



SG Capital Research

Global Market Insights

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

**MAEG – COMMODITY REPORT\_SP\_C\_SG 2012 # SEPT\_12**

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

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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***

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

- 1- Executive Summary .

**SIGNALS.**

- CRB ( COMMODITY INDEX) – Has Entered CZ – “CAUTION”

**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 moves within the NET SHORT stance .**

**-Action - To be Triggered**

CRB entered Bearish CZ 315-300 within POM 14 of SPX , for commencement of HEDGING. We advise to remain **CAUTION** till we advise otherwise . This signal completed the up move that was triggered on 05/25 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 Fully HEDGED, Mid-term downside Target to be achieved at next POM 13 in SPX.

**NEW POSITION** – Initiate HEDGING within CZ 315-300,  
**TRIGGER TO WATCH** - close below 305, for price validation.

- **OIL ( \$ WTIC) – Has Entered CZ – “NEUTRAL”**

**- Action - To be Triggered**

OIL entered Neutral CZ 97-99. We advise to remain **CAUTION**. This signal completed the up move that was triggered on 05/25 in CZ 83-81 for NET LONG position @ POM 13

**Projected Target**

NEAR TERM - The Neutral CZ has Bullish consolidation with volume picking up. The Upside break has **Target of 103.**, Failure on further up move would be decided only if price of 99 is tested and close under 96.

MID TERM – Mid-term downside Target to be achieved at next POM 13 in SPX

**NEW POSITION** – **Initiate HEDGING only upon Trigger , TRIGGER TO WATCH - close below 96, for price failure.**

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

**Triggered Action**

Commencement of NET LONG in CZ 16.0-16.5 .

**Projected Target**

NEAR TERM - Upside Target – **CZ 22.5 -23.5**, Remain NET LONG

MID TERM – Existing positions should continue to remain NET LONG.

**NEW “CORE” POSITION** – **NON**

## **GOLD – Remains Triggered at POM 13 – CZ – “NET LONG”**

**On 02/05/2010, at POM 12- CZ 1125-1075, we initiated FULLY LONG position 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.**

### **Triggered - Action**

Announced POM 13 on 5/15, at 1540 when we advised commencement of NET LONG in CZ 1540-1580. POM 13 to continue till we advise otherwise. This signal completed previous POM 14 that was triggered 2/1 in CZ 1740-1775 for HEDGING positions.

POM 13 is rally up phase .

### **Projected Target**

UPSIDE – Our Target of PEC-D @ 1732, CZ 1725 has met & exceeded with Bullish Top. Downside pull back to CZ 1690-1675 ( PEC-D @ 1695)

MID TERM – Existing positions continue to remain NET LONG,

### **NEW “CORE” POSITION – NON**

#### **Brief Commentary on Price path**

In the current GOLD rally, this is the 3<sup>rd</sup> ABC up. Each has been with Bullish Top. Such Tops invariably exceeds projection Targets by some margin. It also suggests a shallow Retracement . The floor for pull back on this leg up is CZ 1690 -1675 with PEC-D's @ 1695. Usually the pull back from Bullish Tops tends to hold. .

The next meaningful top should come in at our next POM 14.- potential **target to 1825**, the validation should come in after the first sign of pull back.

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

### **Triggered - Action**

Announced POM 13 on 5/15, at 41 when we advised commencement of NET LONG in CZ 41-43. POM 13 to continue till we advise otherwise. This signal completed previous POM 14 in CZ 57-55 for HEDGING positions.

POM 13 is rally up phase .

### **Projected Target**

UPSIDE – GOLD – Our Target of PEC-D @ **49.2 within CZ 49-48**. Downside pull back to CZ 45-44

MID TERM – Existing positions continue to remain NET LONG,

### **NEW “CORE” POSITION – NON**

### **Brief Commentary on Price path**

The upside target of **49.2** is met with Bullish Top. The floor for pull back on this leg up is CZ 45-44. Usually the pull back from Bullish Tops tends to hold, however PQV should validate this retracement.

Overall GDX has PQV Validated, Bullish H & S bottom in place.

## **BACK UP SECTION – II.**

**Commentary & Charts below is backup for cross verification and in- depth understanding behind our Logic with Risk limitation please refer.**

## **COMMODITY – Market Overview Commentary**

*This week is action packed with News from EURO – land, German Court verdict. .EUR/USD in currency Report entered CZ 126-125, but did not close under our Trigger price of 125.5 for trigger and continued higher on political optimism.*

*FOMC announcement tomorrow 12.30 PM. QE-3 might have been backed in the cake as we come closer to this week's cycle turn day and multiple pattern completion in CZ. .*

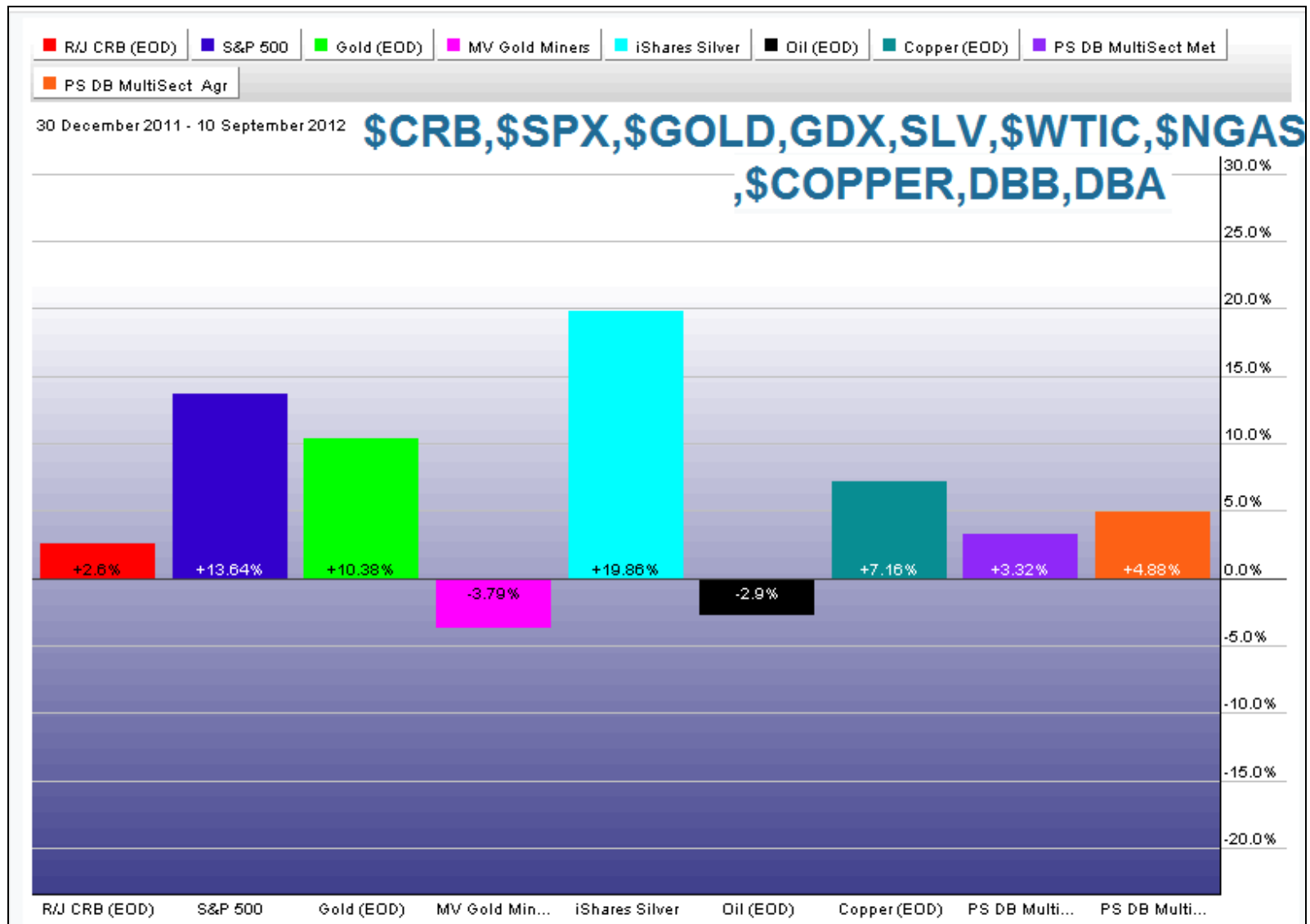
*USD entered CZ 81.25-82.5 but did not close above our Trigger price of 81.5 and continued lower with light volume. This is False break below. Pull back could go to 79.9. This is impacting Risk on Market for its continue move higher. Number of pattern are completing in CRB .*

*SLV has tested the Bottom successfully and has outperforming GOLD , but conflicting Short Interest . Rumor has it , SLV is manipulated makes us little suspect. .*

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

**2012 Weakest and strongest Indices - FOR PAIR TRADES - Chart below, is our Inter market Analysis Model with Relative performance v/s CRB)**



## USD – PEC D – Analysis – NEAR TERM - CZ – “NET LONG”

Downside pull back target to CZ 81.25-82, broke down on false break with low volume. Pull back could go to 79.9. Close above 81.50 would Trigger

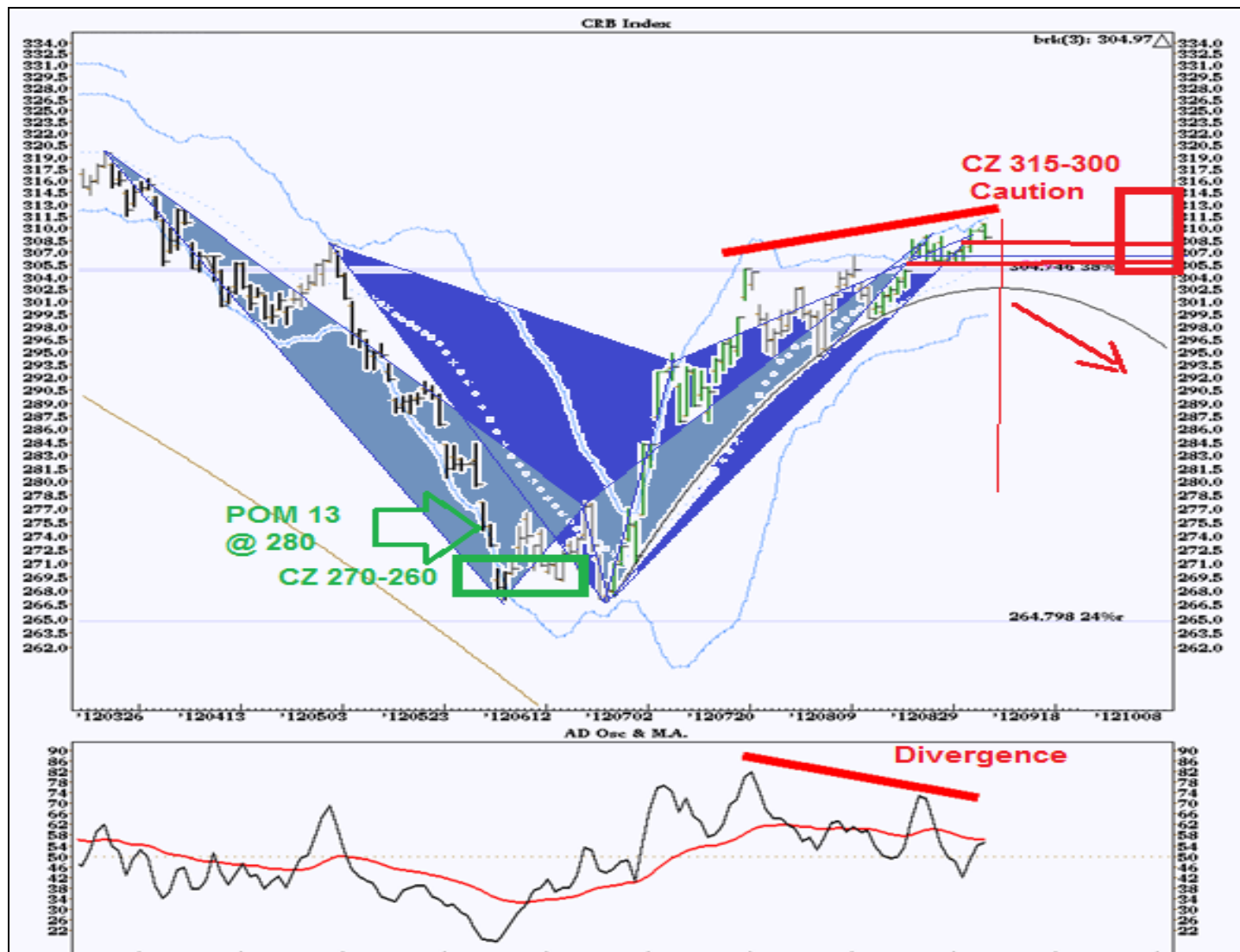
Upside Target 84 towards Bullish Top . ( Notes within the charts )





# CRB / DBC- with CZ/ PEC-D & Oscillator Analysis - **Has Entered CZ – “CAUTION”**

**Projections-** Rally of POM 13 has gone into the bearish **CZ – 315-300, PEC-D – 305** approaching the PEAK of POLY TERND line , right side is slope down. ( Notes within the charts)



# CRB / DBC- with CZ/ Poly Trend Analysis – MID TERM - Has Entered CZ – “CAUTION”

Projections- CZ – 315-300, has approached from under the Long term Poly Trend ( Notes within the charts)

## MID TERM –

CRB retraced a Fib 62% of its 2008-2009 bear market and ran into CZ 360-370 ( Our main Trigger) 4/27 & 50% of its move CZ 340-350 . 4/27/ 2011. Bounces are within the confines of larger declines of “lower highs and lower lows” continues .



# GOLD – CZ/ PEC- D Analysis – “NET LONG” @ 1540

Projections- ( Notes within the charts)

Upside - PEC-D – 1732, Extension is with Bullish Top . 3<sup>RD</sup> ABC up, CZ – 1725-1720

Potential Near Term Pull back – CZ – 1695-1680, PEC-D – 1696, . Bullish Top tends to have shallow retracements



# SLV – PEC –D Analysis - NET LONG @ 27 with GOLD @ 1540

Projections- ( Notes within the charts)

Upside - PEC-D – 32.75 , Extension is with Bullish Top , 3<sup>RD</sup> ABC up - CZ – 33.75-32.5

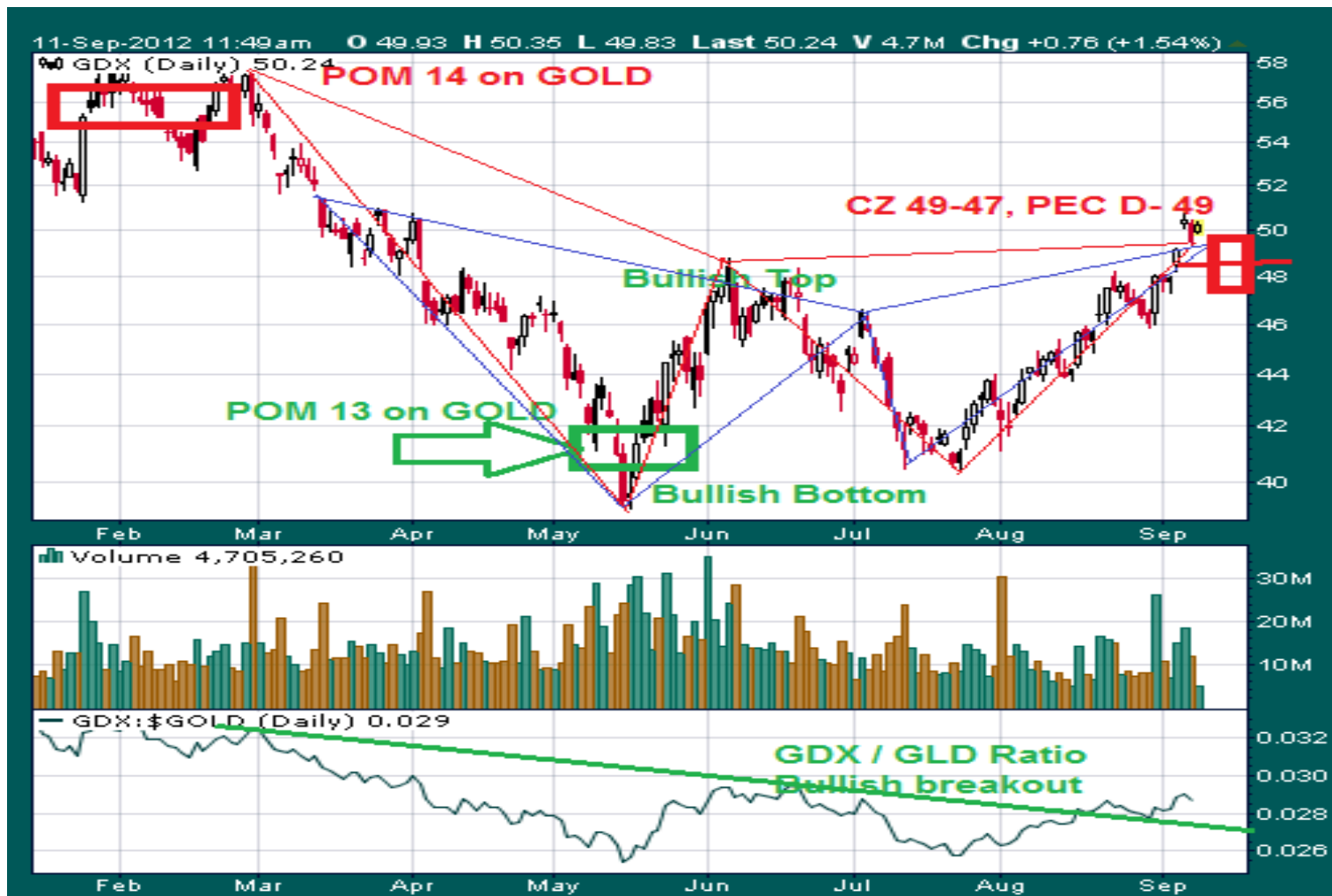


# GDX – CZ – PEC-D Analysis - *NET LONG*" @ 41 with GOLD @ 1540

Projections- ( Notes within the charts)

Upside - *PEC-D* – 49 , Extension is with Bullish Top . 3<sup>RD</sup> ABC up, *CZ* – 49-47

Potential Near Term Pull back – *CZ* – 45-44,



# XAU – CZ/ Pattern Analysis - Mid Term - CZ – “NET LONG”@ CZ 140-160

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



## OIL – PEC –D Analysis - **Has Entered CZ** – “NEUTRAL”

The rally has approached the Neutral CZ. This has Bullish consolidation with volume picking up. The Upside break has **Target of 103.**, Failure would be decided only if 99 is tested and close under 96.

TRIGGER TO WATCH - close below 96, for price failure. (Notes within the charts)



## COPPER - PEC -D Analysis - **Has Entered CZ** - "NEUTRAL"

The rally has approached **PEC-D 3.65** Target, But appears extra strength within CZ. We let the Trend go higher for further upside.





# NATURAL GAS – UNG - MA / Pattern & Oscillator Analysis - **“NET LONG”**

Upside target projected - -, CZ – 22.5-23.75 (3rd ABC up)

Downside – Initiated at - CZ 16 tested . (Notes within the charts)



- **EXTREAME Sentiment Analysis GOLD & Currencies**

- **( 3<sup>rd</sup> 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
- 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 2<sup>th</sup> 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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