Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

August 2021 18th Year

Commodities

Many commodities hit resistance levels

Key Points:

- **S&P GSCI Commodity Index stalls at key resistance level**
- **Performance between inflationary assets deflationary assets are now equal**
- **Long-term performance still shows the S&P 500 over commodity index GTX**
- **Energy sector takes the top performance 90-day spot, once again**
- **WTI pulls back after major breakout**
- **Natural gas moves out of multi-month consolidation**
- **Gold prices point lower into mid-year**
- **Consolidation continues to hold silver prices in tight range**
- **The upward surge in base metals holds**
- **Copper prices minor pullback from record high**
- **S&P Agricultural Index starting to rebound**
- **U.S. dollar edges higher after base-building at $0.89**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	0.42%	16.45%	**930.83%**
S&P 500	2.86%	16.92%	339.53%

18-year average for the TS Model Portfolio – 13.73%
18-year average for the S&P 500 – 8.51%

https://www.technicalspeculator.com/services/ts-model-growth-portfolios 7.10 % average dividend yield

S&P GSCI outlook: At the resistance

Outlook neutral/positive: The S&P GSCI Commodity Index (GTX) continues to remain at the key resistance level of 2600-2650. As commented on in last month's newsletter, GTX, the index hit this level and stopped (**Chart 1**). A similar action occurred in 2019. The close correlation to the actions of the US 10-year T-bond yields gives a clue to the expected movement of the GTX over the next few months. US T-bond yields are anticipated to reverse their present short-term downward trend and slowly rise to about 1.50% by year-end. This extra nudge should push the commodity index above the resistance line and move it to 2800 by year-end.

5-year forecast models (**Chart 1a on page 2**) back the approach of a higher level for GTX. Models suggest a level of 2650 by late Q3 and 2800 by late Q4.

Chart 1

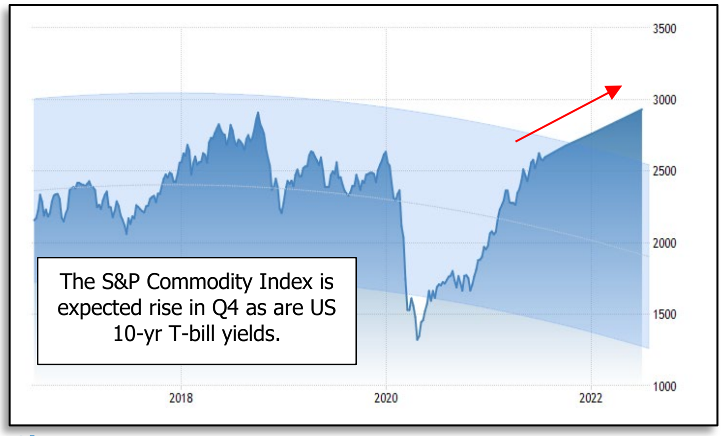

Chart 1a

Bottom line: The S&P GSCI Commodity Index is expected to rise above the current resistance level with the assistance of a slight increase in US T-bond yields. We are expecting this rise of both the GTX and the US T-bonds yields to begin in August.

Deflation vs Inflation: Equal

Outlook neutral: Inflationary assets (commodities) have had a slightly upper hand in performance over deflationary assets since April 2021 (**Chart 2**). That strength now appears to be fading somewhat. The Index is expecting to retest the support level of 0.2350 this month. A break below this level will place deflationary assets with higher performance then inflationary assets.

Bottom line: The performance between inflationary assets and deflationary assets are now equal. The main trend is for dominance of deflationary assets. We expect the Inflation/Deflation Index to retest the support level of 0.2350 this month. A break below this line points to a return of dominance in deflationary assts.

Chart 2

Relative performance: GTX vs S&P

Outlook neutral: Higher performance is still with the S&P 500 over the S&P GSCI Commodity Index (**Chart 3**). A move above 0.607 would be required to increasing performance, however, only a move above the 2nd line primary line at 0.77 would indicate that commodities are clearly outperforming the S&P 500. The last time this action occurred was in 2008.

Bottom line: The current data shows that the S&P 500 still has higher performance then the S&P GSCI Commodity Index. We anticipate that this level of performance will continue for a minimum of the rest of 2021.

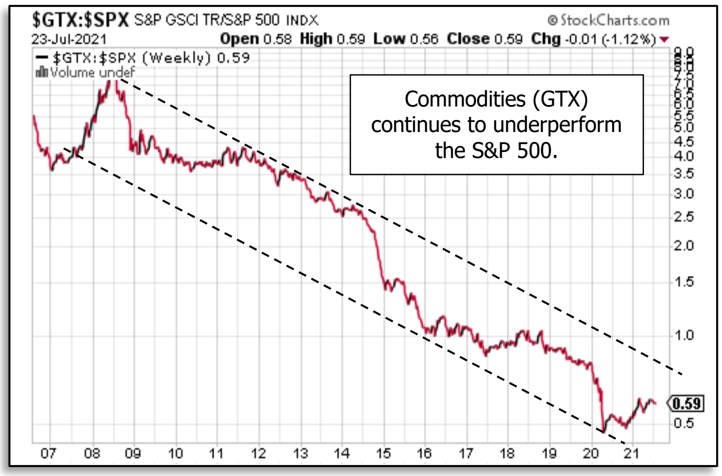

Chart 3

Commodity performance: Energy

The S&P GSCI Energy Index has the best 90 day performance, once again (**Chart 4**). This group was the only sector that outperformed the benchmark S&P GSCI Commodity Index (GTX). Agriculture had the lowest performance.

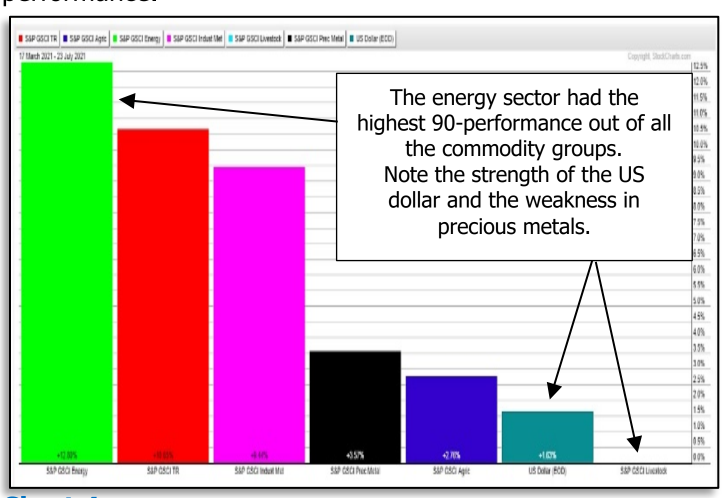

Chart 4

Note: The weakness in the US dollar and the increase in performance from the Precious metals. The Precious metals sector has had the lowest performance out of all commodity sectors since December 2020. This current uptick is due to the weakness in the US dollar and the decline in long US T-bond yields.

WTIC: Overbought

Outlook: positive: Light crude oil prices have finally broken through a resistance barrier in late Q2/21 that held it under since early 2019 (**Chart 5**). Growing demand from a recovering world economy. Yet, prices are already under pressure following news that Saudi Arabia and the UAE had reached a compromise on oil policy meaning that the UAE will have a higher oil production baseline going forward.

Technically, the breakout above the resistance line of $66.00 has placed the commodity in an overbought level. However, $66.00 should provide price support on any pullback.

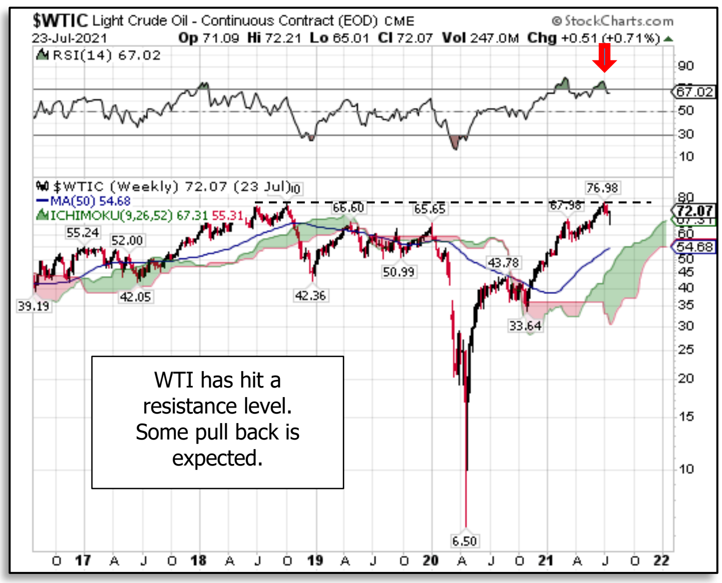

Chart 5

5-year forecast models remain bullish on the price of WTIC. Models suggest the commodity price will reach $78.50 by the end of Q3 and advance to $84.00 by year-end (**Chart 5a**).

Bottom line: EIA predicts demand for oil will outstrip supply as the global economy expands. Improving outlook. WTIC prices are expected to pull back slightly too about $67.00 in Q3. Continue to hold oil positions as any price weakness should be minimal. The 1st target is $78.50.

Natural gas: Overbought

Outlook: positive: NatGas rose out of a multi-month consolidation in early Q3 as strong demand continues to

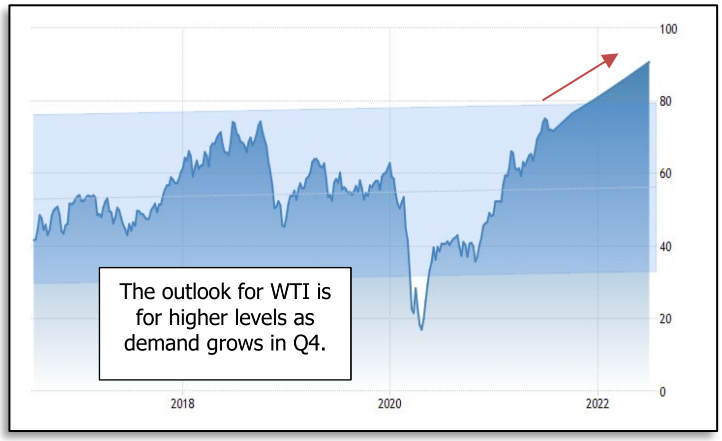

Chart 5a

grow from recent record heat waves in the US and Canada. Inventory levels are currently below where levels were a year ago and also under the 5-year average. Price levels now are overbought (RSI is above 70) suggesting some short-term pullback in August (**Chart 6**).

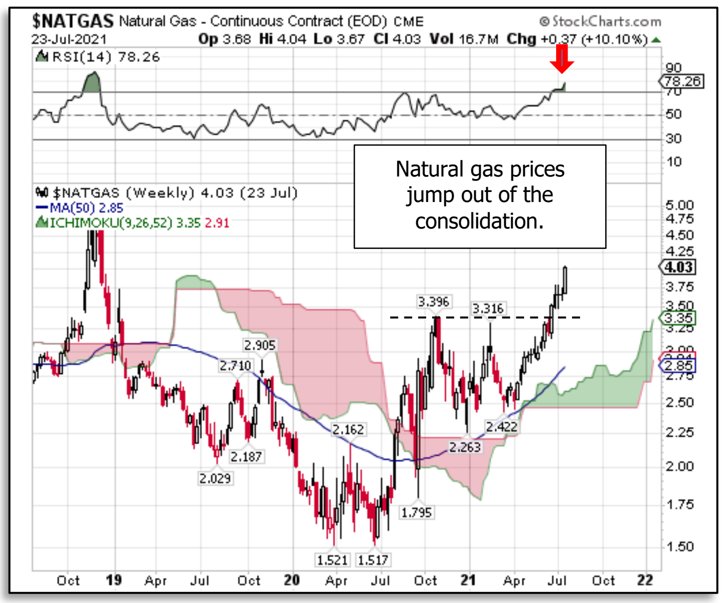

Chart 6

5-year forecast models indicate that Natural Gas prices have more upside strength in the months ahead (**Chart 6a on page 4**).

Models suggest that $4.00 will be the price at the start of Q4 and $4.50 should be obtained by year-end.

Bottom line: Growing demand for Natural gas is expected to continue for the rest of 2021. Below average inventory levels plus increasing draw suggests that prices will remain well supported over the next few months. Continue to hold Natural gas positions.