

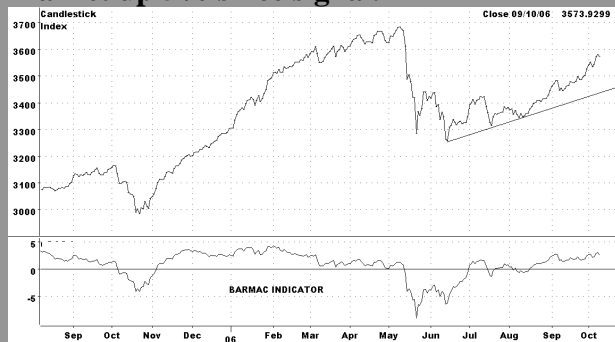
Annual Issue Price £250

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## WHEAT LEADS THE CHARGE AS CRB CONTINUES TO CONSOLIDATE.

### BARMAC MARKET DIRECTIONAL INDICATOR:-

**BUY SIGNAL** -issued on 28<sup>th</sup> August  
Market up 5% since signal.



As can be seen from above the Barmac indicator remains in “buy” as the market continues its advance. Stops have been raised to 5950 on Ftse. As a result our OEIC continues to advance steadily whilst the Barmac remains in “buy” mode

### CASTLETON GROWTH TRUST @103.17 Since launch 11/07/06



The Commodity research index (CRB) has barely steadied above the September lows following a major sell off mainly driven by oil and gas contracts (which are a very large weighting in the index). The key bull trend extending throughout the last couple of years has also broken so we do not expect any more than a retest of the recent highs at best.

So what implication might this have for “commodity” markets per se? Simply that investors need to be selective about what commodities they play and that perhaps the new “blanket” commodity funds should be avoided.

### CRB Index (weekly)

10/13/2006 C=371.68 +4.82 O=366.76 H=372.74 L=366.76



The index is oversold so we can hope for a retest of the highs but if further weakness then emerges, and if 360 is broken then prolonged declines could easily follow. We would short at 360 with a stop of 370 if this scenario unfolds.

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## ENERGY

As the recent “blow up” of the Amaranth hedge fund clearly highlighted the various energy markets have been in decline since the summer.

We have seen crude oil fall 25% whilst petroleum has declined around 40%. The contracts are currently oversold at current levels but the likelihood that any rallies that may unfold will not exceed the summer highs.

Indeed the projections of \$100 oil may have to wait a long time before they are proven correct.

Indeed just like the CRB index shown earlier the major trend support has been broken which implies a major loss of momentum and a possible change in trend.

That said October has constantly proven to be an excellent time to buy oil over the last ten years. With the market currently oversold we would not be surprised to see the normal seasonal bias lift the price of crude to at least the mid \$60's and possibly \$70 per barrel. Traders could buy crude with a stop at \$55 looking to run the price up through the winter months into early 2007.

### CRUDE OIL ( Nynex weekly)

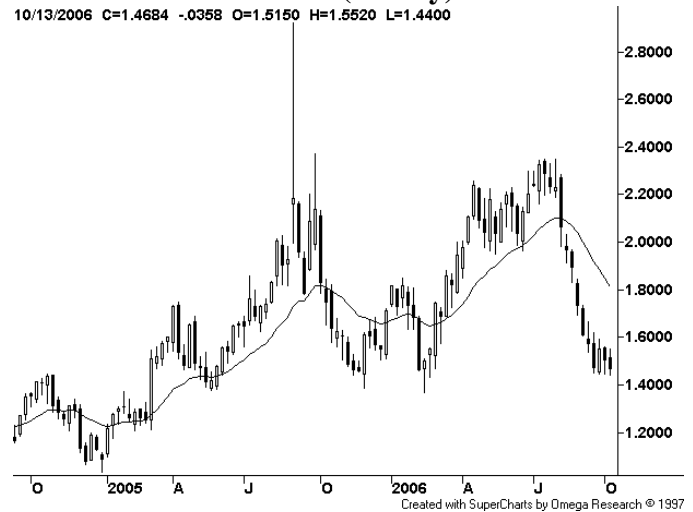
10/13/2006 C=58.57 -1.19 O=60.45 H=61.30 L=57.30 Mov Avg-Exponential



The petrol chart below is more dramatic than that of crude and certainly appears to be both at past support and dramatically washed out. We would be very reluctant to be short of gasoline at current levels and could be tempted to trade a small long again in the belief that the combination of a washed out market and seasonal bias will deliver a rebound. Stops should be placed at \$1.38

### UNLEADED PETROL (weekly)

10/13/2006 C=1.4684 -0.0358 O=1.5150 H=1.5520 L=1.4400



## METALS

The precious metals have continued to decline since mid summer with a definite lower high in July at \$650. Our pessimism in the July issue has proven correct, as the price has declined another \$60. The yellow metal is back challenging the \$550 lows and if support was to break then gold could easily decline another \$50 or more. However we should not assume such a decline in advance.

We suspect that gold looks likely to continue to drift for several months as the bull gains of the last 5 years are digested and would not be tempted into buying the metal below \$650. We would however open a new short if the key \$550 levels are breached with a stop of \$575.

### GOLD (weekly)

10/13/2006 C=588.8 +16.4 O=578.0 H=585.5 L=568.0 Mov Avg-Exponential



The silver chart shown below is very similar to that of gold as it displays broadly the same pattern. The price remains under pressure below \$13 with any further weakness below \$11.00 opening the way to retest the \$9.50 low. We would thus look to short the metal below \$11 with a stop at \$12.25

**SILVER (weekly)**

10/13/2006 C=11.598 +.513 O=11.330 H=11.598 L=11.135



**COPPER (weekly)**

10/13/2006 C=3.3985 +.0150 O=3.4150 H=3.4400 L=3.3300



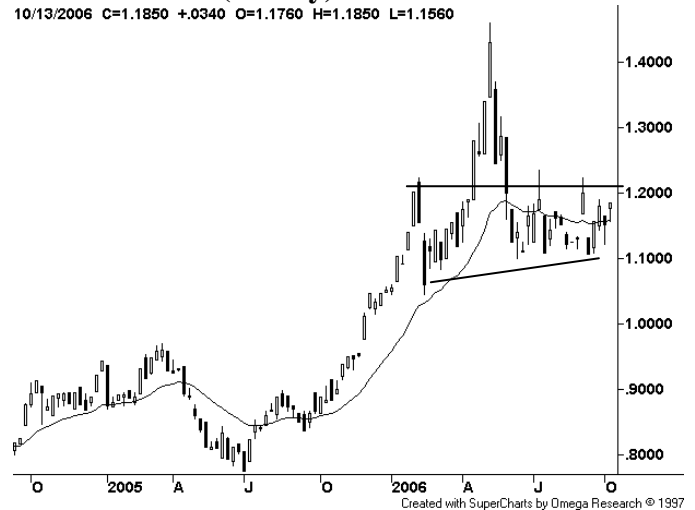
**Good old Dr Copper** has traded within a lateral consolidation for nearly six months now. The pattern that's emerging is broadly bullish and a move over \$3,600 would likely signal an attempt upon the \$4,200 high set in the spring. Indeed if the bullish scenario were to unfold we could witness a move that exceeds the \$5,000 mark. However, we should always be aware of negative potential and \$3,200 marks the floor of the current consolidation. If this floor were to be broken then traders could

easily drive prices toward the next logical support level at \$2,200.

Mean while we would advice masterly inactivity until the highlighted key market levels are challenged and broken, we can then enter a trade with the market break using a 200 point stop.

**ALUMINIUM (weekly)**

10/13/2006 C=1.1850 +.0340 O=1.1760 H=1.1850 L=1.1560



**Aluminium** has also being hit by the general malaise that has been affecting metals throughout the summer months. A trading band of \$1,200 and \$1,100 has contained most of market action since the start of the year. The huge spike in the summer could well prove to be formidable resistance and the pattern looks topy. Any break of 1,1000 would open the way to a decline to 9000 and traders could short the metal with a stop at 11500. Clearly, a move over 12000 should be treated with some caution until the summer highs are exceeded and as such we would stand aside from trading the upside move.

**SOFT COMMODITIES**

Softs have really started to move as unusual climate conditions have begun to bite and an "el nino" appears to be building in the Pacific.

The poor harvests witnessed in parts of Australia and the US have led to an explosion in wheat prices (as suggested in this very publication) with the multi-year highs at \$4.00 being exceeded by a large margin.

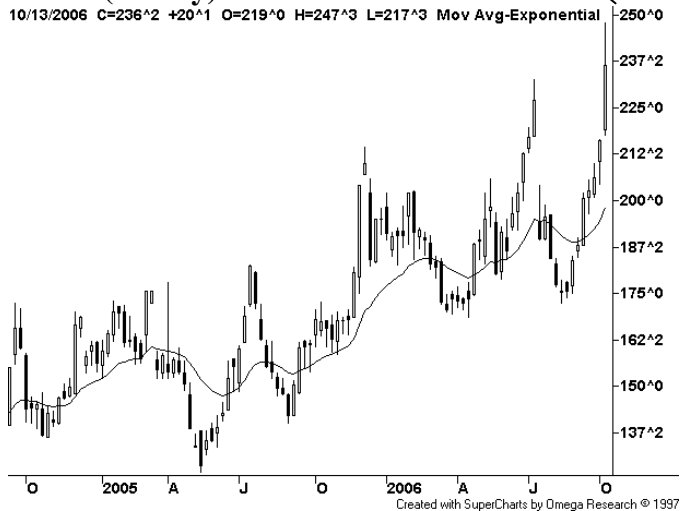
The current blow off could easily continue or some months as prices ranged below \$400 for several years. However, traders could buy on any weakness with a stop at \$400

### WHEAT (weekly)



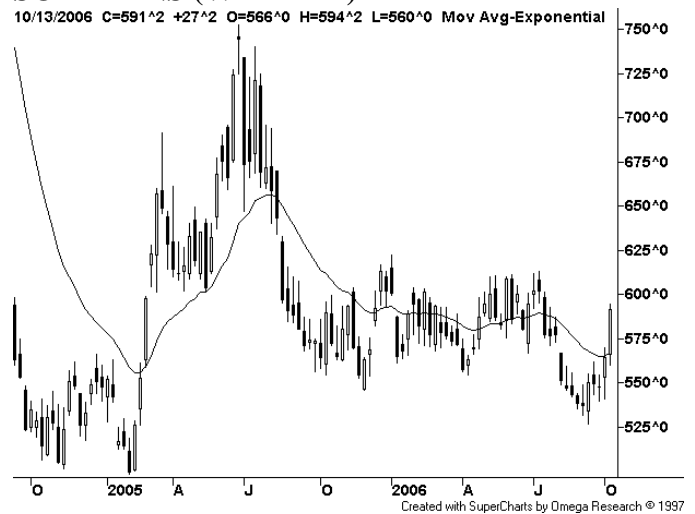
In similar fashion to wheat, **Oats** have also burst to new highs and this commonality makes a continuing grain complex bull look more likely. We would use a stop of \$210 on any purchase.

### OATS (weekly)



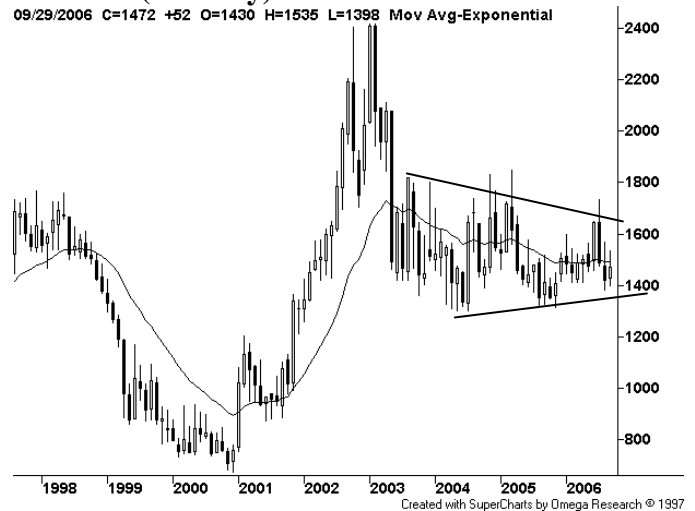
**Soybeans are suddenly displaying a renewal of buying strength.** The rejection of the recent move down to \$525 looks significant and we would buy beans on a move over lateral resistance of \$625. A stop of around \$595 should be appropriate on any such buy order. Again commonality amongst the grain complex should assist any rally.

### SOYBEANS (WEEKLY)



**Cocoa (shown below on a monthly chart) continues to remain range-bound.** That said the high/low is 1400 to 1800 and many may try to trade that range. However, a concerted move beyond the parameters shown on the chart could lead to prolonged trending action and we would look for a position on any such break-out.

### COCOA (monthly)



**Coffee is so interesting that we have placed two charts in this month's issue** in order to gain a perspective of the long term "big picture." As can be seen from the monthly chart coffee has been consolidating a multi-month advance for the last two years. This consolidation looks like a mere pause in the bull advance and the classic "flag" pattern looks

likely to sustain a multi-month advance once we see the beans exceed \$115.  
A definite buy at \$120.

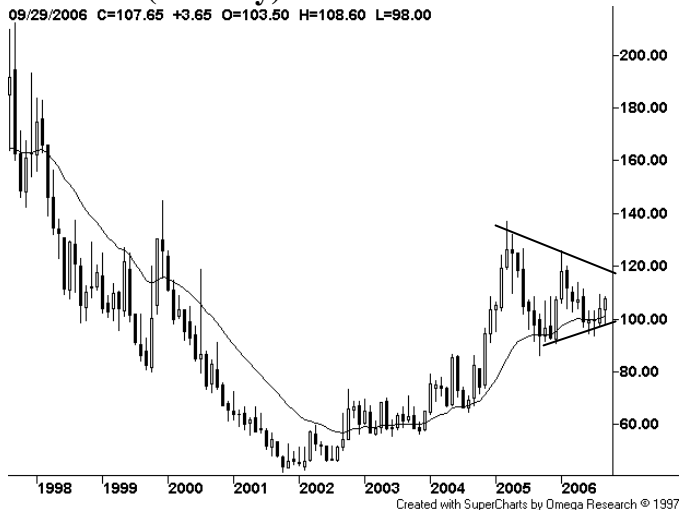
### COFFEE (weekly)

10/13/2006 C=104.05 +.15 O=104.10 H=105.50 L=101.80



### COFFEE (monthly)

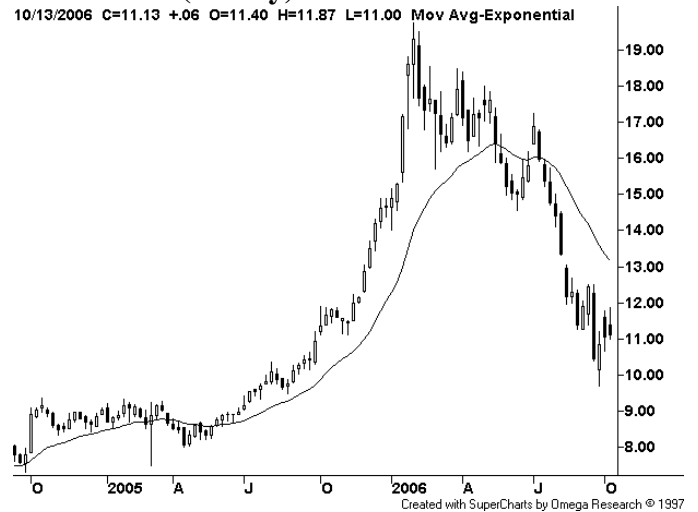
09/29/2006 C=107.65 +3.65 O=103.50 H=108.60 L=98.00



**Sugar as regular subscribers are aware has been a suggested short of Barmac and we have seen a good profit as the price has declined from over \$16. However, this decline now looks overdone and sugar has recently shown signs of reversing this decline. As such we would suggest taking profits and closing any remaining short positions.**

### SUGAR#11 (weekly)

10/13/2006 C=11.13 +.06 O=11.40 H=11.87 L=11.00 Mov Avg-Exponential



### FOREX

- **The forex markets keep on treading water.**

**The currency markets continue to trade quietly with all the main sterling crosses trading narrowly over the past few months. But we are certain that at some stage the forex markets will explode into frenzied activity but not just yet by the look of things.**

### US DOLLAR/STERLING



**The Dollar/Sterling cross has the potential for a major move back toward the late 05 levels but, currently looks more likely to trade above £1.86 and below £1.92. A move through £1.86 will open the way to challenge the summer lows of £1.81 and thereafter maybe the £1.72 region. Traders could trade the above idea as long as tight stops are maintained.**

## EURO/STRLING



Our favourite long-term chart position remains the above situation in the Sterling/Euro cross. We have discussed this situation many times in the past. The chart is self explanatory and we patiently await or big opportunity that will surely present itself when the above trading range finally breaks.

## JAPANESE YEN/STERLING



The above cross has tended higher for many months with no sign as yet of a trend reversal. Certainly short yen could continue to be a profitable trade and we would use a stop at Y210.

A trend reversal would be signalled if weakness extended beyond Y200.

Good hunting

Regards

AndyMc and AndyB