

# Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

August 2019



## Commodities

### Gold shines on cresting U.S. dollar

#### KEY POINTS:

- **Commodity index (CRB) performance is flat**
- **More weakness expected for the CRB in Q4**
- **Deflationary assets continue to outperform inflationary assets**
- **Oil's bounce is running out of strength**
- **Gasoline prices stall at \$2.00**
- **Natural-gas prices point to \$2.05**
- **Gold is overbought; pullback expected**
- **Silver continues to base-build; no breakout yet**
- **Copper prices find support at \$2.60**
- **Corn prices soar with wet planting season**
- **US\$ now range-bound; likely to top at \$0.982**

#### CRB outlook: More base-building

**Outlook negative:** The Commodity Research Bureau (CRB) Index challenged the downward-sloping 50-week moving average (m/a) again and fell. Models suggest that the m/a line of resistance will hold. Buying momentum (Relative Strength Index [RSI]) is fading (not confirming). First support is at 172.5 (**Chart 1**).

Fifteen-month curve-fitting models continue to show the CRB in a downward trend. It is presently nearing the top of the curve. Resistance is expected to build as the index nears the top of the band. Lower levels are expected (**Chart 1a** on page 2).

**Bottom line:** The recent reflex bounce failed. A retest of the 172.5 level is expected. The main drivers are precious metals (largely due to the stalling of the U.S. dollar) and the agriculture sector. Look for more weakness in late Q3.

#### Deflation vs inflation

Inflationary assets (commodities) continue to underperform deflationary assets (stocks). The index is now at a two-year low. We expect this trend to continue into 2020.

**Bottom line:** Market strength continues to favour deflationary assets (financials, technology, industrials, etc.) over commodities (**Chart 2** on page 2).

|                               | <i>Since Last<br/>Month</i> | <i>Year to<br/>Date</i> | <i>Since Inception<br/>Mid-2003</i> |
|-------------------------------|-----------------------------|-------------------------|-------------------------------------|
| <b>TS Model<br/>Portfolio</b> | +0.08%                      | +19.79%                 | <b>+541.37%</b>                     |
| S&P 500                       | +1.39%                      | +19.17%                 | +198.04%                            |

16-year average for the TS Model Portfolio: 12.21%  
16-year average for the S&P 500: 7.00%

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

New dividend income portfolio launched: 6.76% yield



Chart 1