SWISS FUTURES AND OPTIONS ASSOCIATION

SAMT

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Energy, Precious Metals and Commodities -

Has the bubble burst or is the boom just beginning ?

May 27, Geneva
May 28, Lugano
May 29, 2009 Zurich

A Market Technical Perspective

by Bruno Estier
Independent Market Technical Analyst

Secretary of International Federation of Technical Analysts (I F T A)
Past President Swiss Association of Market Technicians (SAMT)

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,

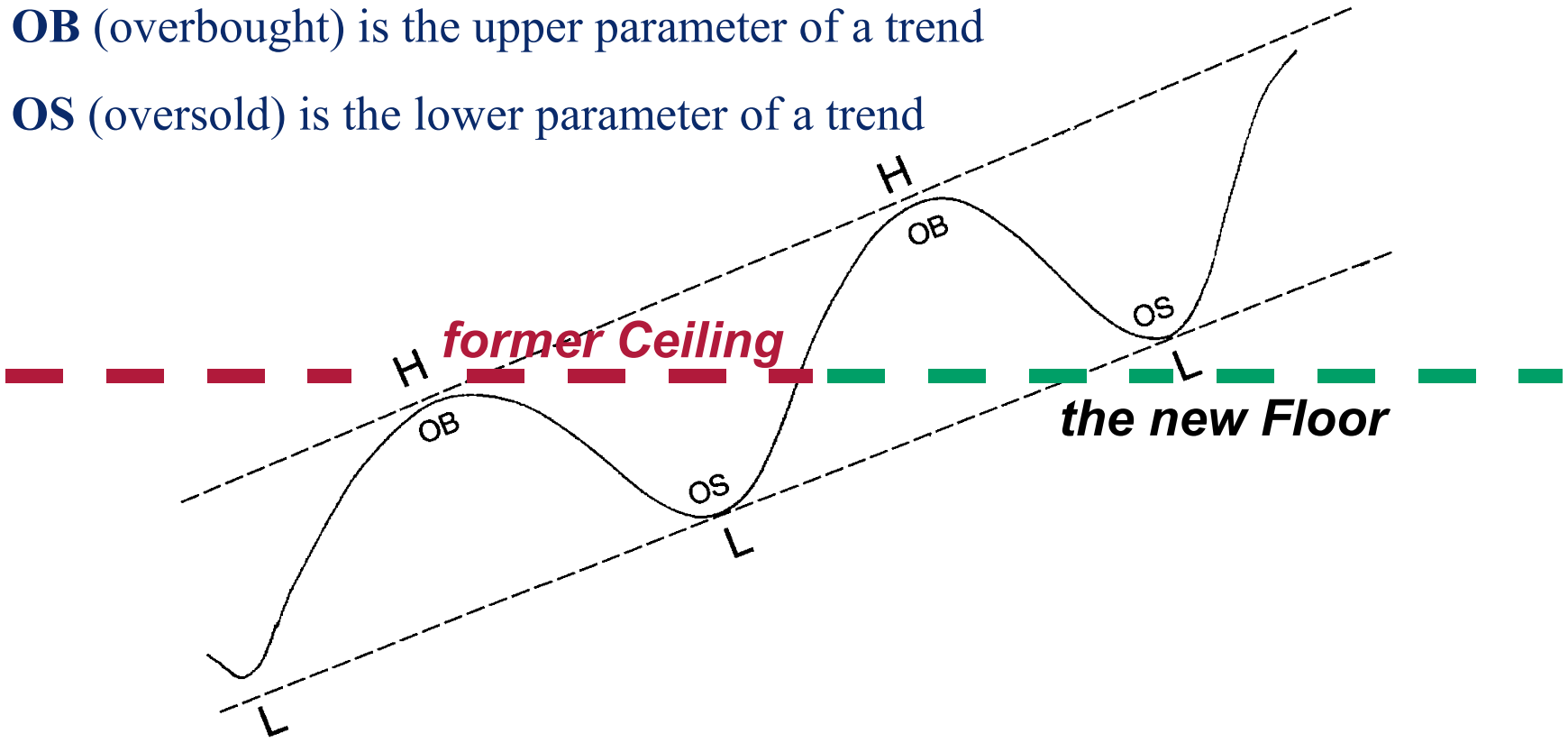
thus

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 **L**ow and a higher **H**igh
2. **OB** (overbought) is the upper parameter of a trend
3. **OS** (oversold) is the lower parameter of a trend



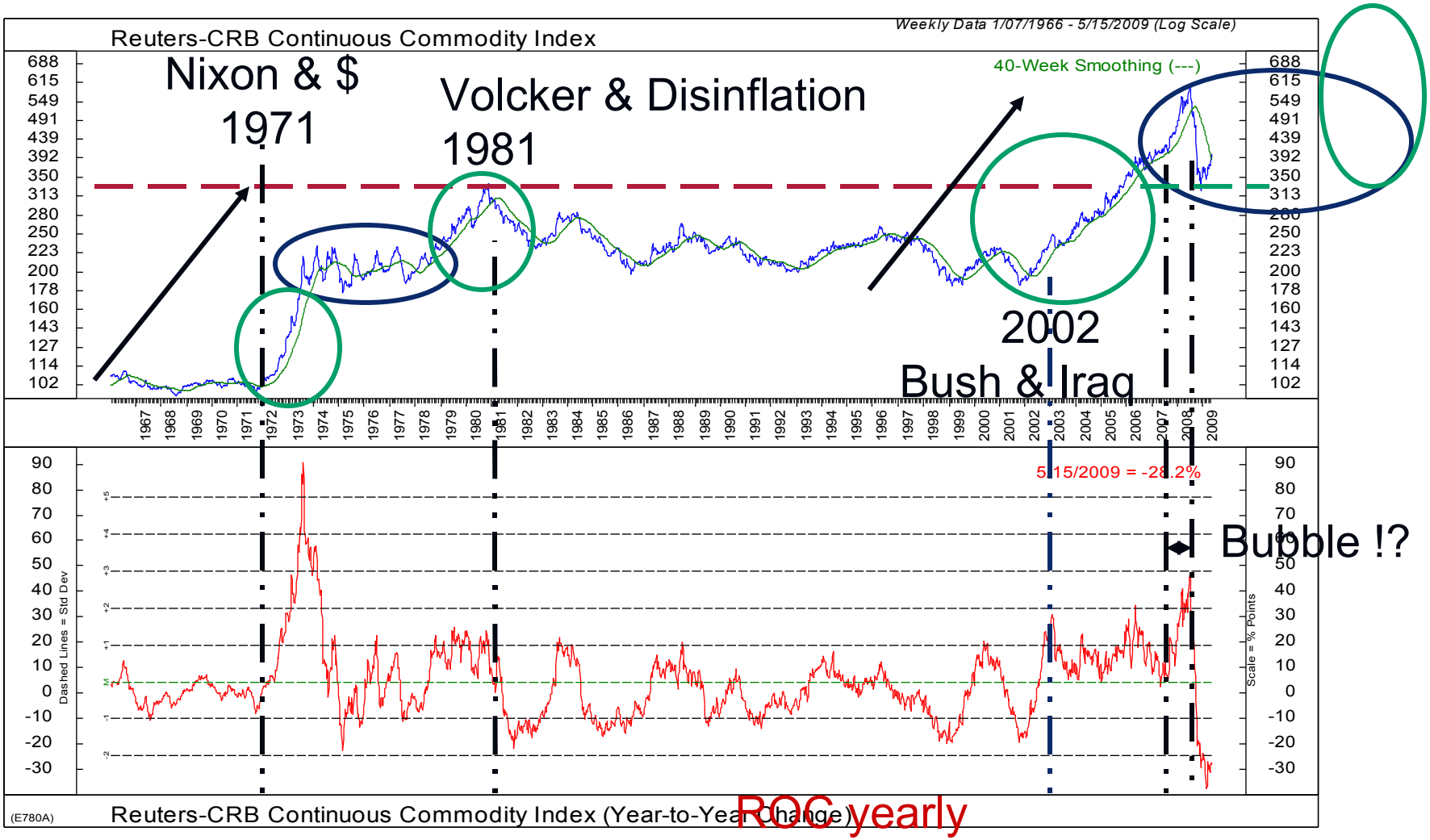
1966-2009 Reuters-CRB Continuous Commodity Index CCI

BULLS : old Ceiling = new Floor - see ROC !

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

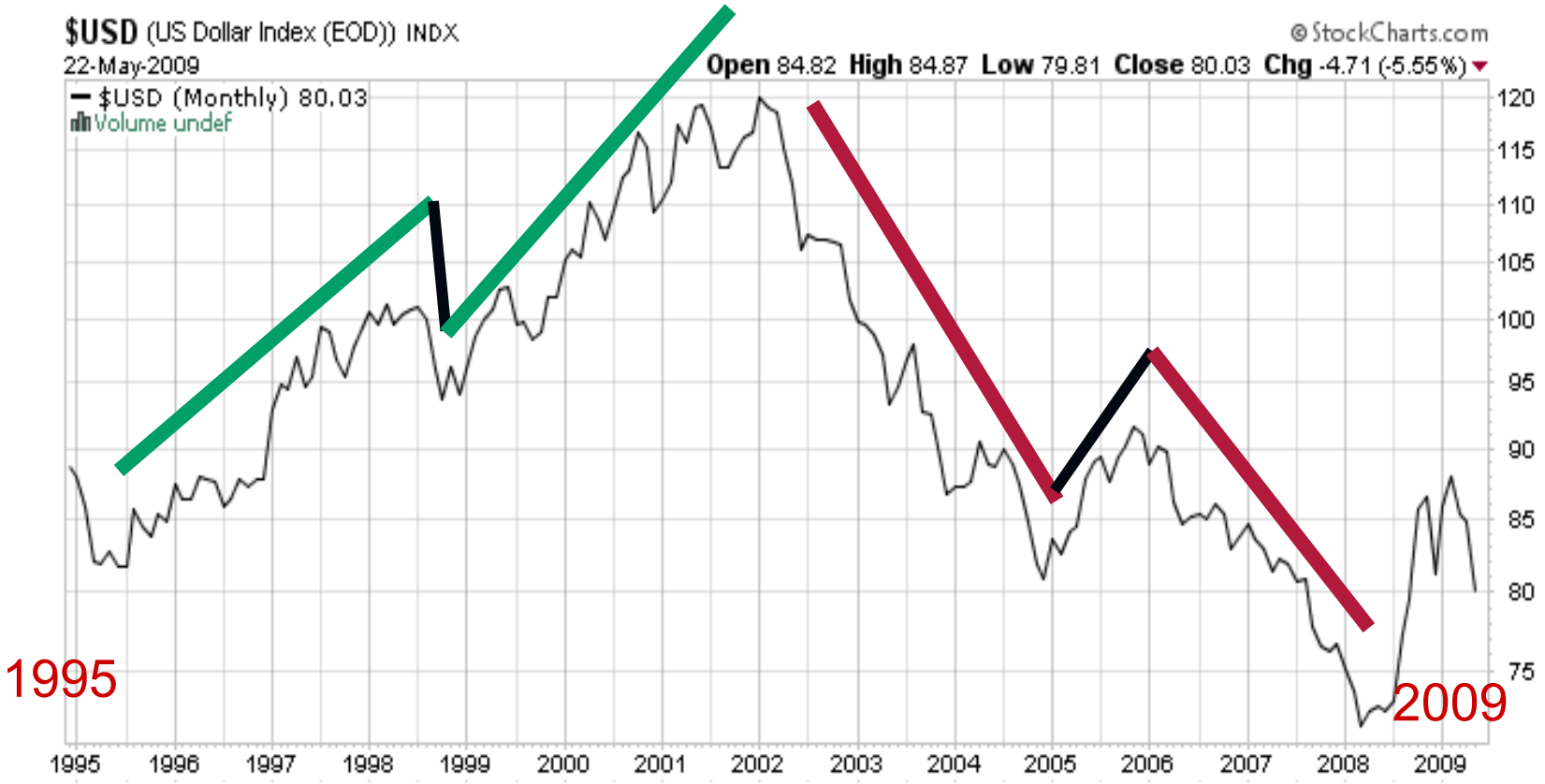
BULLS : after first Advance and a pause, a second advance.

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**



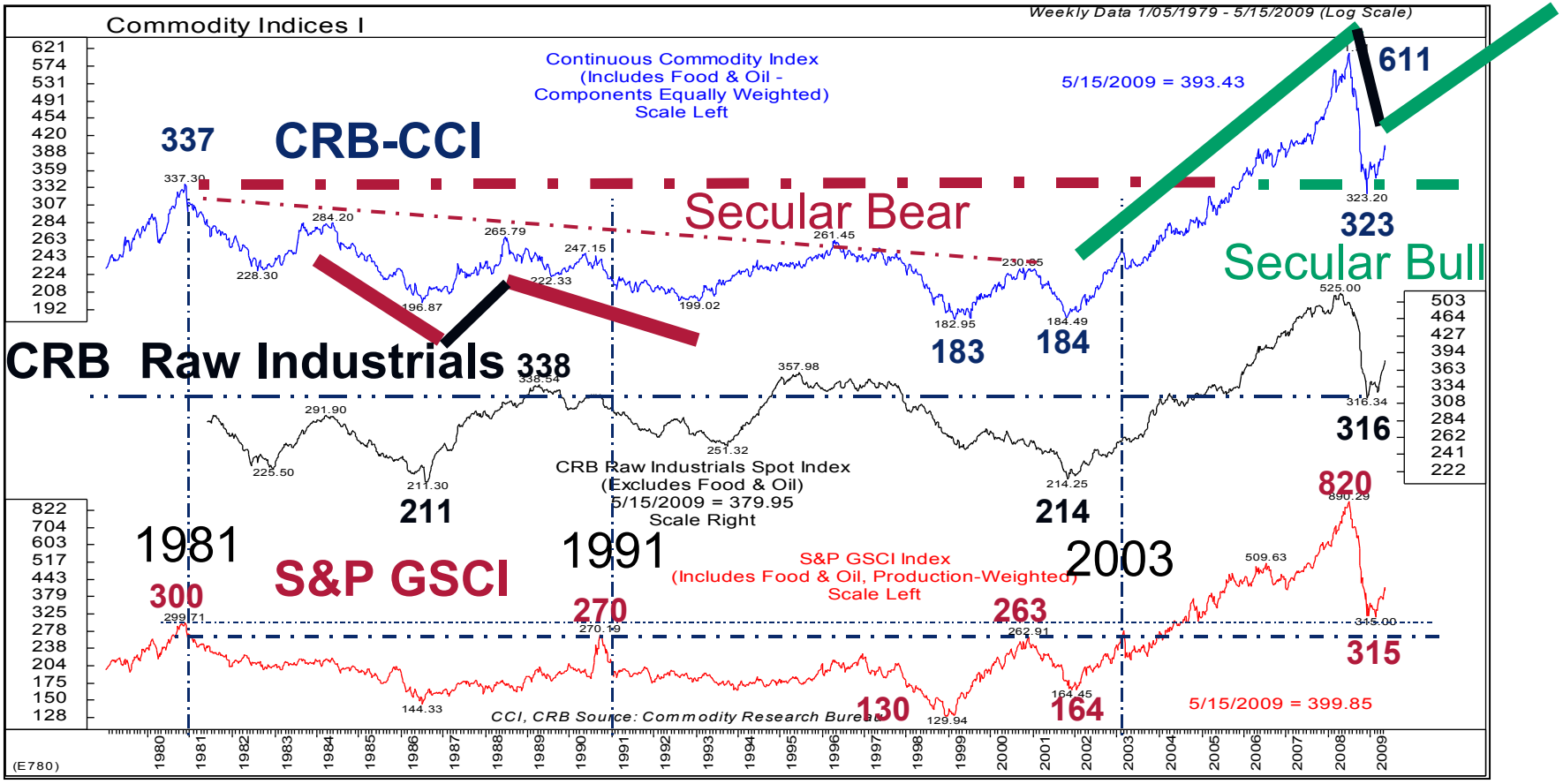
Commonality between Indices

CRB-CCI **(includes Food & Oil – Equally weighted)**

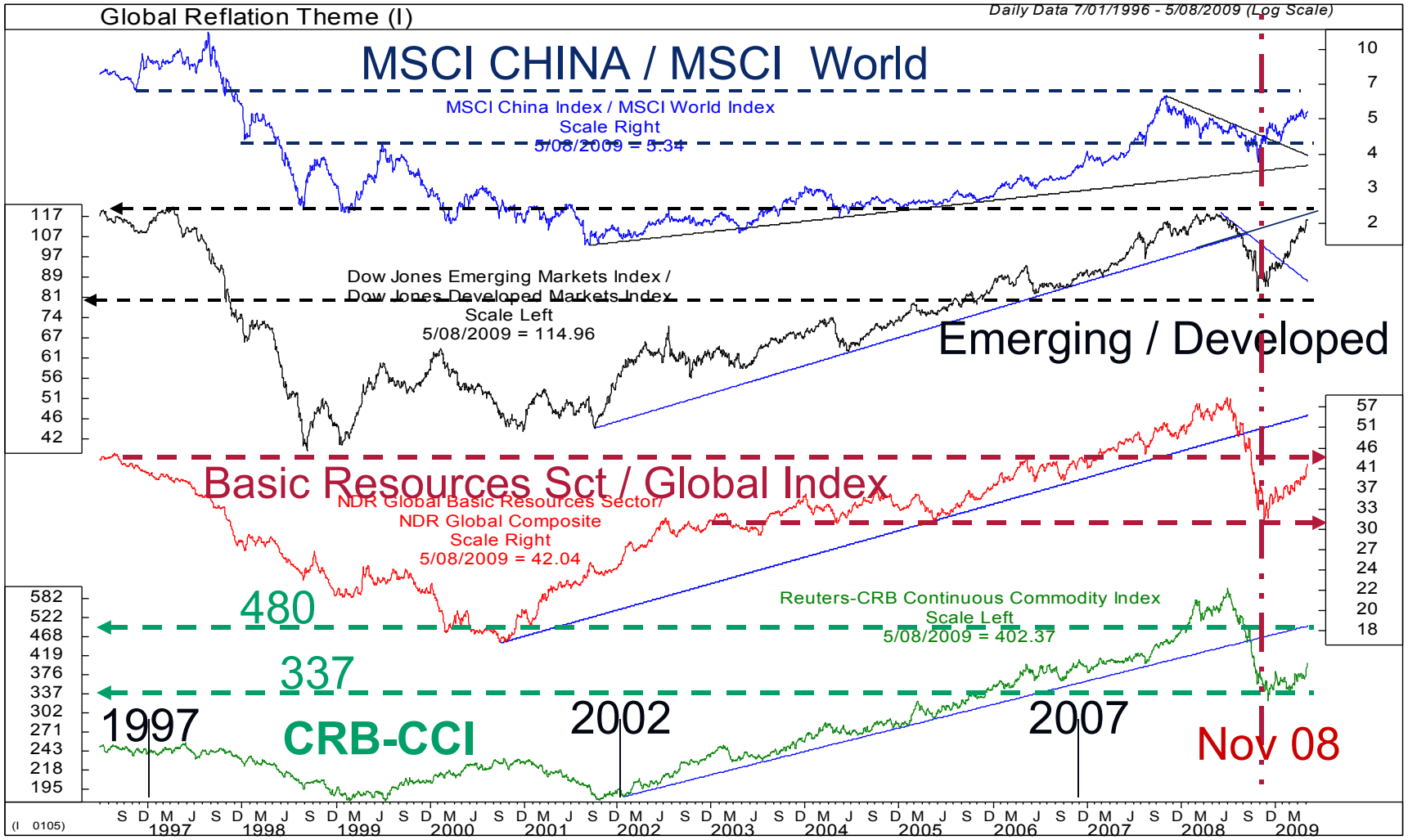
CRB Raw Industrials **(excludes Food & Oil)**

S&P GSCI **(includes Food & Oil – Production weighted)**

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



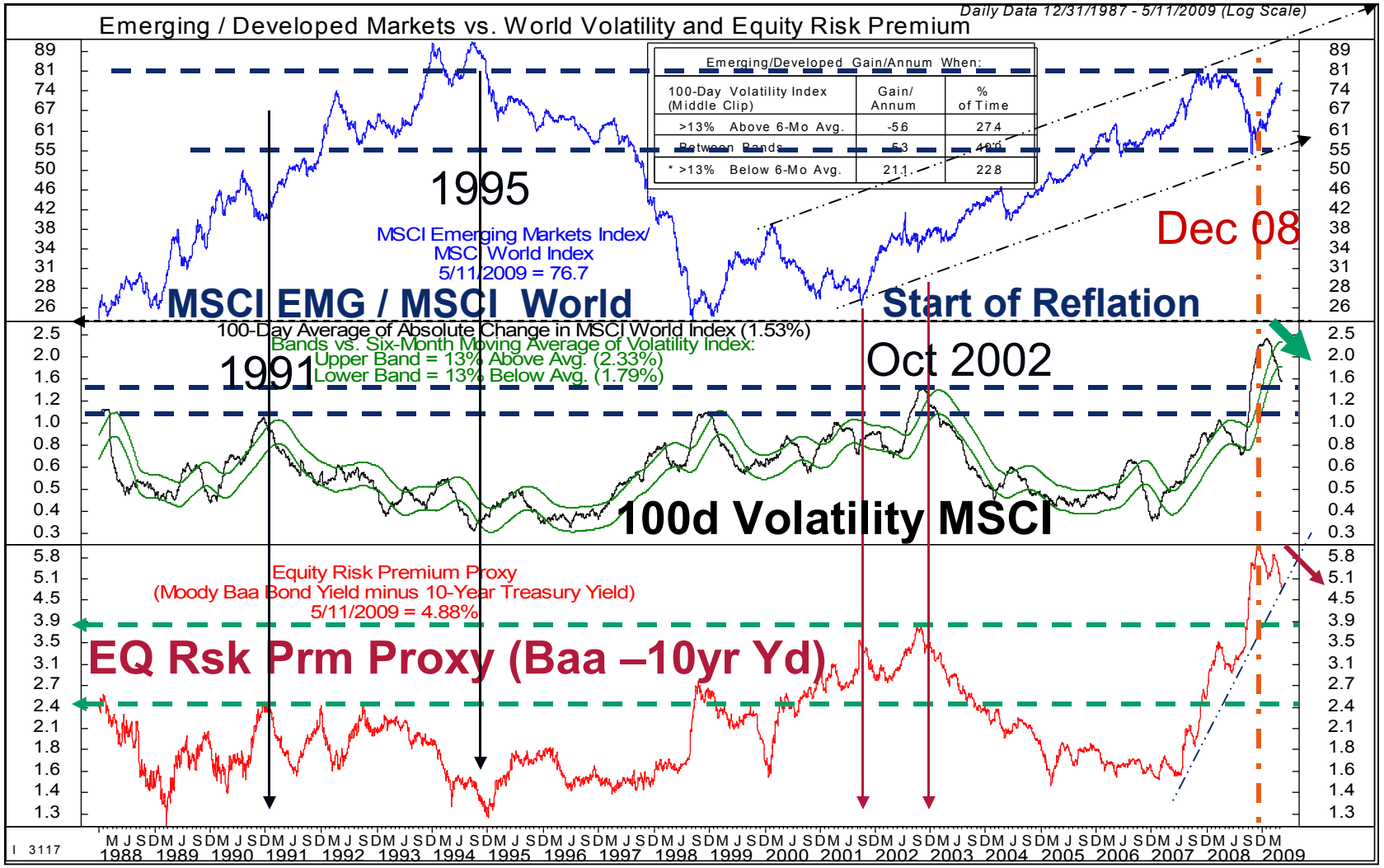
Not happening in a vacuum : a theme "China Driven commodity Demand" has been and may be back . The out performance of Emerging market versus Developed **since Nov-December 2008** called well the end of the **cyclical downtrend of commodities within the secular uptrend**



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!

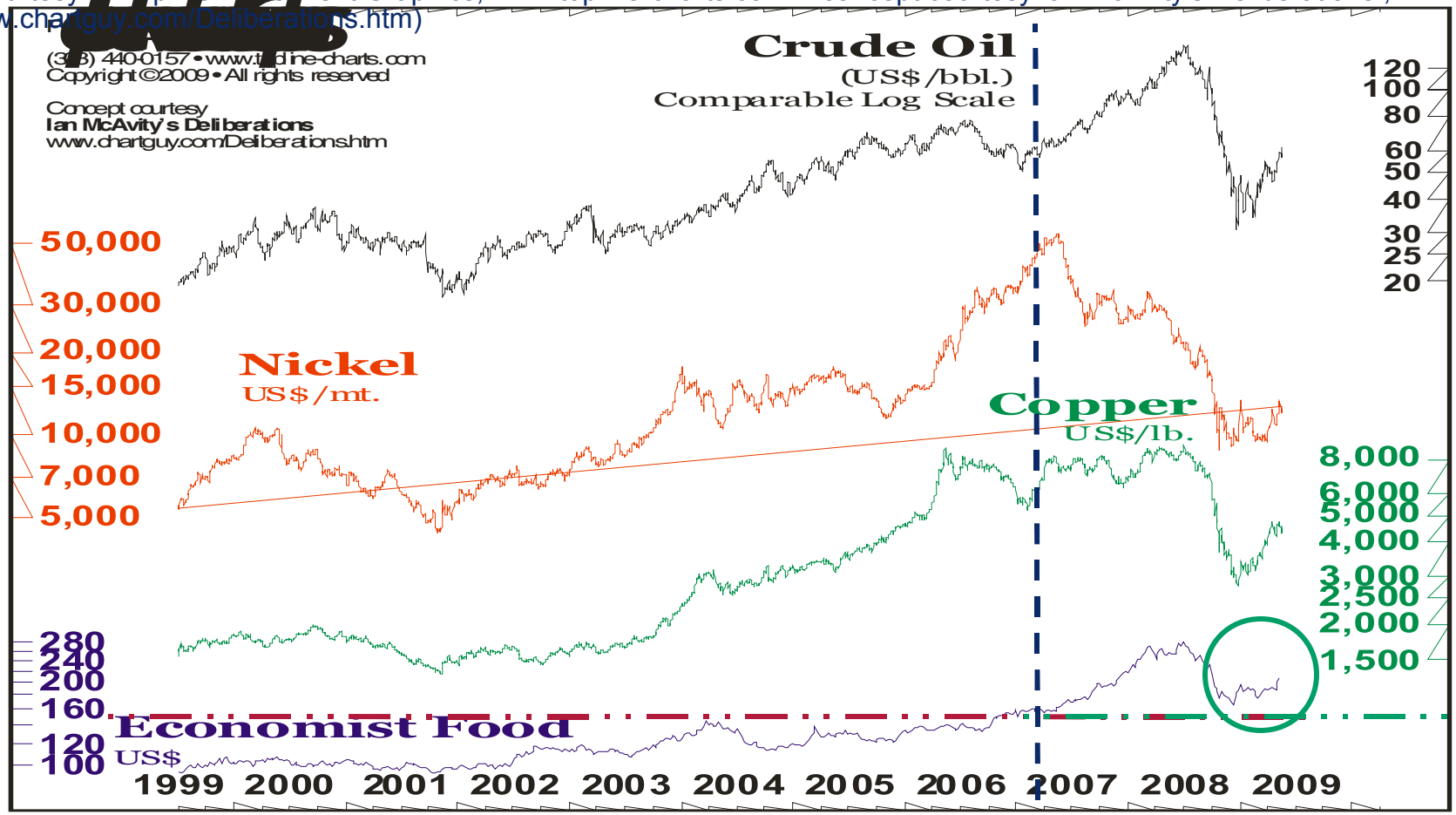


Back to our TITEL ENERGY Crude Oil (my car)
Raw materials like Copper (proxy for real eco)

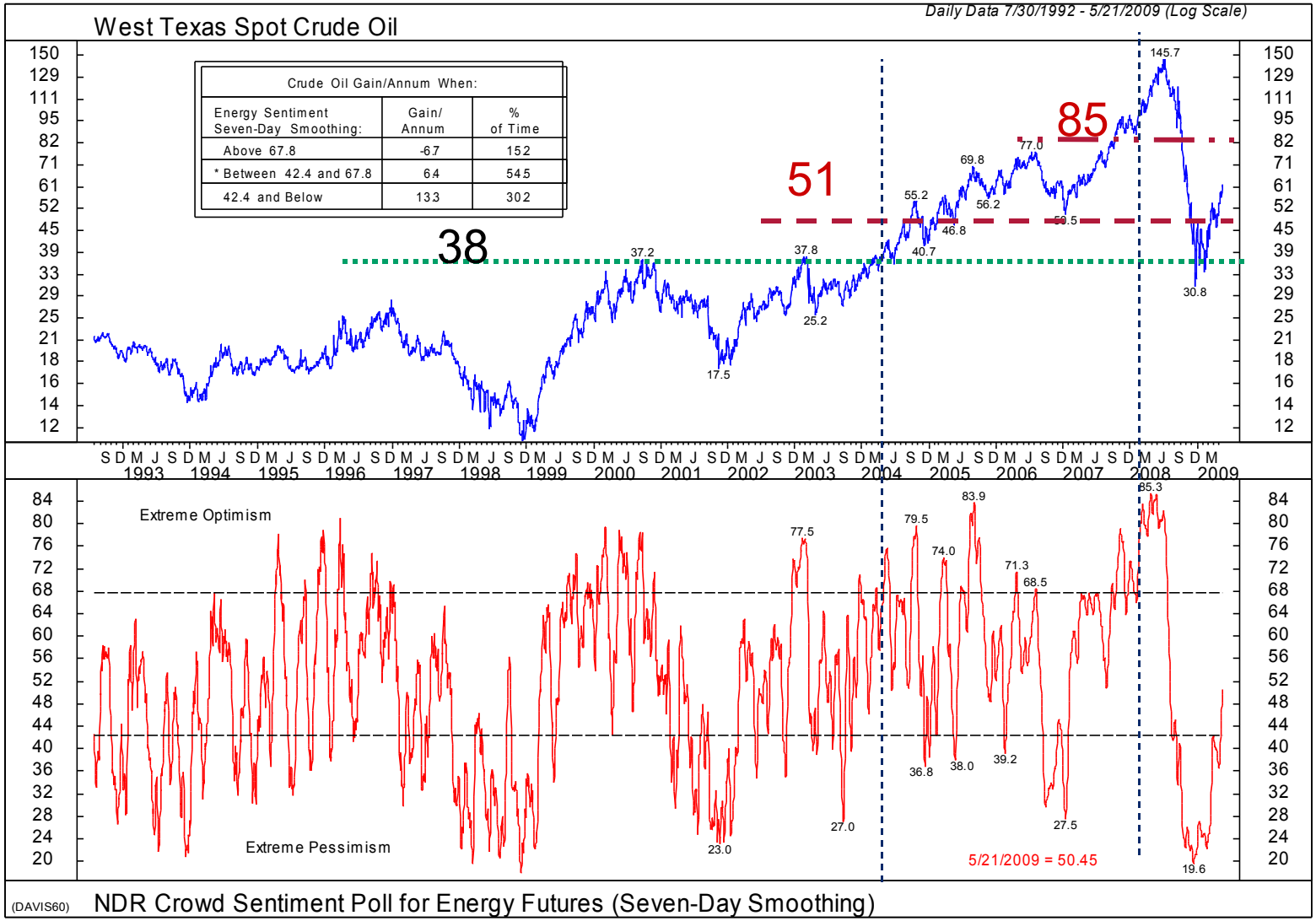
Nickel : not on same drum !!

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)



May 21, 09. **Sentiment (50% bulls) on WTI oil may rise further,**
before reaching the extreme optimism area: Above 51 old ceiling/floor
WTI Crude is expected to range in 51-85 in coming months.



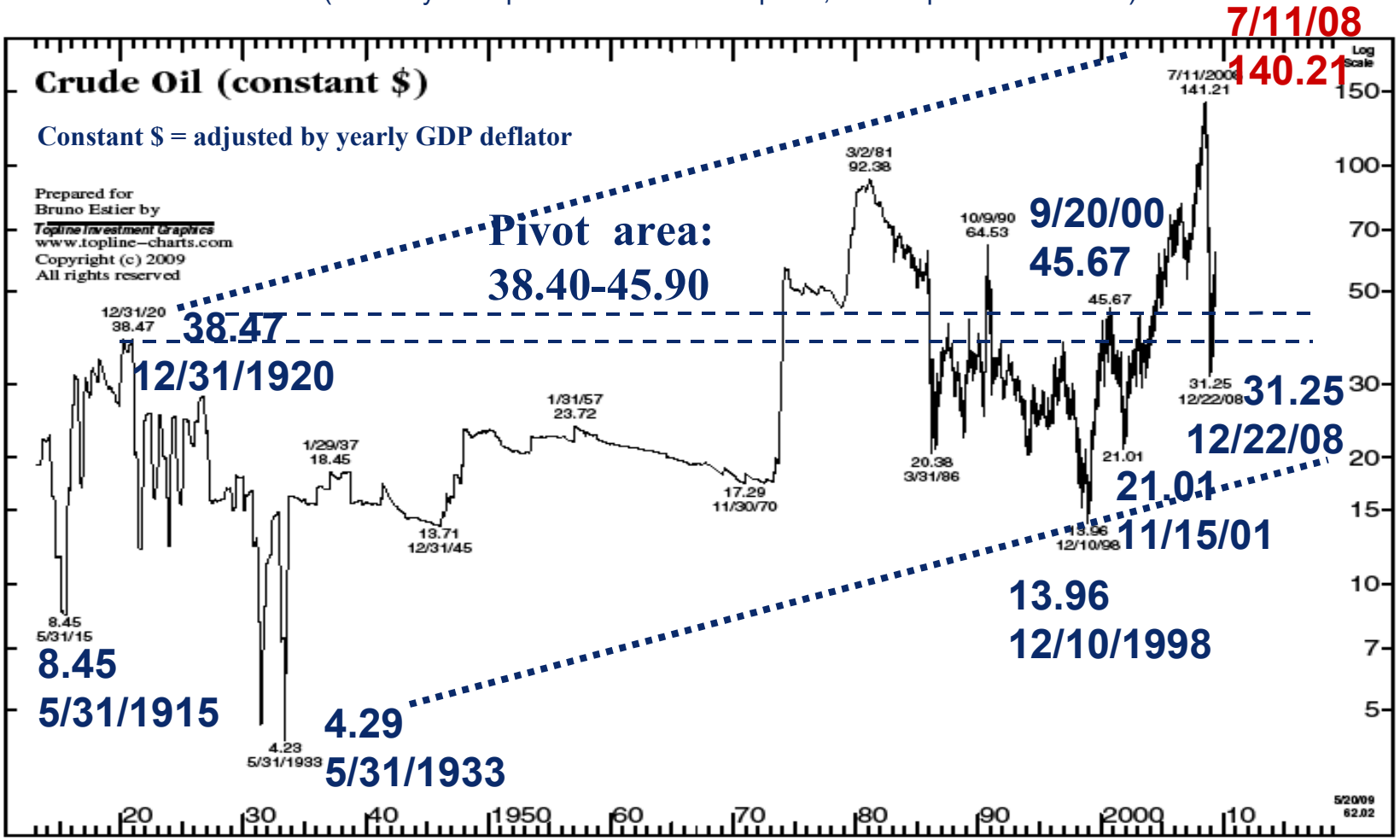
Taking the 70's: Oil adjusted for Inflation - Month/Day/Year - key pivot $38-46. new pivot 57-- 85 or 51--85 ….

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

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

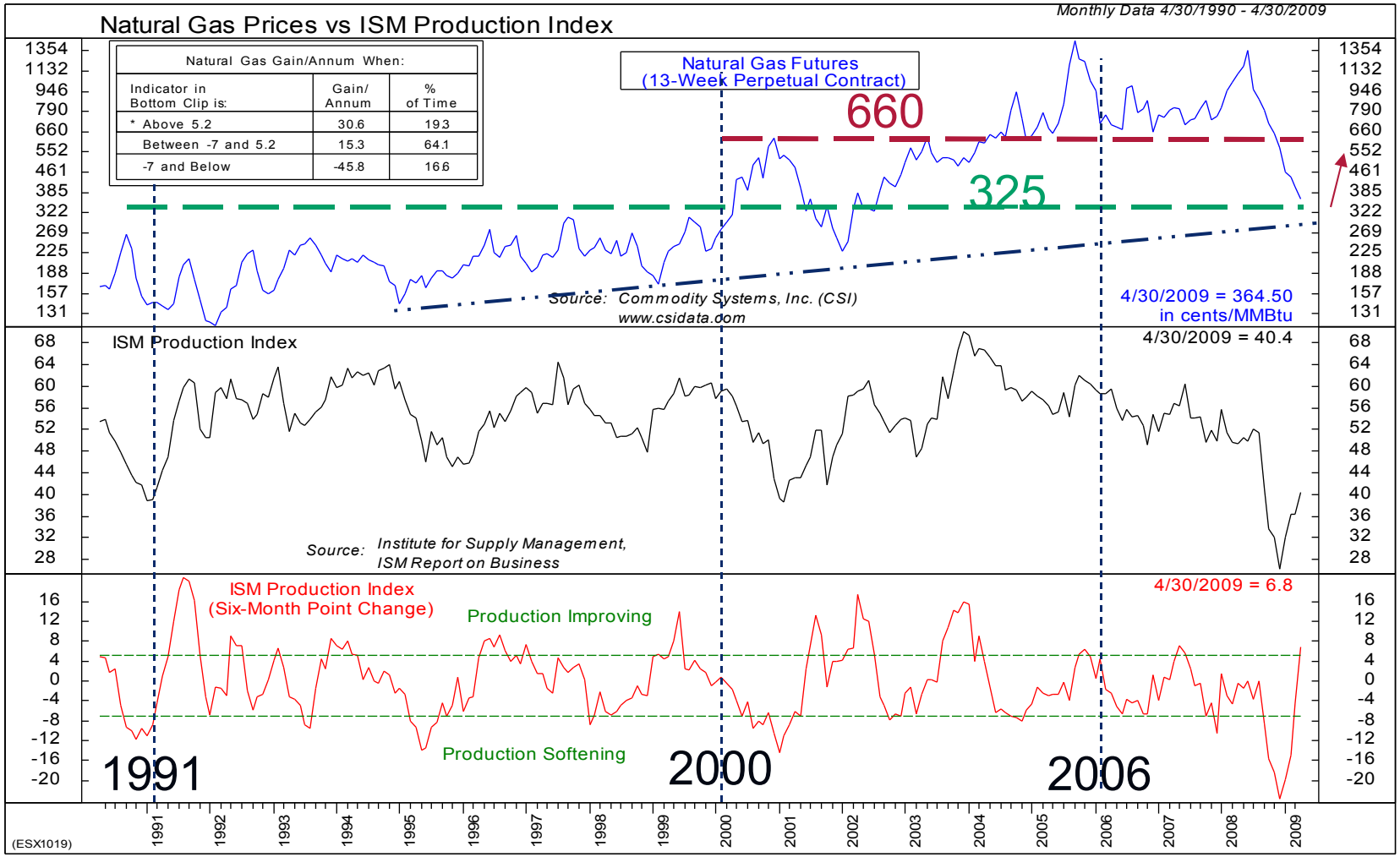
Pivot = support area $38-46 adjusted for Inflation,
Long term rising Channel, so 85 -- 51 is our view .

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



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

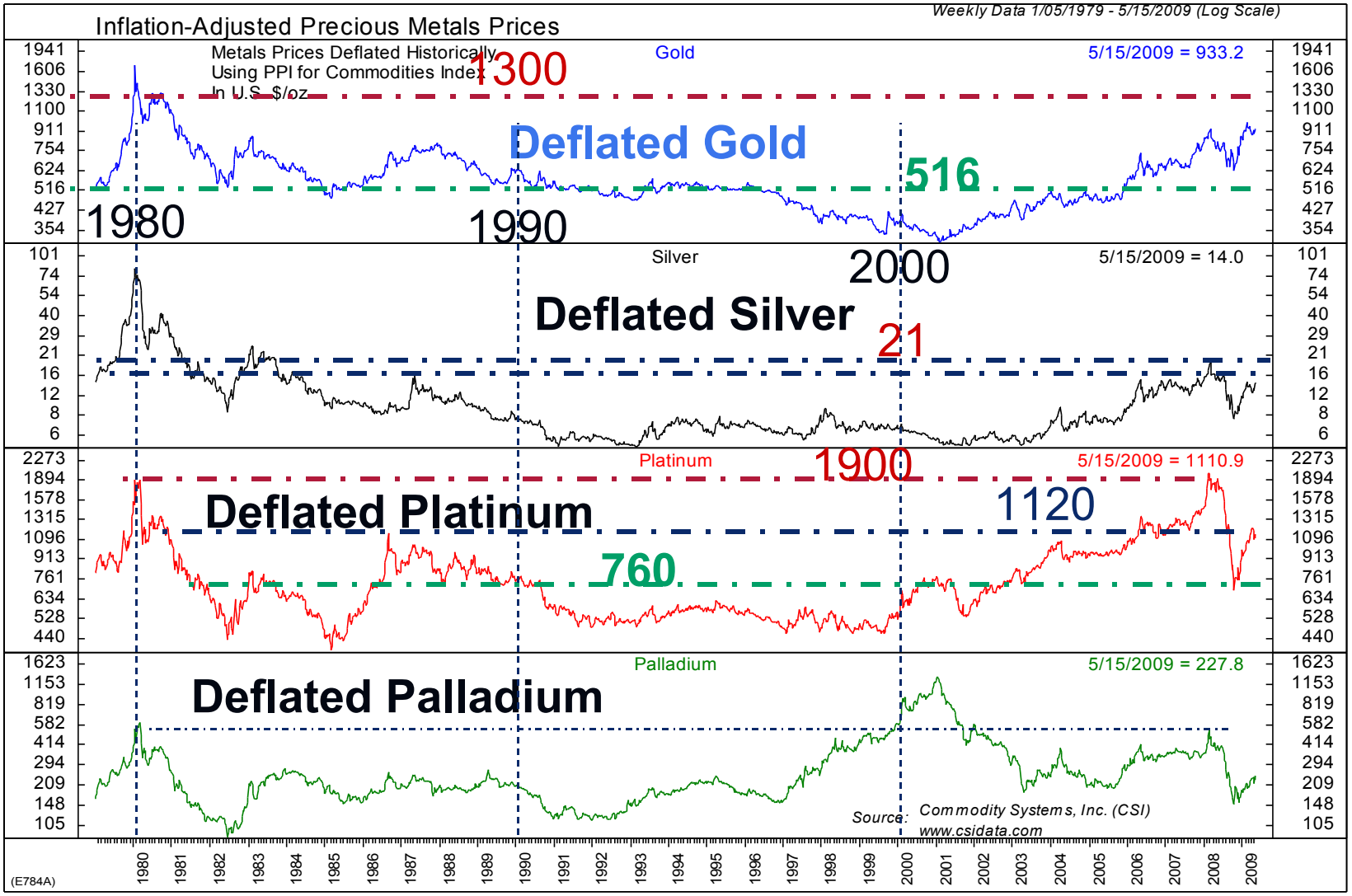
Soon a Floor near 325 ..so far May 18 443 cts/ MMBTu



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

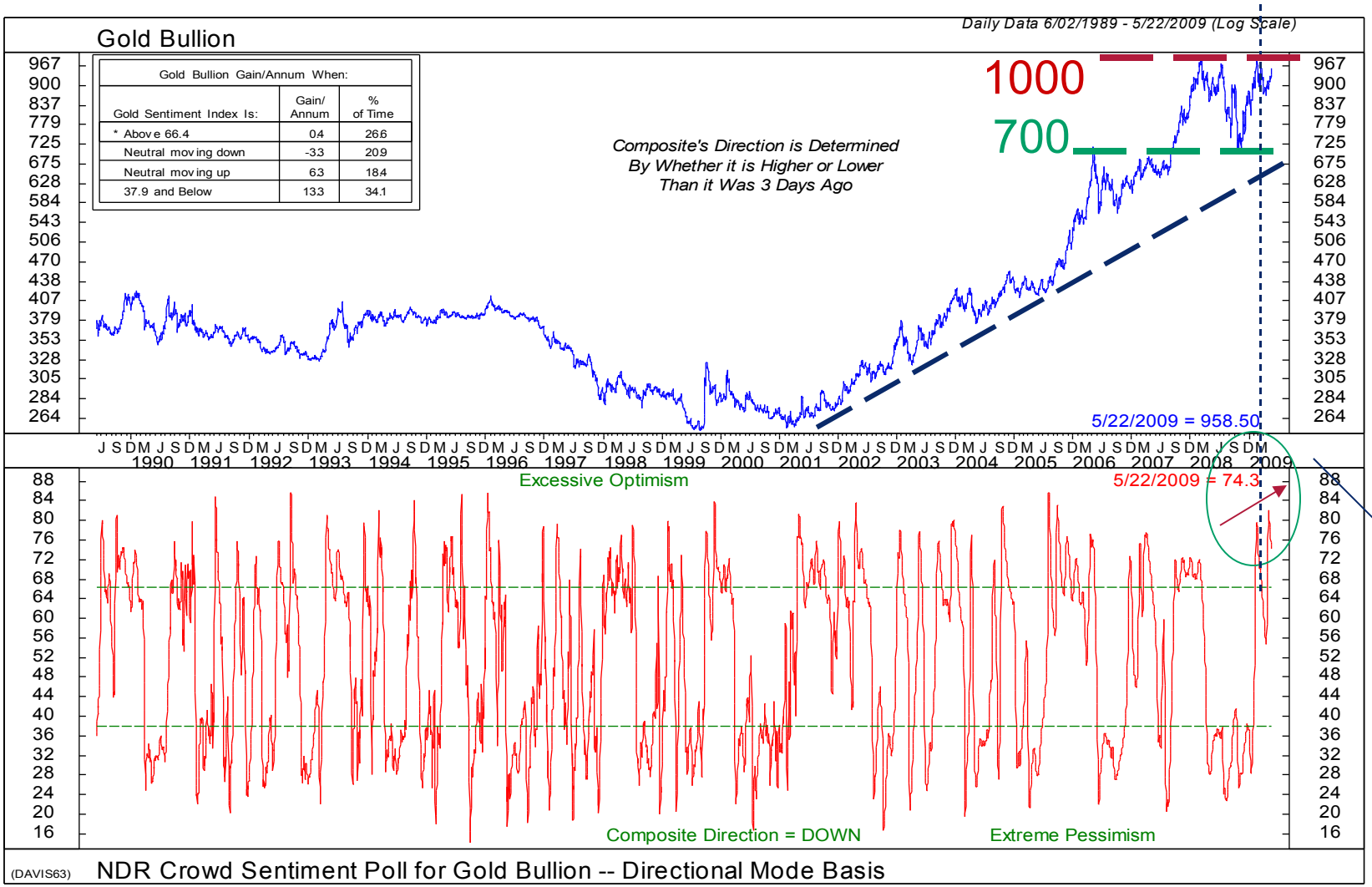
May 15 GOLD: 933 Weekly Inflation-Adjusted PRECIOUS Metal Prices = classic chartist target (1000-700) +1000

Once above 1000, TARGET is + 30% =>1300
and it is a ceiling in Inflation adjusted term in 1980 (using PPI) .



May 22 GOLD: 958 . Target 1300 --- Really BULL ???
Yes , but only above $1000 /oz , if confirmed ! …….

CAVEAT … **Nothing MORE BEARISH THAN A FAILED Bullish pattern**



Five words on other metals : all are building bases TOGETHER

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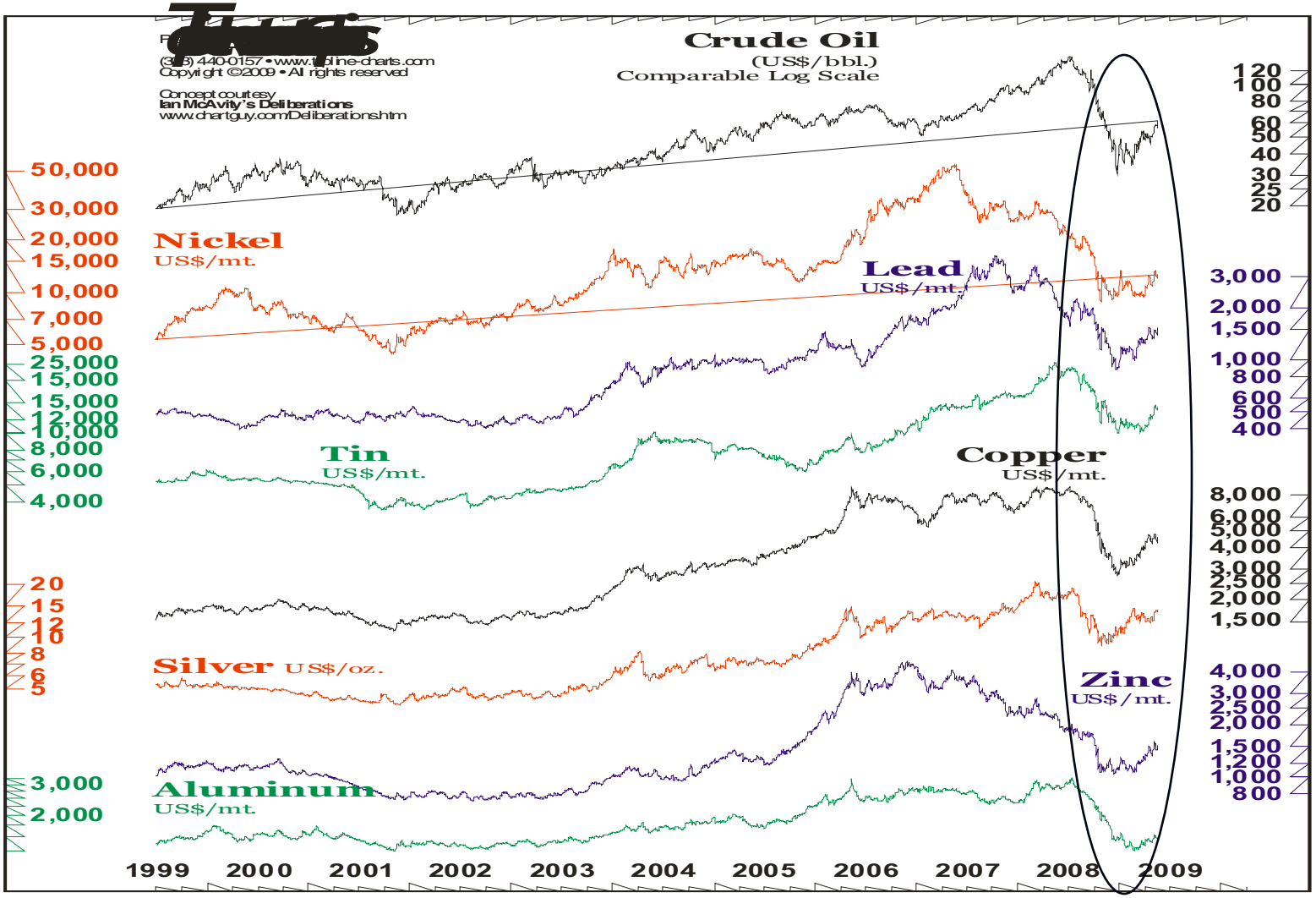
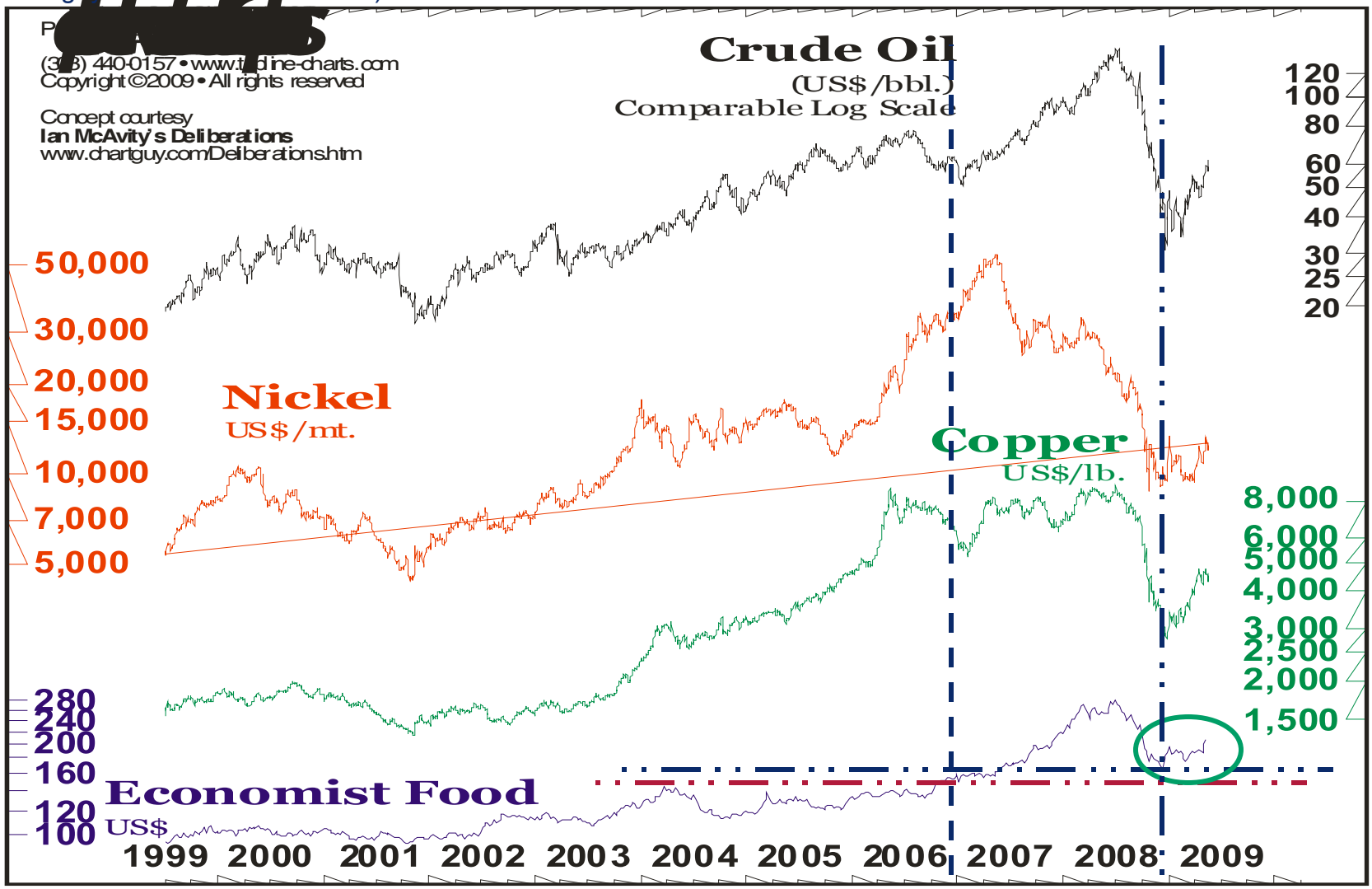


Economist Food index lagging till 2006 below its ceiling , lag = greater opportunity after rebound on new floor !

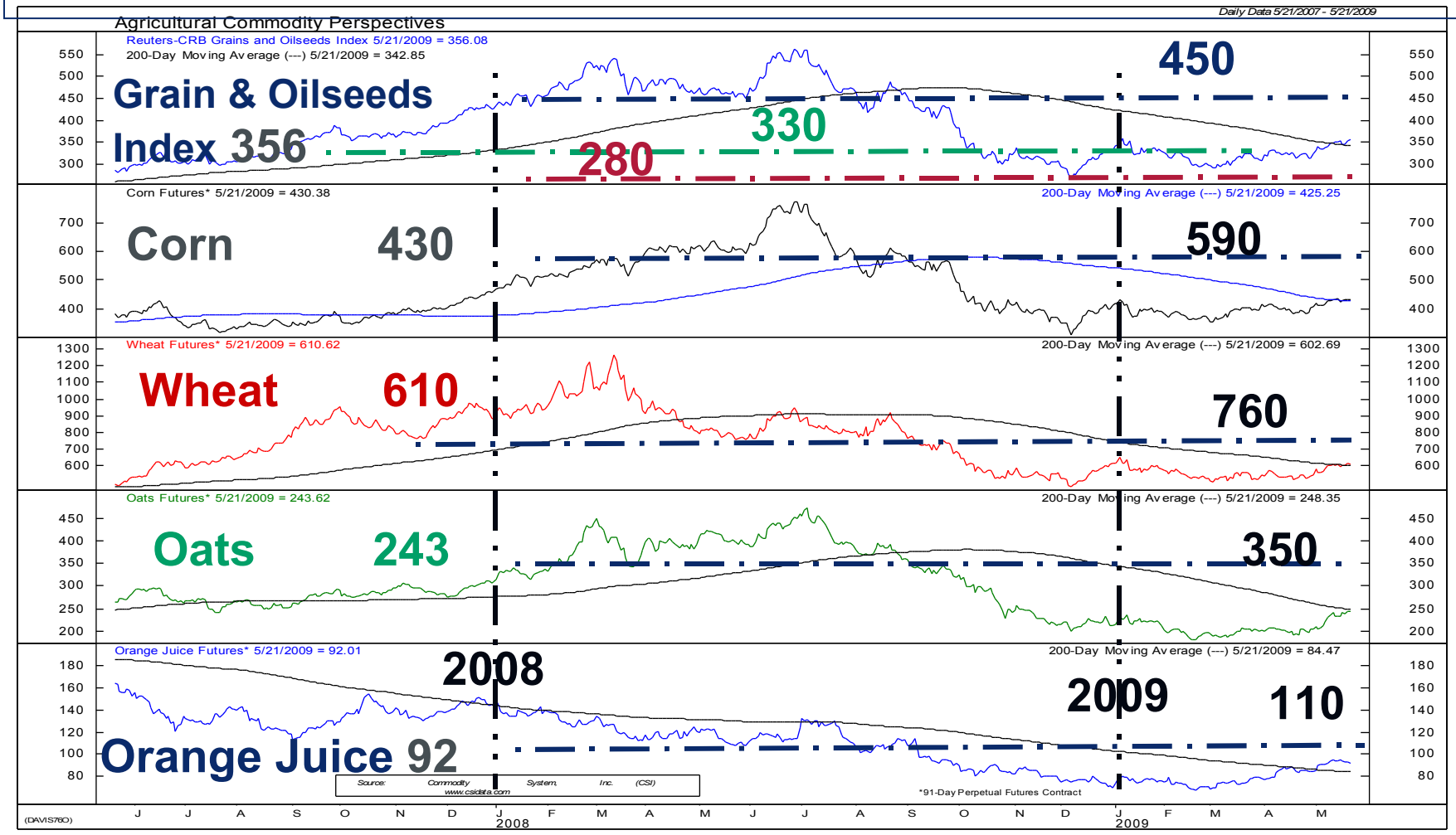
(courtesy of Topline Investment Graphics, www.topline-charts.com - concept courtesy Ian McAvity's Deliberations , www.chartguy.com/Deliberations.htm)



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 !

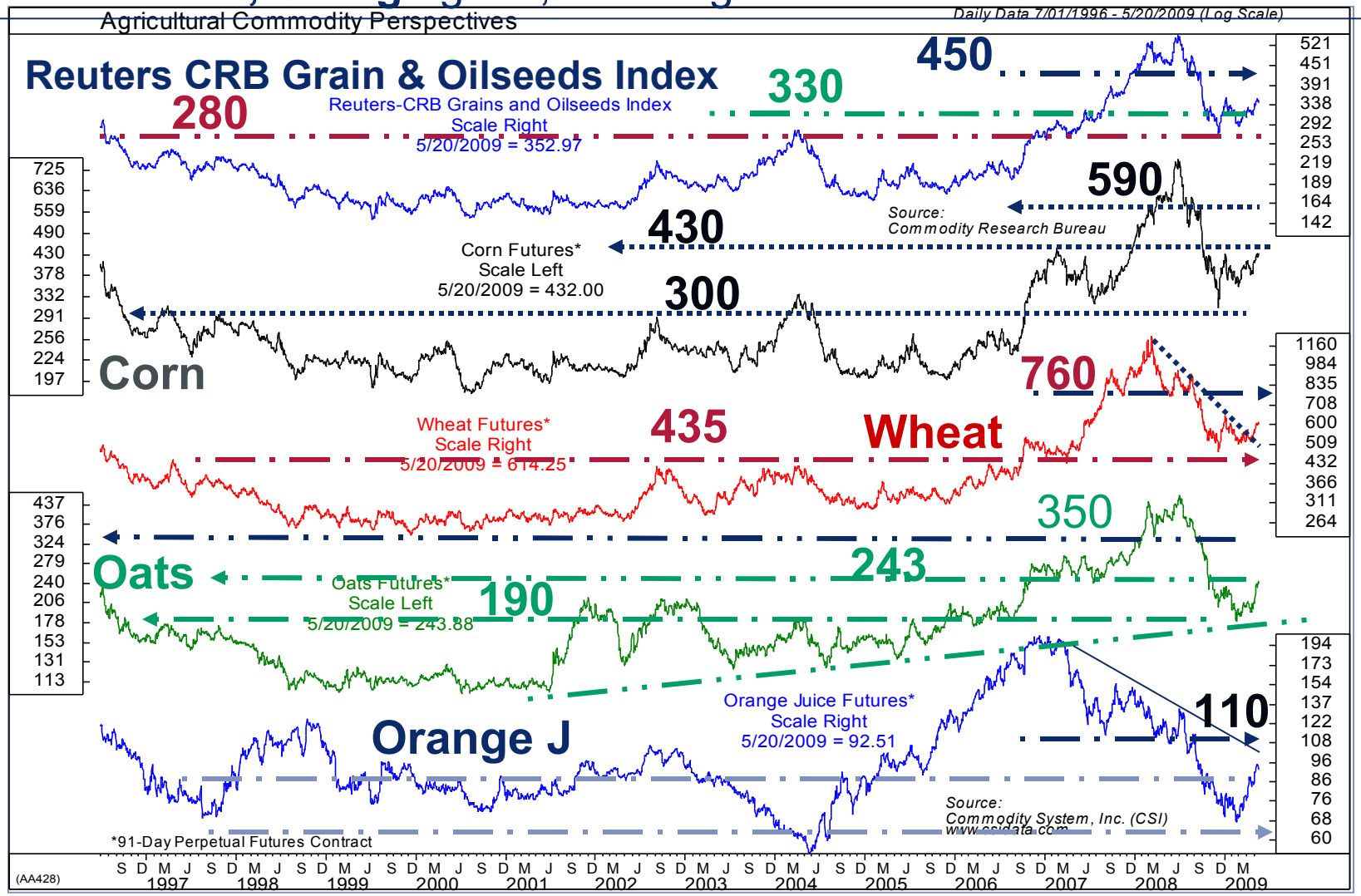


1997 -2009 Reuters CRB GRAINS & OILSEEDS :

Reuters Grains & Oilseeds index old ceiling becomes new floor **337 -> 450**

Corn not yet bull, **Wheat** end of bear ,

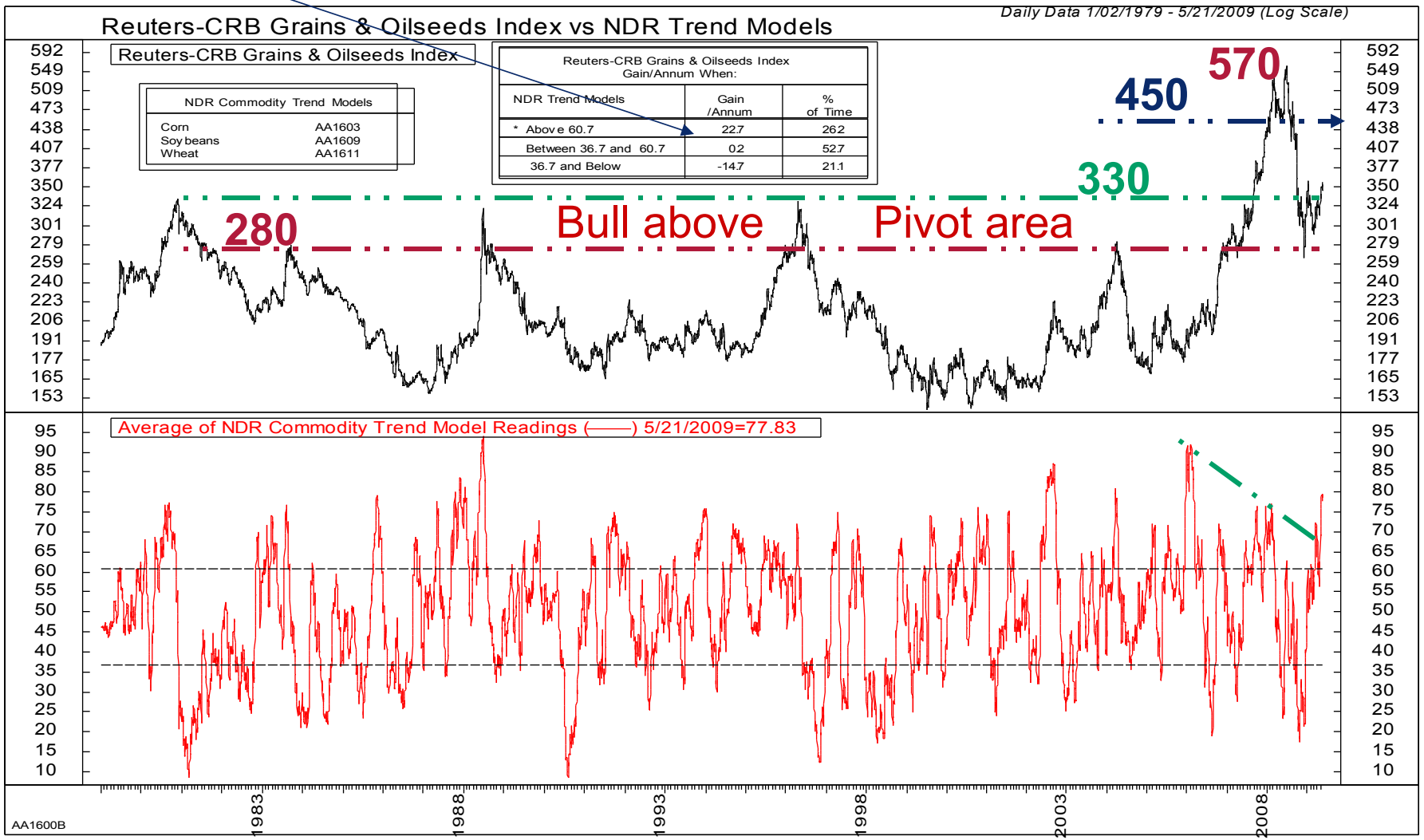
Oats soon bull, **Orange** gone, reaching resistance 110 soon



1980-2009 Reuters-CRB GRAINS & OILSEEDS 352

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

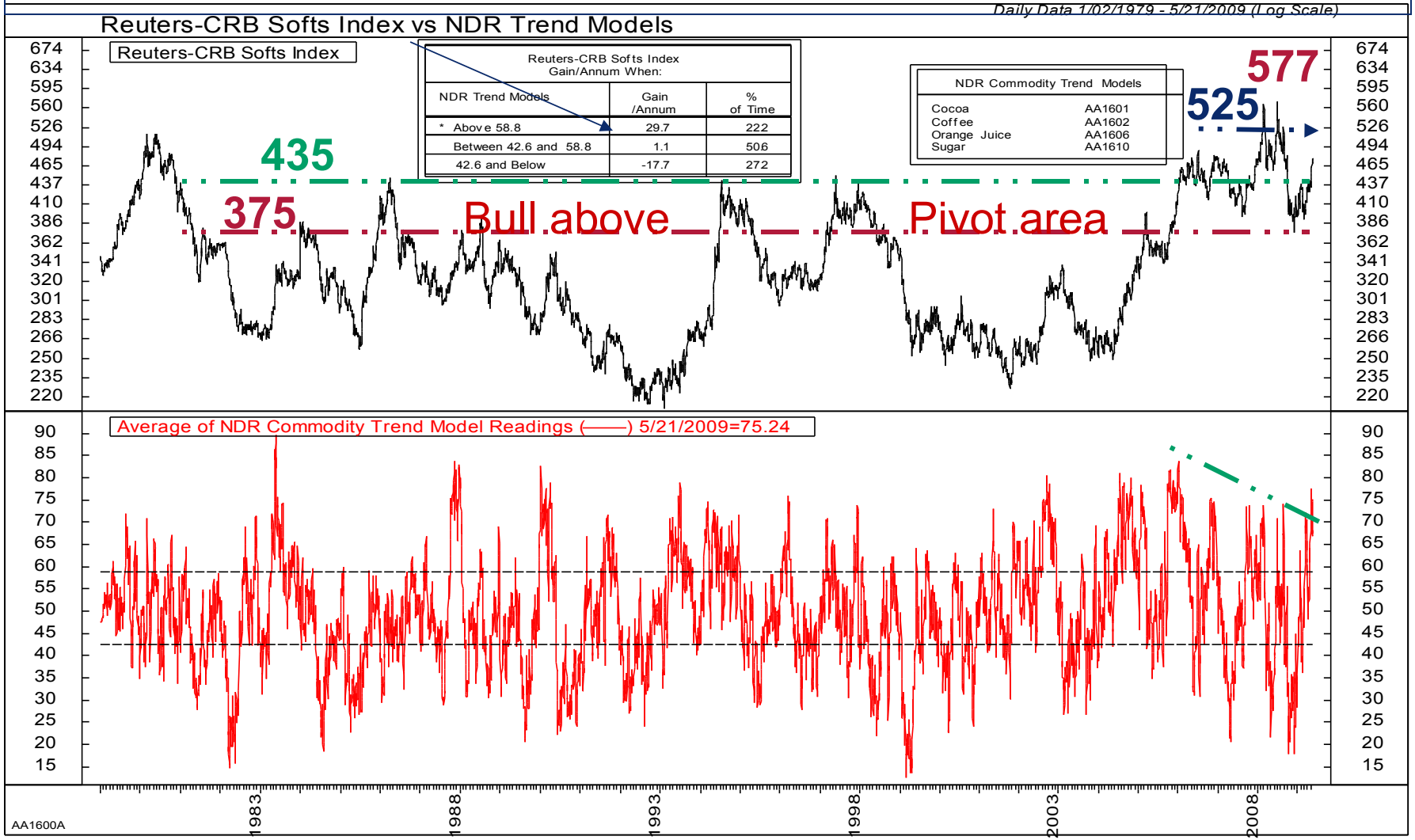
NDR models Mode Bull



1980-2009 Reuters-CRB SOFT Index 480

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

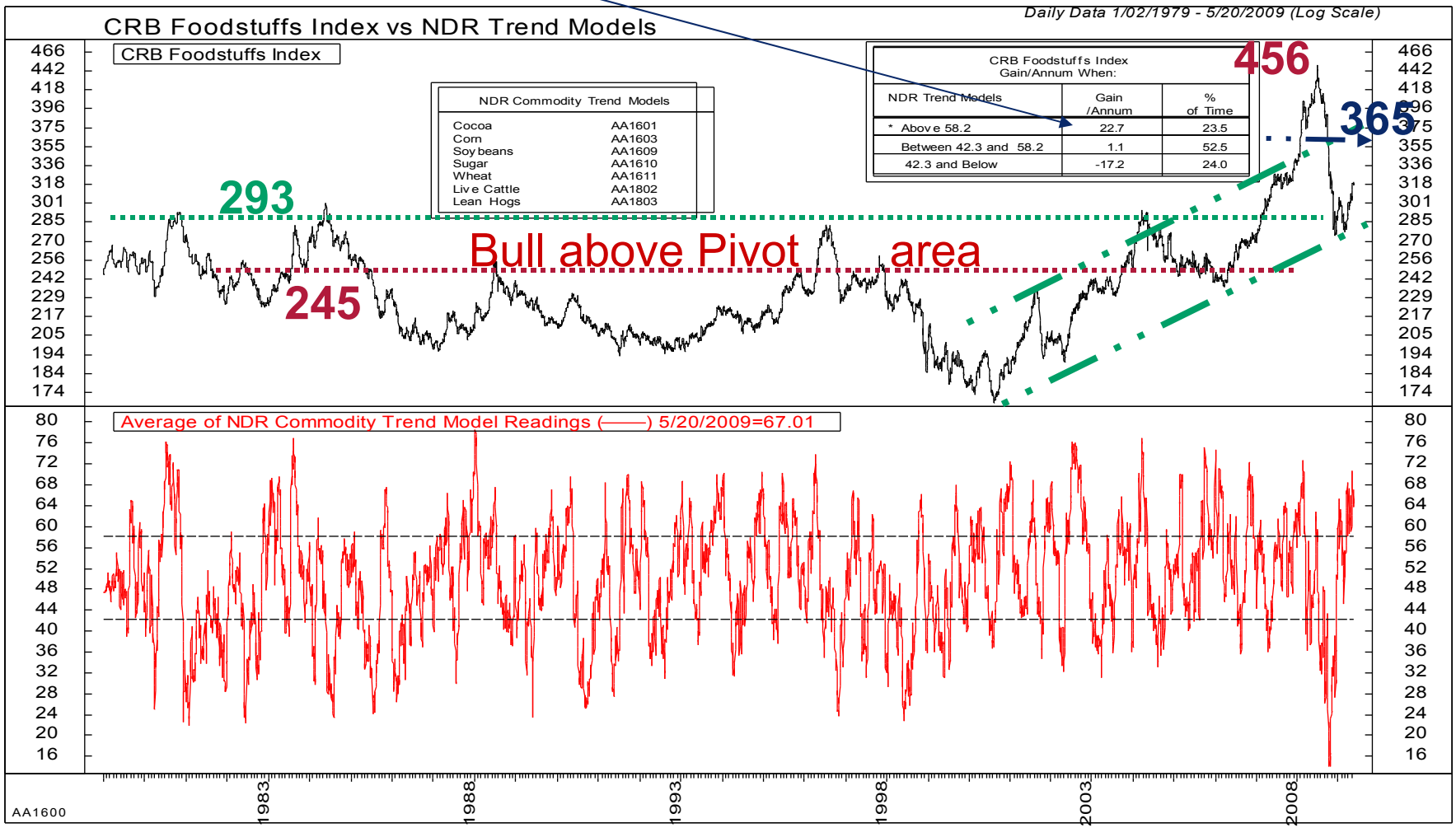
NDR models Mode **Bull**



1980 -2009 CRB Foodstuff Index 318

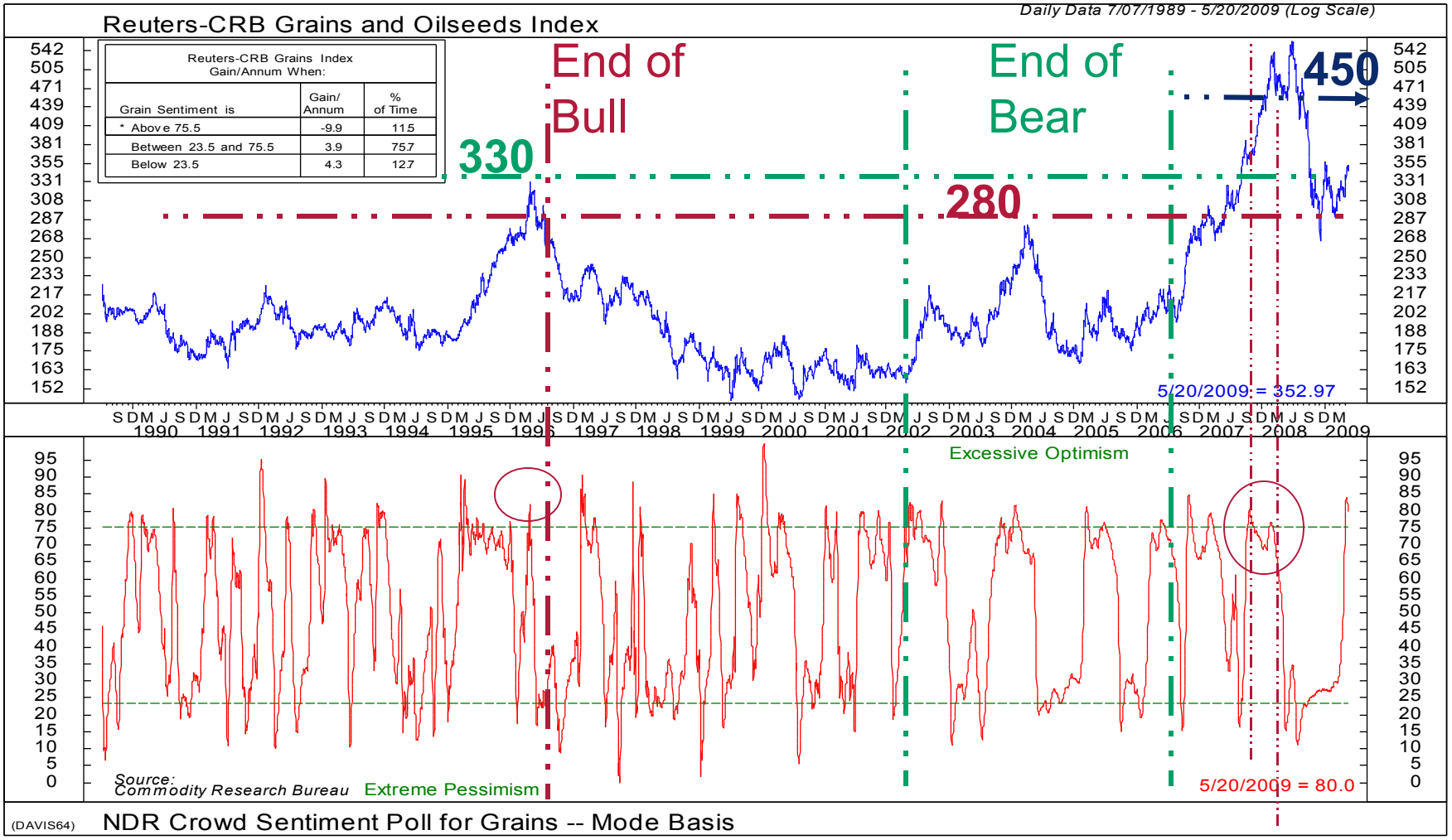
" BULL channel and above Pivot as old ceiling provided a new floor "

NDR models Mode Bull



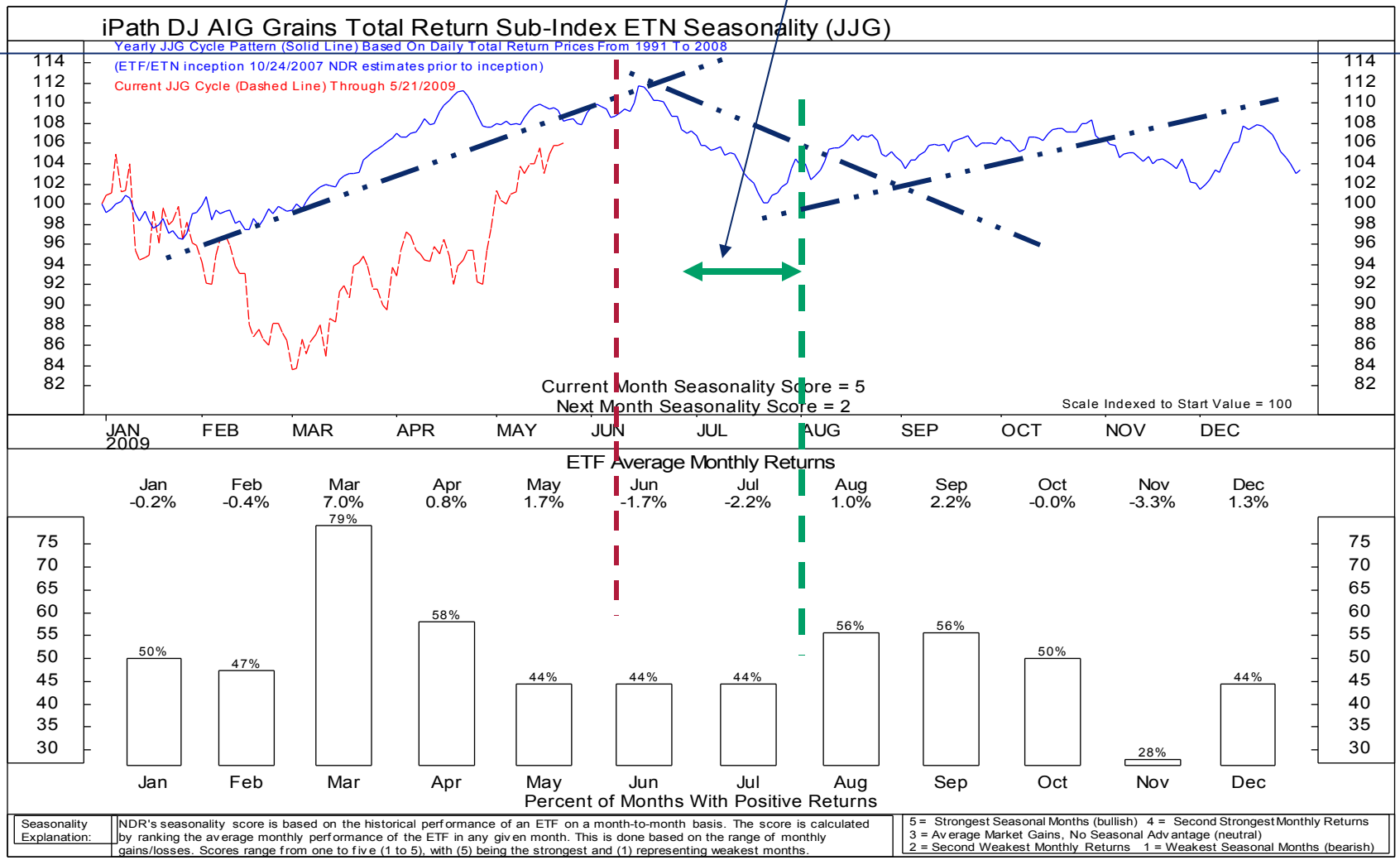
Sentiment for Grains & Oilseeds: Optimism a bit high

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

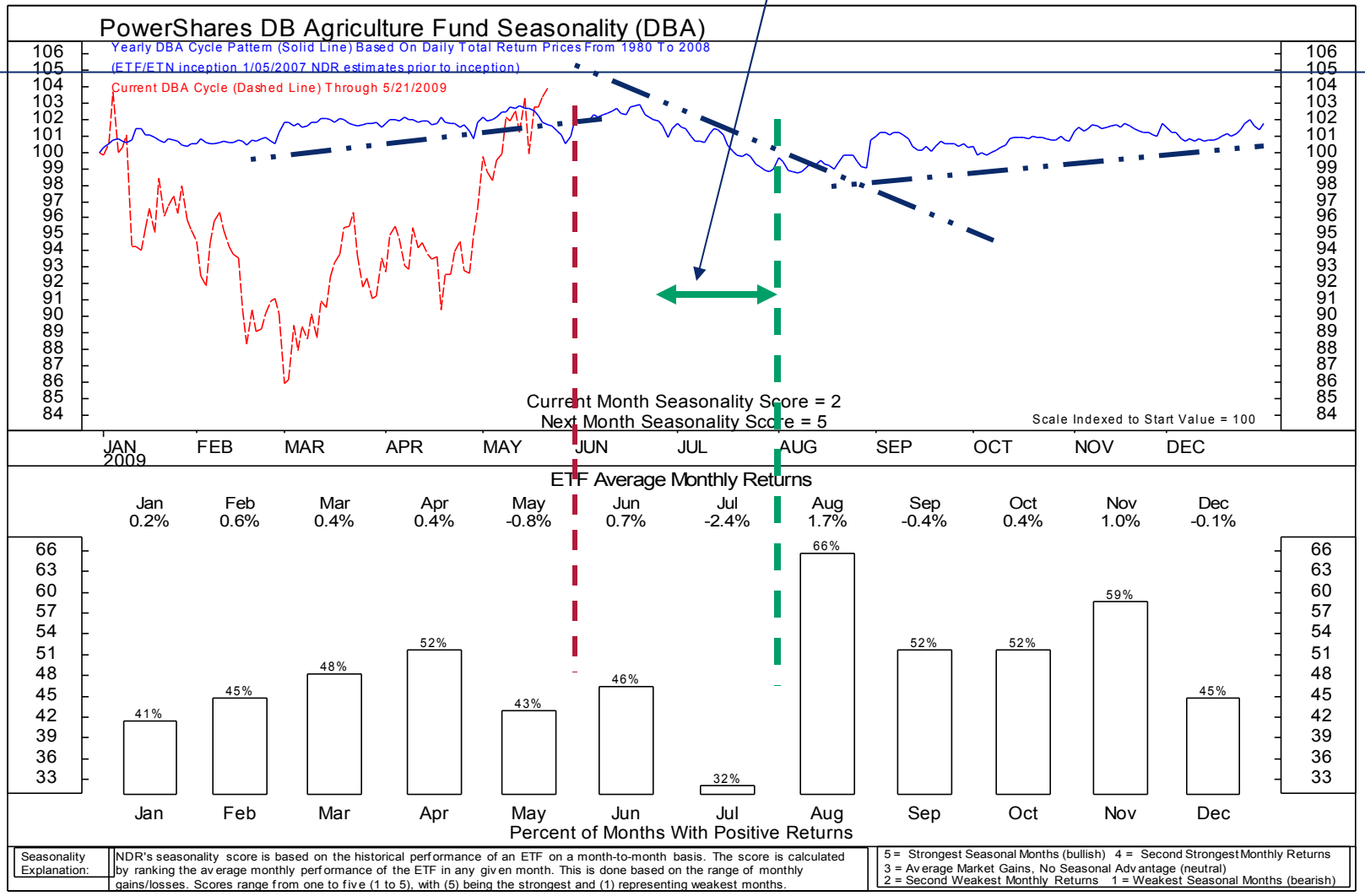


DJ AIG Grains ETN seasonality may offer time window soon -

March strong – June- July , a buy dip time window

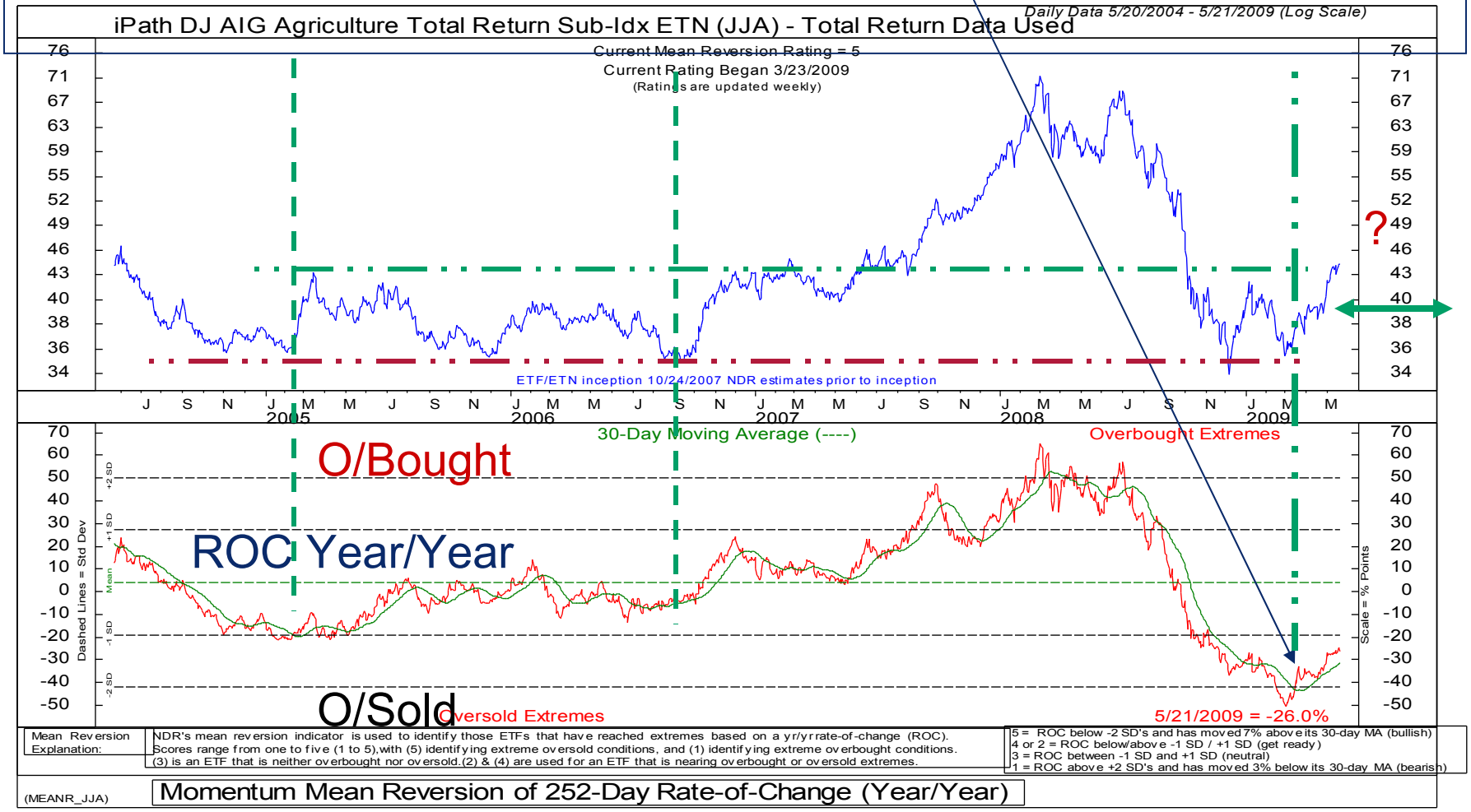


DB Agriculture Fund seasonality same , less pronounced may offer time window soon - up to April strong – July - a buy dip time window



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

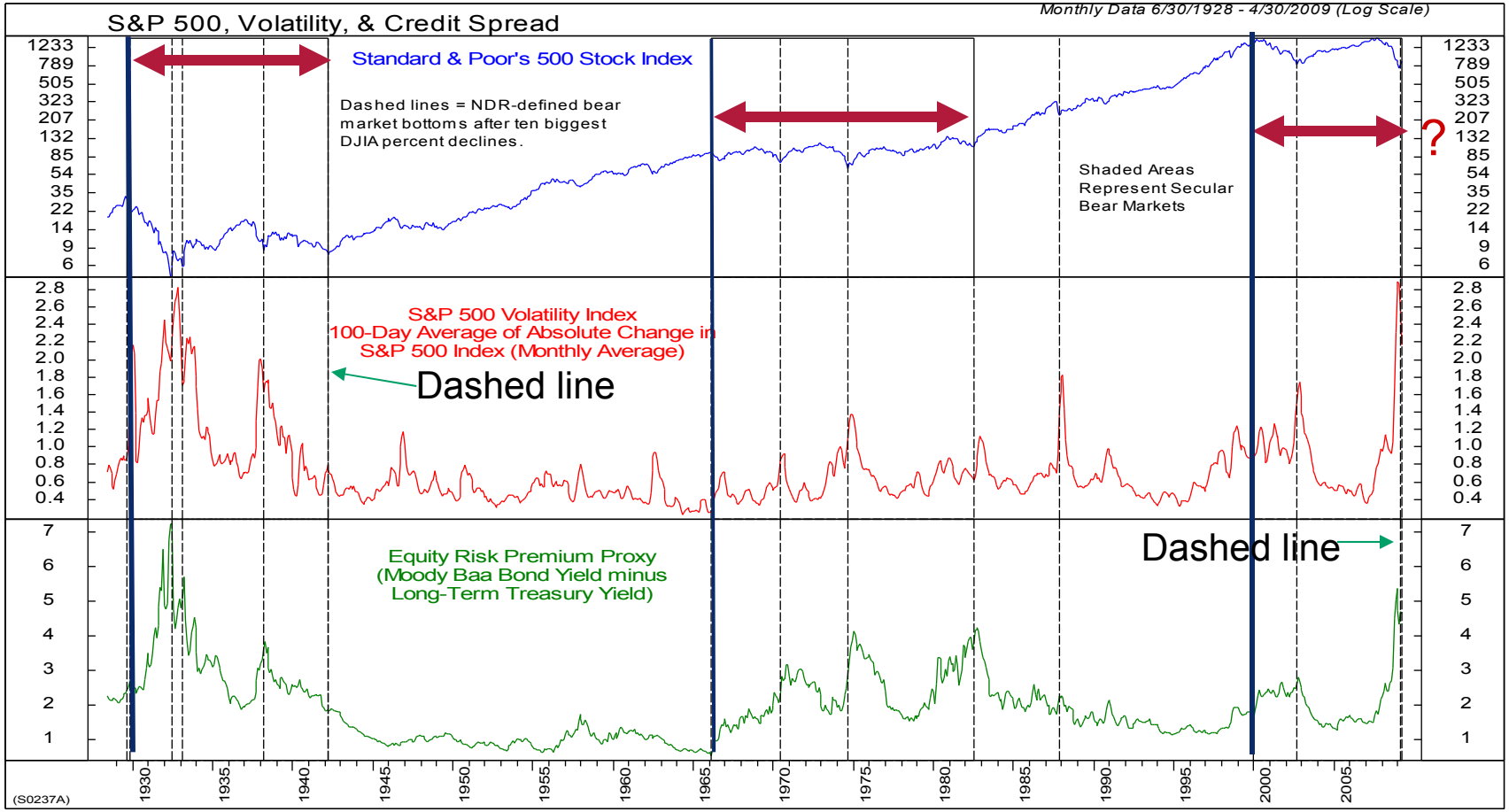


… especially, when the current time window for other Asset classes may be challenging

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

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

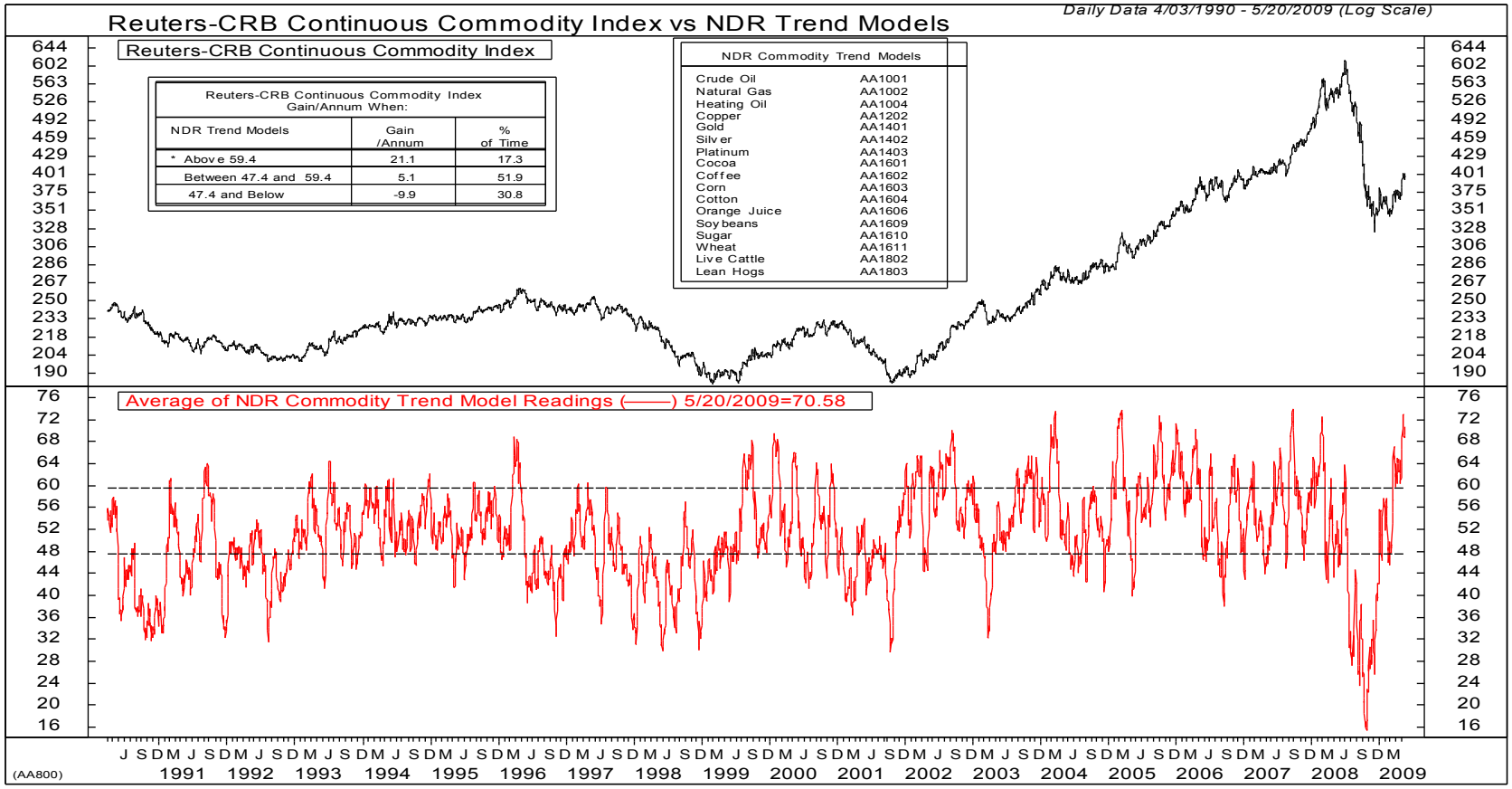
NDR **Secular Bear** markets = **double arrows**



1991-2009 CRB CCI

When NDR trend models are

Above 59,	**BULL**	CRB CCI gains **21.1 %,**	17 % of the time
between 47-59	Neutral	5.1 % ,	51% of the time
47 & below	**BEAR**	**minus 9.9** %,	30 % of the time


Reuters-CRB Continuous Commodity Index vs NDR Trend Models
Daily Data 4/03/1990 - 5/20/2009 (Log Scale)
Reuters-CRB Continuous Commodity Index
Reuters-CRB Continuous Commodity Index Gain/Annum When:
NDR Trend Models | Gain /Annum | % of Time
* Above 59.4 | 21.1 | 17.3
Between 47.4 and 59.4 | 5.1 | 51.9
47.4 and Below | -9.9 | 30.8
NDR Commodity Trend Models
Crude Oil AA1001
Natural Gas AA1002
Heating Oil AA1004
Copper AA1202
Gold AA1401
Silver AA1402
Platinum AA1403
Cocoa AA1601
Coffee AA1602
Corn AA1603
Cotton AA1604
Orange Juice AA1606
Soybeans AA1609
Sugar AA1610
Wheat AA1611
Live Cattle AA1802
Lean Hogs AA1803
Average of NDR Commodity Trend Model Readings (——) 5/20/2009=70.58
644 602 563 526 492 459 429 401 375 351 328 306 286 267 250 233 218 204 190
76 72 68 64 60 56 52 48 44 40 36 32 28 24 20 16
J S D M J S D M J S D M

SUMMARY

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in a secular BULL

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- If you have questions about the charts of **Topline Investment Graphics** ,

  contact John at topline-charts.com

- Any other questions, contact bruno.estier at sunrise.ch