Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

August 2022

Commodities

Short-term stall ending soon

Key Points:

- **Flatter trend for the GTX continues into Q3**
- **Performance between inflationary and deflationary assets shows deflationary gaining**
- **The US dollar soars tapping down commodities performance**
- **WTIC prices slowly advance in Q3, heading back to $125.00**
- **A pullback then higher price levels for Natural gas. $9.00 is the new target**
- **Gasoline (GASO) posts new all-time high**
- **Industrial metals index pulls back on global economy worries**
- **Gold prices show no love for gold bugs**
- **Agriculture prices soar on climate issues. Pullback short-term**

	Since Last Month	Year to Date	Since Inception mid-2003
TS Model Portfolio	11.52%	-14.30%	**781.92%**
S&P 500	9.10%	-13.34%	313.03%

The 19-year average for the TS Model Portfolio – 12.06%
The 19-year average for the S&P 500 – 7.70%

https://www.technicalspeThe culator.com/services/ts-model-growth-portfolios 7.06% average dividend yield

GTX: Just a pause, retesting high

Outlook positive: The S&P GSCI Commodity Index (**GTX**) is pausing briefly after a steady advance over the last 18 months. The GTX continues to have a close trading correlation to the rising US 10-year Treasury bond. The Fed's battle with inflation will keep driving T-bond yields higher over the next few months This action suggests that the GTX will also go higher (**Chart 1**). Technically, the GTX is pulling back to a support level at 3,175. Buying momentum (RSI) is rolling over indicating price weakness over the next month or two.

Five-year forecast models suggest the GTX will remain under 4,000 in Q3 (**Chart 1a on page 2**).

What does it mean? The S&P GSCI Commodity Index has been riding the coattails with the ongoing rise in the U.S. T-bond yield. The upward trend for the GTX is expected to remain positive in Q3, but continue to show some short-term weakness along with the US 10-year T-bond yields. The late Q3 target for the GTX is 3,900-4,000. Continue to hold.

Chart 1

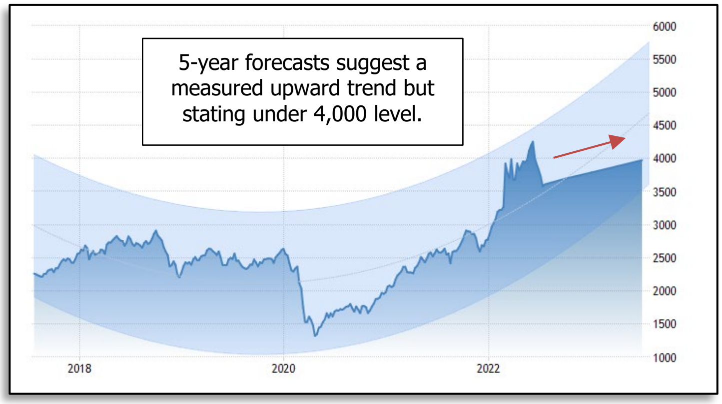

Chart 1a

Inflation vs deflation: Weakening

Outlook neutral: Inflationary assets have had near equal performance against deflationary assets since Q2 2021. But with the soaring US dollar, the tide is slowly changing.

The ongoing rise in the greenback has put the brakes on the inflationary asset (commodities) charge in Q1 (**Chart 2**).

Chart 2

What does it mean? As we expect the US dollar to continue advancing (aided by the Fed's aggressive interest rate policy), the performance leadership should be shifting to deflationary assets in Q3.

Commodity performance: $USD

The relentless advance of the US dollar has halted the rise of all the commodity groups except the Livestock sector over the last 90 days. From precious metals to energy to industrial metals, all are down considerably (**Chart 3**).

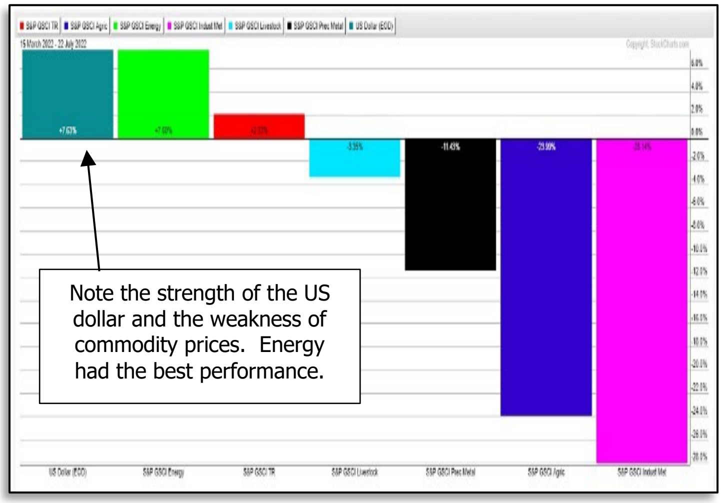

Chart 3

What does it mean? The Fed's aggressive interest rate policy is propping up the dollar and pushing natural resource prices lower. This pattern is expected to continue as long as US inflation is running hard and interest rates need to be advanced.

WTIC: Stabilizing under $125

Outlook: positive: US interest rate bulls are now favouring only a 75bps point rise versus the mammoth 100bps increase. This action gives further optimism to oil bulls. On the supply side, OPEC member countries are reporting they are currently pumping at maximum capacity. Escalating fears of a demand slowdown continue to hang on the market (**Chart 4**).

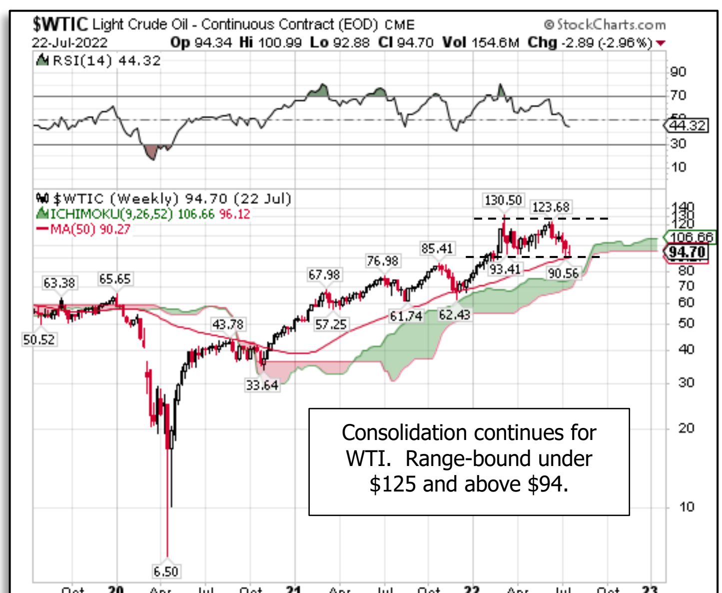

Chart 4

WTI is still holding to the key 50-week m/a. Buying momentum (RSI) is declining, now negative (not confirming additional upward strength). Selling pressure starts to build at $125.

Five-year forecast models suggest measured strength for WTI over the next few months. Models indicate that the price will remain under $125 in Q3. (**Chart 4a**).

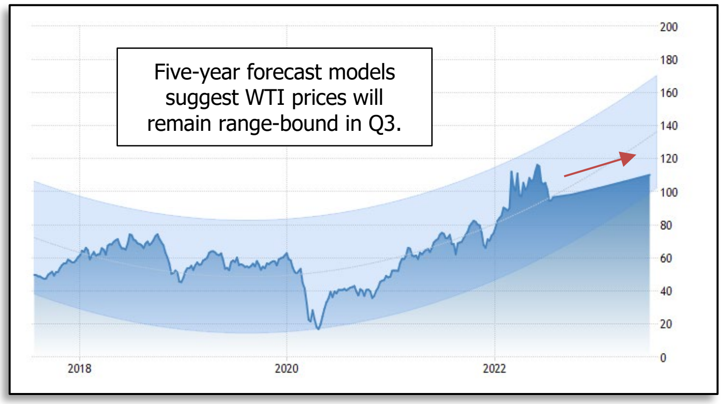

Chart 4a

What does it mean? WTIC is expected to remain in a measured advance but remains under $125. Any pullback over the next few months should be minable. Continue to hold. $125 is still the target.

Natural gas: Rebound off support

Outlook: neutral/positive: US NatGas futures closed at their highest level in June due to weather-driven demand in Europe and Asia. The latest EIA report shows that stockpiles stand well below the five-year average for this time of year.

The continuous contract for Natural gas is recoiling again off the 50-week m/a (**Chart 5**). This action has repeated

Chart 5

itself many times since late 2020. Buying momentum (RSI) is neutral (not confirming upward strength).

Five-year forecasting models suggest that natural gas prices will advance in Q3 and trade at $7.50/MMBtu and then slowly advance to about $9.00 (**Chart 5a**).

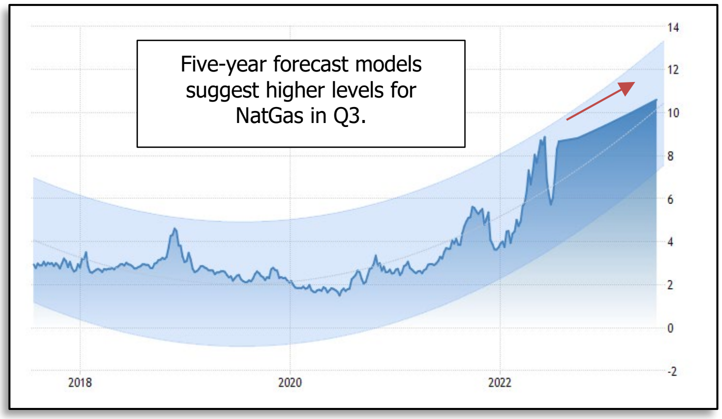

Chart 5a

What does it mean? The demand for natural gas is expected to remain well supported in Q3 as adverse weather temperature patterns and geopolitical demands are predicted to remain in place. The first target is $9.00 MMBtu.

Gasoline: Dipping in price

Outlook: neutral/positive: US gasoline futures dropped in June as investors worried about the potential recession-driven demand downturn even as supplies remain extremely tight. The latest EIA report showed that gas inventories declined to 2.49 million barrels. One of the lowest levels of the year (**Chart 6**).

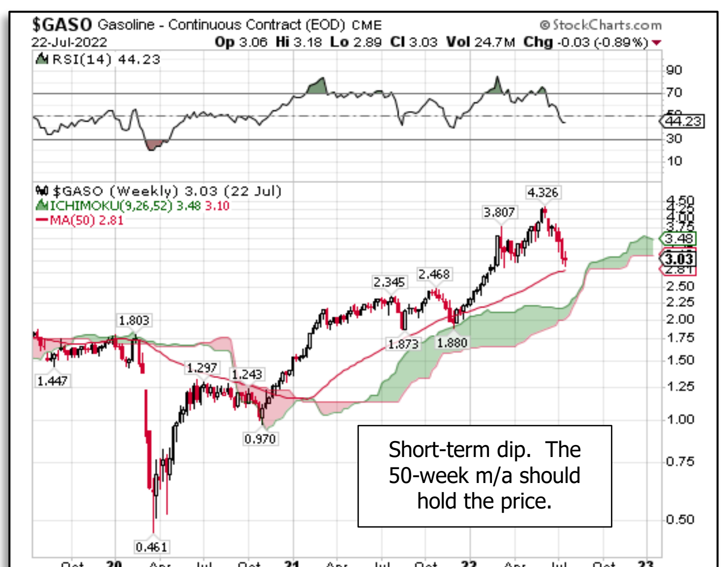

Chart 6