



SG Capital Research

Global Market Insights

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

MAEG – WKLY CZ- COMMODITY ANALYSIS SG 2011 # SEPT_21

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

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

• GOLD – POM Signals & Price Projections

Trading & Investment Conclusions – GLD / SLV / GDX / OIL

- **Net Short – POM 15 (14% Gains in SLV EQVT to 240 points gains GLD)**
 - None recommended for GLD to “SHORT’ in Bull market by this Model. (Exception for SLV)
 - Alert - POM 15–, SLV – Triggered **Alert** April 26th & 28TH @ 47.5 target 41 = 14% gains
- **Long Side – POM 12,13 (Total point gains = 265)**
 - 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 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 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 = 254)**
- Recycle partial capital to Trade from Bullish CZ to POM 14 Re Run - CZ whiles the bigger Trend kicks in
- **Alert - 8/23 @ 1825 - Trigger “ POM 14 – Re Run – STOP @ 1875 (OPEN POSITION – 7TH Hedge)**
 - 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

CONT.....

All CZ / PEC D / POM's – Marked in colors on charts (below) has been Announced Real time in our Previous Reports prior to Price shifts. “ Stop maintenance ” on other side of CZ @ price based on Portfolio's Risk tolerance

- **GLD, SLV**

- **Alert - 8/23 @ 1825 Trigger” POM 14 – Re Run (Hedge Signal) – STOP @ 1875 , Earlier GOLD offered one round Trip to Hedge from 1825 to 1700 (Hedged) and back 1825.**
- **Our Current Pull back Target on GLD is to 1700 and then to 1580 . The Downside target would give the best Buying Opportunity. These Areas could be either POM13, or POM 12 depending on Volume, CZ & Price Rejections criteria**

- **XAU, GDX**

- **GDX – Completed ABC up into CZ @ 60-61 from 52 and now has extended (1.168) to 65 which is exhaustion move . But It has formed BULLISH TOP suggest the Pull back should be bought . Now Awaiting for Gold pull back to assess the new entry point. (We do not Short Bullish Top but Buy its Retracement)**

Cont....

- CRB (DBC)

- Counter Trend bounce achieved into Bearish CZ 345 -360 expected in Previous Report (**Proved its merit**) and decline began from there

- WTIC OIL

- As pointed out in last Report , the Counter Trend bounce took us towards Bearish CZ 90 -93 , (the Tick high was 90.28) and decline began

- DBB, DBA, UNG , Copper (JJC)

- **Bullish consolidation CZ - DBA but CZ was Broken & Violated** (See chart below)
- **Bearish on bounce CZ - DBB, JJC (CU) – Decline in process**
- **Neutral consolidation CZ - UNG – No change**

Commodity Insights

- *The markets will focus upon the 2:15pm EST announcement on FOMC policy and nothing before then or after then shall matter. There will be quite a bit of noise. We think everything is backed in this cake . Words in support of QE 3 is the focus*
- *Volatility will be high today. Our appetite to Trade is close to Nil. Certainly we'll reconsider something 40 mints after this afternoon's FOMC meeting. It will likely take until tomorrow to determine the effect to judge the various . Until then, the risk is just too high.*
- *USD needs to be watched closely , that will set the direction of the market and GOLD will be very Volatile which could move either way for day or two. Close below 1770 today with large volume should place a downside pressure or go back up near false break area for another shake out*

DXY - with Pattern & Oscillator Analysis (Special Situation)

USD Trigger @ 72-73 (stated in B # Currency Report. Subsequently in our C # REPORT 09/07 , we discussed how this would be the wild card for the Market and Commodity. What we witnessed was effect of that decline.

The price action is valid breakout and confirmed ABC up as Indicated in last Report

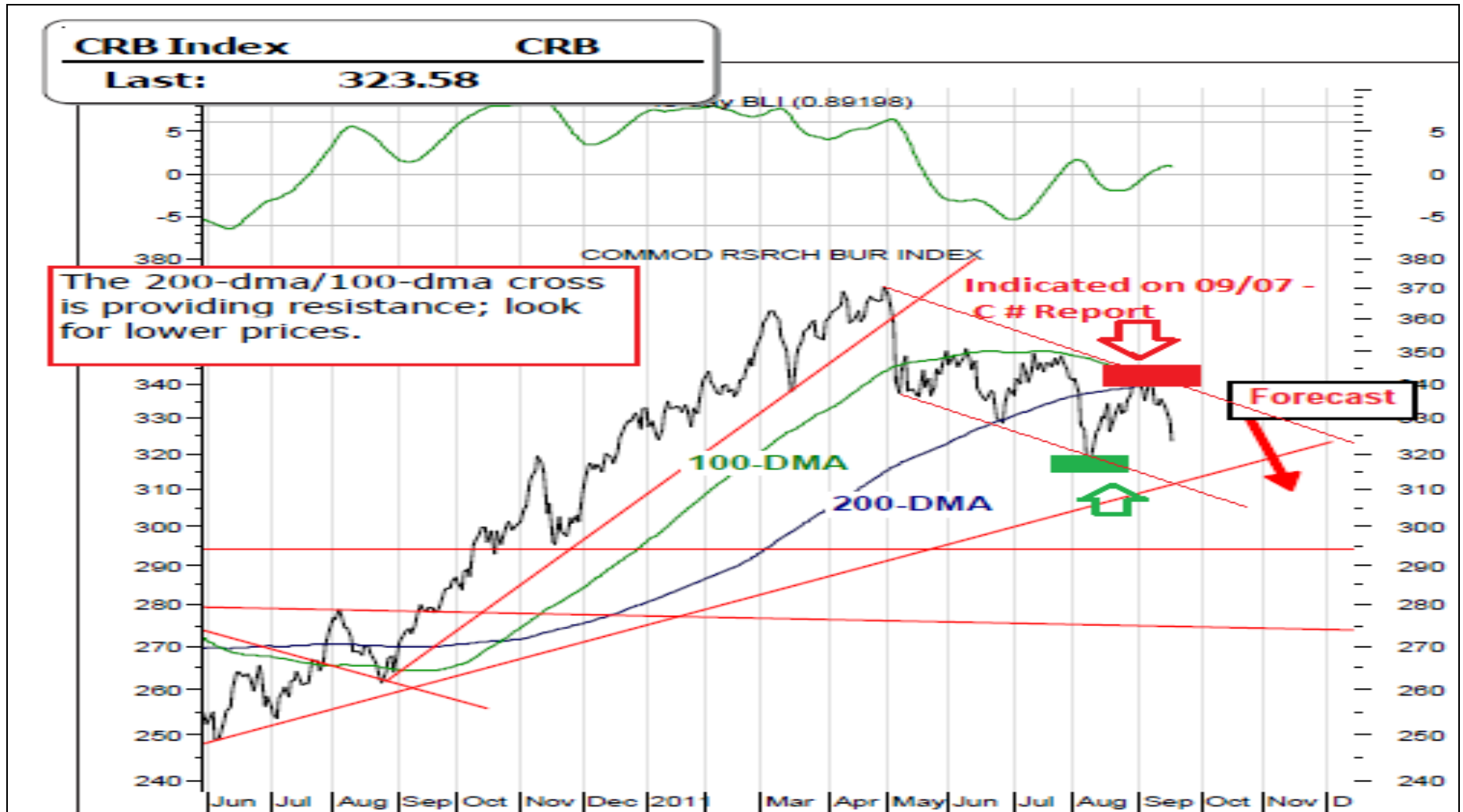
USD Rally continues to put pressure on Commodities. However SPX sold off from 1200 to 1135 but bounced back to 1200. We think when the next leg up begins in USD be watchful on SPX & Commodity.



CRB / DBC- with Pattern & Oscillator Analysis

CRB Rallied exactly to 345 -360 CZ as suggested in our Previous Report & out in Topping process . Now the decline in process as expected . Oscillator lagged quite a bit

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.



CRB- Poly Trend Analysis

CRB - Broke into within the Poly Trend area under in bearish fashion from our CZ 345-360 CZ in Red . Now any bounced should be limited underneath the POLY TREND.

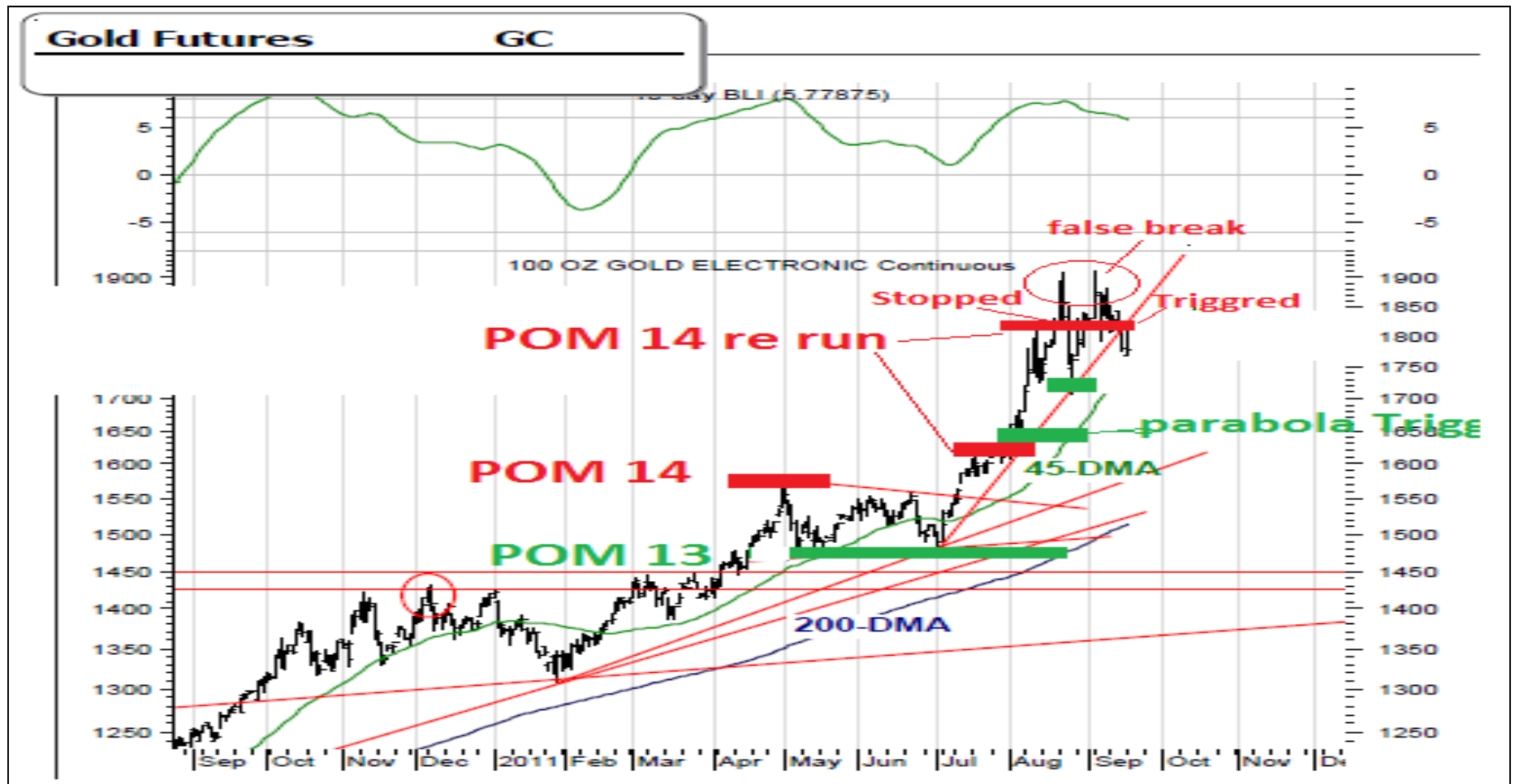


GOLD Analysis – (GLD + \$ 50) = GOLD continuous contract.

Our First down target was @ 1700 & then Rally back to 1825. Price Path has satisfied those objective and then GOLD Doubled Top.

Caution - We think there could be another push Top side in store (into the false break area) before this market can give up but that does not change our view Mid term

Alert - 8/23 @ 1825 Trigger” POM 14 – Re Run – STOP 1875 – POM 14 is for 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 Analysis indicated in green**.



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

In chart below - 3RD Window clearly suggests the Momentum is weakening and 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 154 (1570 on Gold) 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 154 in the coming weeks. Will be looking for buy signal near 154 range on GLD. (1570)



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

Not – Extreme Sentiments - 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**

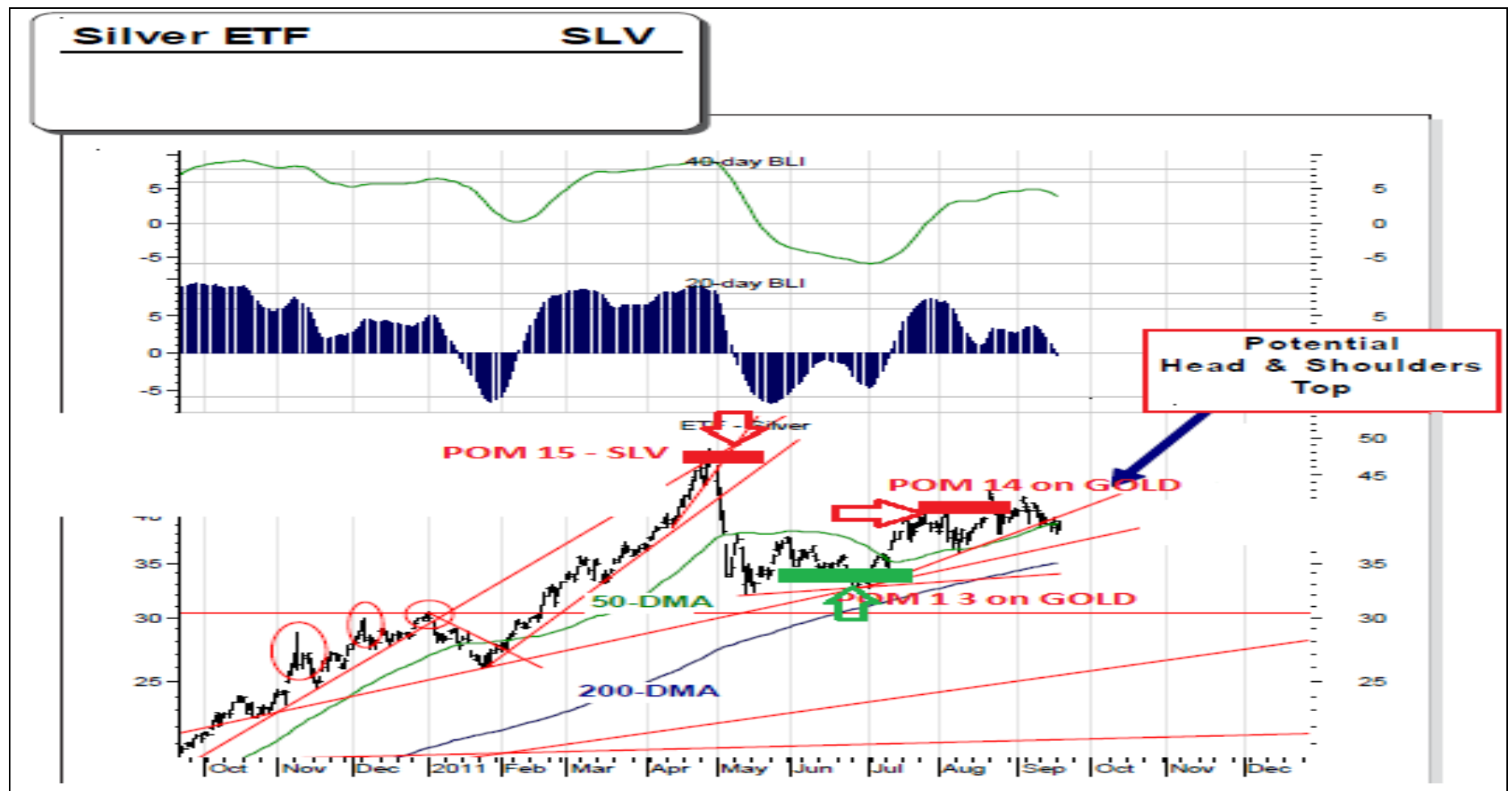
Comments – NO CHANGE

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

SLV – Trend line & MA Oscillator Analysis

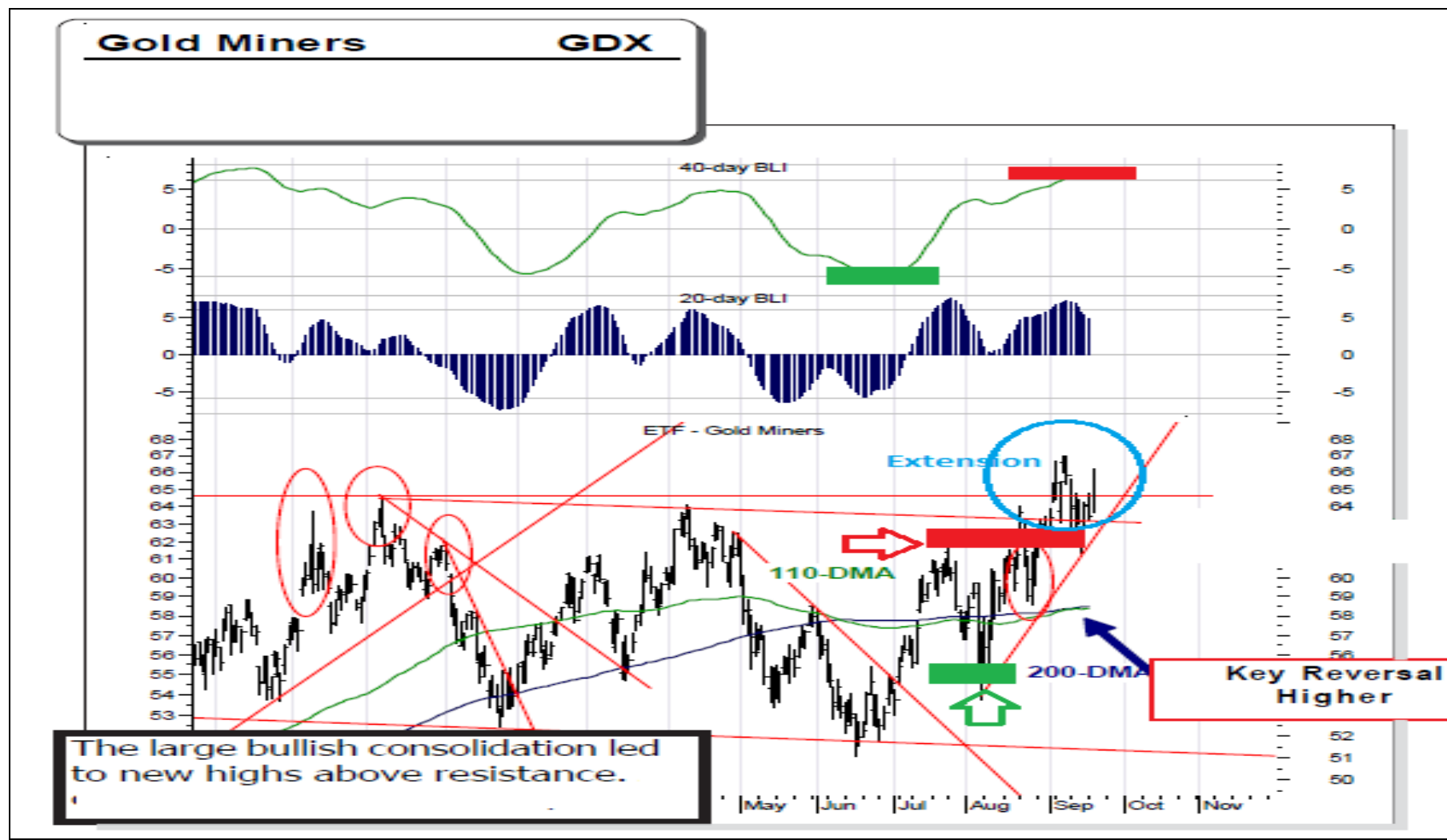
When any market goes through the process of Parabolic move & collapses , it usually take a while before new up trend begins . Silver is undergoing such phenomena (POM 15 earlier in April) .

SLV's current price structure has downside risk. Potential Head and Shoulder top , 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.



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

- **GDX – Has extended our Price of 61 projection to 65 with BULLISH TOP suggest the Pull back should be bought . Earlier Rallied from our BUY Trigger 52- 53 to 60 -61. 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 Double Top**



GDX (XAU) : GOLD RATIO – SHORT TERM

GDX : GLD Ratio acts like A/D Line for GOLD market . Currently on Short term basis GDX is ahead of itself. In yesterdays extension move in GDX , GOLD did not confirm the move .



XAU (GDX) : GOLD RATIO – MID TERM

Mid term the Ratio is still very undervalued, suggests the BULLISH TOP will prove itself with another rally after the pull back

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 8th signal). The bigger trend is very bullish, just the next month or so is unclear due to pull back. ,



- **GOLD v/s SPX – 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 - No change

- **GOLD v/s SPX – Ratio**

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

Comments - No change

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

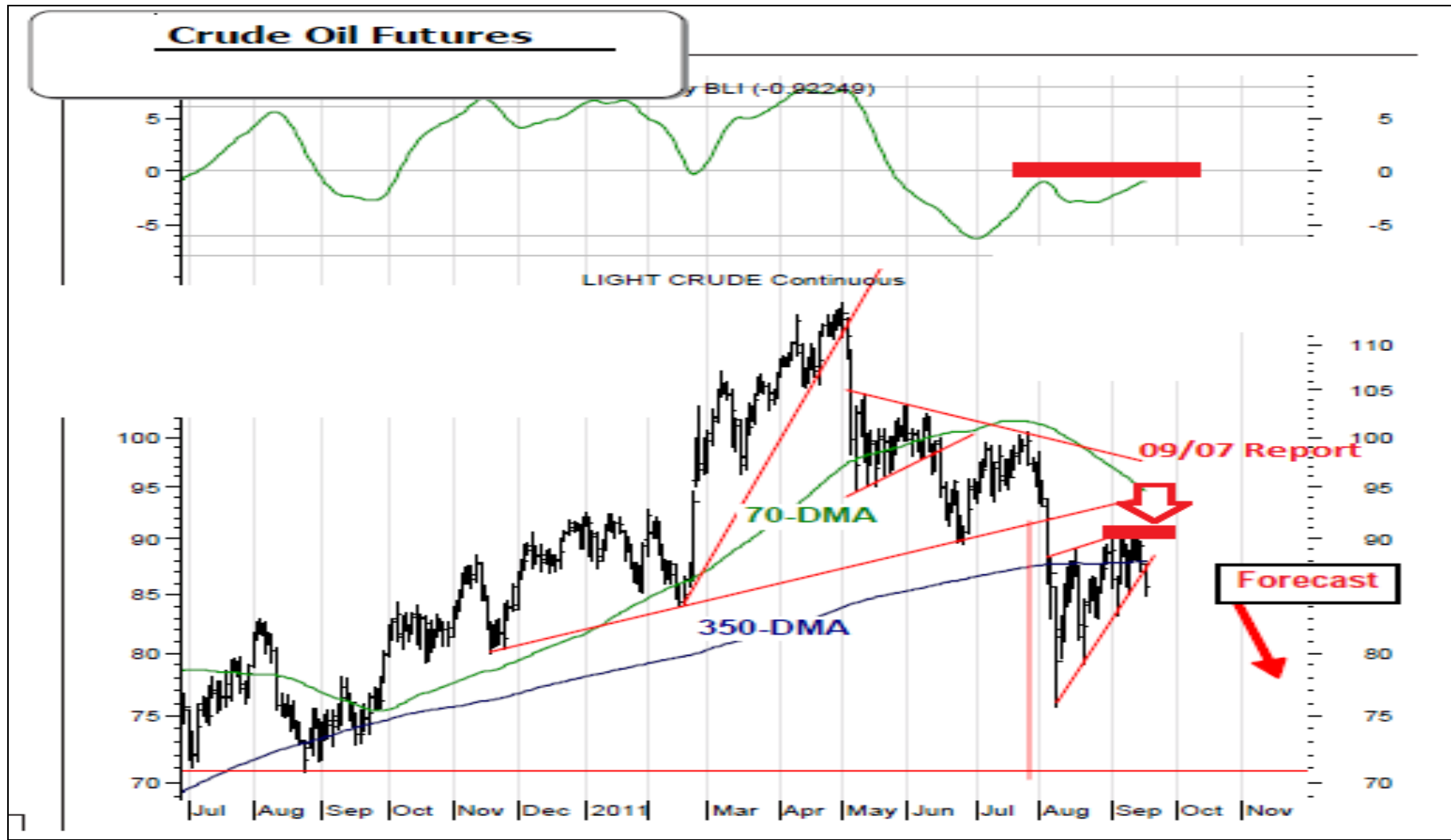
At one time this ratio was at extreme. Now RSI has reached 50 along with Ratio value at 4.5 (Reversion to mean, consolidation is needed here)

Comments - No change

OIL – Pattern & Oscillator Analysis

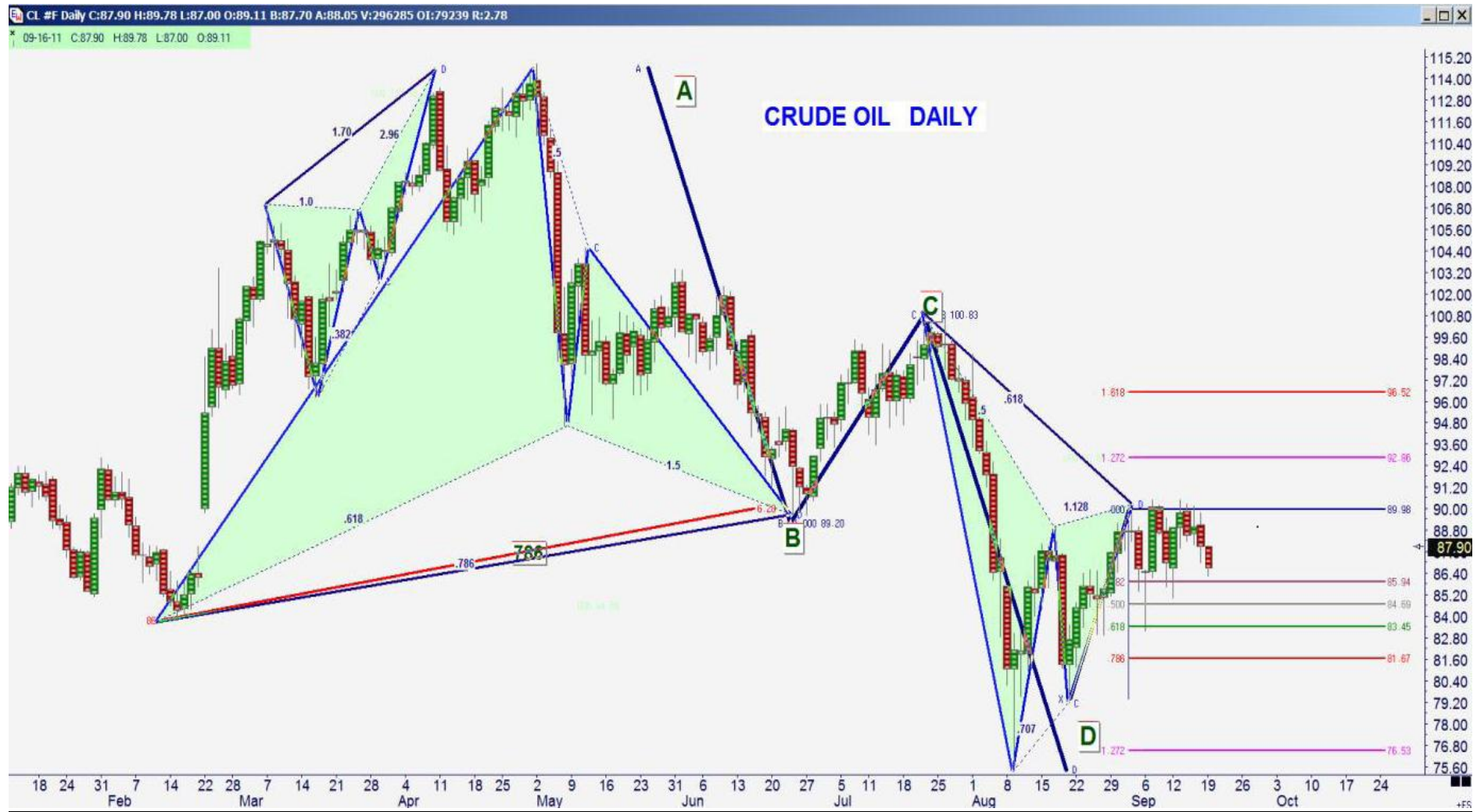
Counter Trend bounce into **Bearish CZ 90-93**, as expected in previous Report & failed, then decline began. As it stands now the market we have formed another lower Top and lower bottoms which is the description of a bear market.

The Bearish Wedge is broken, the bear flag is a warning: the price of oil is rolling over



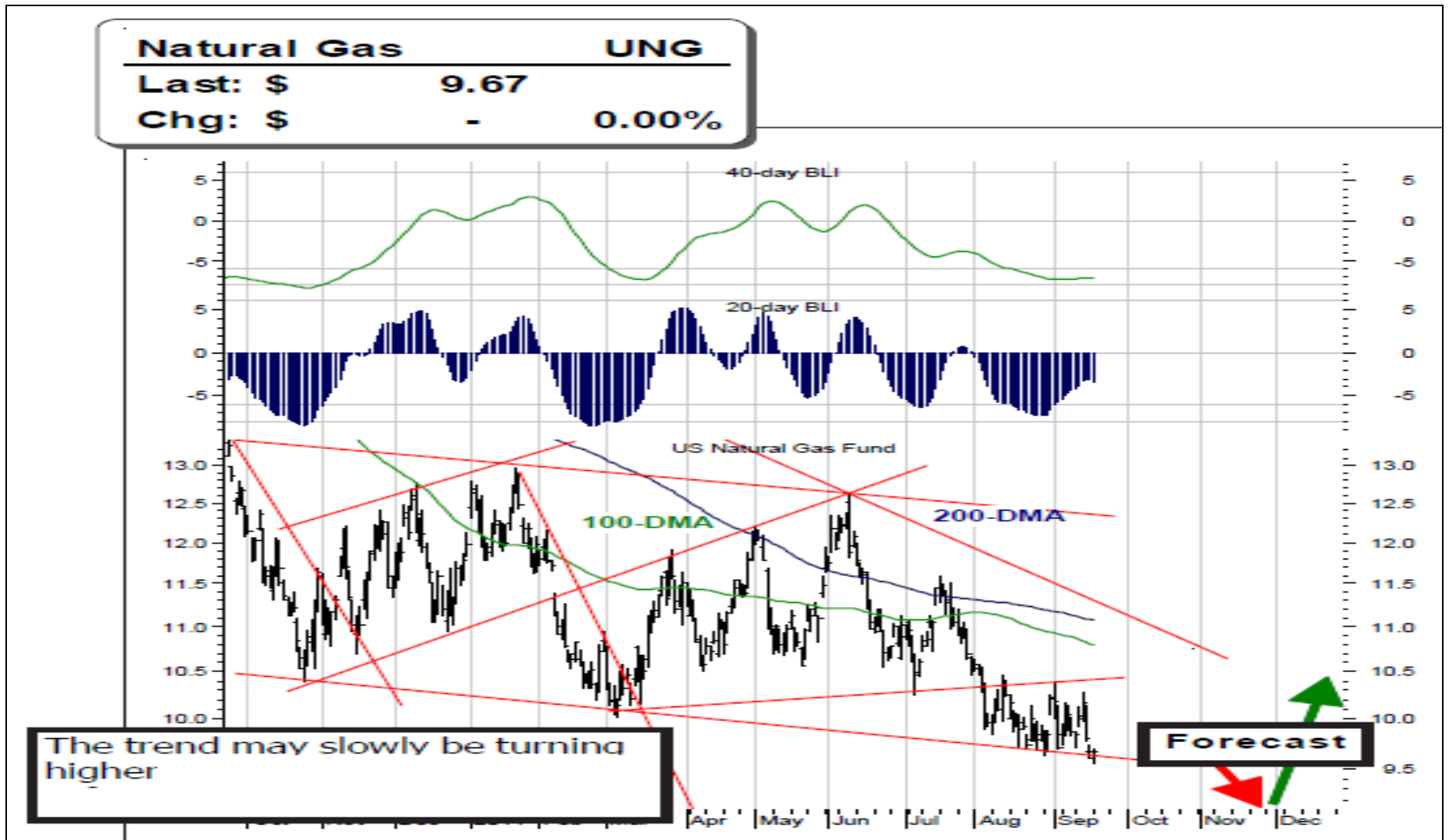
OIL – PEC –D Analysis

PEC-D Analysis re confirms the Multiple expansions towards 91 in line with other analysis. PEC –D 1.161 level has turned back prices several times in the past several weeks. It will take a strong move above 90 to get this market moving on the bullish side.



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

Currently – NEUTRAL consolidation – NO CHANGE - (Refer notes within the charts)



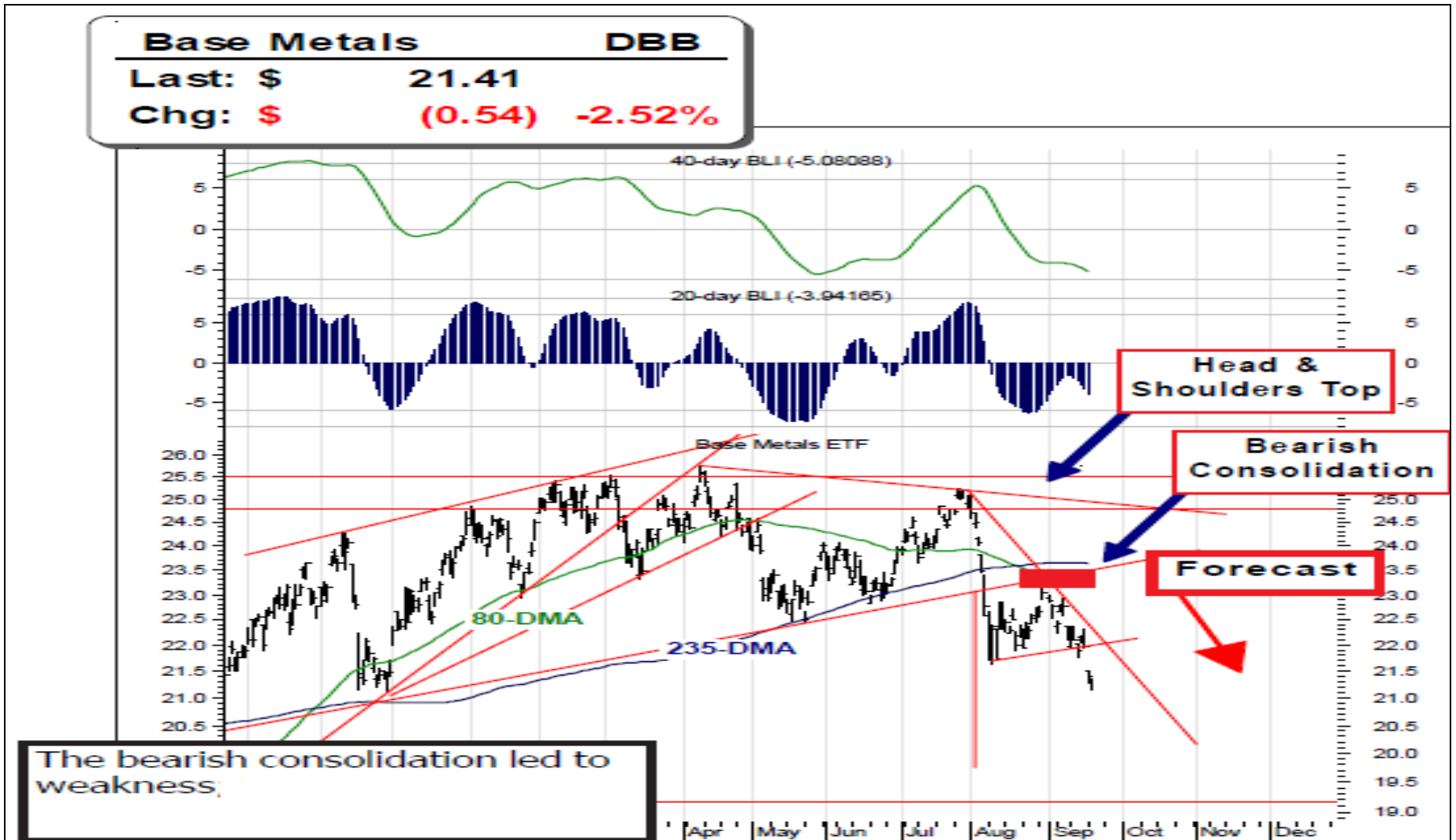
3 COPPER (JJC) – MA / Pattern & Oscillator Analysis

BEARISH CZ's - (Refer notes within the charts) -



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

BEARISH CZ 's - (Refer notes within the charts)



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

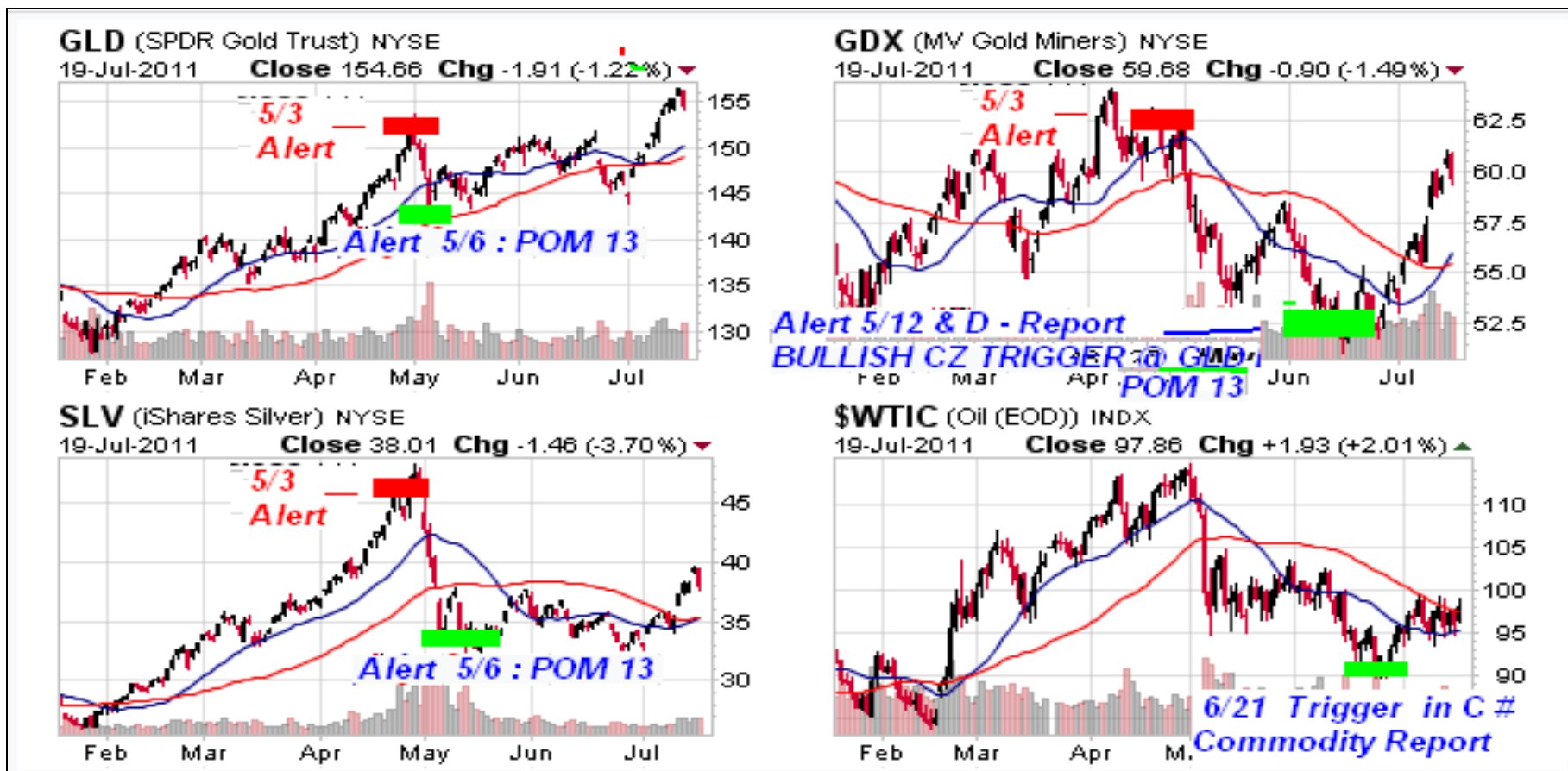
BULLISH CZ was violated - (Refer notes within the charts)



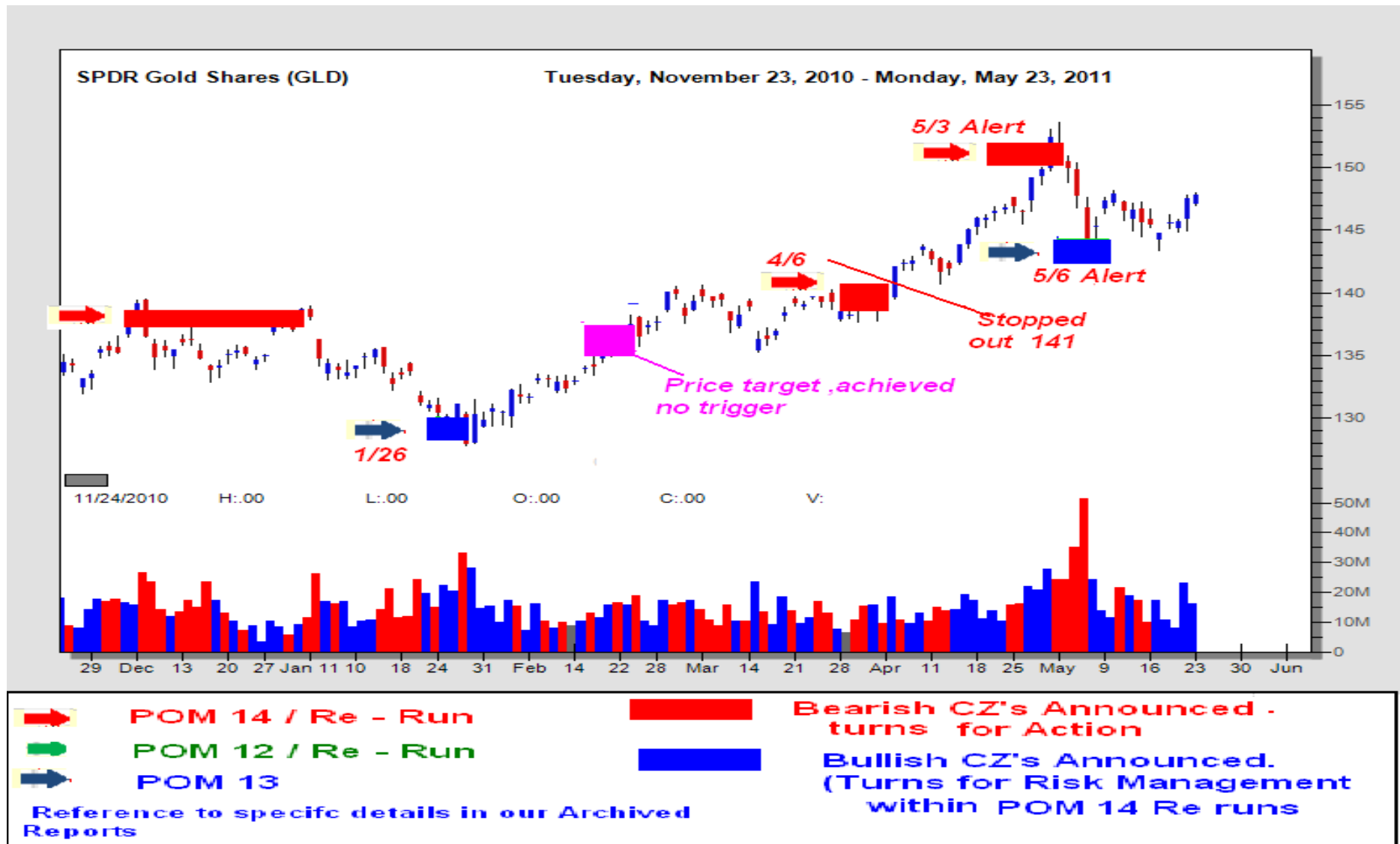
Appendix

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)

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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