Commodities

Transition strength continues into Q2

Key Points:

- **S&P GSCI Commodity Index (GTX) hits short-term pullback**
- **Price weakness in long bonds leads to the rise in commodity prices**
- **Performance between inflationary and deflationary assets shows a possible "changing of the guard"**
- **The Energy sector takes the top 90-day performance spot**
- **WTIC prices reach $130 in an overbought run, pulling back to support**
- **Natural gas prices land on a crucial support level and rebound higher**
- **New high for gasoline prices**
- **Rising US dollar, bond yields add headwind to gold prices. Lower levels coming**
- **Silver prices remain capped as gold prices decline**
- **The upward surge in industrial metals continues**
- **Copper prices hold above rising 50-week m/a**
- **The advance continues for S&P Agricultural Index**
- **The U.S. dollar is near par on safe-haven concerns and interest rate hikes**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	2.95%	-6.54%	**861.82%**
S&P 500	3.57%	-4.95%	353.04%

The 19-year average for the TS Model Portfolio – 12.80%
The 19-year average for the S&P 500 – 8.37%

https://www.technicalspeculator.com/services/ts-model-growth-portfolios 6.73% average dividend yield

S&P GSCI outlook: Overbought

Outlook positive: The upward trend of the S&P GSCI Commodity Index (GTX) has advanced too far, too fast in March. A short-term pullback to lower levels is expected.

Buying momentum (RSI) for the commodity index is overbought and suggests some retracement over the next few months (**Chart 1**). This same action with the GTX occurred multiple times in 2021 when the RSI was overbought. The first support level is at 3,500 followed by 3,175. The GTX also continues to be aided and follows the trend of the US 10-year Treasury yields. As yields have made a breakout of a multi-year consolidation in early Q1, higher yield levels are now expected. The same can be anticipated for the GTX.

5-year forecast models (**Chart 1a on page 2**) suggest some short-term trend flattening early into the second quarter with price levels remaining above 3,175 and then edging upward into mid-year.

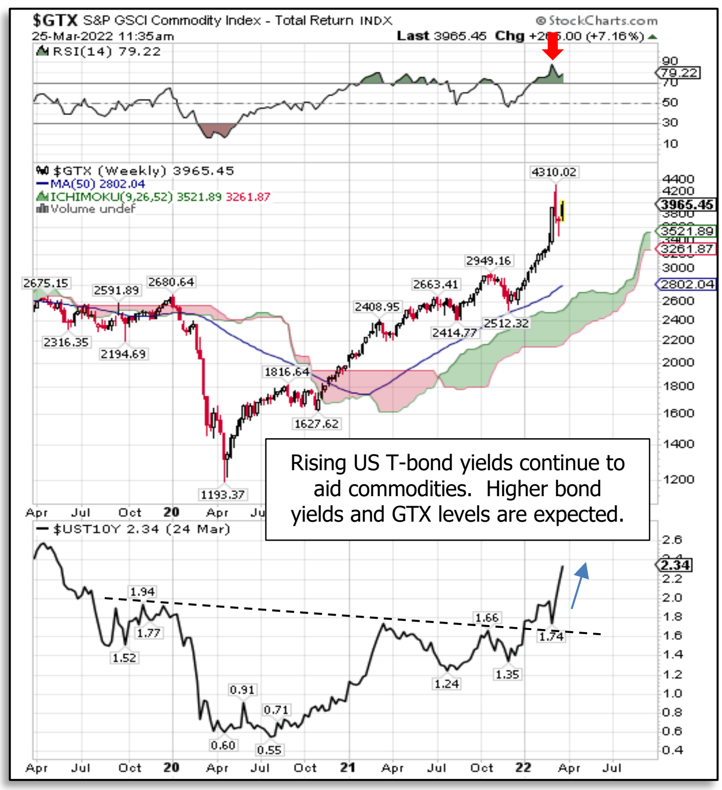

Chart 1

What does it mean? The S&P GSCI Commodity Index has been getting a lift from the ongoing rise in the U.S. T-bond yields. The trend for the GTX is expected to remain positive into Q2. The target of 3,600 has been met. The new target is 4,450. Continue to hold the position.

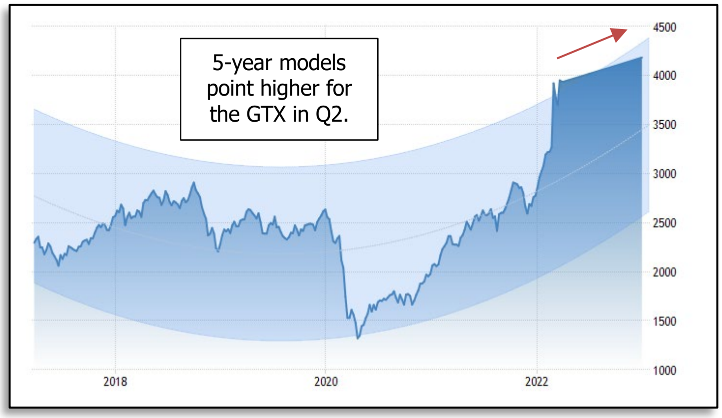

Chart 1a

Weakness in bond prices

The downturn in bond prices (iShares 20+ Treasury bonds) had signaled a run in commodity prices. Bond prices lead to commodity prices. As bond prices are expected to continue declining (bond prices decline as yields rise. See **Chart 2**), the outlook favours higher levels in commodity prices.

Chart 2

Relative performance: GTX vs. S&P

Outlook neutral: The long-term (20 years) relative performance between the two opposing assets shows that the GTX is starting to outperform the S&P 500. Buying momentum (RSI) is now positive (indicating ongoing upward strength for the GTX over the S&) 500).

What does it mean? The breakout in relative performance between the GTX and the S&P 500 shows building leadership with the commodity index. We expect this trend to build in 2022 (**Chart 3**).

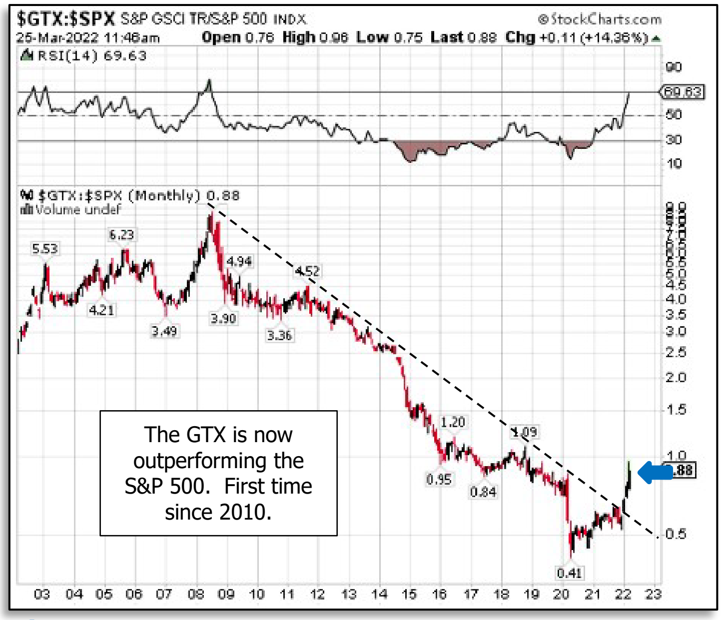

Chart 3

Deflation vs. inflation: Slow change

Outlook neutral: Inflationary assets are slowly winning the performance battle with deflationary assets (**Chart 4**). Inflationary assets (commodities) had equal performance strength with deflationary investments (Dow stocks) for most of 2020 and mid-2021. But commodities' relative performance decreased over the summer in Q3 and Q4 but regained strength in Q1/22.

What does it mean? A reversal of performance favouring inflationary assets over deflationary appears to be developing in Q1/22. More time is still needed to confirm this new trend.

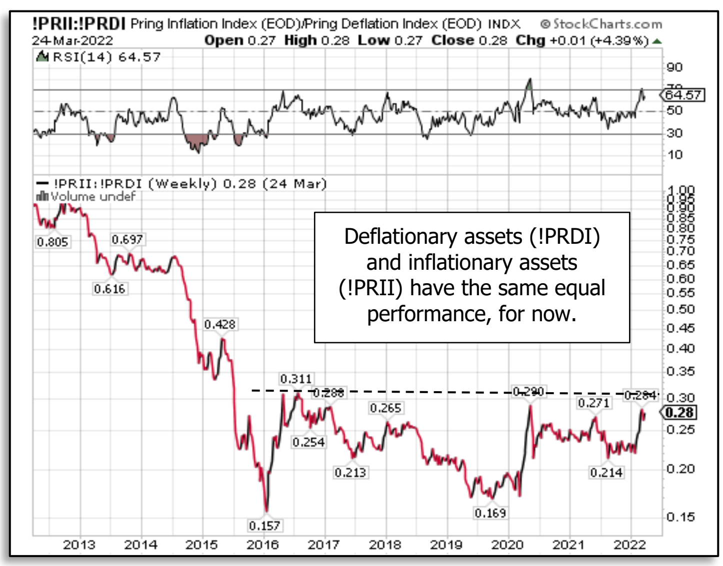

Chart 4

Commodity performance: Positive

All of the sectors underperformed the benchmark S&P GSCI Commodity Index. The S&P GSCI Energy Index had the best 90-day performance followed by the Industrial metals sector. The precious-metals sector had the lowest performance from November through to March (**Chart 5**).

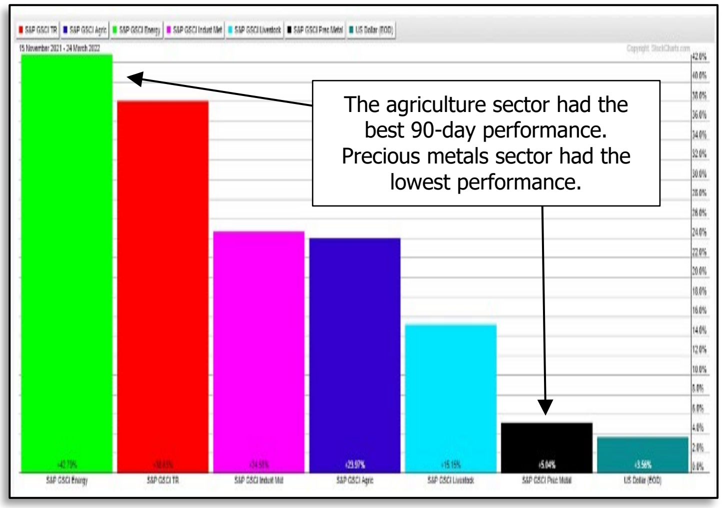

Chart 5

WTIC: Overbought

Outlook: positive: After reaching a 14 year high in March with a record $130.50 per barrel, light crude oil prices pulled back with the announcement of additional supply coming from Venezuela, Iran, and OPEC. Geopolitical uncertainties kept traders on edge after the first round of Russia-Ukraine talks failed.

Chart 6

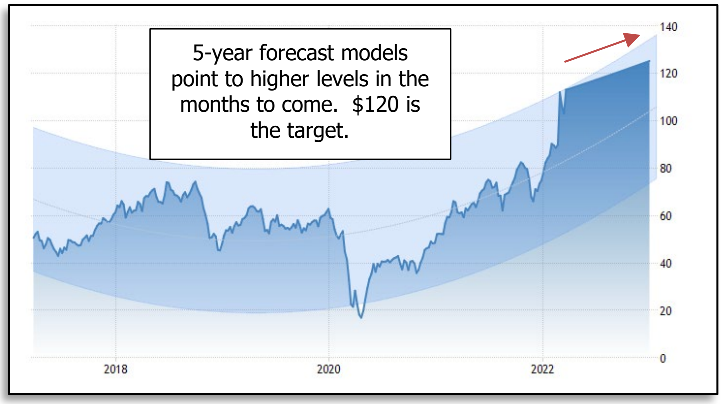

Chart 6a

Technically, light crude oil prices have advanced too far, too fast. The first support level is at $90.00 followed by $85.00. Buying momentum (RSI) is positive but overbought (confirming some retracement). WTI is remaining above the rising 50-week m/a (another positive). (**Chart 6**).

Five-year forecast models suggest sustained strength for WTI over the next few months. Models indicate that the price will remain well supported and reach $120 by late Q2 (**Chart 6a**).

What does it mean? WTIC is expected to remain in a measured advance. Any pullback over the next few months should be minable. Continue to hold. $120 is the target.

Natural gas: Holding above 50w m/a

Outlook: neutral/positive: Weaker demand prospects helped offset reports of production disruptions. The looming spring warmth has caused a sharp decrease in heating demand (**Chart 7**). Some signs of advances in Russia-

Chart 7