Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

December 2022

Commodities

Weak $USD provides little bounce

Key Points:

- **GTX continues to stall on US dollar pressure**
- **Inflationary assets show some performance against deflationary assets, finally**
- **A weaker trend starts to build in WTI**
- **More consolidation for NatGas prices**
- **Gasoline prices follow oil's weakening trend**
- **A jump in gold prices as dollar pulls back**
- **$USD drop produces a limited move in silver**
- **Industrial metals index mounts measured move on recession fears, demand lowers**
- **Copper prices find tentative support at $3.25**
- **S&P GSCI Ag Index struggles to break above 50-week m/a**
- **Drop in the US dollar index finds a bottom at $1.05**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	5.49%	-14.06%	**784.44%**
S&P 500	5.81%	-14.39%	308.01%

The 19-yr average for the TS Model Portfolio – 11.85%
The 19-yr average for the S&P 500 – 7.49%

TS Model Income Portfolio – 8.67% average div. yield

GTX: Ongoing stall into Q1

Outlook neutral: The S&P GSCI Commodity Index (**GTX**) continues to stall. The reasons are many. 1) With the US dollar's steady climb, 2) non–yielding US-priced commodities are not as much value to foreign buyers especially with bond yields rising. 3) Recession fears continue to keep institutions away from many natural resources. The GTX can be expected to remain in a trading range into Q1 (**Chart 1**).

Buying momentum (RSI) is negative (not confirming additional upward strength) indicating price stalling over the next few months. Stiff resistance sits at 4,000 and support is at 3,400.

Chart 1

Five-year forecast models suggest the GTX will remain under 3,900 and stay range-bound into Q1 (**Chart 1a on page 2**).

What does it mean? The upward trend for the S&P GSCI Commodity Index has stalled due to many elements. We do not expect much movement in the GTX, up or down over the next few months as the opposing forces (1, 2, 3) should keep the GTX range-bound.

The Q1 target for the GTX is 3,900. Continue to hold.

Chart 1a

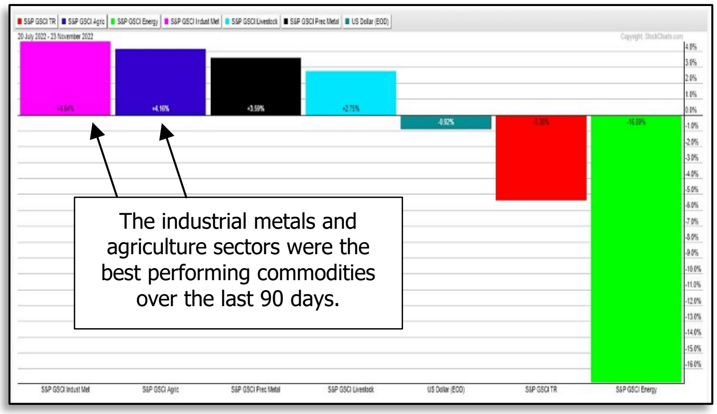

Chart 3

Inflation vs deflation: A small bounce

Outlook neutral/negative: Inflationary assets were under pressure as the US dollar roared higher. The recent pullback in the Big dollar gives inflationary assets (commodities) some breathing room (**Chart 2**).

Chart 2

What does it mean? We expect the US dollar to remain well supported as US inflation still continues to be a concern. The short-term shift to inflationary assets (aided by a pullback in the $USD) should continue this month.

Commodity performance: Metals

The recent retracement of the king dollar has allowed the rise of most of the commodity groups over the last 90 days. Industrial metals and agriculture are winners with energy taking the last position of performance (**Chart 3**).

What does it mean? The Fed's expected softening of its aggressive rate increases has made some dollar bulls into bears. Short-term sell-off of the $USD has provided most commodity sectors to rise. We expect this pattern to continue into Q1.

WTIC: Weakening trend into Q1

Outlook: neutral/negative: A stronger dollar and the uncertainty of China are keeping investors on edge. The rising Coronavirus cases in China are pushing back the idea of a broader reopening. On the demand side, the prospect of even tighter supply continues to put a floor under oil. With OPEC+ cutting back on production by 2 million barrels per day. At the same time, the European Union ban on Russian oil takes effect this month. US crude oil production remains high marking a new 5-year record (**Chart 4**).

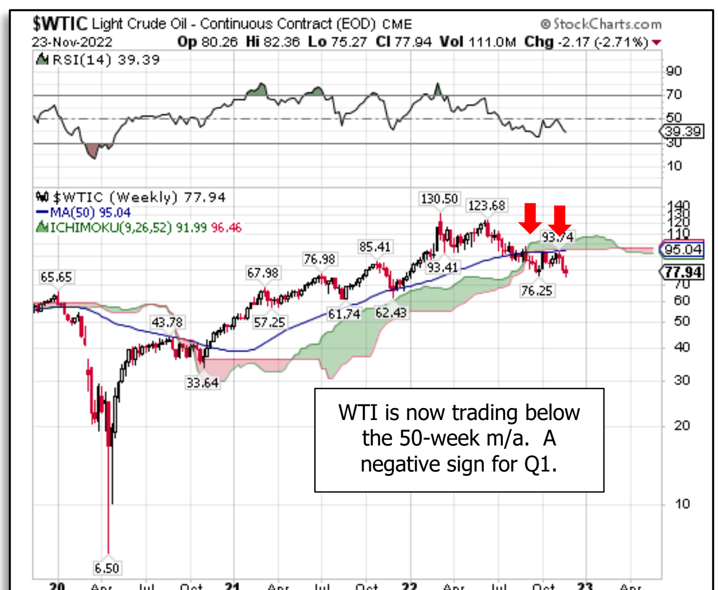

Chart 4

WTI continues to consolidate under the $100 level. Now below the key 50-week m/a (negative). Buying momentum (RSI) is now neutral (not confirming additional upward strength).

Five-year forecast models suggest measured movement for WTI over the next few months. The price of WTI is expected to remain around $96 over the next few months (**Chart 4a**).

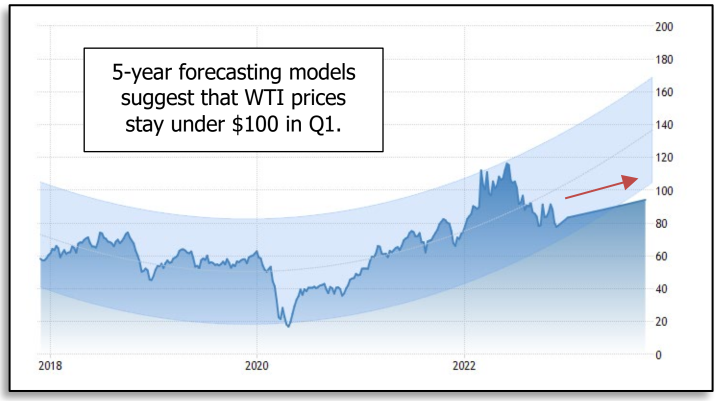

Chart 4a

<u>What does it mean</u>? Economic concerns still dominate oil prices. WTIC is expected to remain in a tight consolidation over the next few months. Any pullback or advance over the next few months should be minimal. <u>Continue to hold. Holding our Q1 target to $96.</u>

Natural gas: Mild rebound

<u>Outlook: neutral/positive</u>: Gas prices in Europe fell to a four-month low as a warmer–than–expected October and November allowed for more injections than withdrawals. In the US, colder-than-normal temperatures are expected to cover most of the country in December and January.

Chart 5

The latest EUA report showed US utilities added 100 billion cubic feet (bcf) of gas to storage. This increase is much larger than usual.

Natural gas's upward trend has started to rebound. The commodity's recent bounce is now above the 50-week m/a. Buying momentum (RSI) is neutral (not confirming upward strength). The next support level is at $5.00 (**Chart 5**).

Five-year forecasting models suggest that natural gas prices will advance slightly in Q1 and trade around $7.50/MMBtu (**Chart 5a**).

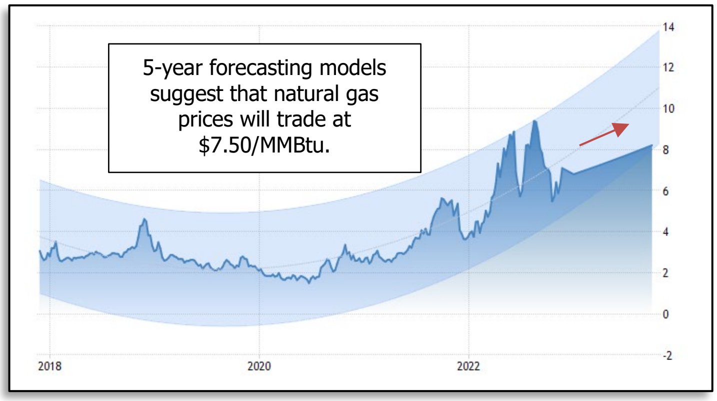

Chart 5a

<u>What does it mean?</u> Warmer winter weather and increasing supply have tapered the advance of natural gas. The demand for natural gas is still expected to remain well supported over the winter months. <u>The target has been lowered to $7.50 MMBtu for Q1.</u>

Gasoline: Below the m/a

<u>Outlook: neutral/negative:</u> Gasoline futures are remaining supported around $2.45 amid favourable domestic demand and tight supplies (**Chart 6**). The latest

Chart 6