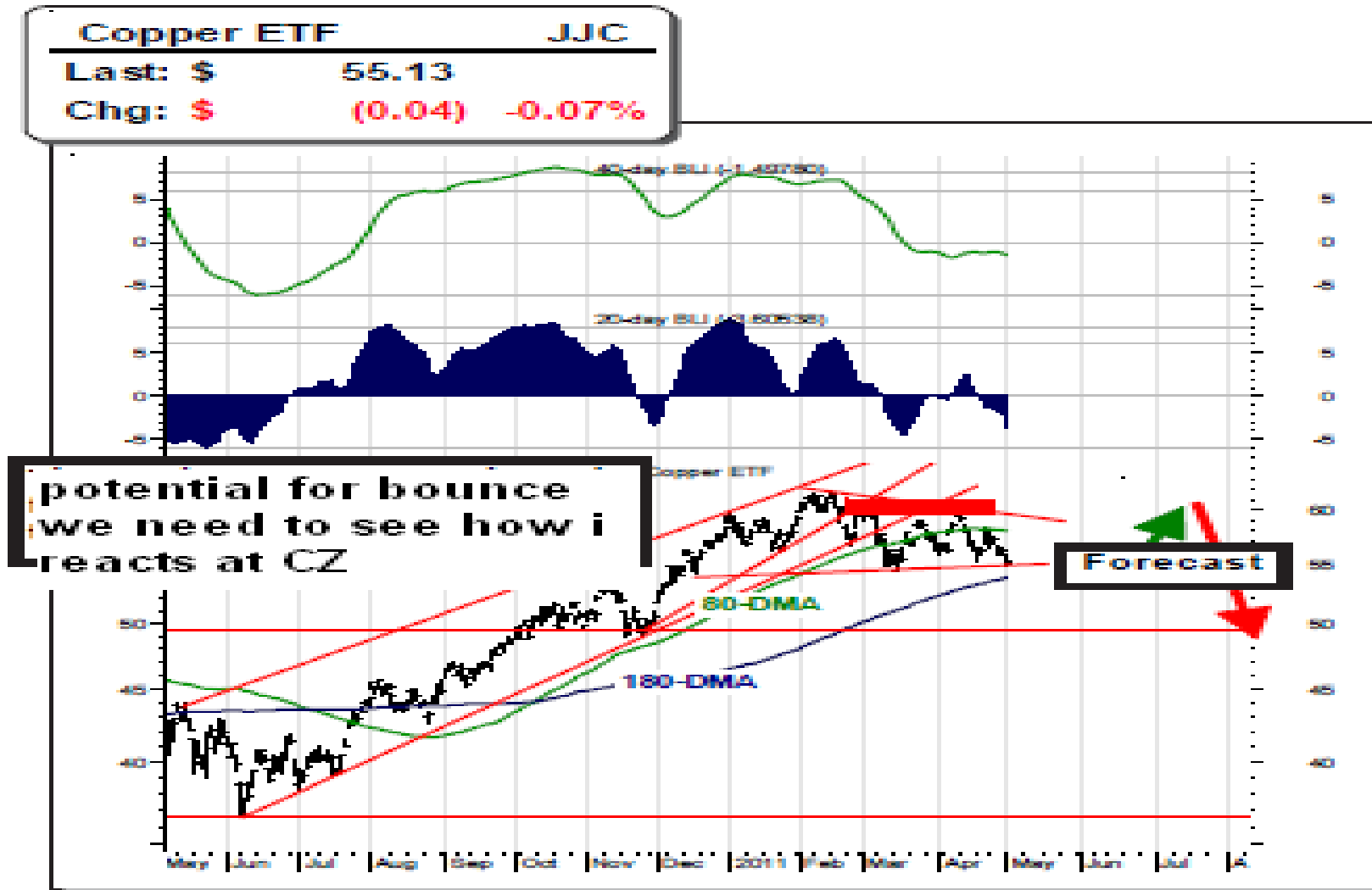


The 200-dma will offer resistance, but not for very long.

Forecast

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

Sine our CZ was triggered - Copper has been down for a consecutive number of weeks . It has not participated in the CRB rally . Now there is potential of Cu to rally for catch up , but No trigger yet , Long or Short



BASE METAL - DBB - with SMA & Trend lines

Bearish divergences in Base metal Index as well, gives sense of overall picture on XLB in our CZ Validated Sector. No Trigger or CZ on DBB

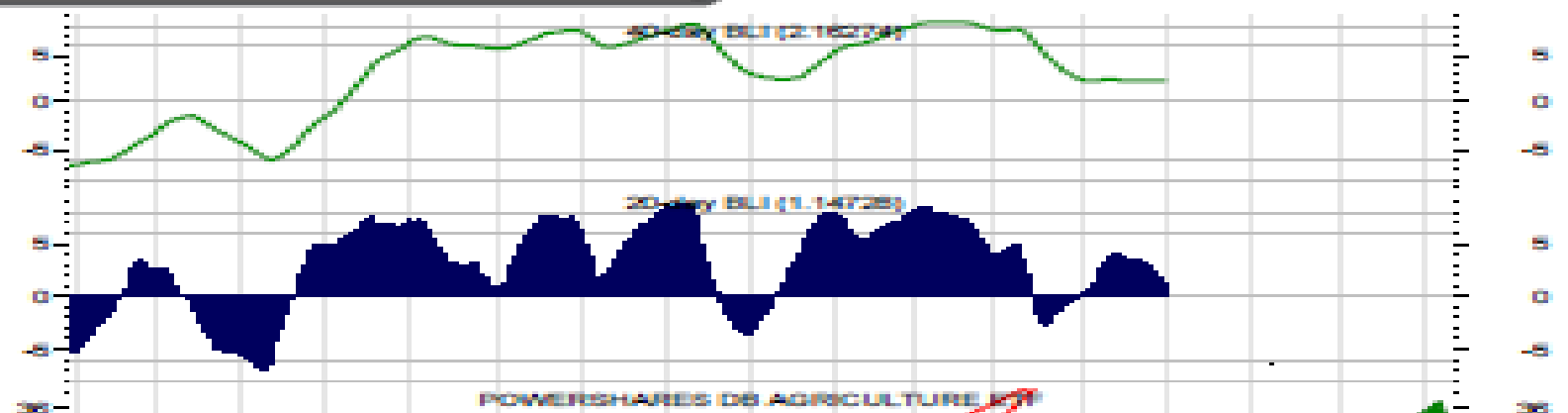
Base Metals	DBB
Last: \$	24.00
Chg: \$	(0.09) -0.38%



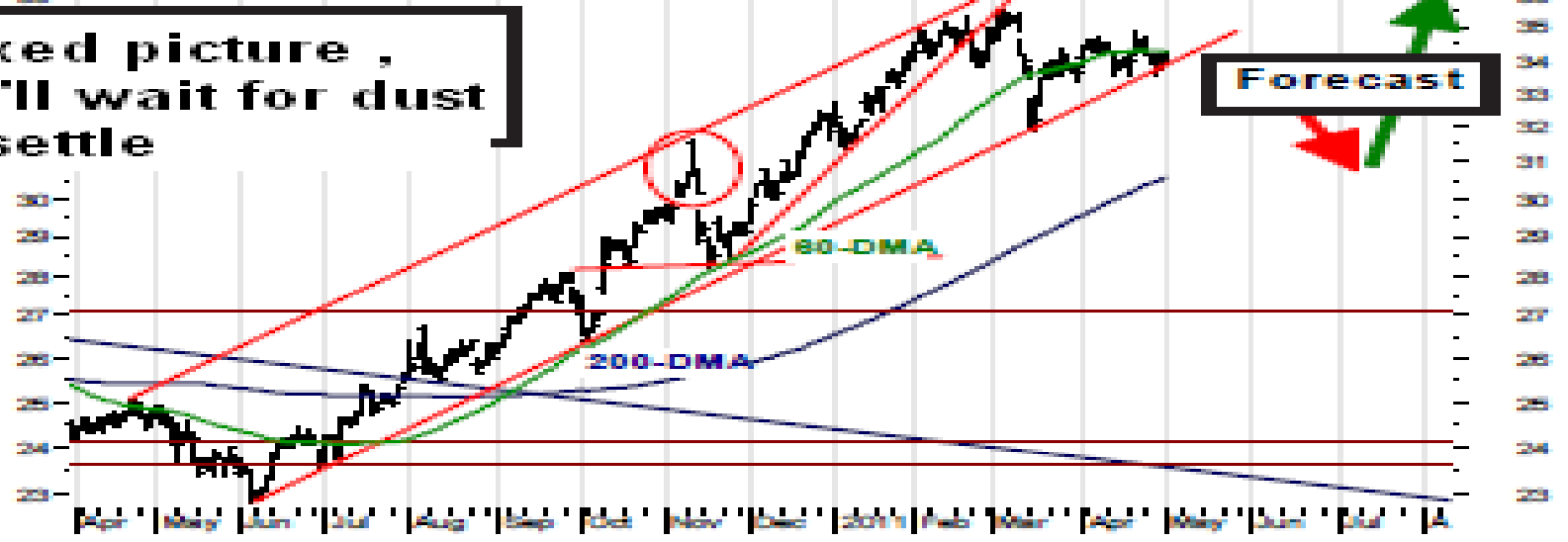
AGRI – COMMODITY - DBA - with SMA & Trend lines

Mixed picture , No CZ Validation, but should follow CRB when dust settles.

Agriculture	DBA
Last: \$	33.90
Chg: \$	(0.16) -0.47%



Mixed picture ,
we'll wait for dust
to settle



Appendix

- 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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