



Week 39

29th September – 05th October 2009

Summary

Energy

- + Brent 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

- + Carbon Emissions
- + CRB Index



the commodity specialist guide

Philip J Allwright

Mark Sturdy

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Disclaimer



summary – commodity specialist

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- Go** **BEARISH** rising support line now clearly breached (Nov-09)
Go **BULLISH** s/term recovery continues through further resistance, but pullback risk grows (Nov-09)
Go **BEARISH** initial bear signs now in place (Nov-09)

- Stay** **BULLISH** s/term pullback after recent bull break is not a surprise (Dec-09)
Stay **BULLISH** s/term pullback underway – two key supports identified (Dec-09)
Go **BEARISH** s/term bears favoured, currently relatively modest downside targets (Dec-09)

- Stay** **BEARISH** s/term bears eye key 860 support area (Nov-09)
Stay **BEARISH** s/term 23.6% resistance still effective (Dec-09)
Stay **BEARISH** recent Key Reversal Week heralds end of strong bull phase (Mar-10)
Stay **SQUARE** Jul-08 peak on front month now tested – likely resistance (Dec-09)
Stay **BEARISH** process of narrowing price swings continues (Dec-09)
Go **BEARISH** Key Reversal Day at key resistance provides early bear sign (Dec-09)

- Stay** **BEARISH** bears remain in control, two key supports identified (Dec-09)
Go **BEARISH** break of rising support line provides s/term negative signal



Energy

The pullback in **Crude Oil** has now breached its rising support line, providing a bear trigger. A similar line in **Heating Oil** has also been breached. Continued strength in **Natural Gas** has breached further resistance, providing a bullish signal, although a pullback soon would not be a surprise.

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Energy: Brent Crude Oil (ICE)



Monthly Chart – Continuation:

The steep drop from the 2008 147.50 peak violated the major 76.4% retracement but it is interesting how the market found good support from old 2000/2003 highs.

It currently remains in recovery mode.

The old 78.65 Aug-06 high is worth keeping in mind as a potential resistance point – also see *Weekly chart*.



Energy: Brent Crude Oil (ICE)

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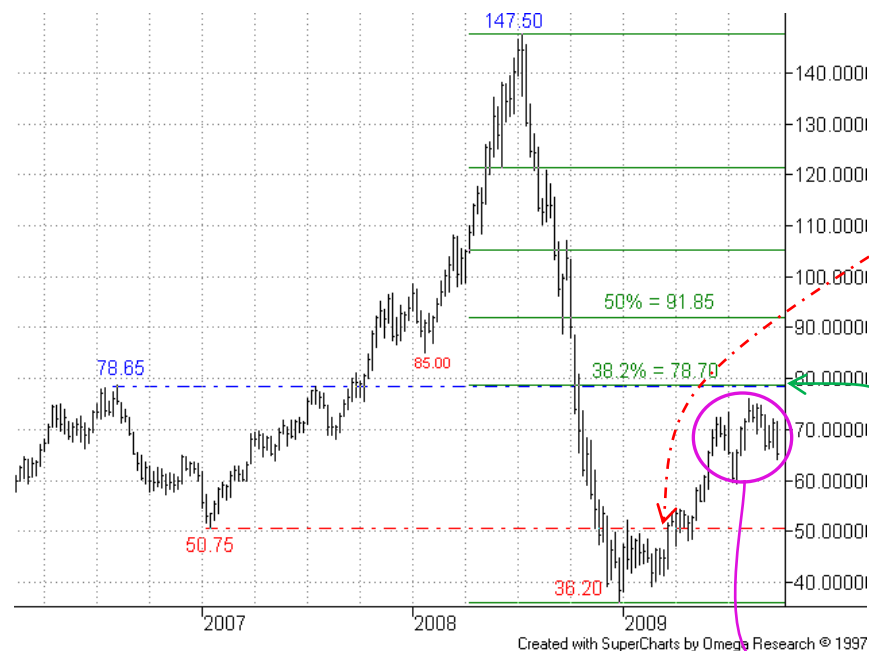
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Weekly Chart – Continuation:

After the late 2008 break below 50.75 Jan-07 low the market started to base.

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

On this continuation chart the 38.2% level lies at 78.70, coinciding with that 78.65 Aug-06 high.

We still await better reaction here – resistance would not be a surprise, and look at the Daily chart...

We continue to wonder if the 2009 chart structure is showing signs of maturity, with potential for a decent pullback building.



Energy: Brent Crude Oil (ICE)

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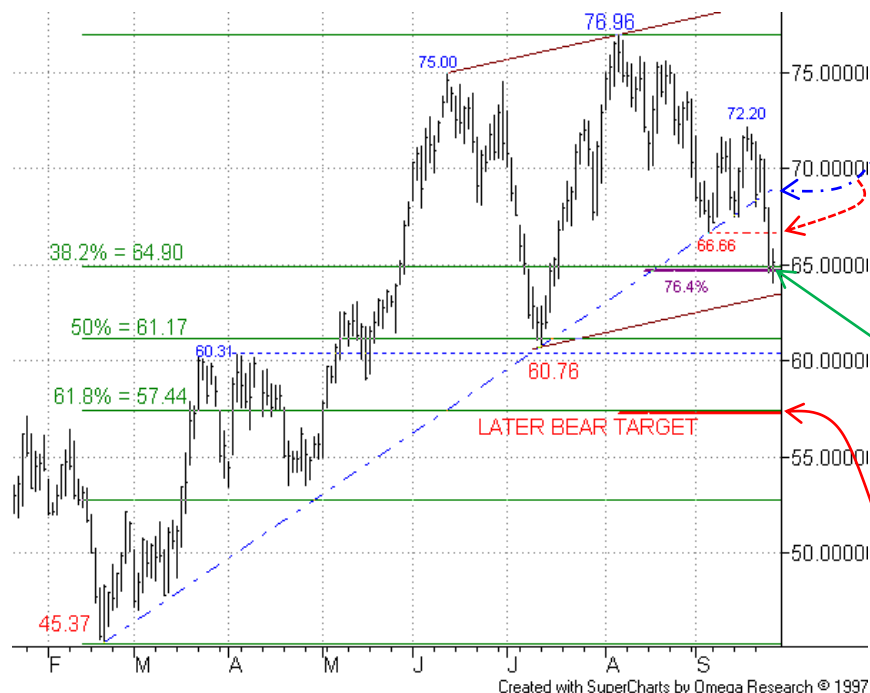
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Daily Chart – Nov-09:

The break/close below both the main rising support line and 66.66 04-Sep low is a clear bear signal.

-the recent Sep consolidation did indeed prove the precursor to a bear break.

Our dual Fibo support (64.90/ 64.60) has been tested, the s/term channel base just below at 63.50 – a temporary bounce would not surprise.

A later target area centres on the 61.8% level, where Fibo projections seem to cluster too.

While that 66.66 low offers immediate resistance, more interesting is the broken rising support line near 69.00 currently – ideally rallies will fail at/below this.

Sellers on rallies may favour the 68.75 area, stops just above the 72.20 17-Sep high, targeting 61.00 for partial profits them lowering stops to cost.

We have a bearish stance now.

More



Energy: Light Crude Oil (NYMEX)

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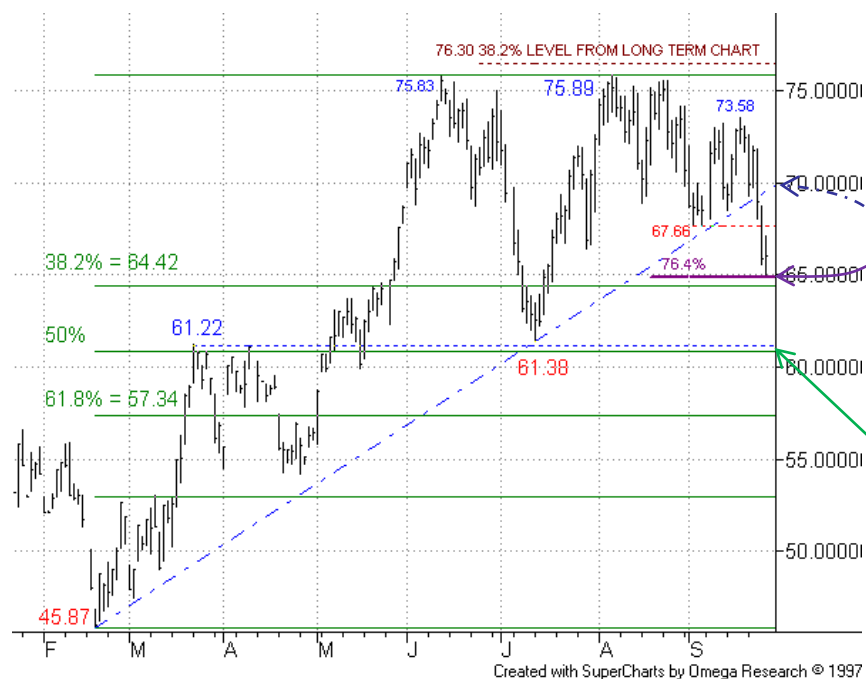
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Daily Chart – Nov-09:

Of course, a similar picture in NYMEX Crude – rising support line and 67.66 04-Sep low broken, enticing the bears.

Dual Fibo support at 64.80/64.42 could encourage a s/term bounce – note the rising old support/return line passing through 70.00 area – sellers towards here would have stops just above the 73.58 17-Sep high.

The old support area just above 61.00 is the next target.

We hold a bear stance now.



Energy: Natural Gas (NYMEX)

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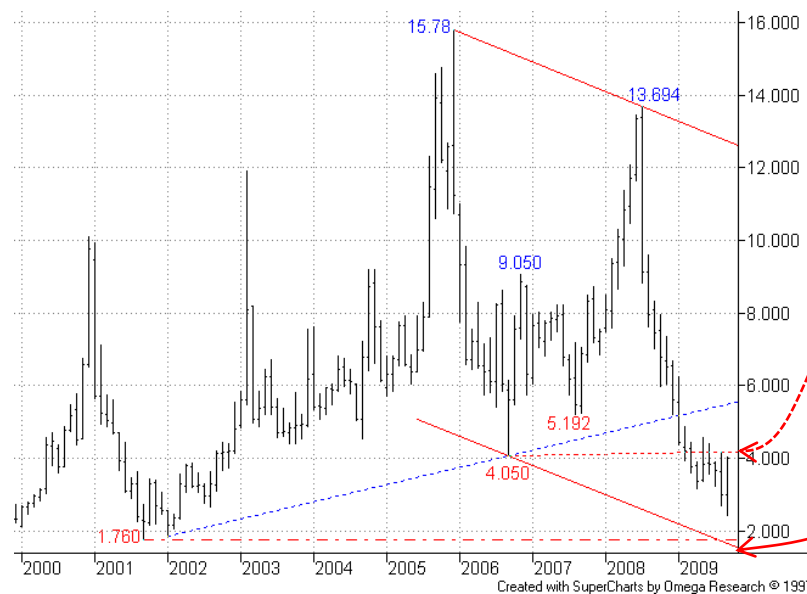
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Daily Chart – Nov-09:

Recent breaks above the s/term bear channel top projection, falling resistance line and first 76.4% level provided bullish signals.

Pullbacks are now more likely to be temporary ahead of further upside activity.

S/term, however, note the next 76.4% level just above 5.000, so we wouldn't chase the market here – and if this is a turnaround in medium term trend then a deep pullback would be quite normal.

We adopt a bullish stance, whilst acknowledging that a s/term pullback could be due.



Energy: Heating Oil (NYMEX)

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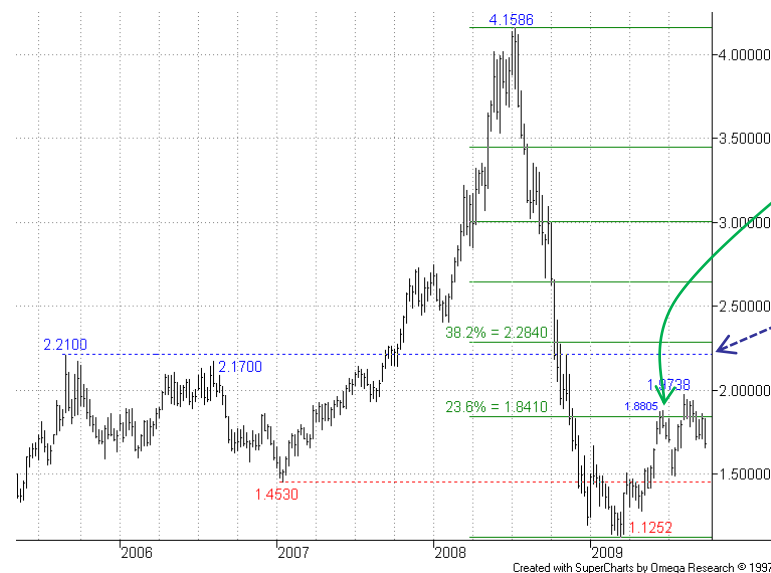
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Monthly Chart – Continuation:

The substantial fall from last Jul's peak tested the 76.4% 1.2045 level early this year – a recovery has been unfolding since then.



Weekly Chart – Continuation:

The 23.6% 1.8410 level on the continuation chart earlier provided temporary resistance.

The next overhead level of note is the old 2.2100 Sep-05 high, ahead of the 38.2% retracement – *but higher levels look to have been delayed: see Daily chart.*

More



Energy: Heating Oil (NYMEX)

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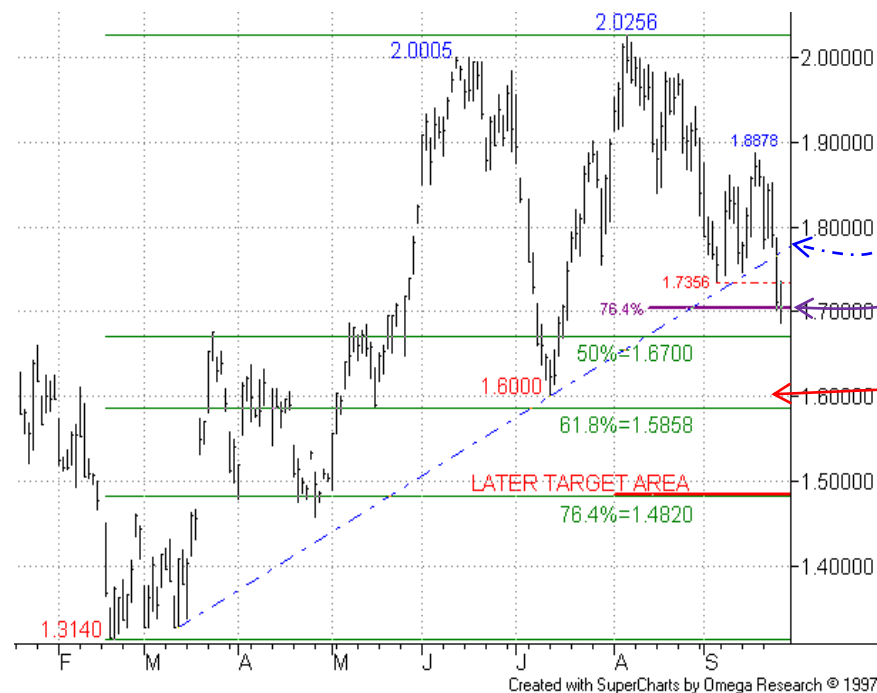
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Daily Chart – Nov-09:

An initial bear signal is in place after the breaks of rising support (slightly redrawn) and the 1.7018 04-Sep low.

The minor 76.4% level around 1.7000 may provide temporary support.

Next downside targets would be the 1.6000 Jul low area, ahead of lower 76.4% towards 1.4800.

Ideally any rallies will be resisted by the rising old support/return line around 1.7800 currently.

Any sellers towards 1.7800 would have initial stops just above the 1.8878 17-Sep high, targeting 1.6000 for partial profits.

We adopt a bear stance now.



Metals

Bulls in **Gold** take a breather as a s/term, not-unexpected pullback is seen. **Silver** is seeing a temporary correction too, and we focus on two interesting supports. S/term **Copper** bears have crept out of the woodwork, and further temporary weakness is anticipated.

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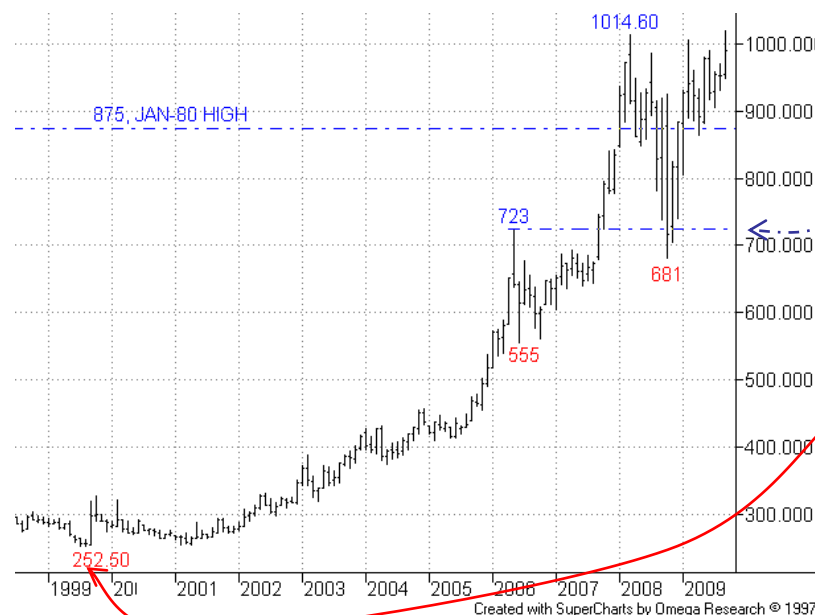
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Metals: Gold (COMEX)



Monthly Chart - Continuation:

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

However, it failed to hold below here and now the bulls are retesting last year's peak.

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

More



Metals: Gold (COMEX)

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Weekly Chart – Continuation:

The recovery from just above the 76.4% level of the 2006/2008 upleg initially stopped short of the 1014.60 2008 peak in early 2009.

This peak has now been eroded, and the test is whether price can hold above here.



Metals: Gold (COMEX)

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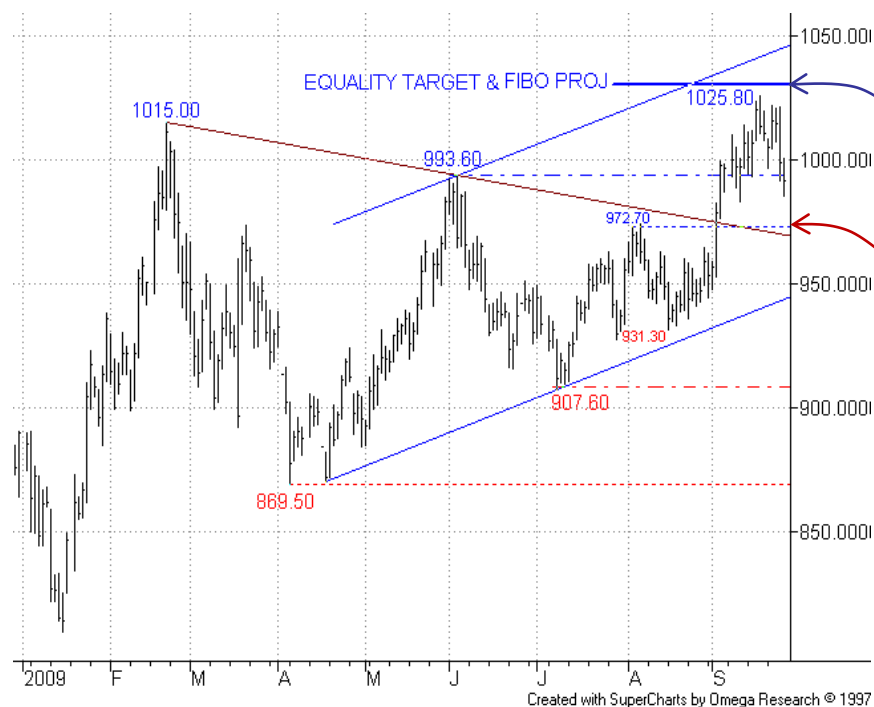
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Daily Chart – Dec-09:

Following a recent bull signal our initial target area was neared prior to a pullback - *such a post-break pullback is not a surprise.*

The 972.70 04-Aug high and falling return line just below offer first support, but a close below the 945/50 area (rising support line) is probably needed to shed serious doubt on this bull signal.

For now, we continue to hold back on calculating medium term bull targets.

Speculative buyers on dips continue to favour the 975 area, stops around 945, targeting 1025 for partial profits and raising stops to cost to improve risk/reward.

We maintain a s/term bull stance.

More



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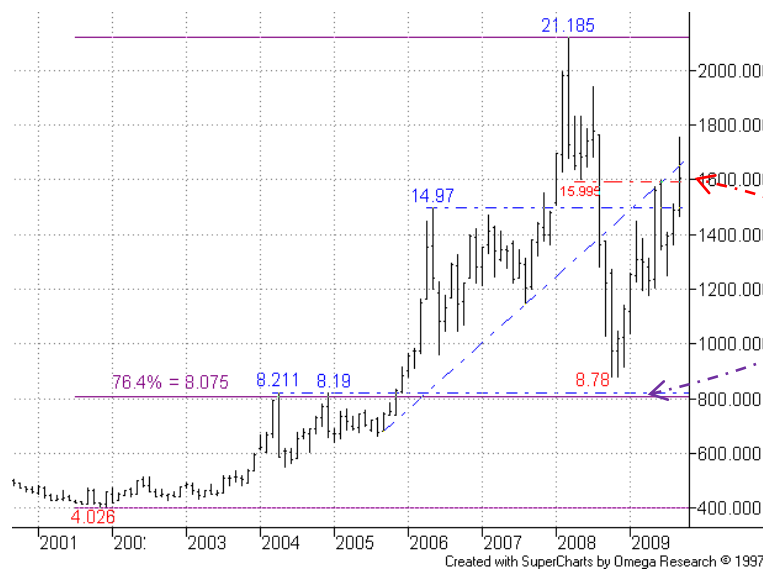
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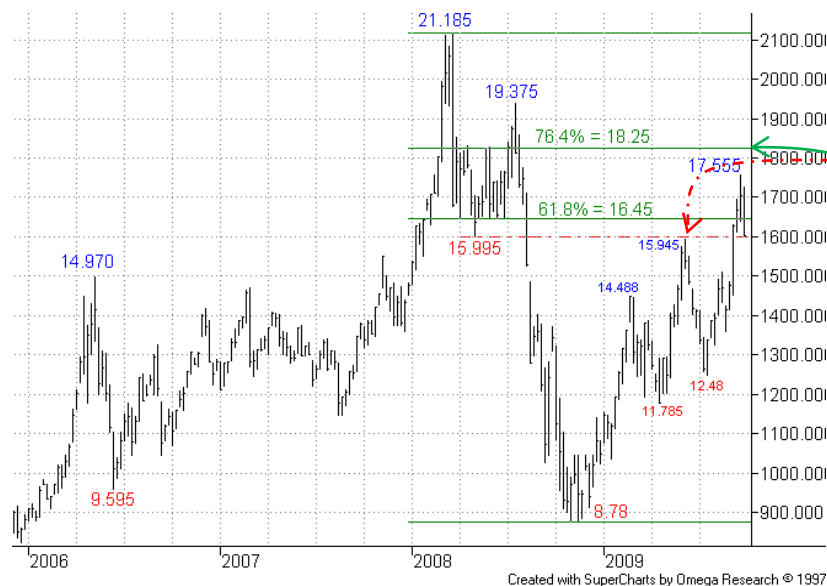
Metals: Silver (COMEX)



Monthly Chart – Continuation:

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

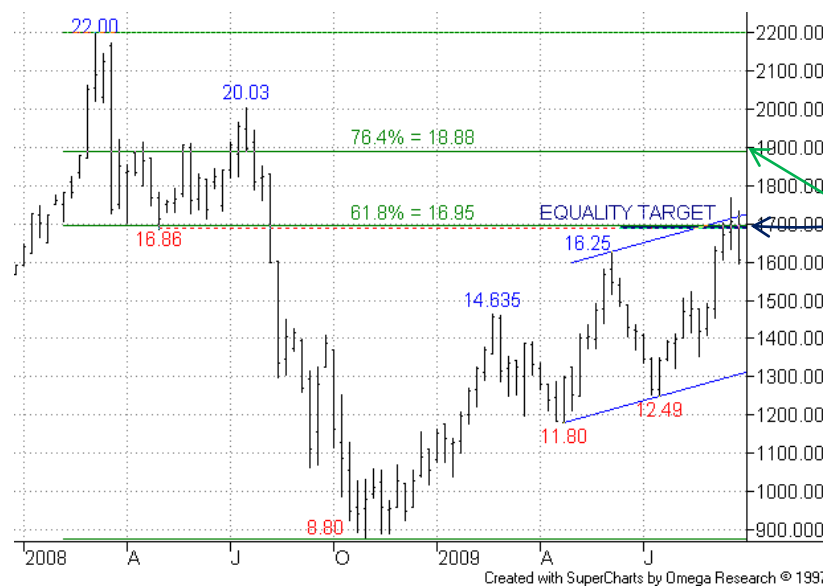
Note that an old rising support/return line plus the May-08 low around 16.00 were effective shorter term resistance – but have now been overcome.



Weekly Chart – Continuation:

The base of a key resistance area of 16.00/16.45 had been effective in Jun, but this area has now been breached.

Focus turns to the higher 76.4% level at 18.25, lower than on the Dec front month.



More

- + Carbon Emissions
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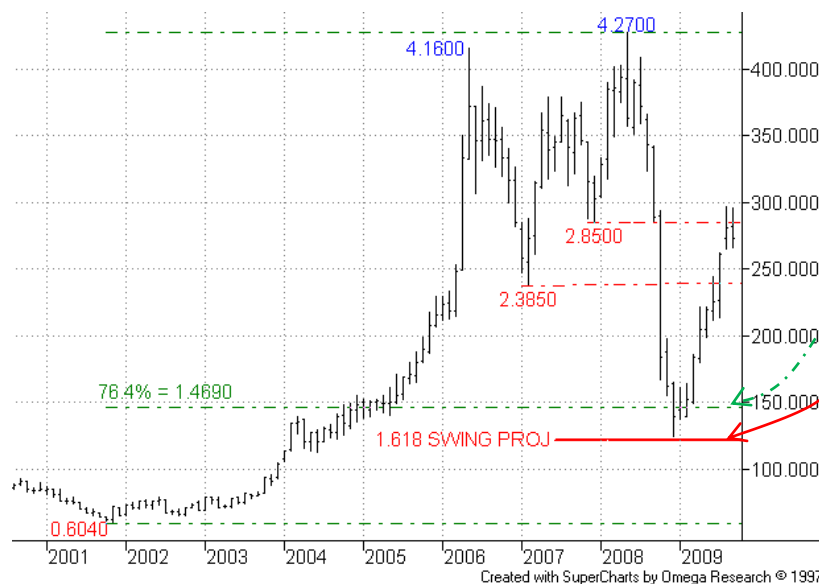
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Metals: High Grade Copper (COMEX)



Monthly Chart – Continuation:

The major reversal from 427.00 May high eroded the deep 76.4% retracement of the 2001-2008 upmove, around 1.4690.

But the lower 1.2200 area, 1.618 swing projection off prior 2.3850-4.2700 upleg, provided good support.



Weekly Chart – Continuation:

Recovery from the 1.2475 Dec-08 low has now reached/eroded the old 2.8500 Dec-07 low.

Beyond this lies the 61.8% 3.1155 retracement level.

More



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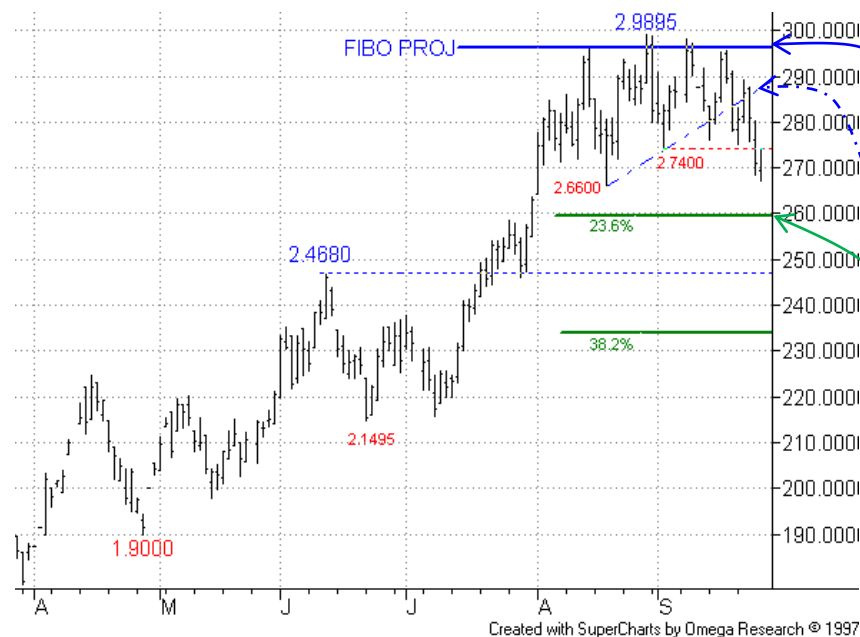
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Metals: High Grade Copper (COMEX)



Daily Chart – Dec-09:

Our most recent Fibo projection has continued to cap action here.

Various signals including break of the small rising support and 2.7400 02-Sep low provide reason for being shorter term bearish.

The 23.6% level of the upmove from Dec-08 low, around 2.5935, is now next interesting support, with a breach of this to indicate something more serious from the bears.

Resistance ideally will be at/below 2.9000, where that broken support line runs through.

Any recent shorts in the 2.8500/2.9000 area, with tight stops just above 3.0000, will be targeting 2.6000 area for partial profits and reducing stops to 2.9000. Then either target the 2.4700 11-Jun high area or 2.3500 38.2% area on the balance, i.e. nothing too greedy.

We adopt a s/term bear stance now.



Grains and Softs

Soybeans remain biased to the downside s/term, with **Wheat** staying bearish too, although in the latter we still await reaction at interesting support. The Key Reversal Week in **Sugar** continues to suggest a bear phase beginning. Price swings in **Coffee** remain deep, but narrowing. A recent Key Reversal Day in **Cotton** provides an interesting s/term bear signal.

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Grains and Softs: Soybeans (CBOT)



Monthly Chart - Continuation:

Recovery off support near the 757.50 Jun-05 high exceeded the old 1988 1009.50 and 2004 1064.00 highs earlier on, but has failed to hold above.



Grains and Softs: Soybeans (CBOT)

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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 recent breaks back below the 1046.50 Jan high implied loss of bull momentum.



Grains and Softs: Soybeans (CBOT)

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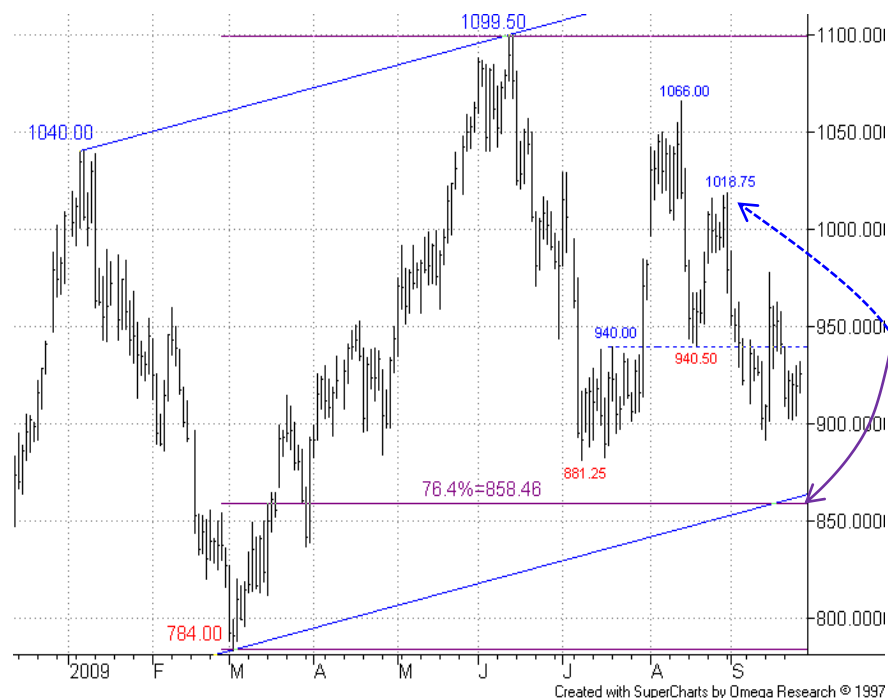
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Daily Chart – Nov-09:

Focus currently remains on the lower key support around 860, a 76.4% level and bull channel base projection just above.

Support is likely at/above here. (Note a Fibo projection lies just above at 965 too)

S/term rallies are viewed as temporary and bulls will not wish to see a recovery above the 1018.75 31-Aug high at this stage.

We maintain an overall bearish stance here.



Grains and Softs: Wheat (CBOT)

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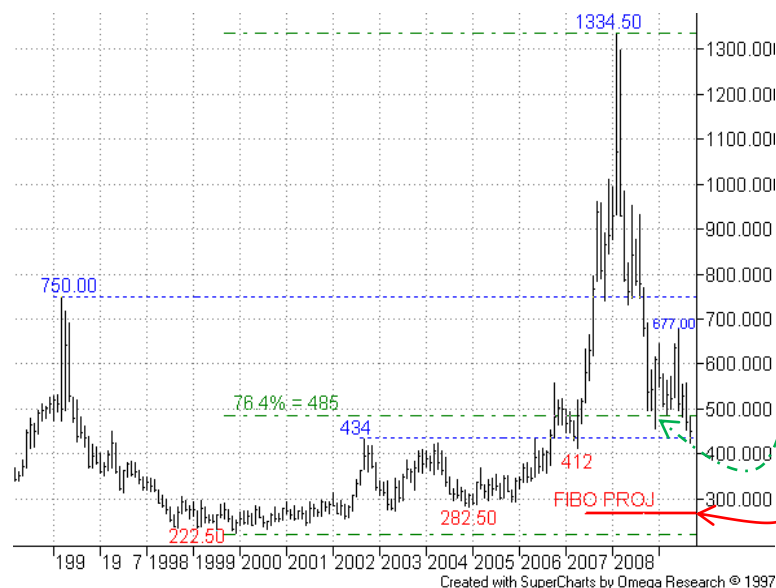
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Monthly Chart - Continuation:

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

But it has now been eroded – is the lower Fibo projection around **270** too ambitious for bears?



Weekly Chart - Continuation:

This year a former 23.6% recovery level twice resisted bull attempts.

The 455.00 Dec-08 low has now been eroded – also see Daily chart below.

More



Grains and Softs: Wheat (CBOT)

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Daily Chart – Dec-09:

The second of two Fibo projections at **448** (2.618 swing off prior 532.75/585.00 rally) remains under pressure – we have been right to hold back from getting prematurely bullish.

As before, the small 23.6% level just above 480 provides s/term resistance and a close above this would be the first bull signal.

Higher interesting potential resistances are 532.75 29-Jul low and the old 542.00 Dec-08 low.

We maintain a bear stance for now, but still prepared to see a rebound.



Grains and Softs: Sugar (ICE)

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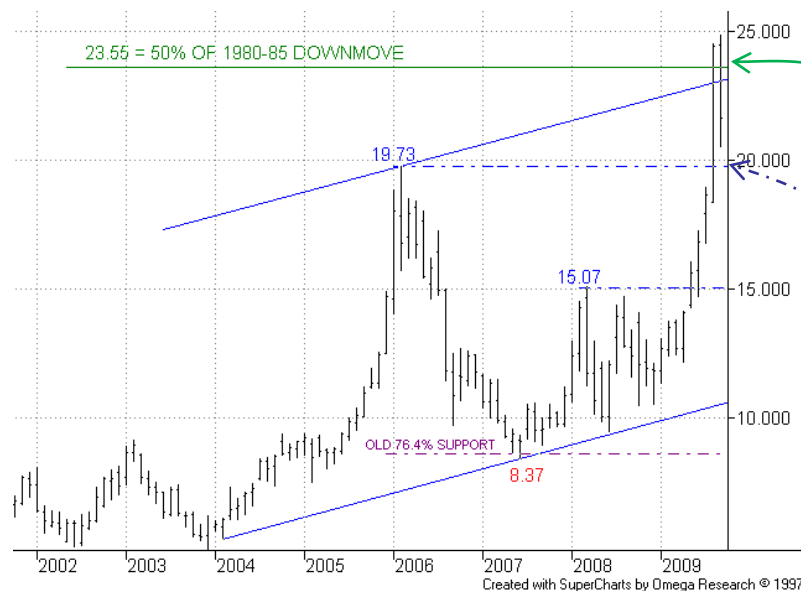
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Monthly Chart - Continuation:

Following breach of both the long term bull channel top projection and the 50% recovery level of the major 1980-85 downmove the market has quickly reversed.

The 19.73 2006 high offers first support here.



Weekly Chart - Continuation:

A recent clear Key Reversal Week probably marks the end of the previous bull run – a **pullback phase is now heralded.**

Note how the old 19.73 2006 high coincided nicely with the outgoing Oct contract's 38.2% pullback level. Currently keep an eye out for temporary support around here.

More



Grains and Softs: Sugar (ICE)

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Daily Chart – Mar-10:

We continue to view any s/term rallies as temporary ahead of further weakness.

First resistance remains at/below the 24.78 13-Aug high.

On this Mar-10 chart the 38.2% level is at 20.77, the next bear target.

We remain sellers on rallies – our favoured 24.50 area (ahead of that 24.78 high and a 61.8% bounce) was neared but not reached, but we will keep to this level for now. Stops ideally will be around 26.40, just above 26.25 peak. Partial profits targeted at 21.00, stops then tightening to cost to improve risk/reward.

We maintain a bear stance here.

More



Grains and Softs: Cocoa (ICE)

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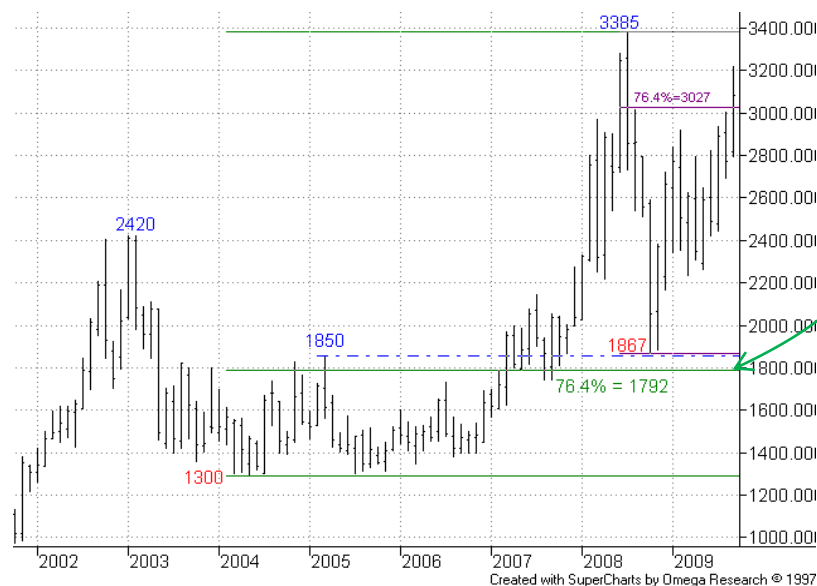
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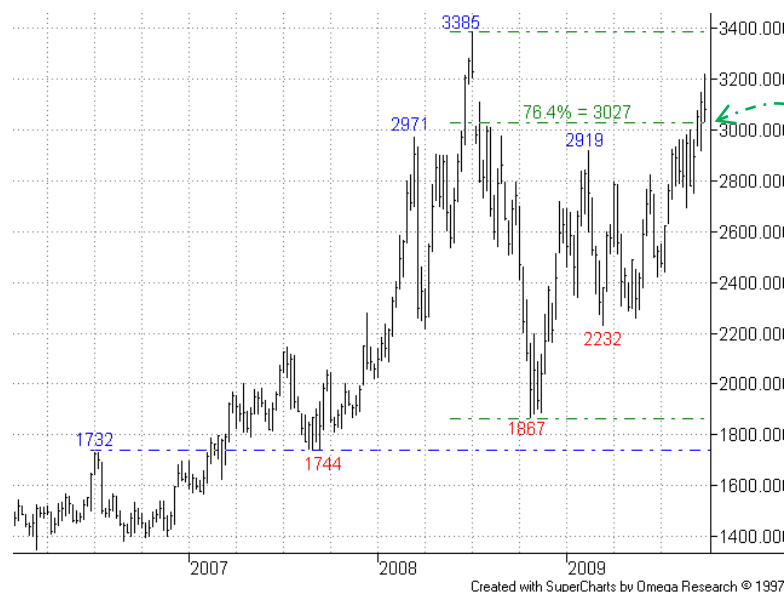
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Monthly Chart – Continuation:

The 76.4% level of the 2004-2008 rise, near 1800, lies close to old highs from 2003/2005 and provided good support last year.



Weekly Chart – Continuation:

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

Note on the continuation chart the main 76.4% recovery level is at 3027 – it has now been clearly breached, focus turning to the 2008 high of 3385.

But see also Daily chart.

More



Grains and Softs: Cocoa (ICE)

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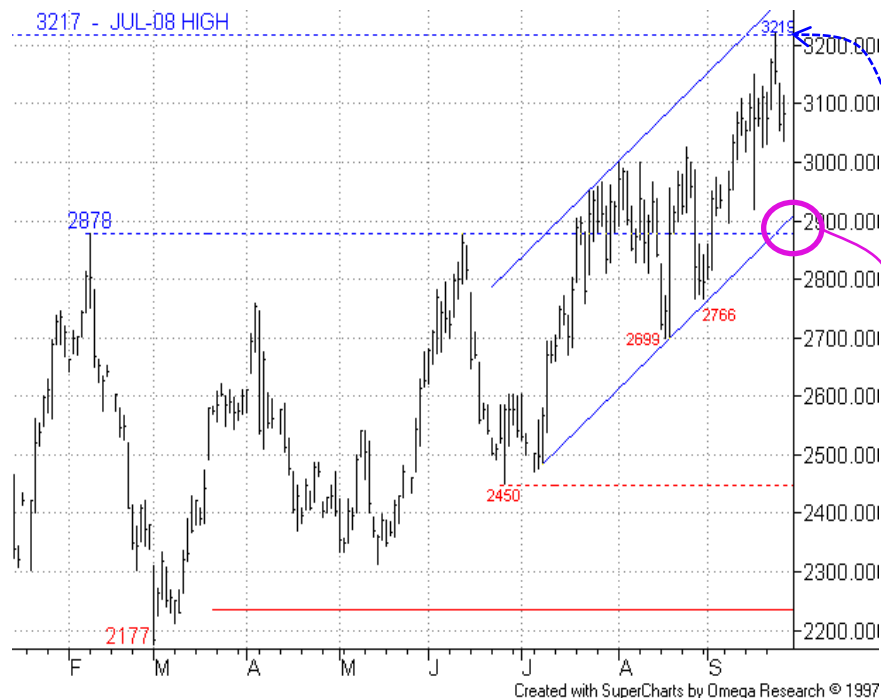
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Daily Chart – Dec-09:

The somewhat choppy bull run has now reached the 3217 Jul-08 peak (somewhat lower than on the continuation chart) – *s/term resistance here would not be a surprise.*

At this stage the first interesting support area comes from 2900/2878, current rising support and Feb high – *a close below here would be an initial negative sign.*

Meanwhile we await better clarity in the chart structure.

We stay on the sidelines for now.



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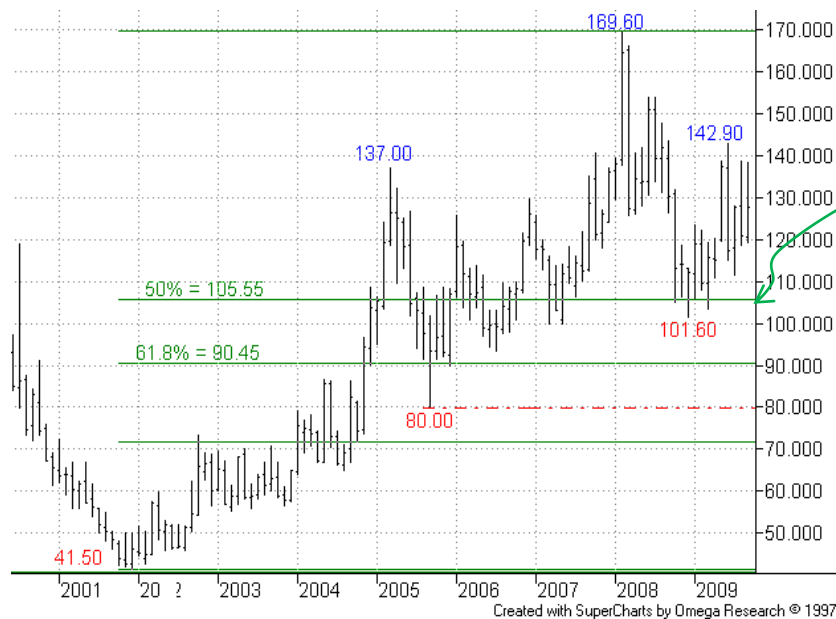
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Other

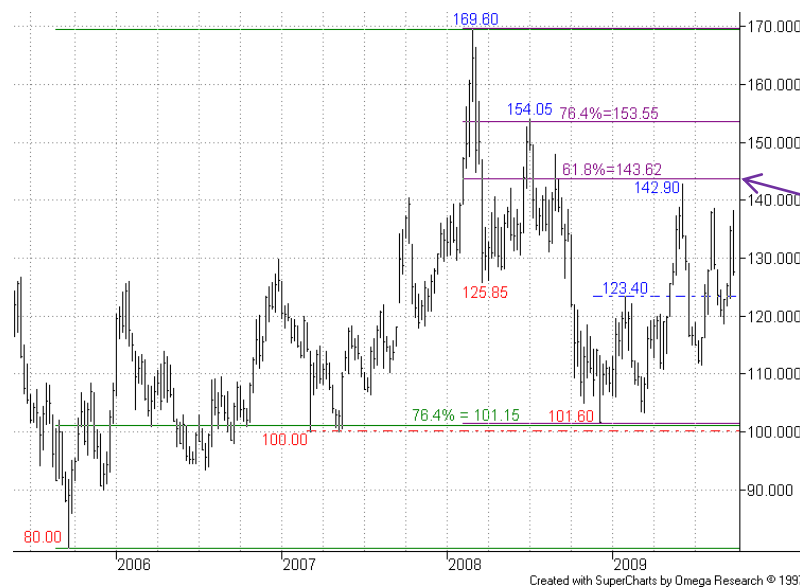
- + Carbon Emissions
- + CRB Index

Grains and Softs: Coffee (ICE)



Monthly Chart – Continuation:

Looking at the retracement levels of the 2001-2008 upmove, the 50% mark has provided effective support so far.



Weekly Chart – Continuation:

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

Subsequent volatility makes it unclear whether bulls can rekindle their enthusiasm.

More



Grains and Softs: Coffee (ICE)

Summary

Energy

- + Brent Crude Oil
- + Natural Gas
- + Heating Oil

Metals

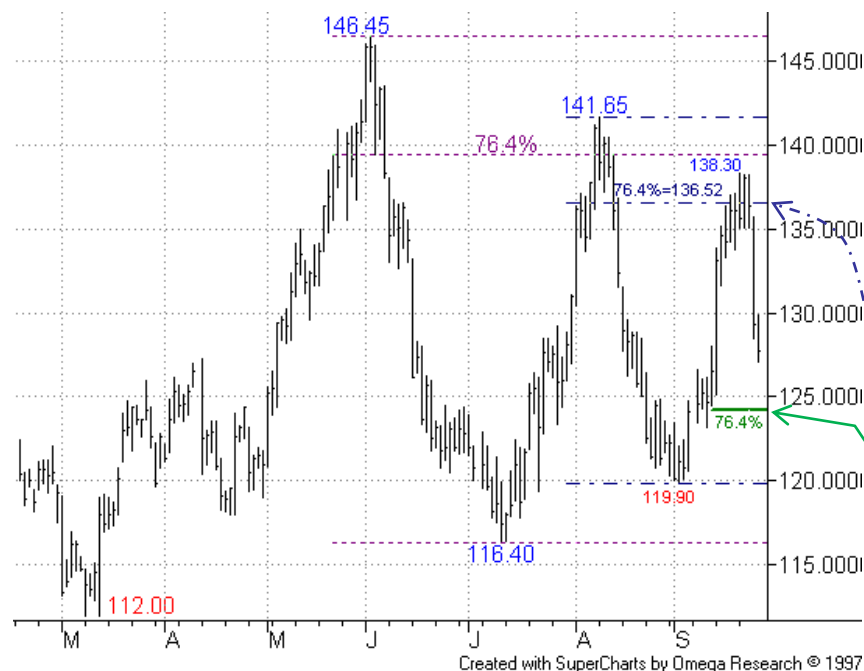
- + Gold
- + Silver
- + High Grade Copper

Grains and Softs

- + Soybeans
- + Wheat
- + Sugar 11
- + Cocoa
- + Coffee
- + Cotton No.2

Other

- + Carbon Emissions
- + CRB Index



Daily Chart – Dec-09:

Price swings have been deep, while continuing to narrow – the Jun/Jul downswing, Jul/Aug upswing, Aug/Sep downswing and now the recent upswing from early Sep low.

This latter tested/eroded the 76.4% bounce level, but has failed to stay above.

Possible support is offered by the s/term 124.25 76.4% pullback level (although these have consistently been exceeded by prior swings), ahead of 119.90 02-Sep low – a close below the latter would be the next negative signal.

We maintain an overall bear stance here.



Summary

Energy

- + Brent Crude Oil
- + Natural Gas
- + Heating Oil

Metals

- + Gold
- + Silver
- + High Grade Copper

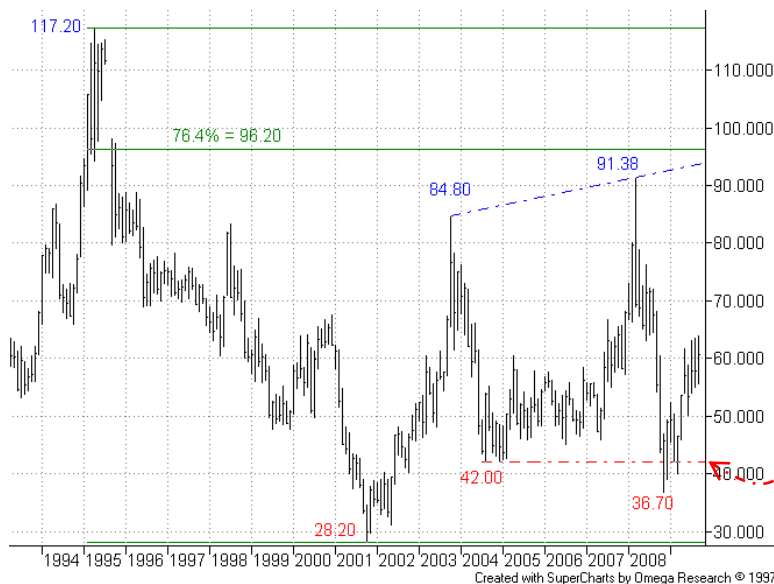
Grains and Softs

- + Soybeans
- + Wheat
- + Sugar 11
- + Cocoa
- + Coffee
- + Cotton No.2

Other

- + Carbon Emissions
- + CRB Index

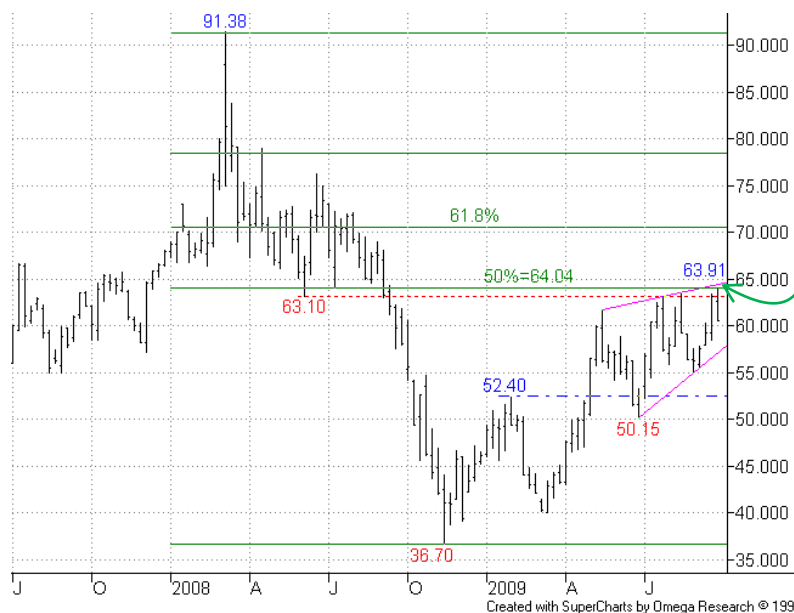
Grains and Softs: Cotton No.2 (ICE)



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:

After the return to the key resistance area of 63.10/64.04 (Jun-08 low and 50%) it makes sense to redraw the wedge –type pattern.

We had previously said of the earlier pattern that sometimes breakouts from these can prove deceptive, which proved the case.

This pattern on the Daily chart isn't very apparent though.

More



Grains and Softs: Cotton No.2 (ICE)

Summary

Energy

- + Brent 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

- + Carbon Emissions
- + CRB Index



Daily Chart – Dec-09:

The market certainly struggled on the approach to the 38.2% 66.74 retracement level – the rising resistance line now lies close to this.

A Key Reversal Day on Fri provides a s/term bear signal – we were viewing the recent rally as probably corrective/temporary only, although this proved stronger than expected.

The 65.39/65.47 highs now offer first resistance – recovery through this would negate the reversal signal.

Note possible s/term support from 59.00 76.4% pullback level, ahead of 57.00/56.50, two channel base projections and 27-Aug low, this latter more key.

On the back of the Key Reversal Day sellers on a s/term bounce into 63.50/64.00 will have tight stops just above 65.47, seeking 59.00 for partial profits and reducing stops to cost.

We adopt a s/term bear stance now.





Other

Weakness in the **EUA** has continued, and any s/term bounce will still be viewed as temporary. An initial bear signal in the **CRB Index** has been seen now.

Summary

Energy

- + Brent 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

- + Carbon Emissions
- + CRB Index

Other: EUA – Carbon Emission Allowances (ICE ECX)



Monthly Chart - Continuation:

The interesting points to note here are:

- This long term chart has channelled very well – the base projection was briefly eroded in early 2009
- There was an **8.86** equality target nearby (33.05-12.22 downmove extended off 29.69 high)
- For non-technical reasons there is currently a floor around **8.00**

All the above combined to support the market - **we now assume that a medium/long term recovery phase is underway.**

More



Summary

Energy

- + Brent Crude Oil
- + Natural Gas
- + Heating Oil

Metals

- + Gold
- + Silver
- + High Grade Copper

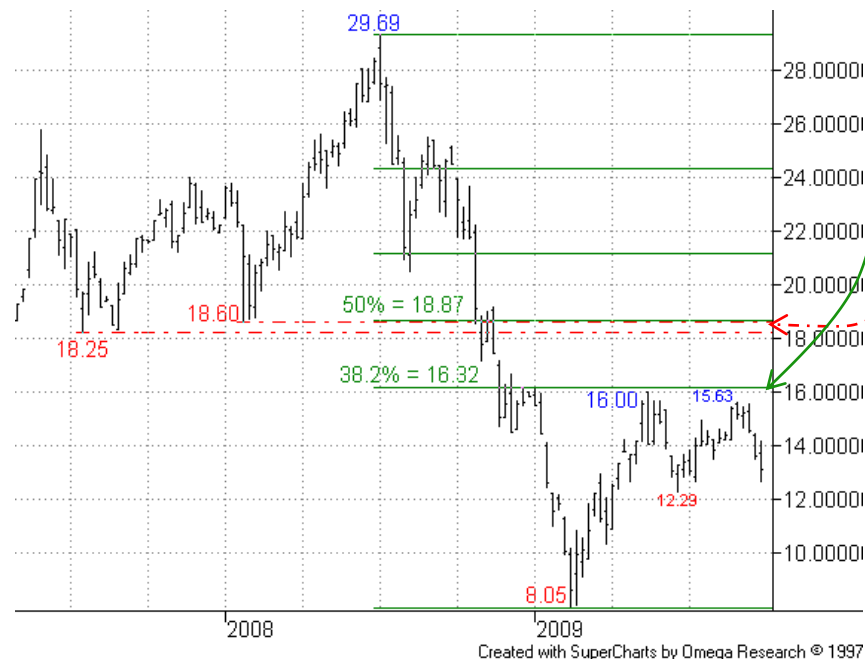
Grains and Softs

- + Soybeans
- + Wheat
- + Sugar 11
- + Cocoa
- + Coffee
- + Cotton No.2

Other

- + Carbon Emissions
- + CRB Index

Other: EUA – Carbon Emission Allowances (ICE ECX)





Other: EUA – Carbon Emission Allowances (ICE ECX)

Summary

Energy

- + Brent Crude Oil
- + Natural Gas
- + Heating Oil

Metals

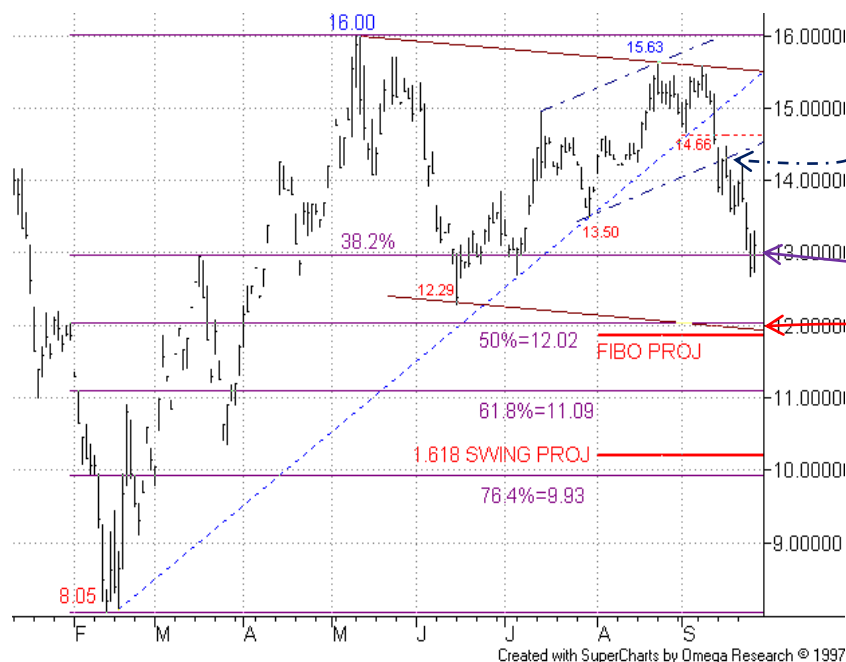
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Grains and Softs

- + Soybeans
- + Wheat
- + Sugar 11
- + Cocoa
- + Coffee
- + Cotton No.2

Other

- + Carbon Emissions
- + CRB Index



Daily Chart – Dec-09:

The break of uptrend and small channel base were clear bear signals – currently s/term rallies are still viewed as temporary.

Closing below the old 13.00 38.2% pullback level was the next bear sign, but note the first of two key supports then lies not far away – the **12.00** area which encompasses the 50% pullback, bear channel base projection and a Fibo projection just below.

We would expect at least temporary support from this.

Lower down lays **10.22/9.93** (another Fibo projection and 76.4% level) – this becomes next bear target if the 12.00 area fails.

Resistance should now be found ahead of 14.66 02-Sep low.

Sellers on rallies, frustrated so far, refuse to chase price and favour the 14.40 area if seen (just ahead of small 61.8% bounce) initial stops just above 15.63 24-Aug high, targeting 12.50 for partial profits, then reducing stops to cost.

We maintain a bearish stance now.

More



Other: CRB Index (CBOT)

Summary

Energy

- + Brent Crude Oil
- + Natural Gas
- + Heating Oil

Metals

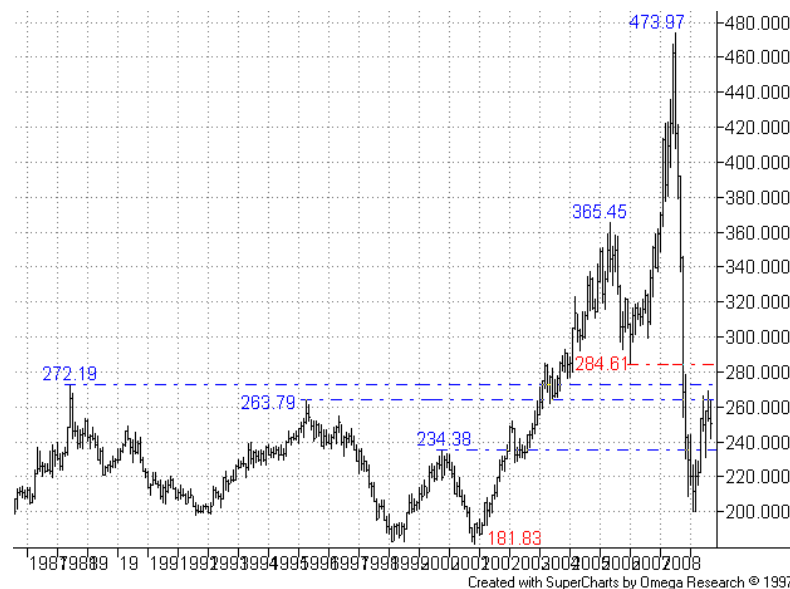
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Grains and Softs

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- + Wheat
- + Sugar 11
- + Cocoa
- + Coffee
- + Cotton No.2

Other

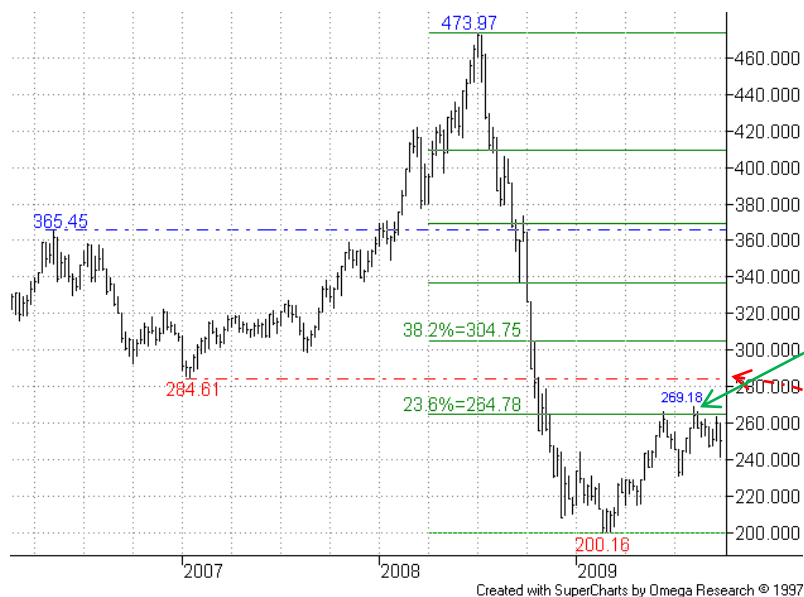
- + Carbon Emissions
- + CRB Index



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 recovery since the start of the index's collapse last year has been seen.

First target on this chart was the 23.6% 264.78 retracement – it continues to provide resistance.

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

More



Other: CRB Index (CBOT)

Summary

Energy

- + Light Crude Oil
- + Natural Gas
- + Heating Oil

Metals

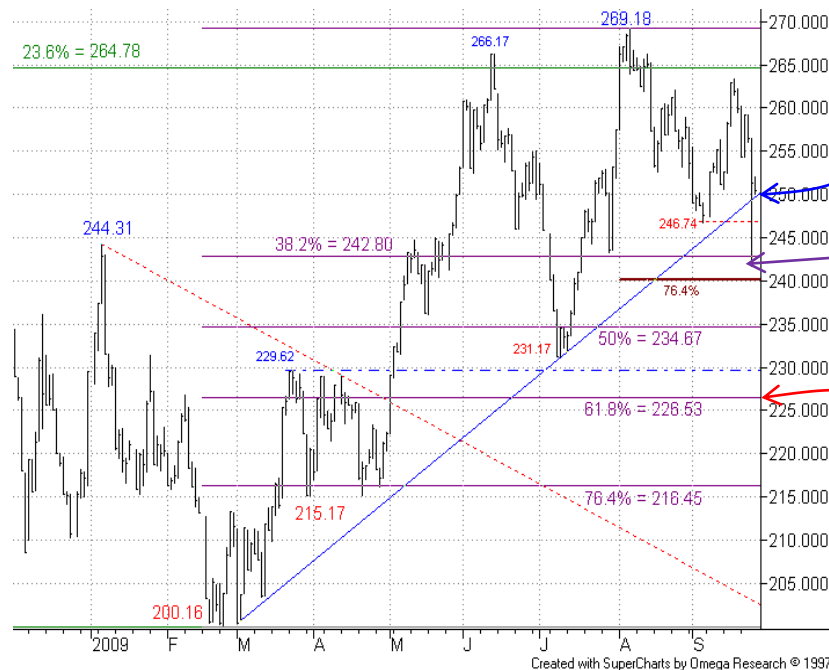
- + Gold
- + Silver
- + High Grade Copper

Grains and Softs

- + Soybeans
- + Wheat
- + Sugar 11
- + Cocoa
- + Coffee
- + Cotton No.2

Other

- + Carbon Emissions
- + CRB Index



Daily Chart

The break of the rising support line and 246.74 04-Sep low provides an initial bear signal now.

Nearby support comes from the 242.80/240.15 area (38.2%/76.4% levels). Failure here would be a further sign of momentum loss.

Focus then would turn to the 61.8% area, where a Fibo projection coincides (there is lower projection at 220 which we haven't marked in yet).

We adopt a s/term bear stance now.



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