



SG Capital Research

Global Market Insights

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

MAEG – WKLY COMMODITY ANALYSIS SG 2011 # SEPT_07

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

By: Suneil R Pavse

Contact: apavse@aol.com

Commodity Analysis (C) -SP

- CRB / CCI / DBC
- GOLD
- SLV,
- GDV
- 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 / OIL

• Net Short – POM 15

- None recommended for GLD to SHORT in Bull market by this Model. (Exception SLV)
- Alert - POM 15 –, SLV – Triggered Alert April 26th & 28TH @ 47.5 target 41 = 14% gains

• Long Side – POM 12,13

- POM 13 – Alert 5/6 @ 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 t = 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 this 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

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

• Alert - 8/23 @ 1825 on” Reverse decline Trigger “ POM 14 – Re Run – STOP 1875 (Revised)

- 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
- 3rd 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

- **CRB (DBC)**

- Counter Trend bounce achieved into **Bearish CZ 345 -360** as expected in Previous Report , if it fails within then decline should begin

- **WTIC OIL**

- Counter Trend bounce in process towards **Bearish CZ 90 -93** , if it fails within then decline should begin

- **GLD, SLV**

- **Alert - 8/23 @ 1825 “ Reverse decline Trigger” POM 14 – Re Run (hedge signal) – STOP 1875 (revised)** , Earlier GOLD offered one round Trip to Hedge from 1825 to 1700 and back 1825.
- Our Pull back Target on GLD is once again to **1700** and then to **1580** . The Downside target would give the best Buying Opportunity. It could be POM13, or POM 12 depending on Volume, CZ , Price Rejections

- **GDX**

- **GDX – Has extended to 64 with BULLISH TOP suggest the Pull back should be bought . Earlier Rallied from our BUY Trigger 52- 53 to 60 -61. For 15% gains, Now Awaiting for Gold pull back to assess the new entry point. (We do not Short Bullish Top but Buy its Retracement)**

- **DBB, DBA, UNG , Copper (JJC)**

- **Bullish consolidation** but No Signal & Trigger. – DBA
- **Bearish on bounce** but No Signal & Trigger - DBB, JJC (CU)
- **Neutral pull** but No Signal UNG

Stops always on other side of CZ

DX - with Pattern & Oscillator Analysis (Special Situation)

USD – This is the wild card for the market , The rally in USD did do damage to other markets –

Upon testing the CZ 73 -72 (indicated in our Past Currency Report) rally began. The price action appears to be valid breakout , A close above 77 should confirm the ABC up.

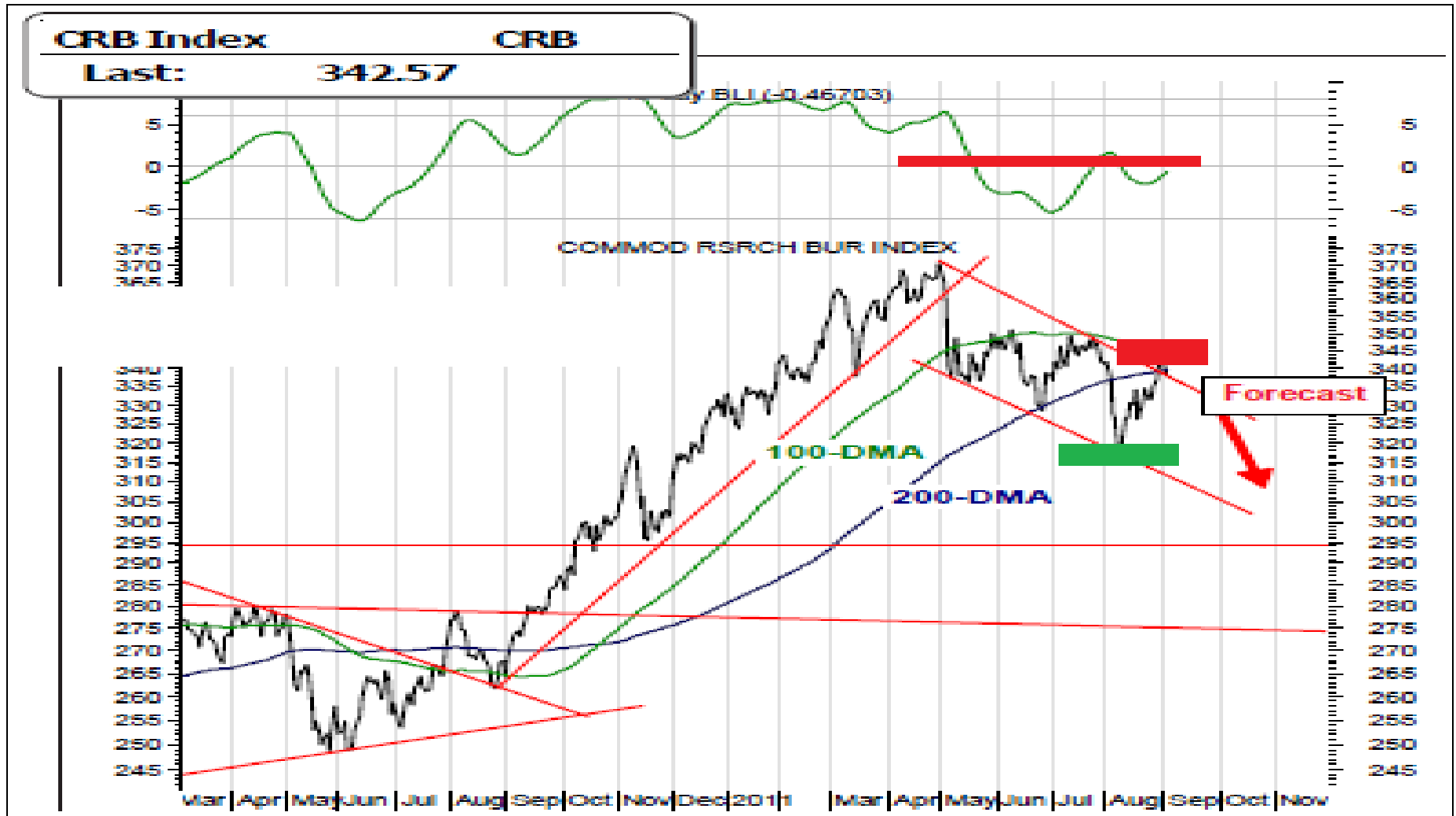
This Rally Should put pressure on Commodities (see below on CRB)



CRB / DBC- with Pattern & Oscillator Analysis

CRB Rallied exactly to 345 -360 CZ as suggested in our Previous Report . This should provide Topping process . Oscillator lagged quite a Rally

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.



GOLD – Parabolic & Triangular Top Analysis

GOLD finished its PARABOLIC PATH with 3-ABC's . The 3rd ABC had 3 Drives to the top with SLOPE and ROC completely tilted with linear regression. The Pattern was completed This means risk of a sharp pullback in the coming weeks. Secondly There is great deal of Volume off the Highs suggests larger retracement. (Similar combination occurred in 2006 circled below)which resulted in nasty decline.



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

In our Previous Report , we indicated our First move down was 1700 & Rally back to 1825 (for all the Math Indicators we mentioned) It has satisfied those objective and then Doubled Top.

Caution - We think there could be another push Top side in store before this market gives up but that does not change our view Mid term

Alert - 8/23 @ 1825 “ Reverse decline Trigger” POM 14 – Re Run – STOP 1875 (revised) – POM 14 is Hedging only – Not Short Signal



GOLD Trend line Analysis – Our 1700 Target (for the 2nd time)

Bearish divergence warns that we are going to see a top in gold. The Rising and falling Poly-trend Analysis has **target of 1700 once again. & then to 1580 towards the Poly Trend.**



2 – GOLD - (GLD + \$ 50) = GOLD continuous contract - **MID TERM – 1560 Target**

GLD appears to have peaked . Previous times on GLD when the weekly RSI got above 75 and the Chaikin Oscillator traded above 100m, a multi week pull back occurred and we are expecting that here. Strong Mid term CZ comes in near the 155 (1560) In weekly up-trends the RSI normally finds support near the 50 range and a low in GLD after retracement. Bigger trend is up in GLD, but a pull back near 155 in the coming weeks. Will be looking for buy signal near 155 range on GLD.



GOLD – PUBLIC SENTIMENTS – Sentiment Traders curtsey

Comments – NO CHANGE

In spite of huge rally still sentiments are not extremes – Suggests after retracement, the rally has more to go

RYDEX CASH FLOW – Sentiment Traders curtsey

Comments – NO CHANGE

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

SLV – Poly Trend line Analysis

Silver already went through the process of Parabola – POM 15 earlier in April . That was the most profitable Trade of the year in very Short time.

Even the current price structure has downside risk. That said, the rising support line would allow for a few weeks grace with FLAG & working through a terminal pattern within the upward corrective rally. It needs one more rally to finish the pattern. At that time, probably both metals are poised to decline.



SLV – Trend line & MA Oscillator Analysis

Silver appears to be setting up Head & Shoulder Top



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

- **GDX – Has extended our Price of 61 projection to 64 with BULLISH TOP suggest the Pull back should be bought . Earlier Rallied from our BUY Trigger 52- 53 to 60 -61. For 15% gains, Now Awaiting for Gold pull back to assess the new entry point . We do not SHORT BULLISH TOP**
- **Once GOLD finishes the t Pull back. The Risk reward will be set up**
- **Caution- There might be another run to the Top**



GDX : GOLD RATIO

Although Longer term GDX is undervalued compared to GOLD . On shorter term basis the Gap has been narrowed. Chart below (2nd window correlation indicates) . Similarly Early August circled in Green indicated huge Rally upcoming and now circled in red suggests the Gap is narrowed. .



- **GOLD v/s SPX – Prices**

Circled in Red, the intersection of Gold v/s SPX prices in 1988 . Since then 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- Target 2500.

Comments - No change

- **GOLD v/s SPX – Ratio**

SPX in Gold terms has already broken the March 2009 lows of 666 on SPX, Although currently it is 1160 in USD

Comments - No change

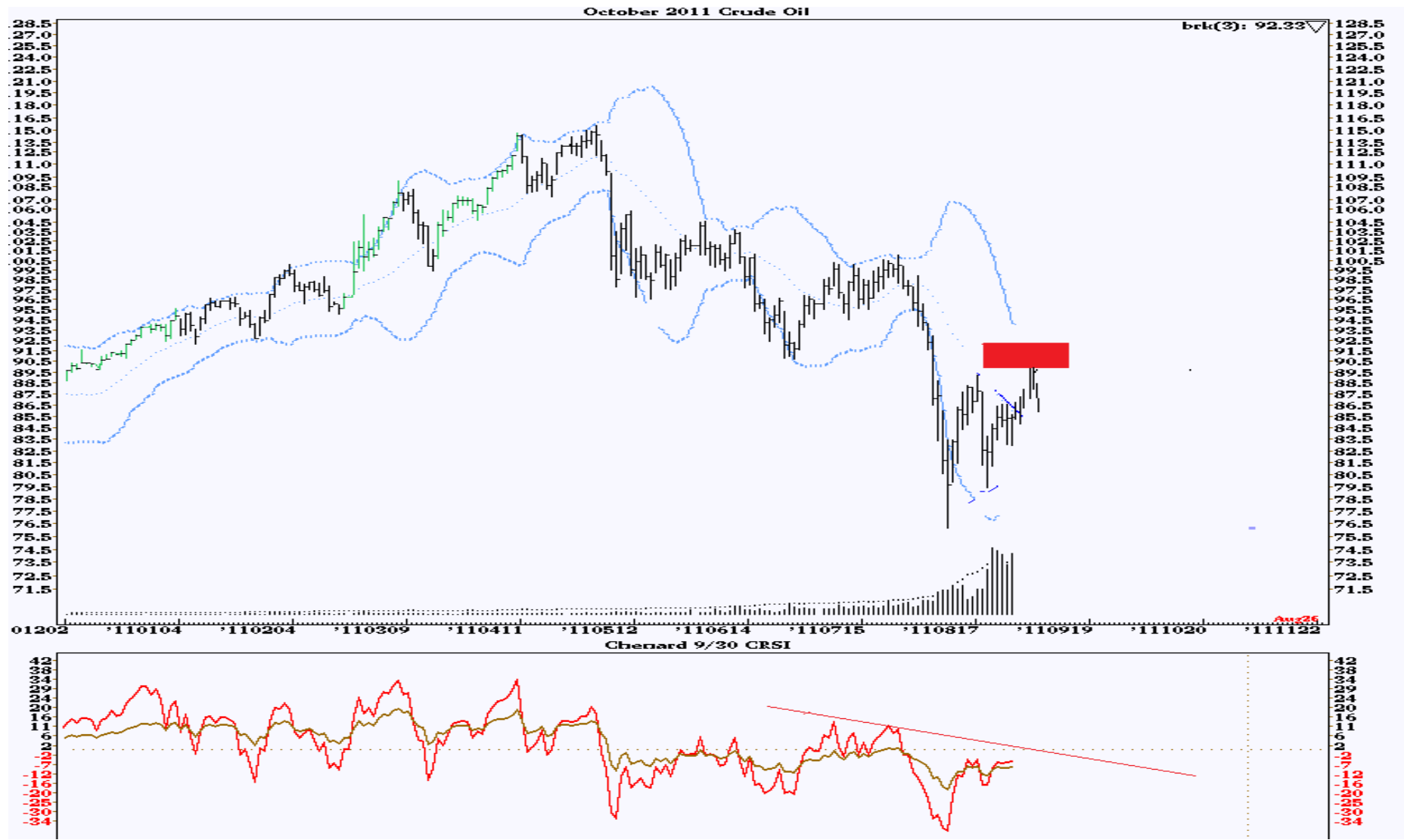
- **GOLD : SLV RATIO – with RSI & SMA –**

At one time this ratio was at extreme. Now RSI has reached 50 along with Ratio value at 4.5 , (consolidation is needed here at 4.5 indicated in red) but still little room towards 40W. (This has intersected at least once a year in past). Ultimately 6.5 should be mean to reversion, step by step

Comments - No change

2- OIL – Pattern & Oscillator Analysis

Counter Trend bounce in process towards **Bearish CZ 90 -93**, if it fails within then decline should begin. But as it stands now the market is in the bearish mode as we have had lower tops and lower bottoms which is the description of a bear market.



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

Currently – NEUTRAL consolidation but No Trigger CZ - (Refer notes within the charts)



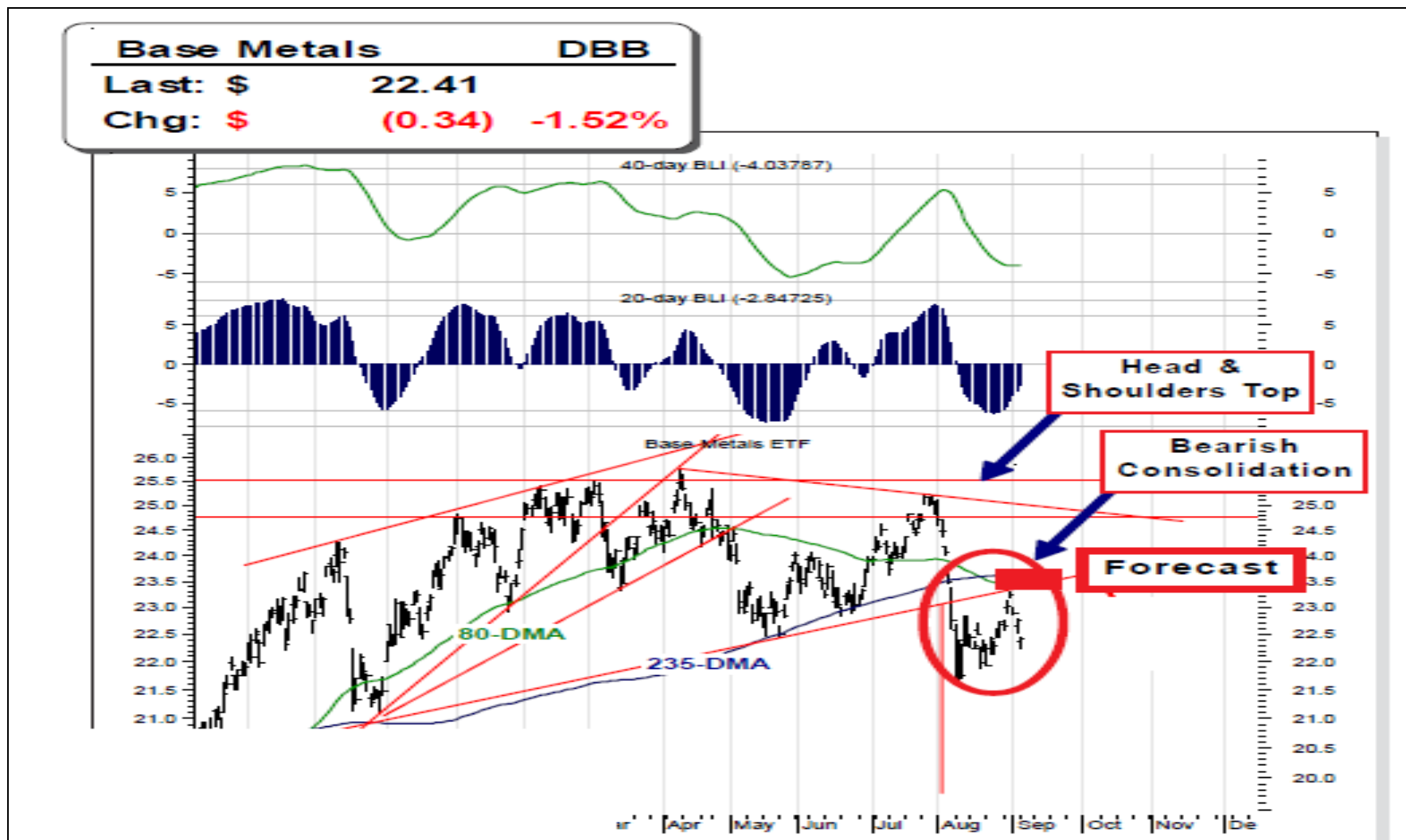
3 COPPER (JJC) – MA / Pattern & Oscillator Analysis

Currently – BEARISH but No Trigger CZ - (Refer notes within the charts) –



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

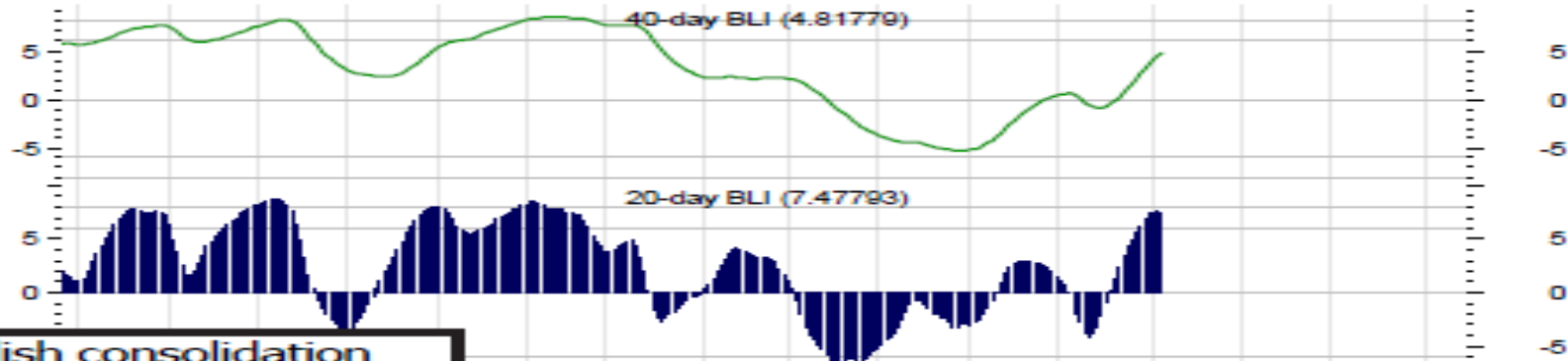
Currently – BEARISH but No Trigger CZ - (Refer notes within the charts)



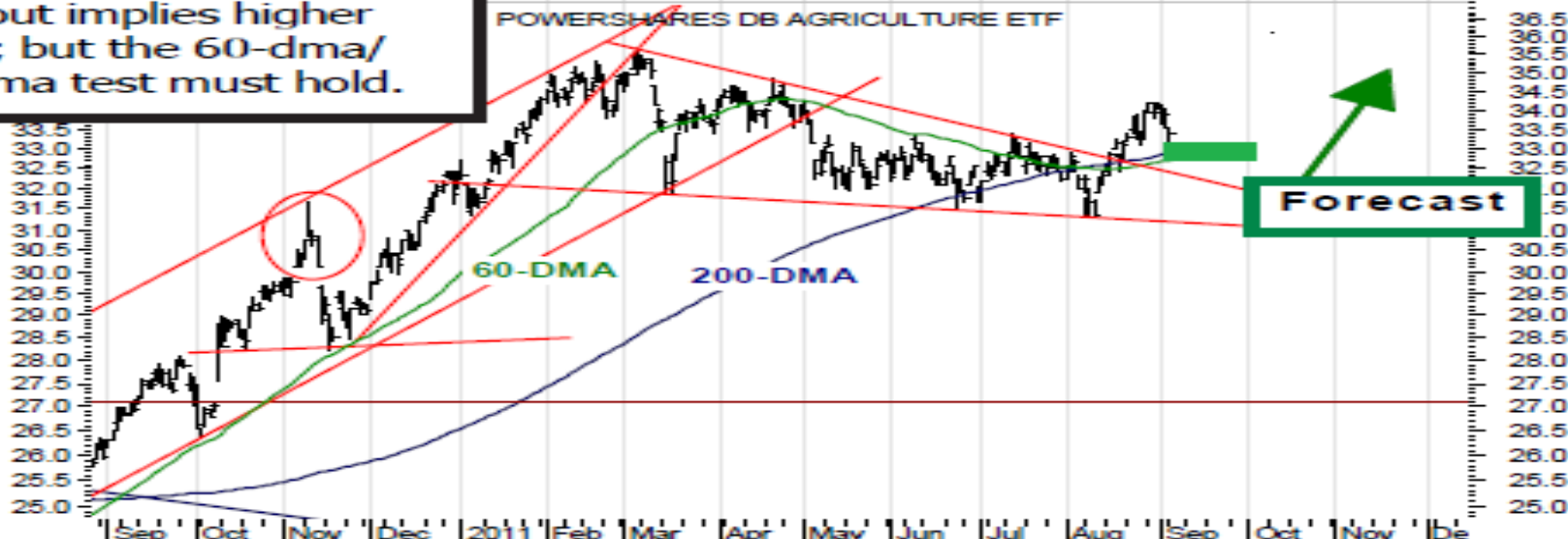
5 - AGRI – COMMODITY – (DBA) - MA / Pattern & Oscillator Analysis

Currently – Bullish consolidation but No Trigger CZ - (Refer notes within the charts)

Agriculture		DBA
Last: \$	33.39	
Chg: \$	(0.53)	-1.59%



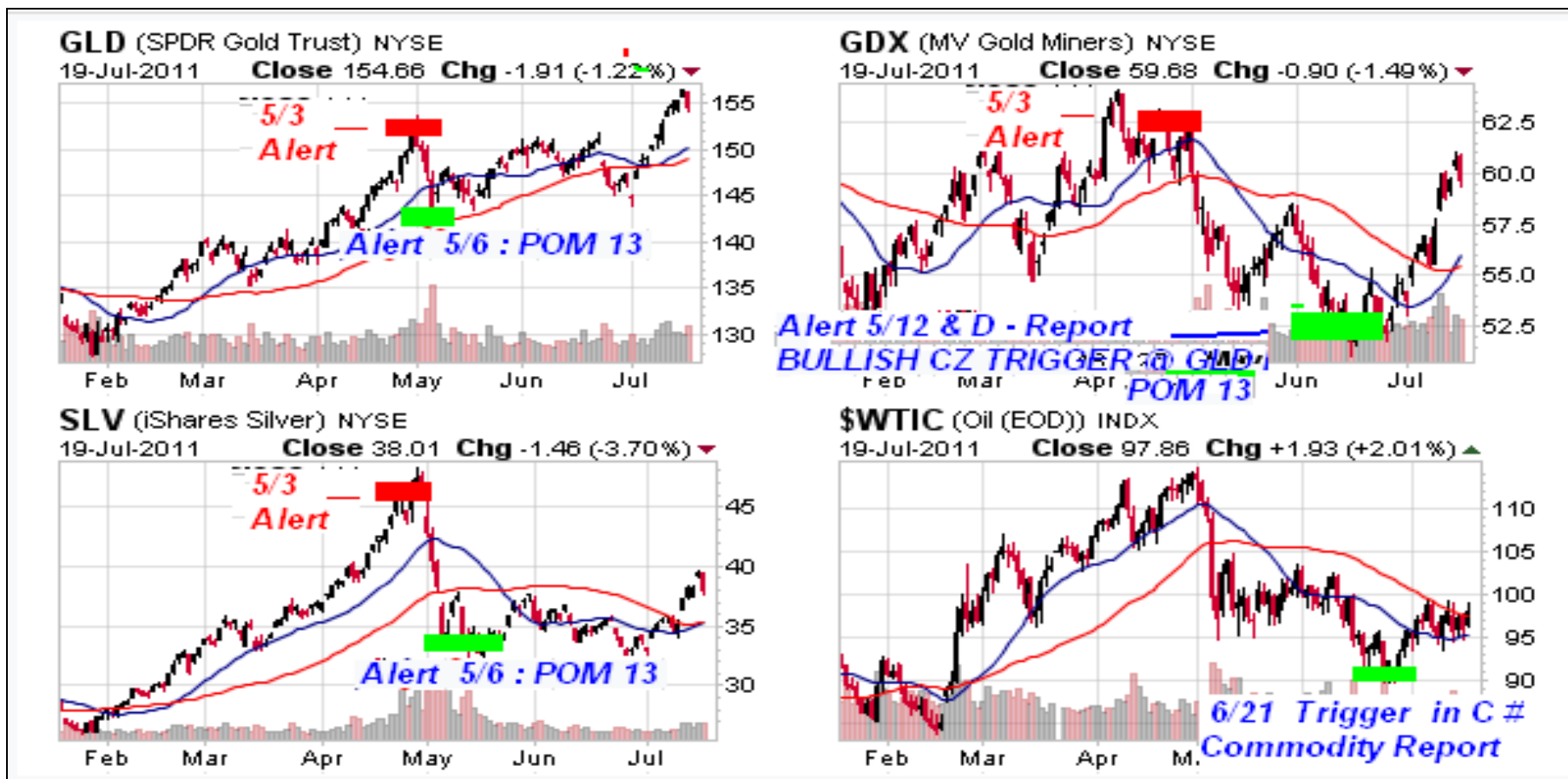
The bullish consolidation breakout implies higher prices; but the 60-dma/200-dma test must hold.



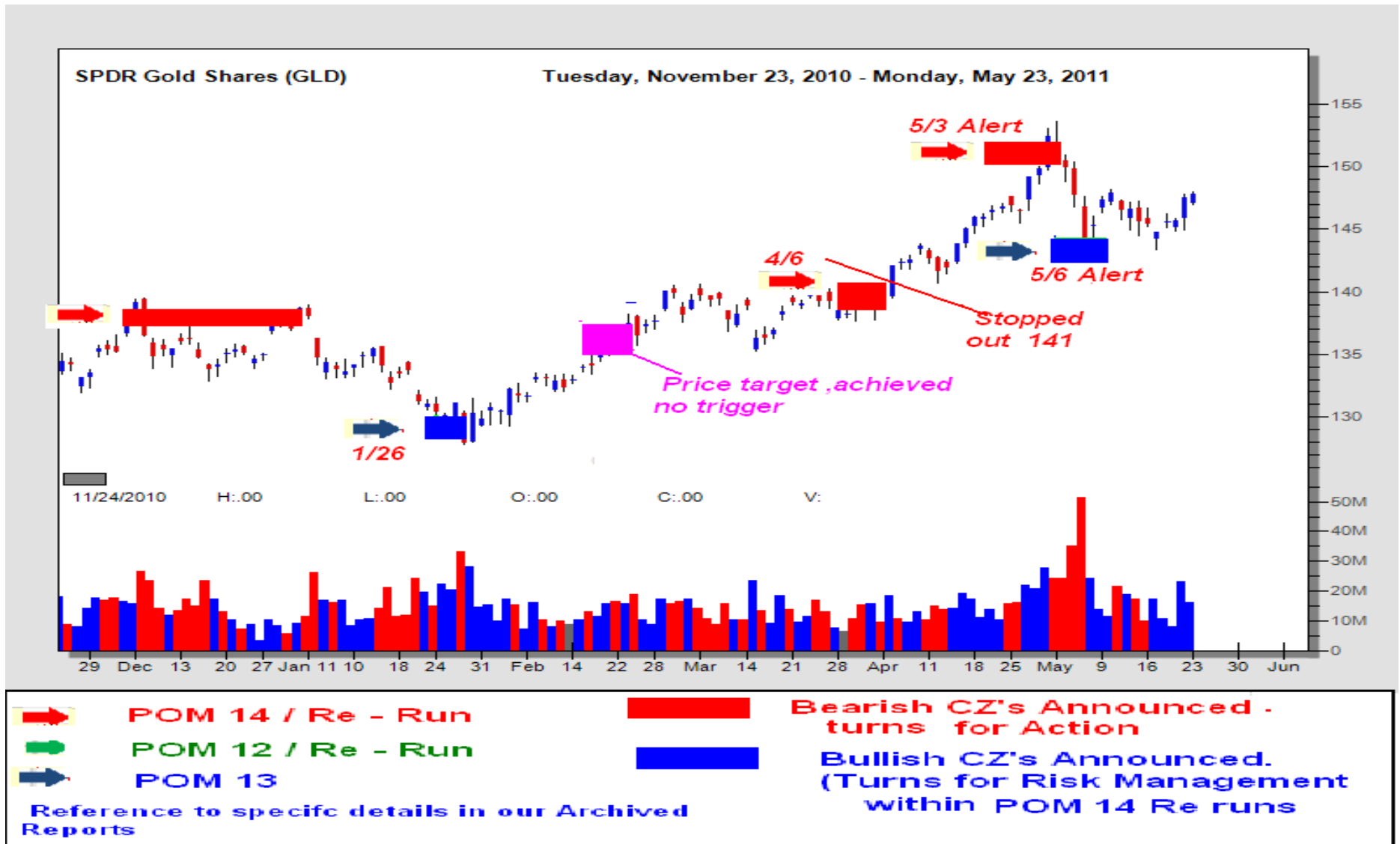
Appendix

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)

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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