Week 41

13th October – 18th 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

Summary

Energy

+ Brent Crude Oil	**Stay** **BEARISH**	after breach of rising support line (Nov-09)
+ Natural Gas	**Stay** **BULLISH**	s/term pullback likely but should be temporary (Nov-09)
+ Heating Oil	**Stay** **BEARISH**	initial bear signs remain in place (Nov-09)

Metals

+ Gold	**Stay** **BULLISH**	recent s/term pullback shallower than expected prior to latest bull surge (Dec-09)
+ Silver	**Stay** **BULLISH**	5-wave bullish structure now visible – pullback phase next? (Dec-09)
+ High Grade Copper	**Stay** **BEARISH**	current bounce may yet prove temporary (Dec-09)

Grains and Softs

+ Soybeans	**Go** **BULLISH**	Key Reversal Week favours s/term bulls now (Nov-09)
+ Wheat	**Stay** **BEARISH**	s/term Fibo support still influential – are bulls stirring? (Dec-09)
+ Sugar 11	**Stay** **BEARISH**	2nd bear leg underway after early Sep Key Reversal Week (Mar-10)
+ Cocoa	**Stay** **SQUARE**	s/term negative clues suggest pullback could be seen (Dec-09)
+ Coffee	**Go** **SQUARE**	price swings continuing – awaiting clarity in chart structure (Dec-09)
+ Cotton No.2	**Stay** **BEARISH**	recent Key Reversal Day remains a bear sign (Dec-09)

Other

+ Carbon Emissions	**Stay** **BEARISH**	bears remain favoured, two key supports identified (Dec-09)
+ CRB Index	**Stay** **BEARISH**	after current bounce bears need quick reversal now

Energy

The bounce in **Crude Oil** off s/term support is still viewed as temporary, as is that in **Heating Oil.** Fibonacci resistances on the long term and daily charts have been tested in **Natural Gas**, and a s/term pullback phase is anticipated now.

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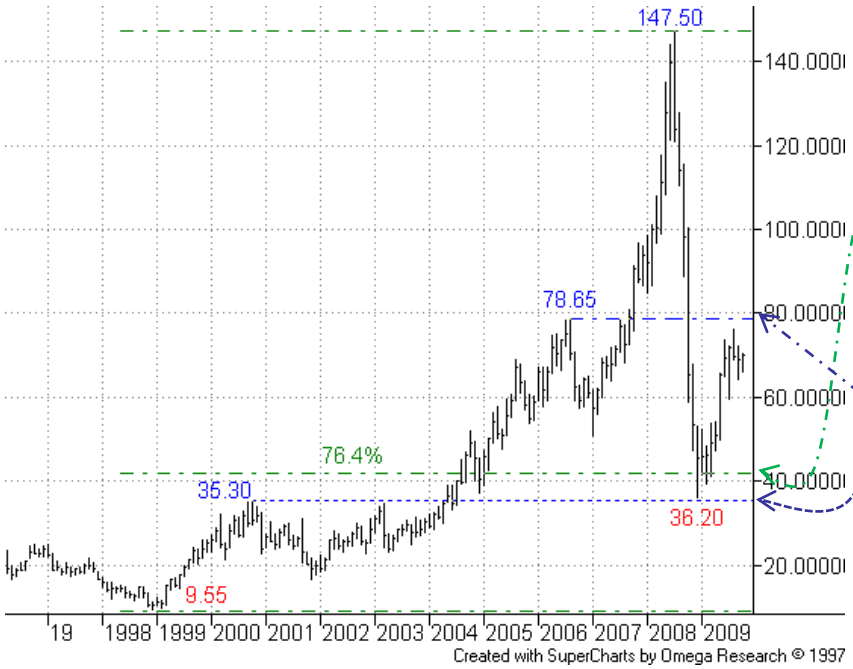
Energy: Brent Crude Oil (ICE)



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.*

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Energy: Brent Crude Oil (ICE)

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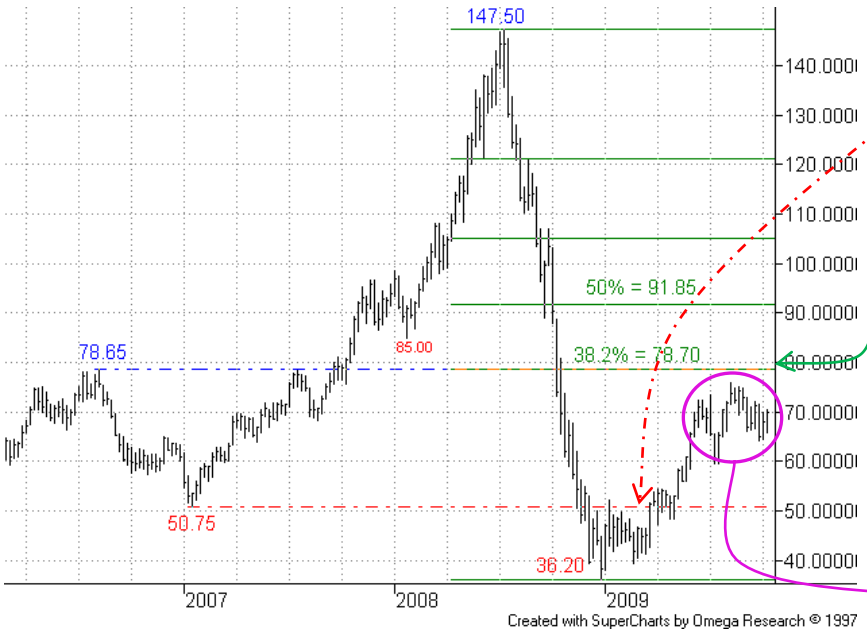

Weekly Chart – Continuation:

The move back above this key 50.00 resistance area completed a base, <u>favouring medium term bulls.</u>

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 suspect that the 2009 chart structure shows signs of maturity, with potential for a decent pullback now.

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Energy: Brent Crude Oil (ICE)

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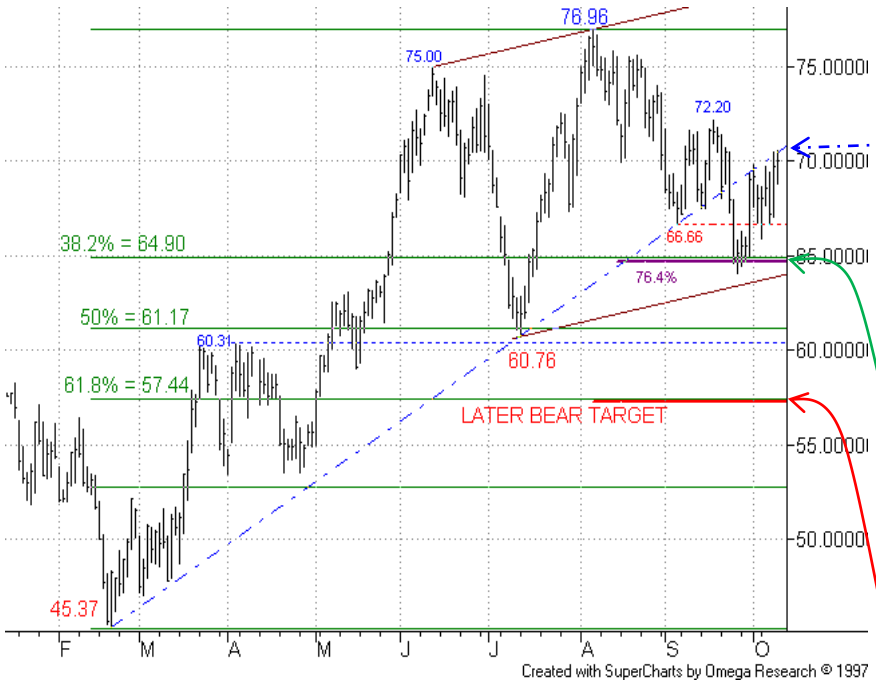


Daily Chart – Nov-09:

We remain in favour of a bear view here – ideally resistance from the rising old support/return line (which has been effective so far) will repel what we see as a temporary bounce.

We would be kicked onto the sidelines on a close above the 72.20 17-Sep high (72.92 in Dec contract), then seeking a fresh bear signal (reversal back below that dual 76.4%/38.2% support).

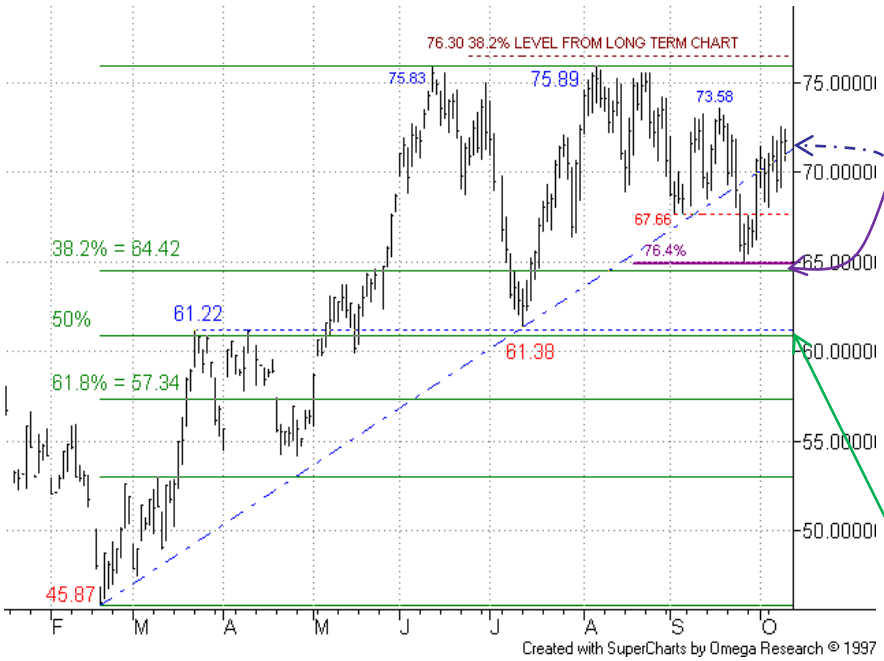
Meanwhile, a drop back through that support, and the channel base projection near 64.00 now, would first target a return to the 60.76 Jul low area – a later target area centres on the 61.8% level, where Fibo projections seem to cluster too.

Shorts at the suggested 68.75 will maintain stops just above the 72.20 17-Sep high for now, targeting 61.00 for partial profits them lowering stops to cost. Further profits favoured towards 57.50.

We maintain a bearish stance here. (We shift to the Dec contract next week)

More

Energy: Light Crude Oil (NYMEX)



Daily Chart – Nov-09:

The rally off dual Fibo support (similar to Brent) was not a surprise – the rising old support/ return line has been less effective resistance (more effective in Dec contract though) but has still hindered what we think is a temporary bounce.

That said, a recovery/close above the 73.58 17-Sep high would put us on the sidelines.

Bears currently seek a fresh attack on the dual Fibo support area, with the old support area just above 61.00 being the next target.

<u>We maintain a bear stance now.</u>

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Energy: Natural Gas (NYMEX)

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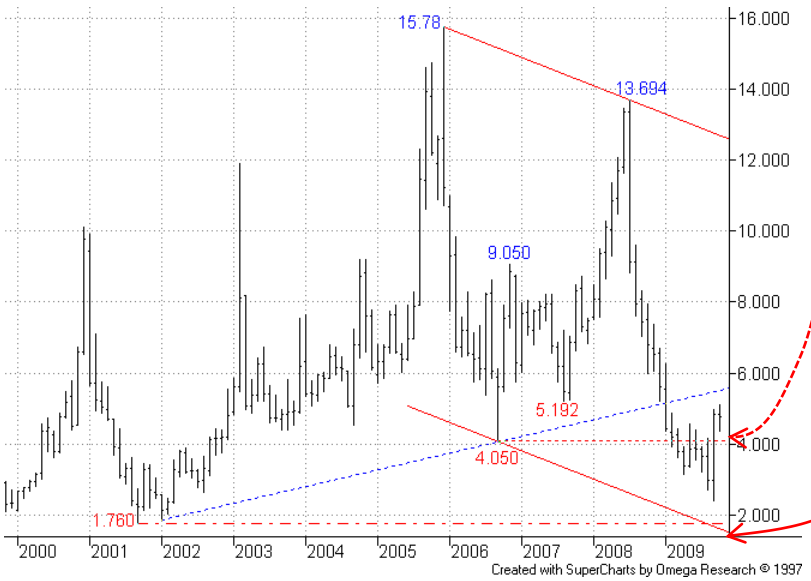
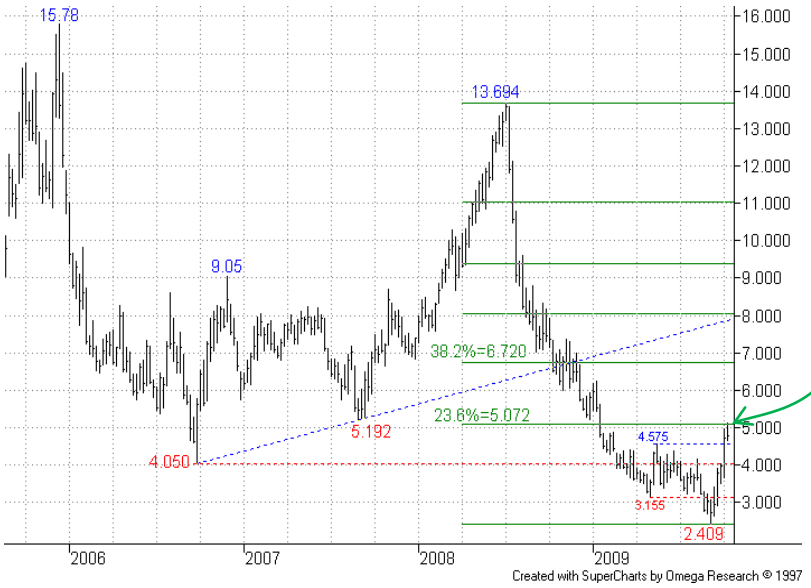


Monthly Chart – Continuation:

On this long term chart, the **4.0000** area was clearly breached.

The projected bear channel base runs a little below the 1.760 2001 low, the next main area of support here.



Weekly Chart – Continuation:

A notable recovery has now tested the 23.6% level on the continuation chart.

A pullback from around here would not surprise, and this could be relatively deep.

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Energy: Natural Gas (NYMEX)

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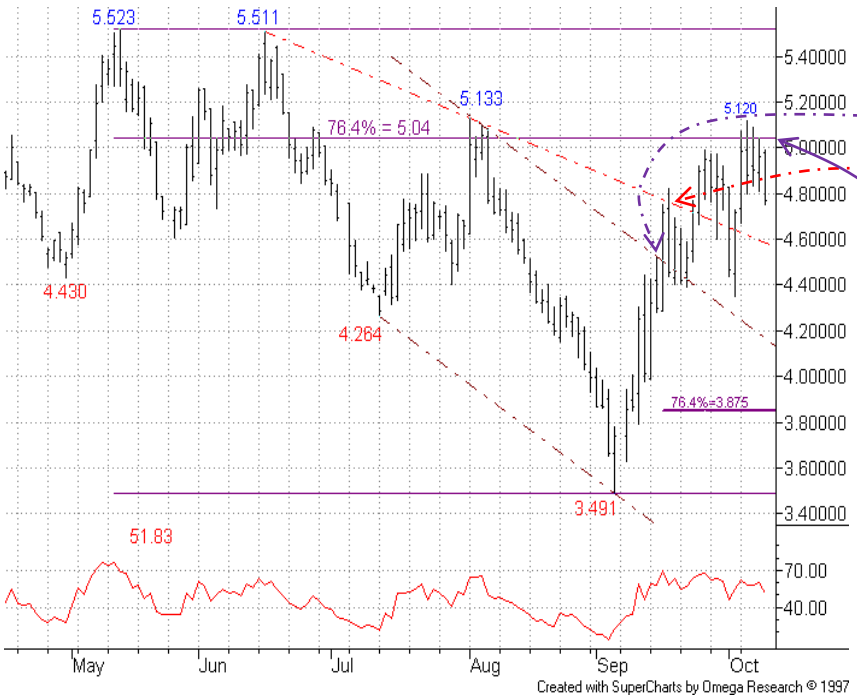

Daily Chart – Nov-09:

The recent breaks above the s/term bear channel top projection and falling resistance line provided bullish signals.

Note how s/term resistance has been found around the current 76.4% retracement just above 5.000 (close to 23.6% on the long term chart).

There is currently a negative RSI divergence so a s/term pullback would not surprise – this is more likely to be temporary ahead of further upside activity and, if this is a turnaround in medium term trend, a deep pullback would be quite normal.

Currently keep in mind the 76.4% pullback level at 3.875 as possible support.

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

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Energy: Heating Oil (NYMEX)

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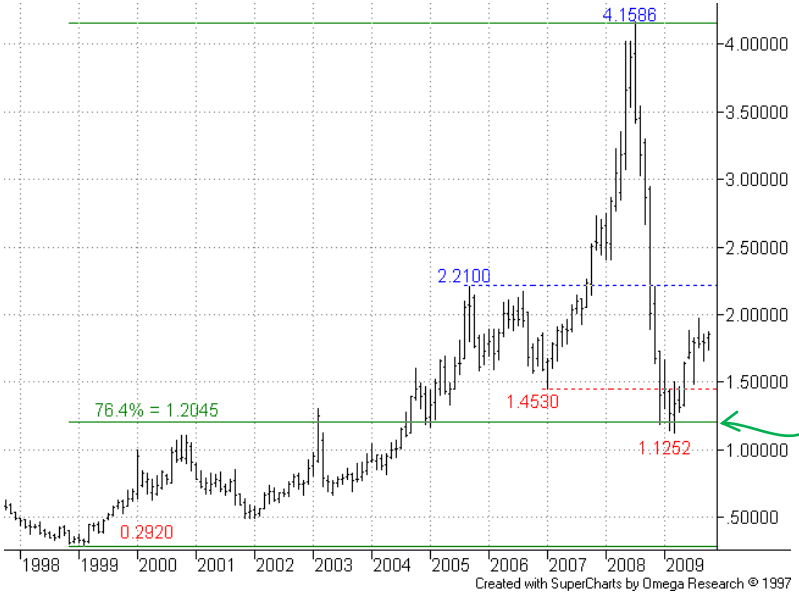
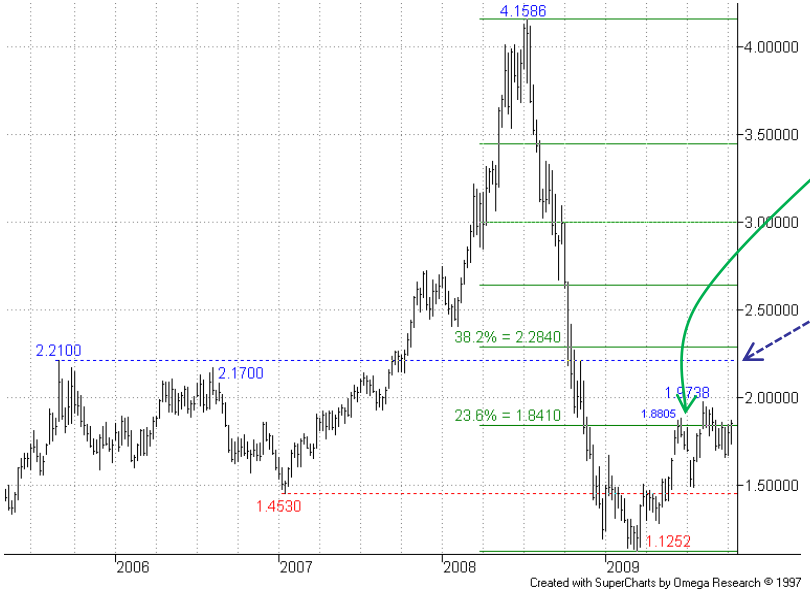


Monthly Chart – Continuation:

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.*

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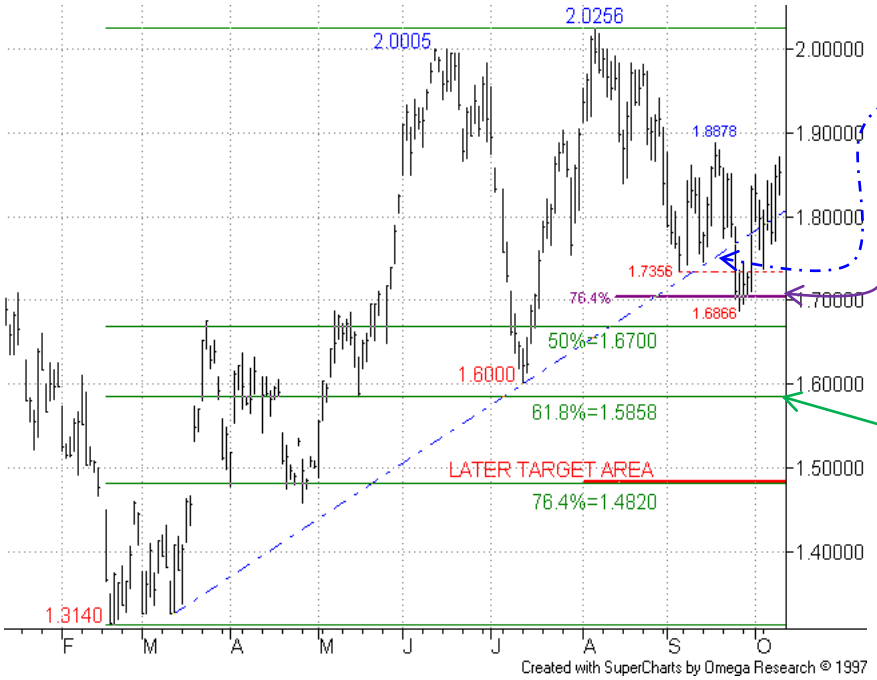
Energy: Heating Oil (NYMEX)



Daily Chart – Nov-09:

The minor 76.4% level around 1.7000 provided s/term support and, as before, ideally bears want to see the 1.8878 17-Sep high not violated at this stage – we would be sidelined on a close above this.

A resumption of weakness, through the small 76.4% level and 1.6866 25-Sep low, would see next downside targets as the 1.6000 Jul low area.

Any shorts around 1.7800 will probably hold initial stops just above the 1.8878 17-Sep high, targeting 1.6000 for partial profits and reducing stops to cost.

<u>We maintain a bear stance for now.</u>

Metals

Bulls in **Gold** have reasserted themselves, with an impulsive 5-wave structure now apparent on the shorter term chart. **Silver** action is similar and, with a possible 5th/final upleg in process, we wonder if a (temporary) pullback phase is not far off. **Copper** bears are still in with a chance, despite recent s/term strength.

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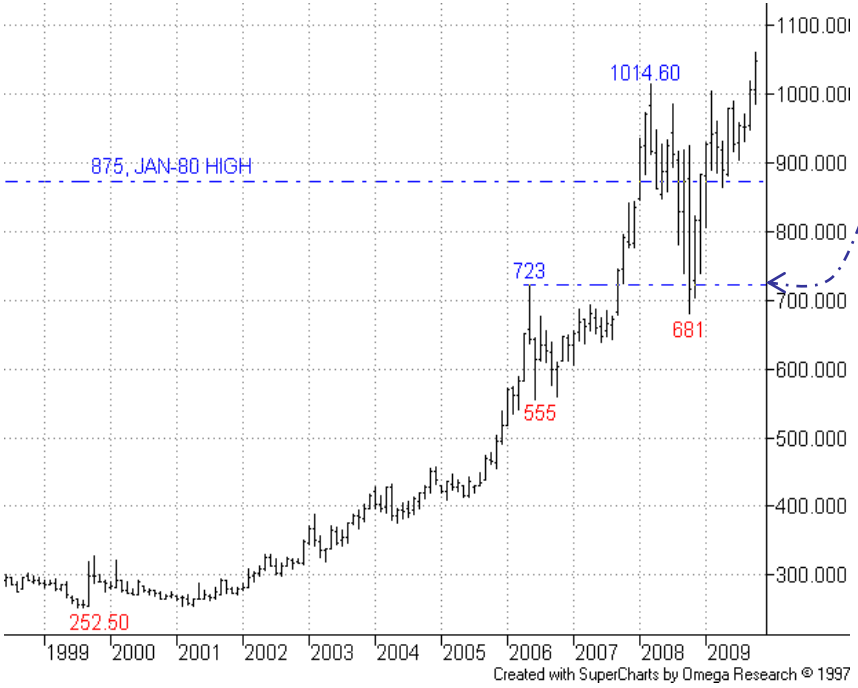
Metals: Gold (COMEX)



Monthly Chart - Continuation:

Last year's slip back eroded the major 723 May-06 high, but failed to hold below.

Last year's peak has now been clearly violated.

More

Metals: Gold (COMEX)

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Weekly Chart – Continuation:

The recovery from just above the former 76.4% level of the 2006/2008 upleg has finally breached the 1014.60 2008 peak.

The chart structure is positive, suggesting bull energy isn't sapping.

Here we note one Fibo projection at **1220**, 1.618 swing off prior 1014.60/681.00 2008 downmove, but also note closer targets/ resistance on the Daily chart.

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Metals: Gold (COMEX)

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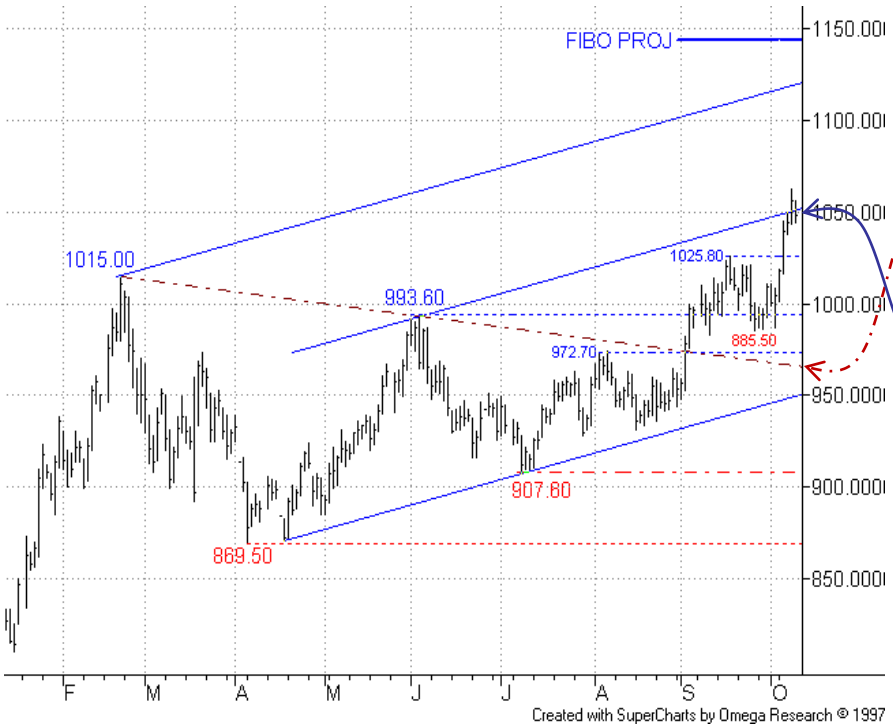

Daily Chart – Dec-09:

We had thought that a deeper pullback could be seen prior to another bull leg, one that tested support from 972.70 04-Aug high or the falling return line around 965.00 now.

This hasn't happened and the bull channel top projection around 1050 has been reached/eroded now, with s/term chart structure not implying bull fatigue yet.

Although we do note that the upmove from 907.60 Jul low now displays a 5-wave (impulsive) structure, implying last wave underway prior to a pullback.

Meanwhile keep in mind the higher channel top projection at 1120, ahead of 1145 Fibo projection.

Buyers on a deeper dip than was seen have been disappointed – the favoured 975/70 area could, of course, still be seen, but we must await developments for now.

We maintain a bull stance here.

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Metals: Silver (COMEX)

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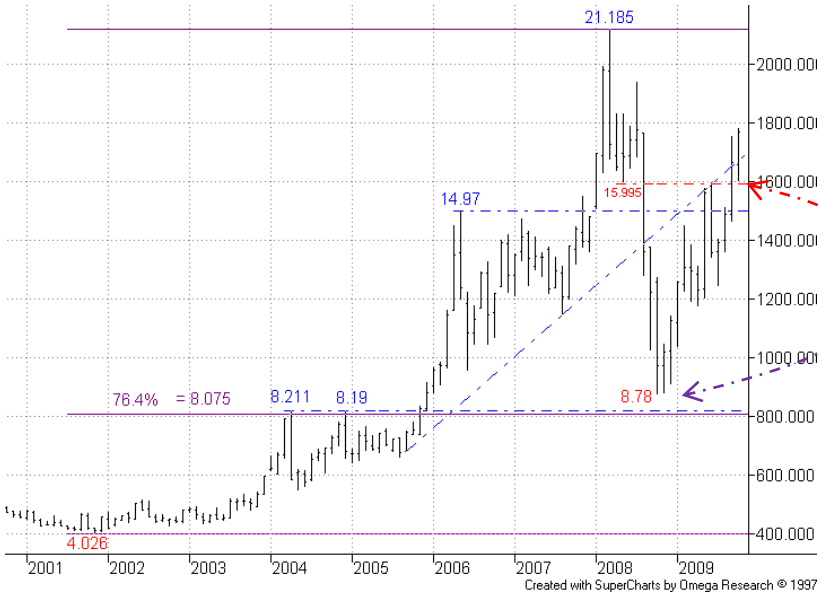
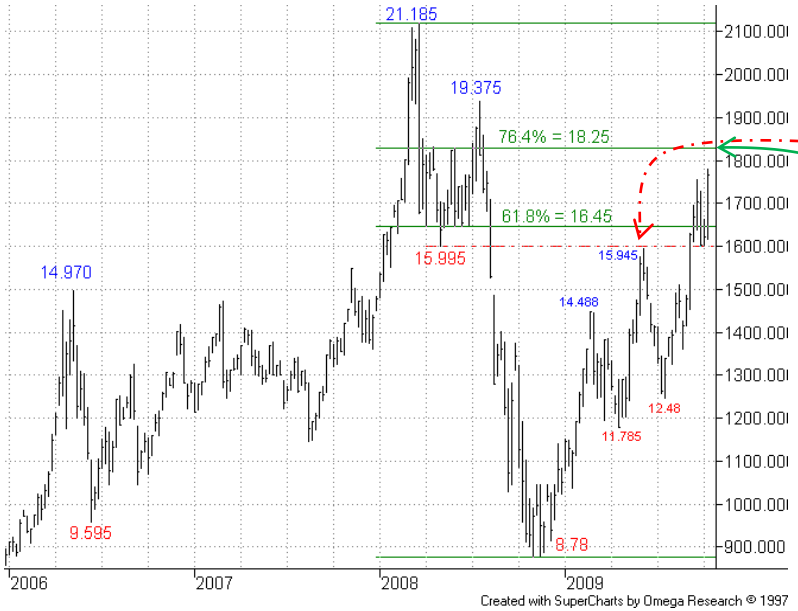


Monthly Chart – Continuation:

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 were recently overcome.



Weekly Chart – Continuation:

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

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

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Metals: Silver (COMEX)

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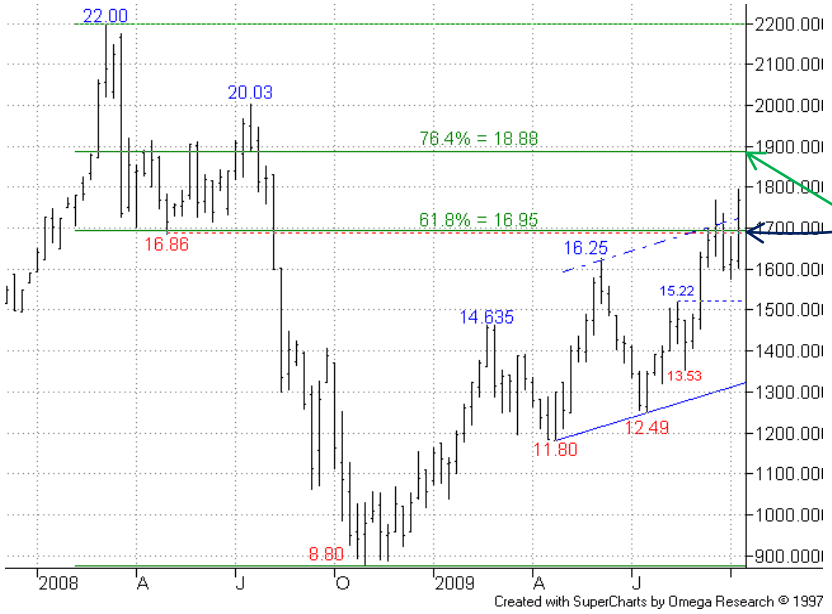
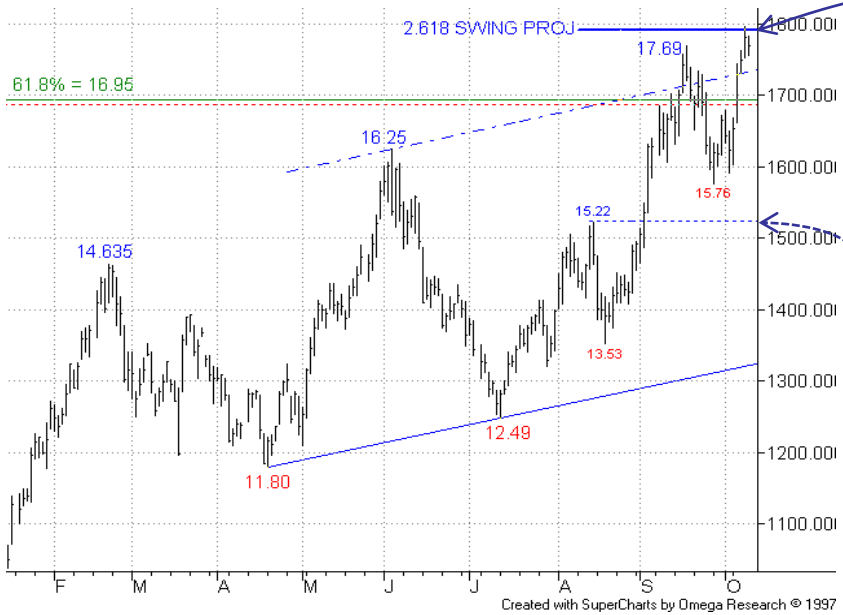


Weekly Chart – Dec-09:

Key resistance around 17.00 has been violated now.

The next main level on the front month chart is the 76.4% retracement at 18.88.



Daily Chart – Dec-09:

After a s/term pullback our 2.618 swing projection off prior 15.22/13.53 pullback just below 18.00 has been reached.

Not a major level by any means, but we also note, as in Gold, that the recovery from the Jul low now displays a 5-wave, impulsive, structure – *suggesting final upleg unfolding ahead of a pullback/ consolidation phase.*

Current supports to note include 15.76 28-Sep low and 15.22 14-Aug high.

<u>We maintain a bull stance here.</u>

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Metals: High Grade Copper (COMEX)

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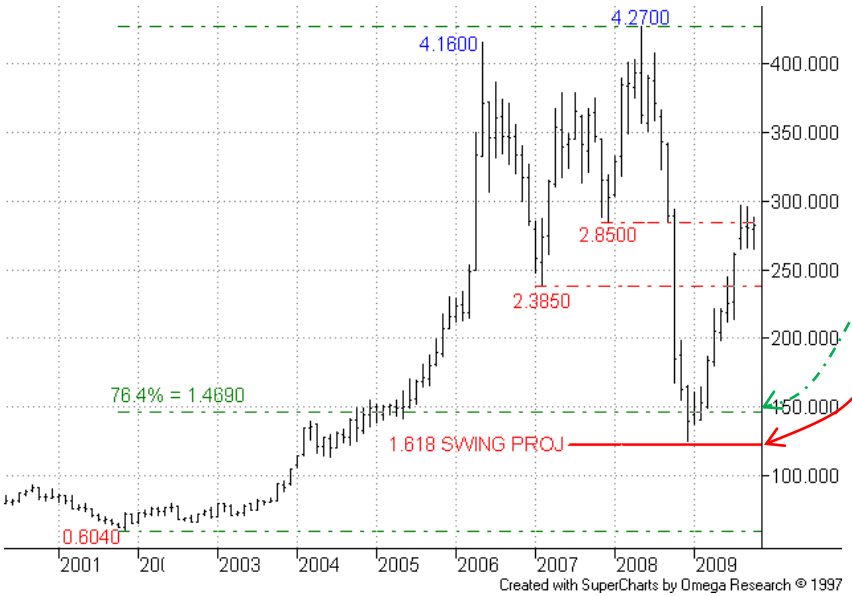
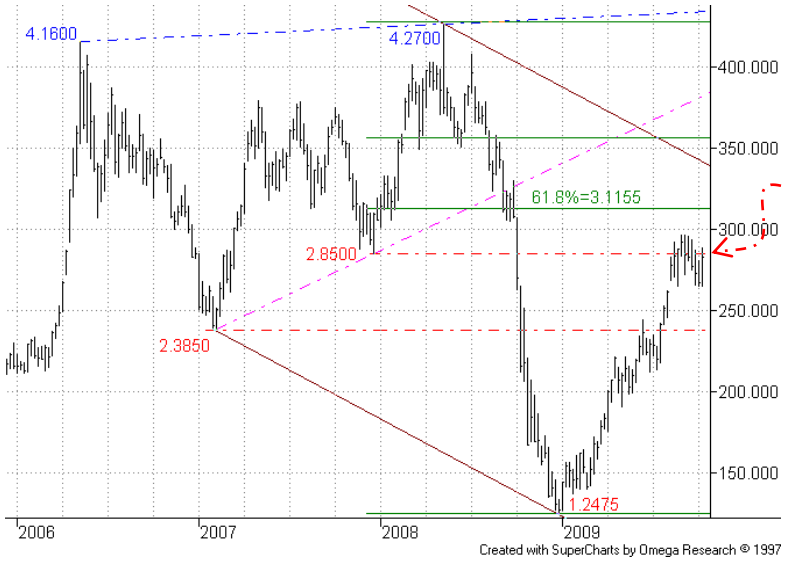


Monthly Chart – Continuation:

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 – *but there is currently pullback risk: see below.*

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Metals: High Grade Copper (COMEX)

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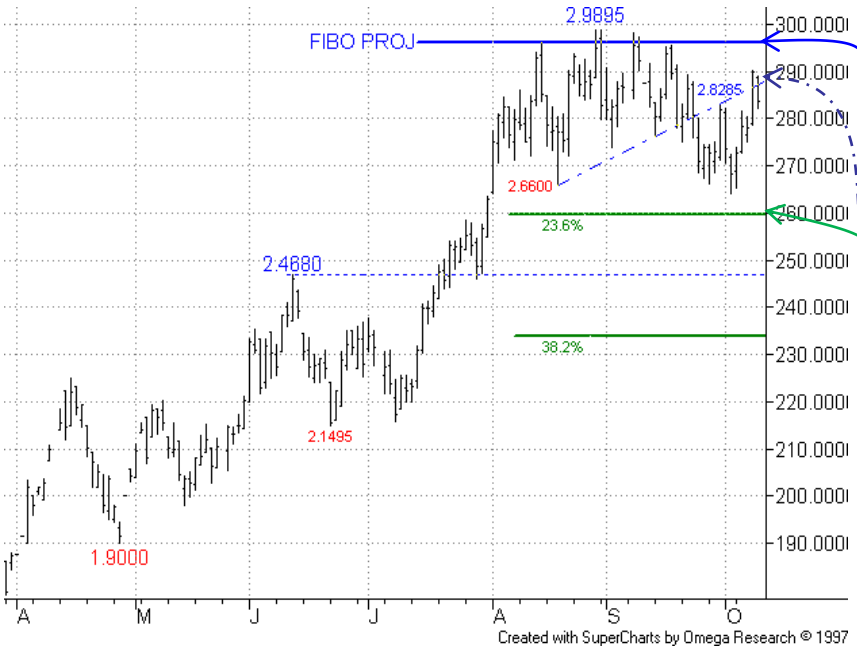

Daily Chart – Dec-09:

After our most recent Fibo projection provided effective resistance the market has been in consolidation/correction mode.

So far, it has shied away from the 23.6% level of the upmove from Dec-08 low, around 2.5935. Lower support is offered by the 2.4680 Jun high.

The s/term rising support/return line has not provided perfect resistance but at the moment current strength may still prove to be the precursor to another bear leg.

Recent shorts in the 2.8500/ 2.9000 area will probably have been stopped out at 2.9000 now (2.9010 high on Fri). We had been targeting 2.6000 then 2.4700 for partial profits. At the moment we deem a second sell attempt as too risky.

<u>We maintain a s/term bear stance for now.</u>

Grains and Softs

Soybeans have given a s/term bull signal now, while **Wheat** is still trying to stabilise around current Fibo support. After the early Sep Key Reversal Week in **Sugar** a second bear leg now looks underway. **Cocoa** bulls may be tiring s/term, certain clues suggesting a pullback is due. Price swings in **Coffee** have continued, and we are sidelined here for now. A recent Key Reversal Day in **Cotton** has provided an interesting s/term bear signal.

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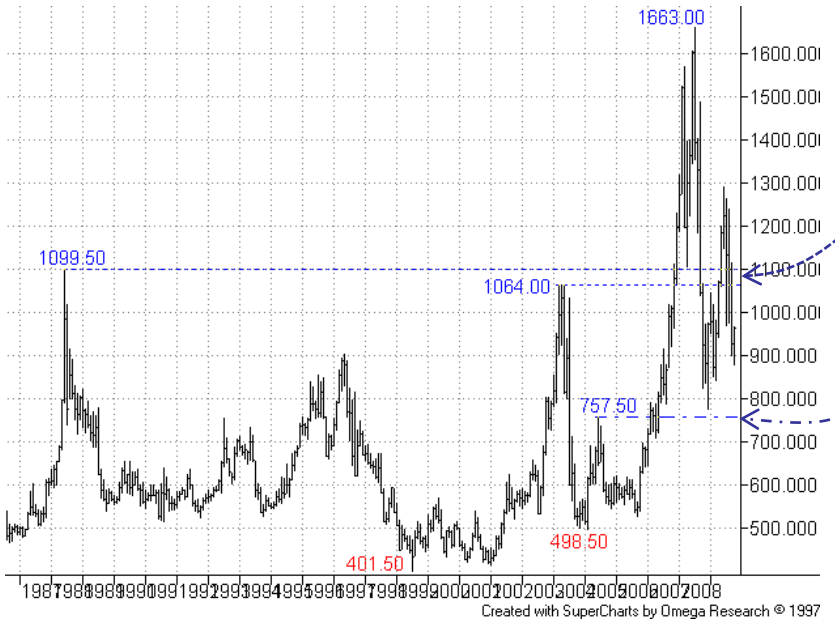
Grains and Softs: Soybeans (CBOT)



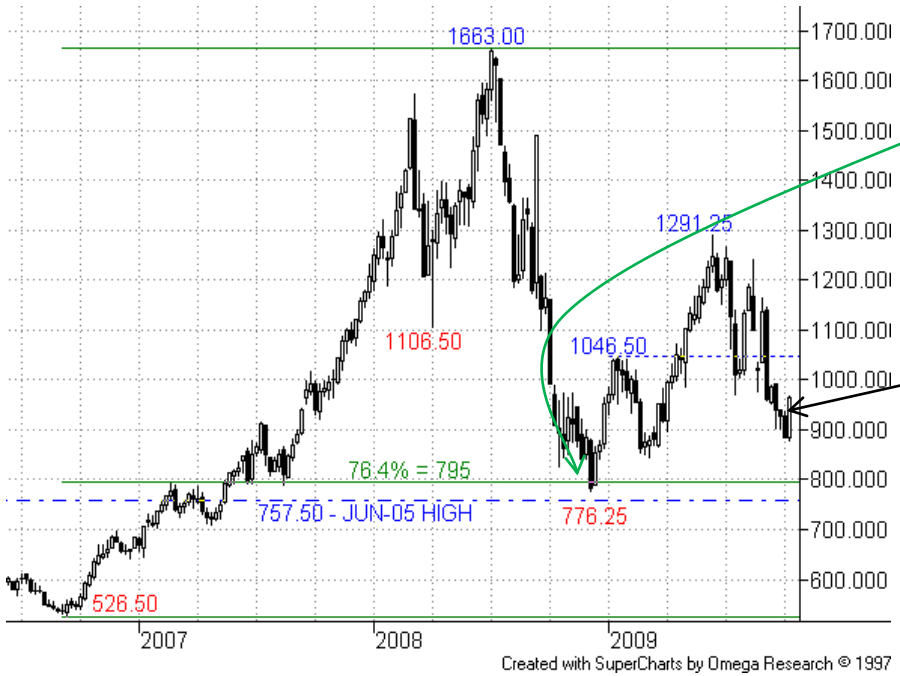
Monthly Chart - Continuation:

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

Support has come from the old 757.50 Jun-05 high (also see Weekly chart).

More

Grains and Softs: Soybeans (CBOT)



Weekly Chart – Continuation:

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

Note that last week produced a potentially bullish **Key Reversal Week**…

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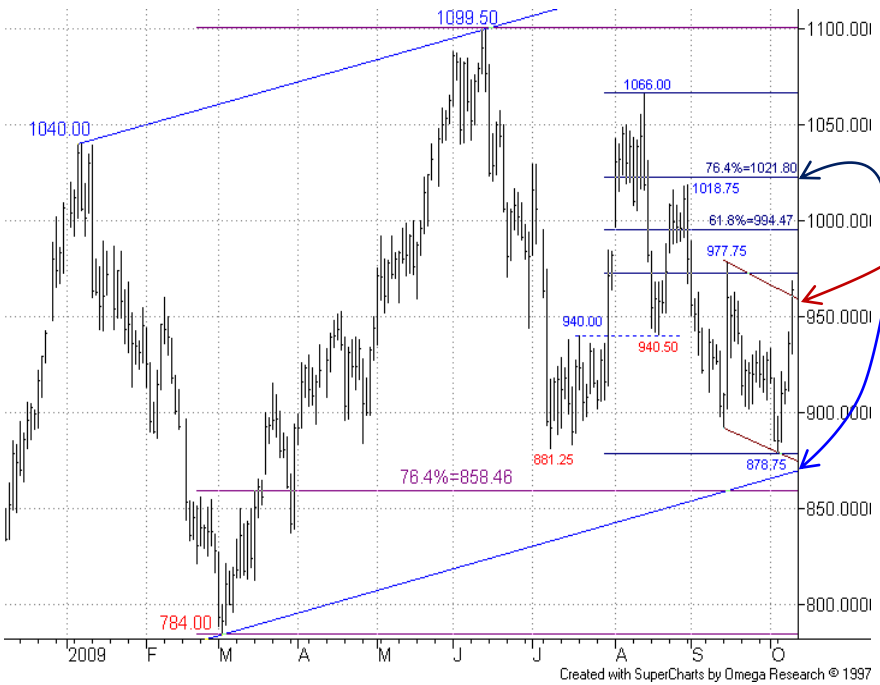
Grains and Softs: Soybeans (CBOT)



Daily Chart – Nov-09:

That **Key Reversal Week** happened just above the bull channel base projection, *and the close just through the small channel top projection provides a further s/term bullish hint.*

The bias is to the upside now, we believe, and any s/term dip is likely to be temporary.

First interesting overhead resistance comes from 1018.75/1021.80, 31-Aug high and 76.4% rebound level.

Buyers on dips may favour the 920 area, initial stops at 875 (a break below the 878.75 low would negate the reversal week), and target 1015 for partial profits.

We switch to a somewhat aggressive bull stance 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

More

Grains and Softs: Wheat (CBOT)

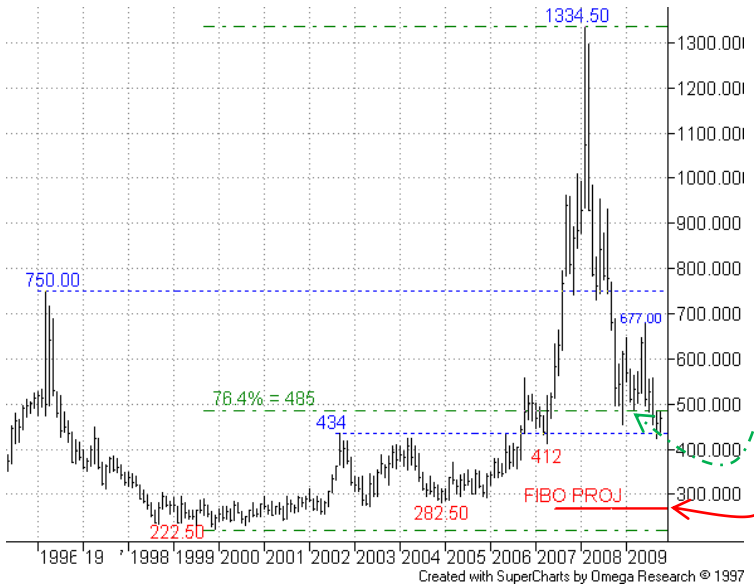
Summary

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



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 been eroded – but also see Daily chart below.

More

Grains and Softs: Wheat (CBOT)

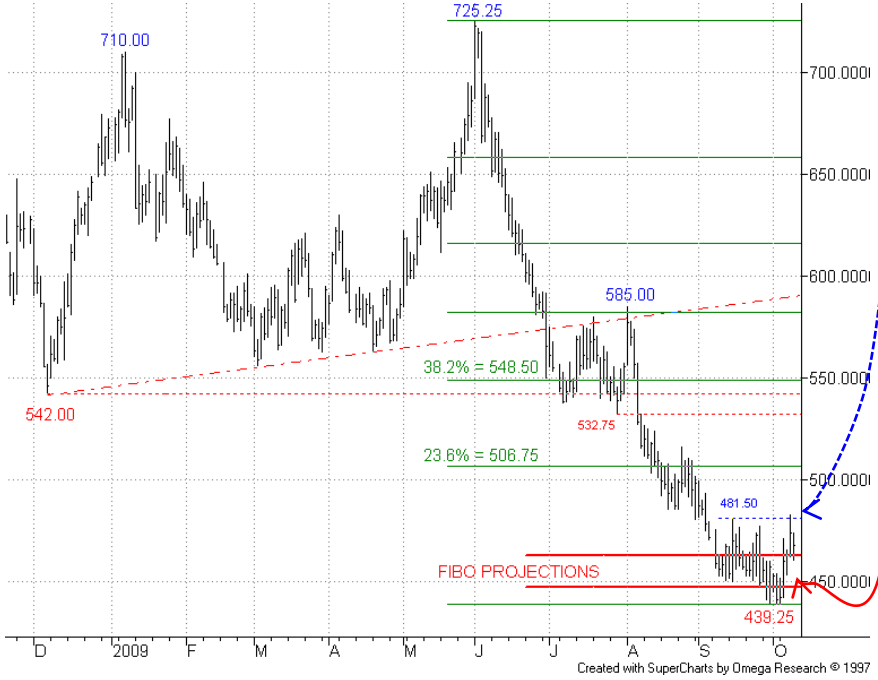
Summary

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:

Our Fibo projection area has provided s/term support – but we have said that a close above the 15-Sep 481.50 high is required for an initial positive sign.

Last week was a type of reversal week, but not a strong signal.

For now, we'll keep a note of a lower Fibo projection on this Daily chart around **358.00.**

We will keep our theoretical powder dry, but any speculative buyers on a dip to, say, the 450 area would have a very limited risk in the 439.25 low.

<u>We must maintain a bear stance for now</u>.

More

Grains and Softs: Sugar (ICE)

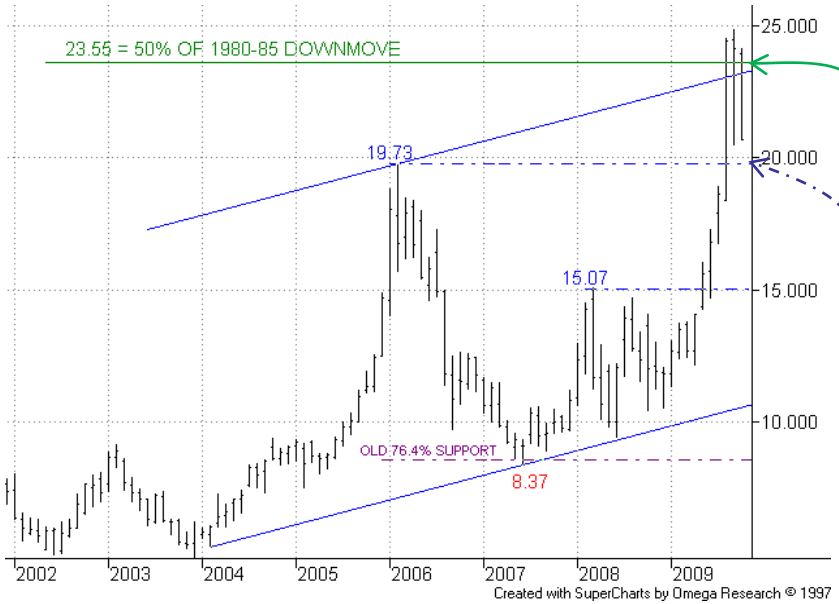
Summary

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



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:

The early Sep **Key Reversal Week** marks the end of the previous bull run, and heralded a pullback phase.

Support at/near the old 19.73 2006 high would not be a surprise.

More

Grains and Softs: Sugar (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

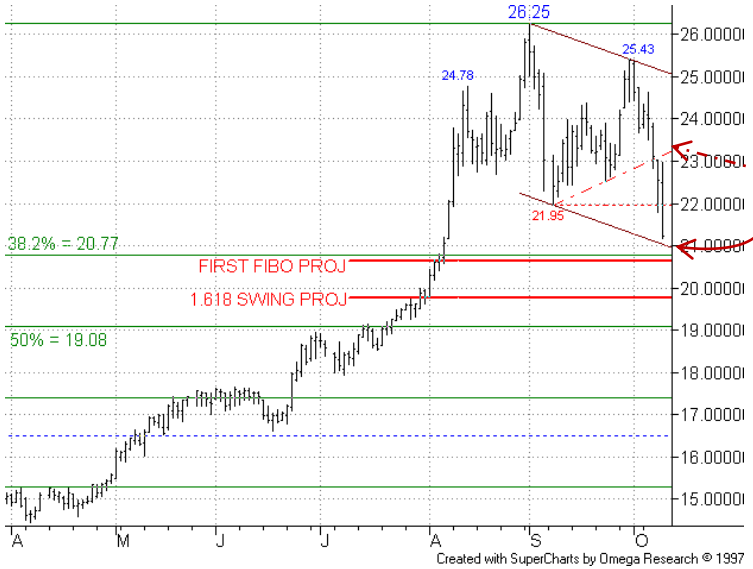
Daily Chart – Mar-10:

After that reversal week we were viewing any s/term bounce as temporary.

With the 21.95 08-Sep low breached we look at lower targets/supports now.

The first main one is around the **20.77** 38.2% pullback – there's a Fibo projection just below at **20.63**.

Then, note the 1.618 swing projection off prior 21.95-25.43 bounce, at **19.80**, *right at that old 19.73 high*.



Closer up note the s/term bear channel base projection around 21.00 offering additional support.

Resistance could come from the small rising return line at 23.25 currently.

Recent shorts at 24.50 have partial profits at 21.25 now, stops reduced to cost. Next profit target at 20.00/19.80.

<u>We maintain a bear stance here.</u>

More

Grains and Softs: Cocoa (ICE)

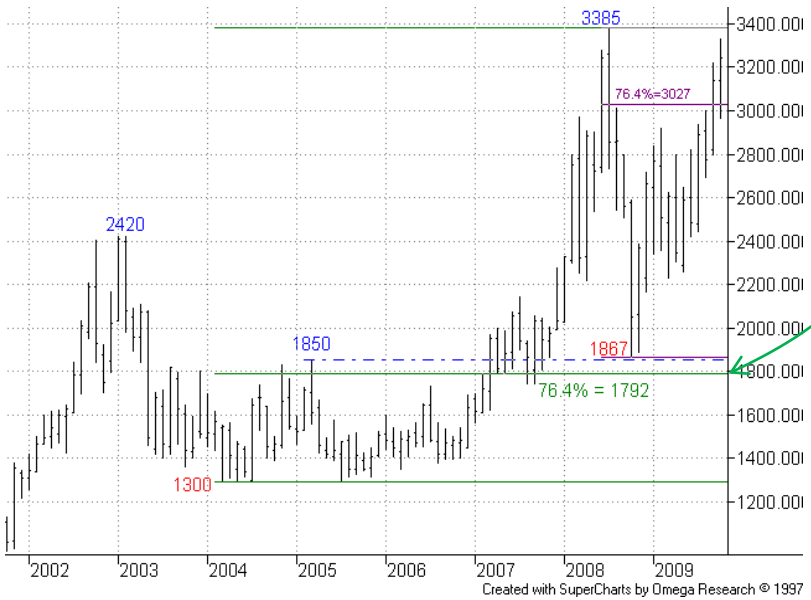
Summary

Energy
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

Metals
+ Gold
+ Silver
+ High Grade Copper

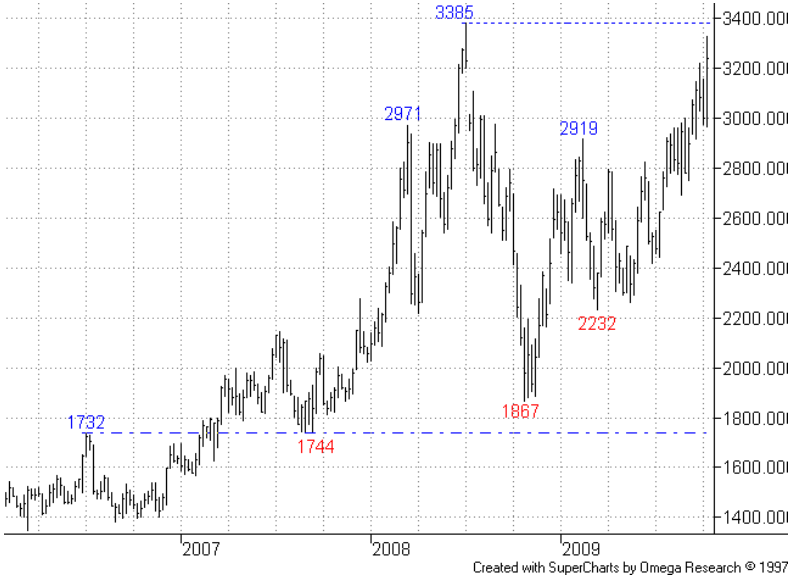
Grains and Softs
+ Soybeans
+ Wheat
+ Sugar 11
+ Cocoa
+ Coffee
+ Cotton No.2

Other
+ Carbon Emissions
+ CRB Index



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 the bulls have stayed in control.

Current focus remains on the 2008 high of 3385.

But see also Daily chart.

More

Grains and Softs: Cocoa (ICE)

Daily Chart – Dec-09:

S/term bulls have now encountered resistance from a s/term rising support line and nearby bull channel top projection at 3360 just now.

Note that the RSI shows signs of a negative divergence.

Also, we aren't great users of candlestick charts (unless there is a nice key reversal/engulfing day which these charts help to highlight) but Fri did see a clear **Doji** day. These occur when open and close are roughly the same level, reflecting indecision in the market, but not as strong a signal as a reversal/engulfing day.

The above clues suggest limited upside and likely s/term pullback.

Note support from the rising line is just above 2967 05-Oct low – a close below this low is needed for an initial bear signal.

<u>We stay on the sidelines for now.</u>

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

More

Grains and Softs: Coffee (ICE)

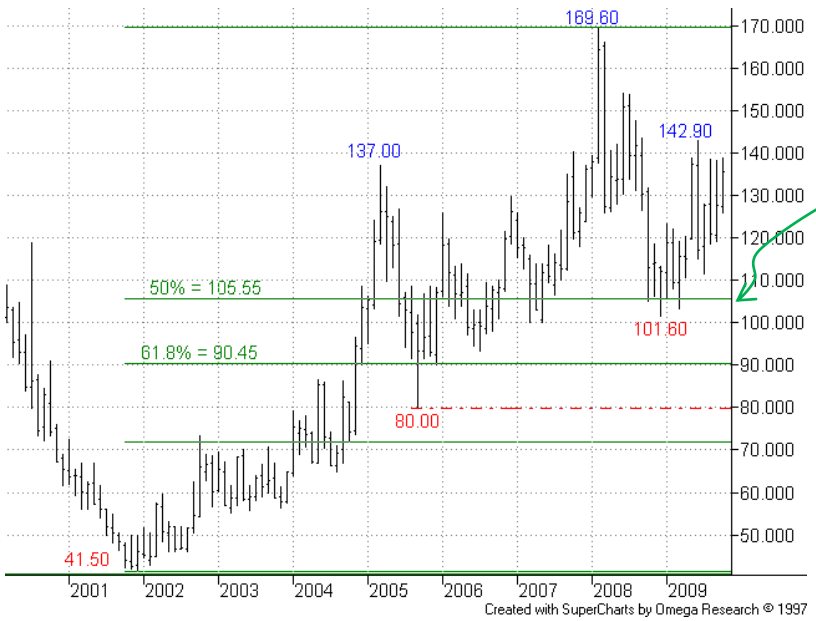
Summary

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



Monthly Chart – Continuation:

Looking at the retracement levels of the 2001-2008 upmove, the 50% mark has provided effective support so far – but will the recovery only prove temporary?

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)

Daily Chart – Dec-09:

Over the last few months deep price swings have continued to narrow – the current boundaries of the pattern are shown, but we hesitate in giving it a name yet.

At this stage a close above the 141.65 10-Aug high would be an initial bull sign (and suggest a valid triangle breakout).

Bears need to see a reversal, through rising support around 122.50 and then 119.90 02-Sep low.

Meanwhile we await clarity in the chart structure.

<u>We switch to the sidelines for the time being.</u>

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

More

Grains and Softs: Cotton No.2 (ICE)

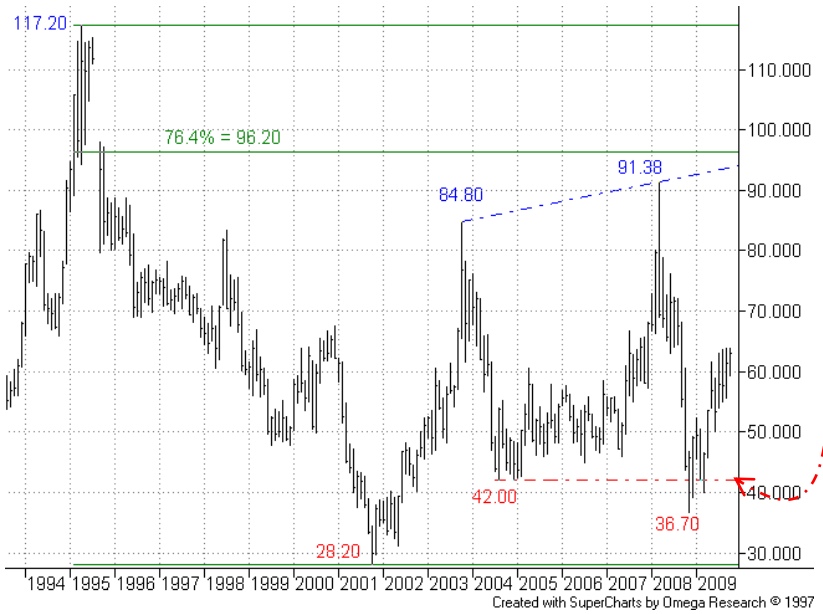
Summary

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

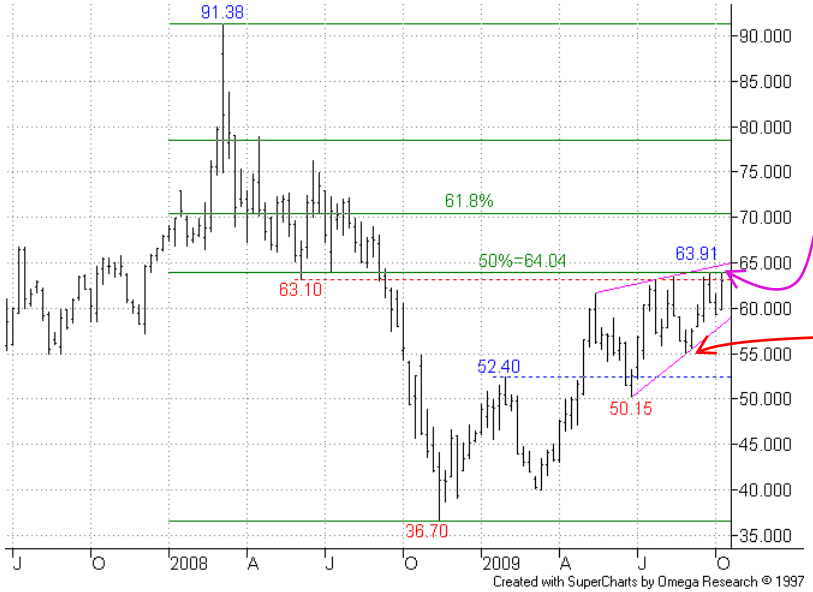
Other
+ Carbon Emissions
+ CRB Index



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 wedge pattern we have marked in remains unresolved – this pattern isn't apparent on the Daily chart though.

Here, a close below the Aug low around 55.00 would be a useful initial bear signal (see nearby levels on the Daily chart).

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 coincides with this.

The 25-Sep **Key Reversal Day** remains a valid s/term bear signal for now, s/term strength seen as temporary.

The 65.39/65.47 highs continue to offer first resistance – recovery through these would negate that reversal signal.

Note possible s/term support from 59.00 76.4% pullback level, ahead of 57.65/56.75, two channel base projections and 27-Aug low (at 57.00).

On the back of that Key Reversal Day shorts within 63.50/64.00 will have tight stops just above 65.47, seeking 59.00 for partial profits and reducing stops to cost.

We maintain a s/term bear stance here.

Other

Bears in the **EUA** remain favoured, s/term strength will still be viewed as temporary. The current bounce in the **CRB Index** is close to putting us back on the sidelines.

Summary

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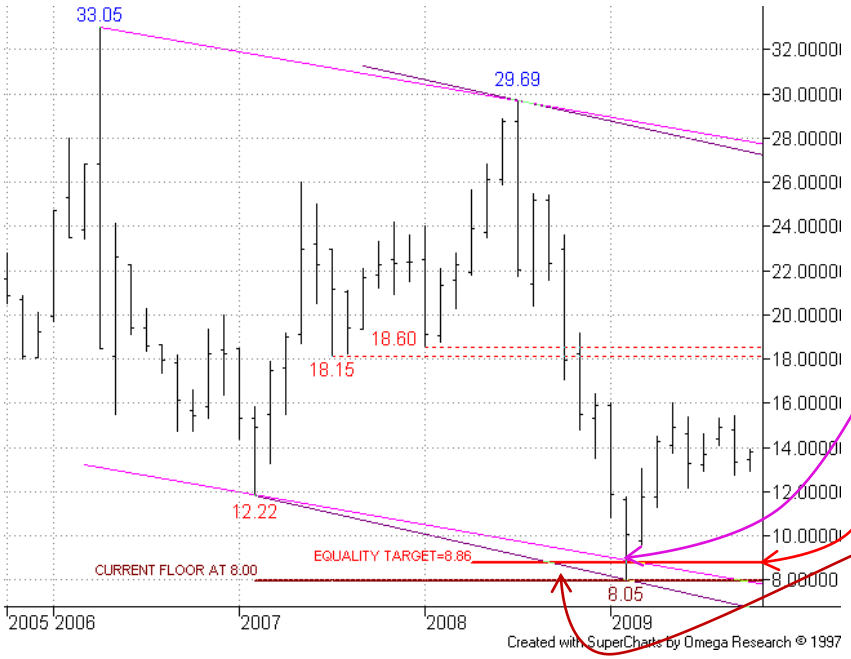
+ Sugar 11
+ Cocoa
+ Coffee
+ Cotton No.2

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 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

Other: EUA – Carbon Emission Allowances (ICE ECX)

Summary

Energy
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

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+ High Grade Copper

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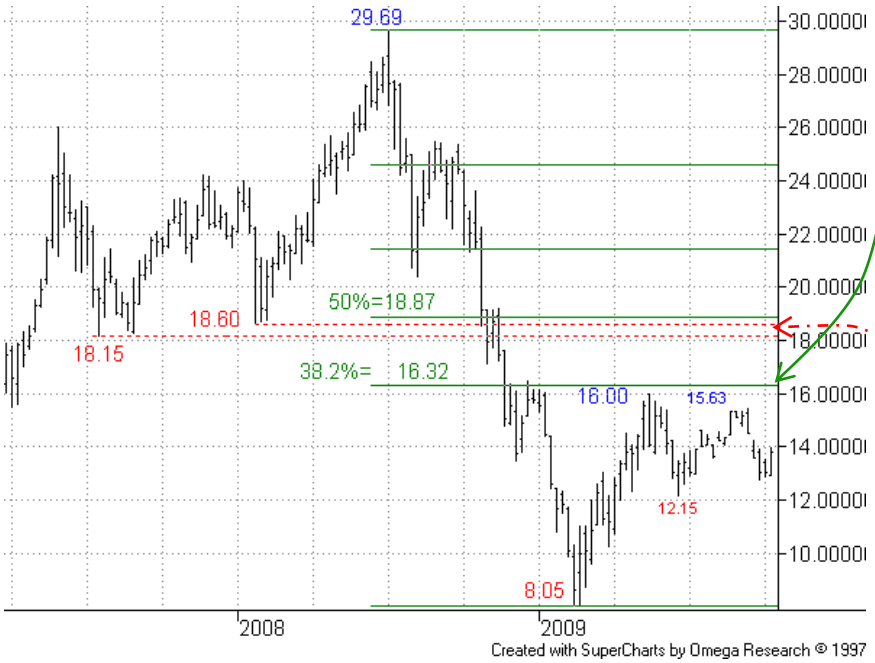
+ CRB Index



Weekly Chart – Continuation:

The 38.2% recovery level has proved a tough hurdle to pass, and remains first key resistance on this long term chart.

A break higher to test the prior 18.25/ 18.60 lows and the 18.87 50% level is postponed for now.

However, we think that shorter term weakness will prove temporary.

More

Other: EUA – Carbon Emission Allowances (ICE ECX)

Summary

Energy
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

Metals
+ Gold
+ Silver
+ High Grade Copper

Grains and Softs
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+ Coffee
+ Cotton No.2

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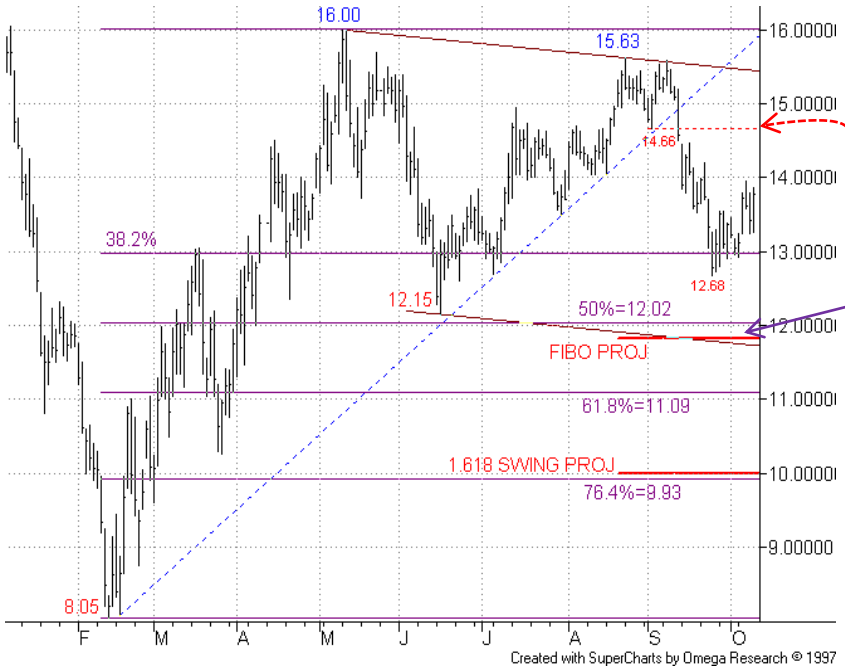
+ CRB Index



Daily Chart – Dec-09:

Currently any s/term rallies are still assumed to be temporary.

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

Note the first of two key supports at the **12.00/11.75** area which encompasses the 50% pullback, bear channel base projection and a Fibo projection - *we would expect at least temporary support from this.*

Lower down lays **10.00/9.93** (another Fibo projection and 76.4% level) – this becomes next bear target if the higher support fails.

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 12.25 for partial profits, then reducing stops to cost.

<u>We maintain a bearish stance now.</u>

More

Other: CRB Index (CBOT)

Summary

Energy
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

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+ Gold
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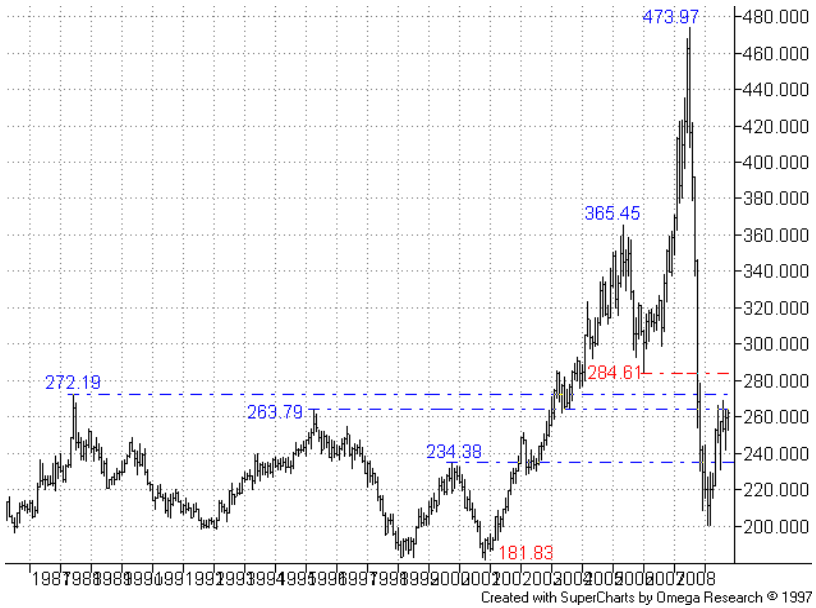
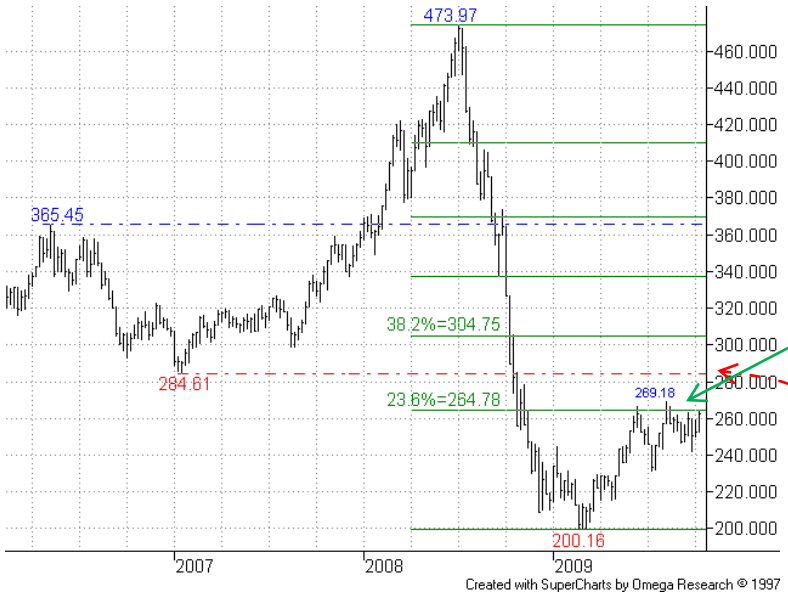


Monthly Chart – Continuation:

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:

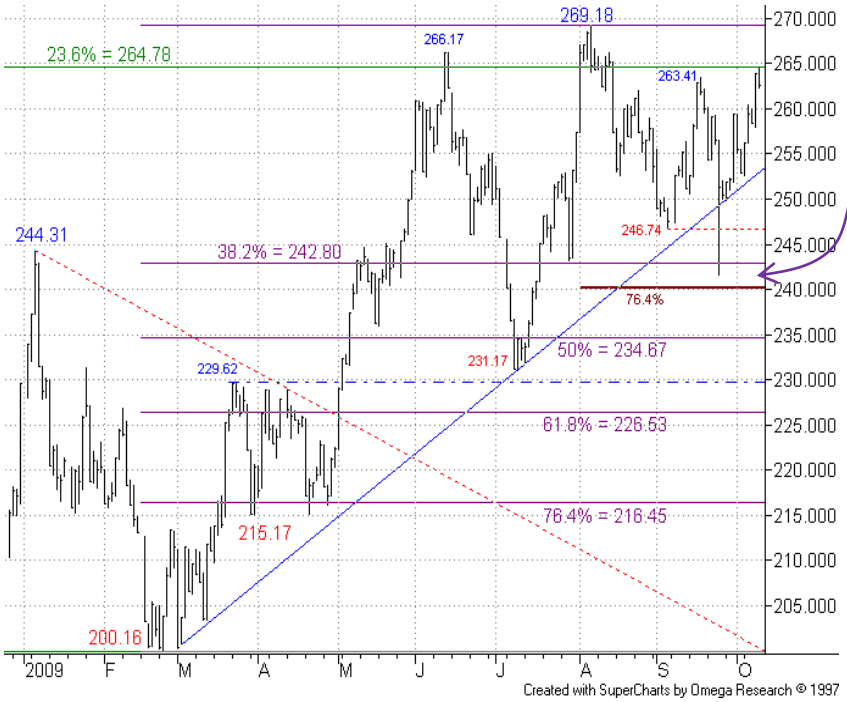
After a low of 200.16 the best recovery since the start of the index's collapse last year has been seen.

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)



Daily Chart

S/term bears have so far been frustrated, after support was found from the 242.80/240.15 area (38.2%/ 76.4% levels). Failure here is required to signal fresh momentum loss.

Focus then would turn to the 61.8% area, where a Fibo projection coincides.

S/term resistance around the 263.41 17-Sep high is currently being tested – a clear break higher would put us on the sidelines.

<u>We maintain a s/term bear stance for now.</u>

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

SEVEN DAYS AHEAD
Authorised and Regulated by the FSA
124 REGENTS PARK ROAD LONDON NW18XL
TEL +44 (0) 7849 922573 E-MAIL msturdy@sevendaysahead.com, pallwright@sevendaysahead.com
WEB SITE SEVENDAYSAHEAD.COM

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