Weekly Market Monitor

Chart of the week – Copper Rise Challenges Resistance

11 February 2013

Summary

- **COMEX HG Copper futures (376.25c per lb.) are probing resistance and may turn above 380c per lb. this week**
- **Gold and Silver prices ($1,661/oz and $31.43/oz, respectively) are expected to fall this week**
- **NYMEX WTI Crude ($95.59/bbl) prices are expected to ease towards $93.60/bbl**
- **Natural Gas ($3.26/ mio btu) price gains faltered last week but dips may be limited to $3.20 per mio btu, with another rally expected this week**
- **Equity markets were very mixed as the Russell 1000 set new cycle highs last week, while the NASDAQ 100 gapped higher on Friday and the DAX, DJ EuroSTOXX 50 and FTSE 100 fell on the week**

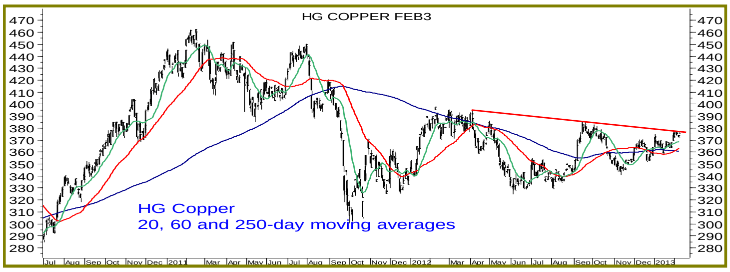
Commodity and equity markets were mixed last week and this is expected to extend this week. In the metals market COMEX HG Copper futures are the 'Chart of the Week' (see below) and offers a straight long play in the Boost Copper 3x Leverage Daily ETP. With Gold and Silver prices expected to either drop away or continue to trade in a flat manner, the Boost Gold 3x Short Daily ETP and the Boost Silver 3x Short Daily ETP offer relative trading opportunities. Those thinking that Copper may rise on China growth hopes as the other metals either consolidate or turn lower as the USD trend is mixed may see the relative outperformance of the industrial metal over the precious metals extend.

In the energy markets WTI Crude Oil is expected to see prices drop as seasonal factors may be coming into play (peaks in prices over late Q4 through Q1 trading point to a seasonal effect). Natural Gas futures faltered into the end of last week's trading as the initial gains were given up, despite the snow storm hitting the East Coast in the US. CFTC data showed more long positions were added though. If nearby support holds in Natural Gas then the Boost Natural Gas 3x Leverage Daily ETP would give exposure to gains, while on a relative view if NYMEX WTI Oil futures are expected to drop then the Boost WTI Oil 3x Short Daily ETP could be used to profit from any fall in the price of oil.

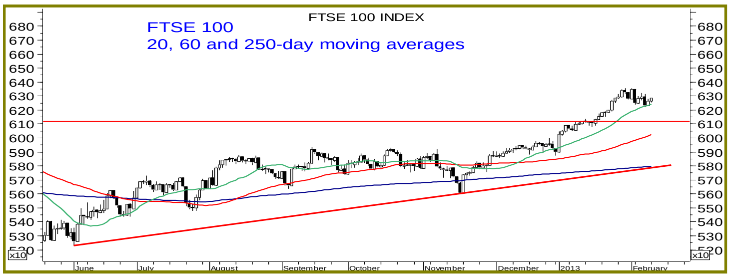
In the equity markets the Russell 1000 continued to trend higher with new post-credit crunch highs posted, and further gains look likely. The NASDAQ 100 gapped higher on Friday (following the gap higher in Apple) and further gains are looking likely here too, while the DAX and DJ EuroSTOXX 50 faltered, as did the FTSE 100. The relative outperformance by US indices over European indices last week underscores the view that the US economy will outperform the European economies, and is a correction of the underperformance seen in the last half of 2012. On a trend view the Boost Russell 1000 3x Leverage Daily ETP would give investors exposure to further gains, while those thinking that the DAX or DJ EuroSTOXX 50 indices may fall further could use the Boost ShortDAX 3x Daily ETP or Boost EURO STOXX 50 3x Short Daily ETP.

Chart of the Week

HG Copper futures continued to press falling trend line resistance last week and sustained gains above 380c per lb. are clearly at risk. This would leave further gains attracting to 398.95c per lb. (09 February 2012 peak) if seen. The broader 'China' story is still supporting prices, and driving long trades as CFTC data showed that net-long positions rose to 22,650 contracts last week. Failure to turn above 380c per lb. though would leave a pullback to 370c per lb. at risk. A turn above 398.95c per lb. would leave gains to 420c per lb. attracting over the coming weeks.



The FTSE 100 faltered last week which tempered the bull trend, but has not changed it yet. Strong support at 6200 remains intact, but a turn below this level, if seen, would allow for further losses to 6100 and then 6000 ahead of 5792 (250-day moving average) to follow. Upticks are expected to find resistance at 6300 ahead of 6354.46 (30 January 2013 peak). Favouring a range trading pullback if resistance at 6300 does cap near term gains.



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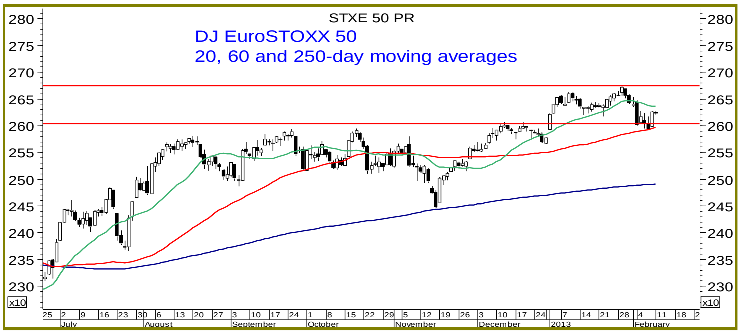
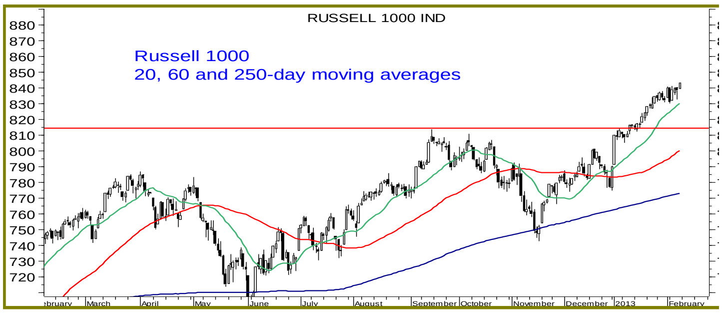
The DAX fell relatively hard last week with 7600 giving way at one stage which leaves the risk of further losses to 7400 increasing. The ability to turn higher later in the week may see upticks follow through to 7700 and even 7765, but resistance at the latter may be difficult to regain. If seen though then the 7871.79 28 January peak will be vulnerable for further gains to 8151.57 (2007 peak). Support is expected at 7600 and 7537 (06 February 2013 low) which will serve as the confirmation level to break for losses to 7400 further out.

The DJ EuroSTOXX 50 fell away last week to probe 2600 area support, and while a break down below this zone may see further losses to 2442 (250-day moving average), there is some potential for near term upticks first. Resistance is at 2660/2684, with further resistance at 2754.80 (30 January high). With the ECB's Draghi suggesting that the risks to Eurozone growth remain on the downside last week, upticks may be tempered as investors take a pause in the sharp rally from the 2050.16 01 June 2012 low that may have priced in a bit too much optimism on Eurozone growth.

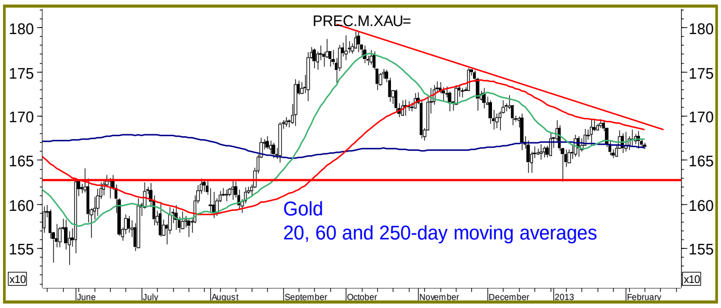


The NASDAQ 100 gapped higher on Friday (08 February) which leaves the potential for gains to probe 2878.37 (21 September 2012 peak) increasing. Gap support is at 2746+ ahead of the 2700 area. The latter is important to hold ahead of 2674, the 250-day moving average. A slump below the latter, if seen, would allow for further pullbacks to congestive support at 2600 attracting in time. Right now the risk is still on the gains extending. There is some momentum risk to the upside view though as the 14-day RSI is not pushing higher very aggressively - which is showing some mild bearish divergence.

The Russell 1000 put in another strong Friday with new post-2009 slump highs posted at the end of the week, leaving the 2007 all-time high at 858.63 attracting next. The bullish break out leaves further gains to 920 at risk if 858.63 gives way. Chart support is building at 830 now ahead of 821/813 which will be important to monitor ahead of 773, the 250-day moving average.



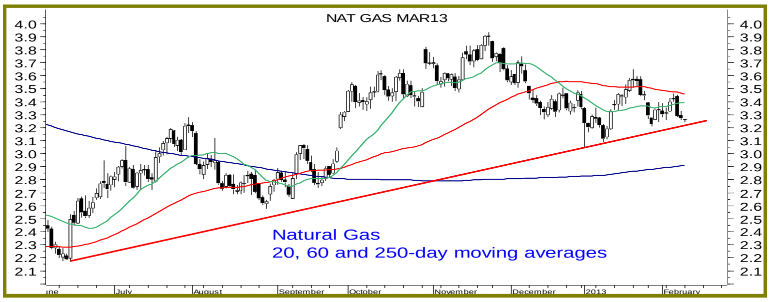
Gold prices consolidated in a relatively narrow range last week and the risk is that this extends for another week. Favouring a pullback below $1,650/oz instead though for a probe of trendline support at $1,625/oz. With the broader USD trend offering little in the way of direction for the precious metal (JPY and EUR trends have dominated activity in the FX market over the last few weeks) a turn below $1,625/oz may be difficult. Resistance is at $1,680/oz ahead of $1,700/oz now and should cap upticks. The latter is the break level for gains to $1,750/oz though if seen.



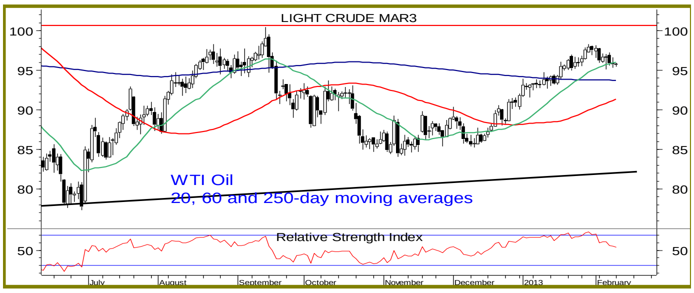
Silver prices are expected to drop this week with a pullback to $30.70/oz area support (28 Jan. low) favoured. This is part of a range trading view within a large triangle, which would leave rising line support near $29.60/oz attracting further out. A drop below this line may be difficult, but if a larger topping pattern is unfolding then $26/oz should be seen in time. Upticks are expected to remain limited with $32.21/oz to $32.50/oz seen as offering resistance now.

* Source: Boost, Bloomberg. The prices used for the returns are primary market closing prices from Oct 18th 2012 to Jan 18th 2013, and are given in the base currency of each index. The returns may rely in part on back-tested prices prior to the inception of some ETPs. Past performance and back-tested performance are not indicators of future performance. Back-tested prices are those which precede Dec 4th 2012 for ETPs referencing the FTSE 100, Dec 7th for the DAX, Dec 10th for EURO STOXX 50, Russell 100 or NASDAQ-100, and Dec 17th for the commodities. ** Calculated as annualised standard deviation over the past 3 months of daily returns (some of which are based on back-tested prices.

Natural Gas (NG) rallied towards $3.45 per mio btu last week but then fell away as the cold snap in the US failed to lift prices. Despite record breaking snow dumps and cancelled flights in the East Coast, forecasts of milder weather to follow hit prices. This is still seen as a range trade though which should see rising line support at $3.20 per mio btu hold off downticks and leave a range trading rally back to $3.45 per mio btu to follow again. Gains above this area would leave $3.50 per mio btu and then $3.64 per mio btu attracting if seen. A turn below $3.20 per mio btu though would expose support at $3.05 per mio btu at risk of being challenged if seen.



NYMEX WTI Crude Oil prices (WTI) dipped last week and further losses are expected to the $93.60/bbl (250-day moving average) area. Sustained losses below this area are favoured and will leave congestive support at the $90/bbl area attracting below this. The bearish view is broadly in line with a range trading scenario where the push to $98.24/bbl in January 2013 may have set a 'seasonal high' for the commodity (and now offers strong chart resistance ahead of $100/bbl). The turn lower in the 14-day RSI (chart below, lower indicator) is another bearish factor, as a drop from overbought levels back into neutral territory have seen prices drop as well. Data to watch out for this week is the DOE short term outlook and the API/DOE inventory figures out on Tuesday.



Contact Information

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