SG Capital Research
Global Market Insights

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

MAEG – WKLY CZ- COMMODITY ANALYSIS SG 2011 # NOV_30

For Immediate Release –   *Wednesday AM (EST)*

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Commodity Analysis (C) – (SP)

- ## Contents for Coverage within C # SP

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  - **GOLD / GLD**
  - **SILVER / SLV,**
  - **MINERS /GDX / XAU**
  - **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,**
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• 1- EXECUTIVE SUMMARY

• *GOLD & GDX*

- *As per our Analysis GOLD has initiated its Price Oscillation @ POM 14 from <u>CZ 1680-1740</u> completing its previous oscillation from 1560 (based on GOLD's Bull Market criteria, POM 14 is for partial hedging based on portfolio Objectives). The First downside Price Target on this Oscillation is expected <u>to be around 1625-1600.</u> Gold upon proving itself at around that target, we will evaluate the possibility of <u>NEW</u> POM 13 to initiate new signal at that time.*

- *There is a possibility from current prices there may be another Re test into the upwards <u>CZ 1680-1740</u> (Top Heavy) and failing. For Risk Management (Stop @ 1785).*

- *Meanwhile , the Mining Index (GDX) has tanked <u>to 54-55 (our first target) – from our CZ –(61- 59)</u> triggered by Gold POM 14. We still 2ND downside target towards <u>CZ 52-50.</u>*

• *Commodity (CRB) Components*

- *In General Market – SPX is at POM 14. The Commodities have followed " the Price Path of SPX". (with exception of UNG , DBA)*

- *SPX – had Signaled POM 13 @ 1189-1175 at open. For Risk management purposes for " AOM" All one Market . We are experiencing that bounce currently which will fail in the CZ of POM 14 .*

- *Each Individual Commodity component's Price & CZ is stated below in our Section below " Trading and Investment Conclusions for Details"*

- *For more Justification for our current Market Calls and Price Path Analysis , Refer the " Detail Chart Section " within this Report*

- ## **2- Trading & Invest Conclusions on CRB Components**

- ## *SLV*

   SLV has PEC –D projection at 36, was confirmed when GOLD Triggered POM 14

   Our downside target is 29.50 by PEC-D Method & 28 by Poly- Trend Analysis

- ## *GDX (XAU/ HUI)*

   Our Pull back (Downside) Target on GDX   to CZ 54-55) was met . (GDX - CZ 59-61 Triggered at POM 14 on GOLD) (REFER – SPECIAL LONG TERM BULLISH CHART BELOW) . Our Second Price target is CZ 52-50

- ## *CRB (DBC)*

- *No Final down side target yet , Possibly when SPX reaches POM 12 and CRB reaches its Bullish CZ, Earlier - Bearish CZ 320 -330 was tested and failed and the decline began .*

   For AOM - POM 13- SPX Risk management on SPX @ 1189-1175 open Signal for Risk Management

- ## *WTIC OIL*

- *- NO Downside Signal till Oil closes back in 95-96 range . Earlier Upside target 95-96 was met and extended to 99 (CRB has reached bearish CZ) . Earlier   POM 12 on SPX initiated rally at 75 as expected in previous Report.)*

- ## *DBB, Copper (JJC)*

- *BEARISH - DBB & COPPER – Trigged Sell along with CRB at 320-330 and POM 14 – SPX . Both has been weakest in CRB . Both IDX followed the CRB on decline*

   DBA *NEURAL will turn Bullish when Buy on Trigger 29.00 back in CZ Range with stop 28.00*
   UNG – *NEURAL will turn Bullish when Buy on Trigger 8.25 back in CZ Range with stop 7.70*

• *3- GOLD – Commentary*

On the Short term – *It still appears the upside move does not have enough energy for meaningful ABC up to break CZ of POM 14 . (Although we have Risk Management STOP @ 1785) . We think some work needs to be done on downside back into 1625-1600 to test to set footing for sustainable rally. This is the area our Next Signal should be triggered on pullback   for better risk reward for action based on SP"s RA / RI.*

December have good tendencies of GOLD positive seasonality. But SLV which leads GOLD in Up move is lagging since its Crash.

 Earlier Alert 10/13 – *In our B # Currency Report dated 10/13 – GOLD Triggered POM14 when it reached in CZ – 1680 - 1740.(Mean CZ price 1710 , - 3 positions) This is Risk Management signal for Hedging the positions (based on Bull Market Regime) For the position that was entered at 1603 – POM 13 - NET LONG on 9/26. Resulted in rally of 107 points .*

On the Mid term, The Last parabolic top in Gold at 1900 was formed with Bullish Top by our Mathematical process , which suggest after the pull back (or nasty correction) . Gold should go back to test those highs again at 1950 . There are ways to negate this event but indicators that we monitor for POM / CZ does not have evidence of negation as of yet.

- *We think over Mid term DXY v/s GOLD correlation will detach itself as its done in past and we will monitor closely for that inflection point.*

On Longer term - *GOLD within the confines of Bull Market, POM Projection by our Mathematical process has 2400 Target which is intact . The Natural Oscillation within the price moves are very healthy for next leg up only after re balancing the retracements*

- ## *4- Commodity Commentary*

- ***DXY -*** *USD continues to be the Key part of our Commodity Analysis. It is Ruling the world markets. DXY rallied back to the Earlier Bullish top (as expected) . This put in pressure on the rest of the other Markets.*

  The current rally in USD is first leg up. The trigger for the 2nd leg up will begin when European Countries start selling their Bond in USD. Recently Germany Auctioned their Bonds in both currencies EURO & USD but had higher bids in USD denominated Bonds.

  The Third leg up in USD will begin when Euro will be exited by the Holders of EURO with fear of getting dissolved. We will wait and see. There fore we believe over time USD & GOLD will be currency of choice.

- ***COMMODITY (CRB)*** *markets followed our signals of POM 14 on SPX on downside , along with CRB meeting its own CZ AT 320-330 . The decline of past 2 weeks began soon after.*

- ***OIL -*** *Oil reached our price target of 95-96 from our Trigger at 75 and is extended 99.*
- *In our last C # Report we indicated the Correlation chart of Oil v/s SPX of past years . When Oil stays above 95 for 2 weeks (as pre warning) it has resulted in nasty correction in SPX which proved its merit once again*

- ***MINERS(GDX)*** *- Although since POM 14 on GOLD it has been moving 80 points down and up again twice. The impact of that Signal on GDX has been very Brutal from 61-59 to 54-55*
- *Long Term we are very Bullish (Refer to chart below for bigger picture)*

.

- ## 5- GOLD / SLV
- ## POM Signals , Price Projections, Investment Conclusions

- ## Start point GLD -1420 (1ST Jan) YTD – 1700 up 280 points

Current Signal @ POM 14 into CZ 1680-1740 ending previous POM 13 @ 1550 (but entry @ 1603 due to CFTC open prices)

- ### *POM 15 - Net Short –- For SLV only (Total points gains SLV= +10.5)*

- ➤ *None recommended for GLD to "SHORT' in Bull market by this Model. (Exception for SLV).*
- ➤ *Total 2 -Signals YTD – Summary listed in Appendix below*

- ### *POM 14 - Hedge Longs / Risk Management - (Total decline saved= + 399)*

- *Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in*
- *Proportion / Qty. of Hedges should be based on Portfolio's objective and Risks Tolerance*

- *Last Alert on 10/13- 8th HEDGE - B # Report- POM 14 - CZ Trigger @ 1680-1740 – STOP @ 1785*

- ➤ *Total 7- Signals YTD – Summary listed in Appendix below*

- ### *POM 12,13 - Net Long – (Total point gains = + 437)*

- ➤ *POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long).*
- ➤ *Total 4- Signals YTD – Summary listed in Appendix below .*

- ## 5- GDX . -
- ## POM Signals , Price Projections, Investment Conclusions

- **Start point 61 (1ˢᵗ Jan) – YTD 54 – (down – 7 points)**

GDX (XAU / HUI)

- ***POM 15 - Net Short** – None Triggered in 2011 - (Total points gains = 0)*

- ***POM 14 -** Hedge Longs / Risk Management - (Total decline saved= 20 points)*
- *Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in*
- *Proportion / Qty. of Hedges should be based on Portfolio's objective and Risks Tolerance*

- *Alert - CZ   @ 59-61 – Revised - 4ᵀᴴ HEDGE, Our First Price target reached 55-54 . The second Price target is 50-52*

- ➢ *3- Signals YTD – Summary listed in Appendix below*

- ***POM 12,13 - Net Long** – (Total point gains= 17.25 points or 27%)*

- ➢ *POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long).*
- ➢ *4- Signals YTD POM 13 – Summary listed in Appendix below .*

CRB – Chart Analysis

- *YTD – Commodity Components with SPX performance v/s CRB*
- *DXY Correlation / CRB - with MA , Trend & Oscillator Analysis*
- *DXY - with Poly trend & Oscillator Analysis*
- *CRB / DBC- with MA , Trend & Oscillator Analysis*
- *CRB- Poly Trend Analysis.*
- *CORRELATION RATIO Analysis – CRB v/s USD, CRB v/s SPX*
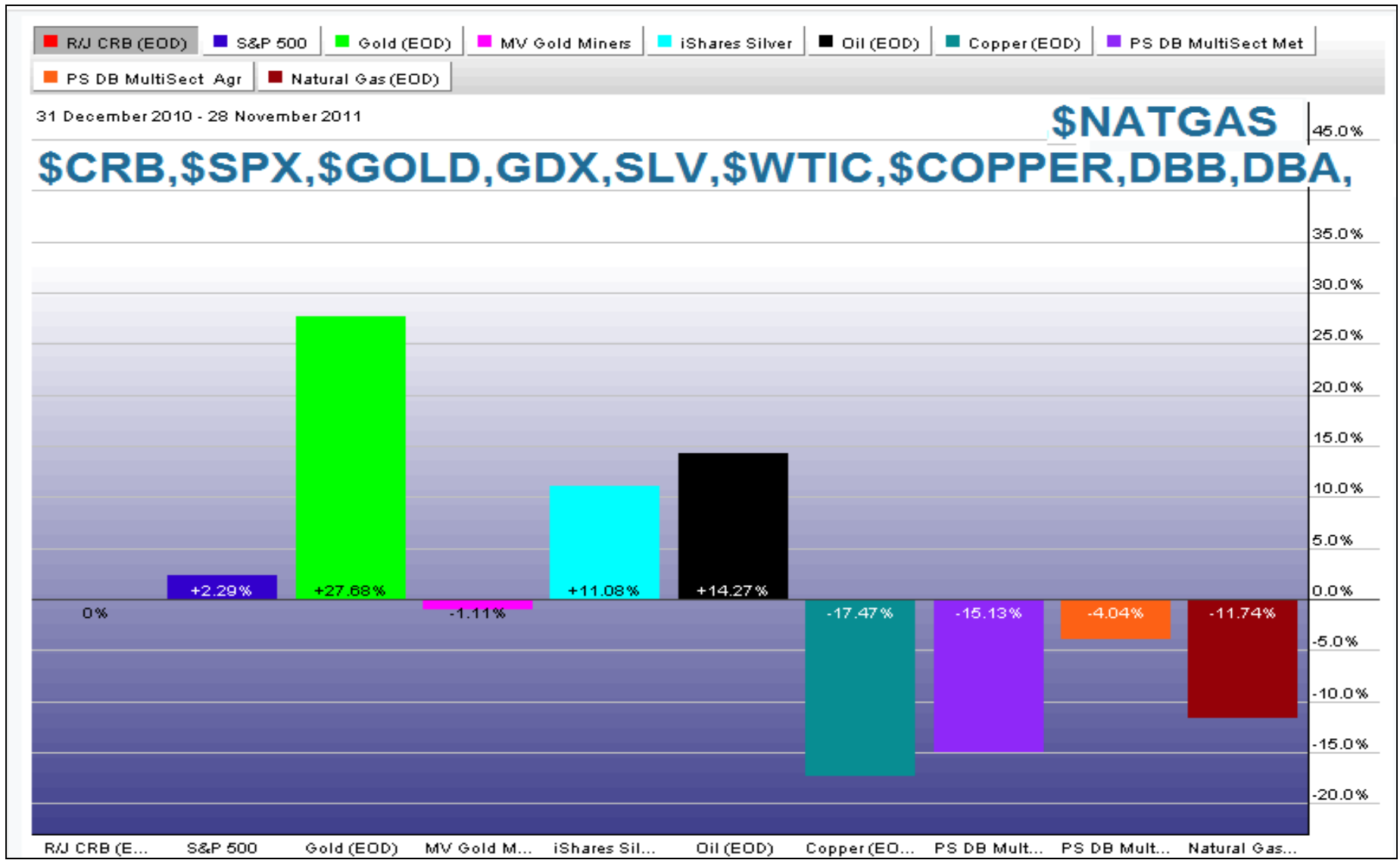
GOLD / SLV, GDX – Chart Analysis

- *GOLD MA, Trend & Oscillator Analysis –*
- *GOLD - PEC –D Analysis*
- *GOLD – Cycle Analysis*
- *GOLD / SLV – Lead / lag Analysis*

- *EXTREAME Sentiment Analysis (3rd Party Data)*
- *SLV – PEC –D Analysis*
- *SLV – Poly Trend Analysis*
- *HUI / XAU – PEC –D Analysis*
- *GDX – SMA & Trend Analysis*
- *GDX – CZ – Price & Volume*
- *CORRELATION RATIO Analysis– GOLD v/s GDX, SPX, SLV, OIL*

Commodity Component – Chart Analysis

- *OIL – PEC –D Analysis*
- *OIL –MA, Pattern & Oscillator Analysis*
- *NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis*
- *COPPER (JJC) – MA / Pattern & Oscillator Analysis*
- *CORRELATION RATIO Analysis – COPPER v/s SPX , CHINA,*
- *BASE METAL – (DBB) - MA / Pattern & Oscillator Analysis*
- *AGRI – COMMODITY – (DBA) - MA / Pattern & Oscillator Analysis*

• YTD – Commodities & SPX performance v/s CRB

• *Chart below shows Relative performance of leaders and lager with respect to CRB for evaluation & for Pair Trades .*

| R/J CRB (EOD) | S&P 500 | Gold (EOD) | MV Gold Miners | iShares Silver | Oil (EOD) | Copper (EOD) | PS DB MultiSect Met |
| PS DB MultiSect Agr | Natural Gas (EOD) | | | | | | |

31 December 2010 - 28 November 2011

$NATGAS

$CRB,$SPX,$GOLD,GDX,SLV,$WTIC,$COPPER,DBB,DBA,

0%

+2.29% +27.68% -1.11% +11.08% +14.27% -17.47% -15.13% -4.04% -11.74%

R/J CRB (E... S&P 500 Gold (EOD) MV Gold M... iShares Sil... Oil (EOD) Copper (EO... PS DB Mult... PS DB Mult... Natural Gas...

DXY - with MA, Trend & Oscillator Analysis

DXY is in in rally mode towards the Bullish Top. This rally has put lot of pressure in the market past 2 weeks and damaged the markets as evident from our SPX signal @ POM 14

In very Short term, currently DXY is taking a breather and this may give SPX some chance to rally towards the POM 13 CZ.

DXY finished its 1ST ABC up 81 from Trigger @ 72-73 (stated in B # Currency Report. & C # REPORT 09/07
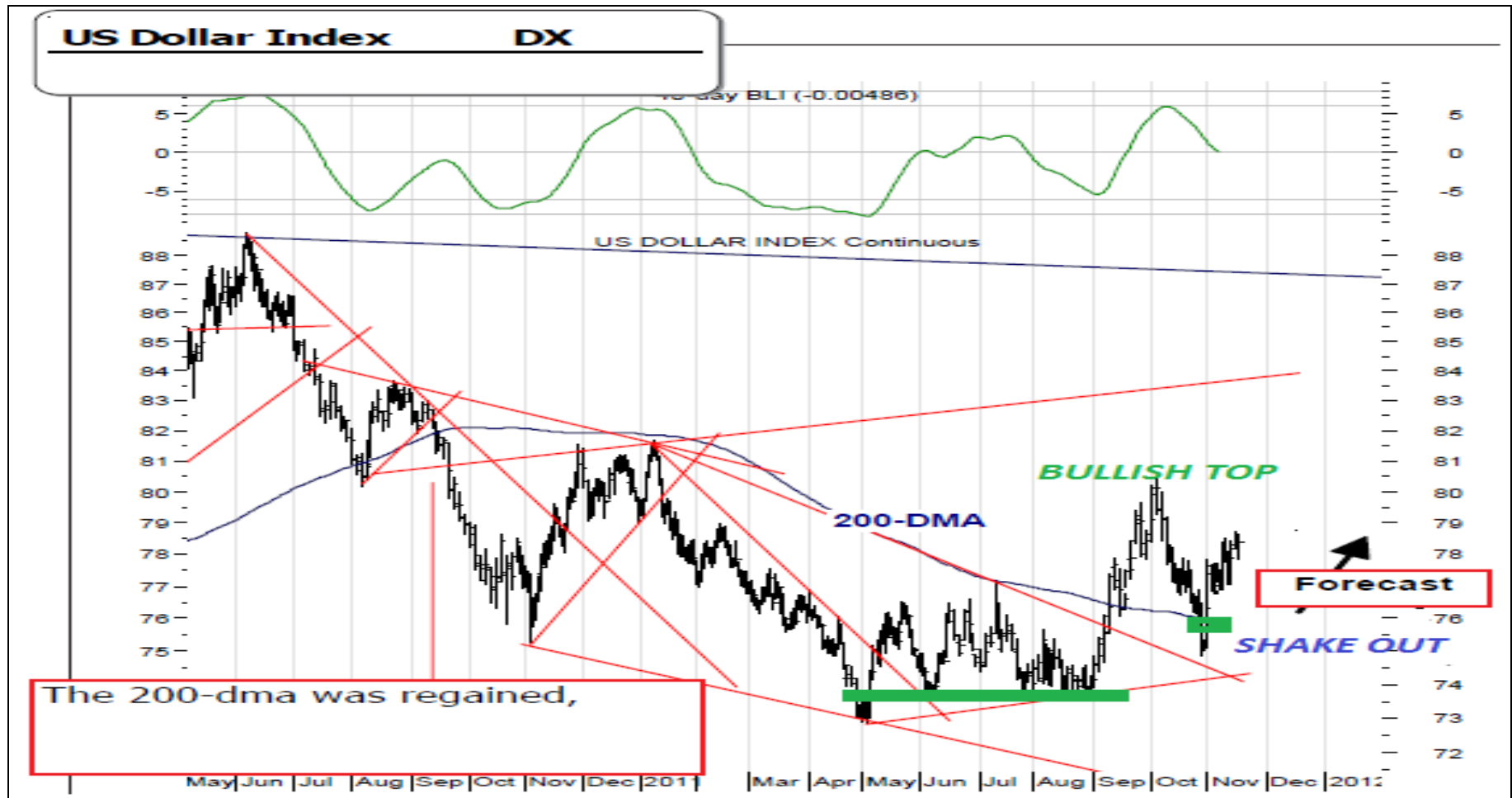
USD – PEC D

Short term another consolidation and our target could go to 81 earlier PEC- @ 80.5 .
*Longer term we think the dollar will remain strong versus the other currencies.*

USD – Correlation with SPX, GLD, BONDS

Refer chart below – for + ve and –ve correlation . With regards to GOLD,   this correlation will get detached on 2nd leg up on USD

CRB- Poly Trend Analysis

*CRB - By Poly Trend Method - **Target the bounce was a towards 320 was met underneath Poly Trend in bearish fashion @ 325. We think although its currently bouncing up it will head lower till our next Trigger***
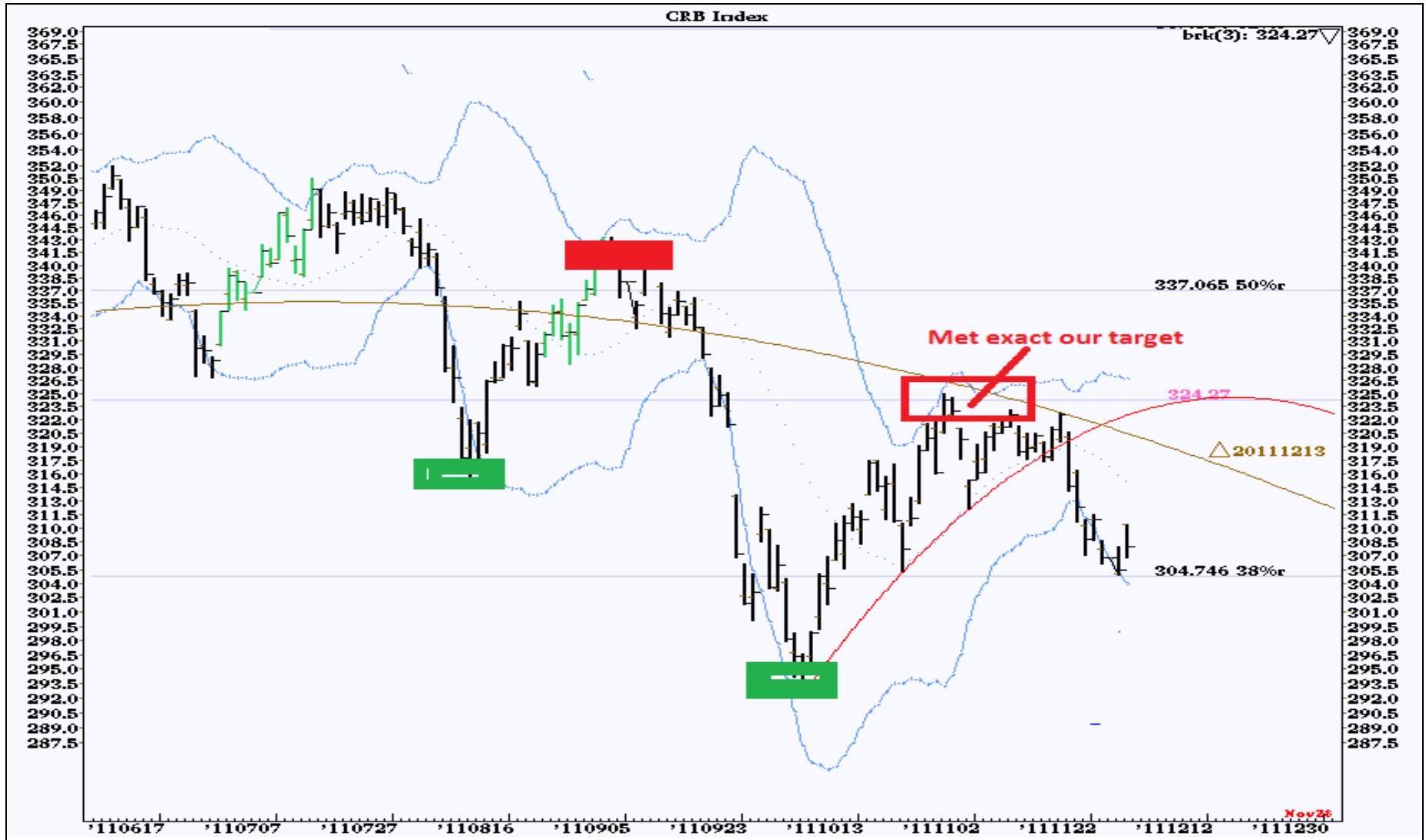
CRB / DBC- with MA , Trend & Oscillator Analysis

By this Analysis – the Correction in Commodity Market began as soon as the <u>*The CZ is 320-330.*</u> *Was met at around* <u>*SPX triggered POM 14 .*</u>*.*

<u>*Longer term*</u> *- CRB retraced a Fib 62% of its 2008-2009 bear market and ran into CZ 360-370 & 50% of its move CZ 340-350 . Bounces are within the confines of larger declines of "lower highs and lower lows" continues .*
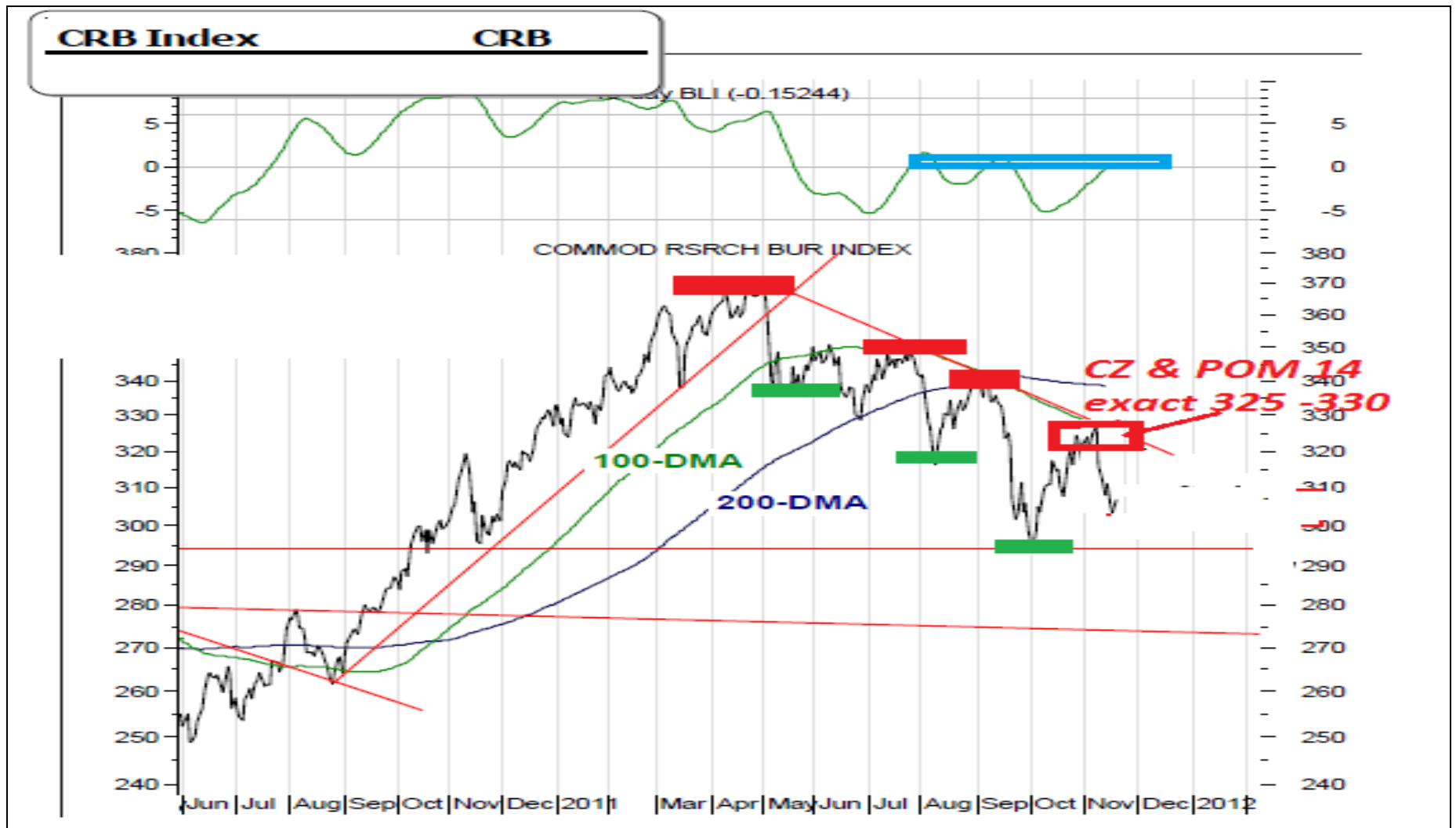
- ## *CORRELATION RATIO ANALYSIS*

- ## *CRB v/s USD - Inter market Analysis*

***NO CHANGE - Inverse Correlation continues in Current Trend***

- ## *CRB v/s SPX - Inter market Analysis*

NO CHANGE - Direct Correlation continues Current Trend

GOLD - PEC –D Analysis

By this Method we are looking for GOLD towards 1625 . But currently it appears it wants to bounce from 1680 back into the CZ and PEC-D to set in lower highs.

Earlier - GOLD @ 1770 - PEC –D as a 618 expansion & 786 level (proved its PROVED its Merit) although got extended.
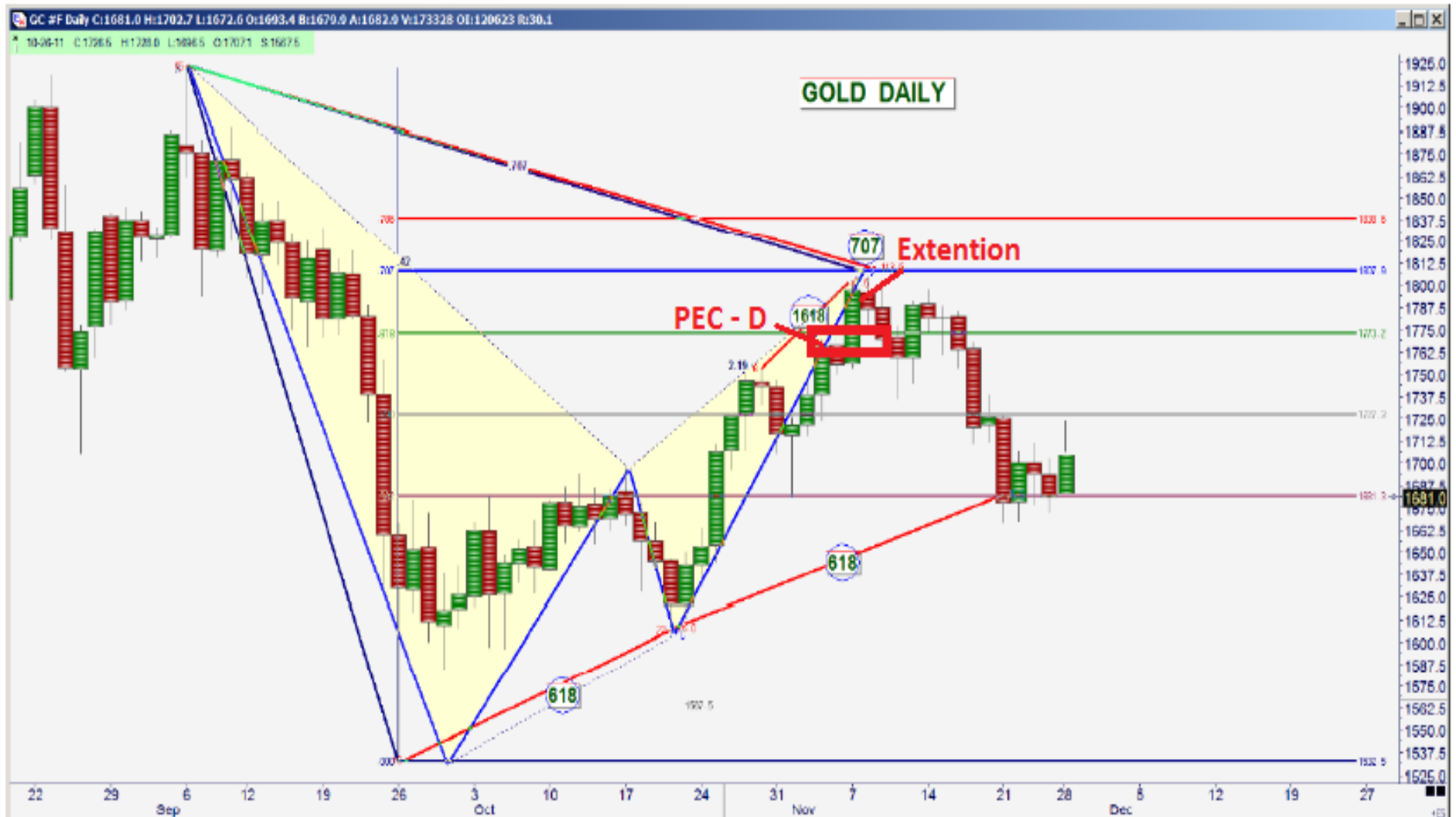
GOLD MA, Trend & Oscillator Analysis – .

The chart below reviews the DMA , Trend Analysis with Oscillator.

GOLD – Gave another false break beyond our POM 14 CZ and came right back down as expected . We think it requires quite bit of energy to stay above CZ & continue.

We think there will another attempt to test the upside into CZ – POM 14. Volatility does increase in the CZ Banging between the TOP HEAVY (POM 14) and BOTTOM HEAVY (POM 13). Consolidation. (notes within the chart)

GOLD - CZ Analysis

The false break over POM 14 proved its merit . Rest is all noise and fights between Bulls & Bears
CCI is breaking down as well. We think there will another attempt to test the upside into CZ – POM 14

The first rally of the bottom after the Crash was meaningful, we got 110 points out of it). POM 13 area below 1600-1550 is still bottom heavy still needs a test by this Method for better Risk Reward

GOLD / SLV – Lead / lag Analysis

When SLV leads the rally GLD tends to have extended sustainable price move. In the last move up in Gold SLV has lagged very badly and predicted Gold dropped from 1780 to 1680. This Ratio is still not Neutralized yet. It needs some more balancing

- **EXTREAME Sentiment Analysis (3rd Party Data)**

Courtesy : SENTIMENT TRADERS

- **SENTIMENTS - GOLD – PUBLIC OPINION**

NONE @ EXTREMES

- **SENTIMENTS - RYDEX CASH FLOW**

NONE @ EXTREMES

- **SENTIMENTS - GOLD – COT**

NONE @ EXTREMES

SLV – PEC –D Analysis

*Silver approaching – **PEC-D at 29.50, Earlier** PEC- D is at 35 gave great signal during the Time of POM 14 on Gold*

SLV – Poly Trend Analysis

Silver is Pulling back under the Poly Trend – No signal yet but earlier at 36 gave great signal at the Top of Poly Trend during the Time of POM 14 on Gold   (Refer notes within the charts below)

Weekly Cash Silver

POM 14/ PEC-D

POM 13
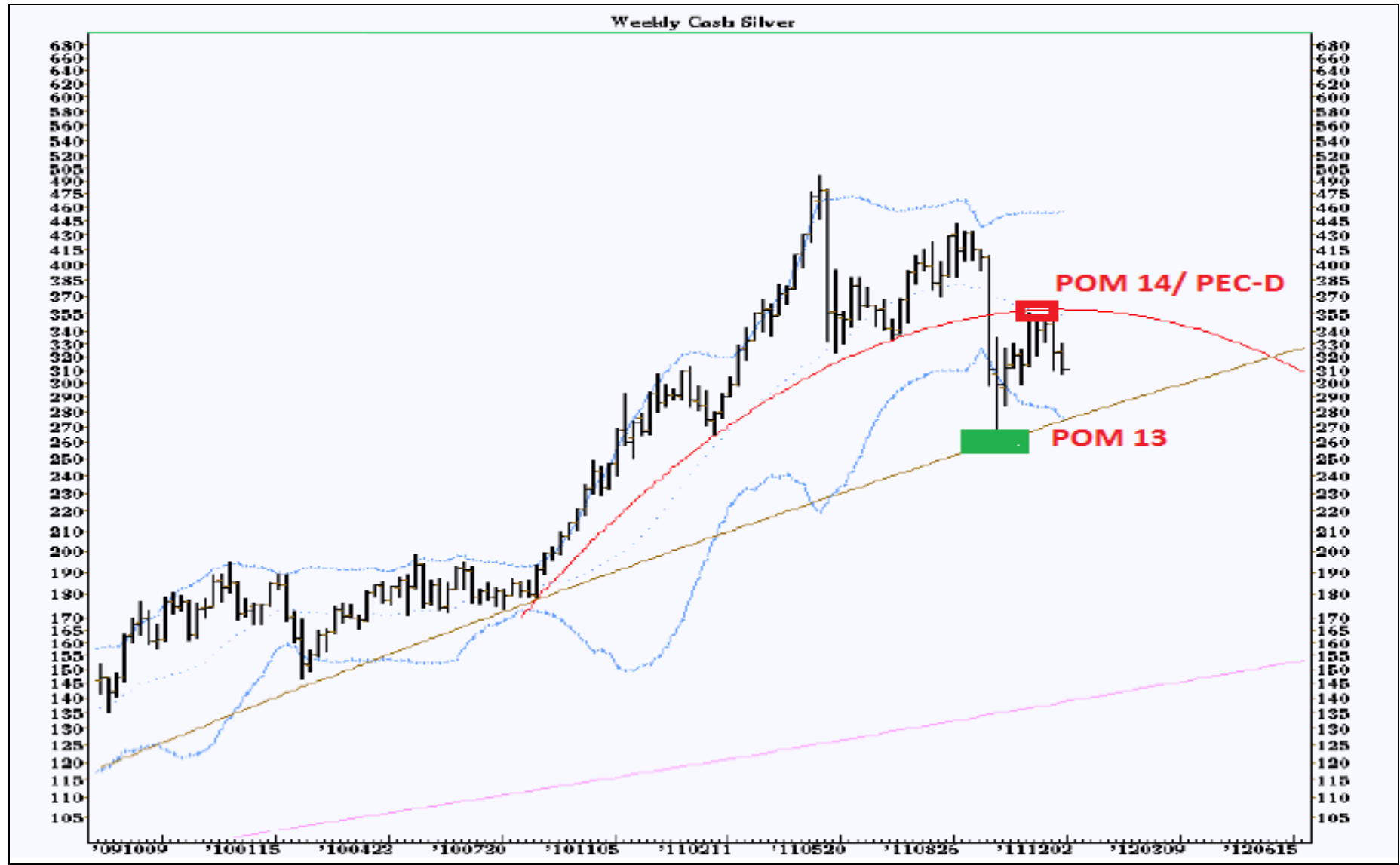
HUI / XAU – PEC –D Analysis

HUI / GDX had nasty correction since PEC-D Pattern confirmed it at the time of POM 14 Trigger on GOLD.

GDX – SMA & Trend Analysis –

GDX in correction MODE (as expected). It reached our First Price target towards <u>CZ- 55-54</u> . The Top <u>CZ 59-61</u> gave a great Signal . Top was formed with Bullish way and will be tested at some point.

2nd pull back (if 1st does not hold) to CZ <u>52 -50</u> in this move down
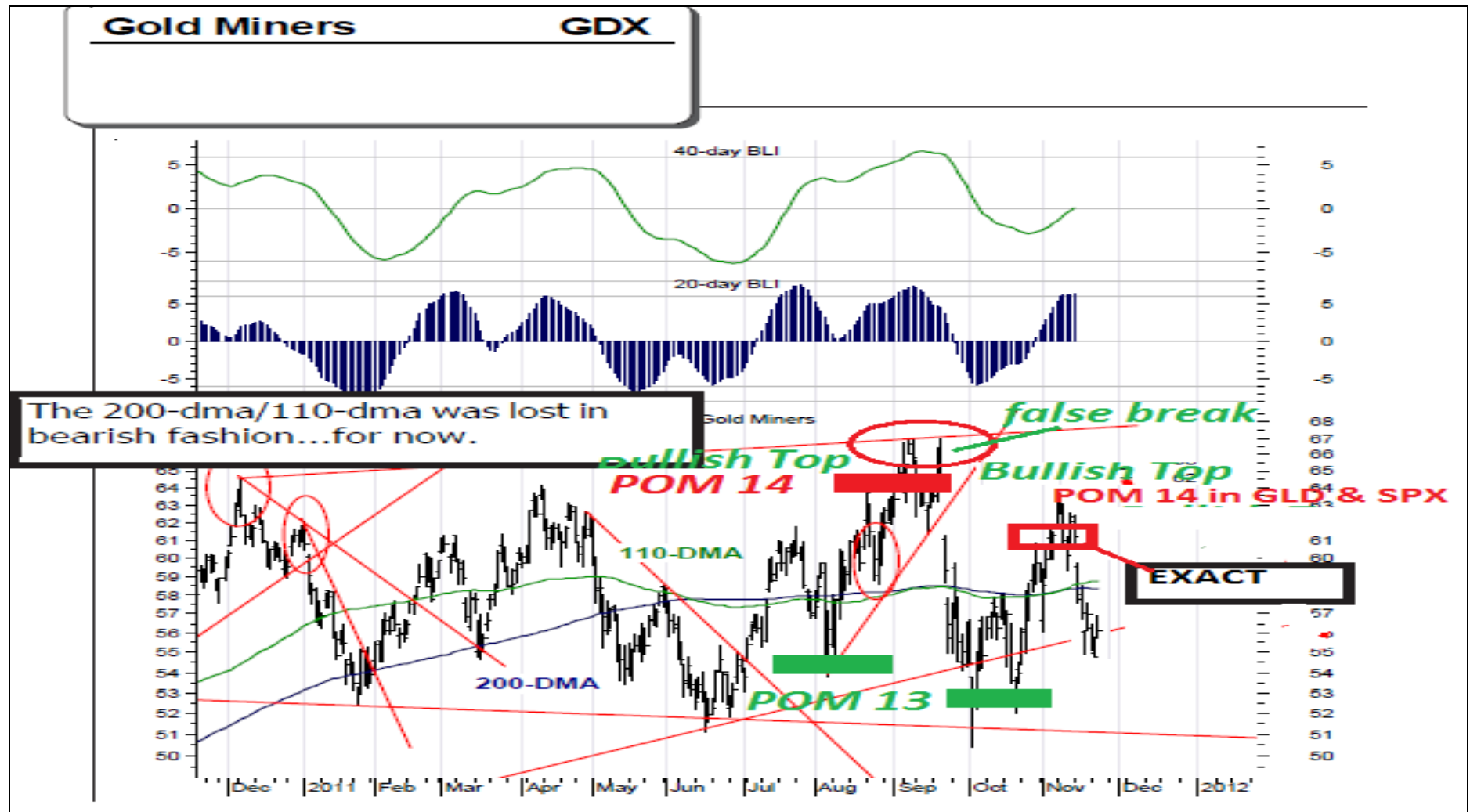
GDX – CZ – Price & Volume (Bigger Picture)

GDX has Bullish Top on weekly , Monthly basis the GDX / GOLD Ratio is under valued . The long term pattern is very Bullish for breakout .

Monthly chart of the GDX, which provide a longer term view. A large Head and Shoulder Patten formed with combination of "Expanding Triangle". Expanding Triangle pattern are normally continuation pattern. Expect breakout. The bigger picture remains bullish.

Correlation Ratio Analysis

- ## GOLD v/s GDX (XAU) – Extreme Ratio Analysis (ST / MT)

GDX : GLD Ratio acts like A/D Line for GOLD market .

SHORT TERM - NONE @ EXTREMES

MID TERM - GDX is Undervalued

- ## GOLD v/s SPX – Extreme Ratio Analysis

Gold v/s SPX prices since 1988 (22 YR Cycle). SPX has moved 5.5 X times to-date and during the same time frame GOLD has moved up 4 X times . It appears still some more room left to upside on Gold. With similar target of Price expansion - Target PRICE is 2500 on GOLD.

NONE @ EXTREMES

- ## GOLD : SLV RATIO – Extreme Ratio - Analysis

At one time this ratio was at extreme. (Reversion to mean, consolidation is needed here)

NONE @ EXTREMES

- ## OIL v/s SPX - Inter market Analysis @ Extreme

NONE @ EXTREMES

OIL – PEC –D Analysis

PEC-D Analysis . Oil Projection is towards 95-96 was extended to 99 . It will start pull back once it drops below 95-96 but currently No NEW Signal)

Earlier –   Oil formed a bottom at the 0.786 level at 75,   The Rally began when POM 12 on SPX was triggered.


crude oil --daily

95-96 extended
to 102 and came back
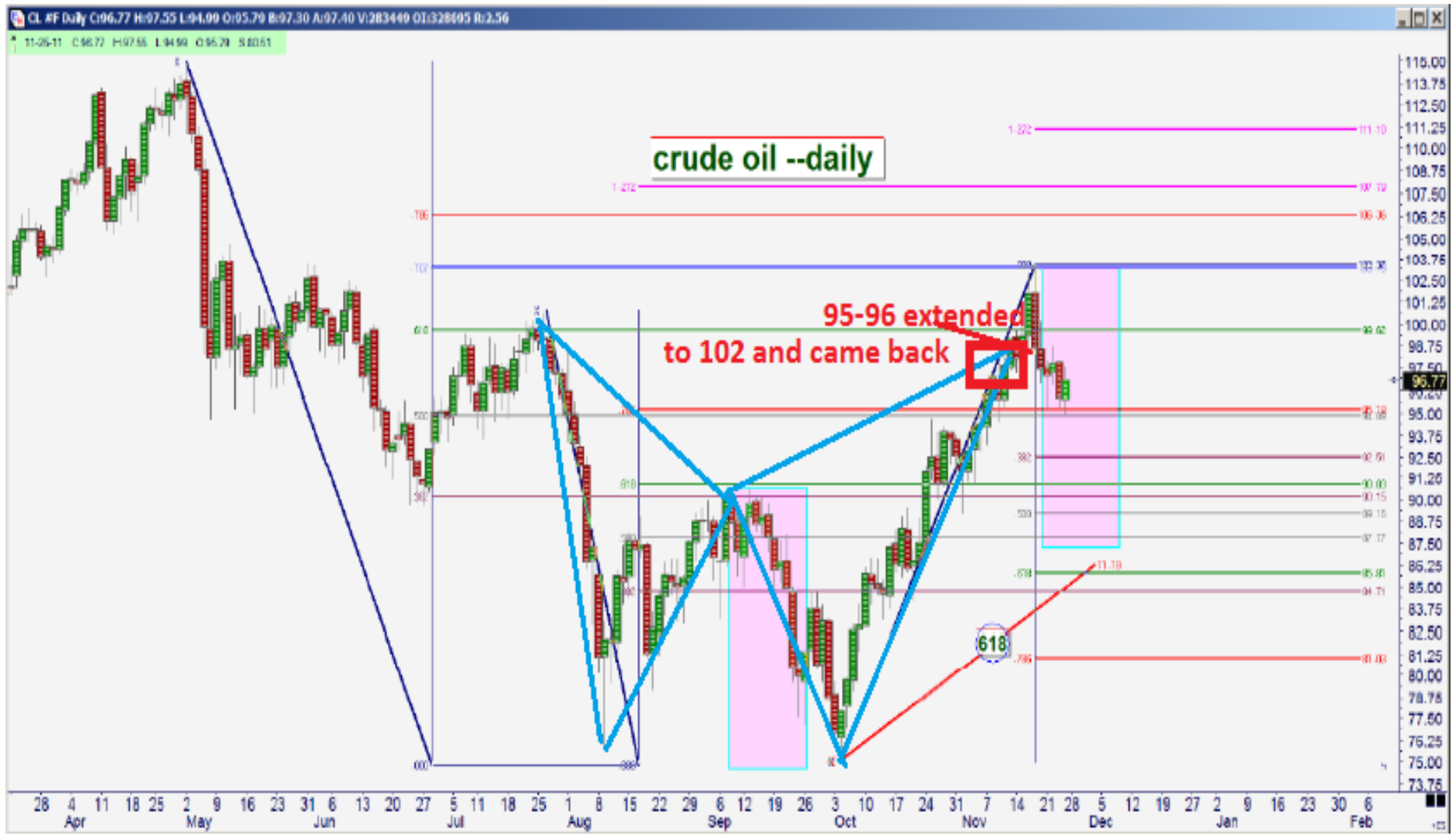
OIL –MA, Pattern & Oscillator Analysis

Upside target 95-96 exceed to 99 . With Bearish key Reversal at the TOP .
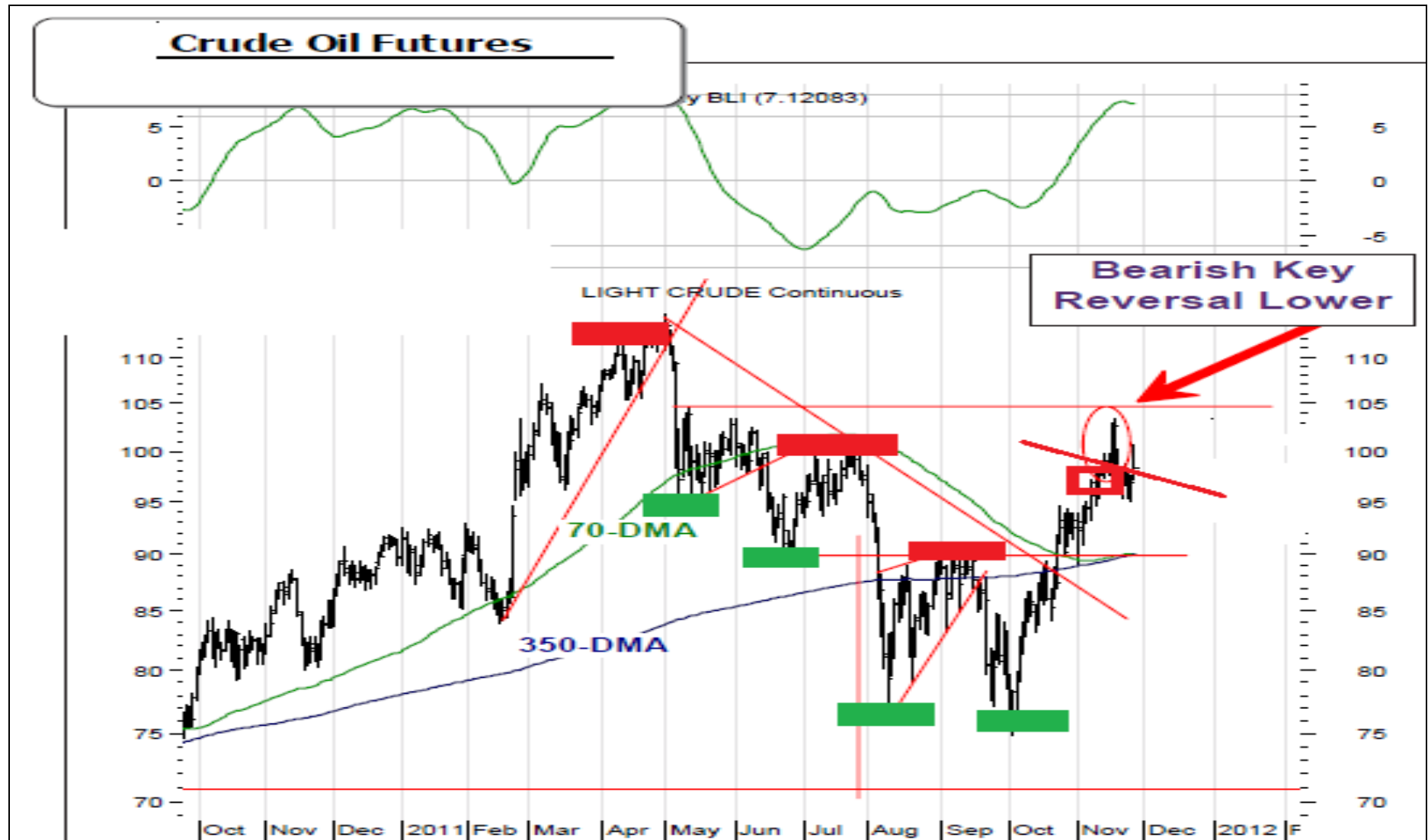
OIL – Poly Trend Analysis

Longer term – 3rd May Signal is very critical which happened at the Top of Poly Trend and the POM 12 in SPX Triggering at 75 for current rally . We are currently trading on Right side of slippery slope.

Weekly Cash Crude Oil
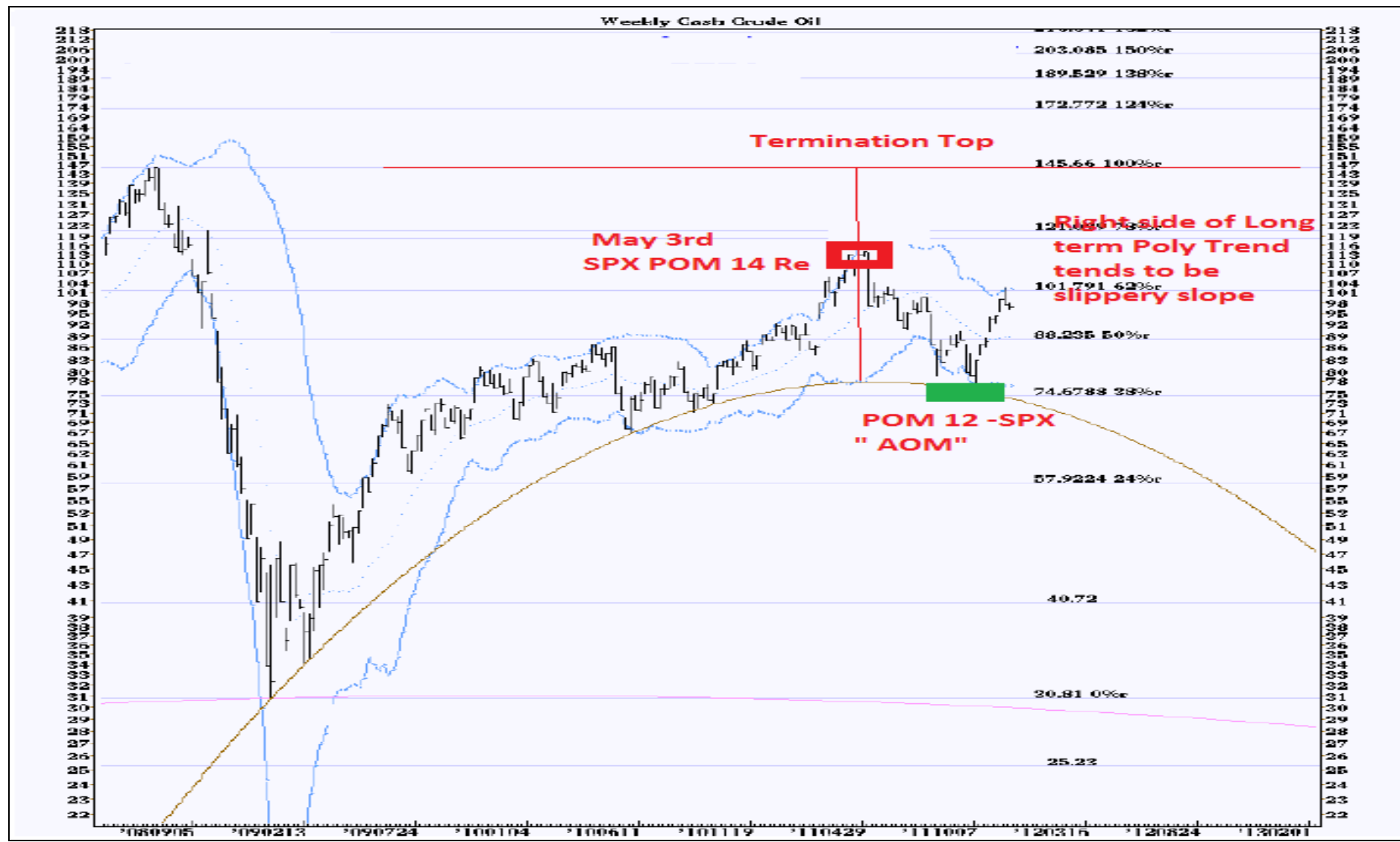
NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis

UNG was stopped out at 8.00 below CZ but now beginning to turn Bullish .

*The current decline below CZ could be a Shake out . ALERT It should Trigger buy close in CZ above 8.25. & Stop back at 7.70*

Natural Gas   UNG

40-day BLI

14-day BLI (-6.64031)

US Natural Gas Fund

200-DMA

100-DMA

The trend is lower; but the structure is positive.

Forecast

COPPER (JJC) – MA / Pattern & Oscillator Analysis

BEARISH - Currently Upside target should be 48-51 . (DID NOT TRIGER) .(CRB has reached bearish CZ 320-330 & decline in copper started) . Earlier POM 12 on SPX initiated rally at 39 as expected in previous Report.)

Since the beginning of the year JJC has been giving good signal on Bearish CZ – Tops on every rally (indicated in red) . & Bottoms for reversal with POM 12 on SPX ..
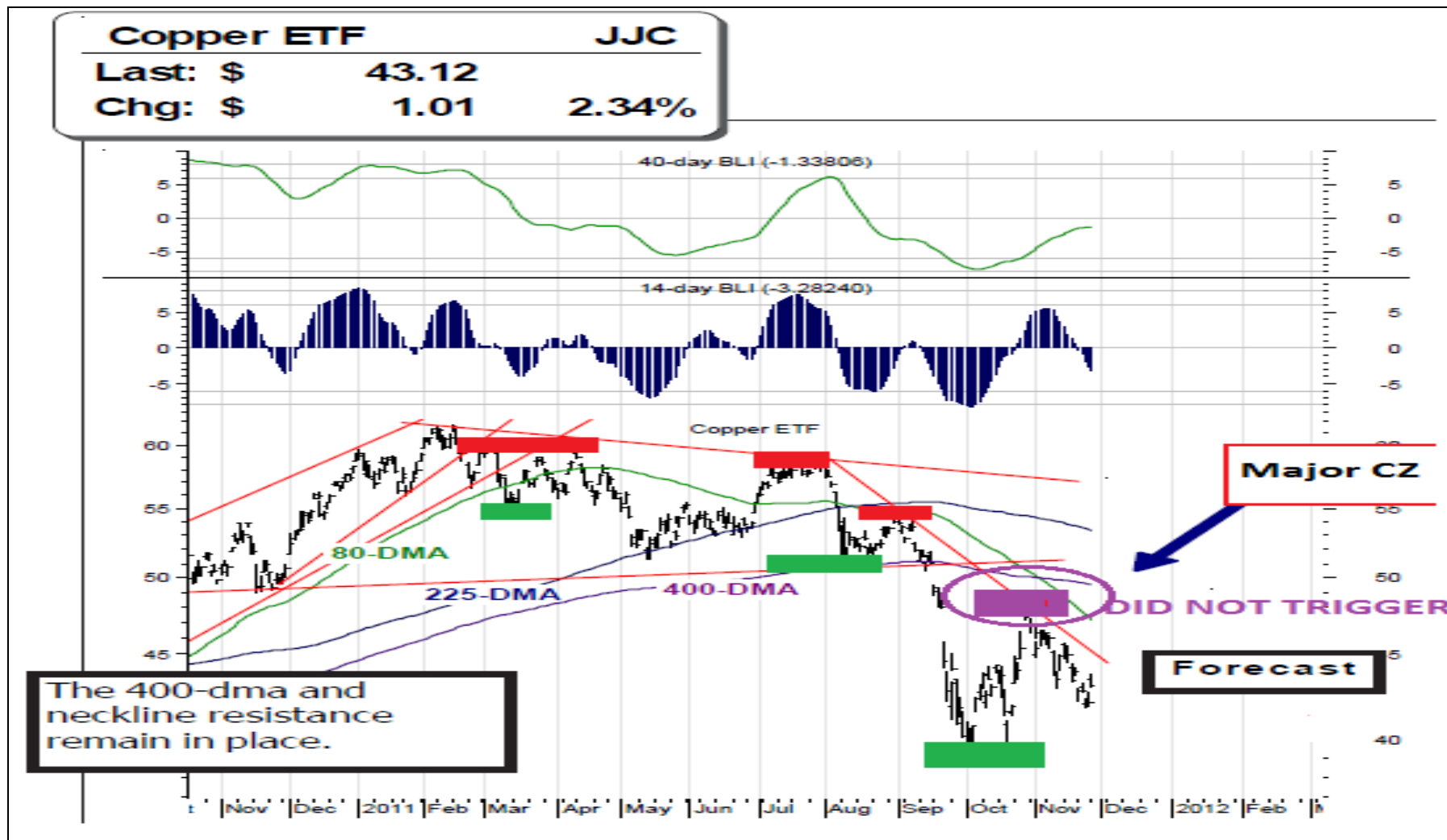
- ## **Correlation Ratio Analysis**

$ COPPER v/s SPX - Inter market Analysis @ Extreme

The Price Path Analysis in SPX & COPPER act as   LEAD / LAG Indicator on its correlations.

NONE @ EXTREMES

$ COPPER v/s CHINA - Inter market Analysis @ Extreme

CHINA'S market collapse hurts cupper. We have been Tracking the Price Path Analysis in CHINA market in our A # 2 – MS GLOBAL Report as warning to Global Markets. And in C # Commodity Report CZ in JJC (COPPER) for Top / Bottom with Inter market Analysis .

NONE @ EXTREMES

BASE METAL – (DBB) - MA / Pattern & Oscillator Analysis

DBB FOLLOWED the CRB Signals very closely on upside topping and on downside the Signal of reversal comes in at SPX – POM trigger - <mark>*(Refer notes within the charts)*</mark>

Base Metals   DBB
Last: $ 18.91
Chg: $ 0.38   2.01%

40-day BLI (-2.63148)

14-day BLI (-3.42662)

Base Metals ETF

80-DMA

235-DMA

The 235-dema remains overhead resistance;

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

Currently NEUTRAL BUT MAY TURN BULLISH soon -

DBA Broke the CZ on pull back which was created during the time of POM12 SPX . and was stopped out at 28.5 However if it gets back in range it will begin rally mean to reversion.

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Agriculture   DBA
Last: $ 28.63
Chg: $ 0.08   0.28%

40-day BLI (-5.22370)

14-day BLI (-7.66605)

POWERSHARES DB AGRICULTURE ETF

60-DMA

200-DMA

The bullish consolidation remains in place; expect 200-dma mean reversion ahead.

|May |Jun' ' |Jul ' |Aug' '|Sep' |Oct' |Nov '|Dec' |2012 'Feb ' |M

Appendix Content

- **1. GOLD / SLV – POM Signals History for 2011**

- **2. Trading & Investment Conclusion History GOLD / GDX 2011**

- **3. Objectives & POM /CZ Guidelines**

- **4. Guidelines for Full Utilization of " SP" Report with Limitations**

- **5. GOLD & CRB Components – 52 Weeks Chart with Signal turns**

- **6. GOLD - POM – " Price Oscillation Model " Criteria**

- **7. PEC –D " Pythagoras – Expansion & Contraction Criteria**

- **8. Definitions of Extreme Sentiment Indicators**

- **GLD/ SLV - Trading & Investment Conclusion - – Updated**
- **GOLD – POM Signals & Price Projections - Start point 1420 1ST Jan**

- *POM 15 - Net Short –- SLV (Total points gains SLV= +10.5 or 28%)*
  - *Alert - POM 15 –, SLV – Triggered Alert Jan 1st @ 30 target 26 , 25TH Jan = (4 points) 12% gains*
  - *Alert - POM 15 –, SLV – Triggered Alert April 26th & 28TH @ 47.5 target 41 = (6.5 points) 16% gains*
  - *None recommended for GLD to "SHORT' in Bull market by this Model. (Exception for SLV)*

- *POM 14 - Hedge Longs / Risk Management - (Total decline saved= + 399 = 22%)*
- *Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in*
- *Proportion / Qty. of Hedges should be based on Portfolio's objective and Risks Tolerance*

- *Last Alert on 10/13- (OPEN POSITION) – 8th HEDGE - B # Report- POM 14 - CZ Trigger @ 1680-1740*
  - *7TH Hedge - Closed @ 1680 CZ (9/23 - Alert) from POM 14 Re run @ 1825 , 8/23 = 145 points gain*
  - *6th Hedge - Closed @ 1725 CZ (as per Target 1700 announced in Report 8/23 - Alert) from POM 14 Re run @ 1825 , 8/23 = 100 points gain*
  - *5th Hedge - Stopped out on 8/17 @ 1825 from POM 14 – Re run Trigger at 1780 = (-45) points loss*
  - *4th Hedge - Closed on 5/6 at POM 13 @1460 (GLD = 143) from POM 14 @ 1544 (150.48) = 84 points gain*
  - *3nd Hedge - Stopped out on 4/5 @ 1450) from POM 14 – Re run Trigger at 1425) = (-25) points loss*
  - *2nd Hedge - Closed on 3/16 at CZ (@ 1380) , from POM 14 – Re run Trigger at 1425) = 45 points gain*
  - *1st Hedge - closed on 1/25 at POM 13 (@ 1325), from POM 14 @ 1420 (since 1st Jan) = 95 points gain*

- *POM 12,13 - Net Long – (Total point gains = + 437 = 25%)*
  - *Alert 9/26 – POM 13 @ entry 1603 (Trigger 1550) & Closed position (1/3) @ 1680 & (1/3) @ 1695 & 1740 (1/3) – POM 14- Alert (10/13) -Bearish CZ - Resulted in = 107 point gain*
  - *Alert 01/25 – POM 13 @ 1320 & Closed position @ 1375-1395 @ Bearish CZ (03/09) Resulted in = 65 point gain*
  - *Alert 5/6 - POM 13 @ 144-145 (1470) & Closed position @ 1596 – 1615 @ Bearish CZ .Resulted in = 135 point gain*
  - *Alert – 7/20 - Parabolic Warning announced in C # Commodity @ 1628 to target 1760 = 130 points gain- Parabolic Apex pattern although we announced it in timely manner, such long plays is for special Type of specialized Trading Desks- Risk Management is Critical (Disclosure -We did not play upside parabola Real time)*
  - *POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long)*

- ## **GDX- Trading & Investment Conclusion**
- ## **GDX follows GOLD- POM's**
- ## **Start point 61 on 1st Jan**

GDX (XAU / HUI)

- ### *POM 15 - Net Short – None*

- ### *POM 14 - Hedge Longs / Risk Management - (Total decline saved= 20 points or 33 %)*
- *Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in*

- *Alert - CZ   @ 59-61 – Revised - 4TH HEDGE*

  - ➢ *3rd Hedge - Closed @ 56.5 (9/23 - Alert) from POM 14 Re run @ 61-62, 8/23 = 5 points gain 8.5%*
  - ➢ *2th Hedge - Closed on 5/6 at POM 13 @ 56 from POM 14 @ 62 = 6 points gain 10%*
  - ➢ *1st Hedge - closed on 1/25 at POM 13 @ 53), from POM 14 @ 62 (since 1st Jan) = 9 points gain 15%*

- ### *POM 12,13 - Net Long – (Total point gains= 17.25 points or 27%)*

- *Alert 09/26 – POM 13 @55.76 & Closed position @ 57 @ POM 14 Alert - (10/13) Bearish CZ Resulted in = (1.25 points) 2.2%%*
- *Alert 01/25 – POM 13 @53 & Closed position @ 60-61 @ Bearish CZ (03/09) Resulted in = (7.5 points)14%*
- *Alert 5/12 & 6/27 - POM 13 @ 52-53 & Closed position @ 60-61@ Bearish CZ .Resulted in = 8.5 point gain 13%*

POM 12 Calls – None - so far this year. (POM 12 for Full Fresh capital to go long)

Objective & POM / CZ Guidelines

Focus is on the Short & Intermediate term turning point – Price Path Analysis of <u>GOLD. SLV, GDX via POM's</u> Price projections and / or CZ (Bullish & Bearish between the POM's) . POM is <u>Unidirectional</u> Judgmental Model, It utilizes multiple input signal via the Global Inter market Analysis (GIC), Price & Quality Volume (PQV), Pattern Recognition (PEC) , Cycles, Internal & External price equilibrium points to assists in output signals . POM is supplementary Analytics to add value to RA/ RI Framework for Risk Management.

- *SPX, CRB, GOLD combination signal acts as Risk Benchmark for all the Commodity Markets. Since these Markets gets priced off SPX for timely POM & Bullish CZ calls of each Specific Commodity .*

- *All the Commodities tends to follows the Price path of POM 11, 12, 13 of SPX (except @ POM14, 15), various Instruments will Top out at different time to Trigger CZ – Validation for NET SHORT. Sell Order at POM 14, 15 to be spread within CZ price band for scaling out*

- *GOLD is still following the Bull Market " POM" Regime unlike SPX market*

- *All CZ / PEC D / POM's – Marked on charts (in color) below has been Announced on Real time in our Previous Reports prior to Price shifts.*

- *Stops always on other side of CZ @ value based on Portfolio's Objectives & Risk tolerance*

- *POM Conclusions to be cross verified by other methods prior to final decision*

- *For Maximum utilization of POM / PEC –D Process for Risk Management. Refer to guidelines within the Appendix below*

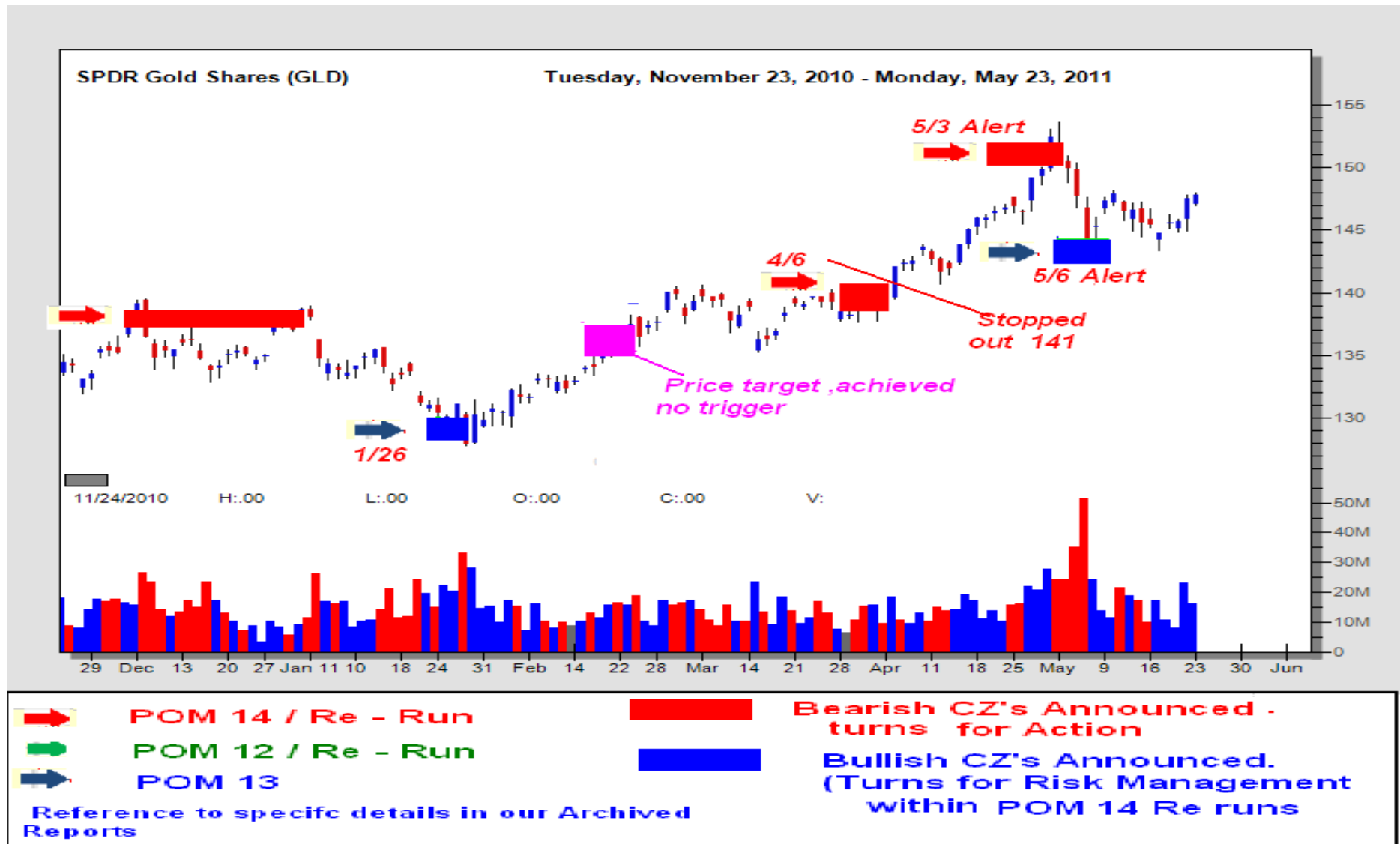## ➤ *Key Points for Full utilization of SP- Reports*

- **_Maximum Utilization of various POM's , CZ's & ABC's – for Risk Management & full enhancements on CZ pricing & CZ-PQV Timeliness_**

➤ *At Top down Level – Triggers around POM's -Mid term & CZ's - Short term – (CZ's happens in between the POM's) . Critical component for Clean execution is to maintain ongoing updated data base spreadsheet of CZ's Pre announced in SP releases prior to price shifts. These inputs when Computerized Daily Monitoring, Triggers, Timely PQV validations, Price projections Alerts on real time should warn in timely manner to take action. .*

➤ *Rebalancing Pre Planned procedure at Triggers – " Rebalancing % of Overall Position Sizing" , Beta & , Net Exposures sizing depending on each Portfolio's Objective & Risks Tolerances for either Recycling of Capital or Fresh capital.*

➤ *Key points for Risk Management*

➤ *Hard Stops around CZ's*
➤ *STOP SELL- " early warning Alerts" in fast moving markets, Over night Day / Night (IST) time delay Risks.*
➤ *Cross verification by Other Methods*
   Computerized Daily Monitoring, CZ Triggers, Timely PQV validations

➤ **_2. CZ – Tracking_**

   ➤ *Programing - "Time/ Price Displacement, Supply / demand Activity Bar Analysis" –*

- *At "Institutional Grade - Price , Volume with Time Integration*
- *Supply / Demand Activity bar Analysis – Real time.*
- *Candlestick – Price displacement Algo Programing experience at CZ Validation for Triggers*

Latest History on Triggers-

- **GLD, GDX, $ WTIC ,SLV (Last Price Trigger indicated in green) Charts below**
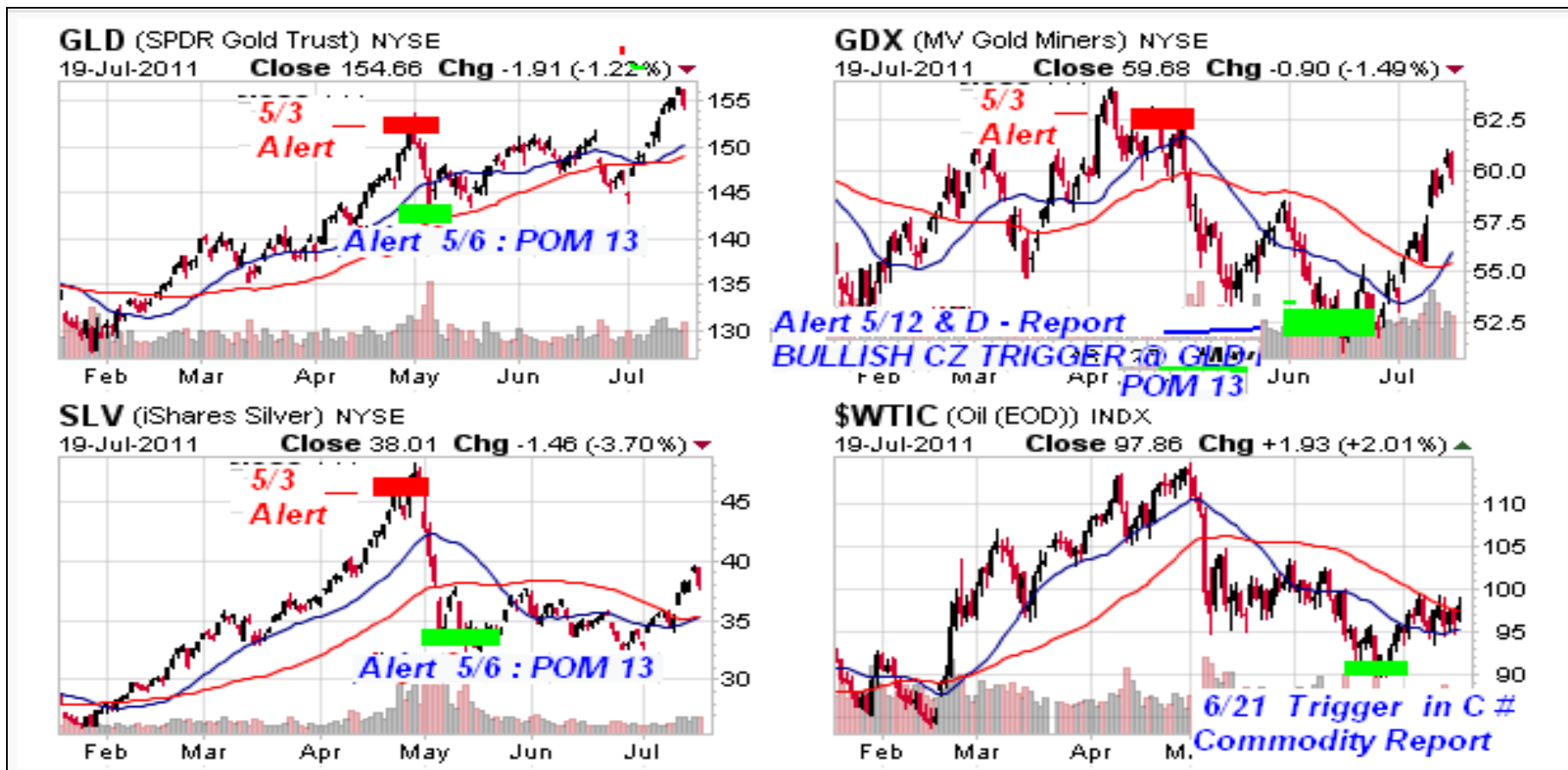
YTD - POM / CZ - GOLD Signal (updated 5/23)

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. (Turns for Risk Management within POM 14 Re runs**

POM 13

Reference to specifc details in our Archived Reports

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*

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**

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)

Pythagoras Expansion / Contraction – (PEC) Model

- PEC Model is a 2th Derivative Timing Tool utilized on core currencies which identifies the turning point, for Tops and Bottoms on "Short & Intermediate term" Trend in the currency market.

- Methodology is based on Mathematical Pattern Recognition with Symmetrical Pythagoras Triangular expansion and contraction (PEC) in concert with Price Oscillation (POM). This has a high probability for greater accuracy on Price projections at confluence when Integrated together.

- Once our POM analysis is complete, it will overlay PEC. The input signals are from tracking rolling Arithmetic Numerical series of Regression utilizing Fibonacci to Identify Triangular patterns of Expansion / Contraction. Triangular pattern completes at the convergence of 2 separate Fibonacci extension levels and overlay Price Oscillation Model.

- Since the Currency has 2 dimensional pairs, PEC is critical to analyze with 2x2 Fibonacci steams to achieve confluence point D coinciding with POM

PYTHAGORAS EXPANSION / CONTRACTION –(PEC) Model

The output signal of ABCD price moves preceded by a swing high or low (XA) generates projection point D, which is actionable point derived from 2 connecting triangles with convergence ratio. As with all geometric patterns, a Buy or Sell signal occurs as the pattern completes at point D
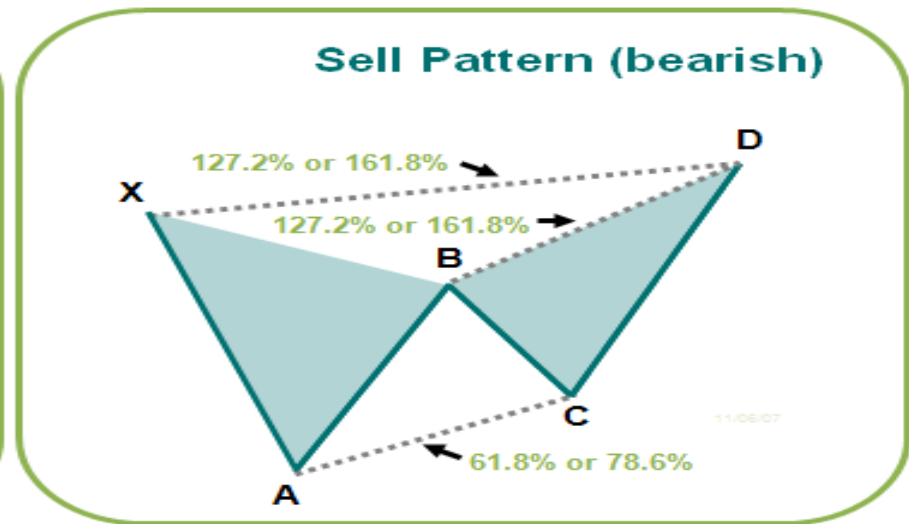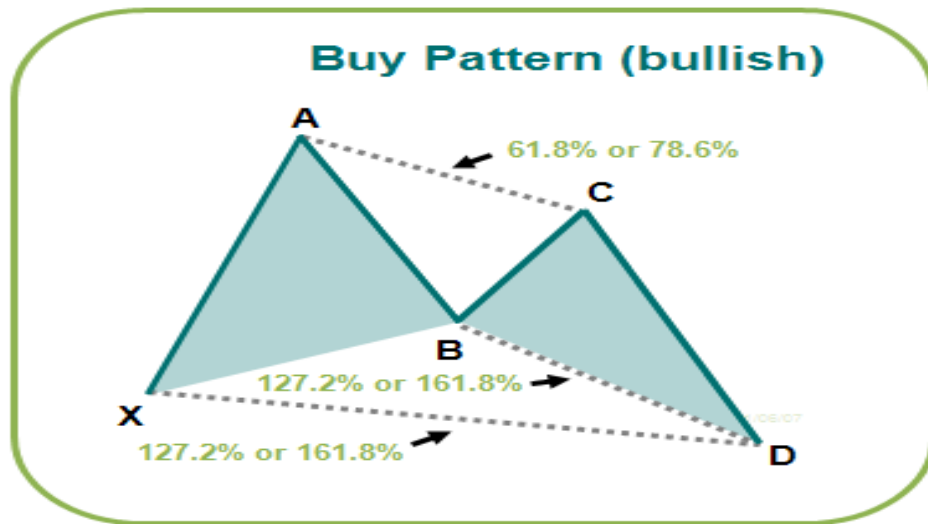
• <u>EXTREAME Sentiment Analysis (3rd Party Data)</u>

<u>Courtesy : SENTIMENT TRADERS</u>

Our Sentiment Analysis has "Intermediate & Short term" composition. We evaluate (8- 9) Indicators for sentiments out of which some are working well for Short term and other for Intermediate terms These are either Numerical Indicators as the Investors sentiments is expressed through purchases of the market

Rydex flow, Insiders activity. The Emotional / Survey sentiments we track Investors Intelligence sentiment Advisors sentiments. etc. All these are Integral part of POM composition ,

Our Behavior Indicators Commercial Hedges , AAII etc Sentiment Indicators, Insiders activity, Speculation activity,

Based on current market condition and the probability of Indicators we point out the <u>EXTERME INDICATOR ONLY</u> as a observation points