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Today we talk about commodities. They're dropping fast, and if that continues, you can forget about the Fed raising rates. Instead the D word (deflation) will start popping up, and a rate reduction won't be far behind.

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14 new set ups have been added to our watchlists this weekend.

First chart is \$CRB – Commodities Research Board. A long uptrend line has been broken.



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Unless you've been living in a hole, you know crude oil prices have been falling.



Unleaded gas has given back all of its 2006 gains, and although gas prices at the pump have come down, they haven't dropped as much as one would expect.



Coal is at a 52-week low. Is this a sign less products are being shipped via railroad?



Copper is holding up fairly well relative to other metals, but it may be in the process of breaking down.



Gold continued down last week. We still think 550 gets hit.



Silver got crushed last week and is sitting at the July low. Per our report last week, we think the 9.5 to 10.0 area gets tested.



Aluminum broke a long support trendline and is trying to fight its way back...250 will be tough resistance.



Steel has been trending down since May. Our first target if the descending triangle resolves down is the lower blue trendline which is drawn parallel to the upper red trendline.



Nonferrous metals are trading in a bear rectangle. If the pattern resolves down, the first target is 285ish, and the second target is the Nov. 2005 low.



Basic materials are being compressed by converging trendlines. The size of the pattern suggests a test of the high at 245 or the low at 180 depending on which way the pattern resolves.



Paper isn't doing too badly. Phew! Hopefully people don't cut back on their toilet paper usage.



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