

Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

February 2019

Commodities

Some relief on a select few

KEY POINTS:

- **CRB remains pinned off of the mid-2017 base**
- **Deflationary pressures start to build: not a good sign for commodities**
- **Short-term pullback in the US\$ good for gold**
- **WTIC prices edges higher toward \$60**
- **Natural-gas prices lift off base**
- **No love for the industrial-metals sector**
- **Some price support builds for copper at \$2.60**
- **Livestock sector is the one bright spot**
- **Short-term weakness holds for the US\$**

CRB outlook: Down to 2017 base

Outlook negative: Our year-end target of 175 was met (see the December 2018 issue, page 1). The Commodity Research Bureau (CRB) Index is now in a broad consolidation, and trading near the base at 170. The near opposite movement of the U.S. Dollar Index highlights the vulnerability of the CRB to the swings of the big dollar. Any upside relief from the CRB would have to also include weakness from the US\$. Models stress that a prolonged upward movement is unlikely.

Bottom line: Look for stiff overhead price resistance at 185 to keep the CRB contained in the first quarter (Q1). We suggest staying on the sidelines at this juncture (**Chart 1**). Be quick to reduce positions if the CRB breaks below 170. The next lower support line is at 158.

One-year CRB curve-fitting models show a well-defined negative trend, suggesting that lower levels should be expected in the coming months (**Chart 1a** on page 2).

Deflation vs. inflation

Deflationary assets (consumer products, financials, technology, industrials, etc.) are slowly outperforming inflationary assets (commodities). We expect this trend to strengthen, going into mid-year (**Chart 2** on page 2).

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception Mid-2003</i>
TS Model Portfolio	8.32%	8.32%	479.94%
S&P 500	8.12%	8.12%	170.40%

16-year average for the TS Model Portfolio: 11.90%
16-year average for the S&P 500: 6.57%

<https://www.technicalspeculator.com/services/ts-model-growth-portfolios>

New dividend income portfolio launched: 7.46% yield



Chart 1