Week 28

14th July – 20th July 2009

Summary

Energy
+ Light Crude Oil
+ Natural Gas
+ Heating Oil

Metals
+ Gold
+ Silver
+ High Grade Copper

Grains and Softs
+ Soybeans
+ Wheat
+ Sugar 11
+ Cocoa
+ Coffee
+ Cotton No.2

Other
+ Orange Juice
+ CRB Index

Disclaimer

the commodity trader's guide to major markets

Philip J Allwright

Mark Sturdy

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summary – commodity trader

Summary

Energy			
+ Light Crude Oil	**Go**	**SQUARE**	s/term pullback remains in progress (Aug-09)
+ Natural Gas	**Go**	**SQUARE**	s/term weakness has violated the late Apr low now (Aug-09)
+ Heating Oil	**Go**	**SQUARE**	pullback deeper than first expected (Aug-09)
Metals			
+ Gold	**Go**	**BEARISH**	s/term bear risk after key support breached (Aug-09)
+ Silver	**Go**	**BEARISH**	s/term pullback continues – we must respect the bears still (Sep-09)
+ High Grade Copper	**Stay**	**BEARISH**	pullback from 38.2% recovery level now underway (Sep-09)
Grains and Softs			
+ Soybeans	**Go**	**BEARISH**	pullback from 38.2% recovery level has continued (Nov-09)
+ Wheat	**Stay**	**BEARISH**	Dec-08 low now under bear pressure (Sep-09)
+ Sugar 11	**Stay**	**BULLISH**	s/term resistance found near Fibo projection at 18.20 (Oct-09)
+ Cocoa	**Stay**	**BULLISH**	s/term 76.4% level has prompted a rebound (Sep-09)
+ Coffee	**Go**	**SQUARE**	deep pullback has now violated a 76.4% support (Sep-09)
+ Cotton No.2	**Stay**	**BULLISH**	strong bounce seen off 50% pullback level (Dec-09)
Other			
+ Orange Juice	**Stay**	**SQUARE**	s/term strong bounce underway (Sep-09)
+ CRB Index	**Go**	**BEARISH**	pullback from 23.6% recovery level continues

Energy

The pullback in **Crude Oil** has continued, with notable losses last week. These losses were even more pronounced in **Heating Oil –** in both cases it is currently unwise to try and pick a bottom. **Natural Gas** has been disappointing, latest weakness now sidelining earlier bulls.

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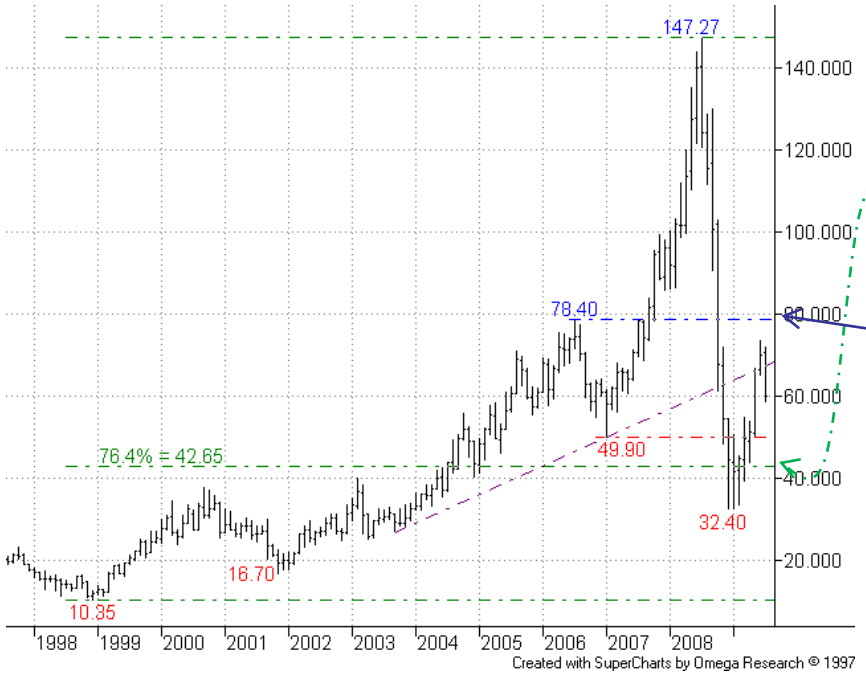
Currencies: Light Crude Oil (NYMEX)



Monthly Chart – Continuation:

The steep drop from the 2008 peak violated the 42.65 76.4% level but the market failed to stay beneath this –

and is now in recovery mode.

The old 78.40 Jul-06 high is worth keeping in mind as a potential resistance point.

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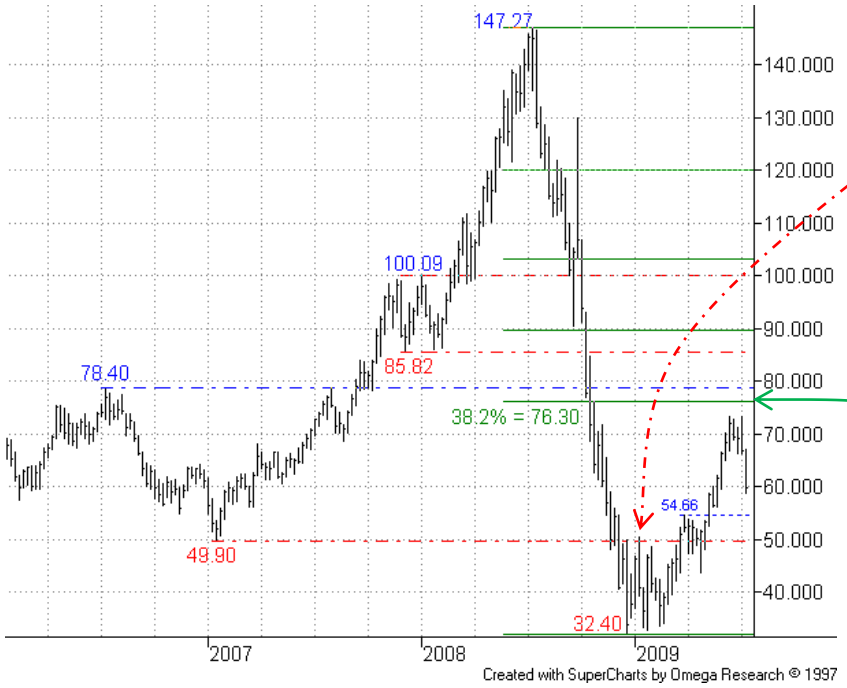
Energy: Light Crude Oil (NYMEX)



Weekly Chart – Continuation:

After the late 2008 break below 49.90 Jan-07 low the market started to base.

The move back above this key 50.00 resistance area completed this process, favouring medium term bulls.

On this continuation chart the 38.2% level lies just above 76.00, *but a pullback is being seen ahead of this.*

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SEVEN DAYS AHEAD

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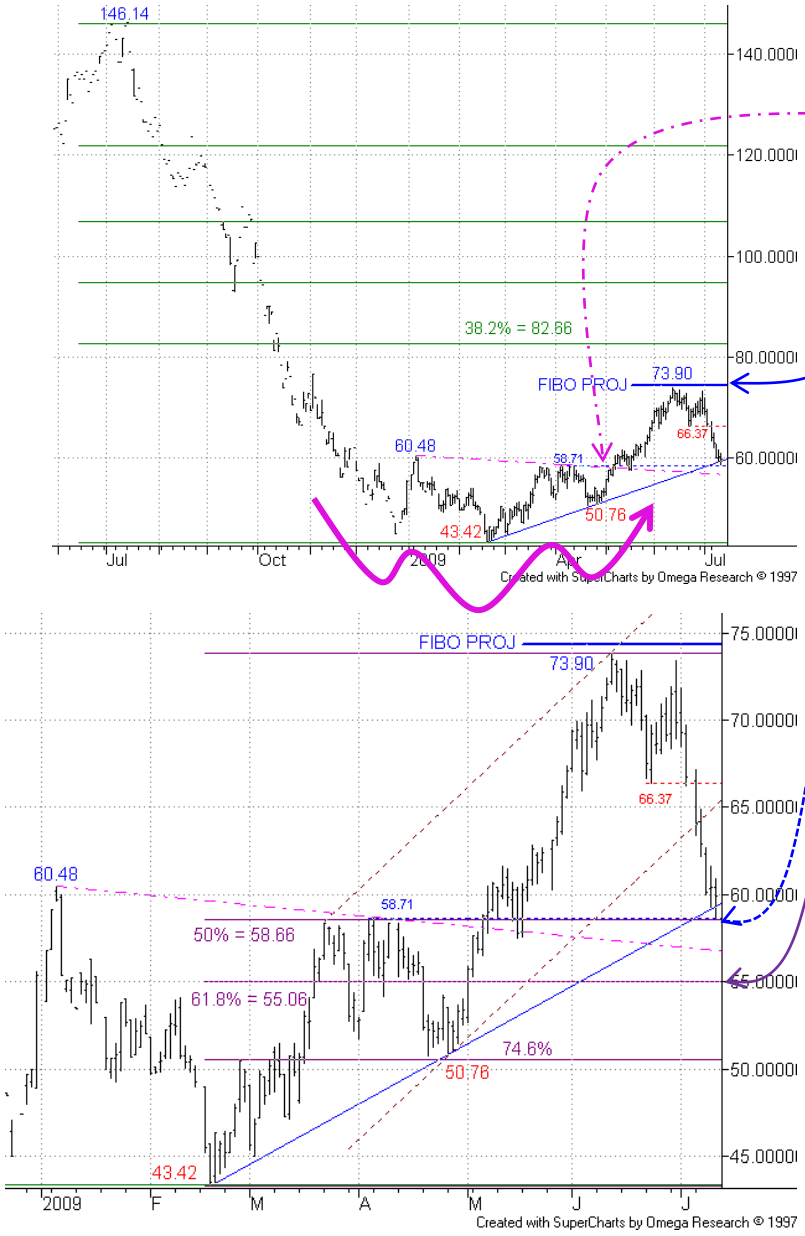
Energy: Light Crude Oil (NYMEX)



Daily Chart – Aug-09:

A medium term base completed after the break above the falling resistance line.

Current weakness, from just ahead of a Fibo projection around **74.50**, has now approached potential support from this line.

We had been looking for support at/above the 58.71 Apr high (also 50% level) – this has now been quickly tested after last week's break below 66.37 23-Jun low.

But also keep in mind that falling return line (56.75 now) and lower 61.8% near 55.00, where we calculate a Fibo projection coincides.

S/term we must await better reaction from the support areas as the current structure provides little hint of bear fatigue – a key reversal day would be very useful now!
For the above reasons buyers on dips will likely hold back still (we could have been very s/t sellers if price had rallied back towards 66.37). Stops below 55.00 would in any case be favoured now.
We adopt a sidelined stance for now.

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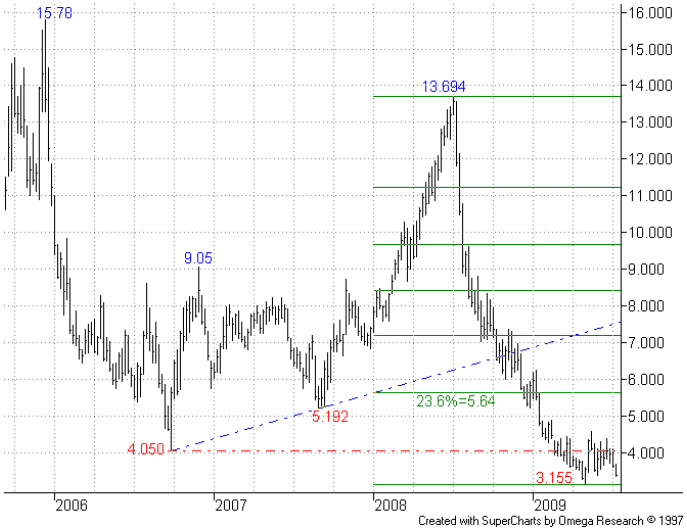
Energy: Natural Gas (NYMEX)

Monthly Chart – Continuation:

On this long term chart, the **4.0000** area has been breached.

If price holds below here then the projected bear channel base becomes next downside focus.



Weekly Chart – Continuation:

Bears had been grinding lower for many months – but following an early May low they have sidelined.

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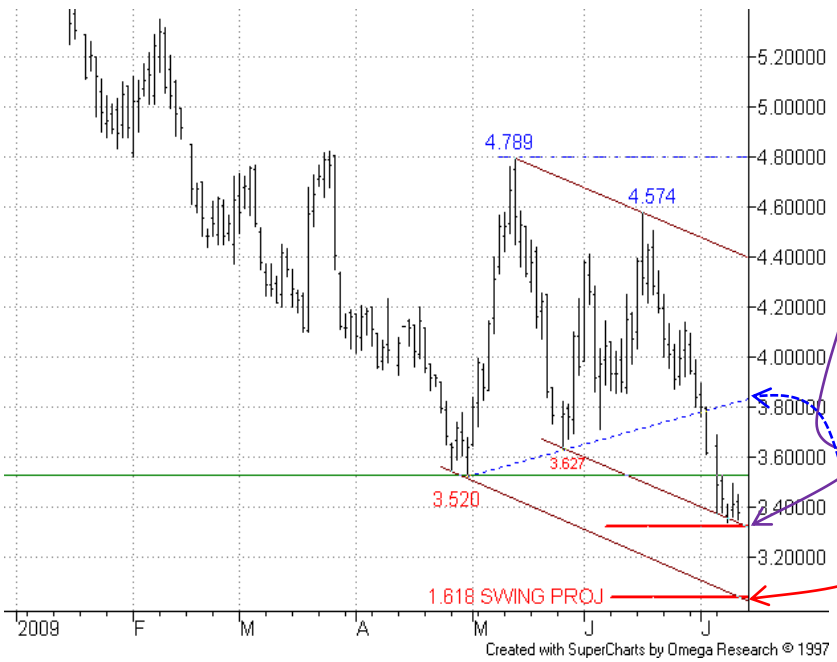
Energy: Natural Gas (NYMEX)



Daily Chart – Aug-09:

Last week saw breach of the 3.520 30-Apr low, sidelining earlier bulls.

S/term support has emerged from the small bear channel base projection we drew in last week (this, in fact, coincided with a Fibo projection which we have marked in now).

Note lower potential support from another projection around 3.04, and which currently lies close to the next channel base projection.

Resistance now comes from the old rising support/return line near 3.85 – a close back above here would be a small bull sign, a much better one would be a close beyond falling resistance at 4.40.

Any earlier speculative longs will have been stopped out just below 3.500 now.

We step to the sidelines for now, following an unsuccessful, somewhat aggressive bull stance.

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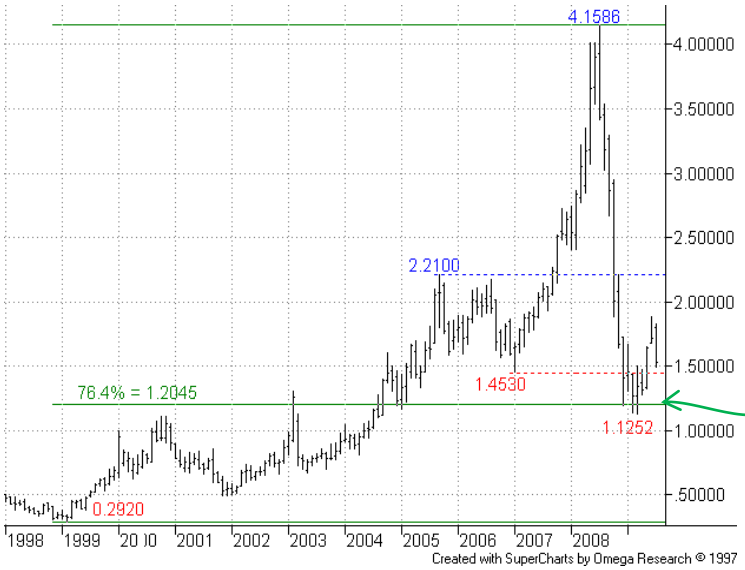
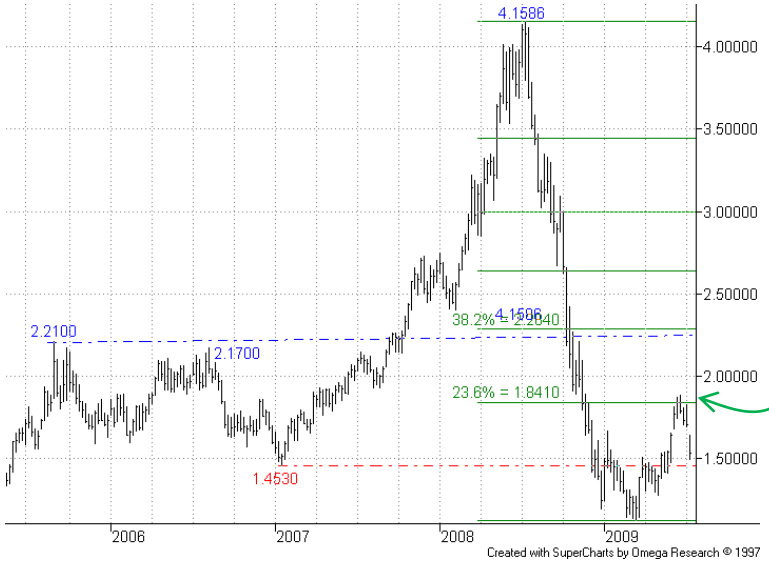
Energy: Heating Oil (NYMEX)



Monthly Chart – Continuation:

The substantial fall from last Jul's peak recently tested the 76.4% 1.2045 level early this year – a recovery is now unfolding.



Weekly Chart – Continuation:

The 23.6% 1.8410 level on the continuation chart was recently reached – it did indeed prove a good time for a pause in uptrend.

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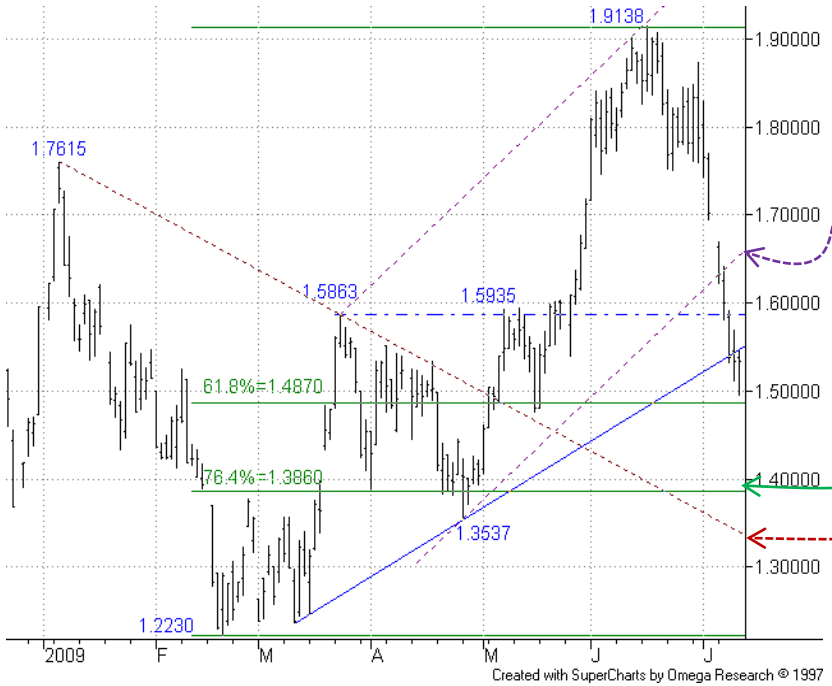
Energy: Heating Oil (NYMEX)



Daily Chart – Aug-09:

S/term losses have been quite dramatic – breaking the channel base projection and 1.5863 24-Mar high has added grist to the s/term bear mill.

Initially we weren't expecting a very deep retracement, but the chart is not far off that now.

We didn't think we would need to look at the 1.3860 76.4% pullback level, nor indeed the old falling resistance/return line at 1.3400 currently – *but we keep them in mind now.*

Indications of any bear fatigue are not yet evident.

We continue to hold off formulating buying strategies for now.

We adopt a sidelined stance s/term, with the risk still to the downside.

Metals

Gold's pullback has clearly violated first key support and we favour the bears s/term. **Silver** has been weaker, and we do not want to try calling for a turn yet. A pullback phase in **Copper** from the 38.2% recovery level on the continuation chart is underway now.

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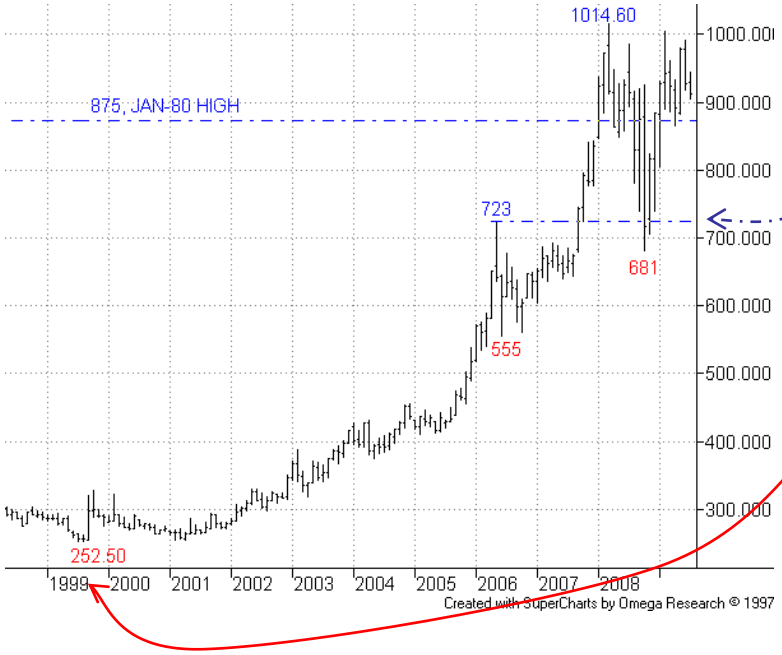
Metals: Gold (COMEX)



Monthly Chart - Continuation:

Last year's slip back eroded the major 723 May-06 high.

However, it failed to hold below here and the bull resurgence now threatens last year's peak (1031 on the current front month).

This chart shows the structure of the whole recovery from the major 1999 low.

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Metals: Gold (COMEX)

Weekly Chart – Continuation:

The recovery from just above the 76.4% level of the 2006/2008 upleg was very impressive.

New highs are sought in due course – *but shorter term there remains some uncertainty as to what sort of correction could yet be seen.*

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Metals: Gold (COMEX)

Daily Chart – Aug-09:

The breaches of the 920.50 27-Apr high and the rising support line look more conclusive now – we feel compelled to take an aggressive s/term bear stance now.

Interesting resistance comes from the 950 area (old rising support/return line and 26-Jun high). Of course, a recovery through the higher falling resistance line at 985 would be a good bull signal.

It is unclear what support the small 897 76.4% level can provide – note the potentially stronger 850.00/867.50 area, a bear channel base projection and 17/20-Apr low.

Aggressive sellers in the 925/30 area may favour initial stops above the 950 resistance (say just above 960), targeting 870/60 for partial profits before lowering stops to cost.

We adopt a s/term bear stance now.

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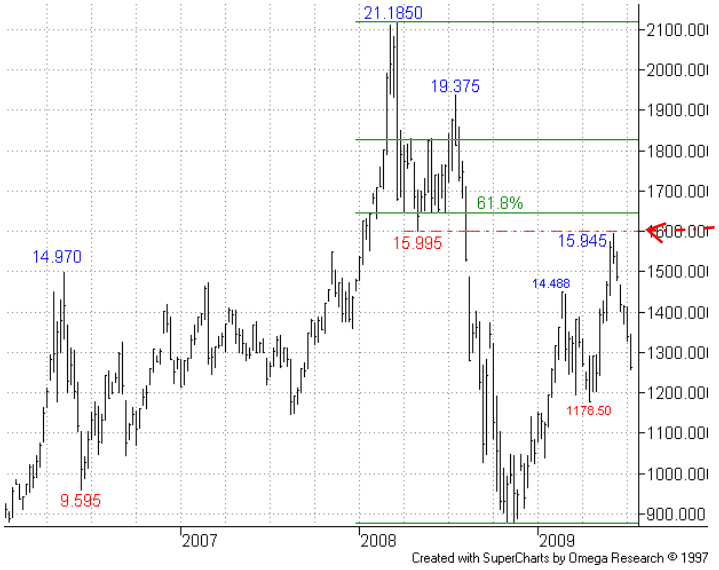
Metals: Silver (COMEX)

Monthly Chart – Continuation:

The long term chart shows how effective support was from a major 76.4% level (and highs from 2004/2005 too).

Note that an old rising support/ return line plus the May-08 low around 16.00 have recently provided effective shorter term resistance.

A pause in the medium term recovery is not a surprise here – but is just starting to look deeper than first expected.



Weekly Chart – Continuation:

The base of what looked like a strong resistance area repelled the recent bull advance very effectively.

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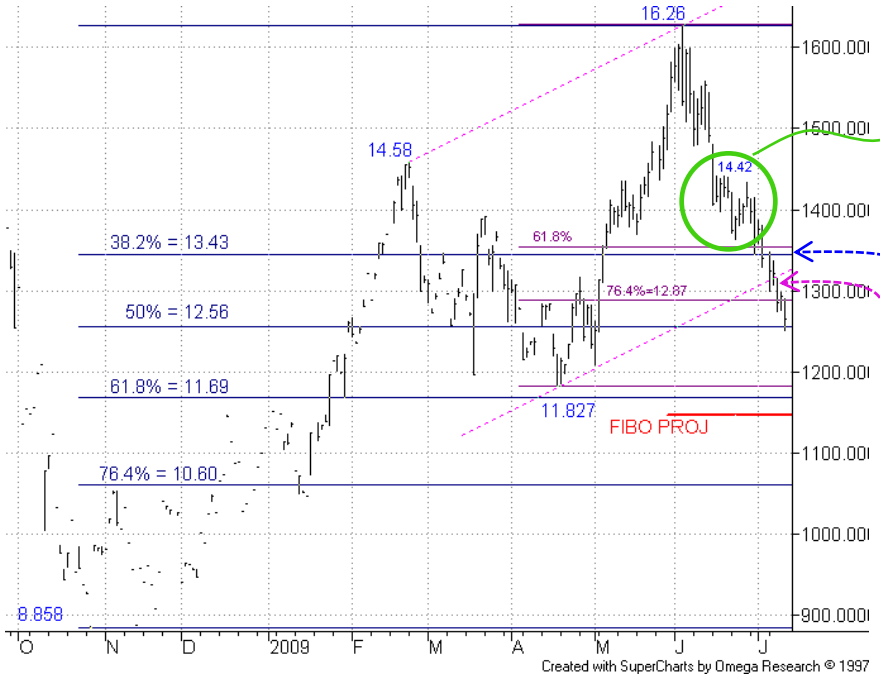
Metals: Silver (COMEX)



Daily Chart – Sep-09:

Last week we weren't sure if the s/term chart structure implied bear fatigue or heralded a further leg down – the latter occurred, and speculative buyers were kept on the sidelines.

In the end that dual Fibo support at 13.52/43 wasn't very effective.

The break of the bull channel base projection is a further negative sign.

Note next support area at 11.827/ 11.69/11.44, Apr low, 61.8% and a Fibo projection.

Note s/term resistance from 13.635 23-Jun low – **low risk entry for sellers on rallies now is unclear, but will likely be ahead of 13.635 (ideally just ahead), stops probably above 14.42 18-Jun high.**
We had a sidelined stance (it was difficult deciding when to go formally bearish, although we have been right in our call for a pullback after the 03-Jun key reversal day, and unsuccessfully tried to be theoretical sellers) but we must respect the bears for now and adopt a bear stance.

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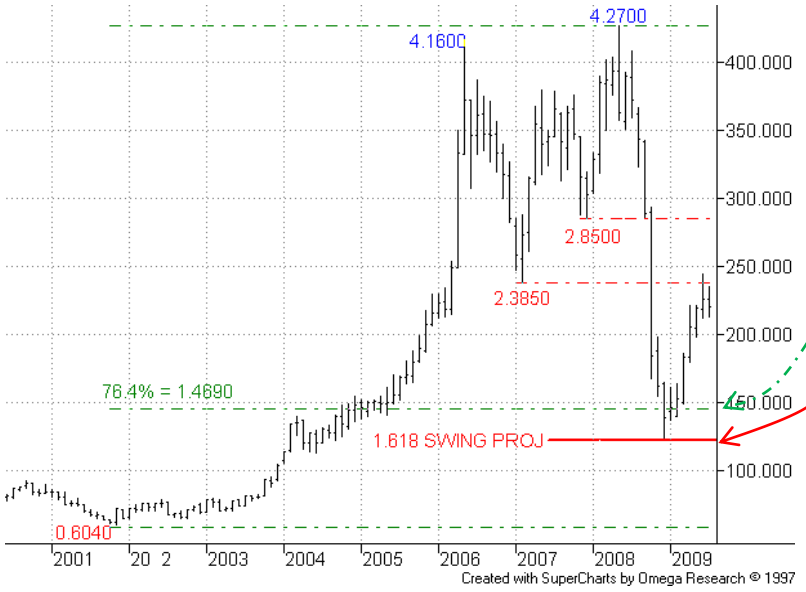
Metals: High Grade Copper (COMEX)



Monthly Chart – Continuation:

The major reversal from 427.00 May high eroded the deep 76.4% retracement of the 2001-2008 upmove, around 146.90.

But the lower 122.00 area, 1.618 swing projection off prior 238.50-427.00 upleg, provided good support.

Weekly Chart – Continuation:

Recovery from the 1.2475 Dec-08 low recently encountered dual resistance from the 2.3850 2007 low and 38.2% recovery level.

A pullback from here is not a surprise.

The structure of the 2009 recovery had looked mature to us too.

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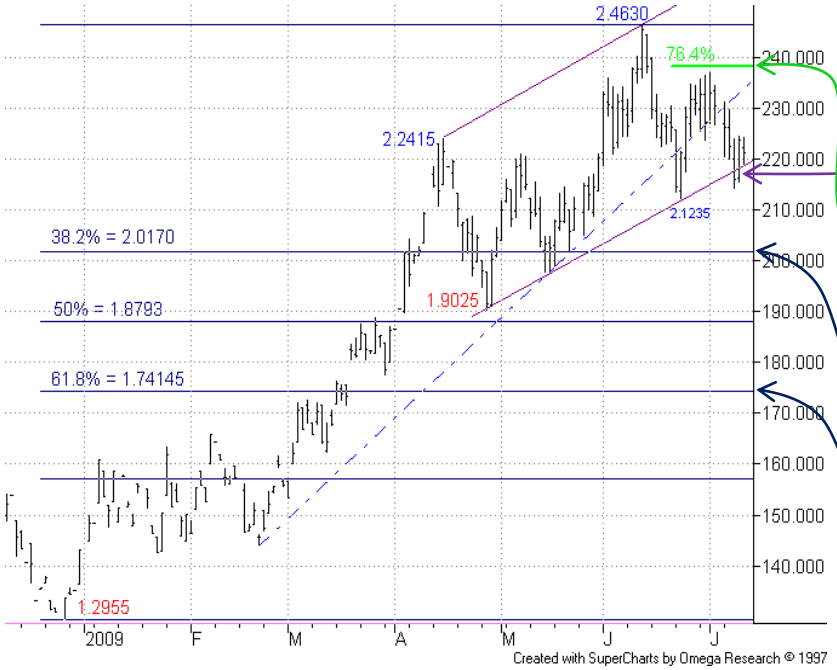

Daily Chart – Sep-09:

We remain s/term bears here.

Earlier support from the small channel base has been eroded now, which follows effective resistance from the small 76.4% bounce level at 2.3830.

A further break of the 2.1235 23-Jun low would be additionally negative.

Bears initially target the 2.0170 38.2% pullback area. In the event of a deeper correction we are inclined to focus on the 1.7415 61.8% area next.

We regard weakness as temporary however, within the medium term bull picture.

Any speculative shorts as suggested last week (entry assumed within 2.2600/3100 area) will have initial stops just above that 2.3830, say 2.4000. Partial profits targeted towards 2.0200, stops then lowering to at least cost.

We maintain a s/term bear stance now.

Grains and Softs

Soybeans have continued to pullback, favouring a bearish stance now. In **Wheat** the losses have been notable deeper. **Sugar** has stayed firm but has found resistance from our Fibo projection level. **Cocoa** has so far enjoyed a modest bounce off a 76.4% support, but **Coffee** has seen a breach of its 76.4% support, putting us on the sidelines. **Cotton** bulls continue to dominate the s/term picture.

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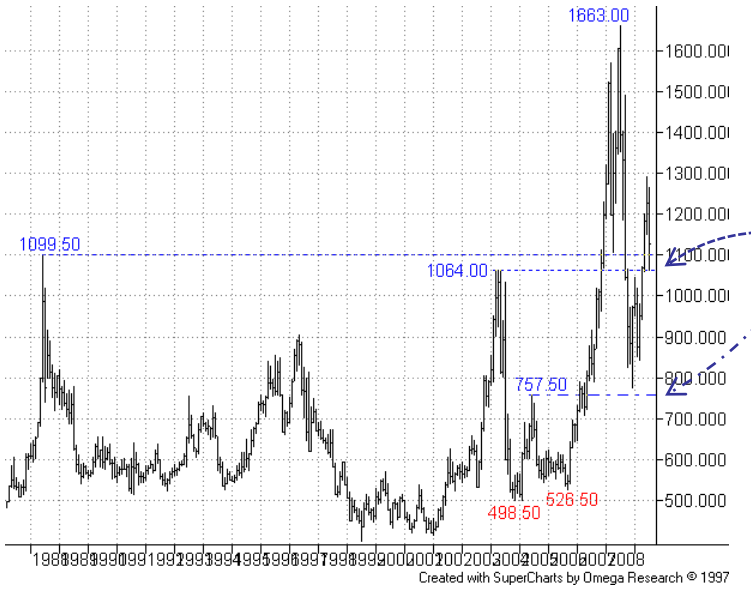
Grains and Softs: Soybeans (CBOT)



Monthly Chart - Continuation:

The major downmove finally found support near the 757.50 Jun-05 high.

Subsequent recovery exceeded the old 1988 1009.50 and 2004 1064.00 highs.

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Grains and Softs: Soybeans (CBOT)

Weekly Chart – Continuation:

The 76.4% retracement of the 2006-2008 upmove, in the 790s, and the Jun-05 757.50 high, provided a very effective zone of support.

The current pullback has now closed in on the 1046.50 Jan high.

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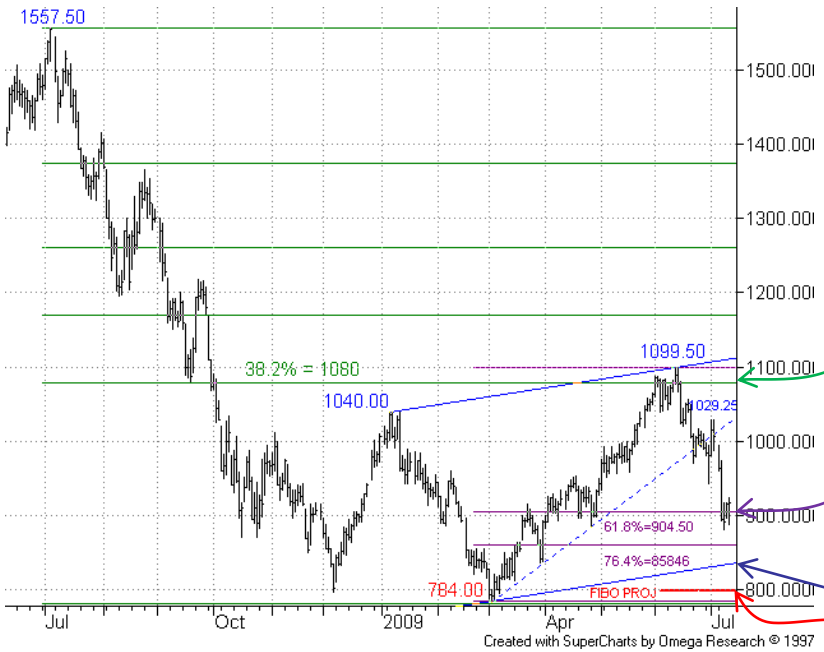

Daily Chart – Nov-09:

On the Nov chart this year's recovery failed just above the 38.2% retracement.

The pullback has reached the 61.8% retracement now – *note that on the old Jul chart support was last week found from near the Jan high.*

There could be a temporary halt in downtrend - **but there should still be more to go on the downside.**

Beyond the 858.46 76.4% level note two possible supports – the channel base projection at 835.00 and a Fibo projection around 800.00.

First resistance area lies at 965/ 970 (includes current 38.2% bounce level, not shown).

We adopt a bearish stance here.

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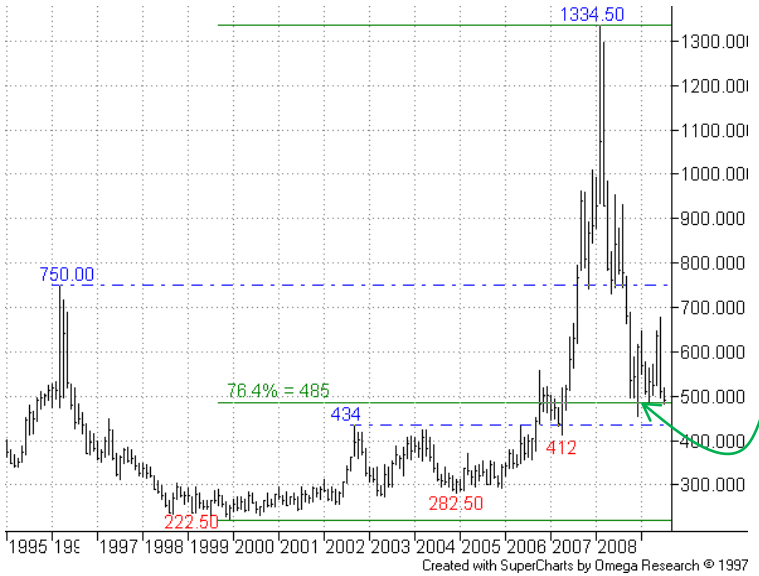
Grains and Softs: Wheat (CBOT)

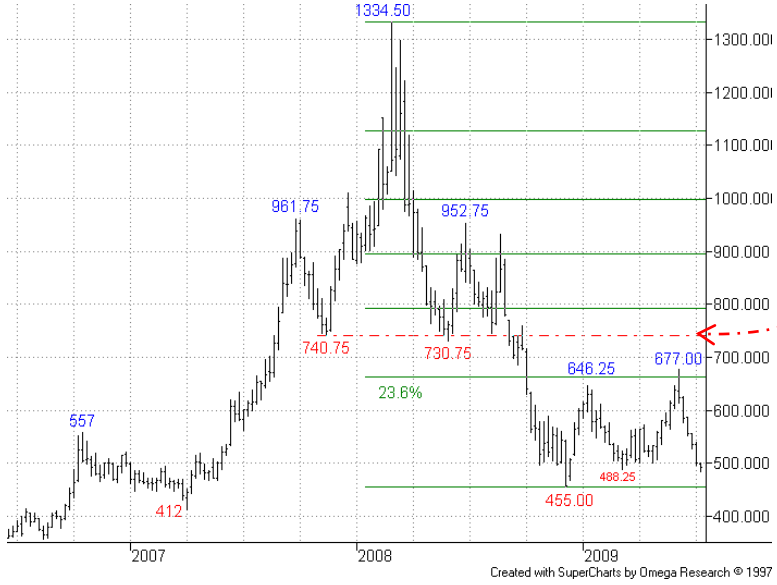


Monthly Chart - Continuation:

The collapse in Wheat prices found support from the 76.4% retracement of the 1999-2008 accelerating upmove.

This particular Fibo retracement can often be most effective as support/resistance.

But it has now come under scrutiny once more.



Weekly Chart - Continuation:

So far the recovery has shied away from potentially tough resistance from the previous 730/740 lows.

Resistance has been found from near the 23.6% level on this continuation chart, twice.

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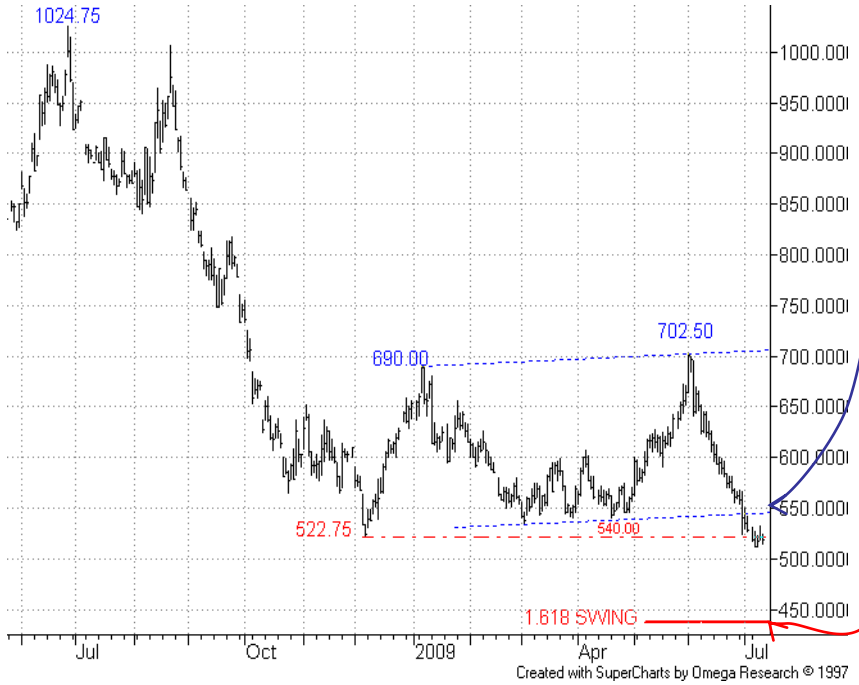
Grains and Softs: Wheat (CBOT)



Daily Chart – Sep-09:

Losses in Wheat have now undone all previous work on the upside.

Following violation of the channel base projection the 522.75 Dec-08 low has now been tested/eroded.

Keep in mind a Fibo projection, the 1.618 swing off prior 540.00/702.50 upleg at **439.60** – not far away from the 455.00 Dec-08 low on the continuation chart.

We maintain a bear stance here.

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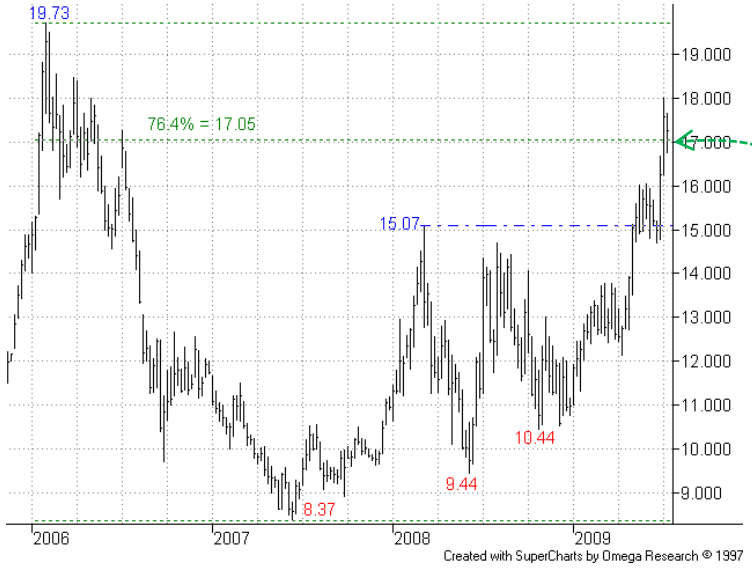
Grains and Softs: Sugar (ICE)

Monthly Chart - Continuation:

There has been a strong bull break from the long term triangle pattern that formed after recovery from a 76.4% support.



Weekly Chart - Continuation:

Price action, after breaching the early 2008 15.07 high on the continuation chart, has now exceeded the 76.4% retracement.

The 15.00 area now reverts to support.

More

Summary

Energy
+ Light Crude Oil
+ Natural Gas
+ Heating Oil

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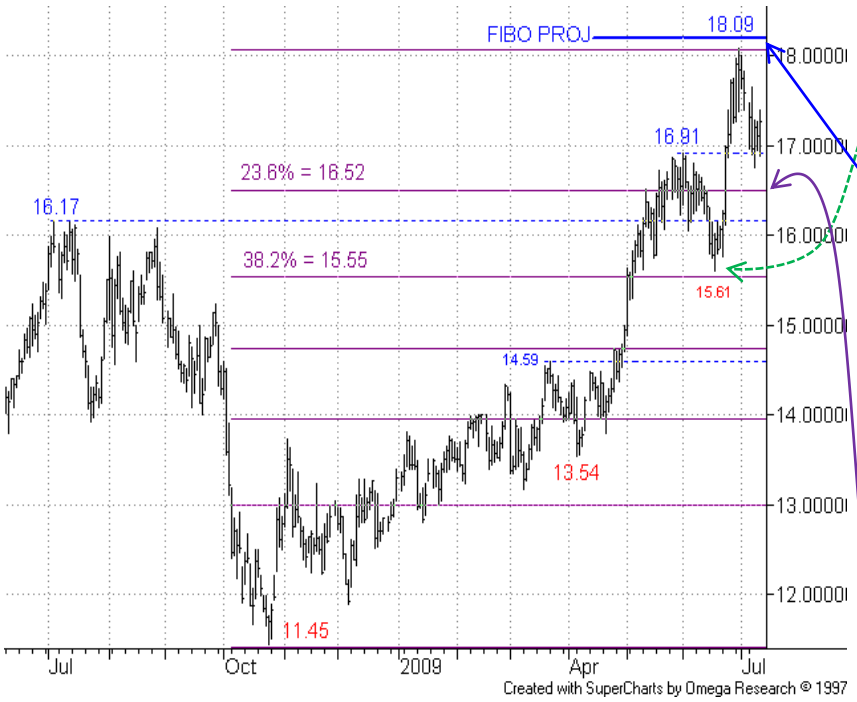
+ Gold
+ Silver
+ High Grade Copper

Grains and Softs
+ Soybeans
+ Wheat
+ Sugar 11
+ Cocoa
+ Coffee
+ Cotton No.2

Other
+ Orange Juice
+ CRB Index

Grains and Softs: Sugar (ICE)



Daily Chart – Oct-09:

The latest leg of this strong upmove was from a dual Fibo retracement area (not shown now).

We calculated a Fibo projection at **18.20,** and this seems to have worked well as s/term resistance. We assumed that if that upleg was a final, blow-off move then the 15.61 17-Jun low could represent a future 38.2% pullback level – observation of markets over many years (although it originally didn't take long to notice) reveals that 38.2% levels often coincide with the start of final legs, give or take.

The 16.91 01-Jun high has been s/term supportive – breaks of this and the 16.52 23.6% pullback would be negative signs.

Next support could be around the 16.17 Jul-08 high, but of more interest would be that lower 38.2% area.

We must maintain a bullish stance for now, however.

More

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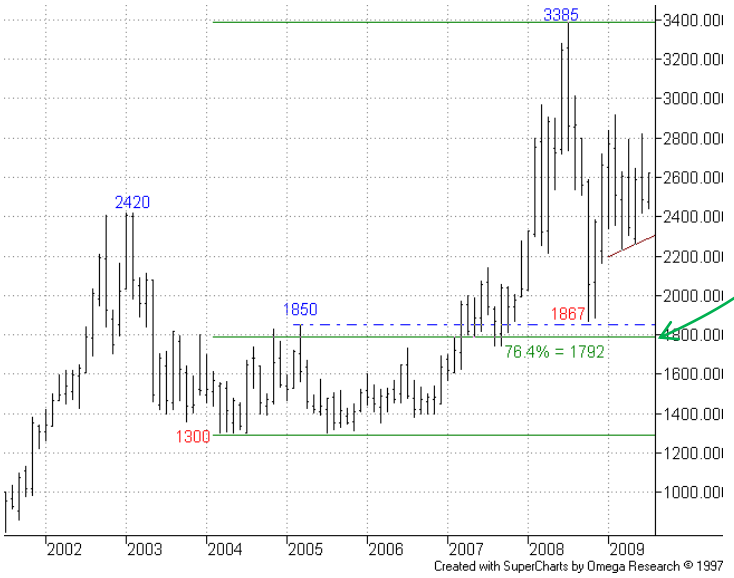

Monthly Chart – Continuation:

The 76.4% level of the 2004-2008 rise, near 1800, currently underpins the market. It is close to old highs from 2003/2005 – reaction here was very positive.

Weekly Chart – Continuation:

We now drop reference to a recent triangle-type consolidation, being of limited value now.

Price swings have been quite volatile this year, but there remains a bull bias.

More

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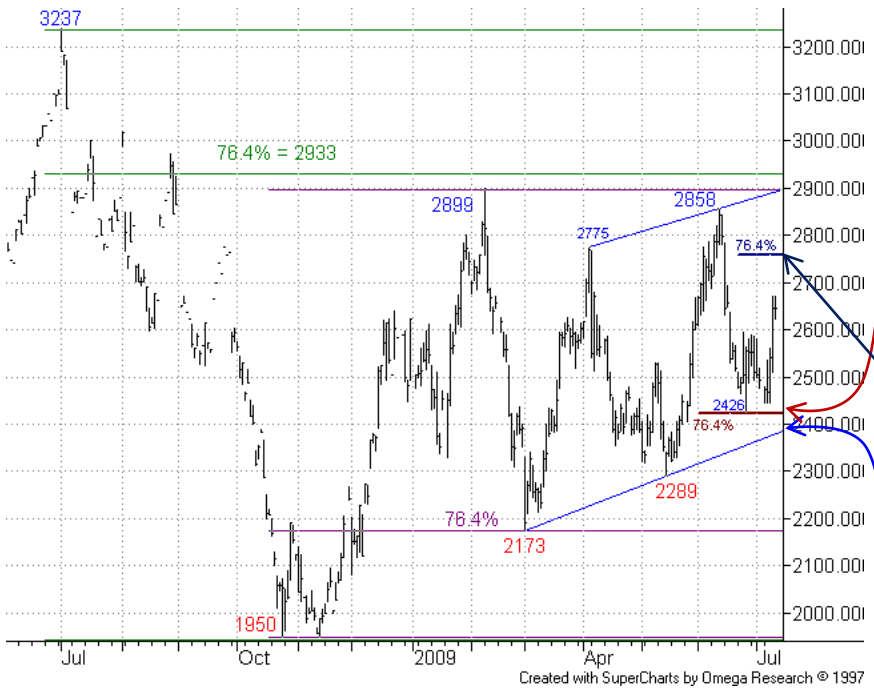

Daily Chart – Sep-09:

Good support has come from the 2425 76.4% pullback level (an effective Fibo retracement in the past for Cocoa).

However, bulls still have to do some work to break free of the choppy 2009 range – can this happen at this stage?

Note resistance is first offered by the 2756 76.4% rebound level, ahead of the 2900 area and larger 2933 76.4% level.

Risk is a reversal and break through the key 2425 and 2390 (rising support) which would be a negative development.

Recent speculative longs will hopefully now have taken partial profits in the suggested 2640-90 area (2671 seen), raising stops to cost to at least guarantee some beer money. We feel it is not wise to be greedy here and favour starting to close balances from 2750 to 2850.

We maintain a bullish stance for now.

More

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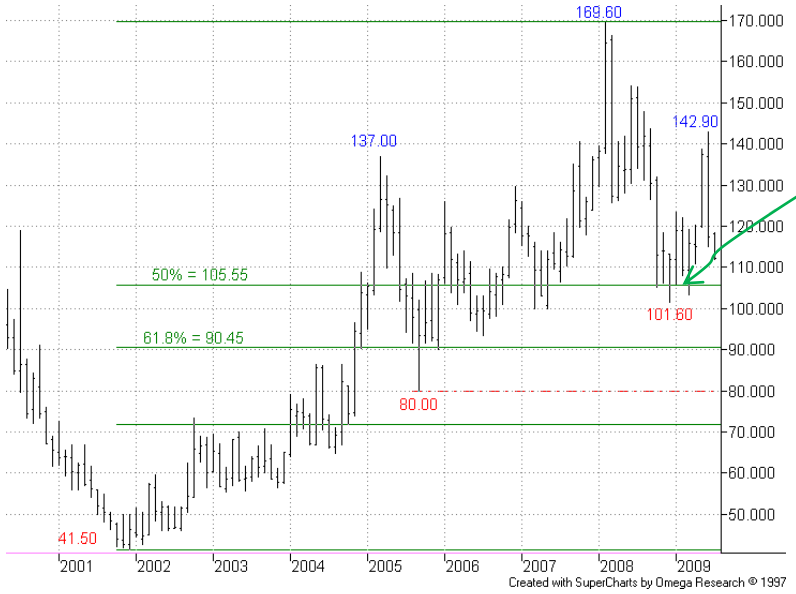

Monthly Chart – Continuation:

Looking at the retracement levels of the 2001-2008 upmove, the 50% mark provided effective support, but the current deep pullback is not far from this now.

Weekly Chart – Continuation:

Recovery off the 76.4% level of the 2005-2008 upmove eventually found strong resistance from near the 61.8% retracement.

The break back below the 123.40 Jan-09 high is not an encouraging sign for bulls.

More

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Grains and Softs: Coffee (ICE)

Daily Chart – Sep-09:

The 117.45 76.4% level provided s/term support but has now failed.

This exposes the 109.00 Mar low and calls into question medium term upward momentum.

Previous bulls will now be sidelined.

It is possible that the s/term chart structure suggests a rebound isn't far off, and this could get a boost above small 121.75 resistance. However note higher resistance from the old rising support/return line, around 127.00 now, **and the fact that rallies could turn out to be temporary ahead of further bear action.**

Recent longs in the 121.00s or 120.00s will unfortunately have stopped out just below 117.00 now. Unlike Cocoa the 76.4% support here proved fleeting.

We adopt a sidelined stance for the time being – perhaps we should have a bearish stance now, but there will be time enough to decide this.

More

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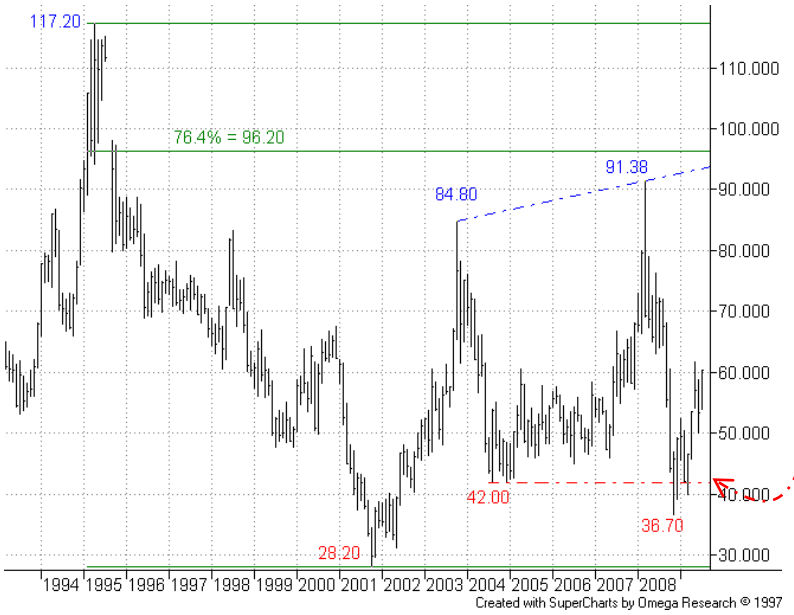

Monthly Chart – Continuation:

The sharp drop back from the 91.38 Mar-08 high eventually violated the significant 42.00 2004 low.

However, price failed to stay below here, postponing any continuation lower.

Weekly Chart – Continuation:

The latest upleg, off the 40.01 Mar low, stopped short of the next resistance area of 63.10/64.04.

Subsequent erosion of the 52.40 Jan high proved short-lived and, as we had previously said, was not of itself a bearish signal.

More

SEVEN DAYS AHEAD

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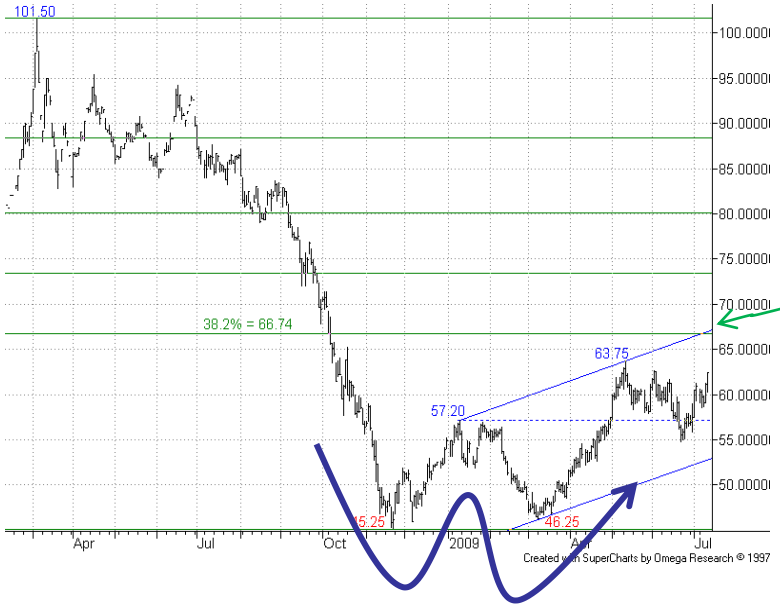
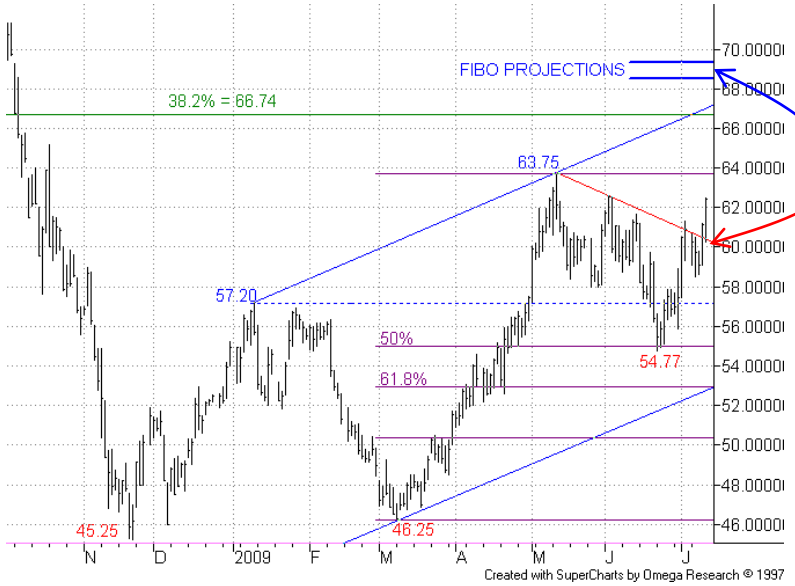


Daily Chart – Dec-09:

A base completed after the earlier surge through the 57.20 Jan high.

S/term weakness has been seen as temporary, ahead of a move higher to the next main target of 38.2% 66.74 retracement level. This now coincides with a rising resistance line.



The bounce off 50% support has been impressive, and last week's close above the small falling resistance line (now first support) provided a fresh bull signal.

This keeps price on track for that 38.2% level, and we also note two Fibo projections at this stage, at **68.55/69.30**.

<u>We maintain an overall bullish stance here.</u>

Other

Recent deep losses in **Orange Juice** after nearing a 38.2% target have been quickly reversed. On the **CRB index** chart a correction is now in process after testing the 23.6% recovery level.

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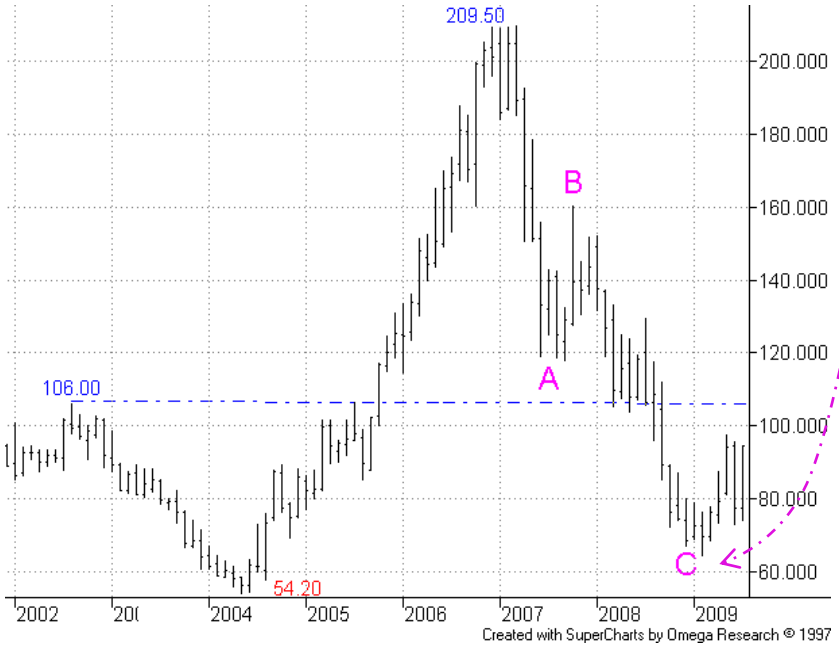
Other: Orange Juice (ICE)



Monthly Chart - Continuation:

The third leg, 'C', in the move from 209.50 Mar-07 high looks to have come to a halt ahead of the 54.20 2004 low.

More

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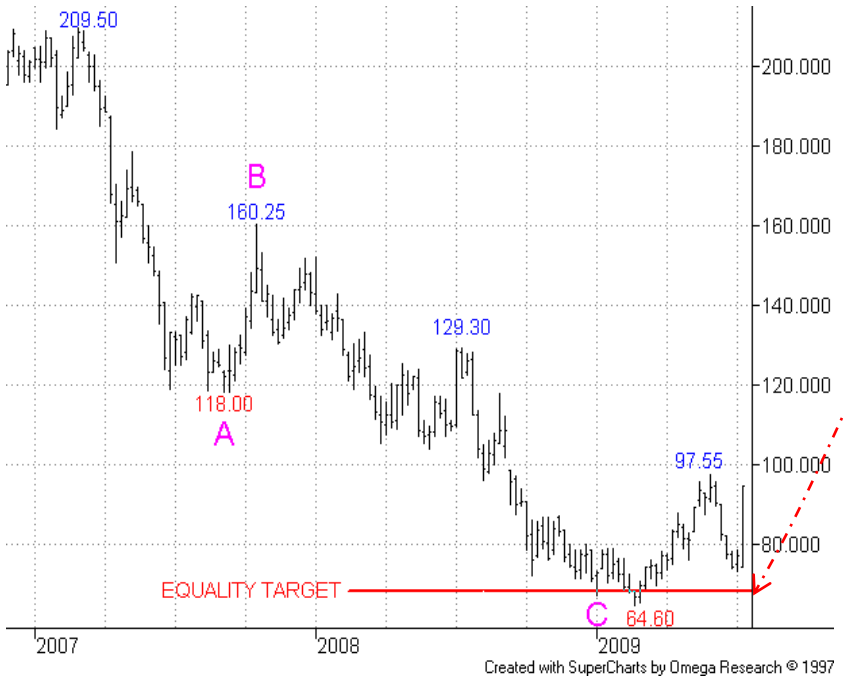

Weekly Chart – Continuation:

The fall from 209.50 Mar-07 peak looks to be a three-wave affair.

For some months we had been focusing on an equality target (C=A) at **68.75 –** this was tested and price has tried to recover from here.

More

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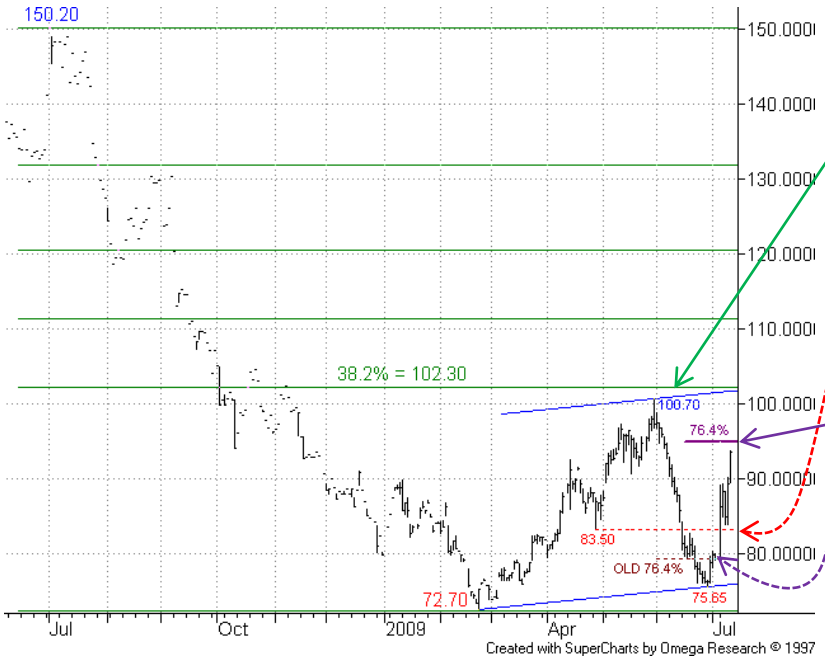

Daily Chart – Sep-09:

The 38.2% target area was almost reached in late May.

The deep pullback breached the 79.30 76.4% retracement, but later recovery has been strong, last week's break above the 83.50 28-Apr low providing a s/term bull signal.

Note nearby 94.80 76.4% rebound level as possible resistance, ahead of that 38.2% area which now coincides with a channel top projection.

We maintain a sidelined stance for now.

More

SEVEN DAYS AHEAD

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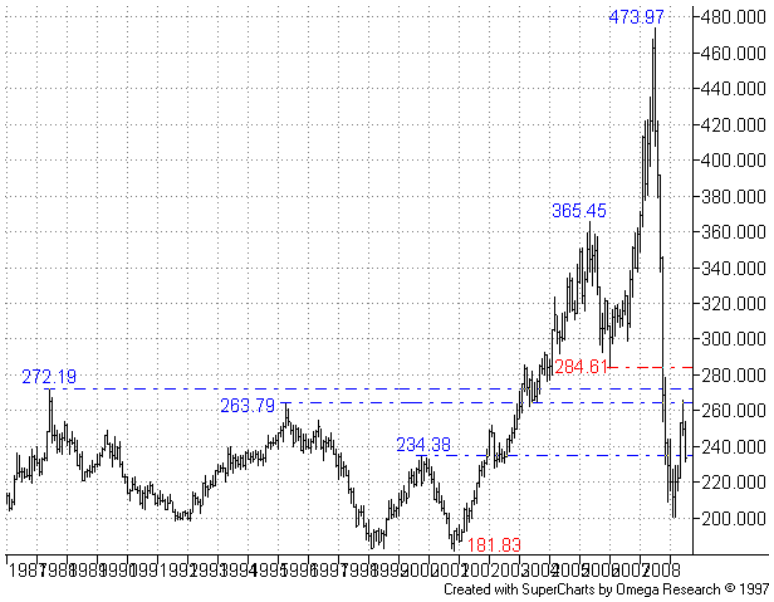
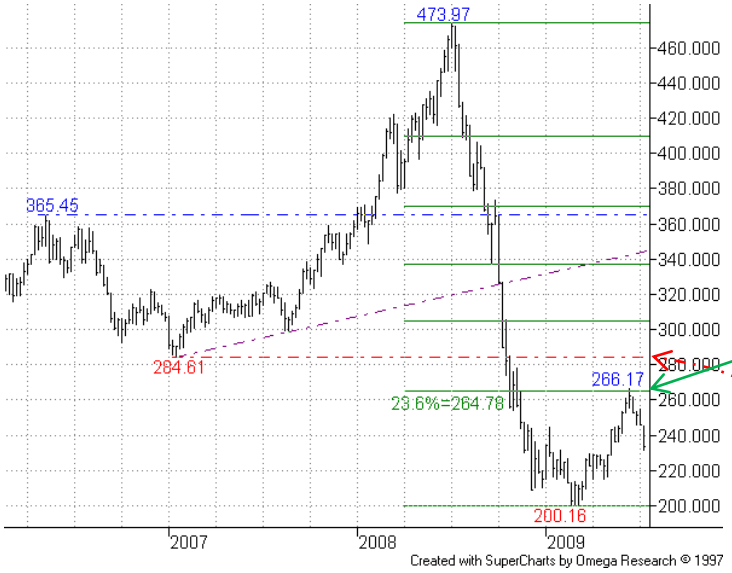
Other: CRB Index (CBOT)



Monthly Chart – Continuation:

The collapse in this index violated several support levels including several major highs from previous years.

However, the fall stopped short of the 181.83 Nov-01 low.



Weekly Chart – Continuation:

After a low of 200.16 the best rebound since the start of the index's collapse last year is underway.

First target on this chart was the 23.6% 264.78 retracement, now reached – with s/term resistance seen here.

Also note higher resistance from the significant 284.61 Jan-07 low.

More

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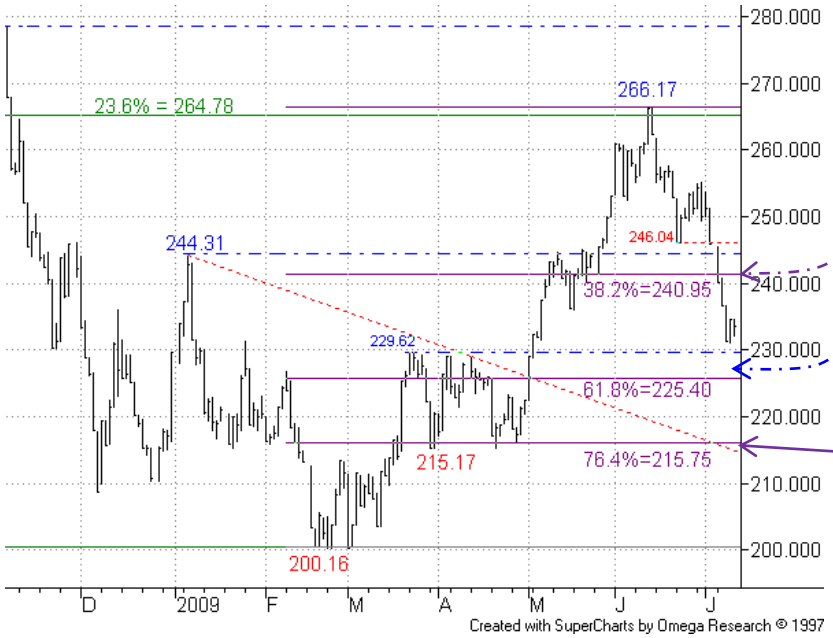

Daily Chart

The pullback from the 23.6% recovery level has continued, breaching the 244.31/240.95 area (06-Jan high/38.2%) – *we had thought this would come under pressure.*

As previously stated, better support could emerge from the 229.62/225.40 area, 24-Mar high and 61.8%.

But we must also keep in mind the lower 76.4% area – the current chart structure does not hint at bear fatigue yet.

We adopt a s/term bear stance here.

SEVEN DAYS AHEAD
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