



Energy, Precious Metals and Commodities -

Has the bubble burst or is the boom just beginning ?

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May 28, Lugano
May 29, 2009 Zurich

A Market Technical Perspective
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Note disclaimer at end of report.

OUTLINE

The BIG picture -- Coming cyclical BULL for Commodity
in a secular BULL

Commonality of lows for :

1. Energy – lagging NG
2. Precious Metals -- special case for Gold
3. Industrial Metals
4. Agricultural lagging,

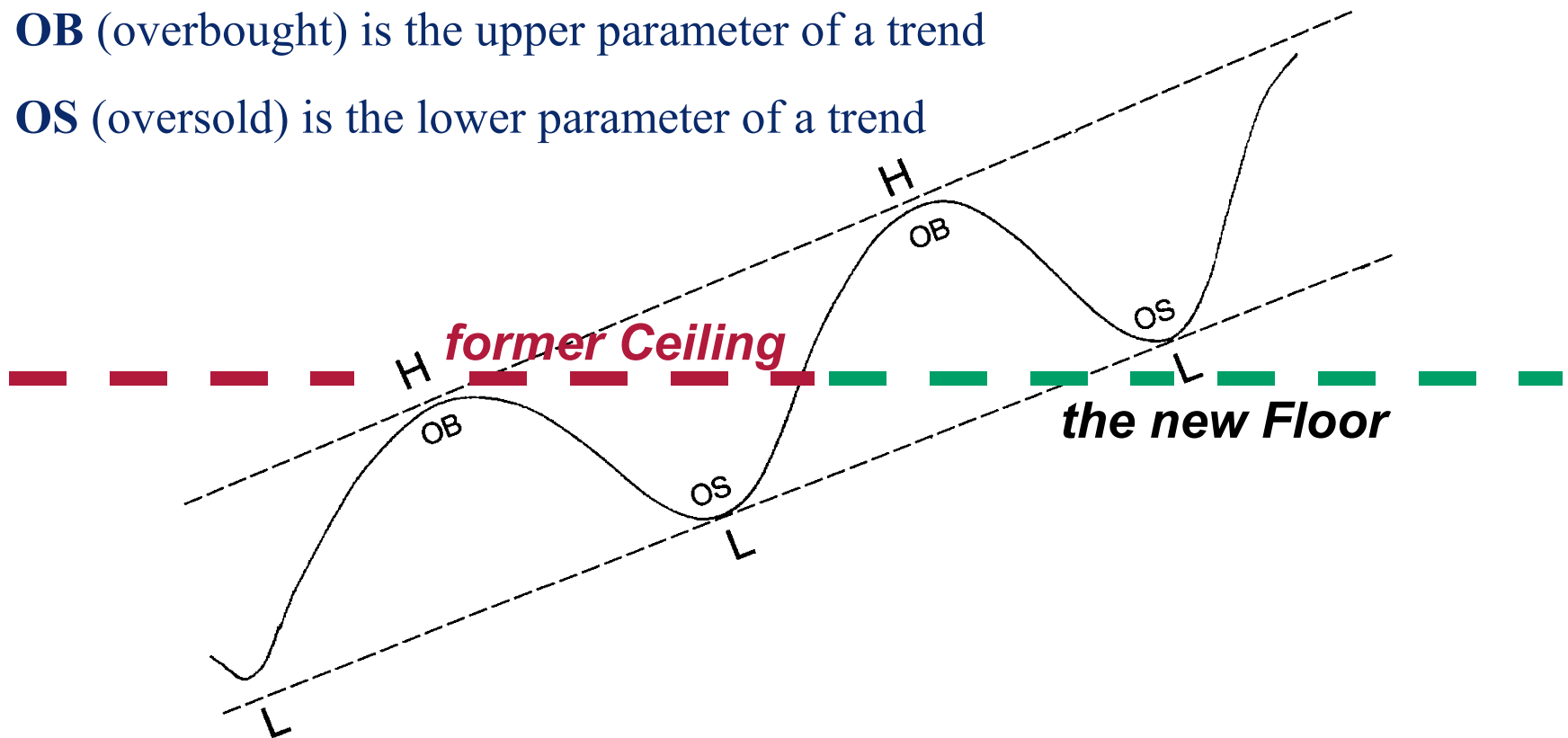
thus

Timing excellent to Buy a coming Dip in an uptrend

Technical Analysis theory of Trend Analysis: *in an Uptrend, “the former Ceiling may become the new Floor”*

Concept is courtesy of MTA Educational Foundation.

1. **An uptrend** is defined as a higher **Low** and a higher **High**
2. **OB** (overbought) is the upper parameter of a trend
3. **OS** (oversold) is the lower parameter of a trend



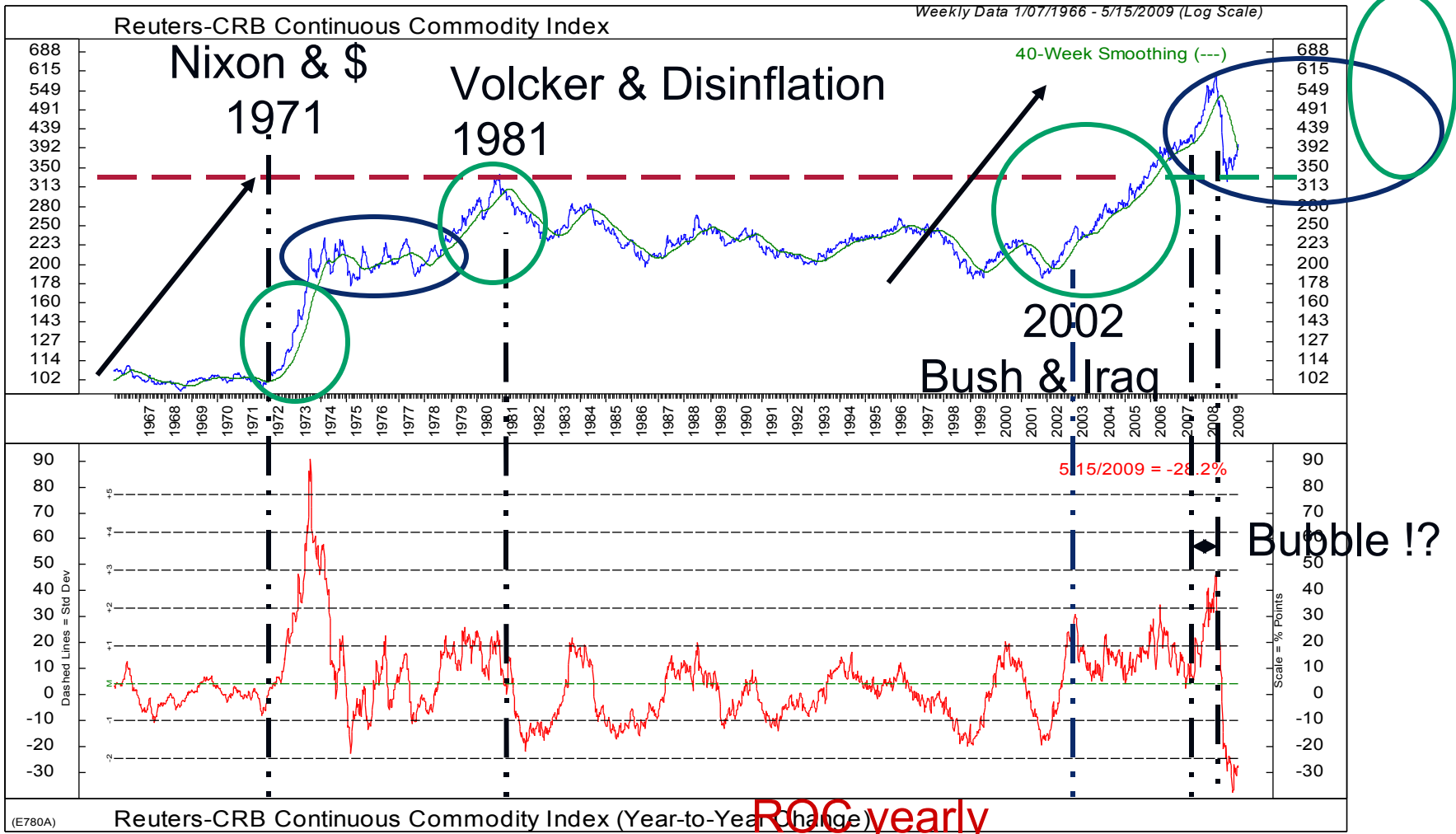
1966-2009 Reuters-CRB Continuous Commodity Index CCI

BULLS : old Ceiling = new Floor - see ROC !

BEARS: It was a Bubble, see Black arrows of same %, so it is Topy (log scale)

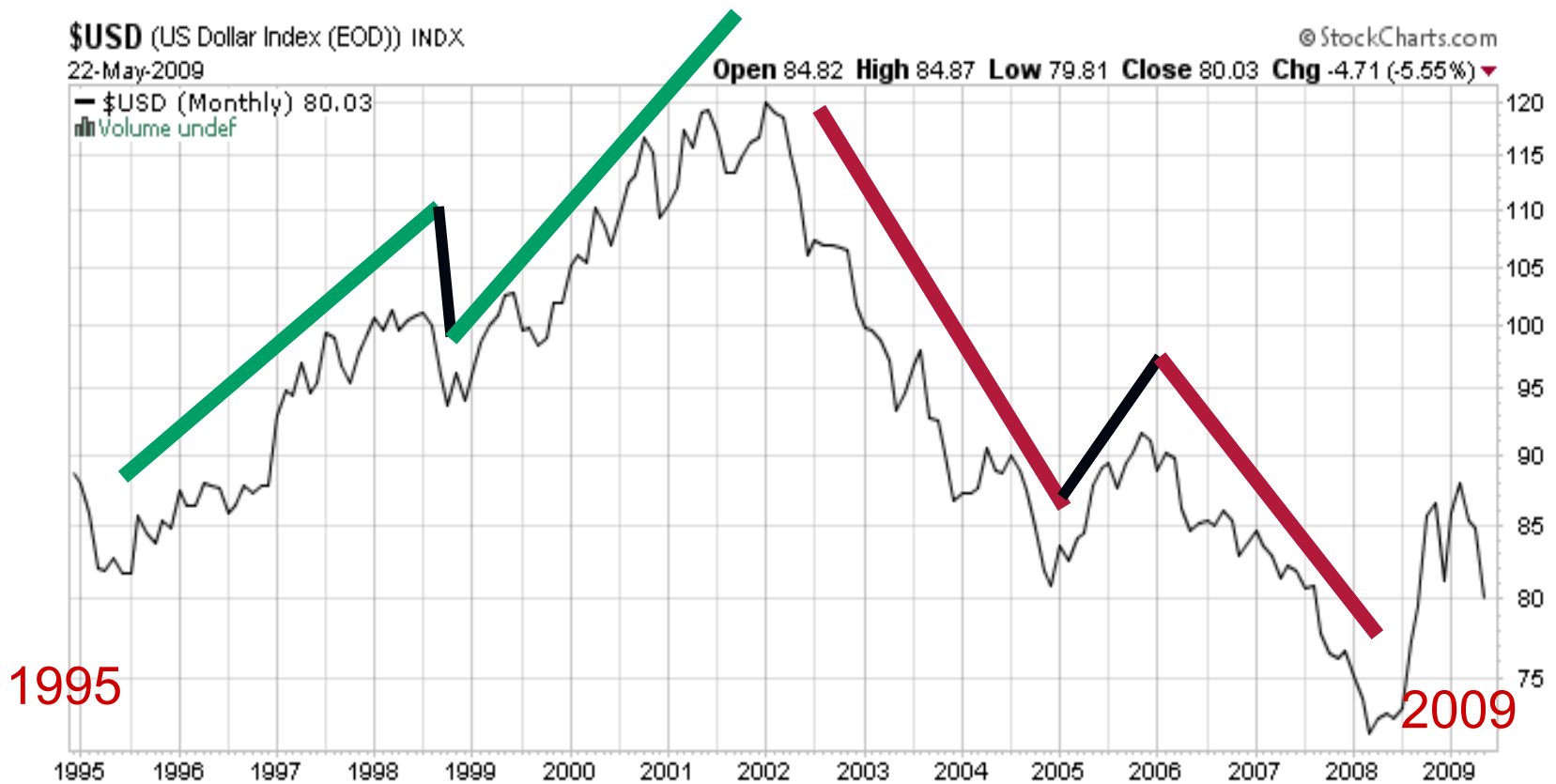
BULLS : after first Advance and a pause, a second advance.

Bubble only localised mid 2007 to mid 2008



Pattern of Bull versus Bear market

Contra-trend moves sharper in price & shorter in time, while movement in the direction of the Main trend are less brisk in price and longer lasting in duration



Commonality between Indices

CRB-CCI

(includes Food & Oil – Equally weighted)

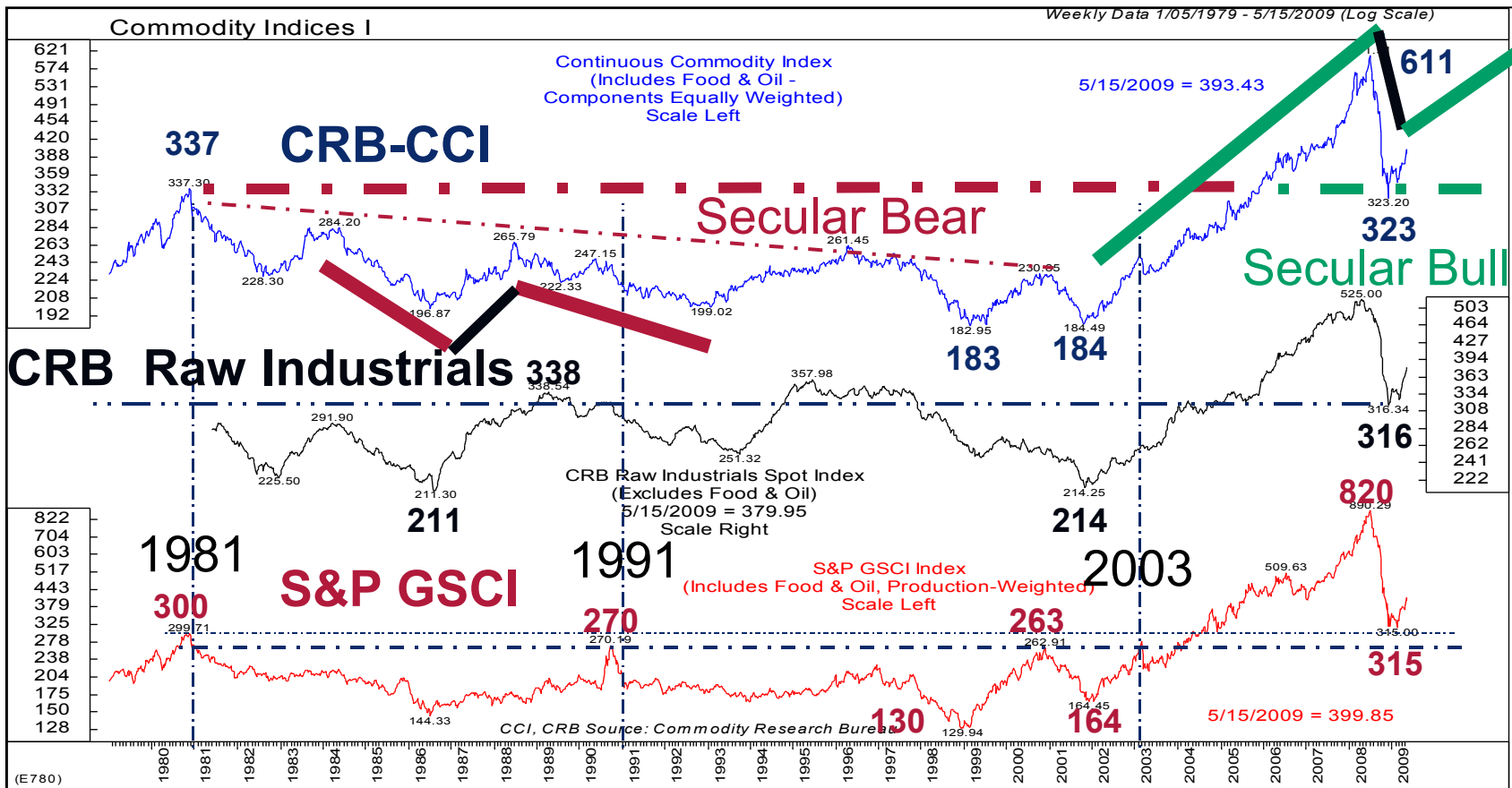
CRB Raw Industrials

(excludes Food & Oil)

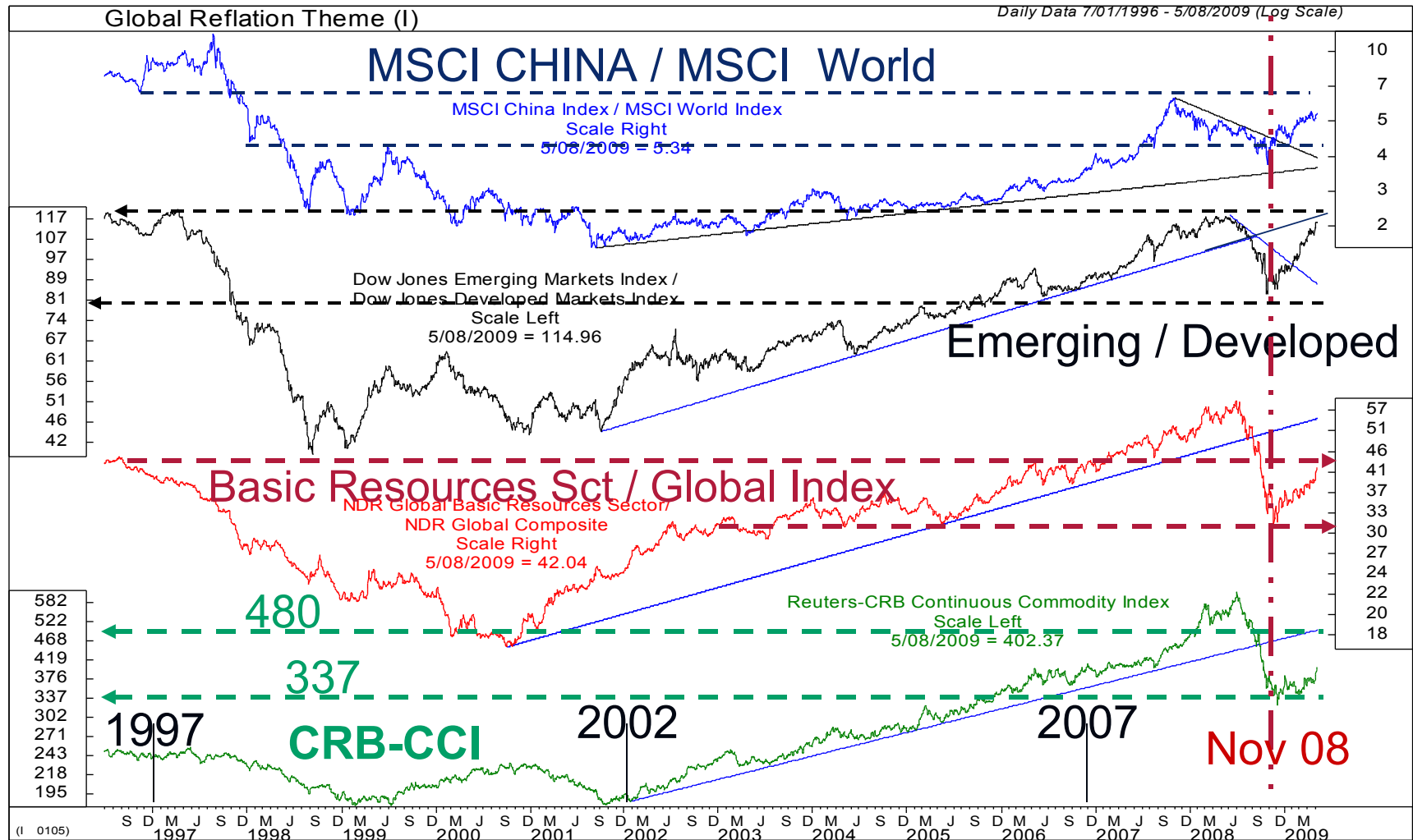
S&P GSCI

(includes Food & Oil – Production weighted)

Pattern of **Bear** versus **Bull** market



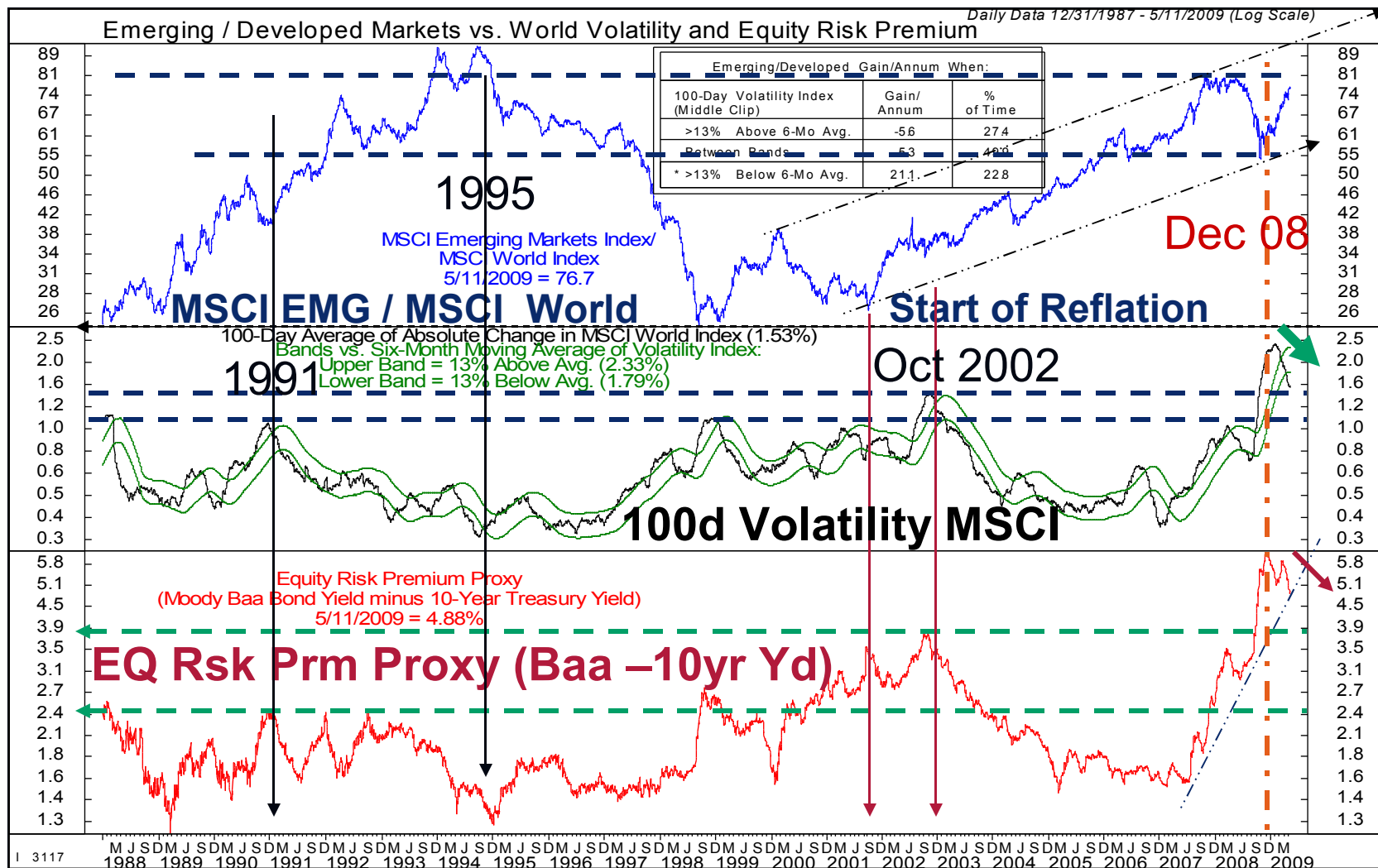
Not happening in a vacuum : a theme “China Driven commodity Demand” has been and may be back . The out performance of Emerging market versus Developed since **Nov-December 2008** called well the end of the **cyclical downtrend of commodities within the secular uptrend**



A reflation theme since 2002 :

Receding **Volatility** is bullish for EMG/World, not yet reached at 1991 high.

Equity risk premium proxy a lot more down => Rising trend of EMG/ World up!



Back to our TITEL

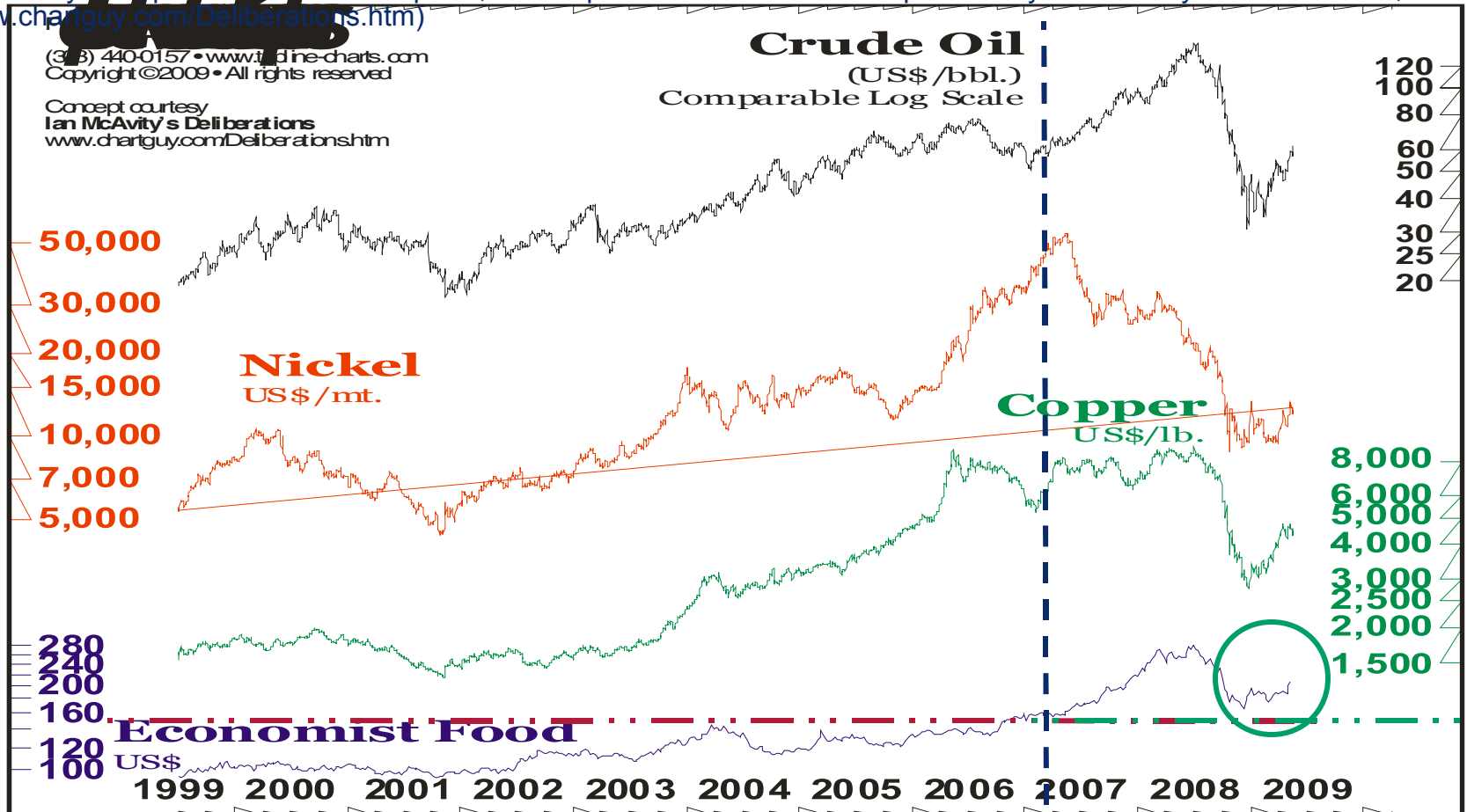
ENERGY Crude Oil (my car)

Raw materials like Copper (proxy for real eco)

Nickel : not on same drum !!

THEN to Economist Food index ie Agricultural

(courtesy of Topline Investment Graphics, www.topline-charts.com -- concept courtesy Ian McAvity's Deliberations, www.chartguy.com/Deliberations.htm)



Taking the 70's: Oil adjusted for Inflation - Month/Day/Year - key pivot \$38-46. new pivot 57-- 85 or 51--85

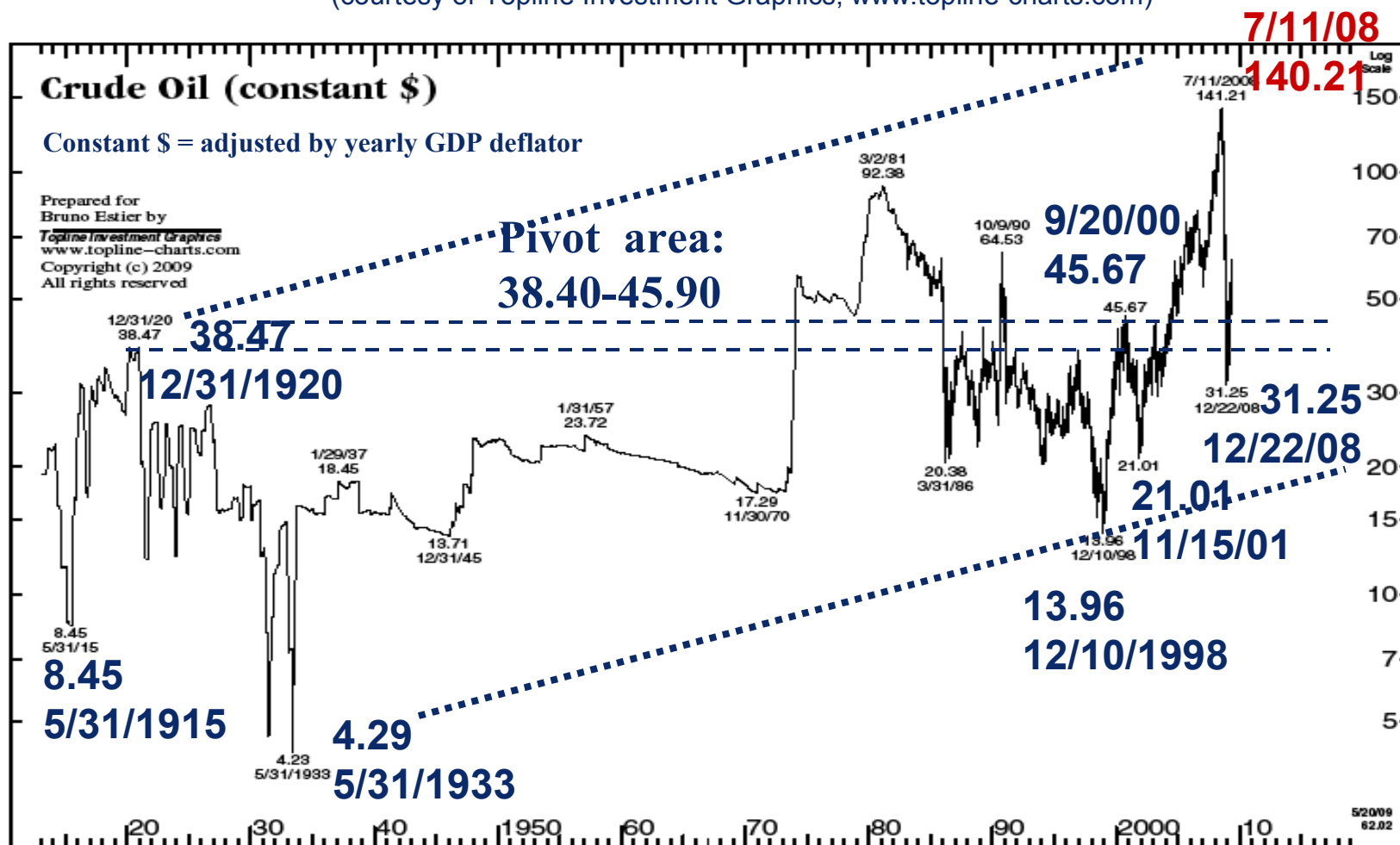
(courtesy of Topline Investment Graphics, www.topline-charts.com)



CRUDE Oil Long term chart : support 51, closer to longer term Pivot.

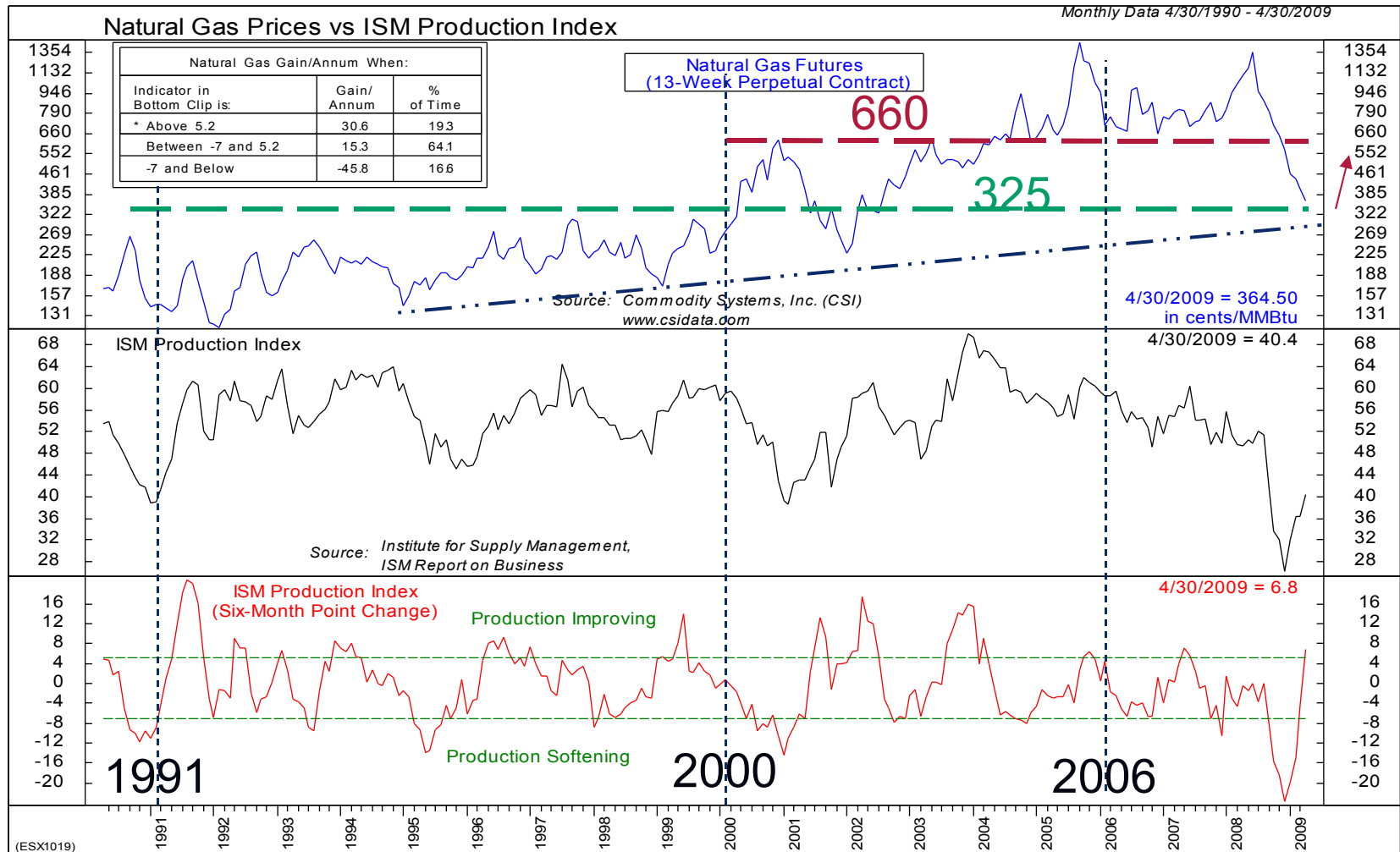
Pivot = support area \$38-46 adjusted for Inflation,
Long term rising Channel, so 85 -- 51 is our view .

(courtesy of Topline Investment Graphics, www.topline-charts.com)



1990-2009 NATURAL GAS PRICES 364 April 30, and ISM production Index .

Soon a Floor near 325 ..so far May 18 443 cts/ MMBTu



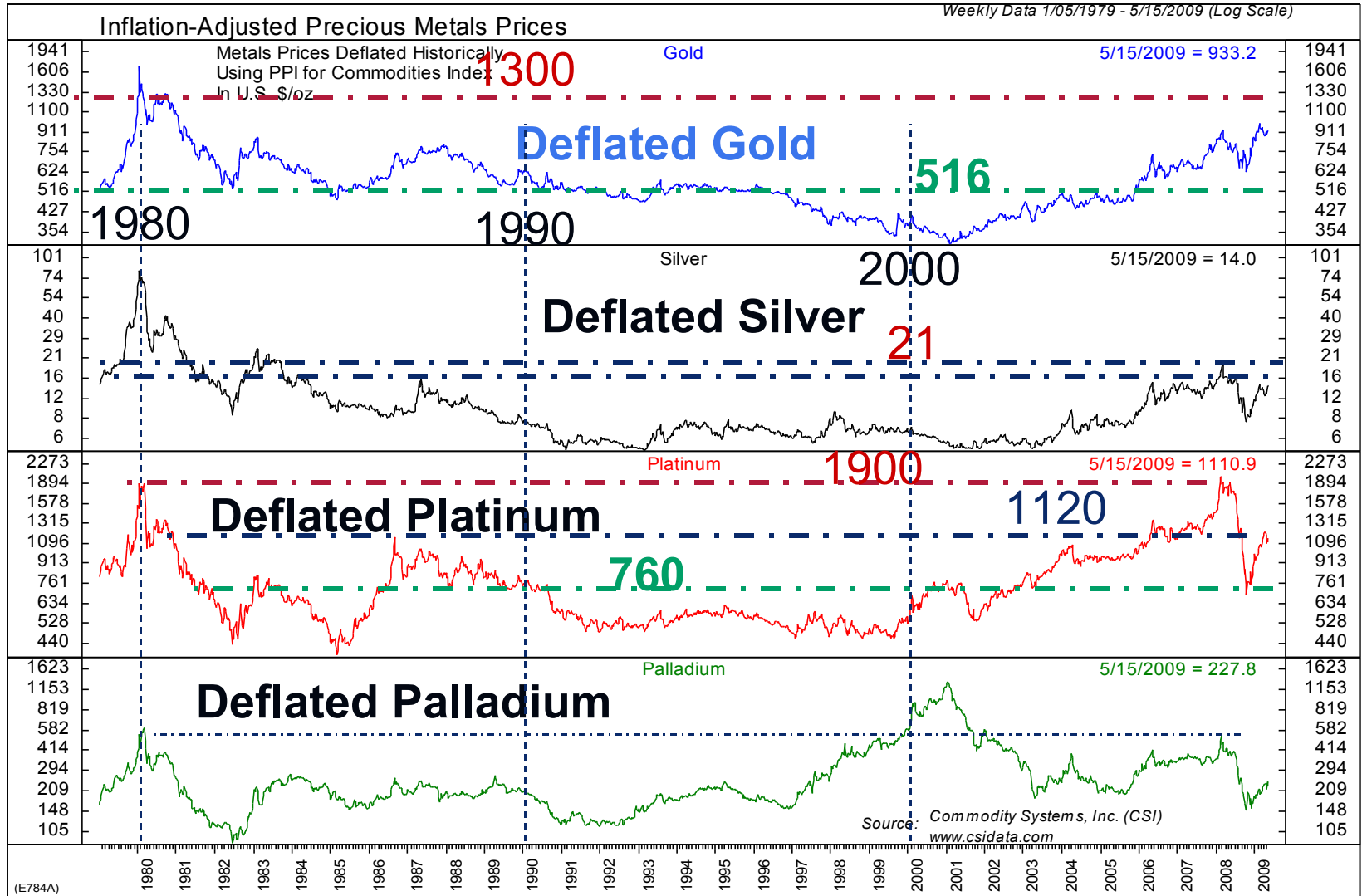
May 22, 09 Oil/Gold ratio CAVEAT EMPTOR for GOLD ---- "BUYER BEWARE "



May 15 GOLD: 933 Weekly Inflation-Adjusted PRECIOUS Metal Prices = classic chartist target (1000-700) + 1000

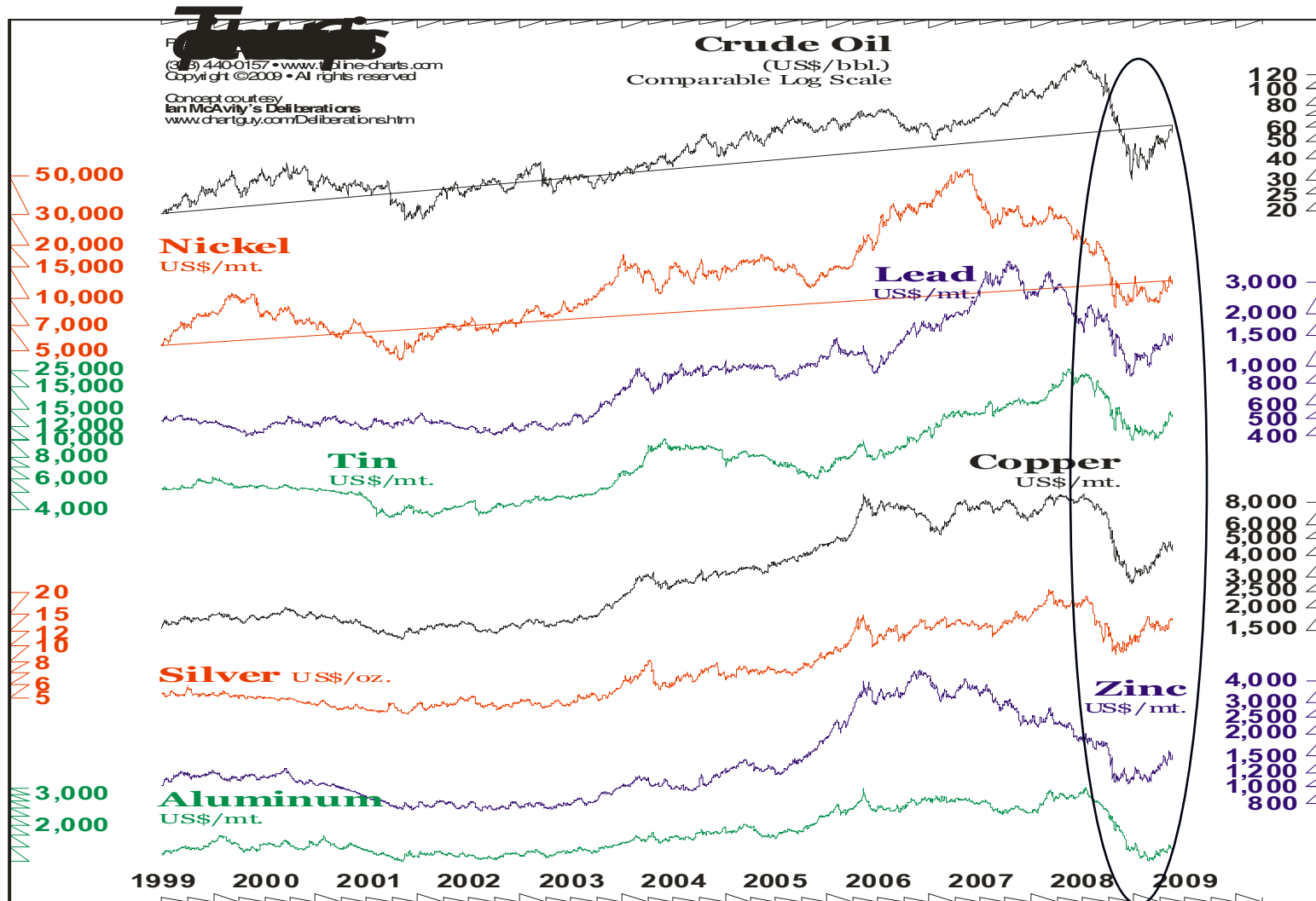
Once above 1000, TARGET is + 30% => 1300

and it is a ceiling in Inflation adjusted term in 1980 (using PPI) .



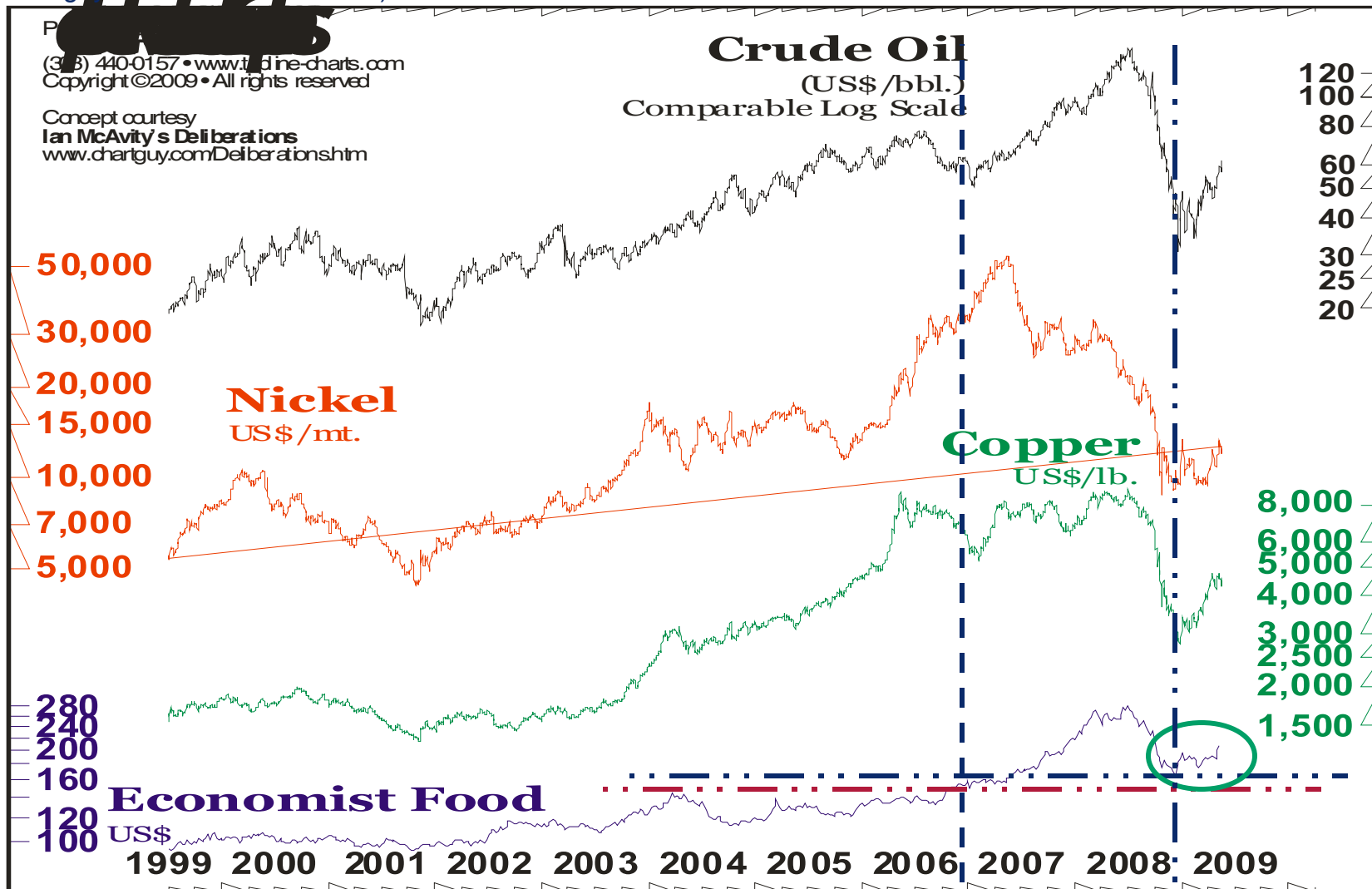
Five words on other metals : all are building bases TOGETHER

(courtesy of Toplevel Investment Graphics, www.toplevel-charts.com
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Economist Food index lagging till 2006 below its ceiling , lag = greater opportunity after rebound on new floor !

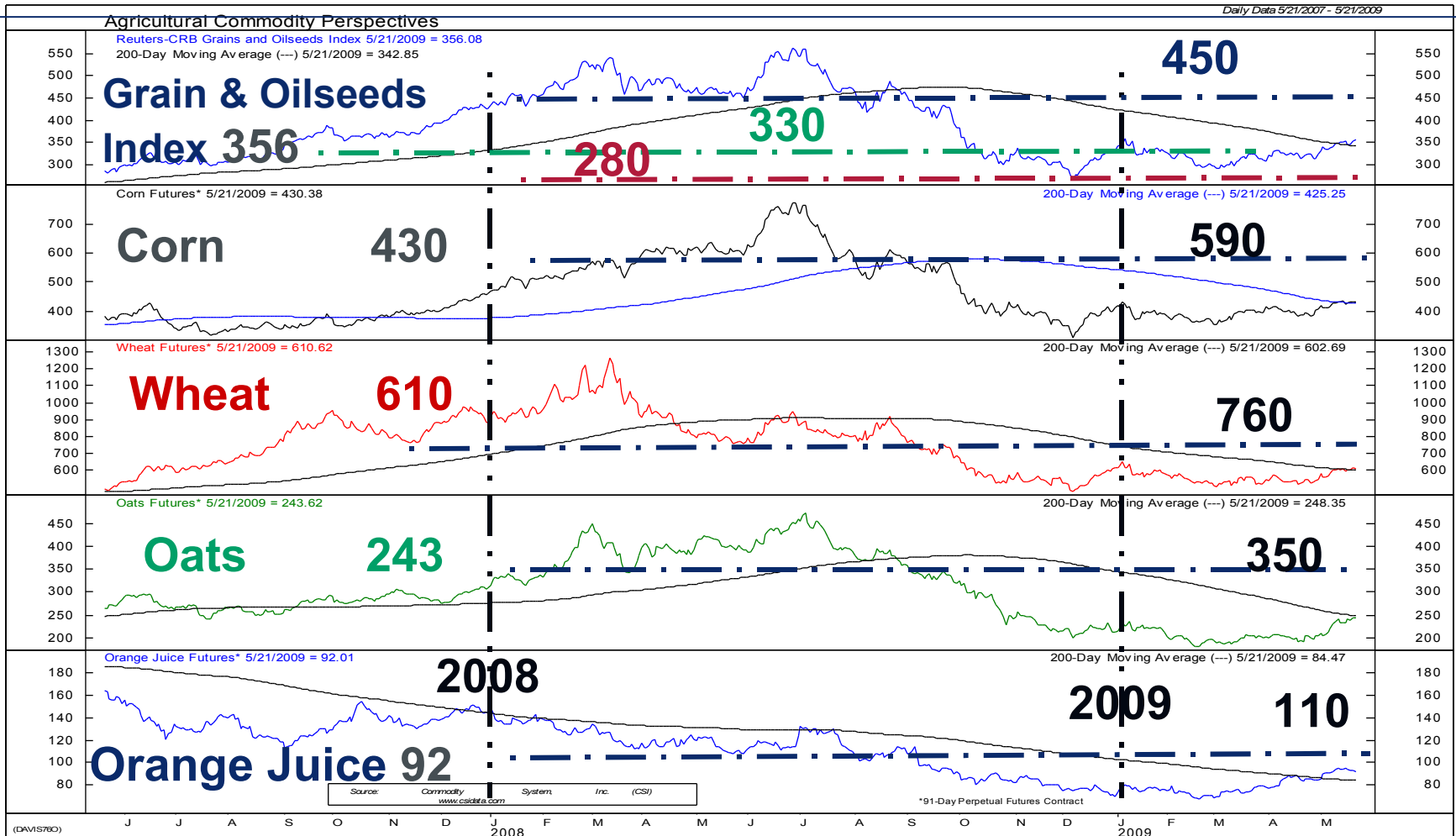
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Reuters CRB GRAINS & OILSEEDS and MA 200 : 2007-2009

End of Bear , because back above MA200 .

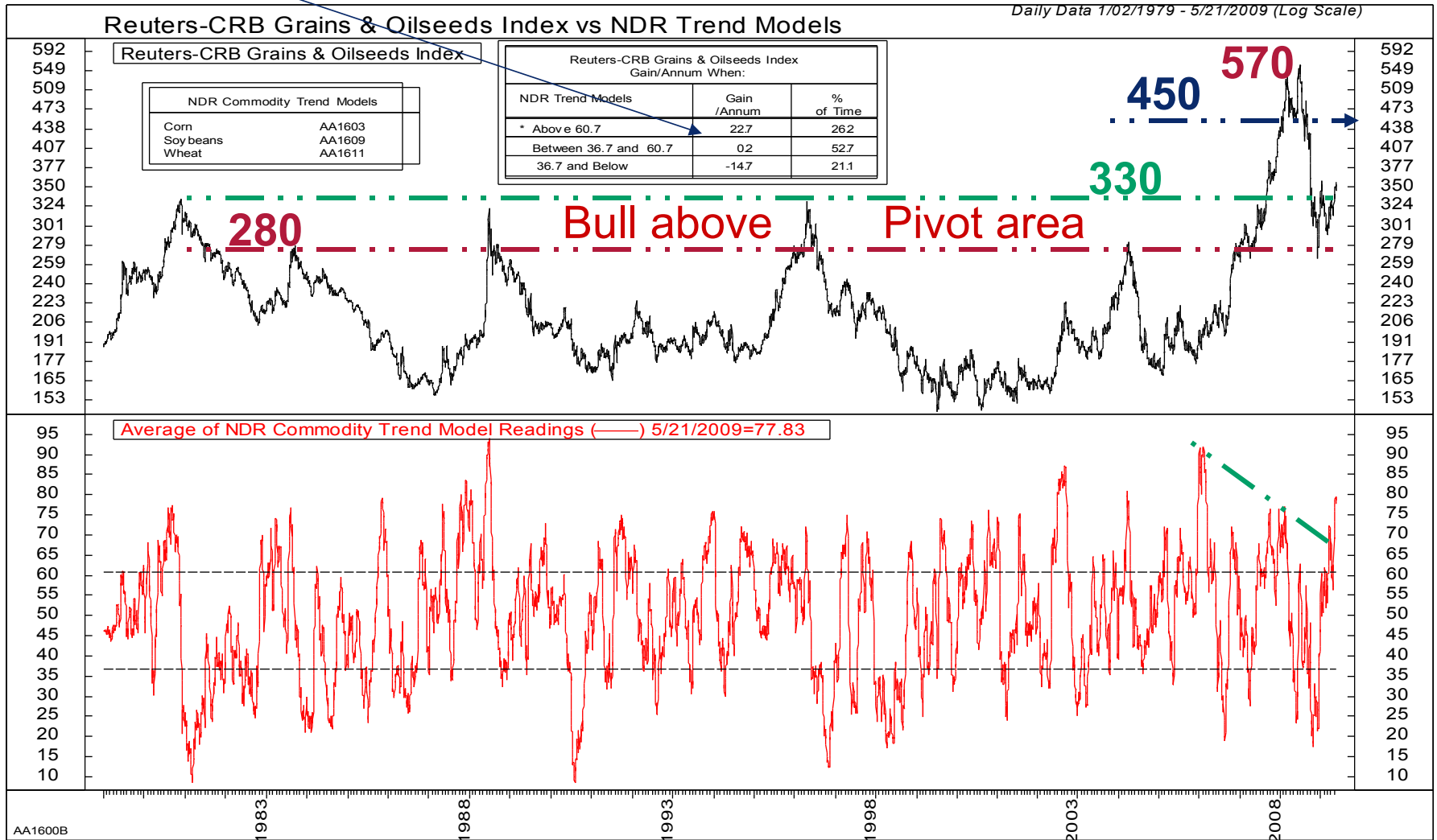
“safer Bull, when MA 200 will flatten and rise, while price stays above MA200 !



1980-2009 Reuters-CRB GRAINS & OILSEEDS 352

Not Bear anymore, as former ceiling has acted as floor”

NDR models Mode Bull



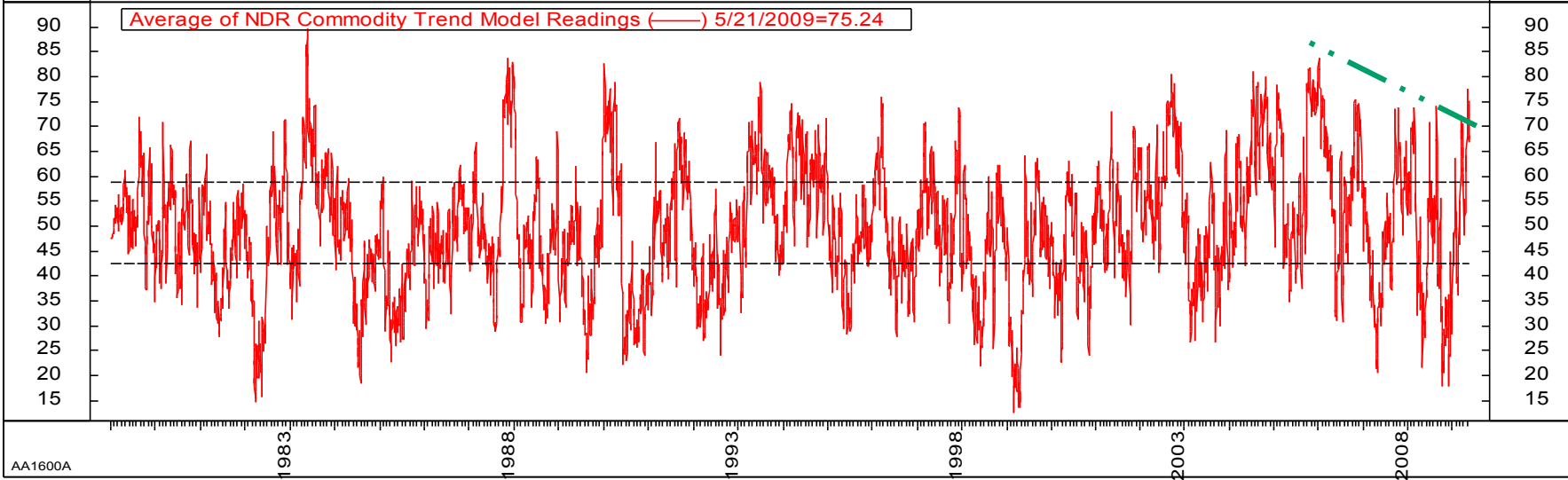
1980-2009 Reuters-CRB SOFT Index 480

“Bull, Former ceiling just broken may become a good floor “

NDR models Mode Bull

Daily Data 1/02/1979 - 5/21/2009 (Log Scale)

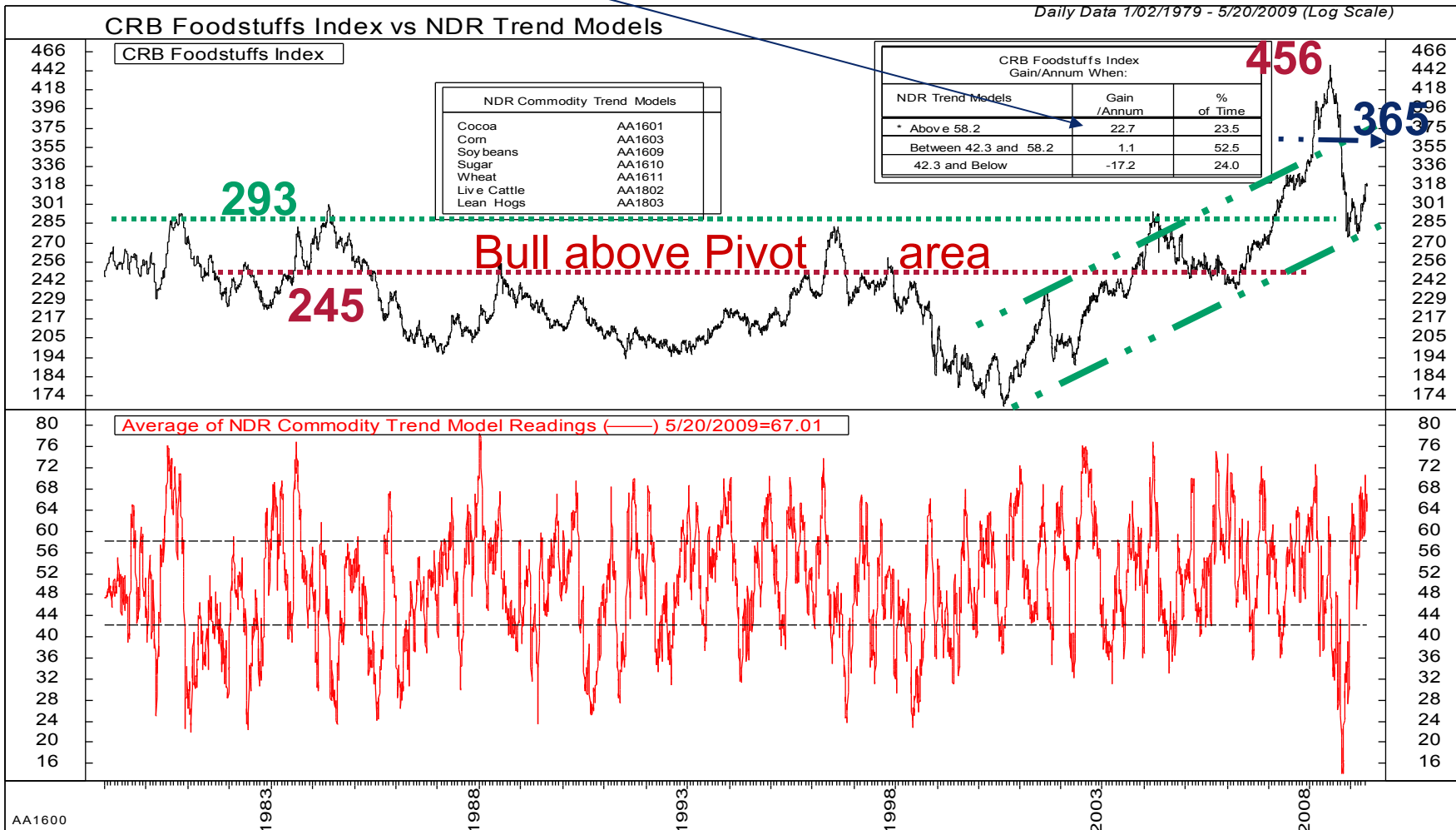
Reuters-CRB Softs Index vs NDR Trend Models



1980 -2009 CRB Foodstuff Index 318

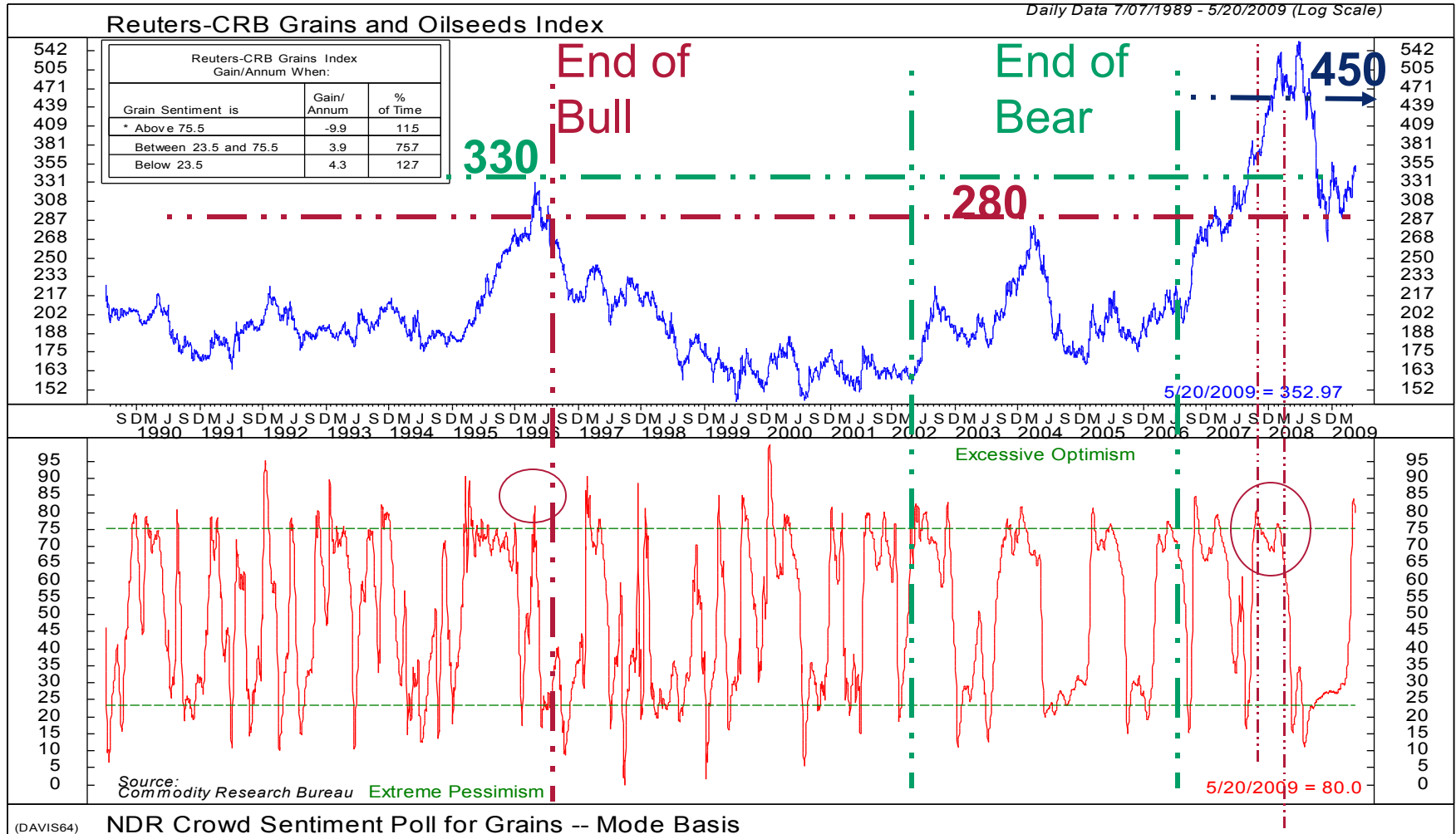
“ BULL channel and above Pivot as old ceiling provided a new floor ”

NDR models Mode Bull

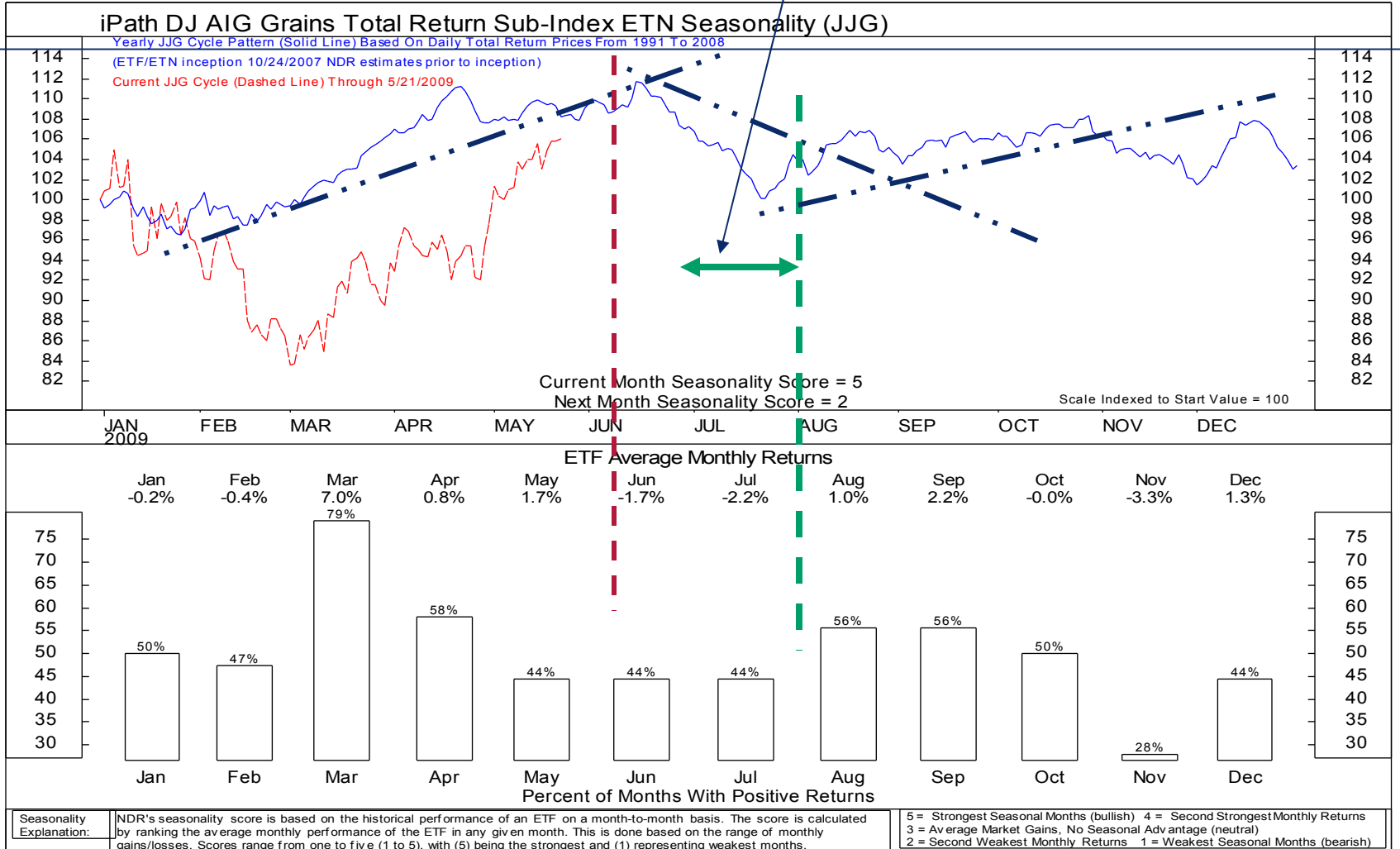


Sentiment for Grains & Oilseeds: Optimism a bit high

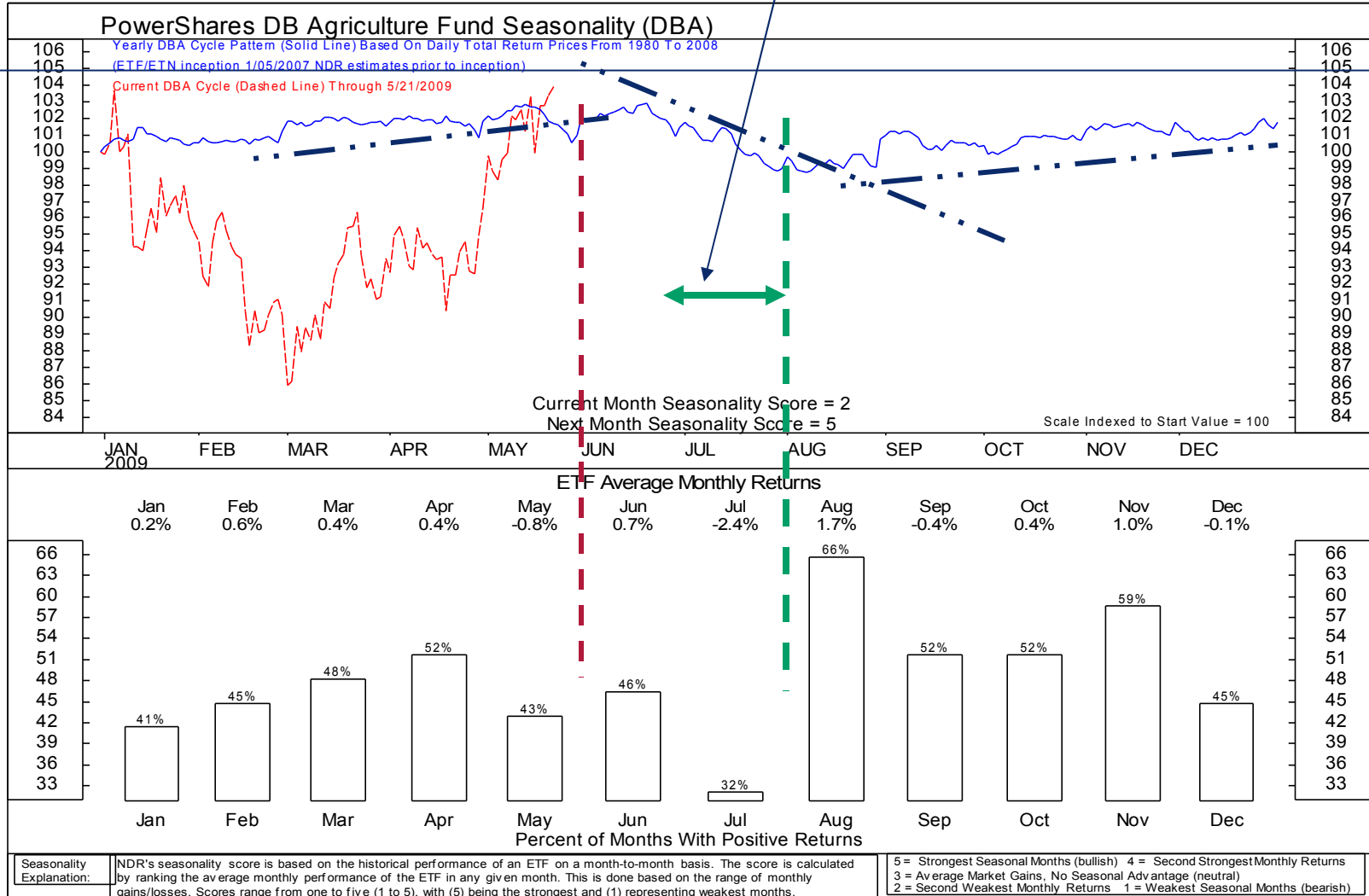
Careful after a large decline, when indicator is first time back in extreme optimism .



DJ AIG Grains ETN seasonality may offer time window soon - March strong – June- July , a buy dip time window

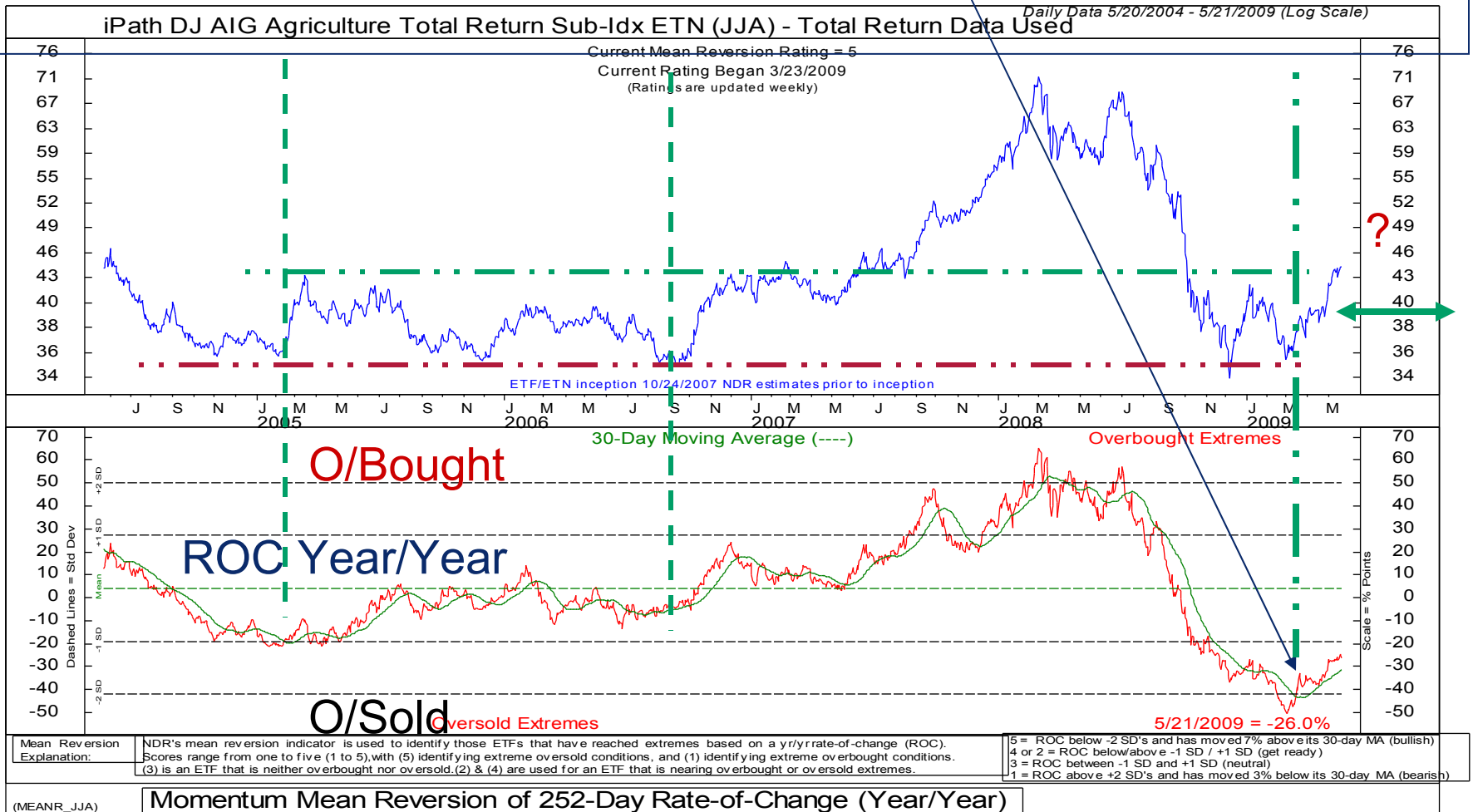


DB Agriculture Fund seasonality same , less pronounced may offer time window soon - up to April strong – July - a buy dip time window



DJ AIG Agriculture Fund mean reversion from 2005-2009

current situation Has seen an extreme oversold situation
 Building higher highs, after higher lows => emerging uptrend

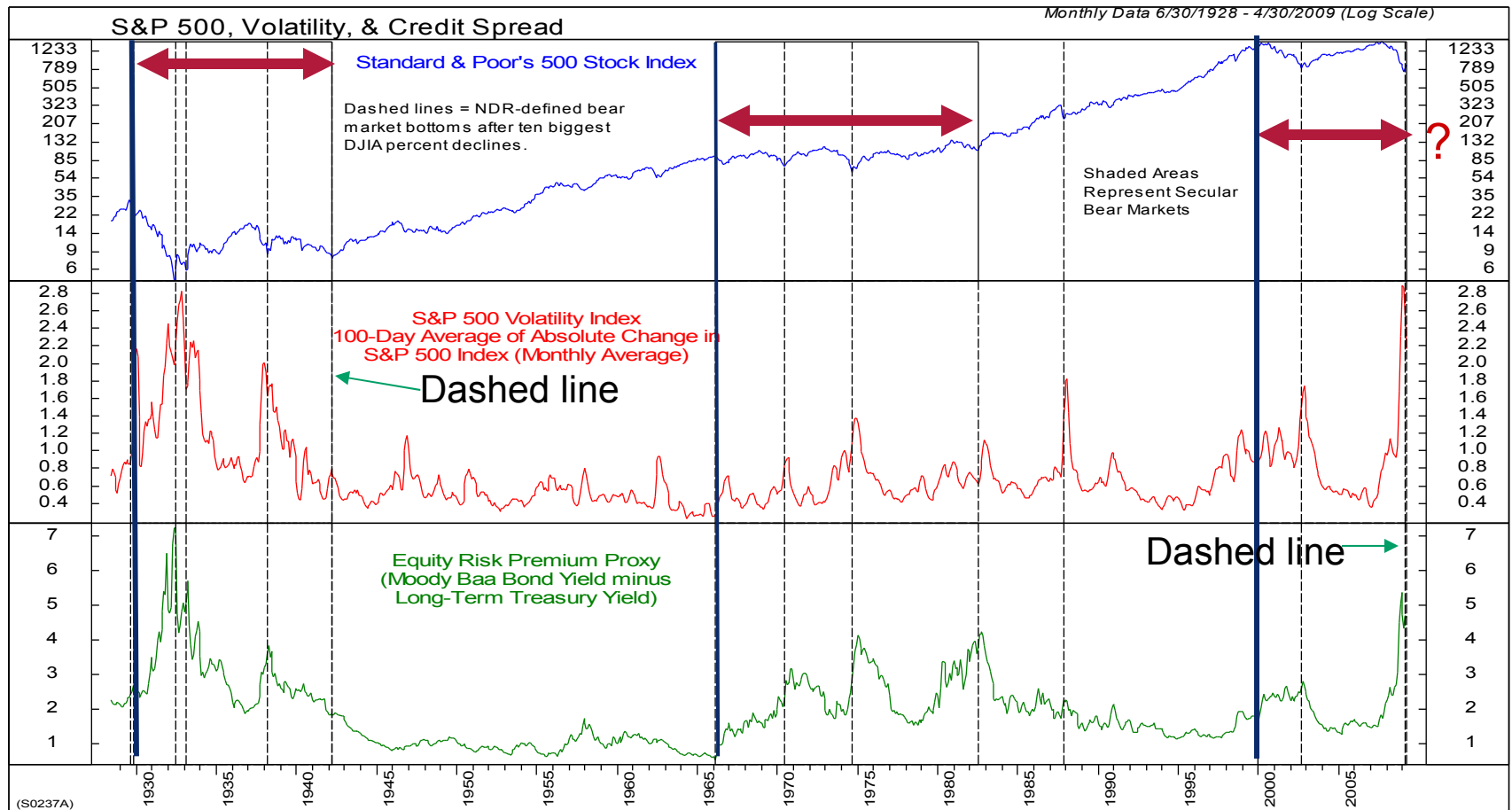


... especially, when the current time window for other Asset classes may be challenging

For e.g. NDR's Cyclical Bull in Secular BEAR – April 30

NDR Bear market bottom = vertical **dashed lines**

NDR **Secular Bear** markets = **double arrows**



SUMMARY

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3. Industrial Metals
4. Agricultural lagging,

thus

Timing excellent to Buy a coming Dip in an uptrend

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contact Bruce Kaminsky, bruce@ndr.com

- If you have questions about the charts of **Topline Investment Graphics** ,
contact John at topline-charts.com

- Any other questions, contact [bruno.estier](mailto:bruno.estier@sunrise.ch) at sunrise.ch