

Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

August 2017



Commodities

Another tough month

KEY POINTS:

- **Slow rollover for CRB gains momentum**
- **Long-term pattern paints dim picture for commodities now**
- **Livestock, again, tops the performance list**
- **Oil prices continue to disappoint, with more containment**
- **Natural gas starts to rollover**
- **Gold and silver prices head lower**
- **Base metals still advancing**
- **Is the breakout in corn prices coming? We think so**
- **US\$ drops 9%; now nearing key support**

The breakdown of that formation occurred in Q217. The sub-50 (negative reading) in buying momentum (Relative Strength Index [RSI]) and being below a falling 50-week moving average (m/a) confirm the weakness. Support is at 165, and 155. Sagging oil prices are still the main downward driver of the CRB. Suspect more price weakness lies ahead. The downside target is 165. Remain on the sidelines (**Chart 1**).

Big picture: Long-term commodity trend

Chart 2 illustrates a long-term (135-year) performance comparison between the CRB and the S&P 500. The chart shows that, about every 18 years, one of the asset classes outperforms the other. A rising line favours the S&P over the CRB. A falling line illustrates the opposite. The last two periods when commodities were prominent was 1970 to 1982 and 2000 to 2012. With the line advancing upward since 2012, commodities should be taking a backseat in performance to the S&P 500 for the next few years (**Chart 2**).

CRB outlook: Rollover continues

A multi-month distribution pattern has developed for the Commodity Research Bureau (CRB) Index (Q2/16 - Q2/17).



Chart 1

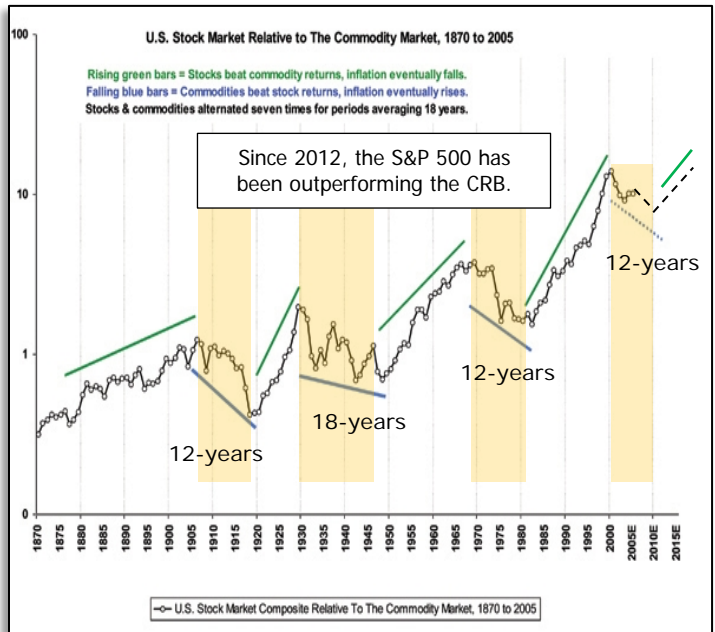


Chart 2