Week 02

11th January – 17th January 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

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Mark Sturdy

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Disclaimer

Summary – Commodity Specialist

Summary

Energy

+ Brent Crude Oil	**Stay BULLISH**	May high now eroded, higher targets considered (Feb-11)
+ Natural Gas	**Stay BEARISH**	but break above bear channel top & 38.2% would be positive (Feb-11)
+ Heating Oil	**Stay BULLISH**	recovery putting pressure on the early May high (Feb-11)

Metals

+ Gold	**Stay BULLISH**	but chart structure looks weak (Feb-11)
+ Silver	**Stay BULLISH**	key reversal week keeps bulls on a cautious footing (Mar-11)
+ High Grade Copper	**Stay BULLISH**	latest bull leg neared resistance on Weekly chart (Mar-11)

Grains and Softs

+ Soybeans	**Stay BULLISH**	next resistance is in the 1450s (Mar-11)
+ Wheat	**Stay SQUARE**	s/term resistance still coming from 76.4% level (Mar-11)
+ Sugar 11	**Stay SQUARE**	long term 76.4% resistance so far holding bulls back (Mar-11)
+ Cocoa	**Stay SQUARE**	slip back turns focus on key 76.4% support (Mar-11)
+ Coffee	**Stay BULLISH**	bull channel top now breached, keeping bulls in driving seat (Mar-11)
+ Cotton No.2	**Stay SQUARE**	bull pressures continue to appear (Mar-11)

Other

+ Carbon Emissions	**Stay BULLISH**	on lookout for better recovery attempt (Dec-11)
+ CRB Index	**Stay BULLISH**	key reversal week seen last week = pullback risk

Energy

In **Oils** last May's highs have come under attack, although no decisive breaks are yet in place on the front months – but the charts still look bullish. **Natural Gas** prices are still resisted by the key 38.2% recovery level.

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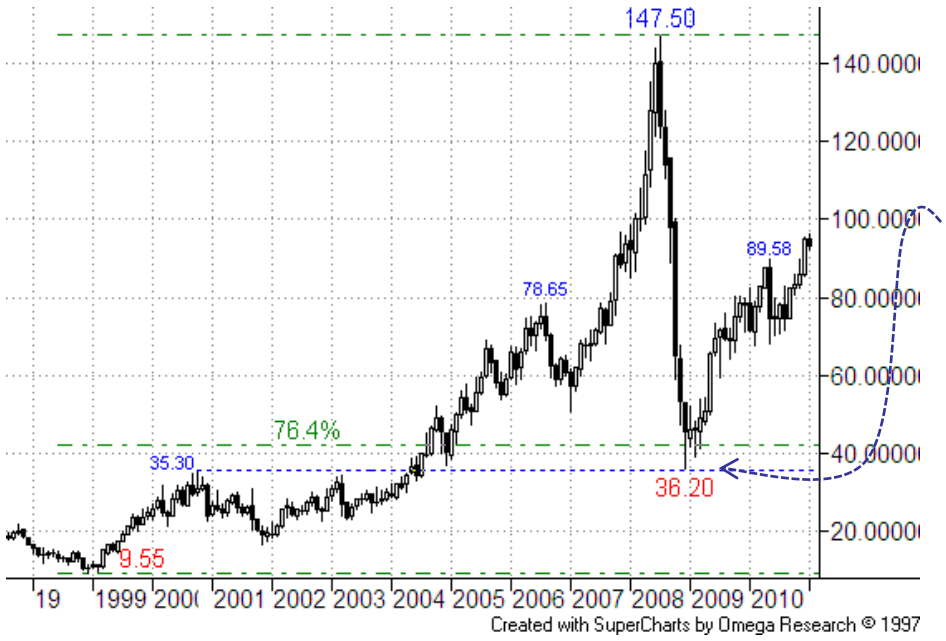
Energy: Brent Crude Oil (ICE)



Monthly Chart – Continuation:

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

On this chart the May-10 high has been surpassed, as bulls gain confidence once more.

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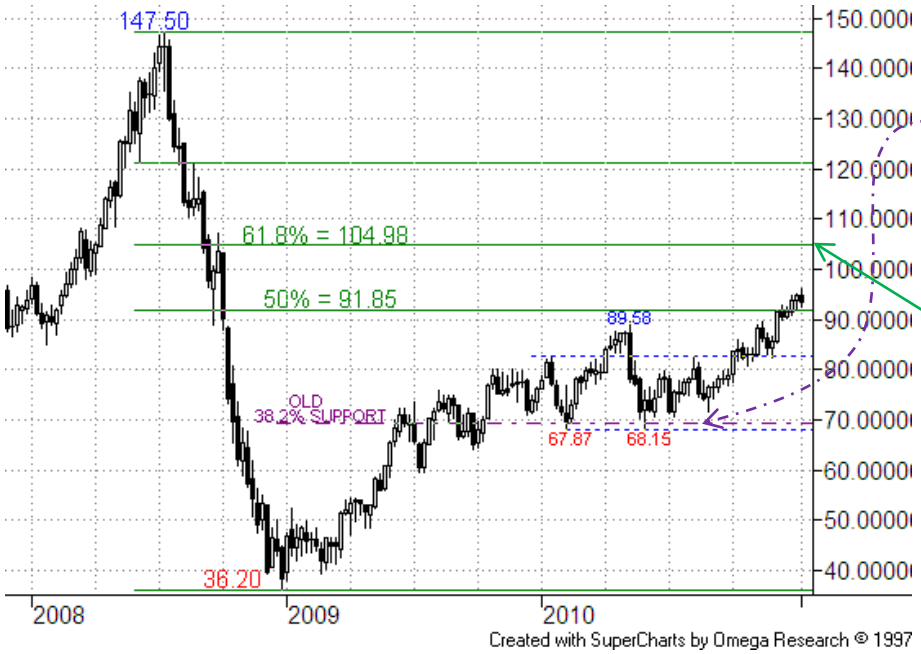
Energy: Brent Crude Oil (ICE)



Weekly Chart – Continuation:

The old 38.2% pullback area provided good support earlier in 2010, in common with other oil markets.

Next main focus is on the 61.8% recovery level near 105.00.

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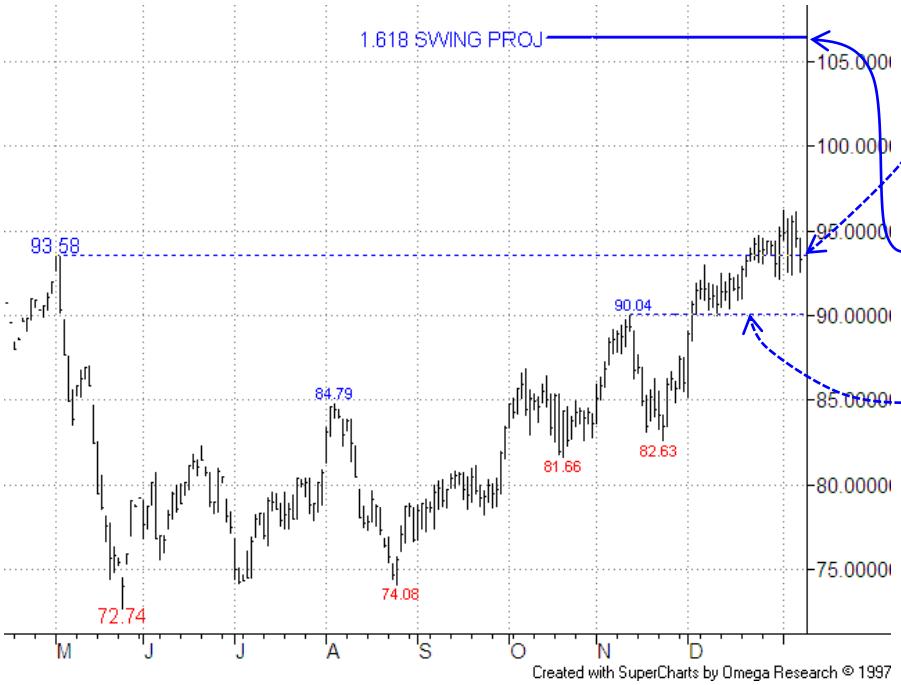

Daily Chart – Feb-11:

S/term action continues to hold near the May-10 high, and we keep our focus on higher levels.

As before, first note the **106.45** Fibo projection, the 1.618 swing off prior 93.58-72.74 May drop (106.72 in the Mar-11 contract).

First support comes from the 90.00 area, and at this stage bulls will wish to see the lower 82.63 23-Nov low stay intact.

Fresh buyers on dips will likely have initial stops just below 82.63.

We maintain a bull stance here.

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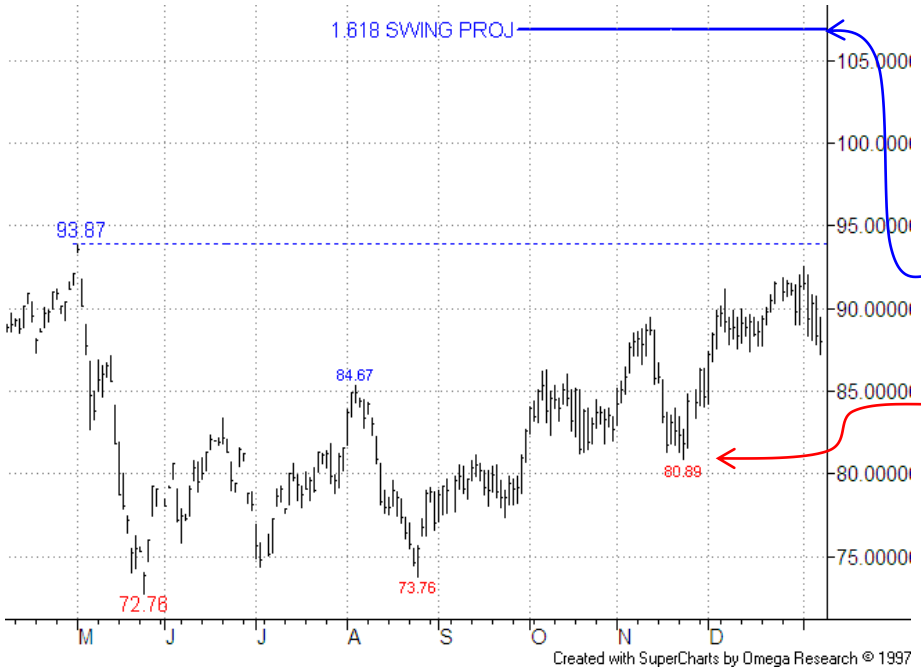
Energy: Light Crude Oil (NYMEX)



Daily Chart – Feb-11:

Bulls still look set to challenge the May high (already eroded on the Brent chart).

A break higher would set focus on targets such as the 1.618 swing projection at **106.90** (107.23 on Mar-11 chart).

As before, we do not want to see a slip back, below the 80.89 23-Nov low, which would delay upside progress (though not negate our bullish stance).

We maintain a bull stance here.

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SEVEN DAYS AHEAD

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Energy: Natural Gas (NYMEX)

Monthly Chart – Continuation:

The Sep-09 **Key Reversal Month** marked a turning point, although the earlier, initial recovery faded.

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

Weekly Chart – Continuation:

A typical 3-wave downmove in 2010 eventually found dual support from near the 3.155 May-09 low and 76.4% pullback.

If recovery continues note possible resistance from the 76.4% 5.425 retracement (see how this ties in with the Daily chart).
Further out we would target the 38.2% recovery level at 6.720 plus equality target just above at 6.910.

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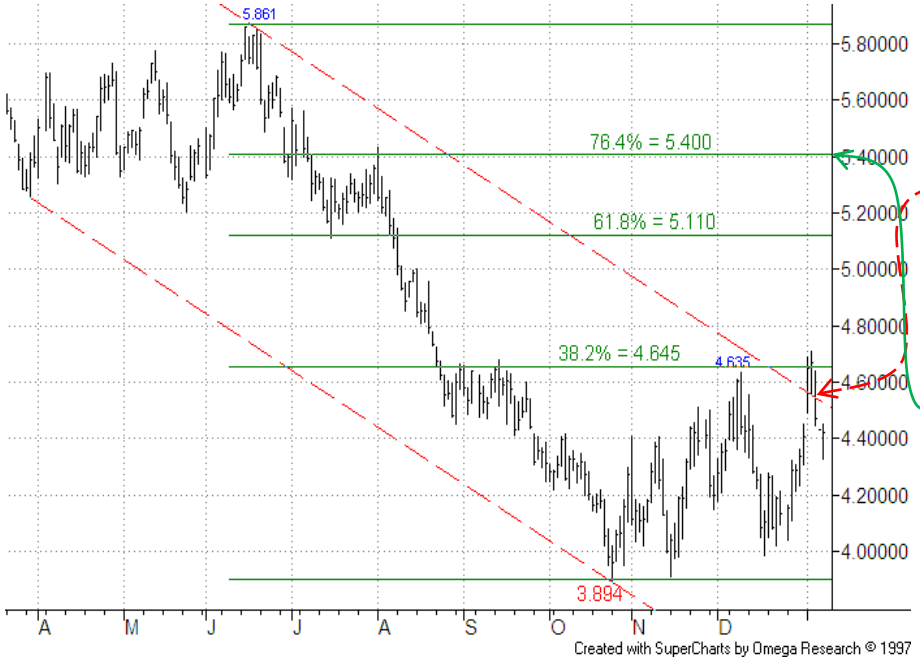
Energy: Natural Gas (NYMEX)



Daily Chart – Feb-11:

After the Oct-10 low initial resistance has emerged from a 38.2% recovery level and bear channel top projection. This has again been under pressure and a break through would be a clear bull signal.

The initial target would be the 61.8%/76.4% area – note how the 76.4% level (although a different calculation) coincides nicely with a 76.4% on the Weekly chart, and s/term difficulty getting through here seems likely.

We maintain a bear stance for now, but ready to change.

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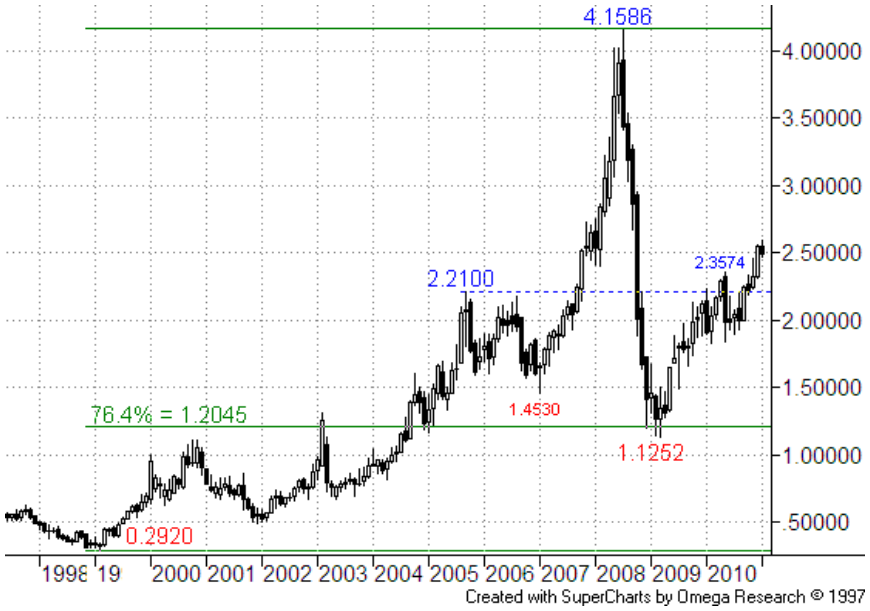
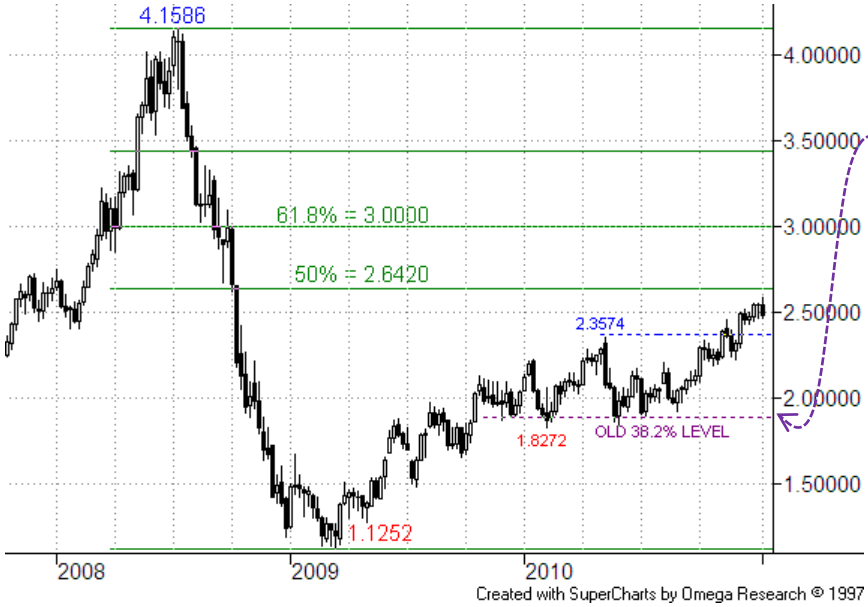
Energy: Heating Oil (NYMEX)



Monthly Chart – Continuation:

The long term chart stays constructive after breach of the May high.



Weekly Chart – Continuation:

The former 38.2% pullback level and prior 2010 congestion lows provided a platform for the next upleg.

On the continuation chart the May high has been surpassed, with the 50% recovery level now nearby.

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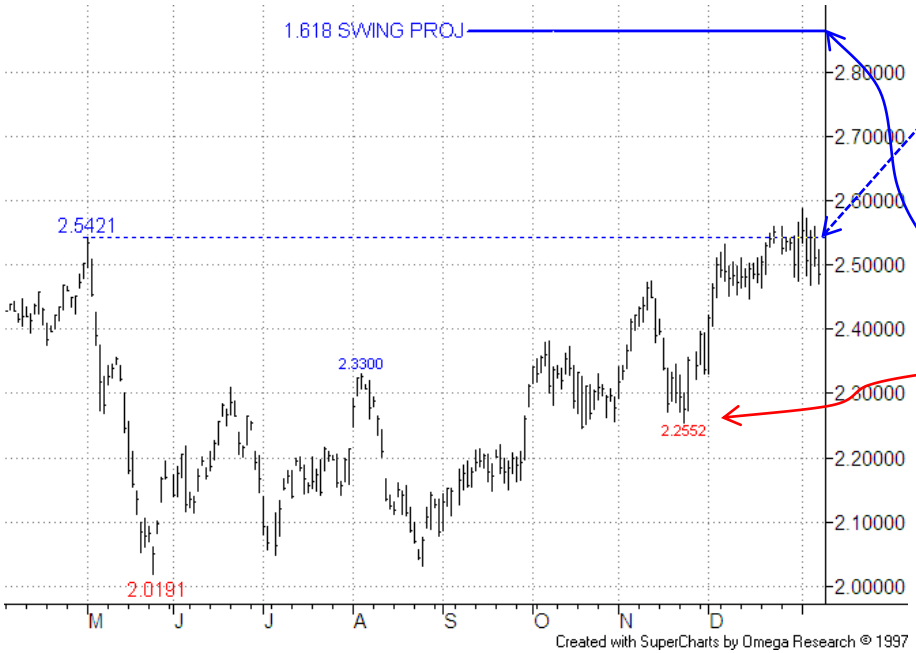
Energy: Heating Oil (NYMEX)



Daily Chart – Feb-11:

Bulls have been teasing the May-10 high, with clear breach awaited in order to mark the next stage of the upward run. Focus would then turn to such targets as **2.8650**, 1.618 swing projection off the May drop.

Meanwhile the 2.2552 23-Nov low remains first key support, and should stay intact for now, to avoid delaying the bull move.

We maintain a bull stance here.

Metals

In **Gold** the shorter term bull picture could be turning sour, with the chart structure posing a threat. A similar situation obtains on the **Silver** chart, although a bear signal is not yet in place.. The **Copper** bull run has approached interesting resistance on the Weekly chart.

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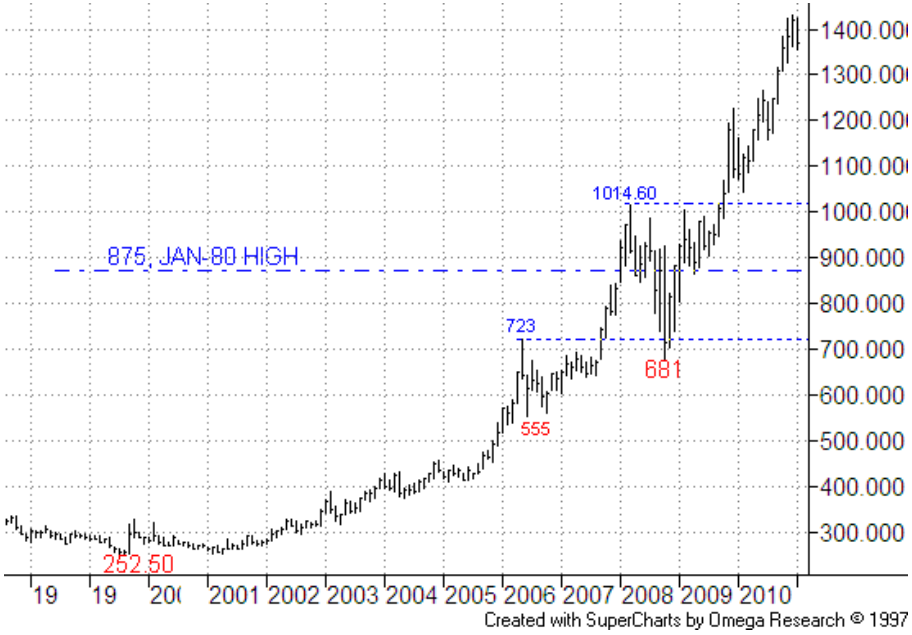
Metals: Gold (COMEX)



Monthly Chart - Continuation:

New highs continue to be made, with bulls showing no sign of flagging yet.

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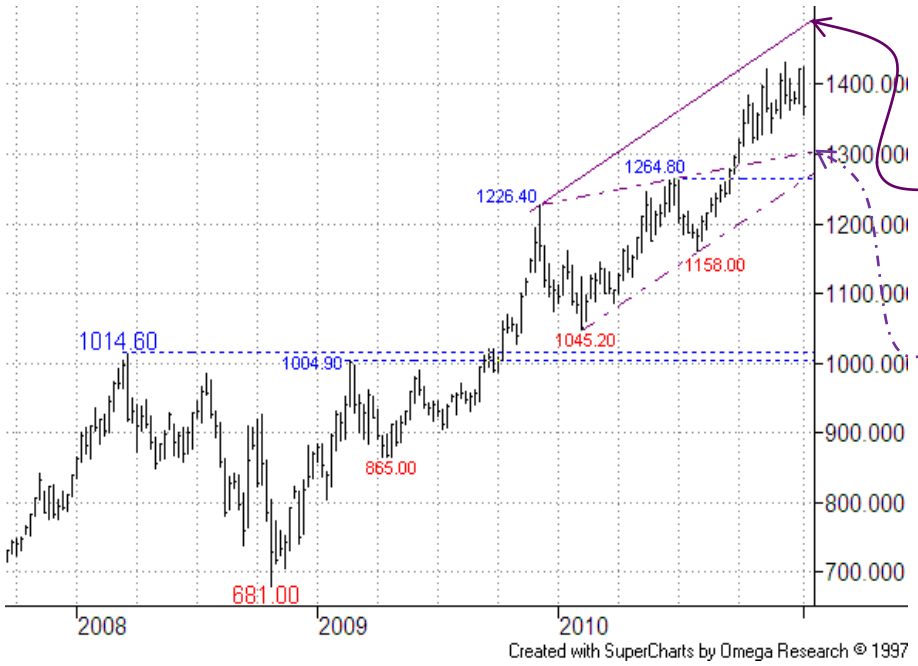
Metals: Gold (COMEX)



Weekly Chart – Continuation:

Following the bull break from the wedge pattern the market closed in on the channel top projection (at **1485** currently) – this offers current resistance.

Supports come from the wedge top just above 1300, then the 1264.80 Jun high.

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Metals: Gold (COMEX)

Daily Chart – Feb-11:

In the last Quarter of 2010 the pace of uptrend slowed, with the chart structure putting bulls on the alert.

We have been on the lookout for a better pullback phase – the 1361.60 16-Dec low still needs to be closed below in order to signal this to be likely. Then target a slip back towards the old wedge top support around 1310 now, and near the 1317.40 22-Oct low too, where a degree of support would be expected.

We maintain a bull stance for now, but ready to sideline.

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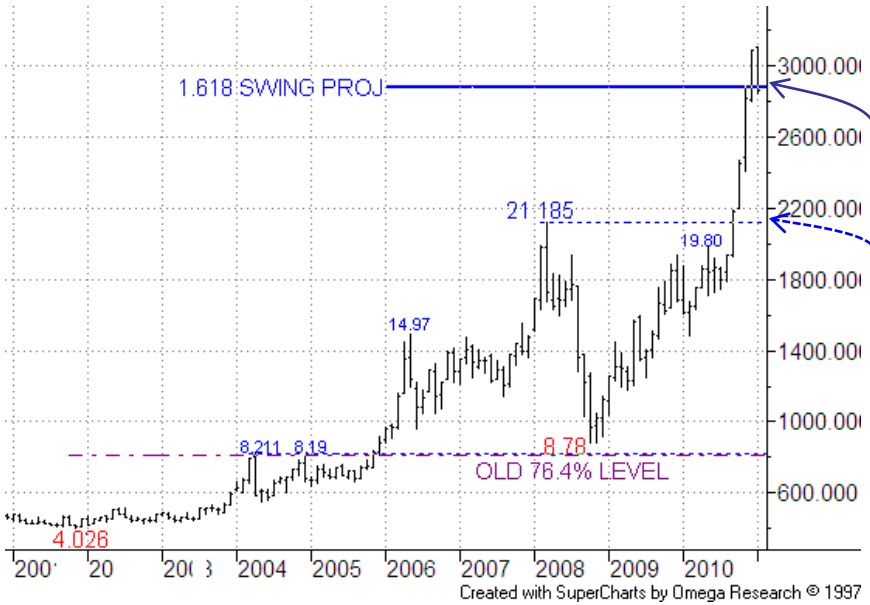
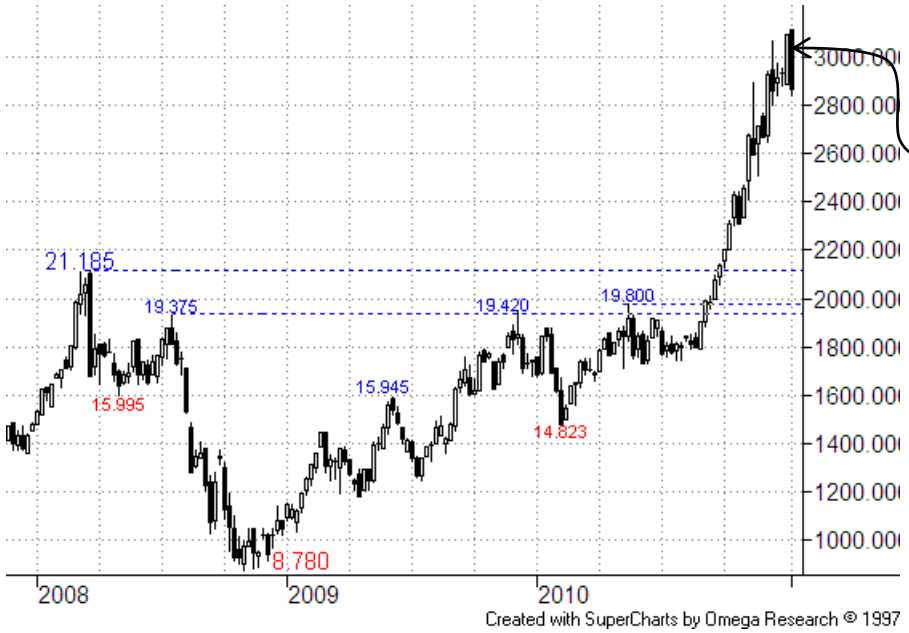
Metals: Silver (COMEX)



Monthly Chart – Continuation:

The acceleration through the 2008 peak has now pushed beyond our recent Fibo projection.

Support on this chart comes from the prior 21.185 high.



Weekly Chart – Continuation:

Last week produced a **Key Reversal Week** which increases the risk of a pullback phase.

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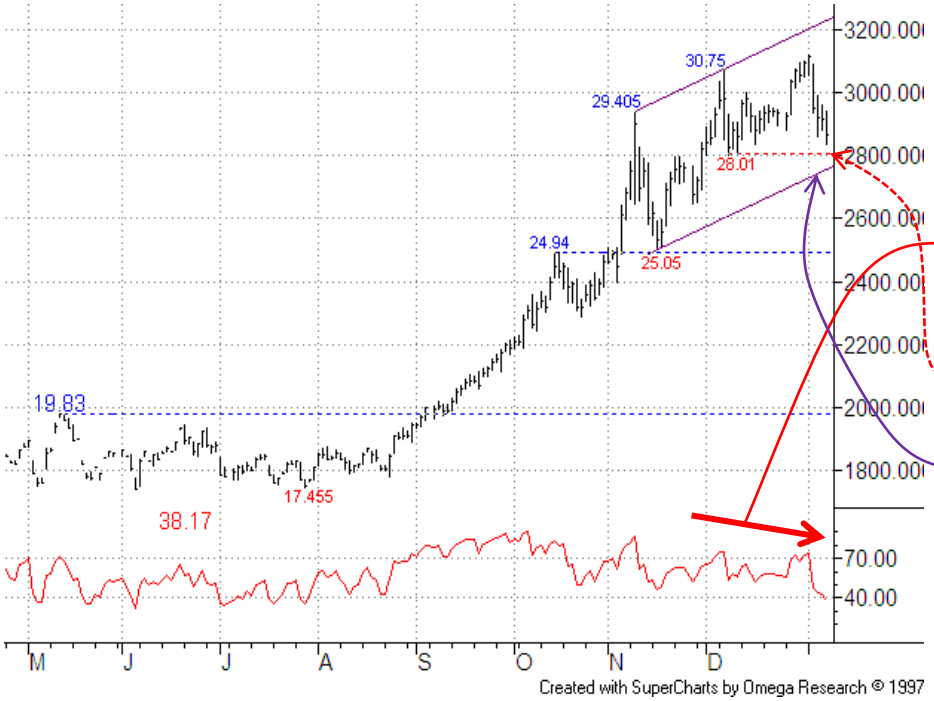
Metals: Silver (COMEX)



Daily Chart – Mar-11:

We remain on the alert to further weakness, particularly after last week's Key Reversal Week which increases bear risk. A negative RSI divergence has also been a caution to bulls.

A close below the 28.00 08-Dec low would provide an initial negative sign, with a further drop through the small channel base projection at 27.65 providing the next one.

We maintain a bull stance for now, but ready to change.

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Metals: High Grade Copper (COMEX)

Monthly Chart – Continuation:

The bull run has now violated the major 4.2700 high – but will resistance soon emerge?

Weekly Chart – Continuation:

Attention now shifts to the bull channel top projection just above 4.5500 where resistance could be seen.

The 3.6295 Apr high offers support now.

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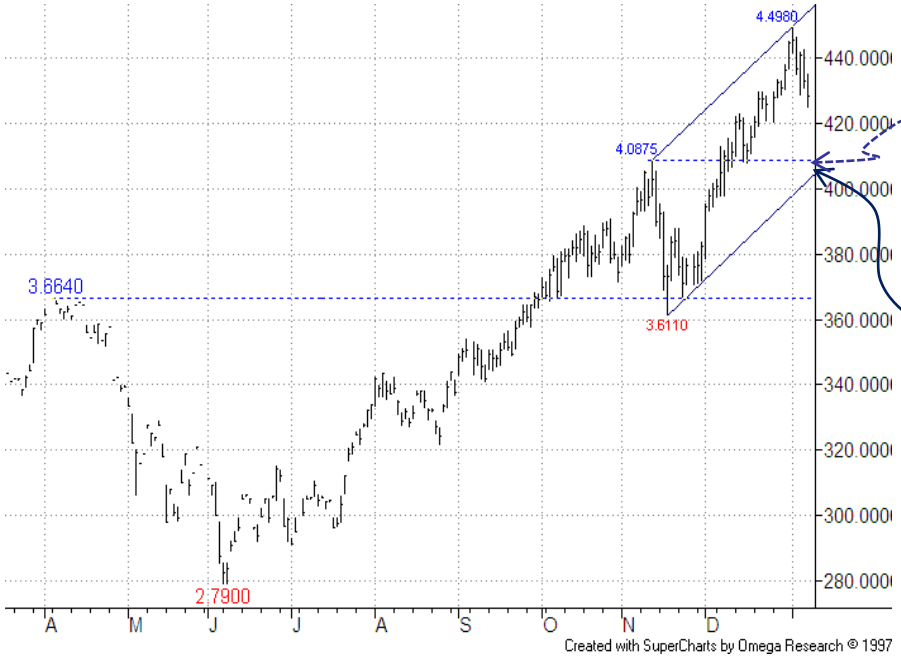
Metals: High Grade Copper (COMEX)



Daily Chart – Mar-11:

First support comes from the 4.0875 11-Nov high, which coincides with the 23.6% retracement of the upmove from Jun-10 low (not shown).

Not much below lies the bull channel base projection at 4.0400 currently, and breaks of these levels would signal a better pullback phase was underway.

<u>But, for now, we maintain a bull stance.</u>

Grains and Softs

Soybeans remain positive, with a long term 76.4% level now in sight. **Wheat** is currently being held back by s/term resistance. **Sugar** recently tested its long term 76.4% level where s/term resistance has appeared. **Cocoa** has slipped back and key 76.4% support needs to hold for the bulls. **Coffee** stays positive for now, after recent gains pushed through the recent bull channel top. **Cotton** remains bullish too.

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Grains and Softs: Soybeans (CBOT)

Monthly Chart - Continuation:

The 76.4% retracement of the whole 2005-2008 upmove, and the Jun-05 757.50 high, provided a very effective zone of support.

The second bull leg following this is now well underway, through the 2009 high now.

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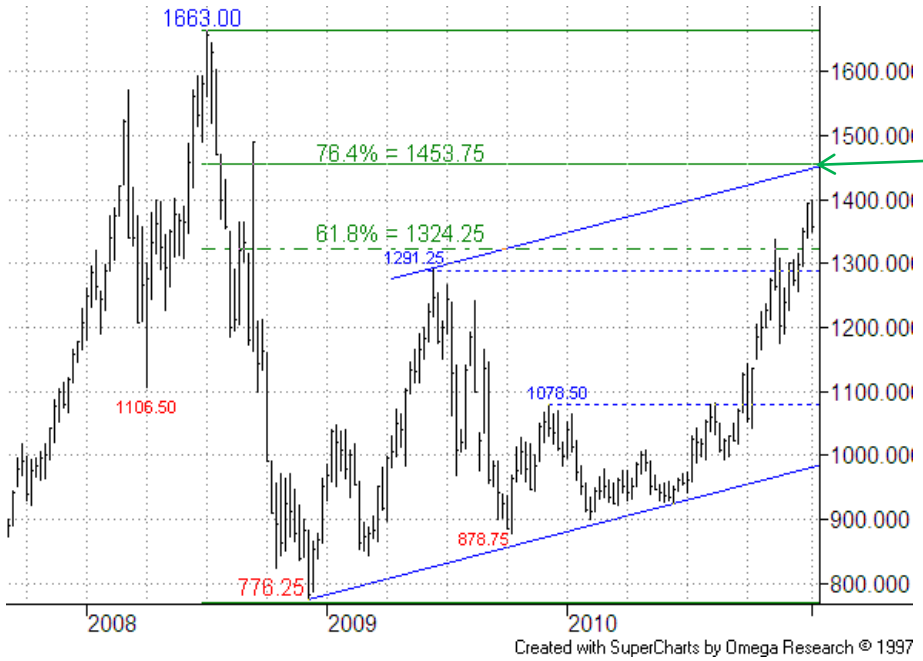

Weekly Chart – Continuation:

Upside focus remains on the 1453.75 76.4% level, which coincides with a bull channel top projection – resistance would not be a surprise here, if reached.

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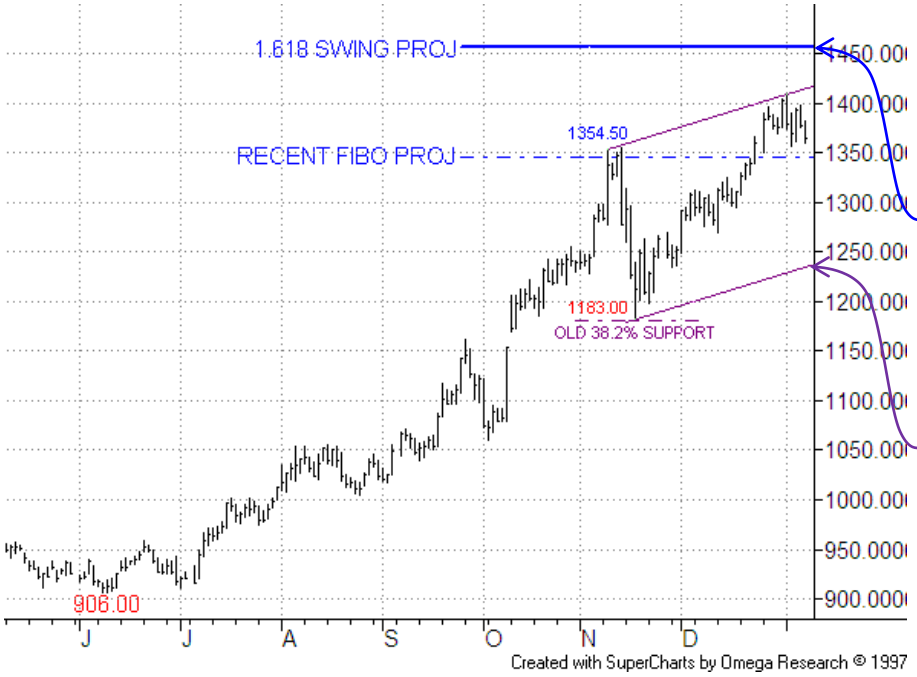

Daily Chart – Mar-11:

Following recovery from last Nov's old 38.2% support the focus has again shifted to higher levels, such as the 1455 area, a 1.618 swing projection off the prior Nov setback. This ties in nicely with resistance on the Weekly chart.

First important support here isn't until the s/term channel base projection at 1238 currently.

We maintain an overall bull stance for now.

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Grains and Softs: Wheat (CBOT)

Monthly Chart - Continuation:

Recovery off good support from the 434 2002 high has been clear.

Weekly Chart - Continuation:

Last year's corrective/ consolidative phase could be over (but keep in mind the Daily chart).

This leaves higher targets such as prior 952.75/961.75 highs and the 987.00 61.8% recovery level still achievable in due course.

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Grains and Softs: Wheat (CBOT)

Daily Chart – Mar-11:

The late 2010 recovery from support near the Nov-09 high has so far been held in check by the 815.00 76.4% bounce level. A break through this area would be a bullish sign here.

S/term support comes in at/above the 742.00 17-Dec low, with a slip back below this postponing any break through the 76.4% resistance.

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

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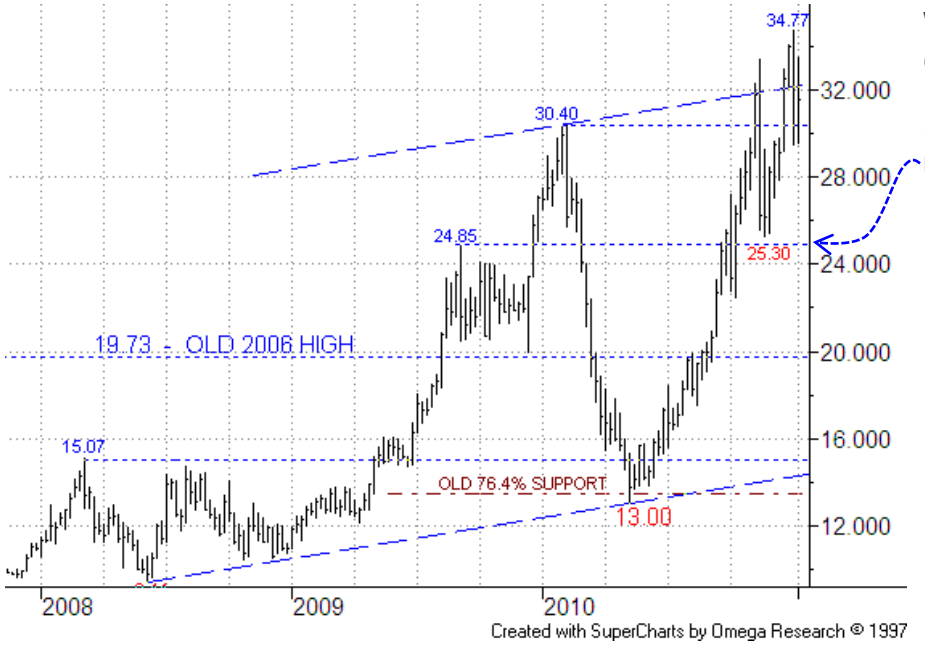
Grains and Softs: Sugar (ICE)

Monthly Chart - Continuation:

The bull move has now reached the long term 34.75 76.4% recovery level where we await better reaction – s/term resistance has appeared so far.



Weekly Chart - Continuation:

First notable support here remains at the 25.30/24.85 area.

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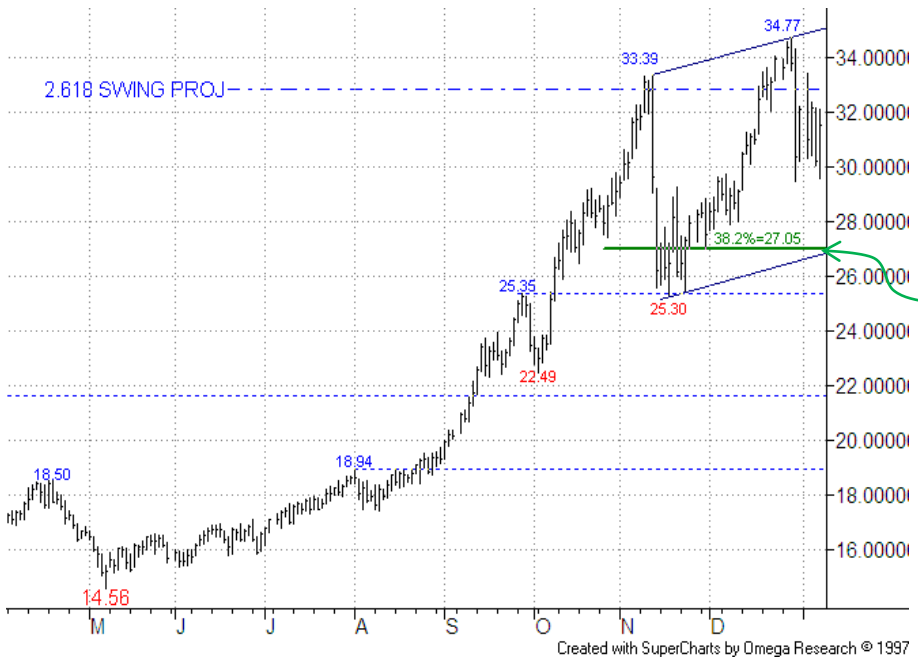

Daily Chart – Mar-11:

Subsequent pullback following the recent new high keeps us thinking about key supports, protecting against a more prolonged pullback phase.

Here these are provided by the 38.2% level around 27.00 and slightly lower channel base projection at 26.80.

We stay on the sidelines for now.

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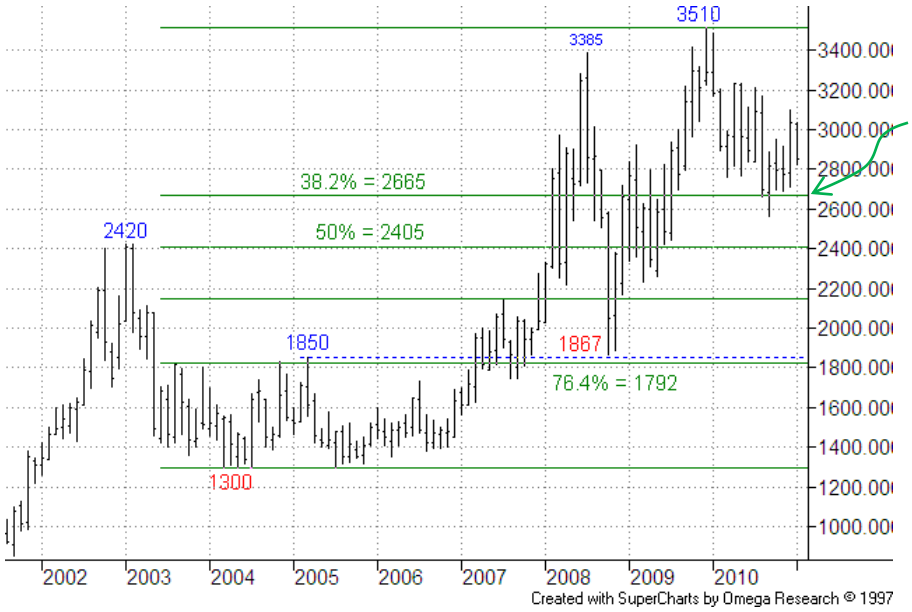
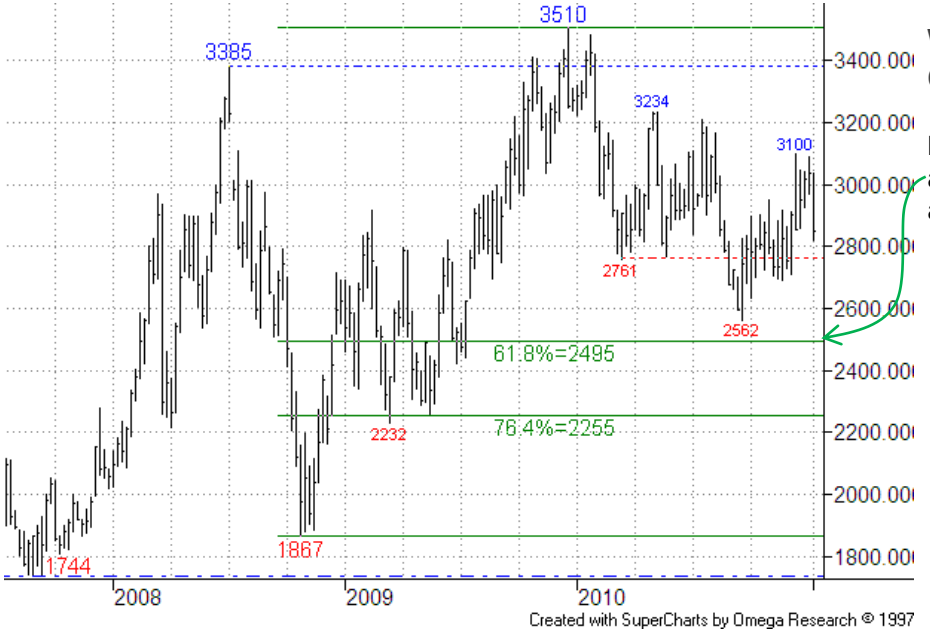
Grains and Softs: Cocoa (ICE)



Monthly Chart – Continuation:

The 38.2% retracement has come under pressure, but essentially is holding so far.



Weekly Chart – Continuation:

Last year's bear move held above the 61.8% retracement – are bulls ready to take over?

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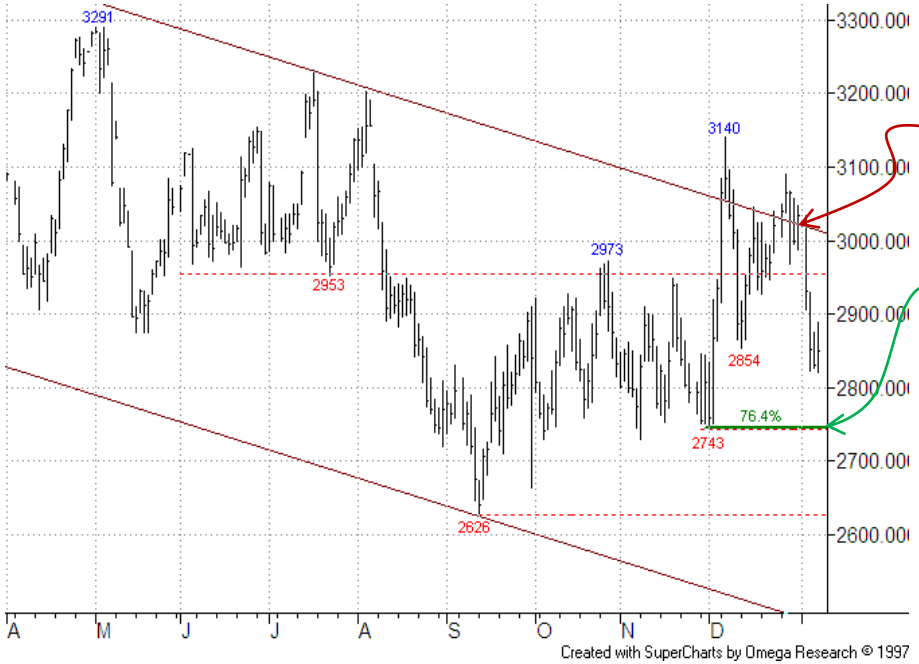
Metals
+ Gold
+ Silver
+ High Grade Copper

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

Other
+ Carbon Emissions
+ CRB Index

Grains and Softs: Cocoa (ICE)



Daily Chart – Mar-11:

Price has failed to hold above the bear channel top so far.

Key support comes from the 2743 01-Dec low and note how this coincides with the 76.4% pullback level. While this holds then there is a good chance that s/term weakness can give way to another push higher.

A break/close below would rekindle bears' interest.

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

More

Summary

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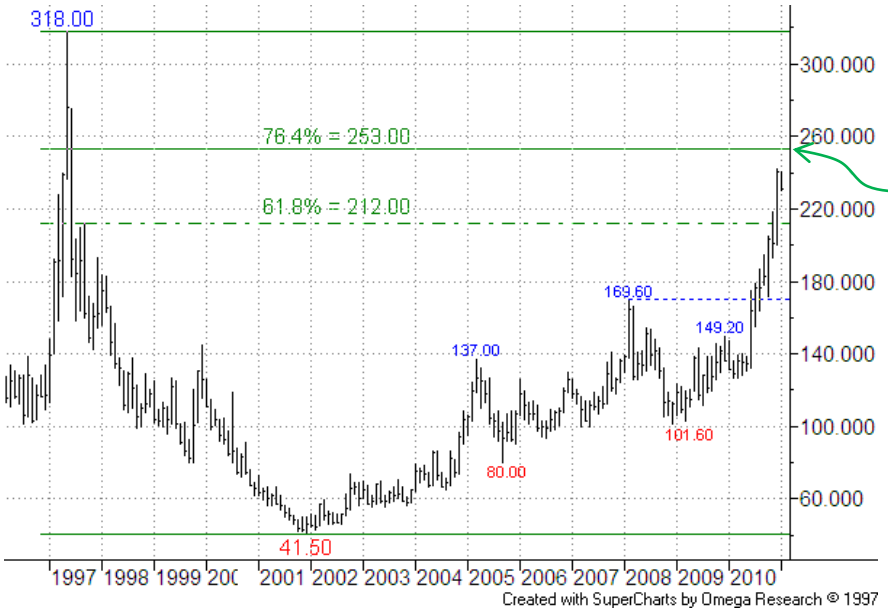
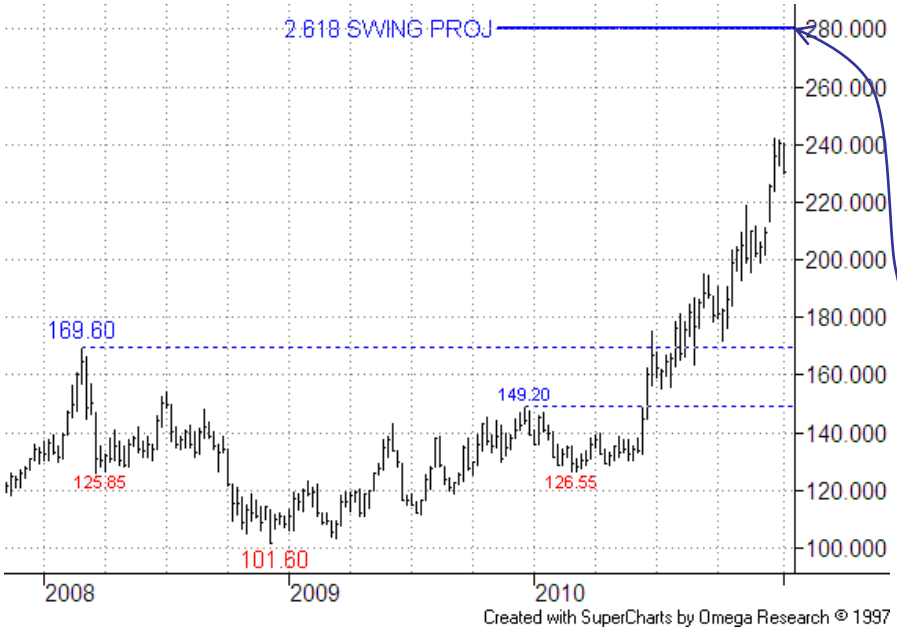
Grains and Softs: Coffee (ICE)



Monthly Chart – Continuation:

With the 61.8% level now breached our focus turns to the higher 253.00 76.4%.



Weekly Chart – Continuation:

Pullbacks on this chart have been restricted as bull pressures continue.

We have now marked in the next Fibo projection of note, the 2.618 swing projection off prior 2008 169.60/101.60 downmove, around **280.**

More

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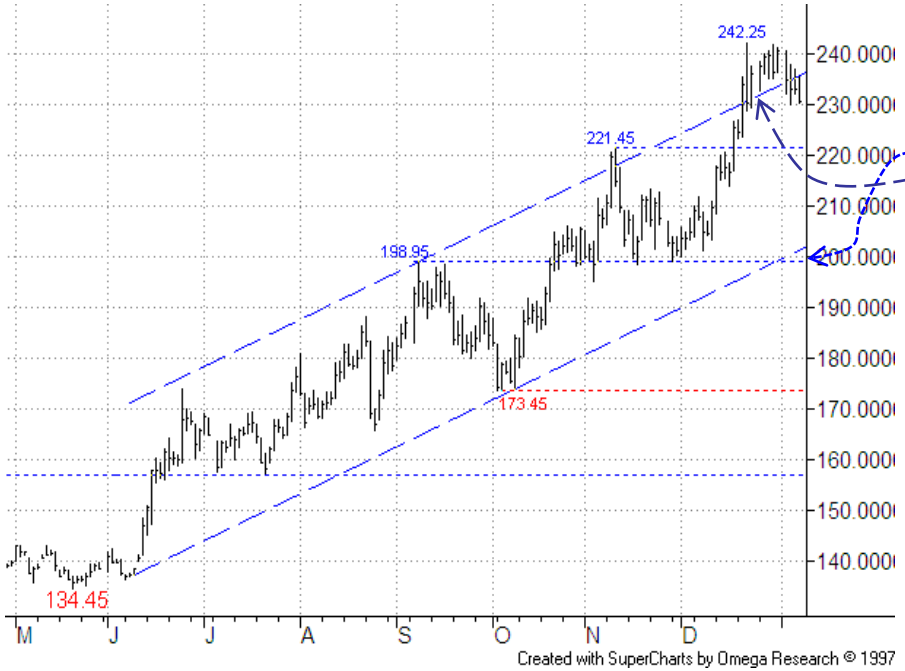
Grains and Softs: Coffee (ICE)



Daily Chart – Mar-11:

The latest upleg from the 200 support area has pushed through the top of the bull channel, keeping the chart very bullish.

First support is now offered by the 221.45 10-Nov high, with lower 200 area still being key.

We maintain an overall bull stance here.

More

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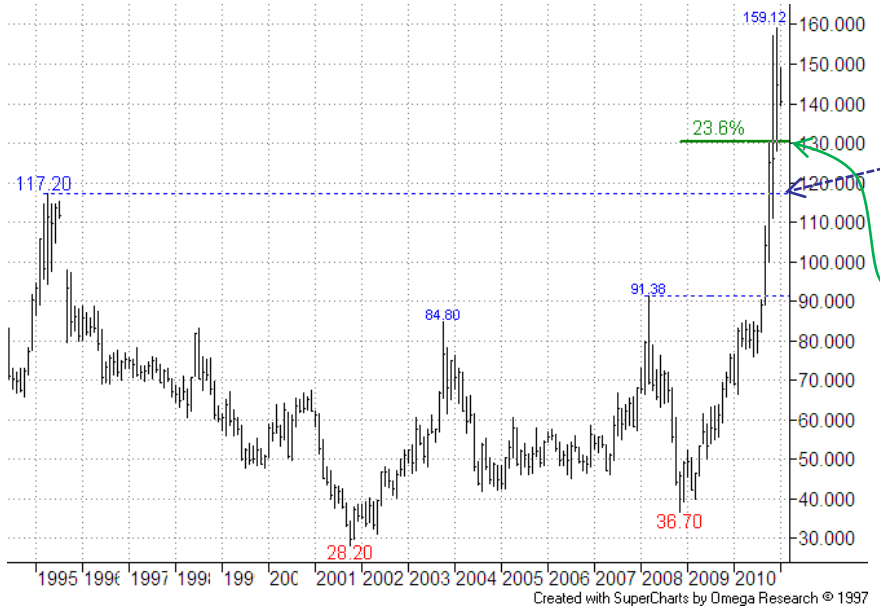
Grains and Softs: Cotton No.2 (ICE)



Monthly Chart – Continuation:

The powerful bull move violated the 117.20 1995 peak, which reverts to support now.

Closer potential support is offered by the current 23.6% pullback level just above 130.00.

Weekly Chart – Continuation:

A renewed bull move has again approached the possible bull channel top.

Beyond here we have marked in a higher Fibo projection at 180.00, the 2.618 swing of prior 2008 downmove.

More

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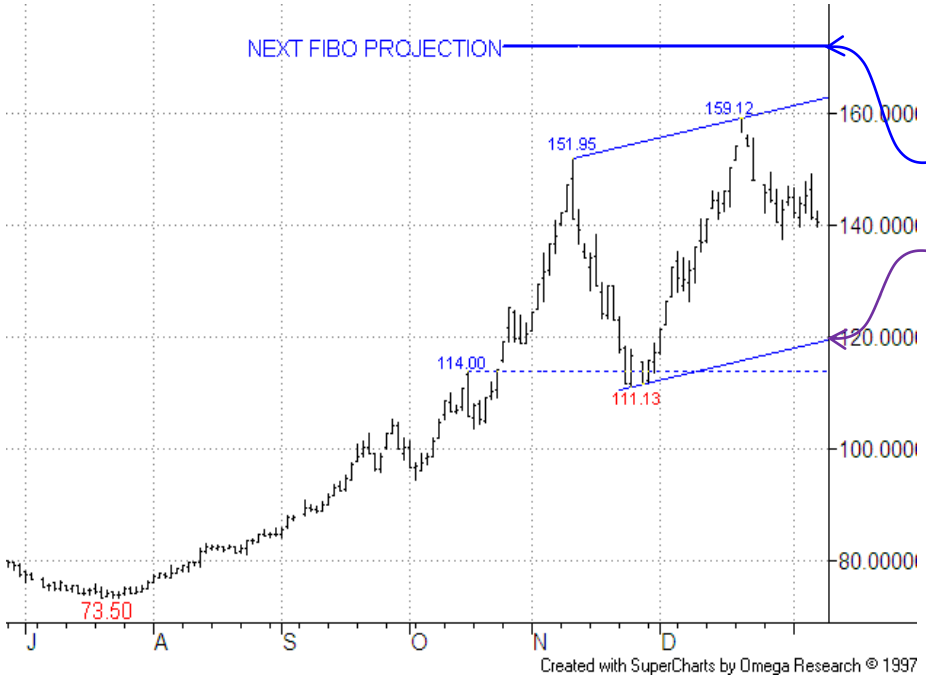

Daily Chart – Mar-11:

Not much change here, with the chart staying in a strong position, with the next Fibo projection now marked in, at **172.00.**

First key support comes from the current s/term channel base near to 120.00.

We maintain a sidelined stance here.

Other

S/term gains in **EUA (Carbon Emissions)** puts us on the lookout for a better recovery attempt. The bull move in the **CRB Index** remains intact, although a key reversal week has been seen at an interesting resistance area.

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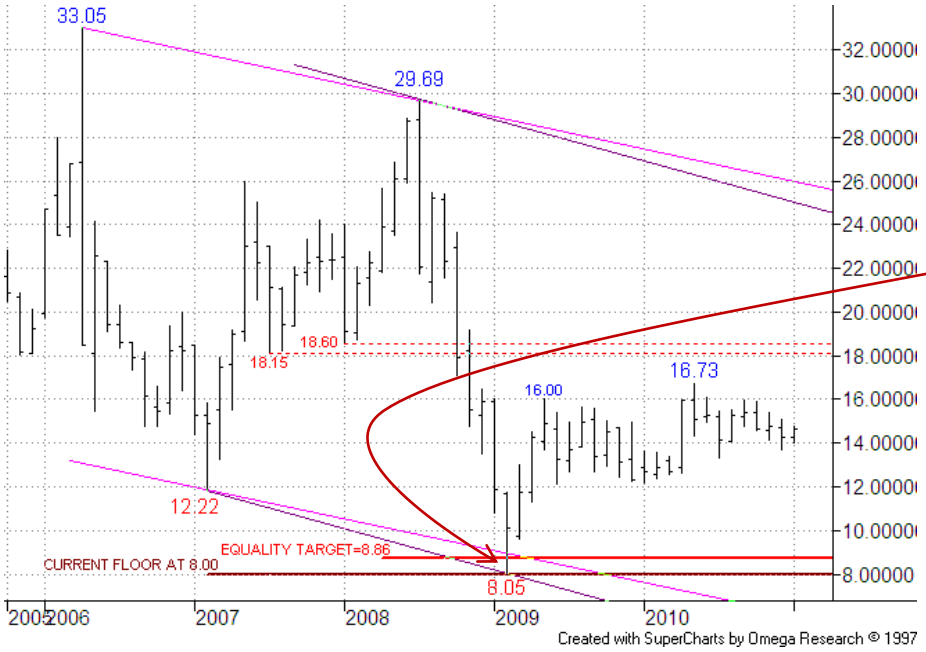
Other: EUA – Carbon Emission Allowances (ICE ECX)



Monthly Chart - Continuation:

In early 2009 support was contributed to by a long term channel base, an equality target and, for non-technical reasons, a floor around 8.00.

We assume that a medium/ long term recovery phase is now unfolding.

More

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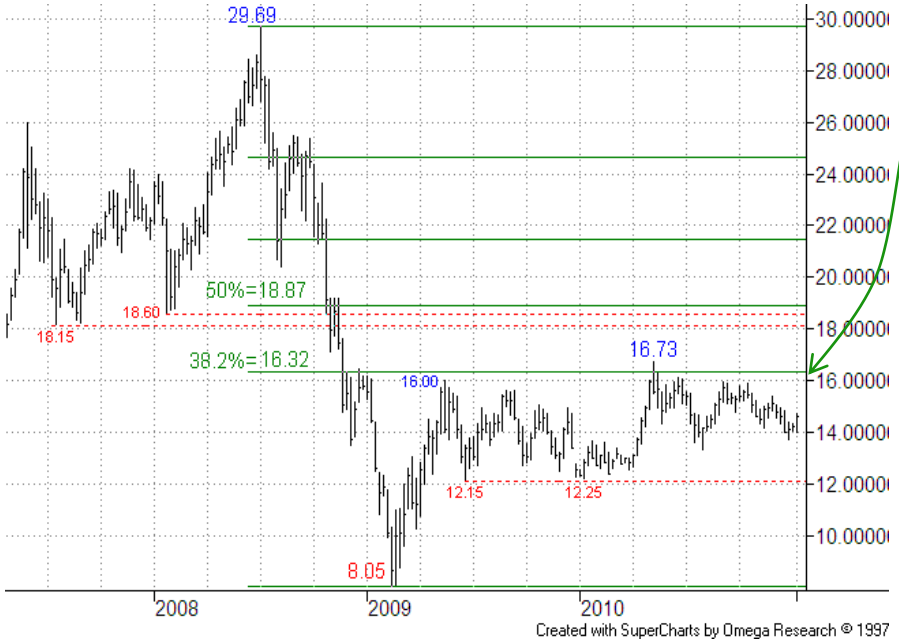

Weekly Chart – Continuation:

The 38.2% recovery level has remained first key resistance here.

The 12.25/15 area provides the current floor, which bulls need to hold now.

More

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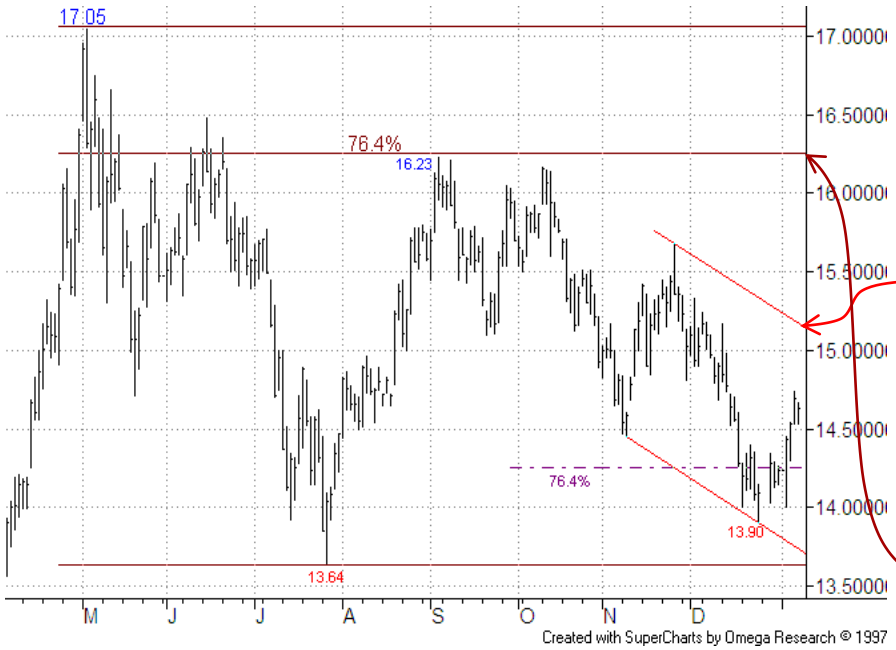

Daily Chart – Dec-11:

On the new Dec-11 chart 76.4% support was not effective, unlike in Dec-10, but s/term recovery is underway.

At this stage a further gain through the small channel top near 15.15 currently would be positive, suggesting that the bulls were returning. *We have been viewing recent weakness as temporary, in the context of an unfolding bull picture.*

Key resistance is at the 76.4% recovery level, as on the old Dec-10 chart.

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

More

SEVEN DAYS AHEAD

Summary

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Other
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+ CRB Index

Other: CRB Index (CBOT)

Monthly Chart – Continuation:

Another bull leg is well underway, with the next interesting upside level on this chart coming from the old 365.45 May-06 high.

The 293.75 Jan-10 high now offers support.

Weekly Chart – Continuation:

The channel top projection near 330 marked the beginning of a resistance area that also includes the 50% recovery level and equality target towards 341 (Feb-09/Jan-10 upmove extended off the May low).

Note that last week produced a **Key Reversal Week** which now puts us on the alert for a better pullback.

More

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Other: CRB Index (CBOT)

Daily Chart

So far the upmove has stayed short of the bull channel top projection at 344 now, which remains next resistance.

First support comes from the 320.38 Nov high but, in light of the Key Reversal Week above, also keep in mind lower supports – the rising support line at 312.00 is less important than the slightly lower s/term channel base projection at 307.00, as a breach of the latter would imply a more prolonged correction phase in process.

We maintain a bull stance for now.

SEVEN DAYS AHEAD
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