

COPPER – THE PHOENIX RISING

by Adrian Douglas

Since its peak last May copper has suffered a 40% correction. This has traumatized many commodity investors. To put it in perspective if this had happened in the gold market then gold would have corrected from \$720 an ounce to \$430 an ounce which I am sure you would agree would have been devastating, not only from a financial point of view, but from a psychological point of view also! I have recently applied my proprietary market force analysis to copper and this indicates that the Phoenix is about to rise from the ashes in dramatic fashion.

In figure 1 the chart of the copper price is shown over the last 12 months in black. The market force analysis output is shown in red. In the period #1 the market force has an upward curvature and indicates a strong rising market. In period #2 the market force displays a “rounding top” characteristic indicating that an interim top is approaching and this is duly observed in the price action. The market force then rises into period #3 but again shows a “rounding top” characteristic indicating that the market has again attained its interim maximum potential. The market force establishes a downward trend into period #4 and the price of copper continuously declines. In period #4, however, the market force again displays a change in curvature indicating a reversal is in the offing. It can be seen that in the last few days the market force has turned into a rising trend which is translated into a price rise. The highly upward sloping market force and rapid reversal indicates that copper is likely to establish a new and very strong up leg.

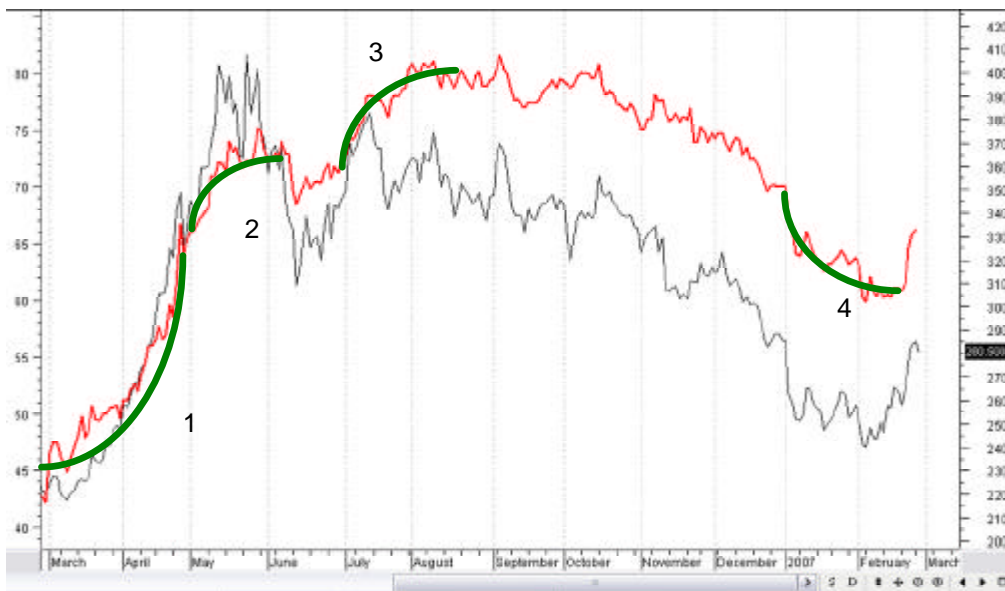
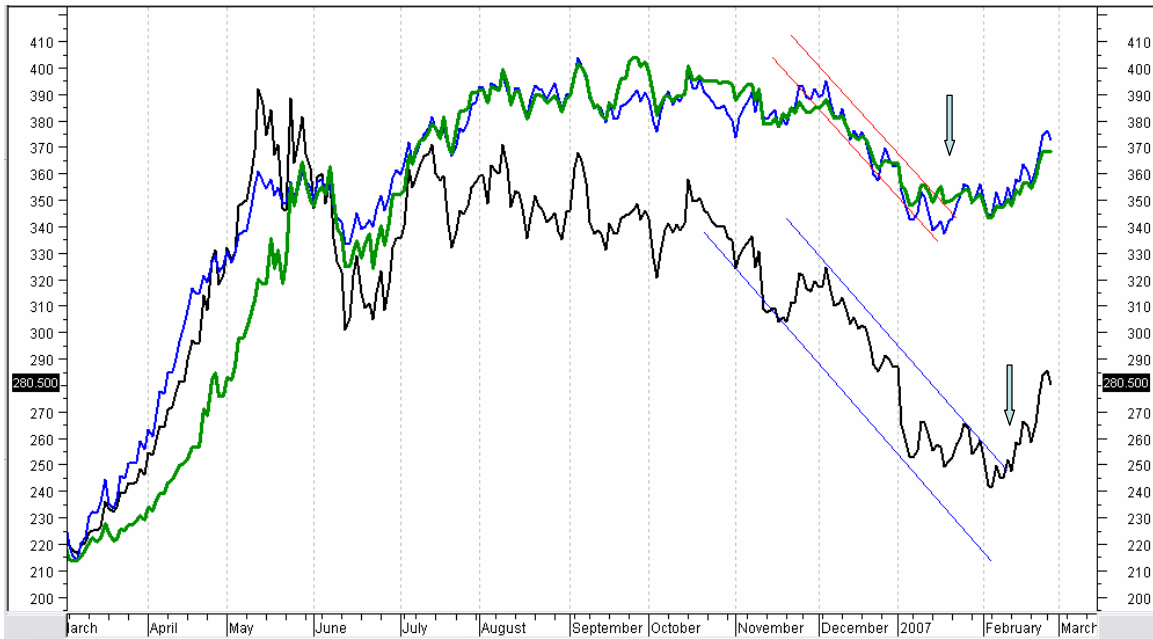


Figure 1

The market force analysis is a further confirmed by my complementary energy analysis. In figure 2 the kinetic energy is shown in green and the potential energy in blue. When the potential energy and kinetic energy are both moving in the same direction the price will tend to move in that indicated direction. In general the trend of the energies confirm the market force analysis and are coherent with the actual observed price movements. What is interesting to note is that the energy predicted a break out of the copper price about a month before the price itself broke out of its downward trend..



On an anecdotal level copper has fared reasonably well in the mayhem of the last two days. This is very encouraging because typically when the Chinese economy has any negative news copper is brutalized.

My analysis indicates that the Copper Bull has survived the crash and burn experience of the last 12 months and the Phoenix is due to rise from the ashes.

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