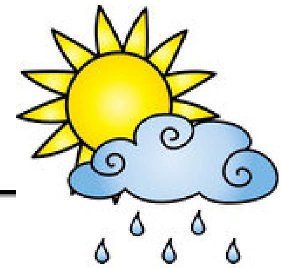
Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

April 2020



Commodities

Oil prices take a big hit

KEY POINTS:

- **Commodity index (CRB) deeply oversold**
- **Deflationary assets continue outperforming inflationary assets**
- **Precious metals have the top 90-day performance within a weak crowd**
- **WTIC prices get whacked, head to 1990s levels**
- **Natural gas drops to three-year low**
- **Gold now drifts downward after $1,700 peak**
- **Industrial Metals Index sinks to three-year low**
- **Copper prices break key support level**
- **Agriculture index slump continues**
- **Upward trend for the US$ flattens**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	-19.46%	-24.50%	**412.59%**
S&P 500	-16.19%	-20.00%	158.46%

16-year average for the TS Model Portfolio 10.22%
16-year average for the S&P 500 5.82%

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

CRB outlook: Deep oversold level

Outlook negative: Failing to find support at the 168 level, the index has been driven deeper by the dive in oil prices.

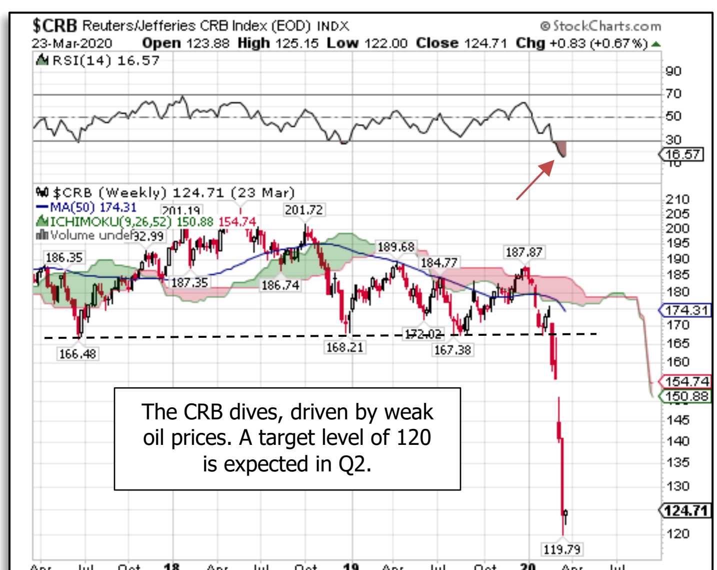


Chart 1

It is now at a new 20-year low (**Chart 1**), and currently testing the lowest support line of 120. Buying momentum (Relative Strength Index [RSI]) is negative (confirming the weakness).

Curve-fitting models are still suggesting that price weakness will continue in 2020. Models point to 120 as a mid-year target (**Chart 1a**).

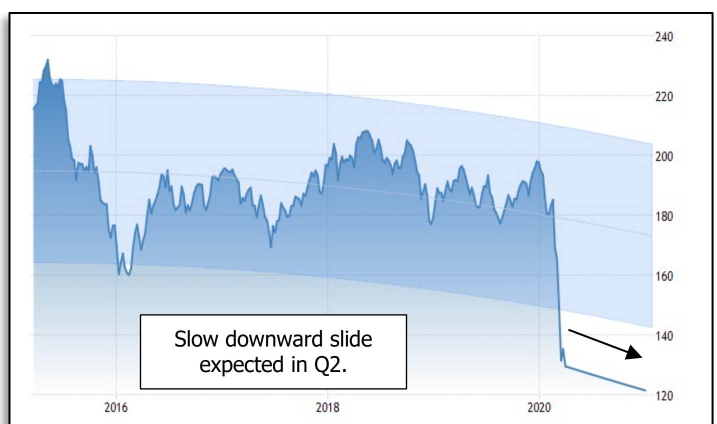


Chart 1a

Bottom line: The current price weakness of the Commodity Research Bureau (CRB) Index is compounded by the negative effects of the COVID-19 coronavirus on travel. Oil prices are plunging due to the rapid slowdown of demand and use of this commodity. Travel on airlines and cruise ships and in cars has been greatly reduced. We expect this trend to hold over the next 60 to 90 days.

Deflation vs. inflation

Deflationary assets have equal performance to inflationary assets. We expect deflationary assets to outperform inflationary assets by mid-year (**Chart 2**).

Bottom line: Although both asset classes appear to have near equal performance, the primary trend still favours deflationary assets (financials, technology, industrials, consumer products, etc.) over inflationary (commodities). This action has been the general tone since 2011.

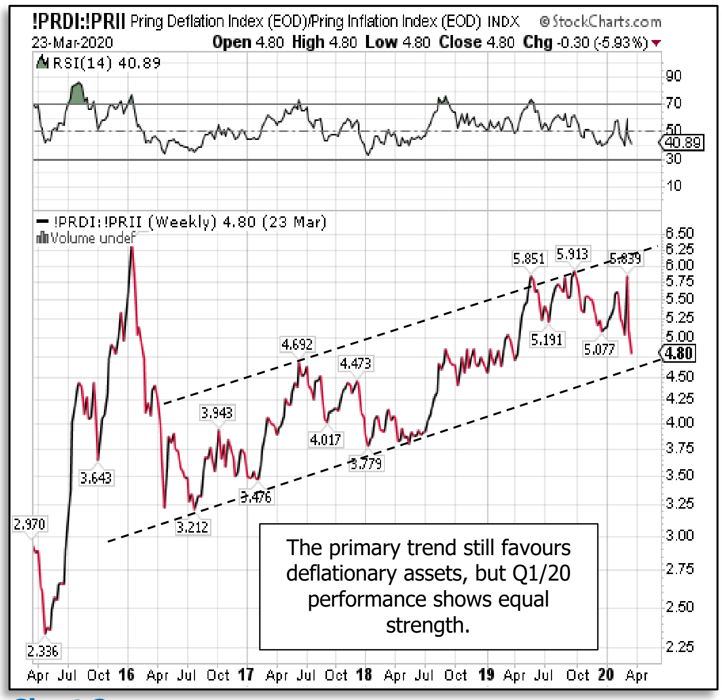


Chart 2

Relative performance: CRB vs. S&P

Over the last 10 years, the CRB Index has continued to underperform the S&P 500. There are no indications of this arrangement reversing (**Chart 3**). It also adds to the evidence of deflationary assets dominating inflationary assets during this market cycle.

Commodity performance: Gold

The S&P GSCI Precious Metals Index ($GPX) had the best 90-day performance, followed by the S&P GSCI Agricultural Index ($GKX). Note the relative price strength of the U.S. dollar. The relative price strength of the U.S. dollar. The rise of the dollar is partly due to the 'safe-haven' mentality.

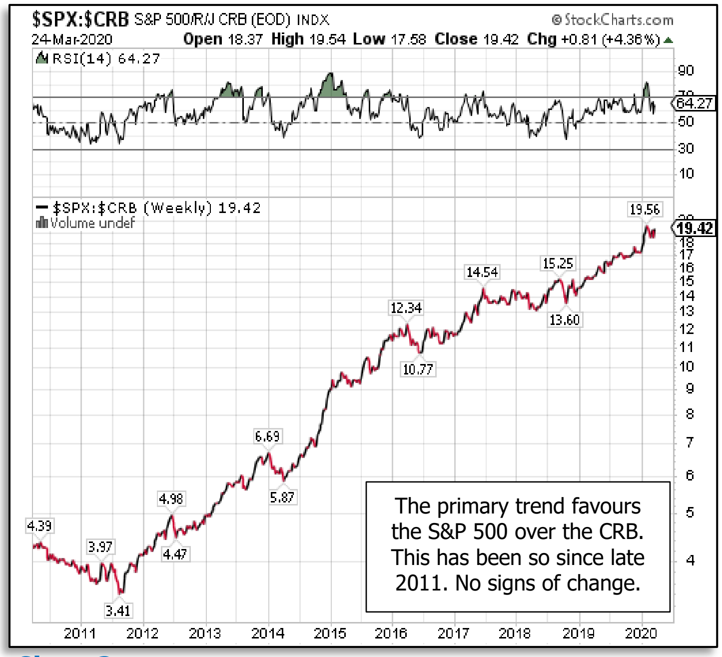


Chart 3

To no one's surprise, the energy sector had the lowest performance (**Chart 4**).

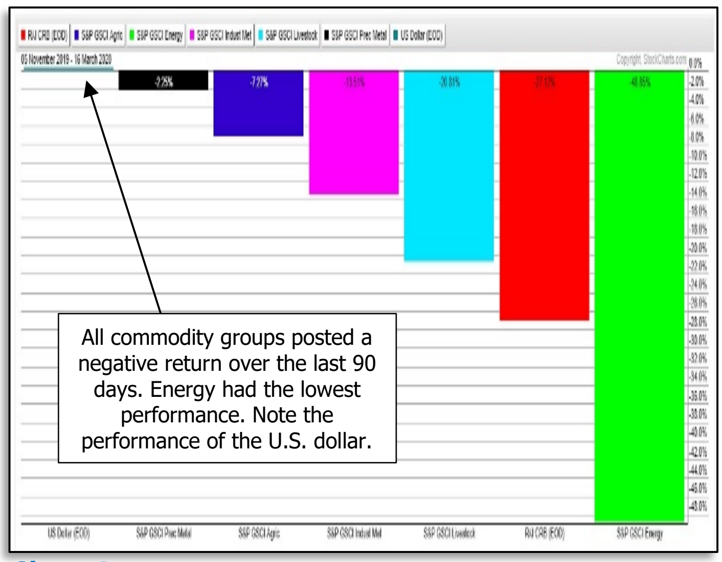


Chart 4

WTIC: Oversold

Outlook negative: A rapid plunge through the price support level of $42 has driven WTIC prices down to the early 2016 support level of $28 (**Chart 5** on page 3). Buying momentum (RSI) is oversold (confirming price weakness and a likely low).

Curve-fitting models suggest that price weakness will persist throughout most of this year. The Q3 target is $20.00 to $19.00 (**Chart 5a** on page 3).