

# Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

May 2019

## Commodities

### Copper and Livestock indexes shine

#### KEY POINTS:

- Range-bound trading expected for CRB into mid-year
- Inflationary assets still taking a back seat to deflationary assets
- The energy sector had the best 90-day performance
- WTIC nears a top, with sub-\$60 coming
- The gold rally appears to be losing steam
- Natural-gas inventories expected to grow in 2nd quarter (Q2)
- Copper prices show a bright spot in commodity universe
- U.S. dollar stalls on its way to par

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception Mid-2003</i>
<b>TS Model Portfolio</b>	3.41%	19.54%	<b>540.00%</b>
S&P 500	3.99%	17.79%	194.58%

16-year average for the TS Model Portfolio: 12.41%  
16-year average for the S&P 500: 7.05%

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

New dividend income portfolio launched: 6.37% yield

#### CRB outlook: Range-bound

**Outlook neutral:** Our outlook for the Commodity Research Bureau (CRB) Index remains neutral going into



Chart 1

mid-year. As deflationary pressures continue to dominate the markets, the CRB is bending to those strengths. Some upward movement from the base (168 to 166) is still developing. The Relative Strength Index (RSI) is confirming. Models suggest that some slowing will build as the index nears the next upside resistance zone, around 192 (**Chart 1**).

**Bottom line:** Expect only marginal upward strength from the CRB over the next month. Expect some weakness to build as Q2 progresses. Support at 183 should hold any retracements. Traders should remain cautious.

#### Deflation vs. inflation: Deflation wins

Deflationary assets ([!PRDI](#)) have been outperforming inflationary assets ([!PRII](#)) since mid-2016.

Deflationary assets are consumer products, financials, technology, industrials, healthcare and real estate (**Chart 2** on page 2).

**Bottom line:** We expect this trend to continue throughout this year. The upward trend of deflationary asset performance over inflationary asset performance implies that commodities are facing ongoing headwinds in 2019. We see no evidence that this trend will change this year.