Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

April 2021 18th Year

Commodities

Weakness builds for gold as US$ rises

KEY POINTS:

- **S&P GSCI Commodity Index reaches key resistance range with major overbought reading**
- **Deflation/inflation remain equal, for now**
- **Energy sector tops 90-day performance, precious metals had lowest**
- **Overbought reading as WTIC nears $70**
- **Natural gas stalls between $2.50-$3.30**
- **Price weakness builds for gold and silver**
- **Industrial metals start to show strength**
- **U.S. dollar starts to rise, heads to $0.944**
- **Sector rotation shows sequence of expected commodity strength**

	Since Last Month	Year to Date	Since Inception mid-2003
TS Model Portfolio	1.86%	4.65%	**826.39%**
S&P 500	1.36%	5.75%	297.29%

18-year average for the TS Model Portfolio – 13.33%
18-year average for the S&P 500 – 8.06%

https://www.technicalspeculator.com/services/ts-model-growth-portfolios 7.19% average dividend yield

S&P GSCI outlook: Overbought

Outlook neutral/negative: The steady rebound over the last 12 months has placed the S&P GSCI Commodity Index (GTX) into the stiff price-resistance range of 2320 to 2650. Buying momentum (Relative Strength Index [RSI]) (**Chart 1**) is overbought (confirming an expected retracement). This is the first overbought reading since Q1 2018.

The recent upward movement of the GTX is aided by the lifting U.S. 10-year T-bond yields. Yields are rising due to the development of the COVID-19 vaccines and the expectation of more fiscal stimulus. Investors are out of Treasuries and into risker assets like stocks.

Five-year curve-fitting models illustrate that a likely top is being formed now. The outlook forecasts a minor downward drift into mid-2021. The expected target into mid-year is 2100 (**Chart 1a** on page 2).

Bottom line: The index is hitting a significant price barrier now. Although the GTX is overbought, it is being aided by the run-up in U.S. T-bond yields. U.S. inflation has reached a 12-month high of 1.7%, and a recent strong jobs report is expected to prop up yields and benefit commodity prices. Look for a short-term movement to 2400 to 2500, and then a shallow retracement to 2100.

Chart 1

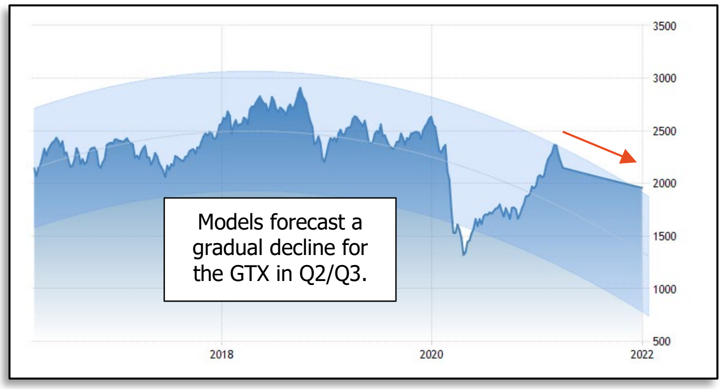

Chart 1a

Deflation vs. inflation: Still equal

Outlook neutral: Starting in April 2020, the pattern of near-equal performance between deflationary and inflationary assets continues. There is no evidence of either asset group showing dominance, yet (**Chart 2**).

Chart 2

The 12-year view shows that a base-building of near-equal performance is still developing. More similar price action is expected in Q2 (**Chart 2a**).

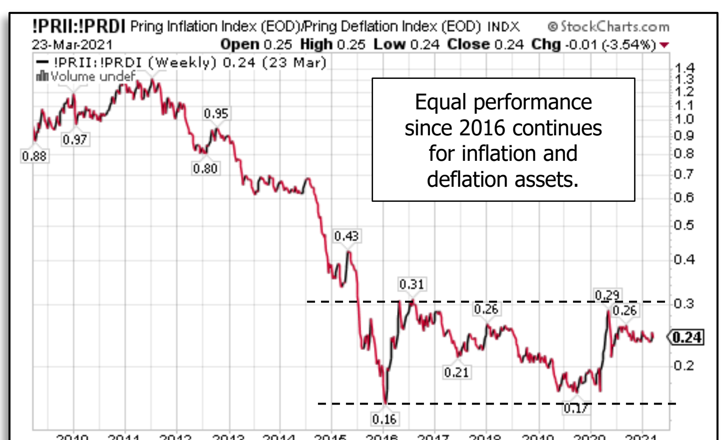

Chart 2a

Relative performance: GSCI vs. S&P

The primary trend continues to favour the S&P 500 over the S&P GSCI Commodity Index. Starting in early 2020, price action does show slightly stronger performance from the GSCI. Nevertheless, we expect this trend to reverse back to the primary trend in mid-year (**Chart 3**).

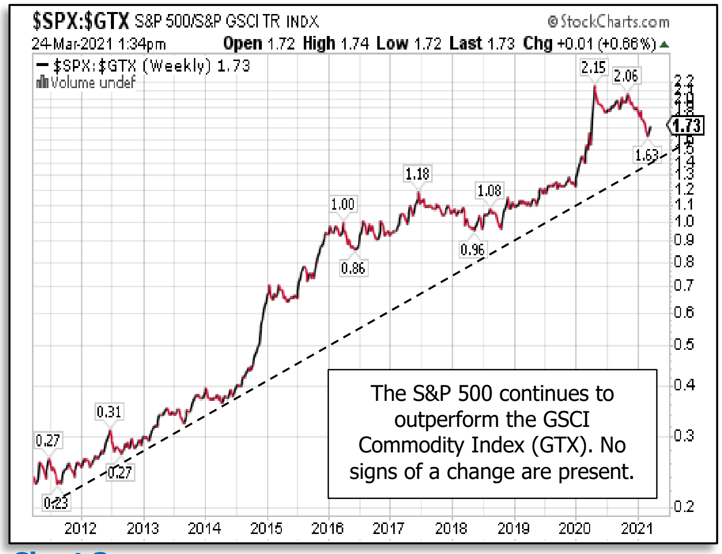

Chart 3

Commodity performance: Energy

The S&P GSCI Energy Index (GJX) had the best 90-day performance, again. This was the only sector that outperformed the benchmark S&P GSCI Commodity Index (GTX). Precious metals had the lowest performance. This decline in precious-metals performance is due to rising U.S. T-bond yields and the slow rebound of the U.S. dollar (**Chart 3**).

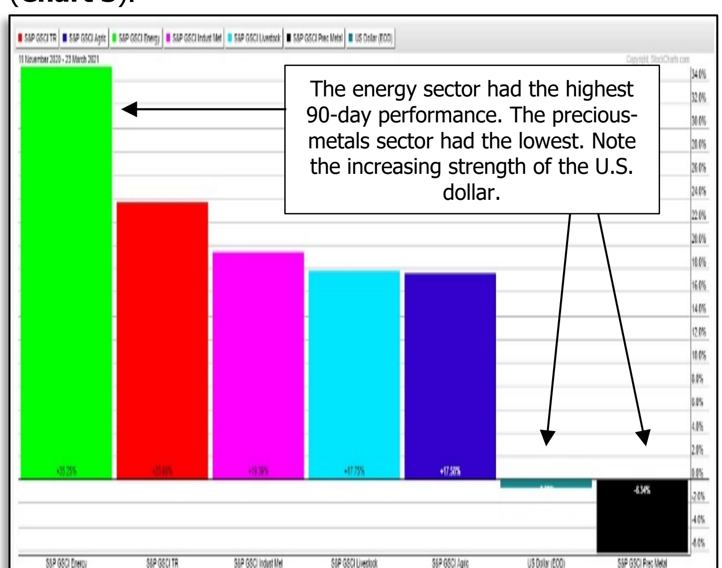

Chart 3