



Bullish Review

Of Commodity Insiders

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SPECIAL SITUATION

Unusually attractive short trade setups have appeared in both the **New Zealand** and **Australian Dollar** contracts. (This is also applicable to the corresponding FOREX pairs: Kiwi--NZD/USD and Aussie--AUD/USD.)

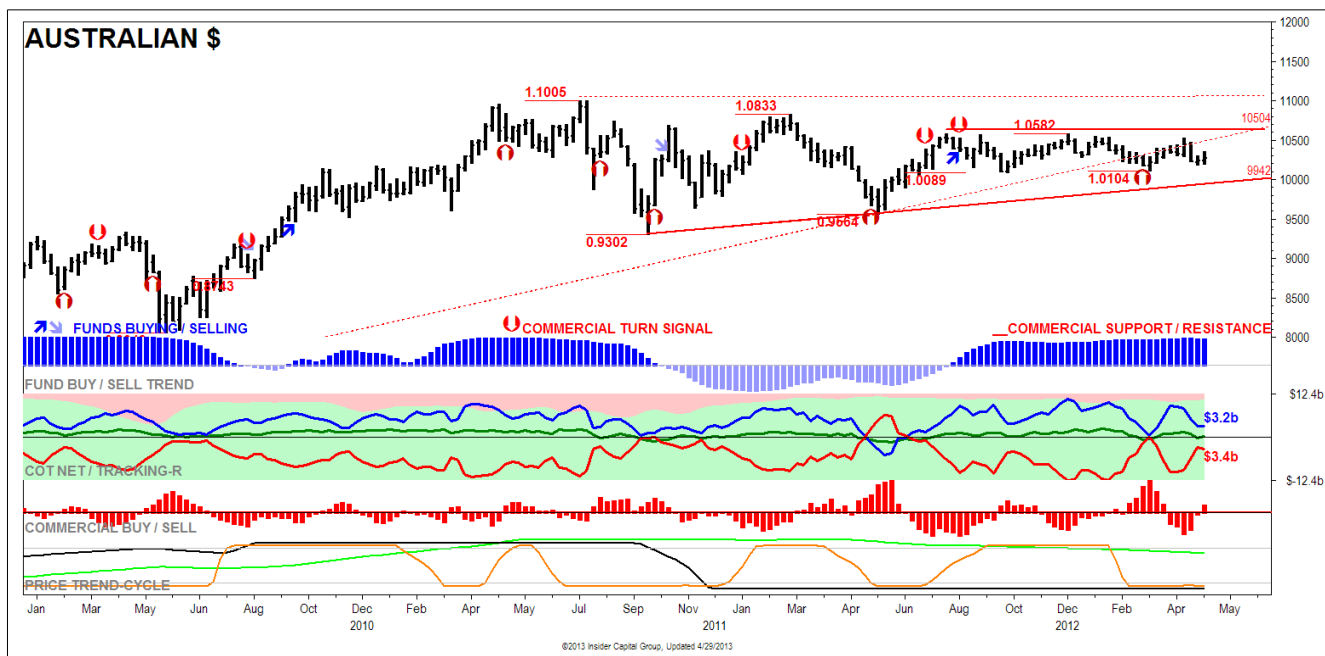


The Kiwi outpaced the Aussie on the recent advance, attracting record commercial selling two weeks ago and triggering a commercial sell signal this week. These come at the same level as the last COT sell signal in February 2012. It is significant (although not unusual) that commercial selling resistance remains at the same level after more than a year. This is just below the decades-high price of 0.8810, set in 2011. Another final spike high testing this resistance level would not be a surprise, and would not effect this special situation.

The trigger for a short entry would be a break-down through the 4-year-old trend line drawn off the March 2009 low, which currently crosses at 0.8200 basis nearest futures. I consider the fund trend indicator bullish for prices, as funds generally power trends. It ceases to be bullish, however, when funds run out of funds (buying capacity). The near-record net long hedge fund position suggests they have reached buying exhaustion, and creates a huge liquidation price plunge potential. When funds set a new net long total before prices break above a previous resistance to new highs, a successful breakout is highly unlikely.

Commercials tend to trade in accordance with market fundamentals. My reading of fundamentals, including diving commodity prices and an economic slow-down in China New Zealand's largest export market is quite bearish, but I am not an expert in fundamentals. We want to act when we see a consensus of smart-money commercial traders, as we do now.

Our trend-cycles show the major trend is already in a down mode, another bearish factor.



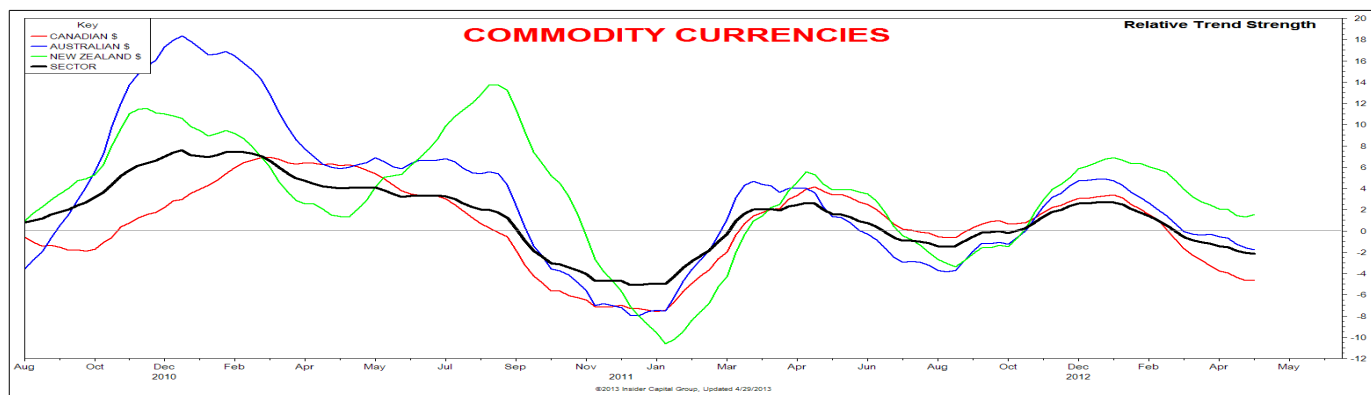
The Aussie Dollar lagged behind the Kiwi on the latest rally attempt and has, in fact, already dropped below the long-term trend line. The entry trigger here is a break of the 1.5-year trend line drawn off the October 2011 low. This support line currently crosses at around 0.9900 basis nearest futures. Obviously, you are free to use your own entry technique on any *Bullish Review* set-up. The beauty of the *Commitments* data is its utility as a trading screen for a wide range of technical trading methods.

Because the COT data is a top- (or bottom-) picking indicator and not always a timing indicator, I prefer to let the market confirm my view by waiting for a break out through nearby resistance or support.

You will note that there is no current COT sell signal for the Aussie and that net positions are not nearly as extreme as we saw in the Kiwi. We have seen significant commercial selling on each retest of the August 2012 high (1.0578), where we did post a commercial sell signal. It is pretty likely that commercials will continue to defend this price cap.

You can see the relatively stronger Kiwi trend on the RTS chart below. The sector RTS (black line) shows a downtrend gaining momentum.

(The Canada Dollar's trend is actually the weakest of the group and a likely shorting candidate, but we don't have a COT trade set-up at this point.)



All information has been obtained from sources believed to be reliable, but accuracy and completeness are not guaranteed. Statements and recommendations are subject to the limitations inherent in market analysis and may be changed without notice. No claim is made that future recommendations will be as profitable as past performance or that they will not result in losses. All trade references should be considered hypothetical.

THERE IS RISK OF LOSS IN FUTURES TRADING. Those using this information are responsible for their own actions.

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A final note about special situations . I reserve this label for market situations where I perceive:

1) A high confidence COT set-up; and 2) A high risk/reward potential.

Special situation trades are selected based on 40 years of trading experience, but there are no guarantees that the trade will be profitable. A trade may require more than one entry attempt. And could still end up as a loss. You alone are responsible for your trading decisions. It is up to you to control the risk by using stop losses.

For your information, here are the current charts from our daily mechanical trading newsletter, *Insider Currencies*. You will see that it has a nearby short entry set-up for the Kiwi and is already short the Aussie. If you do not have a confident technical method for trade entry and stop management, you can get further information on our daily newsletters at www.InsiderCapital.com and even get a 30 free trial.

