



# SG Capital Research

Global Market Insights

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

**MAEG – WKLY CZ- COMMODITY ANALYSIS SG 2011 # OCT\_05**

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

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## **Commodity Analysis (C) -SP**

- CRB / CCI / DBC
  - GOLD / GLD
  - SLV,
  - 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,
    4. PEC Analysis, Ratio Analysis ( **Only if applicable**)
    5. Sentiments ( **If Extreme character**)
  - Appendix - **OBJECTIVE , HISTORY** of past Signals & POM Key Criteria

- **Objective**

*Focus is on the Short & Intermediate term turning point – Price Path Analysis of GOLD, SLV, GDX via POM's Price projections and / or CZ ( Bullish & Bearish between the POM's) . POM is Unidirectional 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.*
- *SPX is still following the Bear Market / Trading Market POM Regimes unlike GOLD market*
- *All CZ / PEC D / POM's – Marked ( in color) on charts below has been Announced Real time in our Previous Reports prior to Price shifts.*
- *Stops always on other side of CZ @ value based on Portfolio's Risk tolerance*

● **GOLD – POM Signals & Price Projections - Start point 1420 1<sup>ST</sup> Jan**

● **GLD/ SLV - Trading & Investment Conclusion - – Updated**

● **Net Short – POM 15 - SLV ( Total points gains SLV= +10.5 or 28%)**

- Alert - POM 15 –, SLV – Triggered **Alert** Jan 1<sup>st</sup> @ 30 target 26 , 25<sup>TH</sup> Jan = ( 4 points) 14% gains
- Alert - POM 15 –, SLV – Triggered **Alert** April 26<sup>th</sup> & 28<sup>TH</sup> @ 47.5 target 41 = ( 6.5 points) 14% gains
- None recommended for GLD to “SHORT’ in Bull market by this Model. ( Exception for SLV)

● **Net Long – POM 12,13 ( Total point gains = +330 or X %)**

● **Alert - 9/26 @ 1603 entry , ( OPEN POSITION) although Trigger was at 1550 via email for “ POM 13**

- 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)

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

● **Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in**

- .7<sup>TH</sup> Hedge - Closed @ 1680 CZ ( **9/23 - Alert** ) from POM 14 Re run @ 1825 , 8/23 = 145 points gain
- 6<sup>th</sup> 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
- 5<sup>th</sup> Hedge - Stopped out on **8/17** @ 1825 from POM 14 – Re run Trigger at 1780 = (-45) points loss
- 4<sup>th</sup> Hedge - Closed on **5/6** at POM 13 @1460 ( GLD = 143) from POM 14 @ 1544 ( 150.48) = 84 points gain
- 3<sup>nd</sup> Hedge - Stopped out on **4/5** @ 1450 ) from POM 14 – Re run Trigger at 1425 ) = (-25) points loss
- 2<sup>nd</sup> Hedge - Closed on **3/16** at CZ ( @ 1380) , from POM 14 – Re run Trigger at 1425) = 45 points gain
- 1<sup>st</sup> Hedge - closed on **1/25** at POM 13 ( @ 1325 ) , from POM 14 @ 1420 ( since 1<sup>st</sup> Jan) = 95 points gain

- GDX- Trading & Investment Conclusion - Start point 61 on 1<sup>st</sup> Jan

## GDX ( XAU / HUI)

- Net Short – None
- Net Long – POM 12,13 with GOLD (Total point gains= 16 points or 27%)
- Alert - 9/26 @ 55.76 Trigger “ POM 13 on GOLD ( OPEN POSITION )
  - 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)
- Hedge Longs / Risk Management - POM 14 ( 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
    - 3rd Hedge - Closed @ 56.5 ( 9/23 - Alert ) from POM 14 Re run @ 61-62, 8/23 = 5 points gain 8.5%
    - 2<sup>th</sup> Hedge - Closed on 5/6 at POM 13 @ 56 from POM 14 @ 62 = 6 points gain 10%
    - 1<sup>st</sup> Hedge - closed on 1/25 at POM 13 @ 53), from POM 14 @ 62 ( since 1<sup>st</sup> Jan) = 9 points gain 15%

## • Commodity Insights

### Market Status - update

- **SPX - Market Triggered POM 12 @ 1080 ( Net Long) via Alert 10/04. This was a favorable spot to Rebalance the Beta & Net Exposures based on Portfolio's Objective. This ended POM 13 ( Risk Management call) @ 1220 which resulted in decline of 140 point. We should have some back filling around this area**
- **GOLD – Triggered POM 13 @ 1570 ( our expected price target ) via Alert . Our entry price @ 1603. This ended POM 14 @ 1825 which resulted in nasty Crash of 300 points.**
- **As pointed out in earlier Reports it is “ All One Market” . USD's move is ruling the world market. DXY just finished 2<sup>ND</sup> ABC up . We look for retracement .**
- **In our last C # Report dated 21<sup>st</sup> Sept & prior Reports . We had highlighted Bearish CZ in several commodities which had nasty declines.**
- **GOLD CRASHED and other commodity markets s followed SPX – POM 13 Risk management call for decline.**
- **Now we have Triggered POM 12 on SPX. We think several commodities should rally from that point in different proportion based on its own individual patterns and its CZ ( See charts below) .**

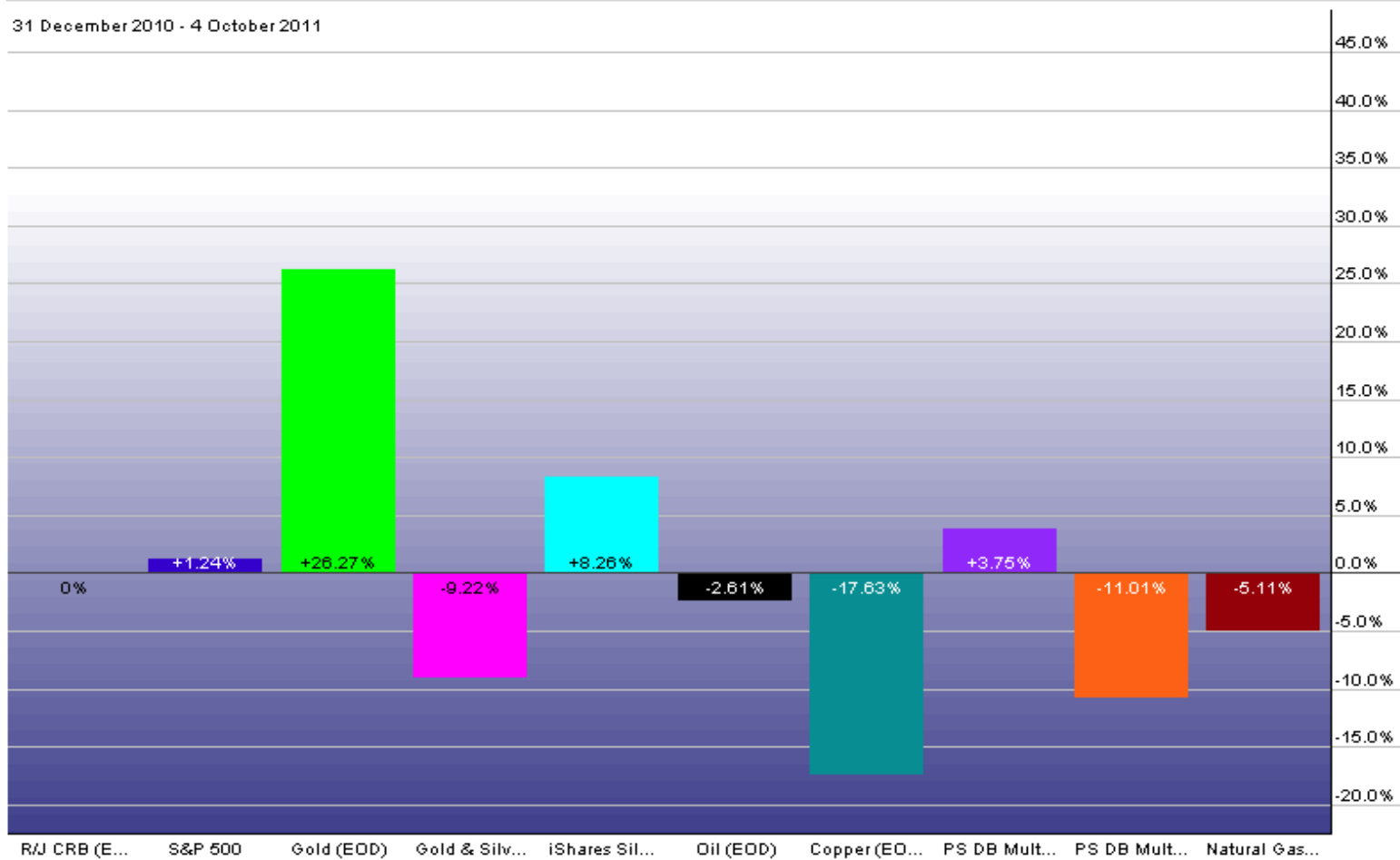
- YTD – CRB’s performance v/s Commodities & SPX

- *Chart below shows Relative performance of leaders and lagger with respect to CRB .*

## \$CRB,\$SPX,\$GOLD,\$XAU,SLV,\$WTIC,\$COPPER,DBA,DBB,\$NATGAS



31 December 2010 - 4 October 2011



- **Trading & Investment Concl. - CRB, OIL, CU, AGRO, B. Metals, UNG**

- **GLD, SLV**

Our Pull back / Downside Target on GLD was projected to **CZ 1570 (achieved)** ( Now our Entry 1603 @ POM 13 Trigger 09/26 ), **we had suggested there is high probability of this area to be tested back again.** We witnessed a bit of that yesterday's trading . After a Crash scenario we need to build up cause.

- **GDX ( XAU)**

Our Pull back / Downside Target on GDX was projected to **CZ 55-56 (achieved)** ( Now our Entry 55.75 @ – POM13 Trigger 09/26 ), In yesterday's Trading we closed **52.50 overshooting** . It was a crash in GDX from 67 straight down.

- **CRB ( DBC)**

- **From Bearish CZ 345 -360 ( we had indicated in our Previous Report ) Proved its merit with massive decline into 290. SPX triggered POM 12 and we think rally might have began from there**

- **WTIC OIL**

- **From Bearish CZ 90 -93\_ (we had indicated in our Previous Report ) Proved its merit with massive decline into 76. SPX triggered POM 12 and we think rally might have began from there**

- **DBB Copper ( JJC)**

- **From Bearish CZ ( we had indicated in previous messages) proved its merit with \_ massive decline into area where SPX triggered POM 12 and we think rally might have began from there**

- **DBA, UNG**

- **We think rally should begin where POM 12 area has Triggered on SPX**

## DXY - with Pattern & Oscillator Analysis ( Special Situation)

As expected USD Rally took all the markets downtown. . DXY finished its 2<sup>nd</sup> ABC up ( We repeatedly had warnings of this event as wild card) .

We should now see pull back on DXY. We will monitor the Quality and Qty. of the pull back

Earlier - USD Trigger @ 72-73 ( stated in B # Currency Report. Subsequently in our C # REPORT 09/07

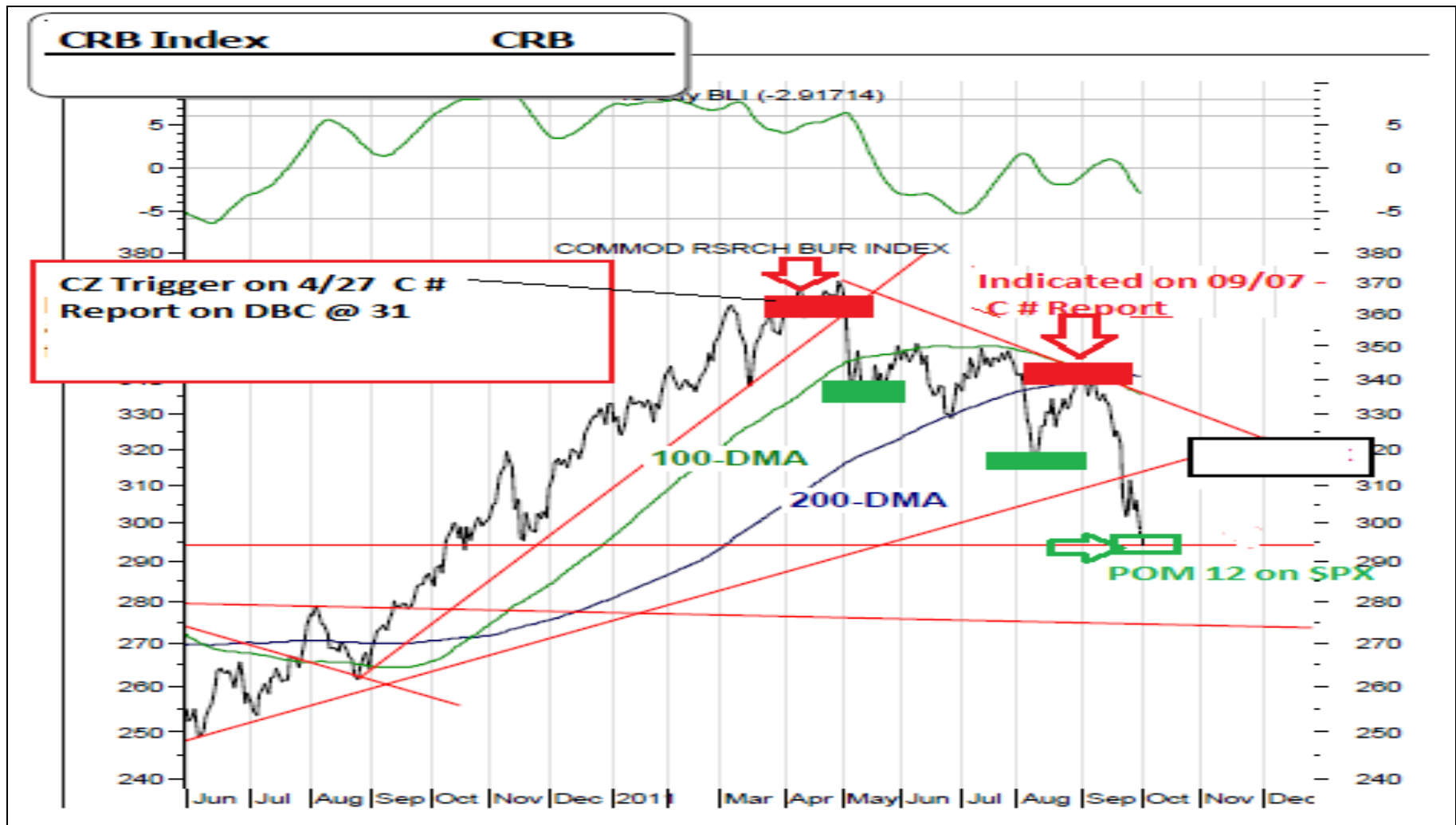




## CRB / DBC- with Pattern & Oscillator Analysis

From Bearish CZ 345 -360 we had indicated in our Previous Report ( Proved its merit) and **massive decline into 290**. SPX triggered POM 12 and we think rally began from there

Longer term - CRB retraced a Fib 62% of its 2008-2009 bear market and ran into CZ ( similar to DBC- ETF) . Now below 50% retracement . in bearish way & decline is on its way ( along with bounces in between the move) .



# CRB- Poly Trend Analysis

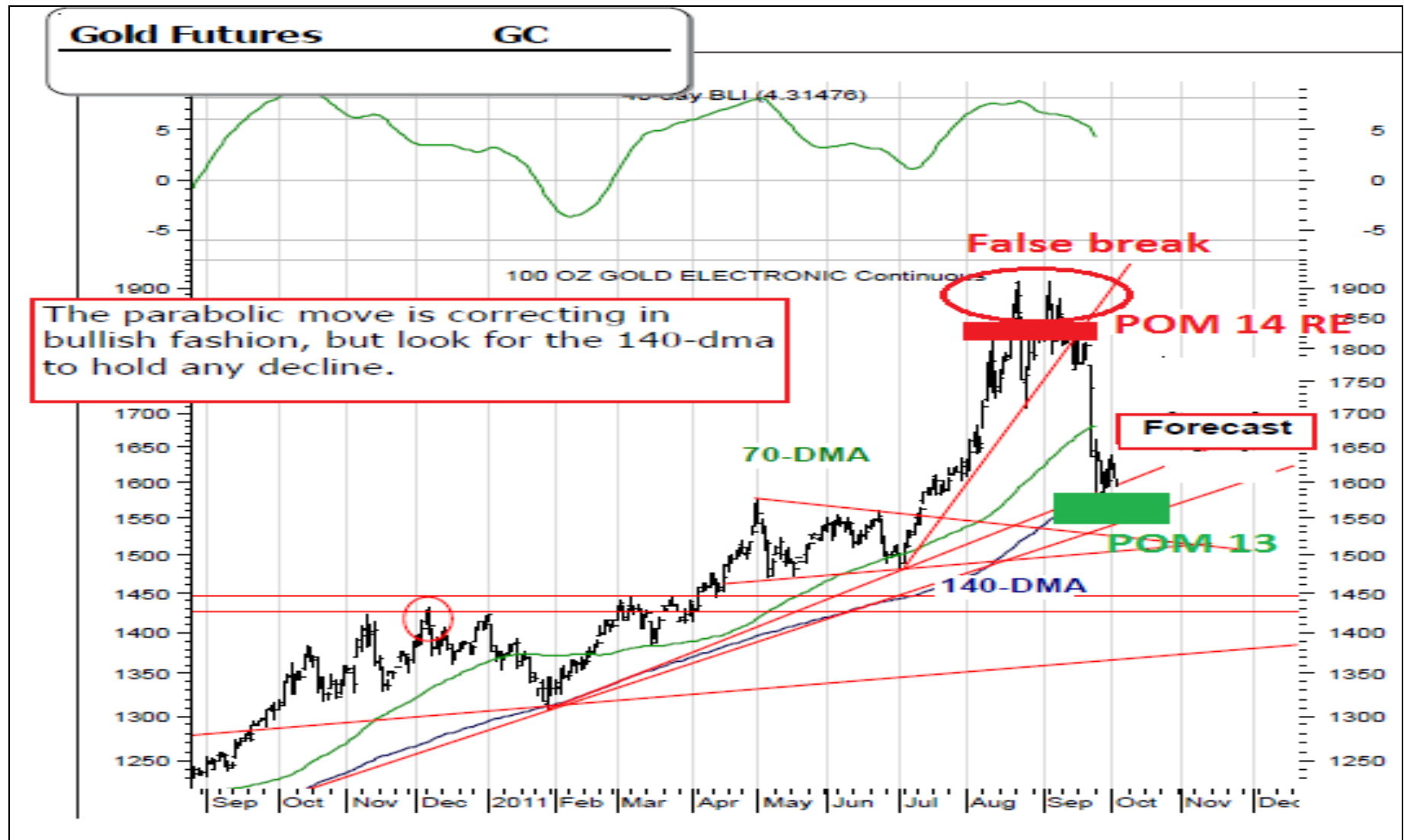
**CRB - Broke into within the Poly Trend area under in bearish fashion . Now any bounce should be limited underneath the POLY TREND. Target for the bounce should be 320**



## GOLD Analysis – ( GLD + \$ 50 ) = GOLD continuous contract.

We have reached our Price objective of 1570 and Triggered POM 13 via Alert 9/26 ( See chart below) . It was a Crash scenario. **We should see some back filling, even test of lows**

Earlier Alert - 8/23 @ 1825 Trigger" POM 14 – Re Run



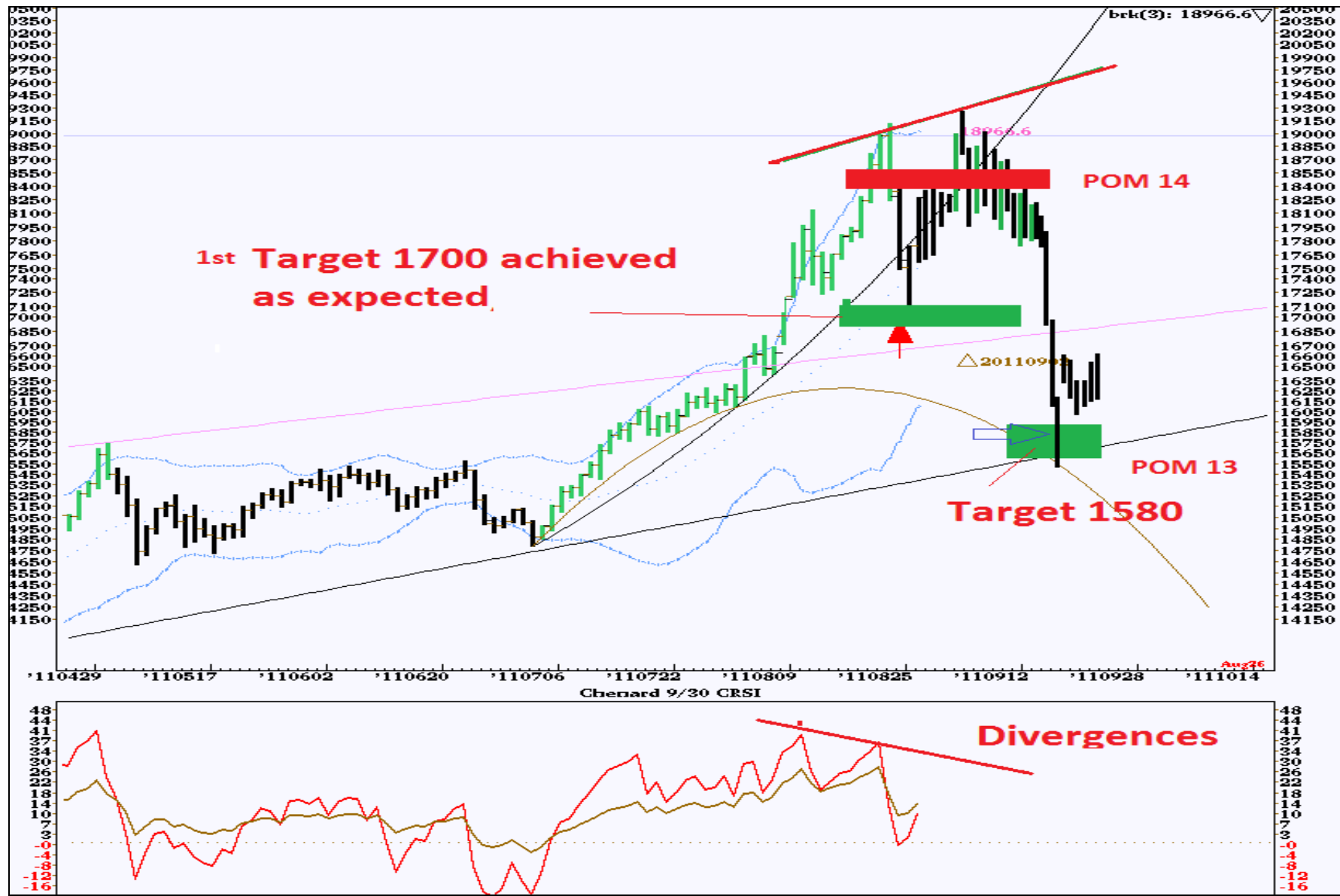
## 2 – GOLD - ( GLD + \$ 50 ) = PEC –D Analysis

*In chart below – PEC – D 786 & 618 Convergence very much coincided with POM 13. .( 1570)*



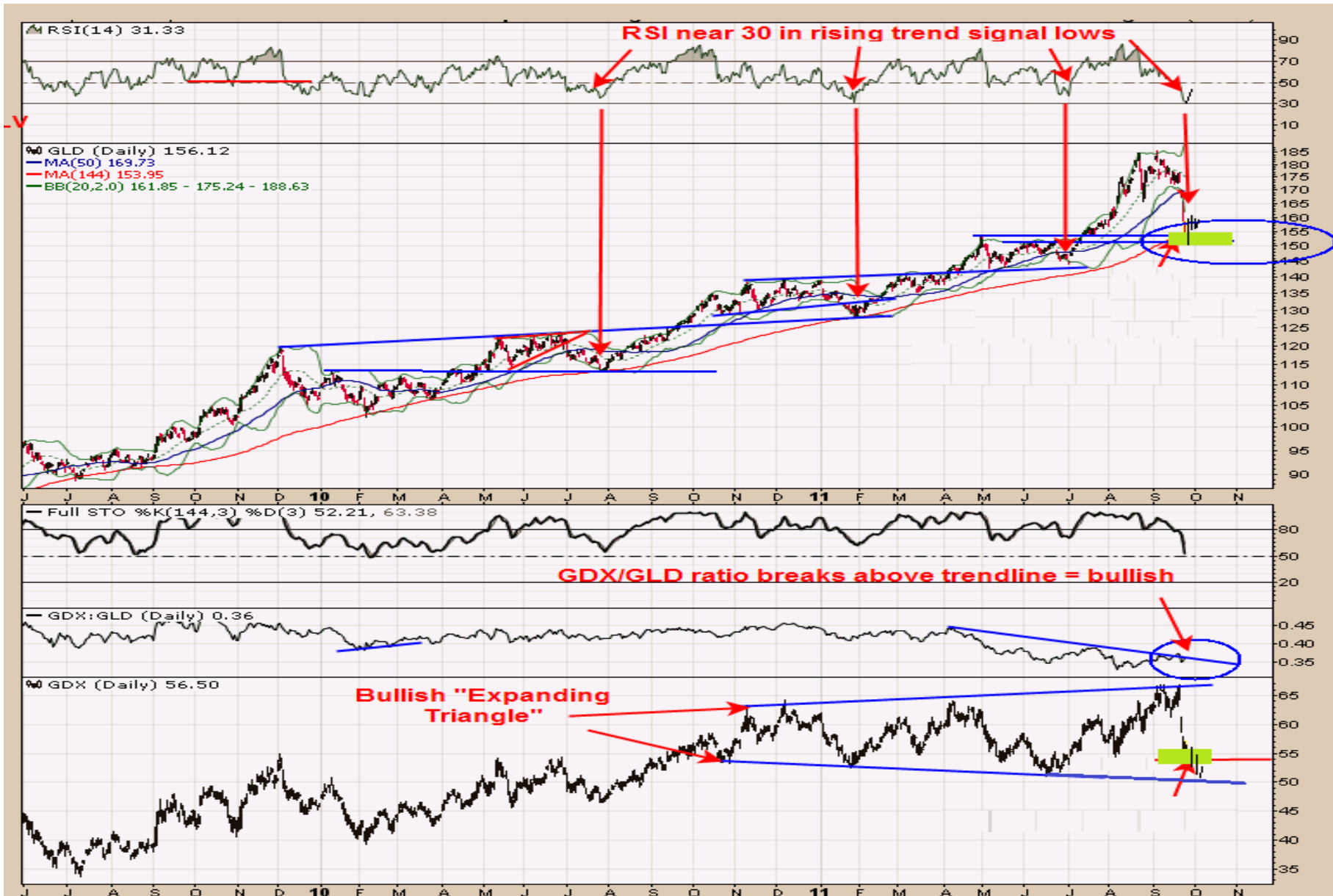
# GOLD Trend line Analysis -

We had great rally off the bottom to 1680 in quick span after our Trigger POM 13 then pulled backed . This is more evidence of some sideways move after the Crash



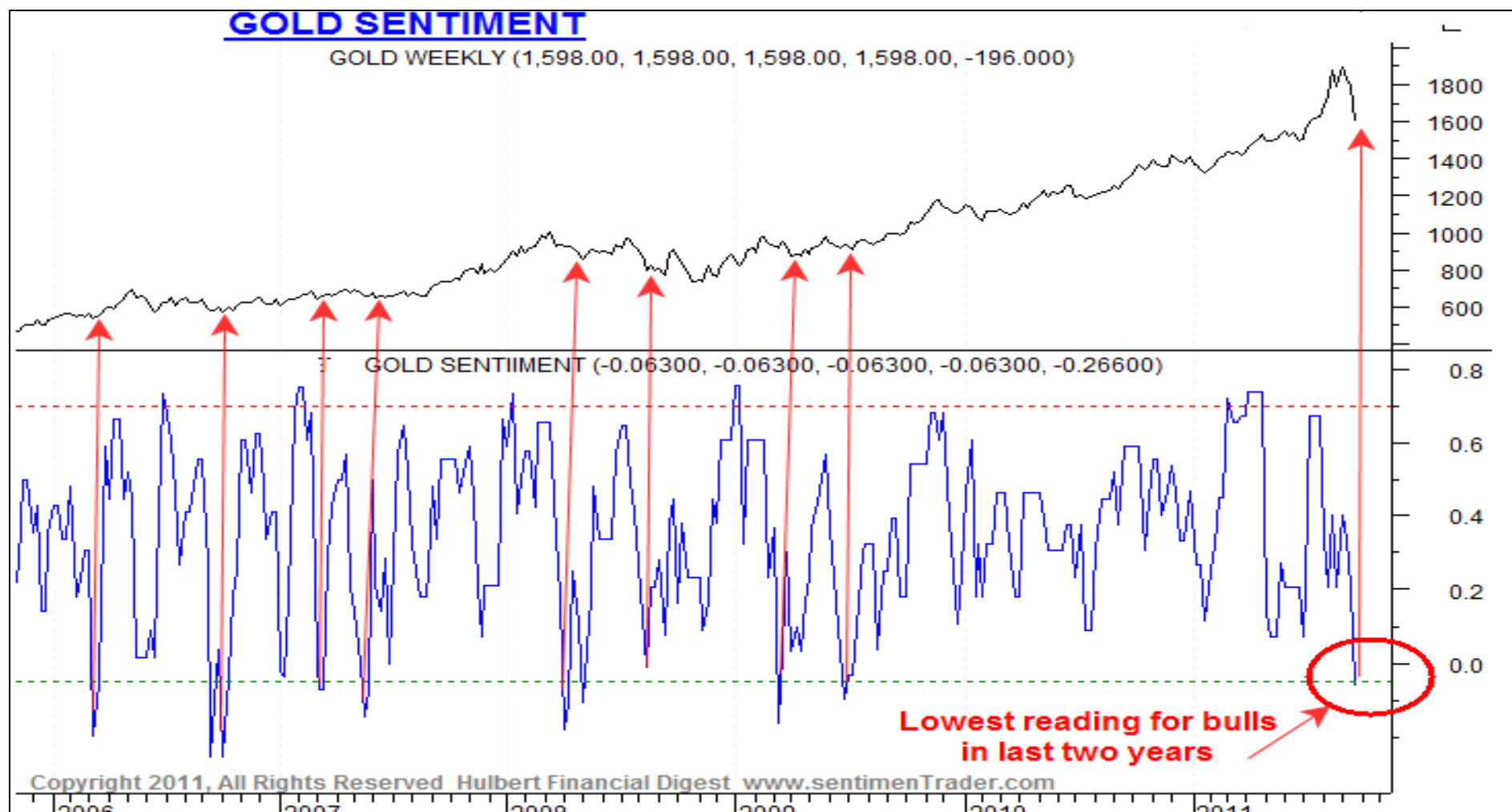
**2 – GOLD - ( GLD + \$ 50 ) = GOLD continuous contract - MID TERM – 1570 Target – met**

( see the notes within the chart below – GLD Triggered POM 13.( 1570)



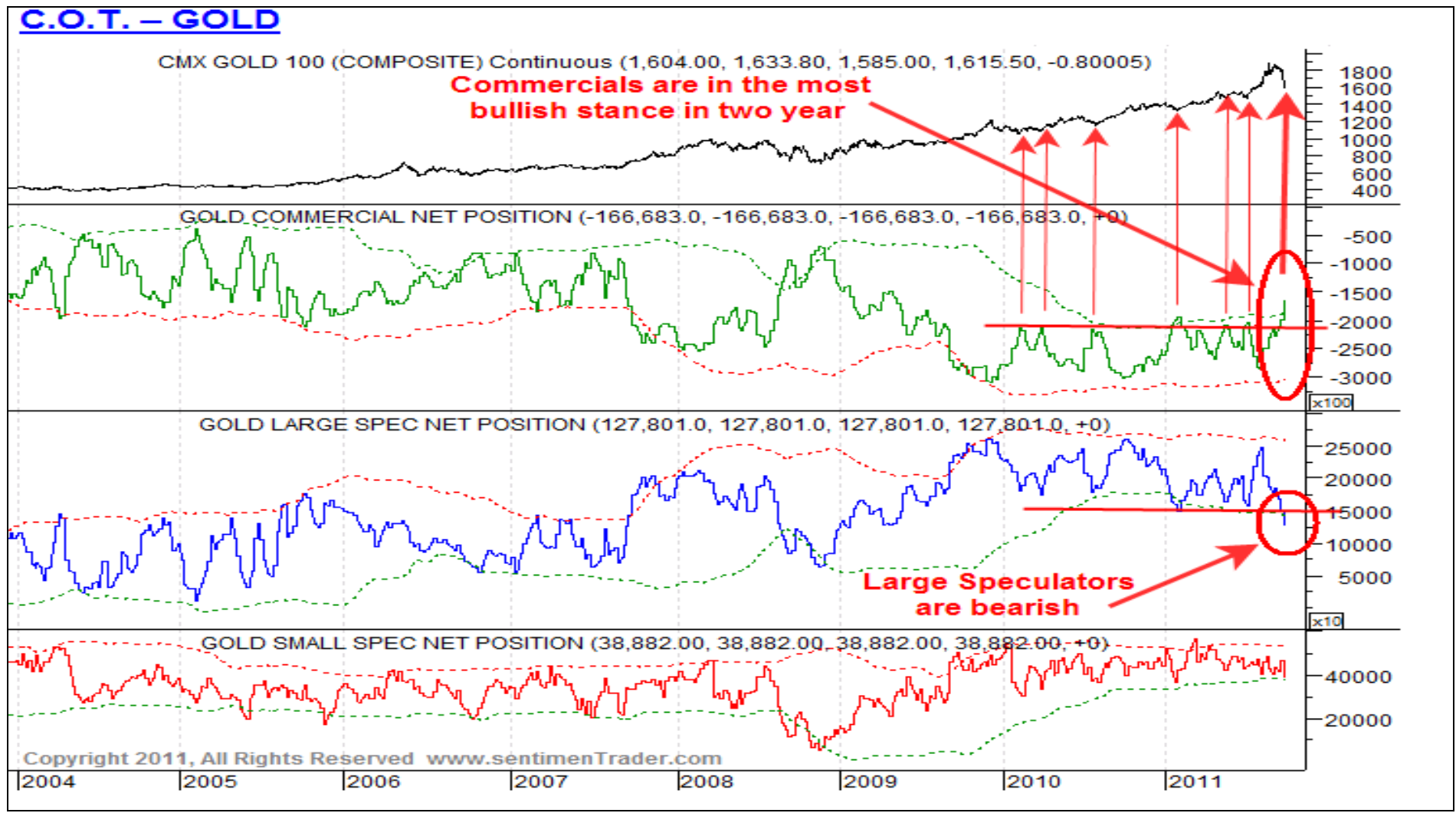
- **EXTREME SENTIMENTS - GOLD – PUBLIC OPINION – Sentiment Traders**  
curtsey

*Gold Sentiment. It appears there are no bullish sentiments on Gold right now. It's good to be on the side of the bull, not as crowded.*



## EXTREME SENTIMENTS - GOLD - COT - Sentiment Traders curtsey

*The Commitment of Traders report for Gold . Commercials are in the most bullish stance in last two years and the Large Speculators are most Bearish in the last two years. This combination suggests a bottom in Gold is near.*





- **EXTRME RYDEX CASH FLOW** – Sentiment Traders curtsey

**Comments – None**

*In spite of huge rally Rydex Flow has not changed much – Suggests after retracement, the rally has more to go*

# SLV – Trend line & MA Oscillator Analysis

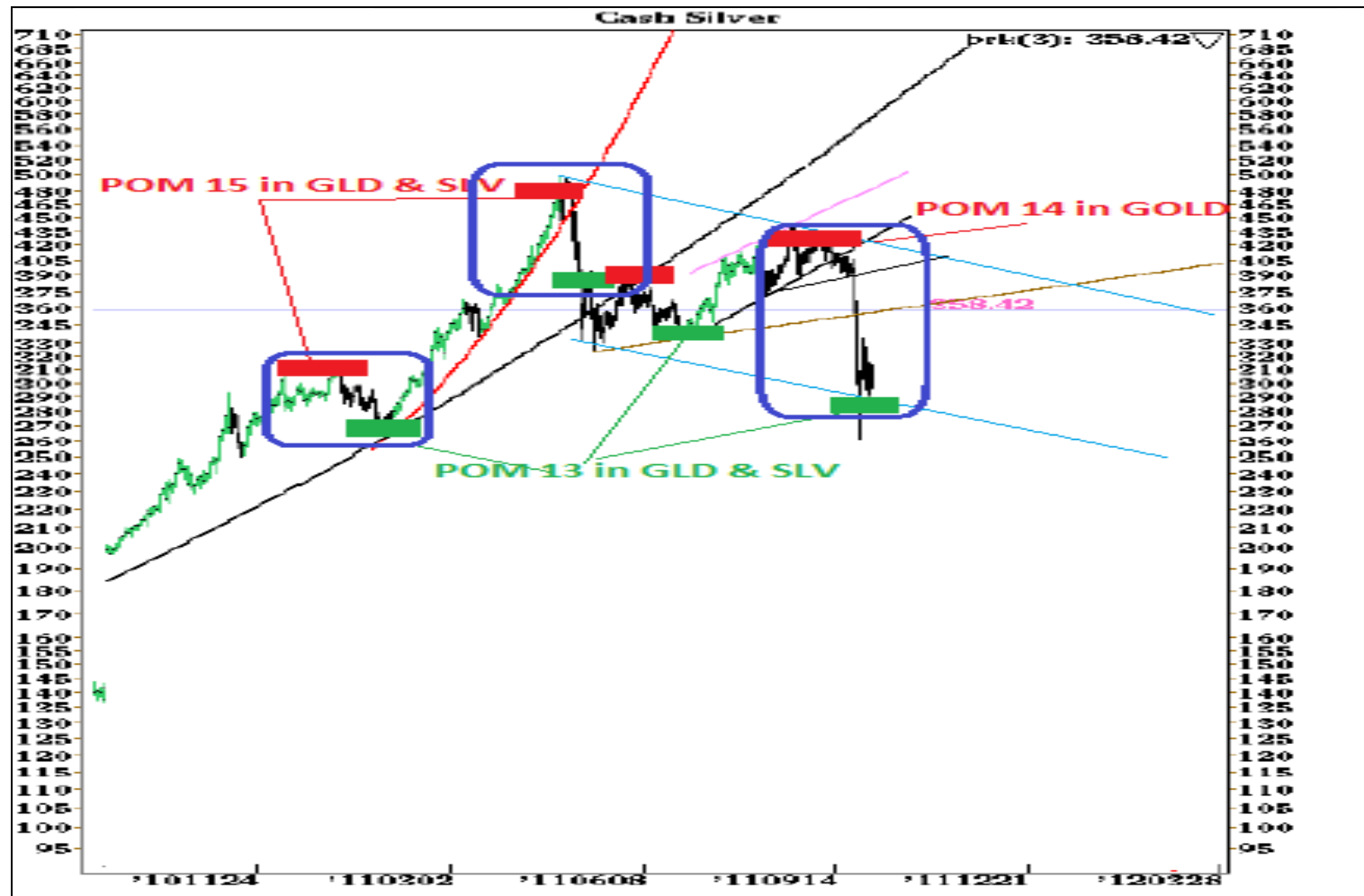
Finished ABC Pattern which lined up with POM 13. **We should see some back filling. Even test of lows**



## SLV – Trend line & MA Oscillator Analysis

*When any market goes through the process of Parabolic move & collapses , it usually take a while before new uptrend begins . Silver is undergoing such phenomena ( POM 15 earlier in April ) .*

*Our timely warning proved its merit on 3 crashes .*



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

*Our Pull back / Downside Target on GDX was projected to **CZ 55-56 achieved** ( Our Entry 55.75 @ – POM13 Trigger 09/26 ), In yesterday's Trading we closed **52.50 overshooting** .*

*It was a crash in GDX from 67 straight down.*



## GDX ( XAU) : GOLD RATIO – SHORT TERM

*GDX : GLD Ratio acts like A/D Line for GOLD market . Currently on Short term basis GDX ( in green box ) is when oversold Rally begins in GDX to catch up with differentials .*

*Red boxes indicates when GDX is ahead of itself , this is when the decline begins due to nonconformance of the move .*



## XAU (GDX) : GOLD RATIO – MID TERM

Mid term the Ratio is still very undervalued, suggests the **BULLISH TOP** in GDX will prove itself with another rally.

Monthly XAU/GLD ratio, second window from bottom. the monthly RSI of the XAU/GLD ratio must fall below 35 (has happen only eight times since 1984) which sets up the signal. The trigger is when the monthly Slow Stochastics closes above 20. Since this is a monthly chart the soonest a signal will be generated is on the close of this month. Of the previous 7 signals, all where profitable (we are currently working on the 8<sup>th</sup> signal). The bigger trend is very bullish, just the next month or so is unclear due to pull back. ,



- **GOLD v/s SPX – Extreme Ratio**

*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.*

**Comments - None**

- **GOLD v/s SPX – Extreme Ratio**

*SPX in GOLD terms has already broken the March 2009 lows of 666 on SPX, Although currently SPX is around 1200 in USD*

**Comments - None**

- **GOLD : SLV RATIO – Extreme Ratio - RSI & SMA Analysis**

*At one time this ratio was at extreme. Now RSI has reached 50 along with Ratio value at 4.5 ( Reversion to mean, consolidation is needed here)*

**Comments - None**

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

**Comments - None**

# OIL - PEC -D Analysis

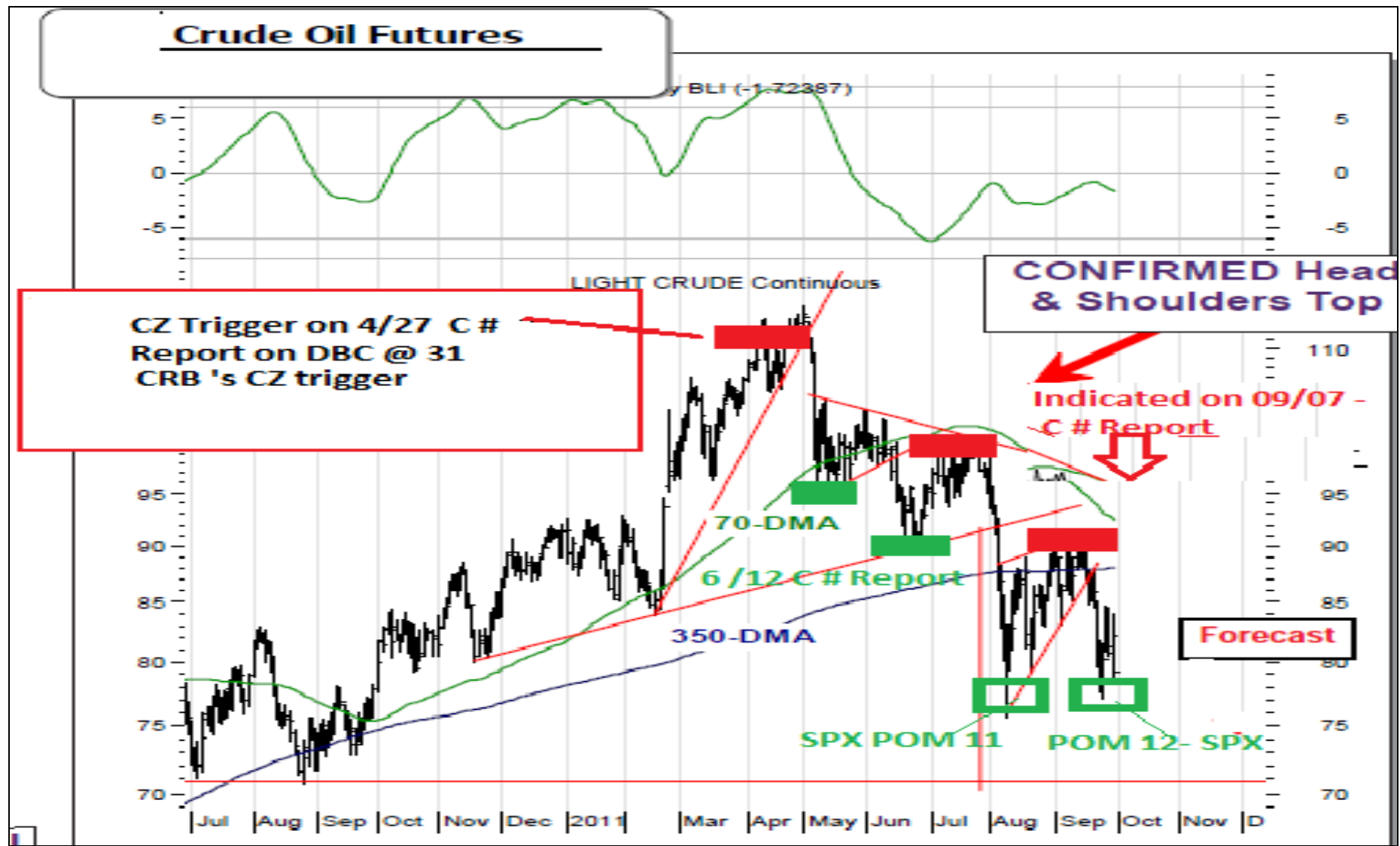
*PEC-D Analysis indicated projection to 77 @ 786 , PEC -D (now slightly overshot) . Earlier 91 proved its merit at the top .*





## OIL – Pattern & Oscillator Analysis

From Bearish CZ 90 -93\_ we had indicated in our Previous Report ( Proved its merit) and **massive decline into 76**. SPX triggered POM 12 and we think rally might have began from there . - ( Refer notes within the charts)



## 2- NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis

Currently – NEUTRAL - - ( Refer notes within the charts )

- We think rally should begin where POM 12 area has Triggered on SPX

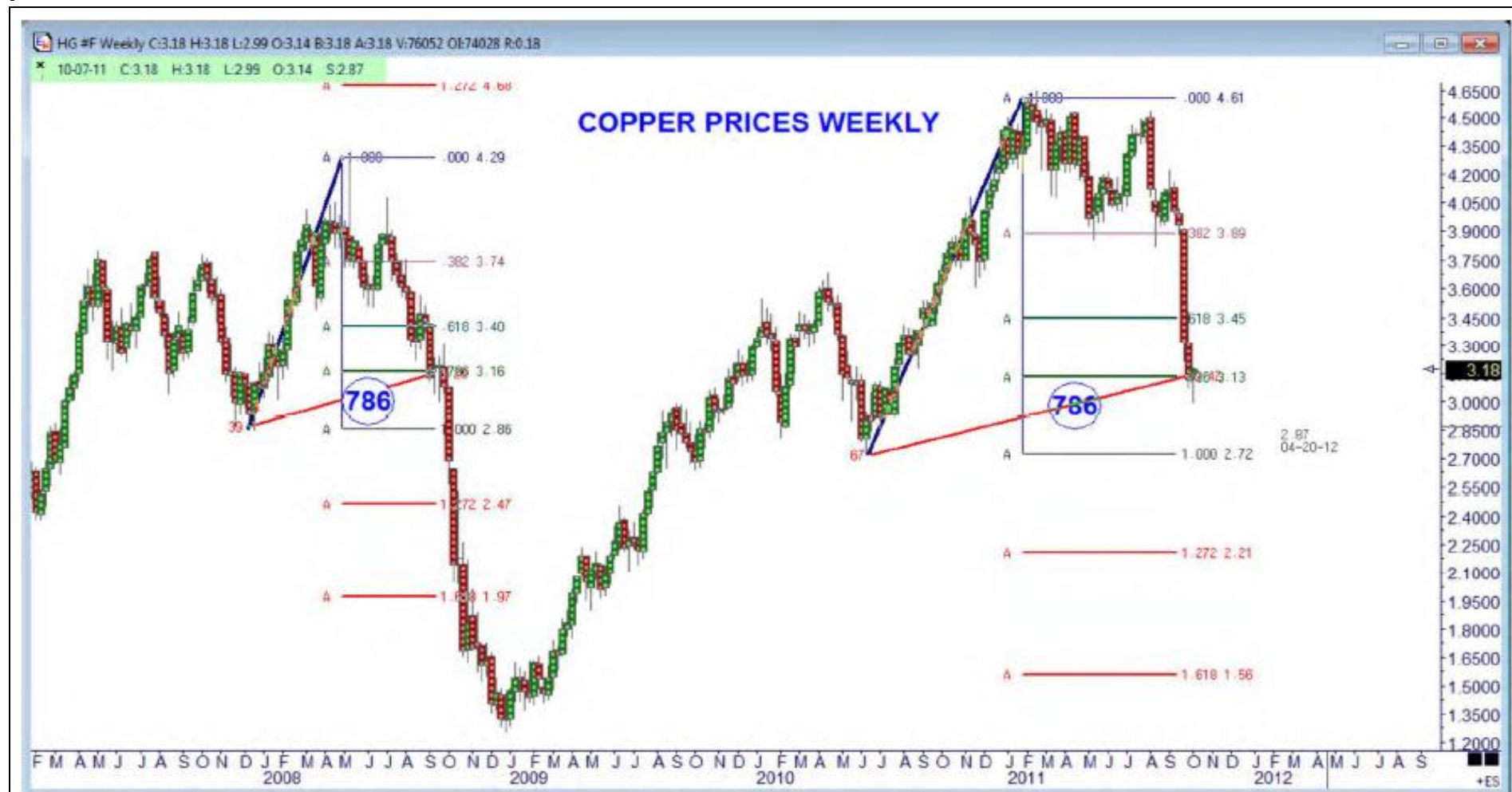


### 3 COPPER ( JJC) – MA / Pattern & Oscillator Analysis

PEC-D Analysis Projection to 3.00 @786 , PEC -D . After the bounce we would like to keep watch on copper

**Under our PEC-D Analysis and Pattern Recognition . As always our opinion has no meaning – we let the Indicators tell us the story at the time of exact turn.** We can let the noisy part out for time being

Currently Copper certainly wants to bounce . We don't know till what point



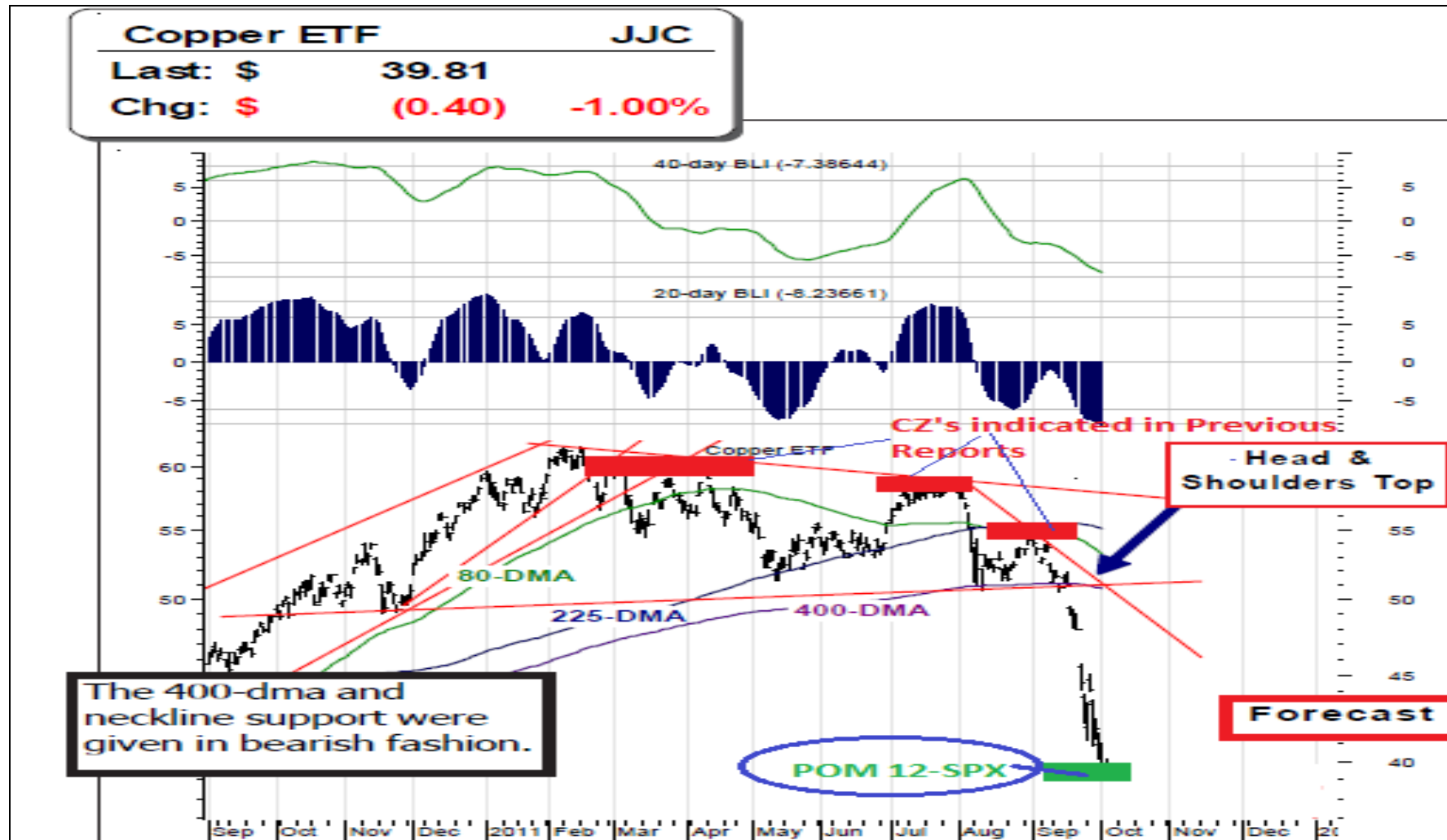
- Copper v/s SPX - Inter market Analysis @ Extreme**

Copper was ahead of itself then SPX ( indicated in red boxes ) This resulted in declines. Now it is at Oversold levels ( in green box) indicates potential rally



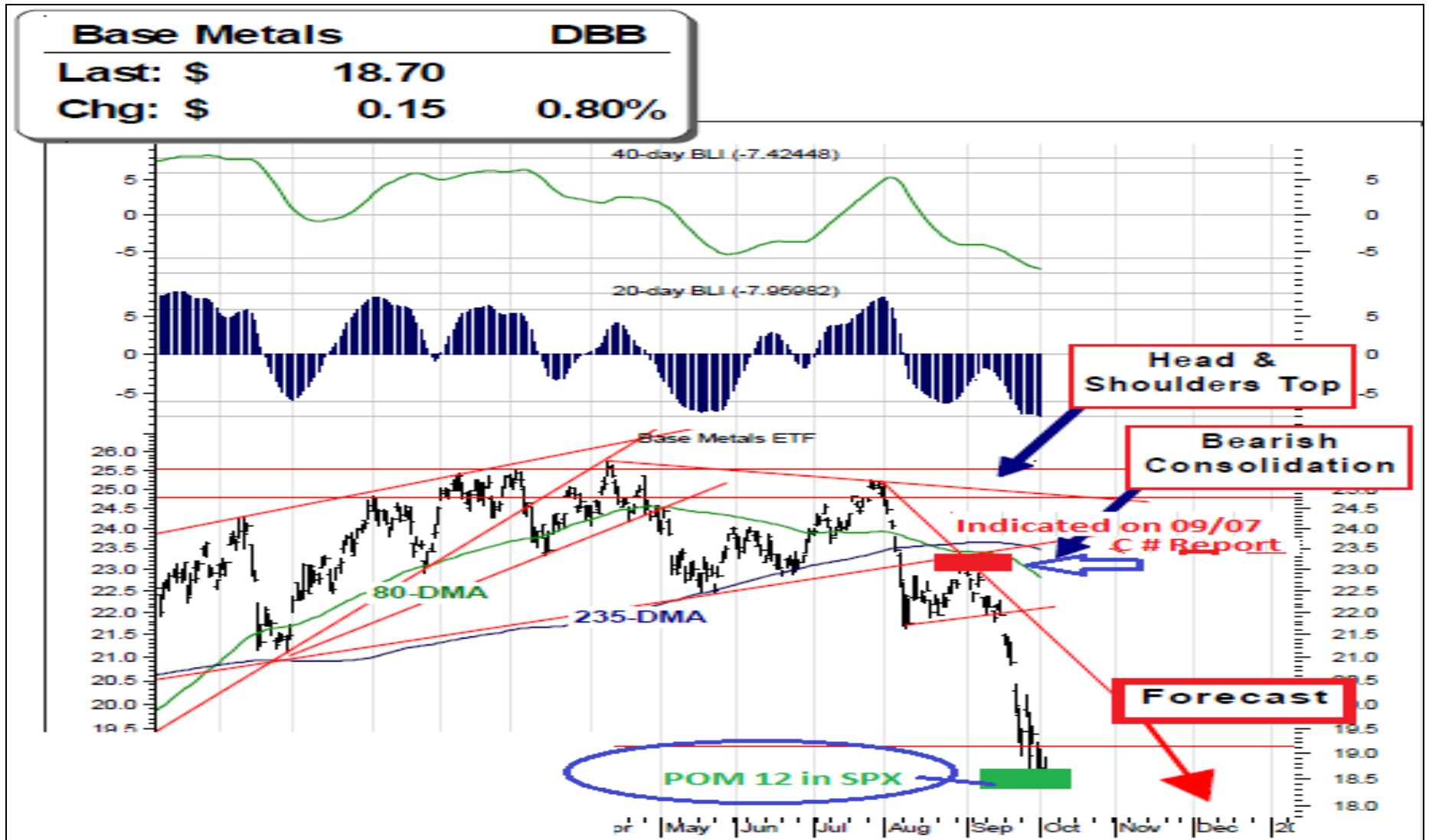
### 3 COPPER ( JJC) – MA / Pattern & Oscillator Analysis

Since the beginning of the year JJC has been giving good signal on Bearish CZ – Tops on every rally ( indicated in red ). Last decline we witnessed was very Brutal. The decline was into area where SPX triggered POM 12 and we think rally might have began from there. - ( Refer notes within the charts )



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

From Bearish CZ ( indicated in previous messages) to **massive decline into area** where SPX triggered POM 12 and we think rally might have begun from there . - ( Refer notes within the charts)



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

We think rally should begin where POM 12 area has Triggered on SPX

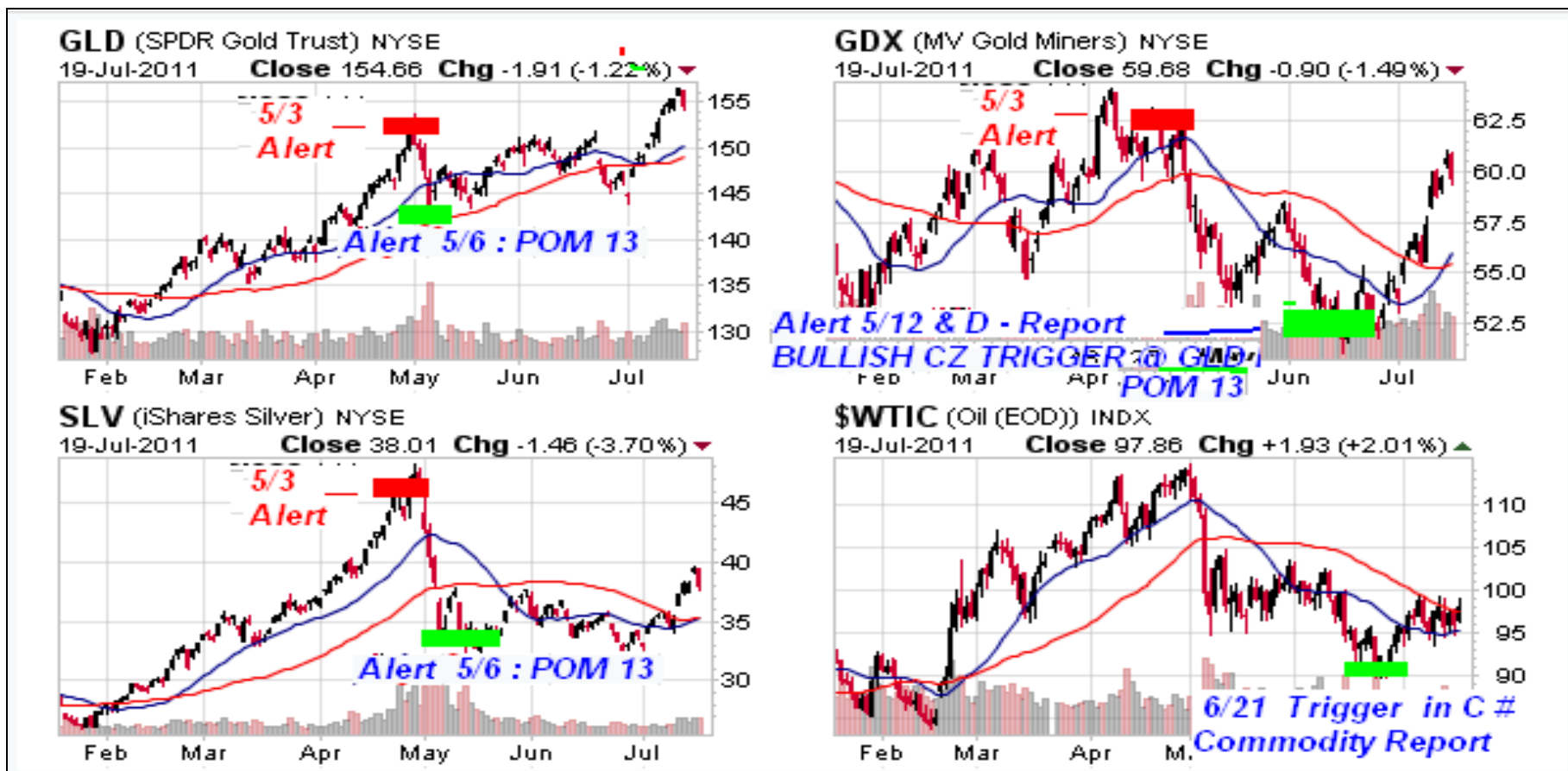
Earlier BULLISH CZ was violated & Crashed - (Refer notes within the charts)



# Appendix

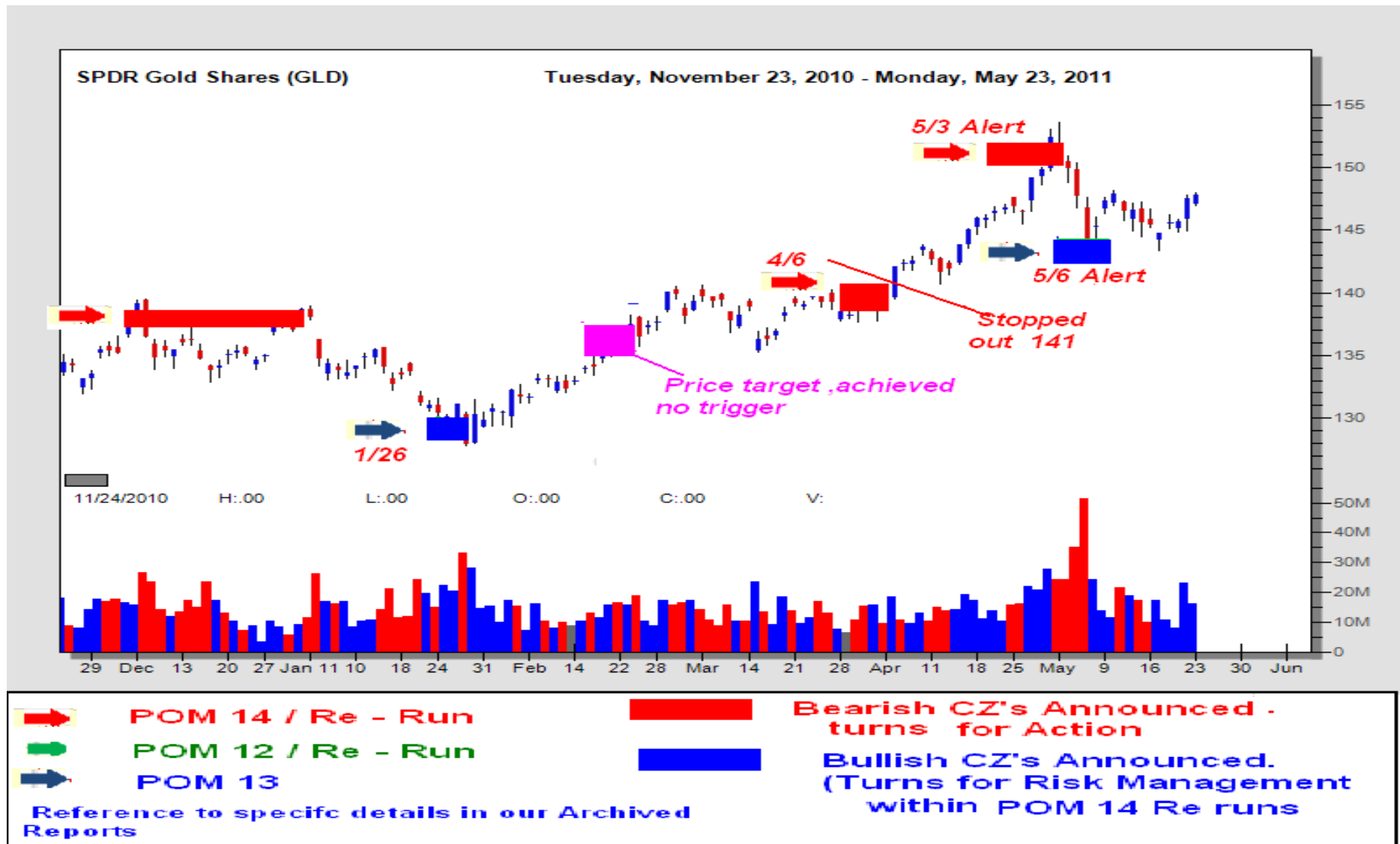
## Latest History on Triggers-

- **GLD, GDX, \$ WTIC ,SLV (Last Price Trigger indicated in green ) Charts below**





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



## 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



- **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)

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