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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # MAY_24

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 / GDX / SLV - No CZ - Analysis yet .*

  DOWNSIDE Target -

  SHORT TERM - POM 13 was achieved on 5/6) for Decline to 1460 in GOLD

- ## *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)*
  - ➤ *3nd 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

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

- ## Trading & Investment Conclusions …cont…..

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

- **GDX - CZ 54.5 -52 - Triggered on 5/11 (½ 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 – There will be some back filling and retracement in this move for double testing CZ**

- **DBA – Watching carefully for Buy CZ**

NEUTRAL -

- **GLD & SLV - Triggered POM 13 as indicated above charts, now either awaiting for bounce or test of POM 13 lows if CZ – PQV is validated , it would be decision point.**

CRB / DBC- with Pattern & Oscillator Analysis

Commodities topped first and then leading stocks lower. 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 .
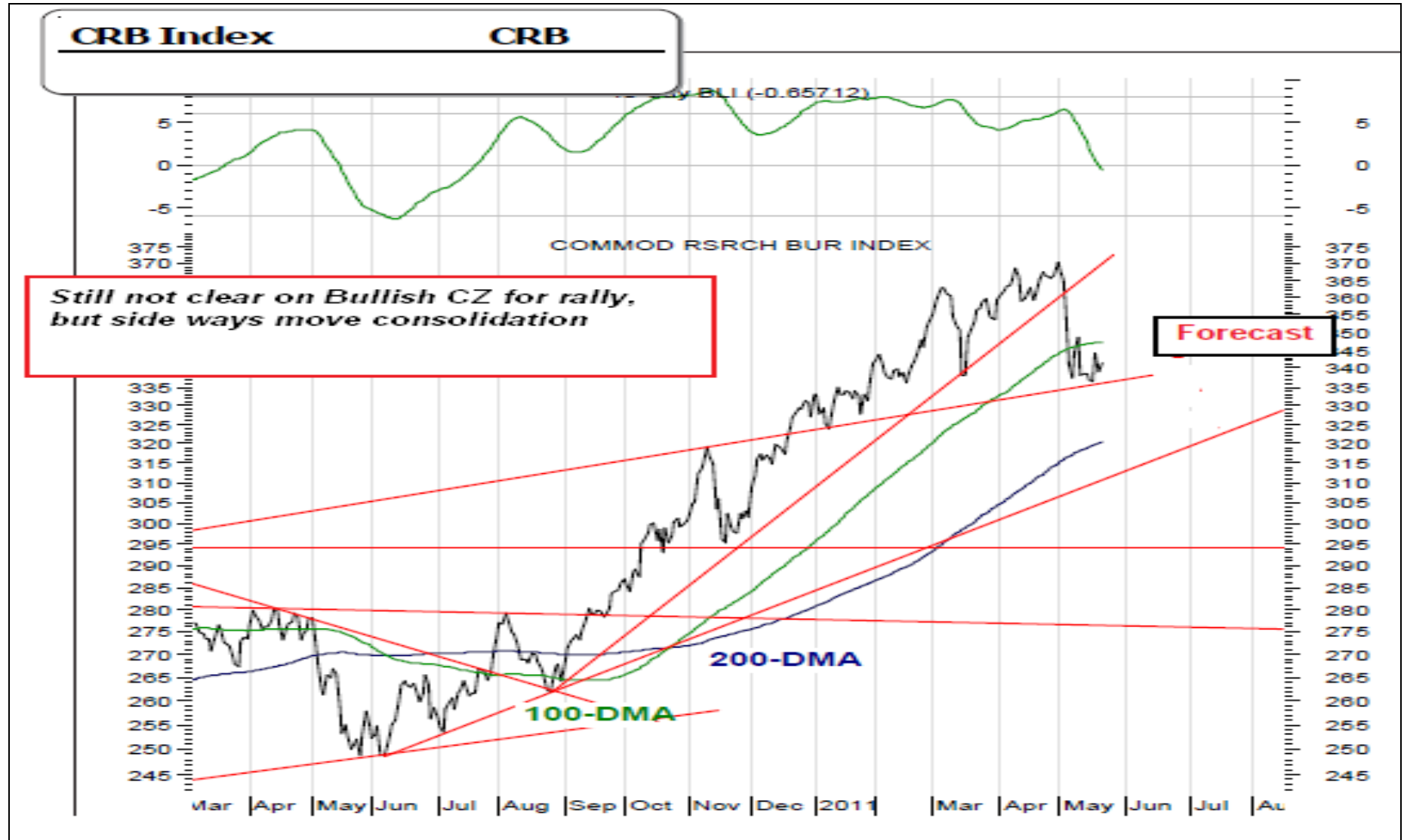
CRB / DBC- with Pattern & Oscillator Analysis

No indication of Bullish CZ but Key reversal at the top with Oscillator diverging & CZ – PQV Validated 4/27 (Indicated in red is still in tact) as referred in C & D – Sector Report.

- GOLD – MA / Pattern & Oscillator Analysis

The downside was at POM 13 / (GLD 144) 1470 (blue) was achieved from POM 14 Re run – trigged CZ @ 151(1540) in red.
Now awaiting for next step by this method, currently the bounce is in process

2 - GOLD – PEC D - Analysis

By PEC –D Method the bounce in progress could go to 1541. (See the chart below for smaller ABCD Pattern) We are watching carefully

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 , still little room towards 40W. (It has intersected at least once a year in past) and ultimately to 6.5 for mean to reversion (consolidation is needed here at 4.5) , Indicated in red are Potential target points for consolidation step by step

SLV – MA / Pattern & Oscillator Analysis

The downside was at POM 13 / (SLV 34) (in blue) was achieved from POM 14 Re run- triggered CZ @ 47 -44.5 (in red) ,
Now awaiting for next step by this method, currently the bounce is in process
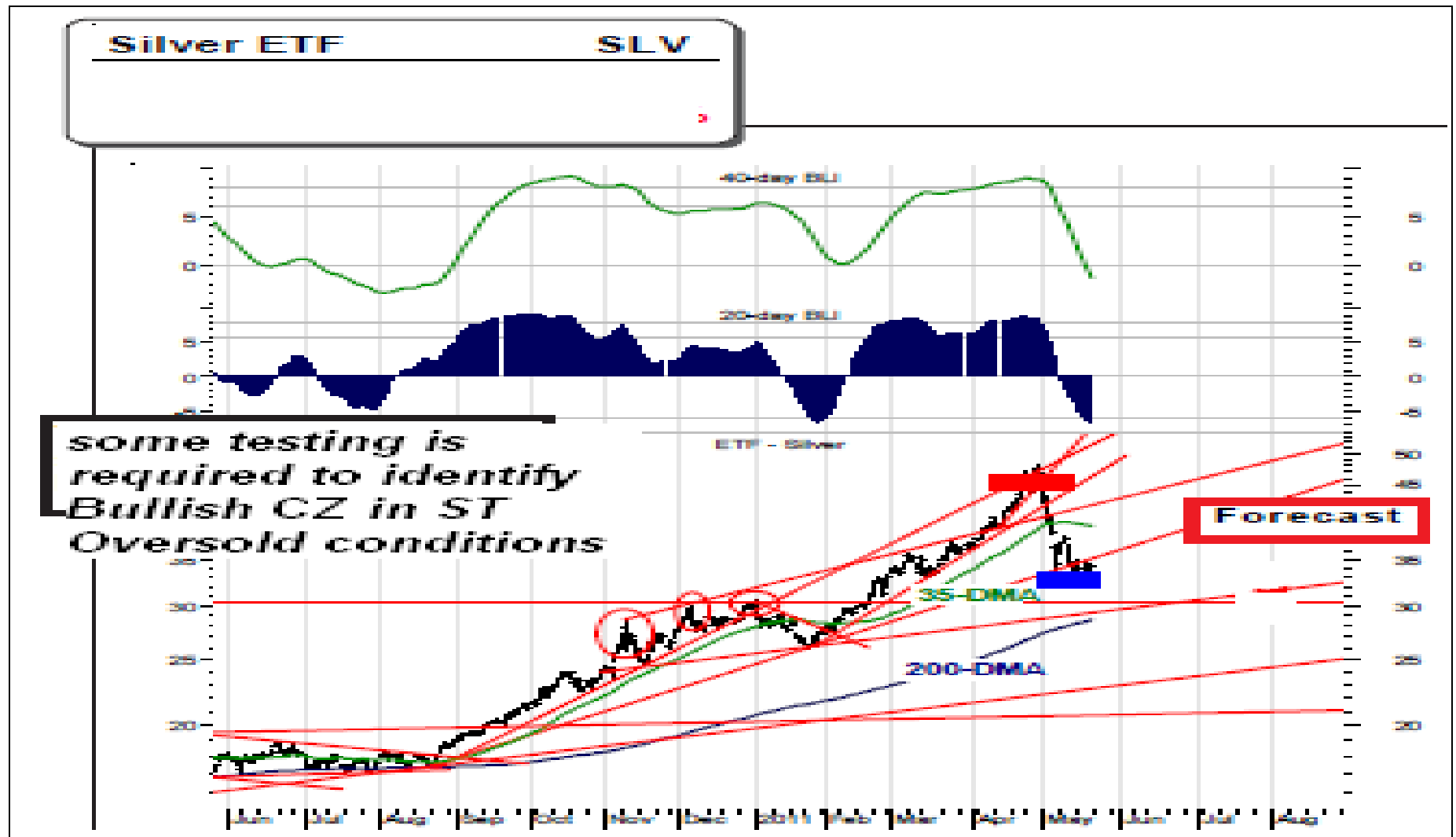
2 - SILVER – PEC D - Analysis

By PEC –D Method - No Signal yet . We are watching carefully. Silver has now undergone a big drop in open interest (i.e over 25% below its top). Volume for silver has dried up substantially. This strongly suggests that silver will no longer be the leader in the metals for now

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

GDX has reached CZ and it has done so in classic AB=CD fashion. On Down stream as well as upstream, This index looks like it is ready to rally.

On GDX - CZ imported from past croos 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

GDX   Monday, May 24, 2010 - Monday, May 23, 2011

CZ 54.4 -52
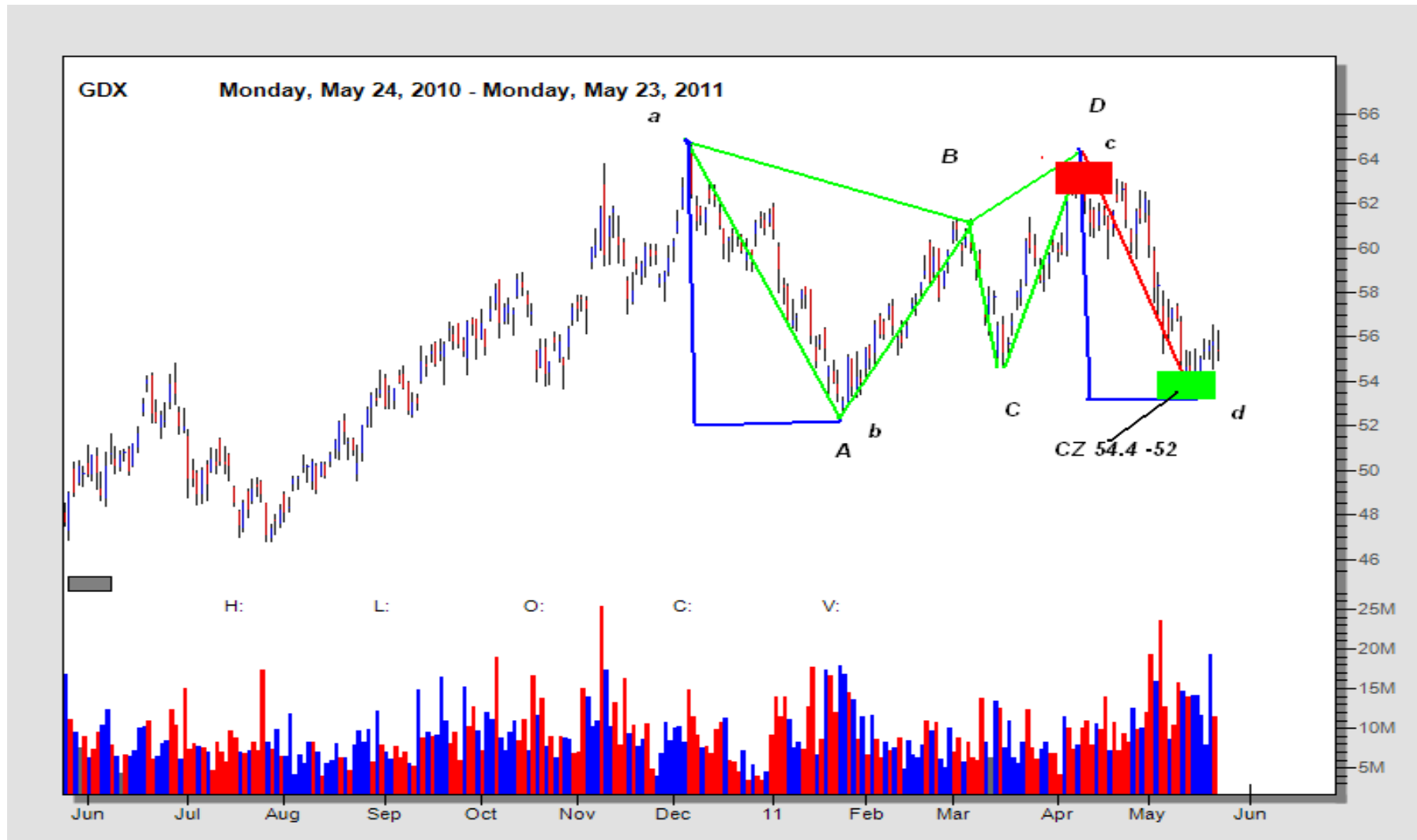
GDX – Poly Trend Analysis – MF

The mining stocks are diverging Bullishly , This is quite a change we saw from 2 weeks ago exactly opposite as we had pointed out the Top heaviness at 62-64- Sell CZ trigger
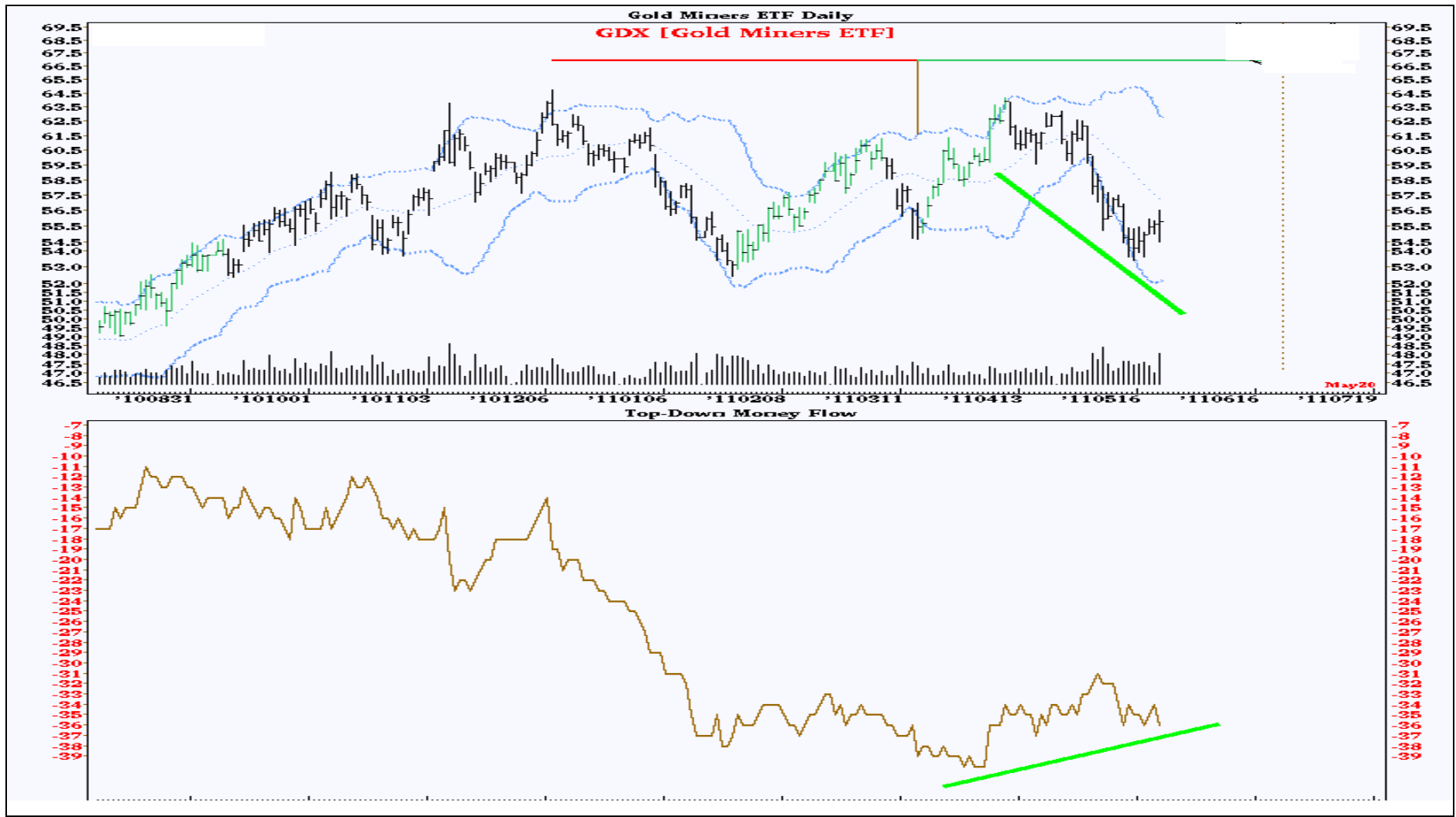
GDX : GOLD RATIO - Analysis

The weekly GDX/GLD ratio with GDX - When the RSI of this ratio falls to near 30 an important low in GDX was near. It appears such conditions results in a very powerful rally. This is bullish for the intermediate term for gold stocks, the weekly Slow stochastics (60) p is reading is 9.60 and in the oversold level below 20 and also suggests GDX is near an important low. Seasonality wise May and June show modest weakness and GDX could back and fill a few weeks before moving higher. Final confirmation by CZ validation
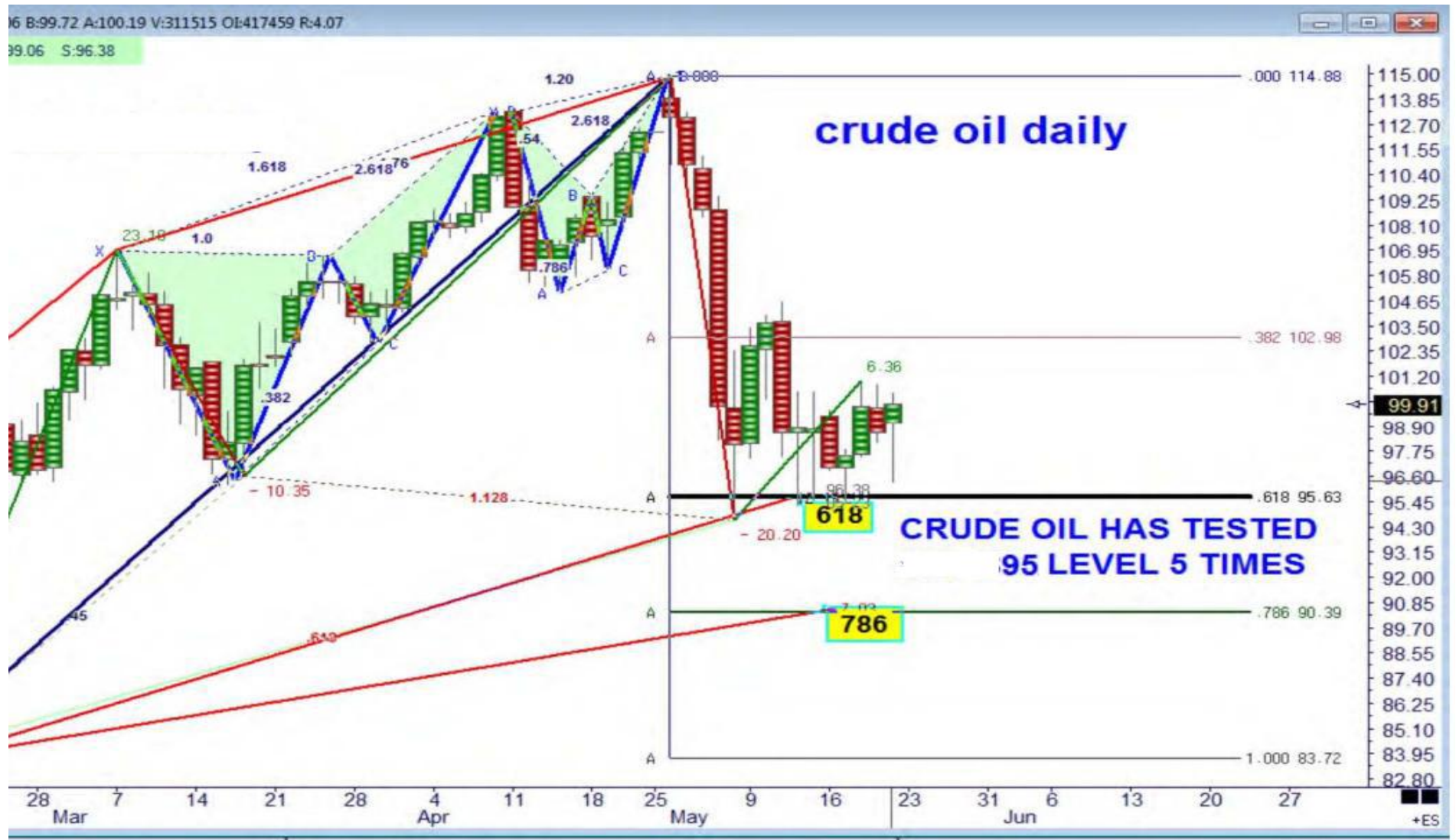
GDX – MA / Pattern / Oscillator Analysis

*Oscillator reaches near -75m and the GDX/GLD ratio reached near .39 (current ratio is at .37 which is the lowest level seen in over 2 years and suggests gold stocks are at the cheapest level seen in over 2 years . **Please note GLD reached POM 13 at 144 & SLV @ 34 last week.** Area in Green is CZ - Validation*

2- OIL –   PEC D – ABCD Method

PEC – D – we think 0.786 / 1.28 @ price of 91 may have better risk reward. (See chart below) . Currently having held the 95 level five times over the past several weeks. Not clear if its base building or cause to move down to 91. We will wait and see.   (non conformation)
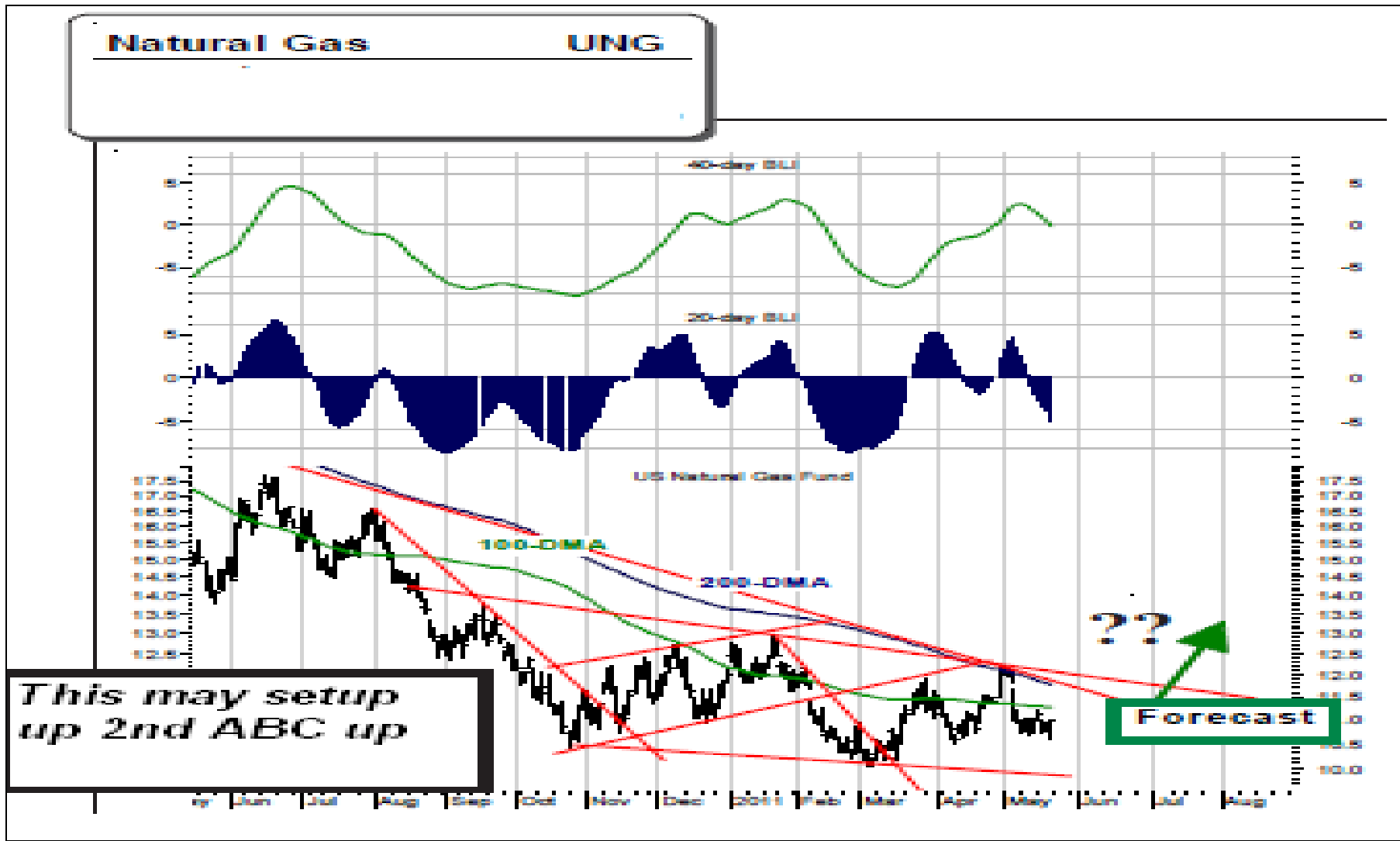
2- OIL (USO) – MA / Pattern & Oscillator Analysis

USO is looking more Bullish by this but we prefer both methods line up for better Judgment . Besides SD levels are not supporting .
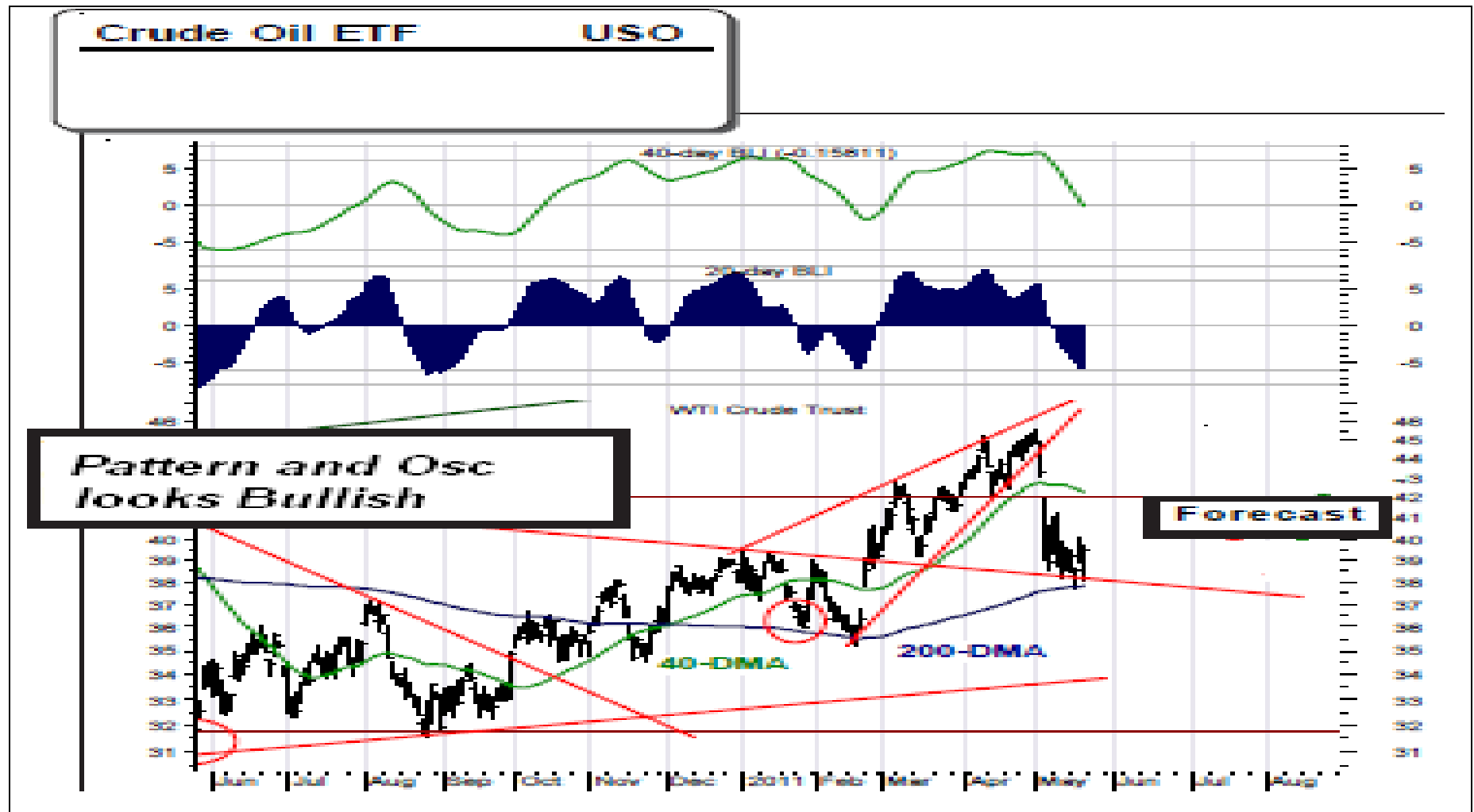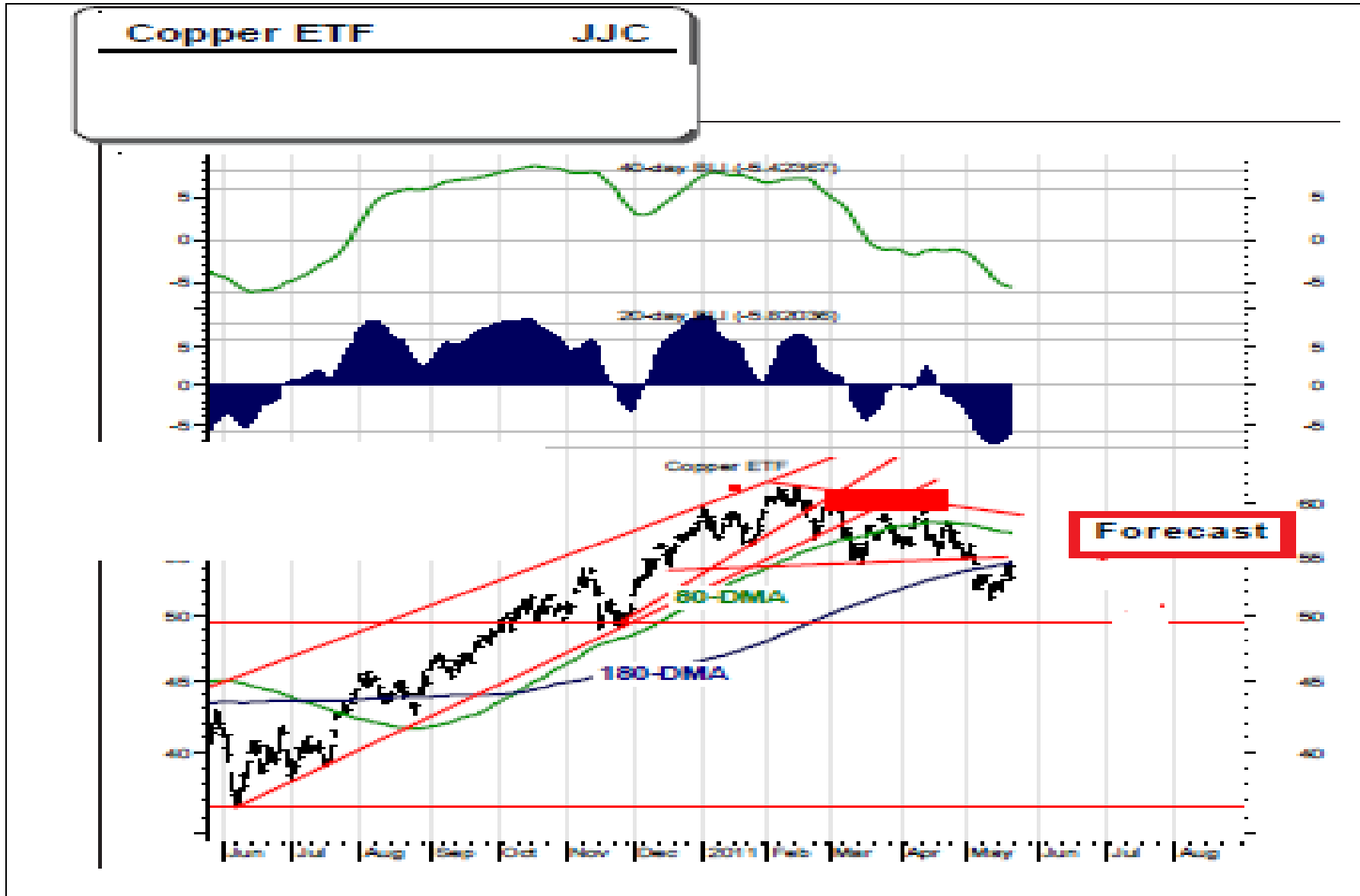
2- NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis

In march it put in classic bottom and now humming its way to 2nd ABC up .
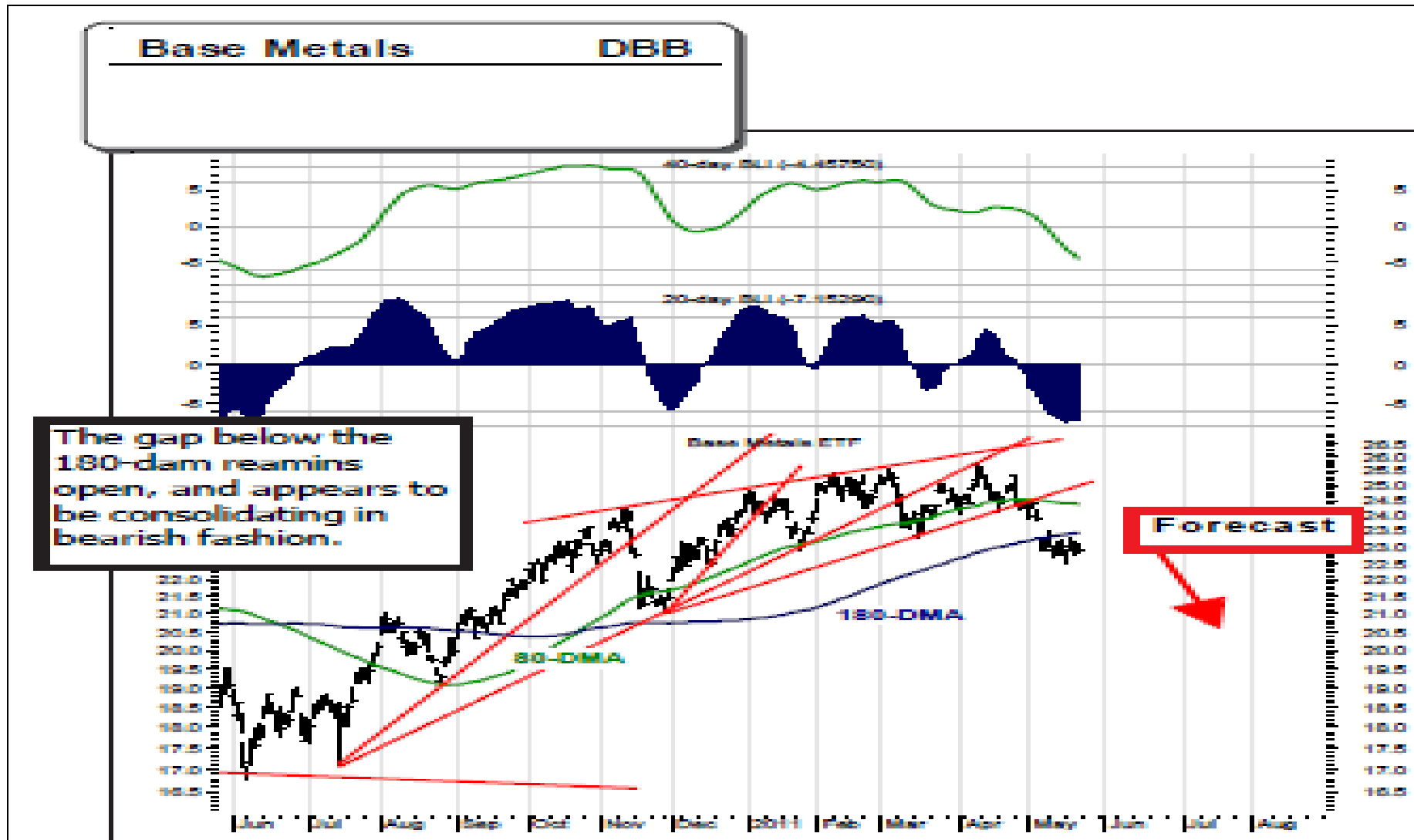
COPPER (JJC) – MA / Pattern & Oscillator Analysis

Sine our CZ was triggered (in Red) - Copper has been down for a consecutive number of weeks .

BASE METAL - DBB - MA / Pattern & Oscillator Analysis

Bearish divergences in Base metal Index as well, gives sense of overall picture on XLB in our CZ Validated Sector which is on Sell side . But did not Trigger CZ on DBB

Base Metals   DBB

40-day RSI (-4.4575G)

20-day RSI (-7.1530G)

Base Metals ETF

The gap below the 180-dam reamins open, and appears to be consolidating in bearish fashion.

Forecast

180-DMA

80-DMA

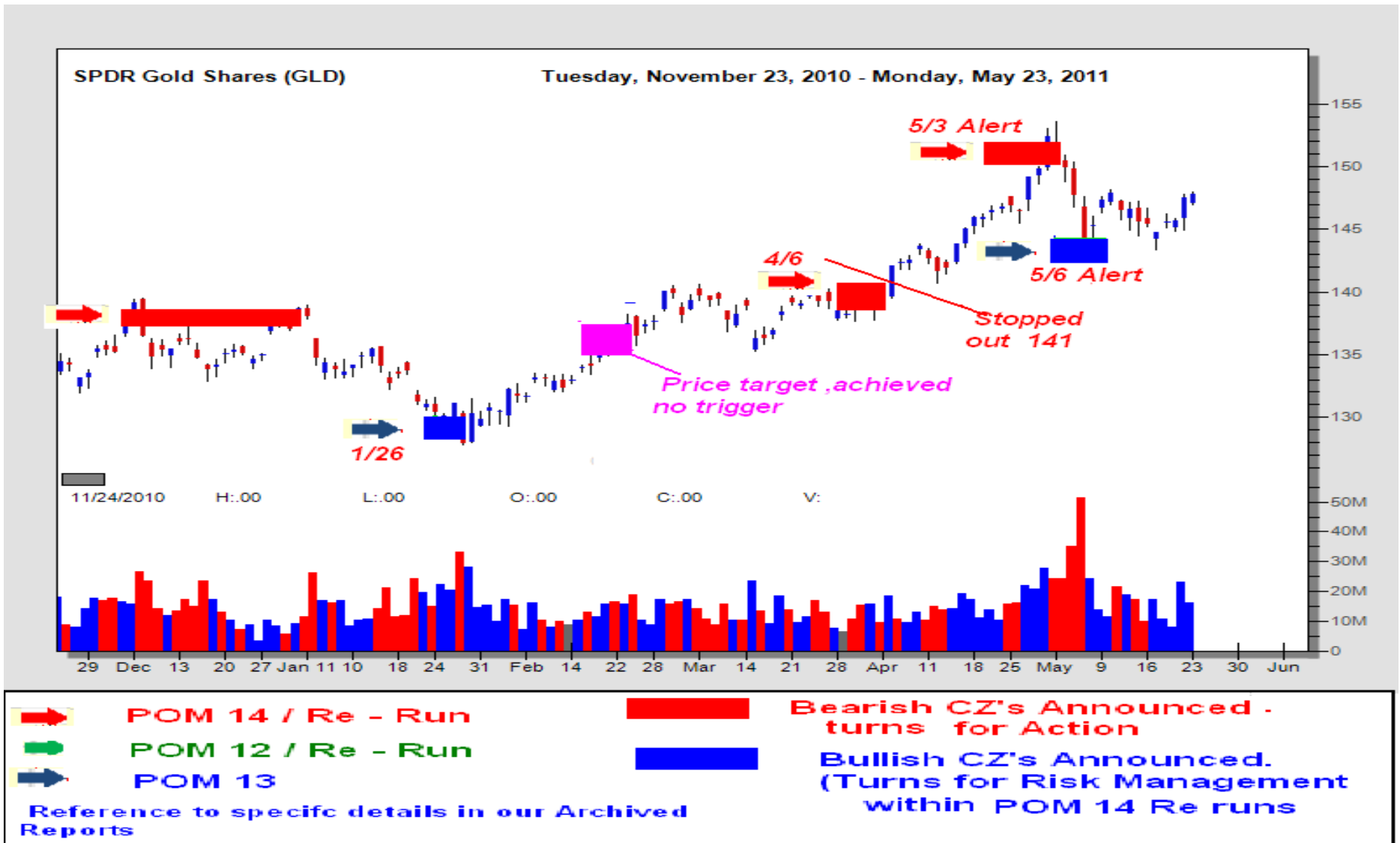# AGRI – COMMODITY - DBA - MA / Pattern & Oscillator Analysis

DBA looks bullish by this method, might be good candidate for CZ Analysis on Buy Side .

Agriculture   DBA
Last: $ 32.51
Chg: $ (0.17)   -0.52%

A key reversal higher has formed; a 20-day model turn higher would be bullish.

Forecast

POWERSHARES DB AGRICULTURE ETF

60-DMA

200-DMA

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

SPDR Gold Shares (GLD)   Tuesday, November 23, 2010 - Monday, May 23, 2011

5/3 Alert

4/6

5/6 Alert

Stopped
out 141

Price target ,achieved
no trigger

1/26

11/24/2010   H:.00   L:.00   O:.00   C:.00   V:

29 Dec 13   20 27 Jan 11 10   18 24   31 Feb 14   22 28 Mar 14   21 28 Apr 11   18 25 May 9   16 23   30 Jun

➡ POM 14 / Re - Run   Bearish CZ's Announced -
                                       turns for Action
➡ POM 12 / Re - Run
                                       Bullish CZ's Announced.
➡ POM 13   (Turns for Risk Management
                                       within POM 14 Re runs
Reference to specifc details in our Archived
Reports

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*

- ## 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