## Week 07

16th February – 22nd February 2010

**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** | recent support breach confirmed bears in control (Apr-10) |
| + Natural Gas | **Stay BULLISH** | s/term weakness viewed as temporary (Mar-10) |
| + Heating Oil | **Stay BEARISH** | after break below medium term 23.6% support level (Mar-10) |

**Metals**

| | | |
|---|---|---|
| + Gold | **Stay BEARISH** | lower key support lies around 1015/14 (Apr-10) |
| + Silver | **Stay BEARISH** | failure of key 16.00 provides boost to downmove (Mar-10) |
| + High Grade Copper | **Stay BEARISH** | Key Reversal Month in Jan is main negative signal (Mar-10) |

**Grains and Softs**

| | | |
|---|---|---|
| + Soybeans | **Stay SQUARE** | further weakness closing in on lower supports (Mar-10) |
| + Wheat | **Stay BEARISH** | continued slip closing in on Oct-09 low (Mar-10) |
| + Sugar 11 | **Stay SQUARE** | type of Key Reversal Week sidelines bulls (May-10) |
| + Cocoa | **Stay BEARISH** | bear move not far from support area (May-10) |
| + Coffee | **Stay BEARISH** | after recent break below key 38.2% level (May-10) |
| + Cotton No.2 | **Stay BEARISH** | anticipated s/term bounce testing 76.4% resistance area (May-10) |

**Other**

| | | |
|---|---|---|
| + Carbon Emissions | **Stay SQUARE** | s/term support remains around 50% level but bear risk not shaken off (Dec-10) |
| + CRB Index | **Stay BEARISH** | Key Reversal Month in Jan provides bearish backdrop |

## Energy

We consider a short/medium term pullback phase to be in process now, in **Oils,** with s/term rallies of a temporary nature only. **Natural Gas** remains on a bullish tack, s/term setbacks being viewed as temporary.


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## Energy: Brent Crude Oil (ICE)

### Monthly Chart – Continuation:

Late 2008 erosion of the major 76.4% retracement saw good support come from old 2000/2003 highs, prompting recovery.

The market struggled to clear the level of the old 78.65 Aug-06 high – *and now note that Jan was almost a key reversal month…*

More

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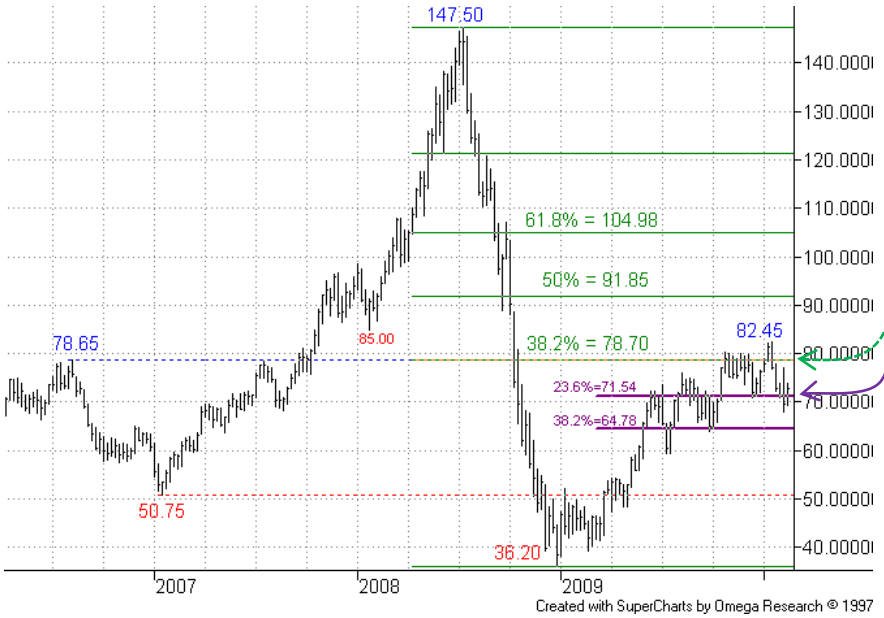
## Energy: Brent Crude Oil (ICE)




### Weekly Chart – Continuation:

Price failed to hold above the 38.2% recovery level (which coincides with that 78.65 Aug-06 high).

And now, we have seen a better break of the 71.54 pullback level which heralds a more prolonged correction phase.

Next focus is the 64.78 38.2% level.

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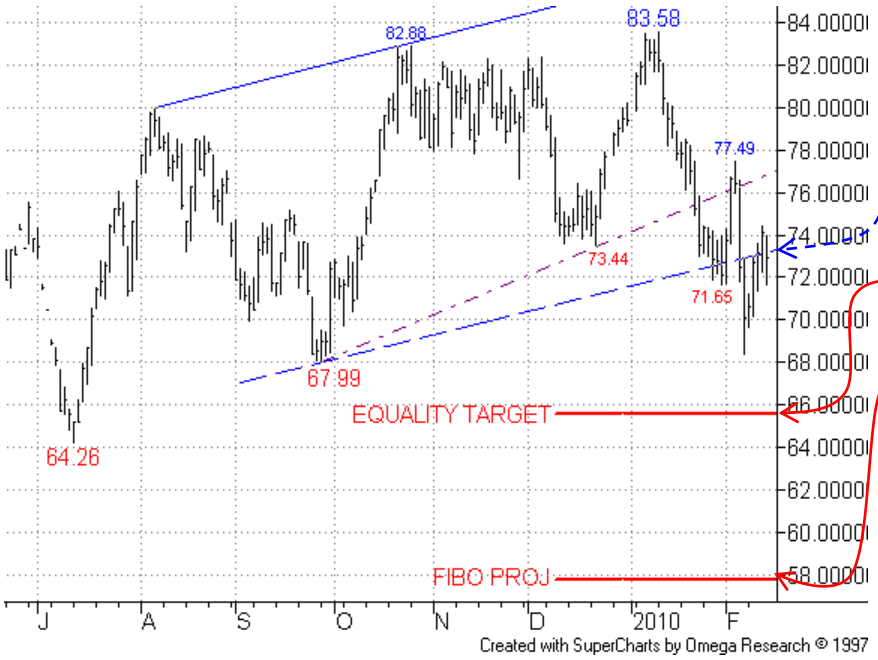
## Energy: Brent Crude Oil (ICE)




### Daily Chart – Apr-10:

We continue to view s/term rallies as temporary ahead of further bear action, following the better break of s/term support lines.

At this stage we show a nearby equality target (Jan downleg extended off early Feb high) at 65.56, and a Fibo projection at 57.78.

Resistance-wise, the 77.49 03-Feb high should not be exceeded now.

**Any sales around the suggested 73.50 area (old Mar contract) or 74.40 (equivalent Apr level, around the 38.2% bounce), will have initial stops just above the 77.49 03-Feb high, seeking partial profits around 66.00.**

We maintain a bear stance here.

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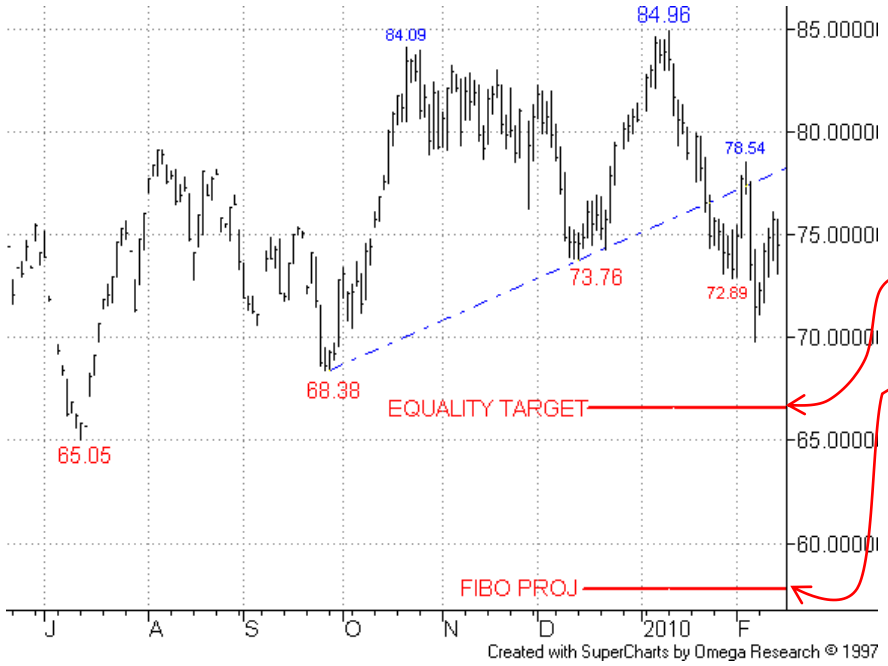
## Energy: Light Crude Oil (NYMEX)




### Daily Chart – Apr-10:

The recent break of supports, particularly the 72.45 14-Dec low, confirmed that bears are in control.

On this NYMEX Crude chart note firstly the equality target around 66.47 (should offer s/term support at best) and a Fibo projection 57.76.

At this stage the 78.54 03-Feb high should stay intact in order not to confuse the bear picture.

We maintain a bear stance here.

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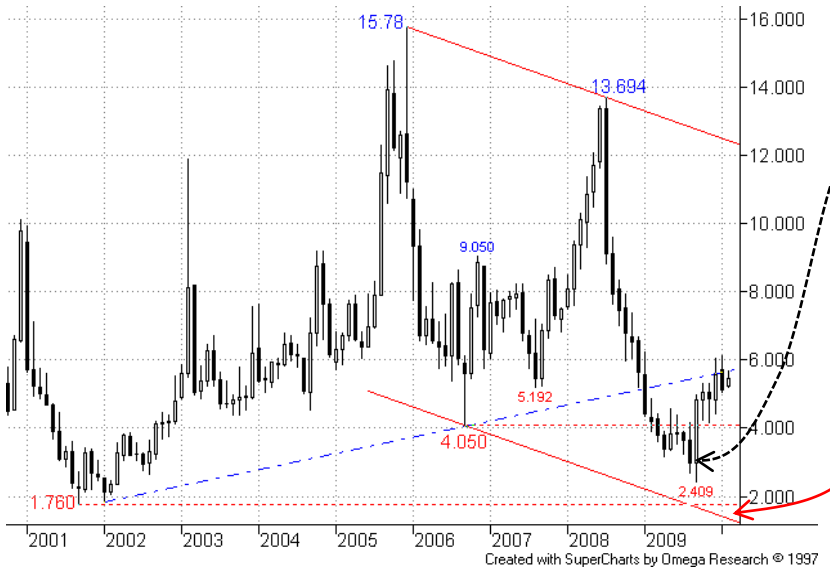
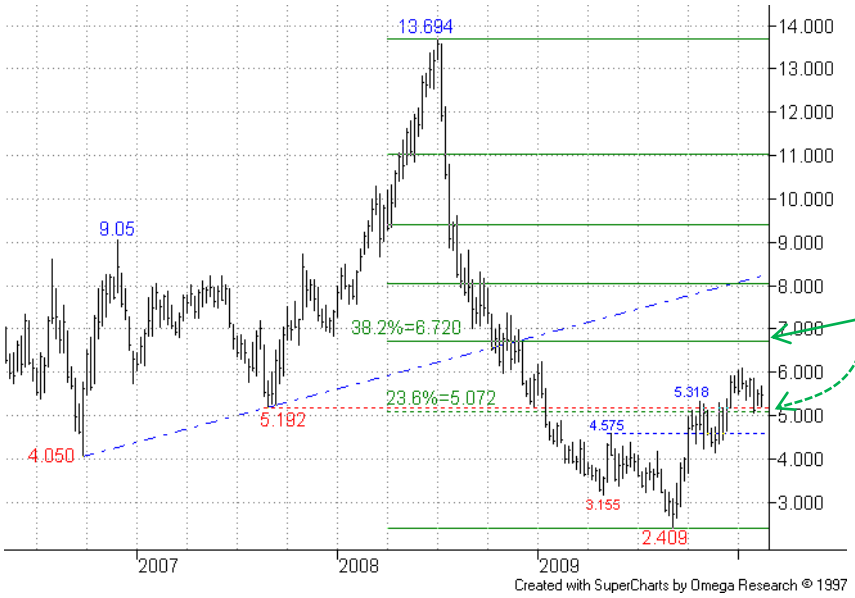
# Energy: Natural Gas (NYMEX)




## Monthly Chart – Continuation:

The Sep-09 **Key Reversal Month** marked at least a temporary turning point.

The projected bear channel base (and 1.760 2001 low) stay out of reach for now.




## Weekly Chart – Continuation:

The 2009 recovery initially found resistance near the 23.6% level on the continuation chart.

This was overcome, turning focus towards the 6.720 38.2% recovery level.

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SEVEN DAYS AHEAD


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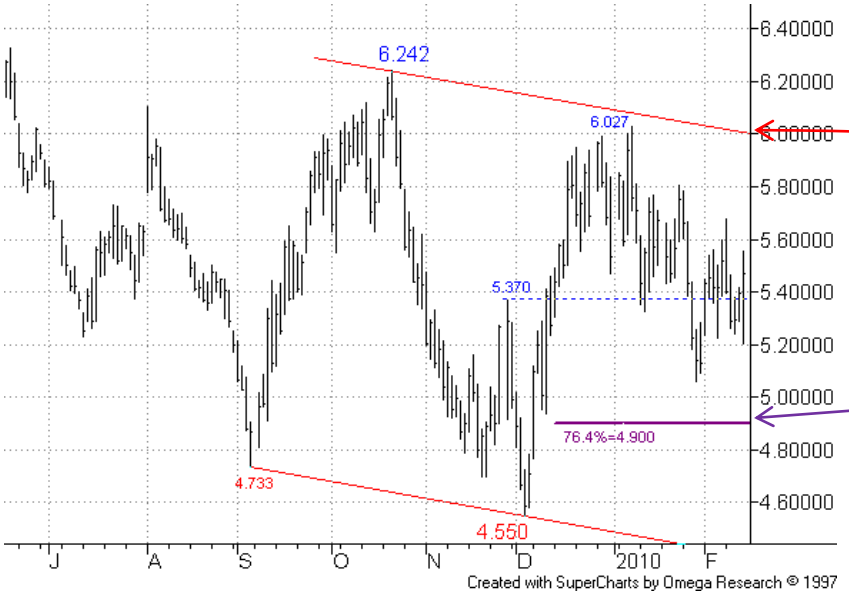
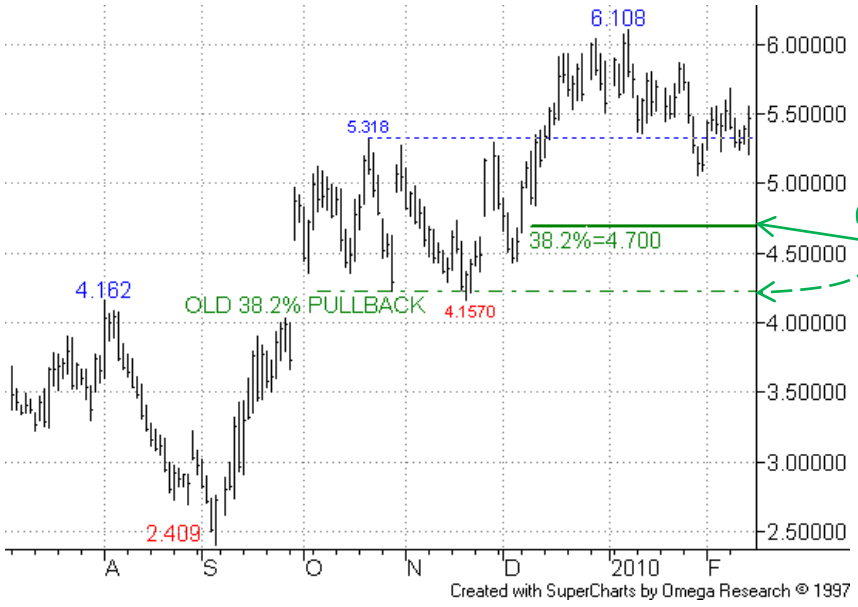
## Energy: Natural Gas (NYMEX)




### Daily Chart – Mar-10:

S/term resistance in early Jan came from the channel top projection – later recovery through this, in fact above the 6.027 07-Jan high now, would be a useful confirming positive signal.

Meanwhile, not much change here - the choppy s/term pullback phase has so far found support above the 4.900 76.4% level.




### Daily Chart – Continuation:

We currently continue to show the continuation chart here too – since the former 38.2% level provided good support we keep in mind the current 38.2% level around 4.700.

We look for s/term pullbacks to be temporary only, but failure of this 38.2% level would be of concern.

We maintain a bull stance here.

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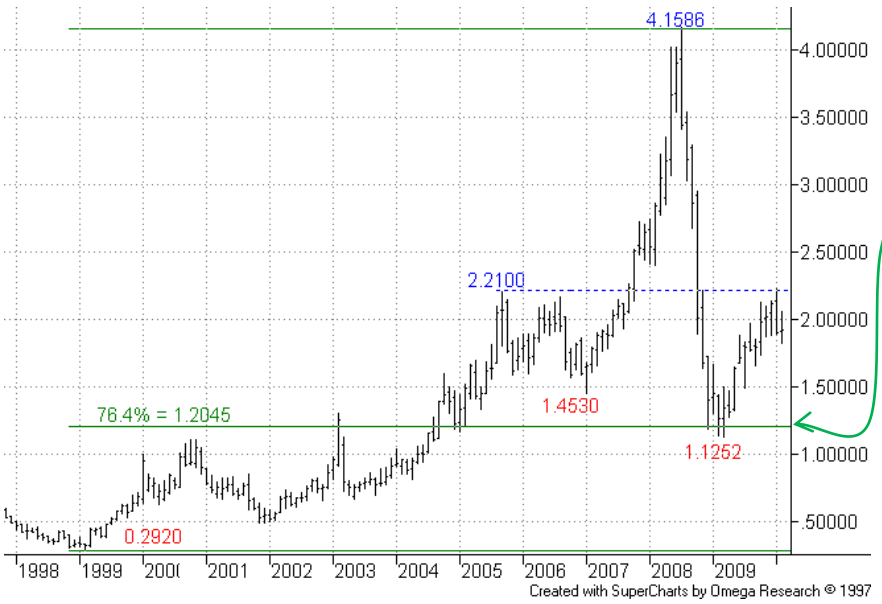
# Energy: Heating Oil (NYMEX)




## Monthly Chart – Continuation:

The substantial fall from the Jul-08 peak tested the 76.4% 1.2045 level early in 2009, prompting recovery – this has struggled after reaching the old 2005 high.

*Jan was nearly a key reversal month and bear signs have improved on the shorter term charts.*

## Weekly Chart – Continuation:

After reaching the old 2.2100 Sep-05 high, but failing ahead of the 2.2840 38.2% retracement, a pullback phase is now in process.

The break of the 23.6% pullback level provided a clear negative signal, with next focus on the 1.8060 38.2% level.

More

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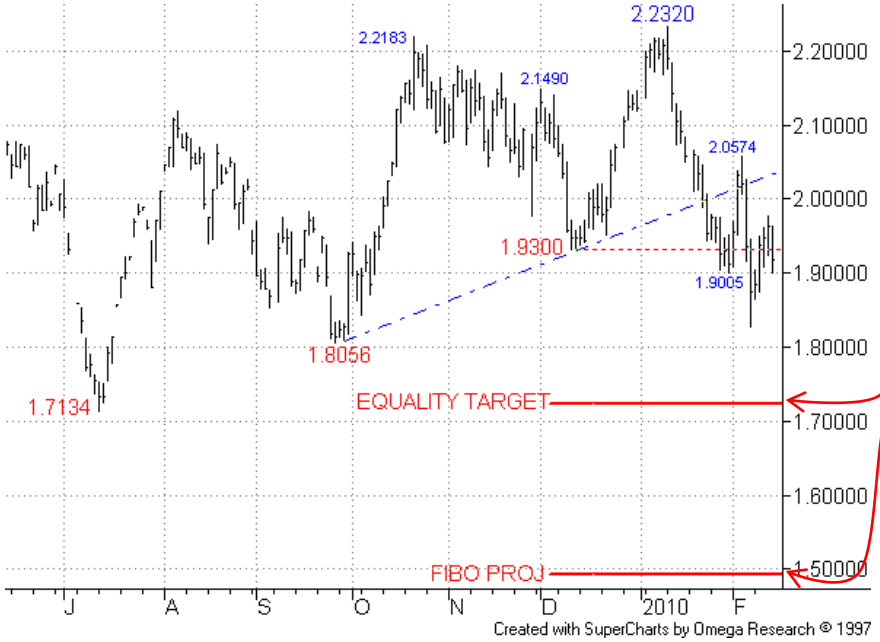
# Energy: Heating Oil (NYMEX)




## Daily Chart – Mar-10:

Resumed weakness following a short-lived rally confirms our bear stance.

The 2.0574 03-Feb high should stay intact at this stage.

The first target comes from an equality move (Jan fall extended off early Feb high) at 1.7260, but later possible targets include a Fibo projection around 1.4925.

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

## Metals

Bear risk remains after recent breach of key support in **Gold,** rallies to prove temporary. Further bear action is expected in **Silver.** January's Key Reversal Month in **Copper** favours the bears, the current bounce viewed as short-lived.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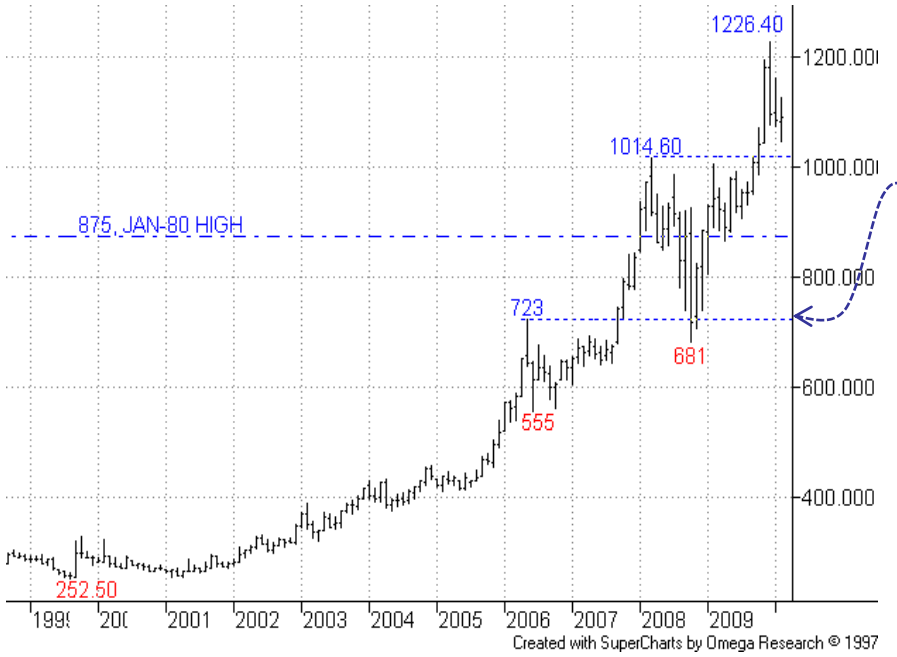
## Metals: Gold (COMEX)




### Monthly Chart - Continuation:

After the 1014.60-681.00 pullback in 2008 (halted no doubt by the 723 May-06 high) there was a dramatic recovery, and break higher later on in 2009.

More

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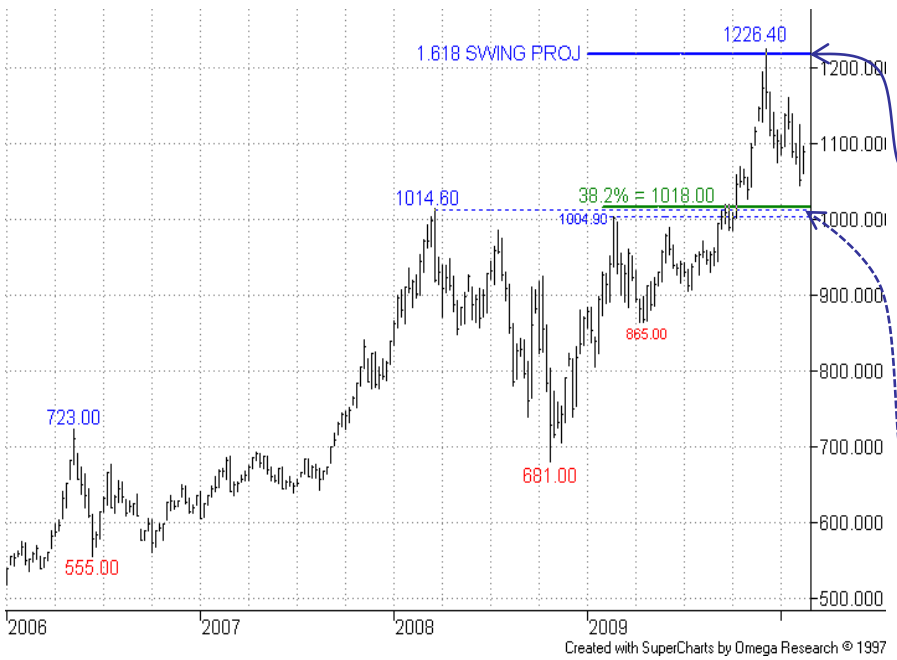


### Weekly Chart – Continuation:

In Dec the previous acceleration upwards reached the Fibo projection we had marked in, at **1220** (1.618 swing off prior 1014.60/681.00 downmove in 2008).

Reaction here was negative, but weakness, in the end, should prove temporary.

On this chart note potentially strong support from the prior highs above 1000, where the 38.2% pullback of prior 681.00/ 1226.40 upmove also resides.

More

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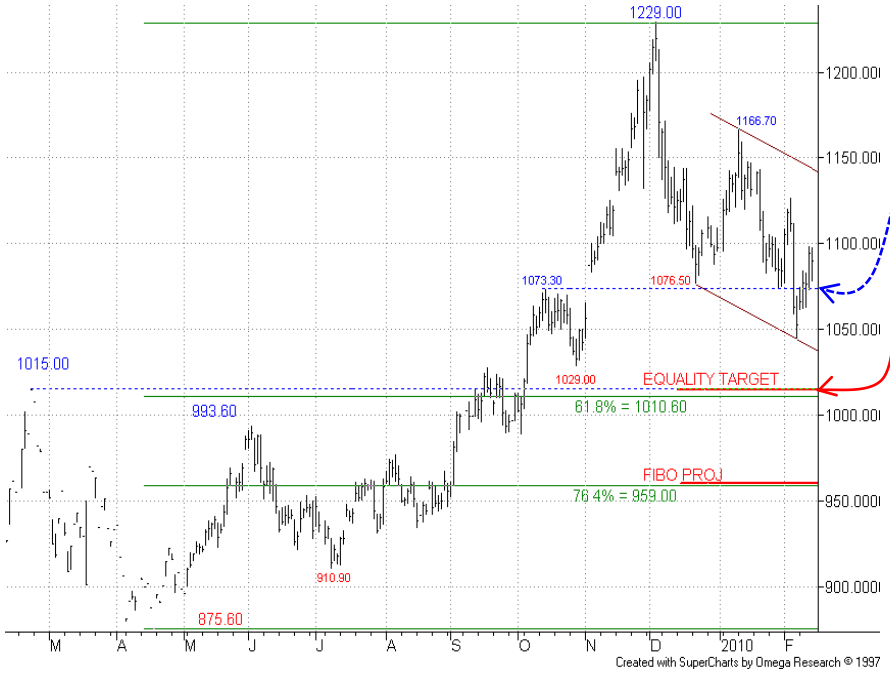


### Daily Chart – Apr-10:

The recent break of earlier support provided grist to the bears' mill.

This has drawn attention to the 1015/14 area, the Feb-09 high and an equality target ('1229-1976.50' downleg extended off 1166.70 high). Note that 61.8% lies close by too.

At this stage resistance should be ahead of the s/term bear channel top projection near 1140.

**Buyers on dips will be looking closely at this area, and reaction thereto.**

We maintain a bear view here.

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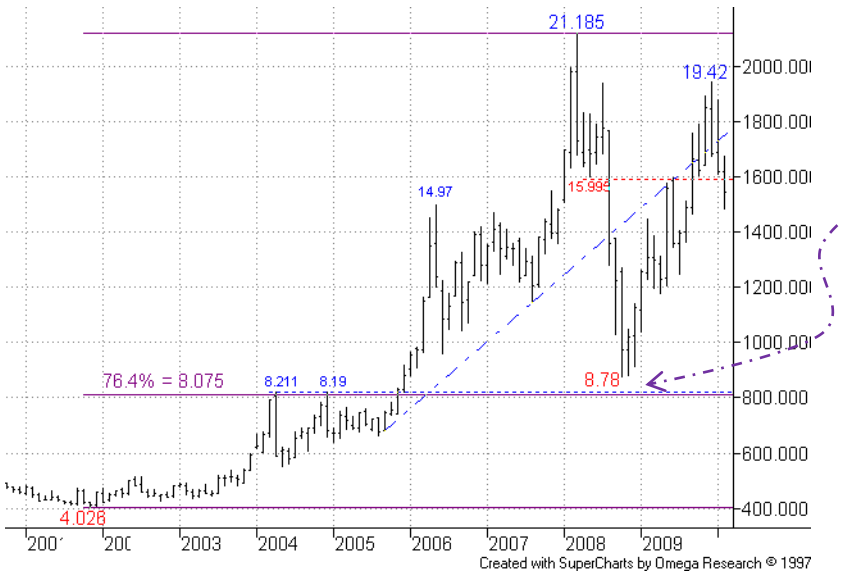
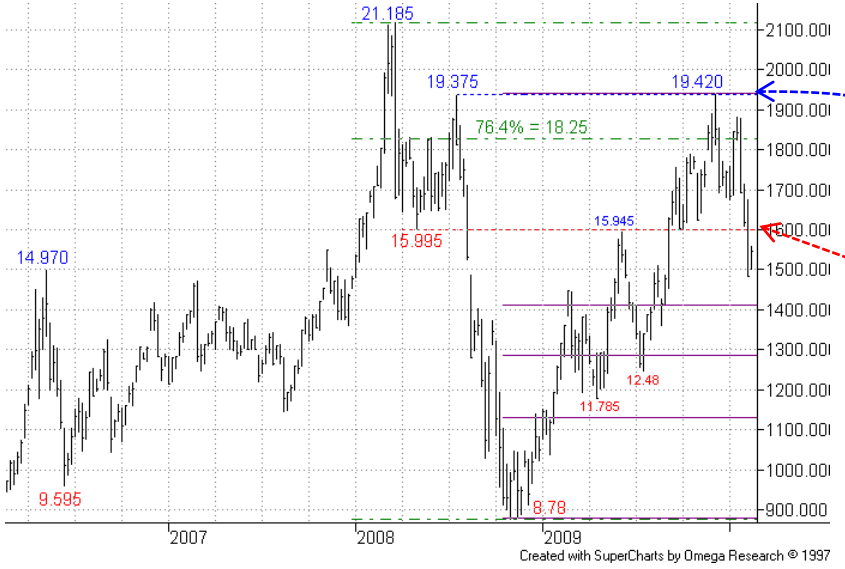
# Metals: Silver (COMEX)




## Monthly Chart – Continuation:

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

The ensuing recovery, while impressive, has not reached the 2008 peak.




## Weekly Chart – Continuation:

The push through the 76.4% 18.25 level saw a test of the Jul-08 high, prompting a negative reaction, which is now developing further.

Note 16.00 key support has failed.

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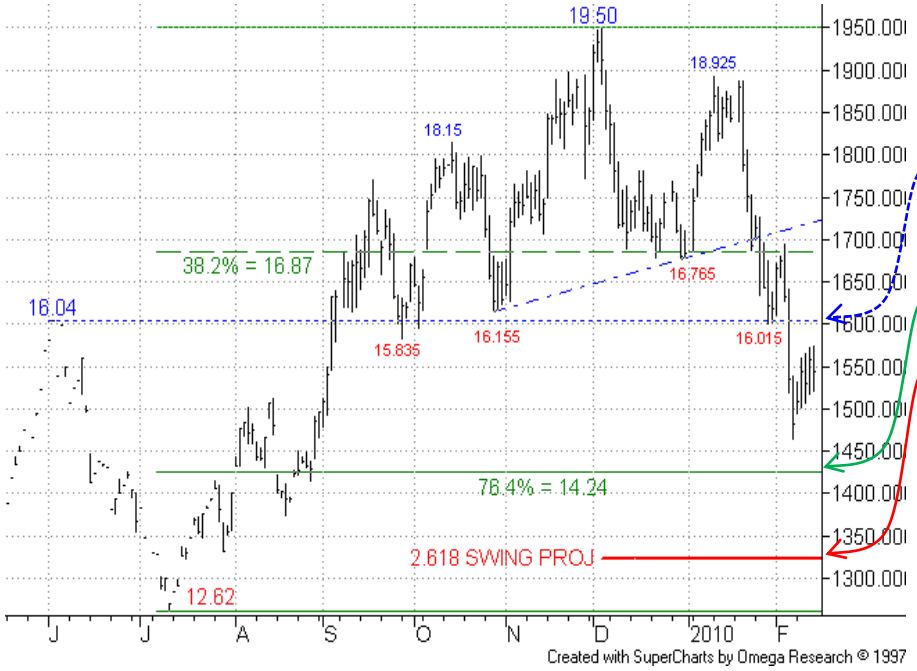


### Daily Chart – Mar-10:

The late Jan failure of 38.2% support saw a brief halt at the key 16.00 area.

Now, further weakness has set focus on the 14.24 76.4% pullback level, ahead of 13.27, 2.618 swing off prior 16.765-18.925 rally.

S/term resistance is currently offered by that 16.00 area, ahead of the 16.765 30-Dec low area – **ideally s/term sellers would try to position close to this higher level.**

We maintain a bear stance here.

More

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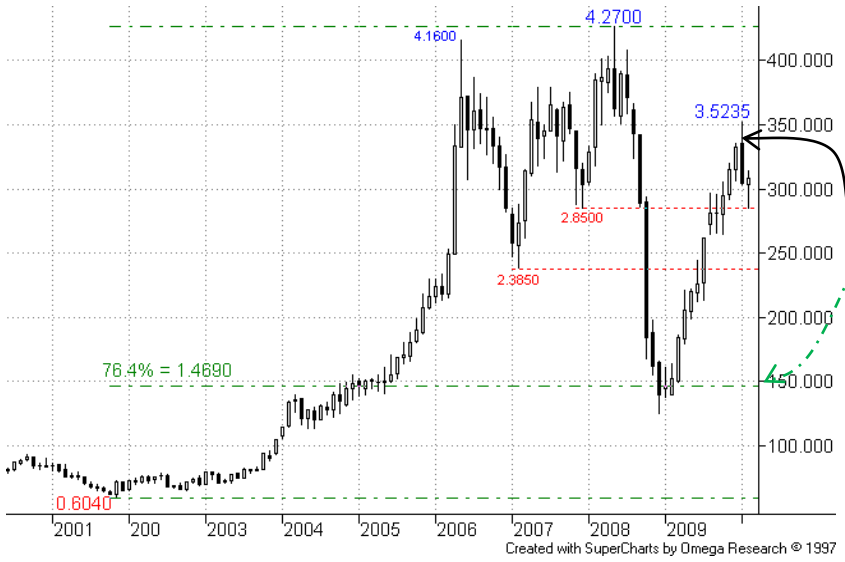
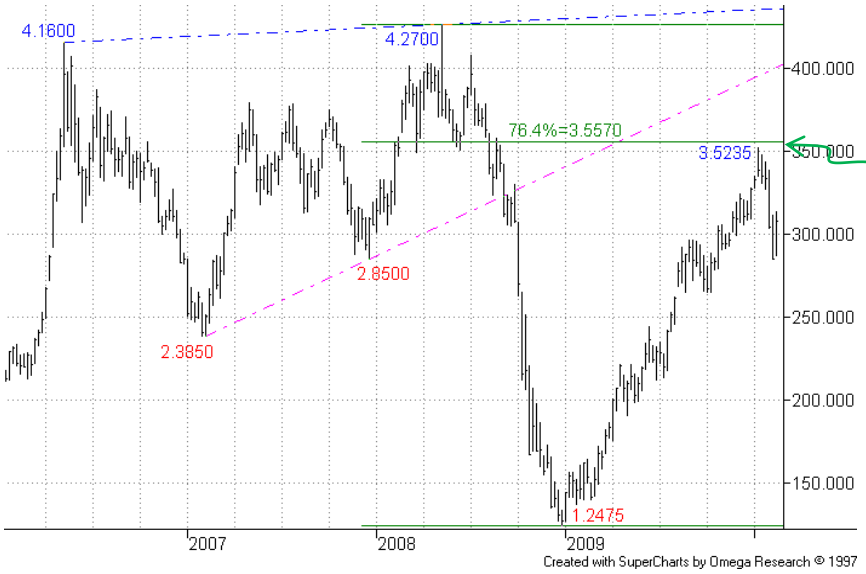
# Metals: High Grade Copper (COMEX)




## Monthly Chart – Continuation:

The major reversal from 4.2700 May high eroded the deep 76.4% retracement of the 2001-2008 upmove, but failed to stay below.

Note that Jan has produced a negative **Key Reversal Month.**




## Weekly Chart – Continuation:

The impressive '2009' recovery has failed, close to the 76.4% retracement.

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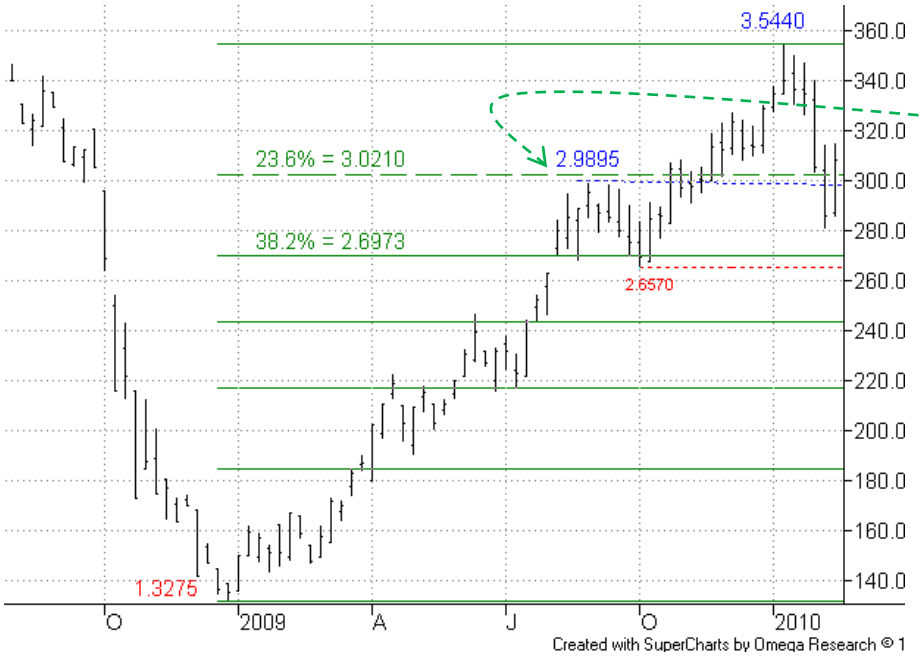


### Weekly Chart – Mar-10:

On the Weekly chart of the front month the 23.6% pullback level was close to the Aug-09 high – and now, the clear break of the 3.0000 area has strengthened bear signals already in place (see Monthly and Daily charts).

Next focus is the 38.2% level just below 2.7000.

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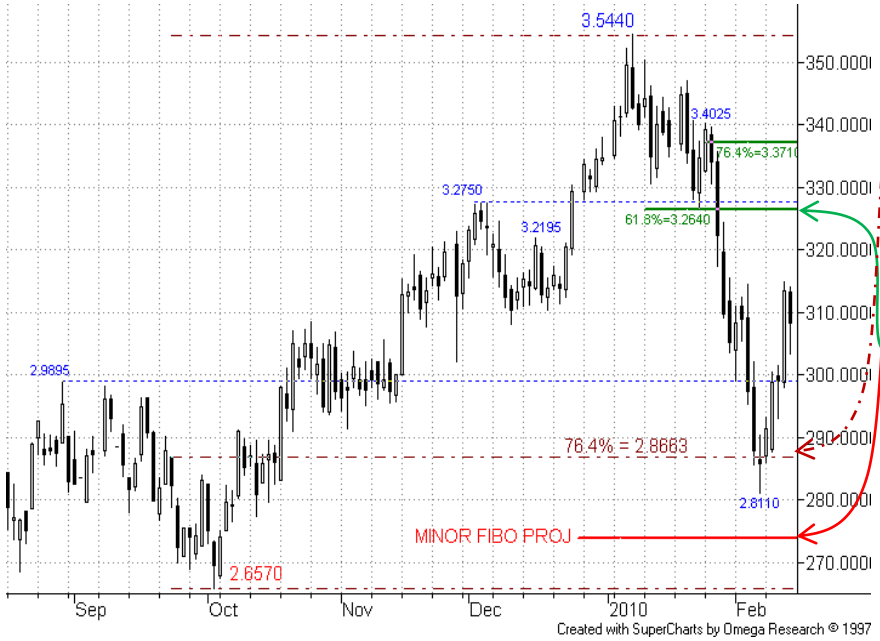


### Daily Chart – Mar-10:

The lower 76.4% level was tested/ eroded, but there's been s/term reluctance to push lower, keeping lower 2.7400 minor Fibo projection and 2.7000 area (see above) out of reach for now.

Overhead note that former support from the prior 3.2750 04-Dec high coincides with the 61.8% bounce – resistance would not be a surprise here.

**Any sellers near here, say 3.2600, would want initial stops at least above the 3.3710 76.4% level, and probably above the 3.4025 25-Jan high.**

We maintain an overall bear stance here.

## Grains and Softs

A weak outlook for **Soybeans** and **Wheat** remains in place. In **Sugar** a recent negative Key Reversal Week continues to advertise increased bear risk. **Cocoa** bears still look for lower levels, and they remain well-placed in **Coffee** too. The negative picture for **Cotton** stays favoured, following a Key Reversal Week and Month in January.


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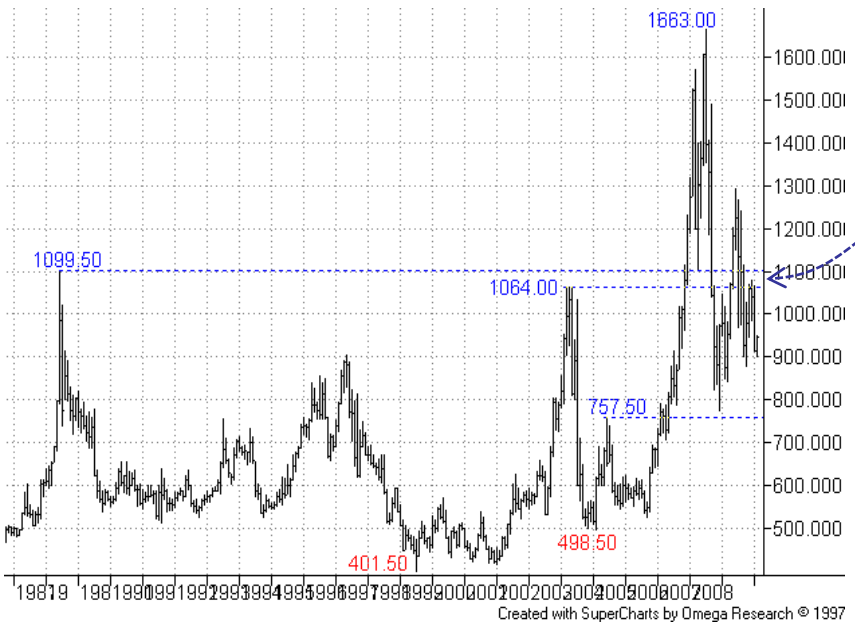
## Grains and Softs: Soybeans (CBOT)




### 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.

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## 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.

After the late 2009 recovery attempt price has slipped back - currently keep an eye on the 878.75 Oct low, with break below to provide a bear signal.

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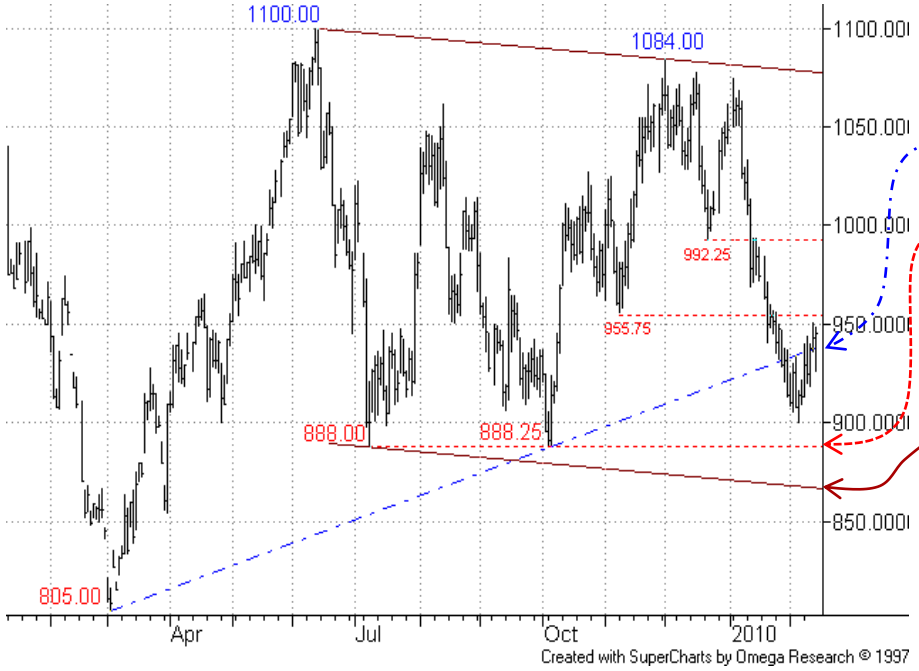
## Grains and Softs: Soybeans (CBOT)




### Daily Chart – Mar-10:

S/term bears remain favoured after breaks of prior lows and the recent rising support line.

Current focus remains on the old Jul/Oct-09 lows around 888.00.

Violation of these would be a bear sign, although note potential, temporary support implied not much lower, by a channel base projection around 865.00 (there are also Fibo projections at 860.00/855.00).

Current resistance is offered by former 955.75/992.25 lows.

We maintain a sidelined stance for now.

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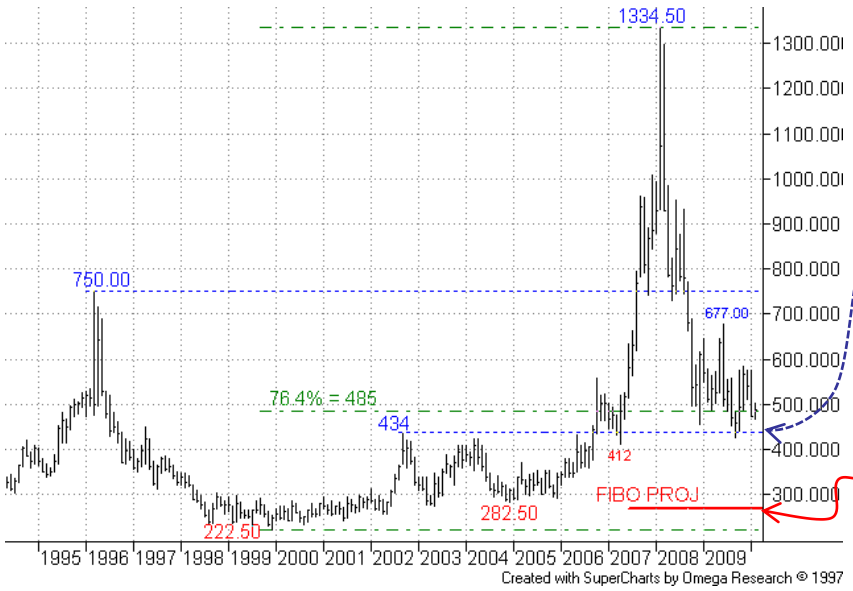
**Grains and Softs**
+ Soybeans
+ Wheat
+ Sugar 11
+ Cocoa
+ Coffee
+ Cotton No.2

**Other**
+ Carbon Emissions
+ CRB Index

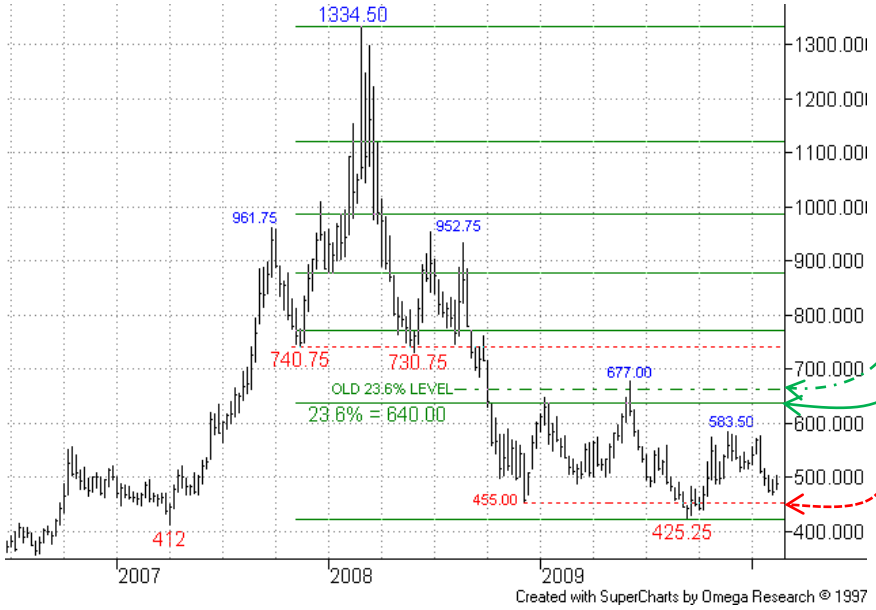

# Grains and Softs: Wheat (CBOT)




## Monthly Chart - Continuation:

The collapse in Wheat prices finally put pressure on the 76.4% retracement of the 1999-2008 accelerating upmove, but found some support from the lower 434 2002 high.

For now, we still keep in mind a lower Fibo projection around **270.**




## Weekly Chart - Continuation:

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

We also show the current 23.6% bounce level at 640.00, offering future resistance.

Meanwhile can the 455.00 Dec-08 low area provide some support ahead of the 425.25 Sep-09 low?

More

**Summary**

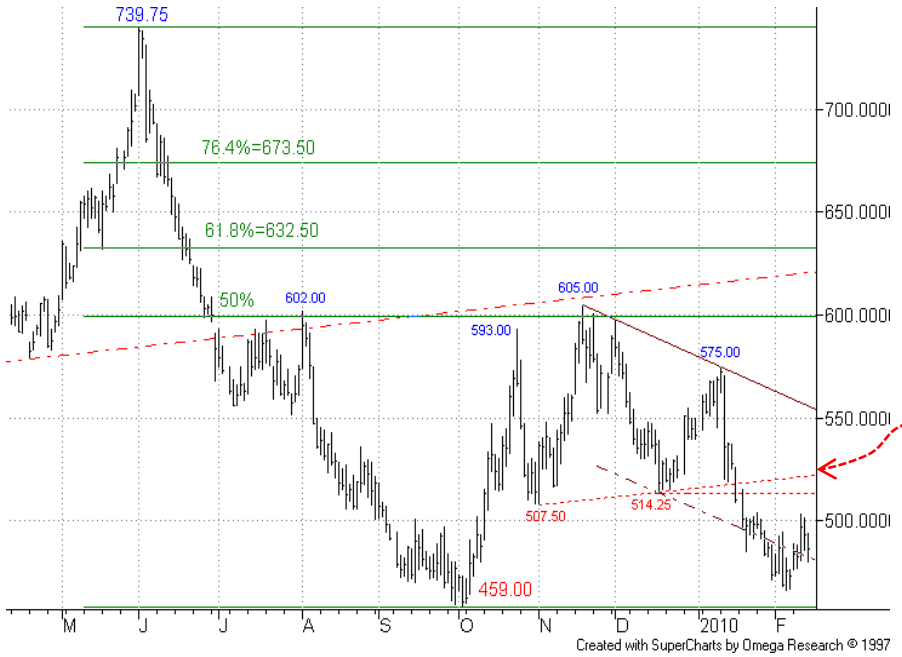
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index


## Grains and Softs: Wheat (CBOT)




### Daily Chart – Mar-10:

The 459.00 Oct-09 low remains vulnerable. Support could well be seen here, but a break below would, amongst other levels, expose a Fibo projection around 416.00 (currently not shown).

We expect any bounce to be temporary, and note resistance offered by the 514.25 17-Dec low and slightly higher rising return line at 523.00 currently.

We maintain a bear stance here.

More

**Summary**

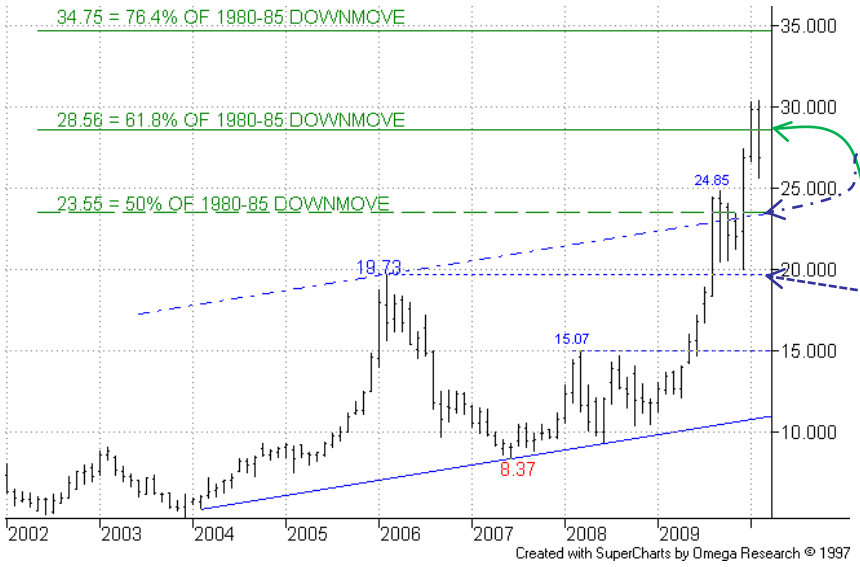
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index


# Grains and Softs: Sugar (ICE)




## Monthly Chart - Continuation:

After an initial struggle near the long term bull channel top projection and 50% recovery level of the major 1980-85 downmove a further bull leg has been seen, off support from the 19.73 2006 high.

This has eroded the long term 61.8% area.

## Weekly Chart - Continuation:

Recent sell-off produced a Key Reversal Week, although the new high prior to reversal was marginal.

Nevertheless, the signal must still be given respect.

First support is offered by the 25.70 23.6% pullback level – also note the 24.85 Sep-09 high.

*A s/term bounce would not surprise, but may well prove temporary.*

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


## Grains and Softs: Sugar (ICE)

### Daily Chart – May-10:

S/term support has emerged from near the 24.50 Sep-09 high (we had thought a bounce was likely).

The rebound is probably temporary, after that Key Reversal Week.

First support, then, is established at 24.88/50, with break below to give the next bear sign.

However, also important is the steadily rising bull channel base projection just above 23.00 currently, with break of this to provide a further boost to the bears.

**Early bears may favour sales in the 27.40/28.00 area on the May contract, stops just above the 29.00 high for limited risk, targeting 23.50 for partial profits.**

We maintain a sidelined stance for now.

More

**Summary**

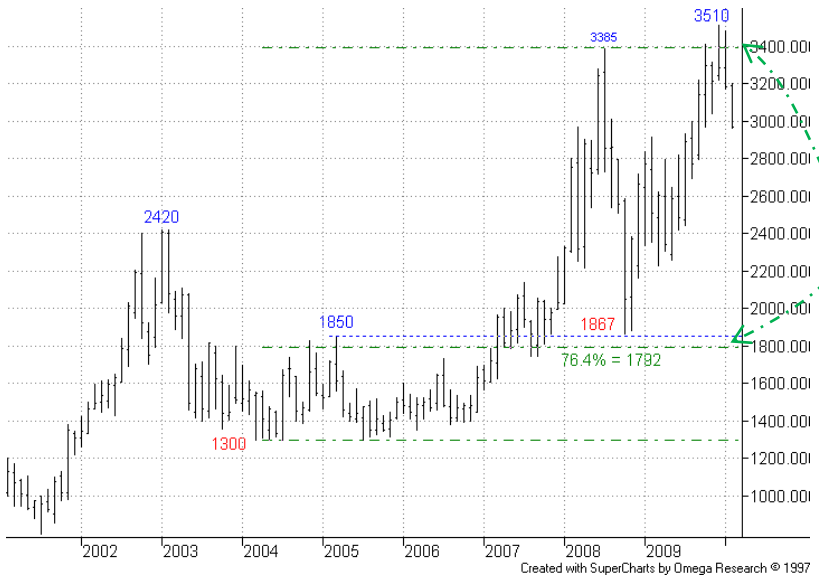
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index

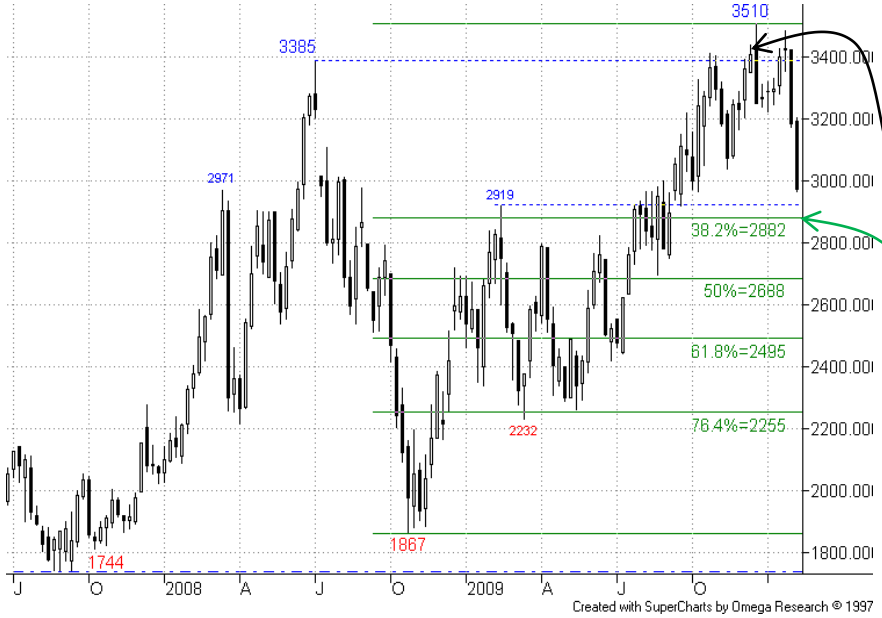

# Grains and Softs: Cocoa (ICE)




## Monthly Chart – Continuation:

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

There has been doubt as to whether bulls could sustain levels above the 2008 peak.




## Weekly Chart – Continuation:

Failure to hold above the 2008 high of 3385 was accompanied by a **Key Reversal Week,** which has marked the start of a pullback phase.

The first main support on this chart comes from the 2919 Feb-09 high and 2882 38.2% level.

More

**Summary**

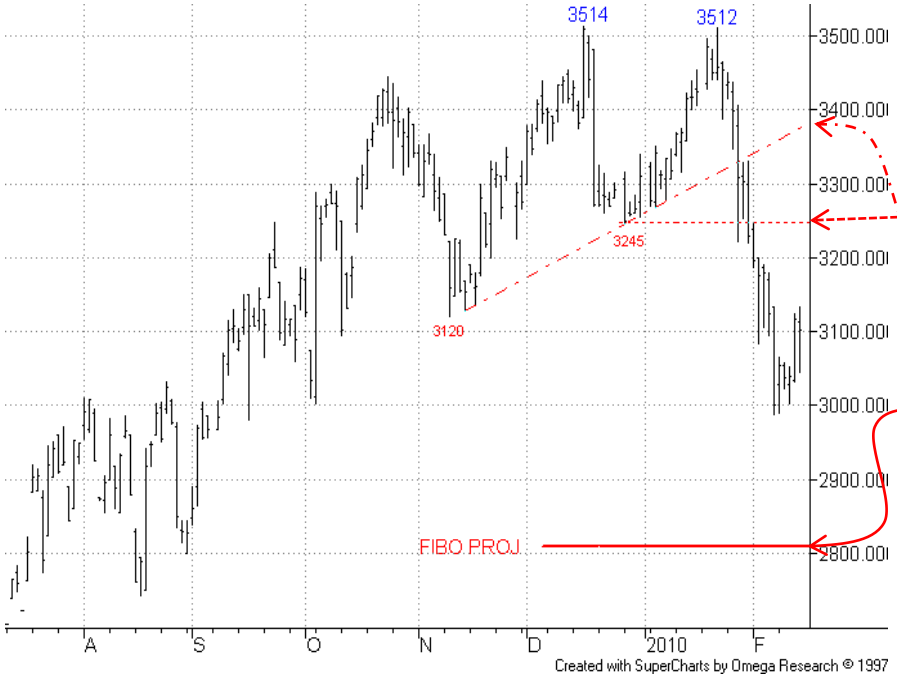
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index


# Grains and Softs: Cocoa (ICE)




## Daily Chart – May-10:

We are right to stay bearish here, with any rebound seen as temporary.

Note overhead resistance from the 3245 28-Dec low, ahead of the rising old support/return line around 3380 currently.

As well as the support levels on the Weekly chart note, here, a Fibo projection at 2813 (2.618 swing off prior 3245/3512 rally).

**Earlier shorts in the Mar contract at 3400 had modest partial profits at 3200. Continuing May shorts will probably target 2925 on the balance (extending this down towards 2825 optional), with stops at 3400.**

We maintain a bear stance now.

More

**Summary**

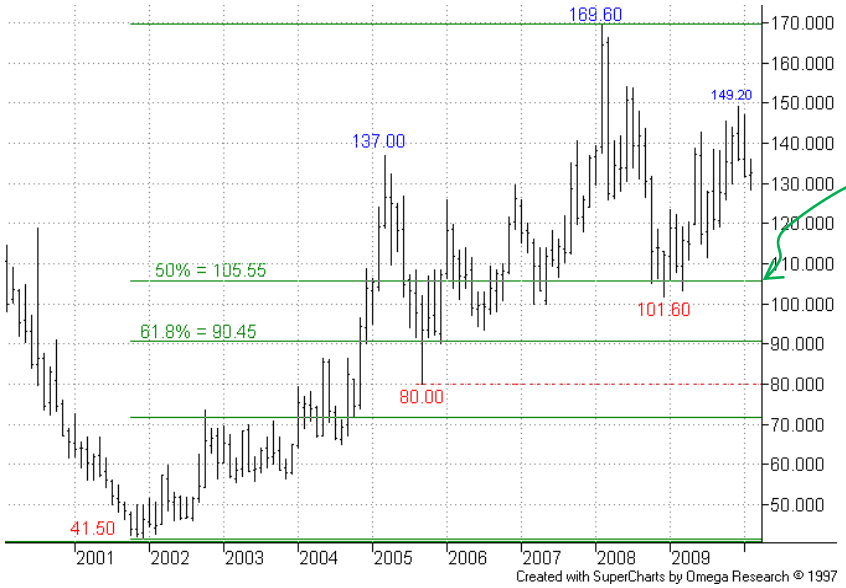
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index


# 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 – but will the recovery only prove temporary?

## Weekly Chart – Continuation:

Recent strength, originating from the 76.4% level of the 2005-08 upmove, saw an attack on the 61.8% recovery area, with the market struggling around here now.

The recent clear break of a rising support line signals further losses to come (see also Daily chart).

More

**Summary**

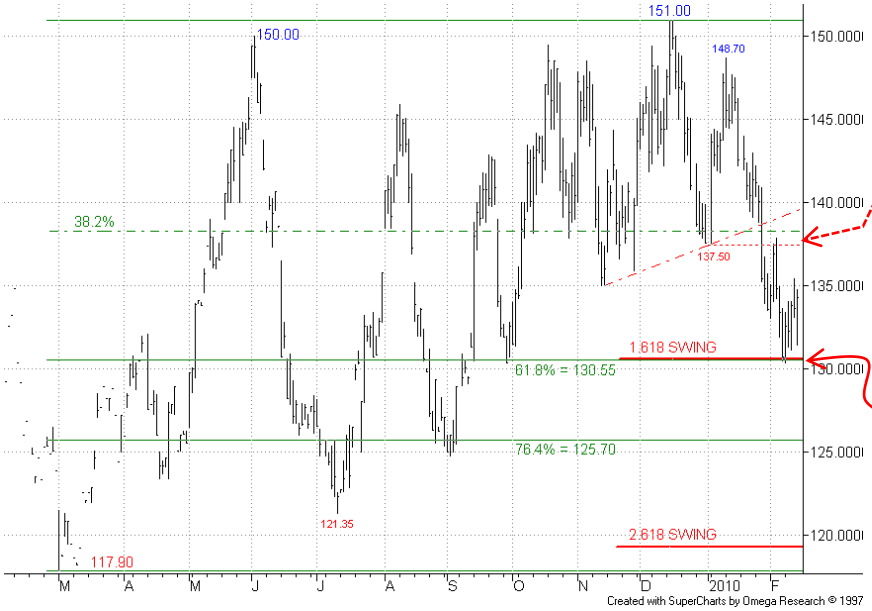
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index


# Grains and Softs: Coffee (ICE)




## Daily Chart – May-10:

*The succession of rising lows seen over previous months was finally broken after failure of the 38.2% level and 137.50 04-Jan low.*

This low remains first resistance, above which note the rising return line running close to 140.00 currently.

S/term support has come from the first support area of interest, the 130.55 61.8% pullback level and Fibo projection (1.618 swing off prior 137.50-148.70 bounce) at the same level.

Any bounce should prove temporary, ahead of lower targets.

We maintain a bear stance here.

More

**Summary**

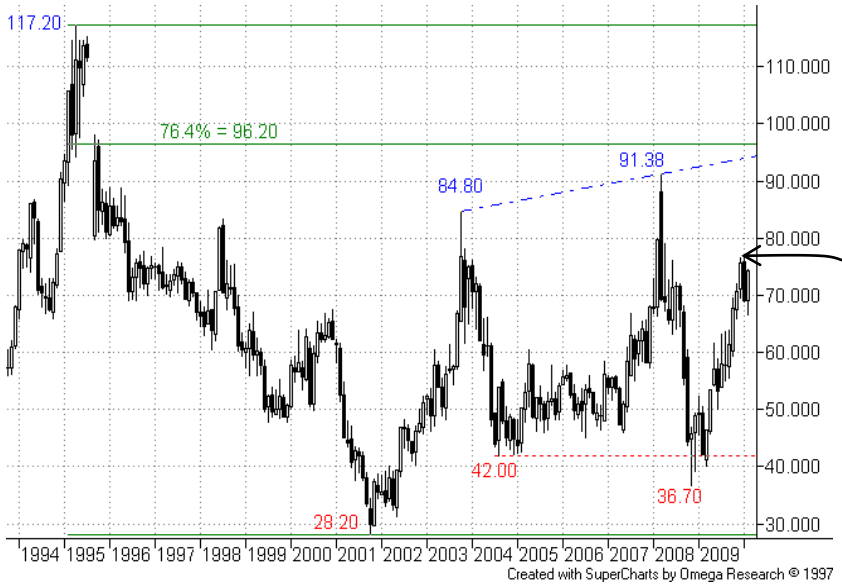
**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

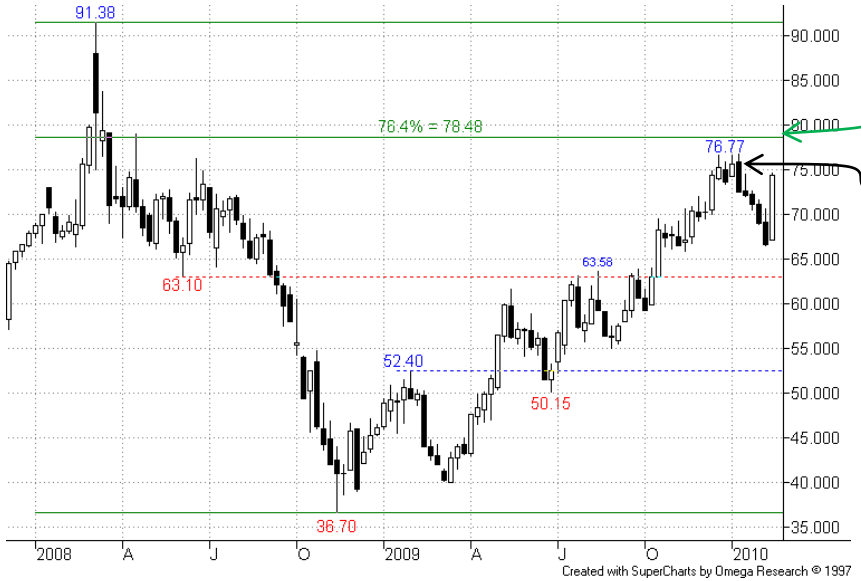
**Other**
+ Carbon Emissions
+ CRB Index


# Grains and Softs: Cotton No.2 (ICE)




## Monthly Chart – Continuation:

The bull run from 36.70 Nov-08 low looks to have run out of steam. As well as bear signs from the Weekly and Daily charts note that January produced a **Key Reversal Month.**




## Weekly Chart – Continuation:

The 2009 recovery failed to reach the 78.48 76.4% level.

And the type of **Key Reversal Week** from Jan looks to have marked the end of the bull run.

The close below the 70.00 area was a further negative signal, subsequent bounce notwithstanding.

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


## Grains and Softs: Cotton No.2 (ICE)

### Daily Chart – May-10:

The breach of the bull channel base projection gave a further bearish clue.

However, last week we suggested that a possible s/term blow-off move down towards the 38.2% level had been seen, with temporary rebound not a surprise.

Continue to note resistance around the 75.46 76.4% bounce level, near to the 11-Jan 75.60 high – ideally this will be effective.

**Any sellers around 74.00 in old Mar contract, 74.50 in May, will have initial stops just above the 77.83 04-Jan high (May contract), targeting 68.00 for partial profits.**

We maintain a bear stance here.

## Other

In **EUA (Carbon Emissions)** support around the 50% retracement has been holding but shorter term bear risk remains. Following Jan's Key Reversal Month in the **CRB Index** we hold a bear stance.


**Summary**

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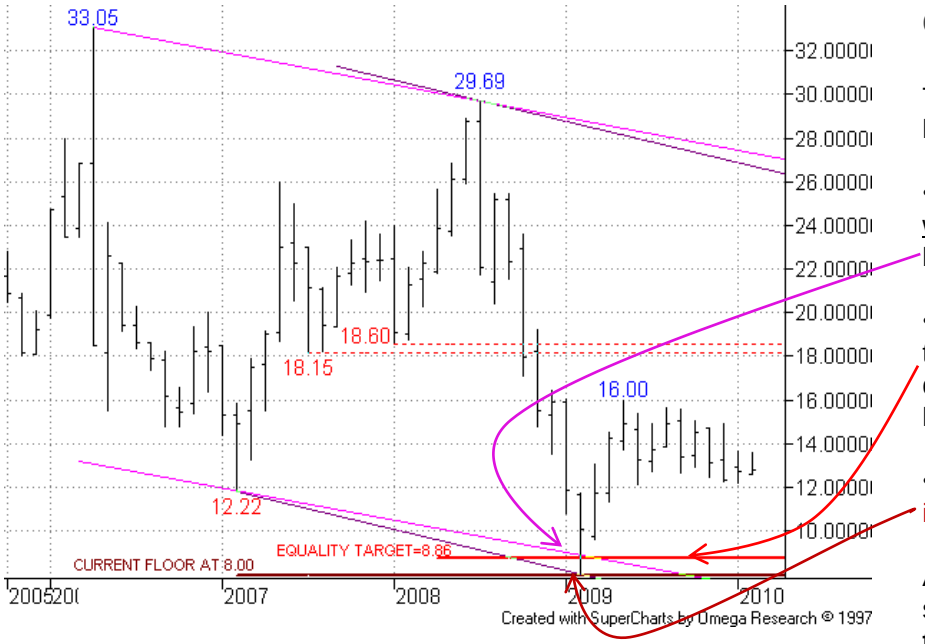
+ Natural Gas
+ Heating Oil

**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 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 assume that a medium/long term recovery phase is underway.**

More

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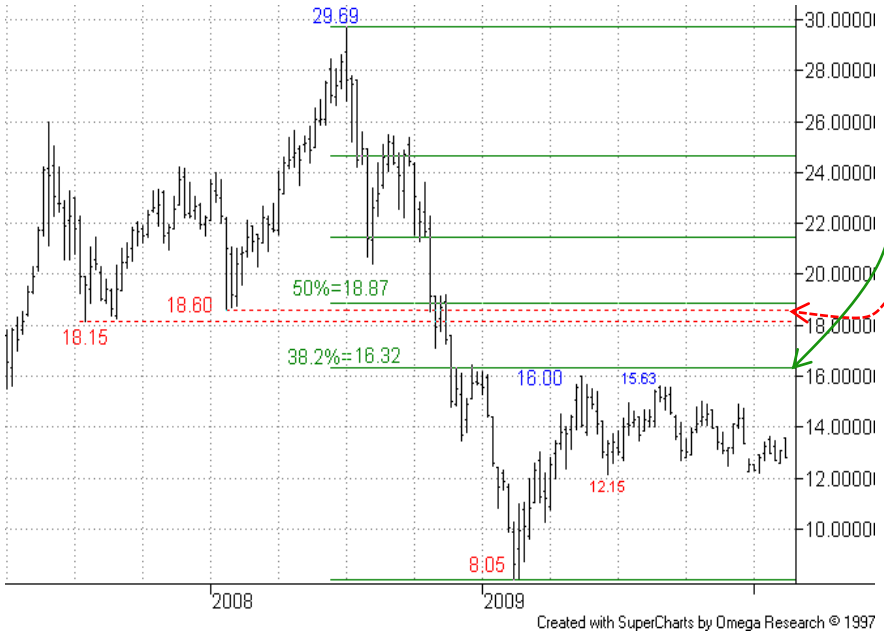
+ Cocoa
+ Coffee
+ Cotton No.2

**Other**
+ Carbon Emissions
+ CRB Index

## Other: EUA – Carbon Emission Allowances (ICE ECX)




### 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, with a multi-month consolidation still in process.

Any shorter term weakness should prove temporary, though.

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)

### Daily Chart – Dec-10:

Support has so far kept near to the 50% pullback, but we must remain prepared for a possible shorter term break to the downside.

Keep in mind lower support from the 11.53 61.8% retracement and longer term bear channel base projection at 11.15/20. Fibo projections can be calculated if a break does occur.

S/term resistance includes the 14.48 76.4% bounce level, which should hold if bears have more up their sleeve.

Recovery through higher 15.17 08-Dec high, which would mean a break of the main channel top too (and the pattern of falling highs and lows) should be a strong bull sign.

We remain on the sidelines for now.

More

**Summary**

**Energy**
+ Brent Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
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**Grains and Softs**
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+ Sugar 11
+ Cocoa
+ Coffee
+ Cotton No.2

**Other**
+ Carbon Emissions
+ CRB Index


# Other: CRB Index (CBOT)

## Monthly Chart – Continuation:

Following a brief push through the 284.61 Jan-07 low the market has struggled.

In fact Jan has produced a negative **Key Reversal Month**, its impact perhaps aided by the fact that the month was made up of four complete weeks.

## Weekly Chart – Continuation:

The recovery from the 2009 low has failed ahead of the 38.2% retracement level.

The well-defined uptrend line has been clearly broken, with a deeper pullback phase now considered underway.

More

**Summary**

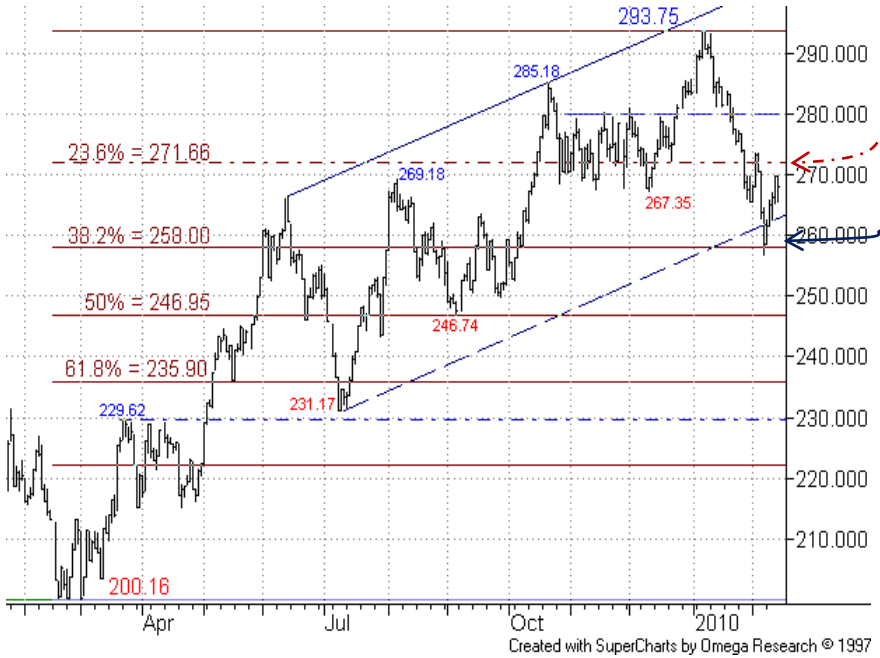
**Energy**
+ Light Crude Oil
+ Natural Gas
+ Heating Oil

**Metals**
+ Gold
+ Silver
+ High Grade Copper

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

**Other**
+ Carbon Emissions
+ CRB Index


## Other: CRB Index (CBOT)




### Daily Chart

The break below supports including the 23.6% pullback provided a bear signal/trigger.

We had been looking for possible s/term support from the 260 area (larger channel base projection just above, 38.2% just below) and this has been seen – but strength should prove short-lived, ahead of further weakness.

We maintain a bearish stance here.

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