



SG Capital Research

Global Market Insights

Research Note – Commodity Report (SP) STRATEGY & PROP Analysis

MAEG – COMMODITY REPORT_SP_C_ SG 2012 # OCT_03

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Commodity Report - Coverage

1. Executive Summary

- ***COMMODITY Signal.***
- ***Price Projection CZ , Summary – Trading / Investment Conclusion.***

2. Overview Commentary

3. Chart Analysis

- ***CRB - COMMODITY INDEX/ (DBC) .***
- ***GLD -GOLD (GLD)***
- ***SLV - SILVER (SLV)***
- ***GDX - MINERS (XAU,HUI)***
- ***\$WTIC - OIL (USO)***
- ***\$NAT GAS (UNG)***
- ***\$COPPER (JJC)***
- ***BASE METALS- (DBB) & AGRI COMMODITY (DBA) - *Special Situation only.****

- **1- Executive Summary .**

COMMODITY SIGNALS. - Price Projection CZ , Trading / Investment Conclusion

Since our last Commodity Report dated 09/12, CRB's % change has been flat at 312.
During this timeframe GOLD, NATGAS , GDX, SLV projected Bullish ABC up . CRB, DBB, OIL has been failing around bearish CZ target.

- **STRONG SECTORS – Texture BULLISH TOP with either NEUTRAL or BULLISH BOTTOM**

NATGAS(UNG), GOLD, GDX, SLV

- **WEAKER SECTORS– Texture BEARISH TOP with either BEARISH or NEUTRAL BOTTOM**

CRB, DBB, \$ WTIC

- **NEUTRAL SECTORS – Texture NEUTRAL TOP with NEUTRAL BOTTOM**
Or BULLISH TOP with BEARISH BOTTOM – is Neutral with Bullish bias
Or BEARISH TOP with BULLISH BOTTOM – is Neutral with Bearish bias

\$ COPPER

SIGNALS.

- **CRB (COMMODITY INDEX) – Remains Triggered within CZ 315-300 – “CAUTION”**

Midterm , On 04/27/2011, within Main CZ 360-340, we initiated NET SHORT Signal for a medium term downtrend

All subsequent commentary refers to CZ to CZ Risk Management moves within the NET SHORT / HEDGING stance .

NEW POSITION – Initiated HEDGING (or raise cash) within CZ 315-300.
TRIGGERED on 09/24 - close below 305 validated price for decline..

Triggered Action

CRB entered Bearish CZ 315-300 within POM 14 of SPX. Price Triggered on 9/24 for close below 305, Pre -Announced on 09/12 for commencement of HEDGING (or Raise cash). We advise to remain **CAUTION** till we advise otherwise . This signal completed the up move that was triggered on 05/21 in CZ 270-280 for NET LONG position @ POM 13

Projected Target

NEAR TERM - Downside Target No Projection

MID TERM – Positions should continue to remain Hedged (or Cash). Downside Target to be achieved at next POM 13 in SPX.

- **NAT GAS)- UNG** – *Remains Triggered in CZ 16.5-16 – “NET LONG”*

NEW “CORE” POSITION – NONE

Triggered Action

Announced Commencement of NET LONG in CZ 16.0-16.5 .

Projected Target

NEAR TERM - Upside Target – CZ 23.75-22.5, Remain NET LONG

MID TERM – Existing positions should continue to remain NET LONG

- **OIL (\$ WTIC)** – *Remains Triggered within CZ 99-97 – “CAUTION”*

NEW POSITION – *Initiated HEDGING (or raise cash) within CZ 99-97 only upon the Trigger ,
TRIGGERED on 09/17 - close below 96 validated the price for decline.*

Triggered Action

OIL entered CZ 99-97, Price Triggered on 9/17 for close below 96, Pre -Announced on 09/12 for commencement of HEDGING (Raise cash). We advise to remain **CAUTION** . This signal completed the up move that was triggered on 05/21 in CZ 83-81 for NET LONG position @ POM 13

Projected Target

NEAR TERM - Downside Target – CZ 86-88. , PEC-D @ 87

MID TERM – Positions should continue to remain Hedged (or Cash). Downside Target to be achieved at next POM 13 in SPX / CRB

GOLD – Remains Triggered at POM 13 @ 1540 within CZ 1540 -1580 – “NET LONG”

Mid term - on 02/05/2010, at **POM 12- CZ 1125-1075**, we initiated **FULLY LONG Signal** for a Long term target of **2150**

All subsequent commentary refers to **POM 13 to POM 14** moves within the NET LONG stance. CZ to CZ moves for Risk Management.

NEW POSITION - Announced **ALERT** - on 9/17, to Exit ½ Position in GOLD @ 1770 as Risk Management move. Hold the remaining ½ Net long position till POM 14 Target

Triggered - Action

We advise POM 13 on remaining ½ Net long position to continue till we advise otherwise. POM 13 is rally up phase triggered 5/15 at **1540** for commencement of NET LONG position within **CZ 1540-1580**.

Projected Target

NEAR TERM – Downside pull back to **CZ 1690-1675 (PEC-D @ 1695)**

MID TERM –Upside **target is CZ 1790-1820** for POM 14. Existing ½ positions continue to remain NET LONG till next POM 14 is Triggered .

Brief Commentary on Price path

In the current GOLD rally, the price of 1770,(PEC-D) showed -ve divergence. The floor for pull back is **CZ 1690 -1675 with PEC-D's @ 1695**. October seasonality is weak and we would not like to overweigh

USD has bottomed and triggered **CZ 79.55- 79**, when USD rally begins should place pressure in GOLD for pull back. . .

GDX (MINERS) – Remains Triggered at POM 13 – CZ – “NET LONG”

NEW POSITION – Announced ALERT - on 9/17, to Exit ½ Position in GOLD @ 1770 (GDX 53-54). We use this Signal to exit ½ GDX as Risk Management move. Hold the remaining ½ Net long position till POM 14 Target

Triggered - Action

We advise POM 13 on remaining ½ Net long position to continue till we advise otherwise. POM 13 is rally up phase triggered 5/15 at 41 for commencement of NET LONG position within CZ 41-43.

Projected Target

NEAR TERM – Downside pull back to CZ 50-48 (PEC-D @ 48.25)

MID TERM – Existing ½ positions continue to remain NET LONG till next POM 14 is Triggered

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COMMODITY – Market Overview Commentary

SEC recently setup funding to Analyze the impact of “Laws of Physics” on Market moves with Price & Volume Data Analytic System . Dr. Gregg Berman – Dean of Physics Department from Princeton University should be heading this committee . We welcome them to our world of PQV , CZ & PEC-D !!!

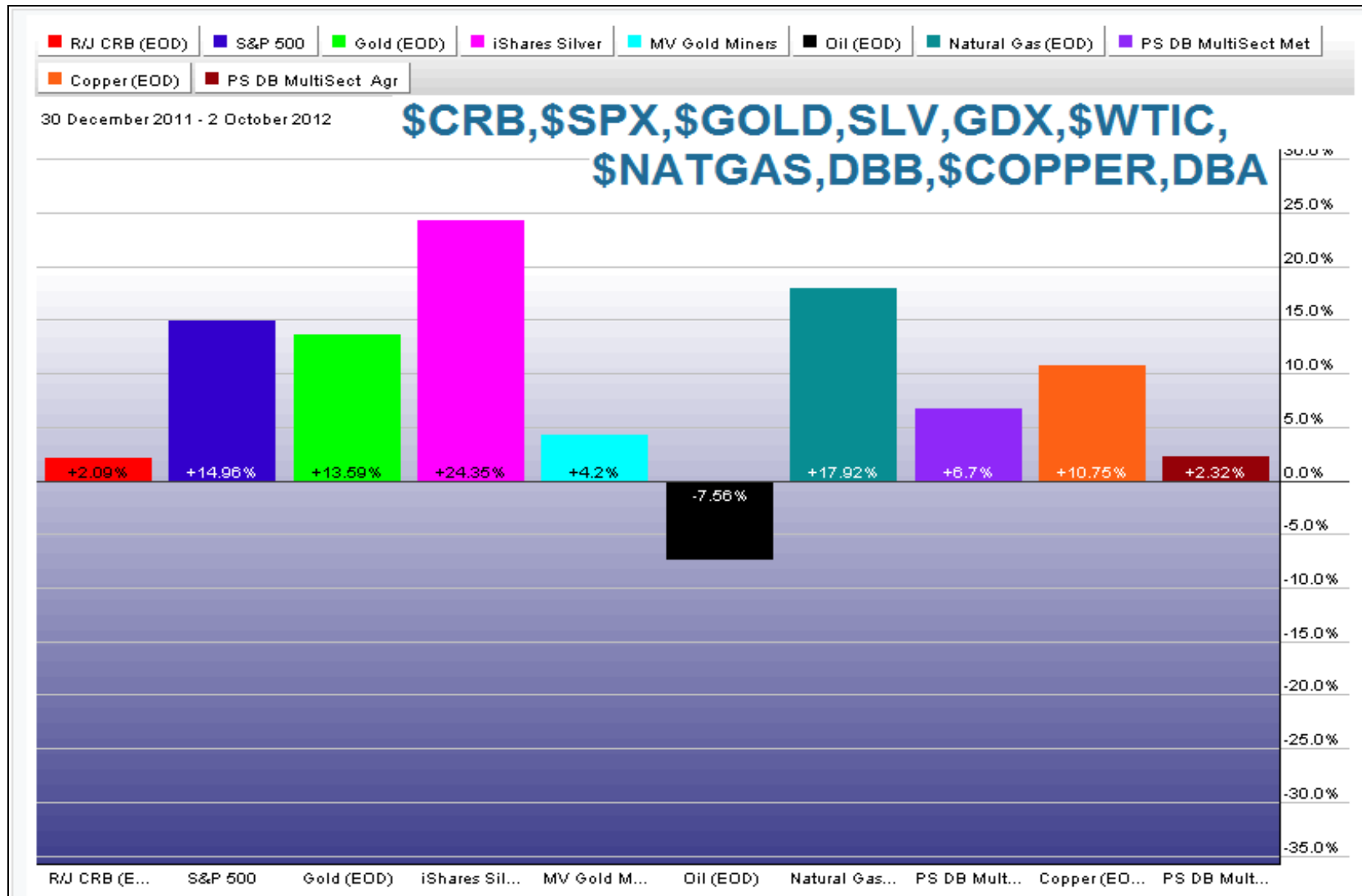
USD -Triggered into **CZ 79.55 -79.00** to re position us NET LONG . USD's rally should assist in pull back of GOLD. USD is very close to CZ and possibly can retest one more time.

SLV has tested the Bottom successfully and has been outperforming GOLD. Once the anticipated pull back in metals market is complete , we shall re visit SLV for new entry point for next leg up. .

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

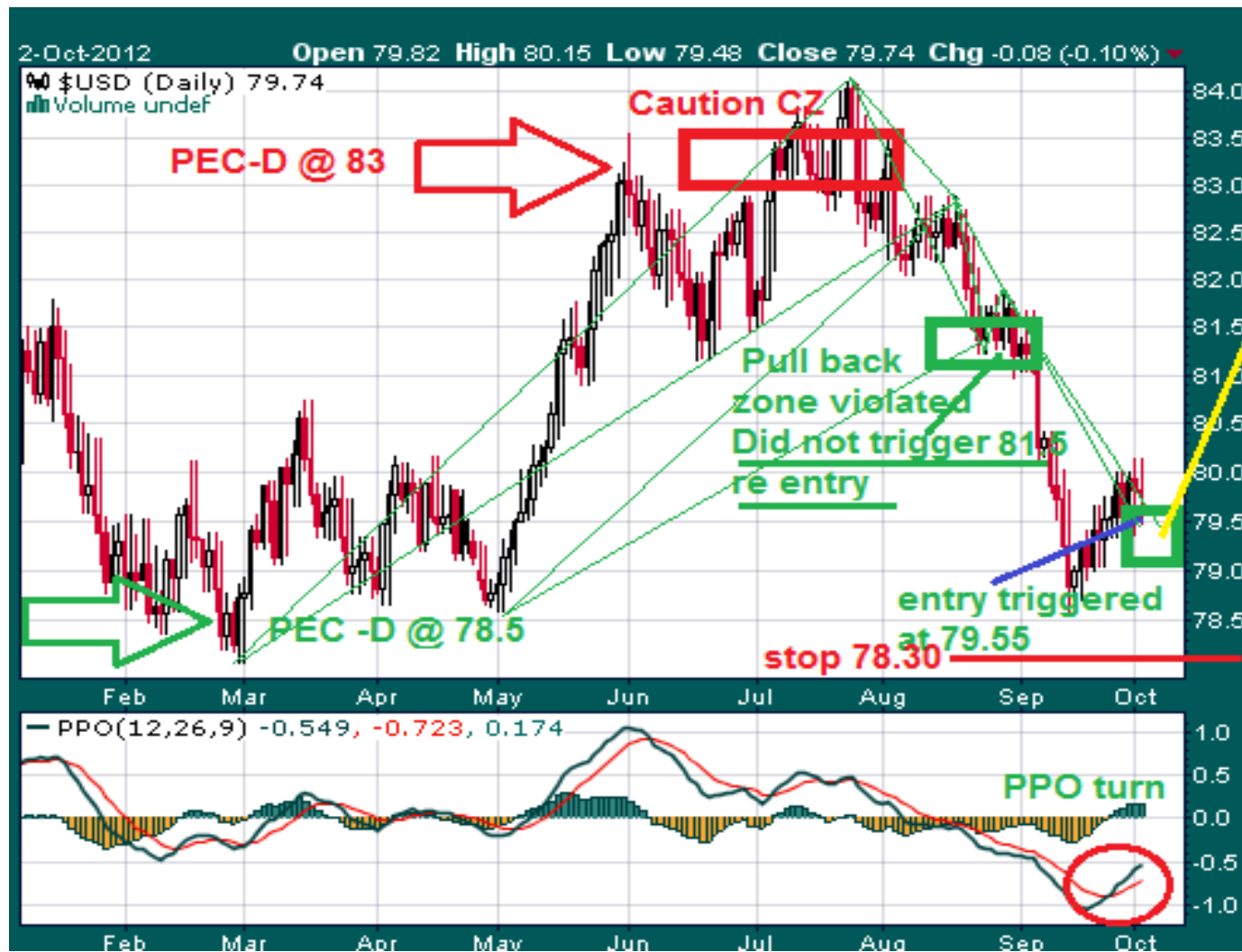
Weakest and strongest Indices for PAIR TRADES

2012 - Strength / weakness in these market . Chart below is our Inter market Analysis Model with Ratio Relative performance v/s CRB .



USD – PEC D – Analysis – NEAR TERM

Downside pull back target to CZ 79.55 -79.0, Triggered entry for NET LONG . High possibility USD may retest CZ again before the rally begins. – Notes within chart.



CRB / DBC- with CZ/ PEC-D & Oscillator Analysis

Upside - Bearish **CZ – 315-300, PEC-D – 305** (Notes within the charts)



CRB v/s SPX - Inter Market Analysis – MID TERM

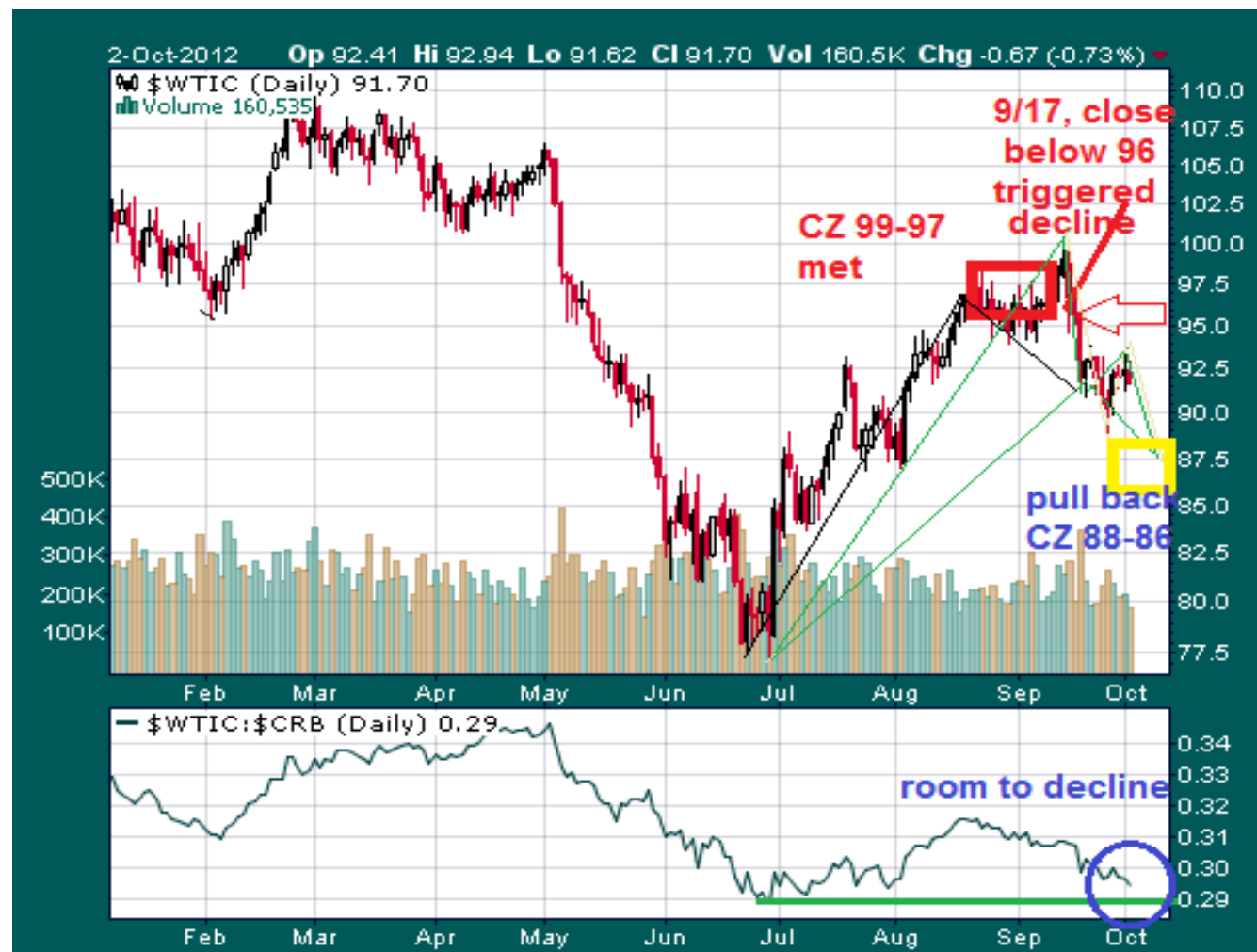
CRB has been lagging considerably since our POM 13 rally . Suggests since POM 14 trigger CRB has not moved higher from its CZ 315-300. This is –ve divergence



OIL – CZ / PEC –D / Oscillator Analysis -

Our Trigger point of 96 was triggered 9/17 for price failure in CZ 99-97 & OIL sold off to 90 levels Earlier - Move above 99 to 101 was false break , Bull Trap

DOWNSIDE – CZ – 86-88, PEC-D – 87.



NATGAS (UNG) – CZ / PEC –D / Oscillator Analysis -

Upside target -, CZ – 23.75- 22.5 (3rd ABC up) , After pull back this market should move higher.

Initiated at - CZ 16.5 -16.



GOLD – CZ/ PEC- D Analysis – **Near Term**

Upside - **POM 14 – area 1790- 1820**, 3RD ABC up with BULLISH TOP (**Exited ½ position @ 1770 on 9/17 for Risk Management**)

Near Term Pull back – **CZ – 1695-1680, PEC-D – 1695**,. Bullish Top tends to have shallow retracements.



GOLD – Oscillators Analysis – **Near Term**

NEAR TERM – Divergence & Toppo, But need to digest the gains.



SLV – CZ / PEC –D Analysis - **Near Term**

Upside - Bullish Top , 3RD ABC up - **CZ – 33.75-32.5- completed**

Near Term Pull back – **CZ 30.75 – 29.75 , PEC –D @ 30.50**



GDX – CZ – PEC-D Analysis - **Near Term**

Upside - Bullish Top . 3RD ABC up, (Exited ½ position)

Near Term Pull back – **CZ – 50-48,, PEC-D 48.25**



XAU – CZ/ Pattern Analysis - Mid Term

Monthly XAU chart , Mid term bullish combination, successful test of CZ 140 -160. Rally is intact – Till next POM 14 is Triggered. .



COPPER - CZ/ PEC –D Analysis -

The rally exceeded CZ 3.65 -3.60 with Bullish strength . We let the Trend go higher for further upside.
– NO SIGNAL



- **EXTREAME Sentiment Analysis GOLD & Currencies**

- **(3rd Party Data)** - Courtesy : SENTIMENT TRADERS

GOLD

None @ EXTREMES

- *SENTIMENTS - GOLD – PUBLIC OPINION*
- *SENTIMENTS - RYDEX CASH FLOW*
- *SENTIMENTS - GOLD – COT*

- **CORRELATION RATIO ANALYSIS** - *Inter market Analysis*

GOLD v/s GDX (XAU)

- **None @ EXTREMES**

GOLD v/s SLV

- **None @ EXTREMES**

- **CORRELATION RATIO ANALYSIS - *Inter market Analysis***

CRB v/s SPX

- ***Direct Correlation continues in Current Trend***

CRB v/s USD

- ***Inverse Correlation continues in Current Trend***

OIL v/s SPX

- ***None @ EXTREMES***

COPPER v/s SPX

- ***None @ EXTREMES***

COPPER v/s CHINA

- ***None @ EXTREMES***

Appendix Content

- 2012 YTD – GOLD, GDX, CRB - Position Summary
- Objectives & POM /CZ / PEC –D Guidelines – Refer to detail Annexure
- Full Utilization of “ SP” Report Guidelines & Limitations - Refer to detail Annexure
- POM – “ Price Oscillation Model “ Criteria
- PEC –D “ Pythagoras – Expansion & Contraction Criteria
- CZ- Confluence Zone Criteria
- TEXTURES – Bullish , Bearish , Neutral
- Chart Analysis
 - *Trend & Oscillator Analysis,*
 - *PEC –D Analysis,*
 - *Poly- Trend Analysis,*
 - *Pattern / CZ – Price & Volume Analysis.*
 - *Externe Indicator Analysis*

- **OUR GOLD POSITIONS 2012 (FYI)**

1) Triggered - POM 13 – NET LONG Position in CZ (1540-1580) , initiated dated 5/16

2) CLOSED – ALL HEDGES from POM 14 @ CZ - 1775-1750 at CZ 1580.

- **OUR GDX POSITIONS 2012 (FYI).**

3) Triggered - POM 13 – NET LONG Position in CZ (41-43) , initiated dated 5/16

4) CLOSED – ALL HEDGES from POM 14 @ CZ – 64-62 at CZ 52.

- **OUR CRB POSITIONS 2012 (FYI).**

5) Triggered - POM 13 – NET LONG Position in CZ (260-280) , initiated dated 5/25

6) CLOSED – ALL HEDGES from POM 14 @ CZ – 330-320 at CZ 280

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

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