

# Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

December 2017



## Commodities

### Oil and base metals advance

#### KEY POINTS:

- Only a limited rise expected for CRB
- Deflation still dominates
- S&P energy jumps to lead in performance
- WTIC finally breaks out: heads to \$62.25
- Natural-gas prices still pinned as season passes
- Gold's short-term support expected to fail
- Copper prices continue to shine
- Base-metals' upward trend holding
- US\$ pulls back to \$0.925

#### CRB outlook: Restrained movement

The Commodity Research Bureau (CRB) Index has broached the 50-week m/a. This is an important juncture,

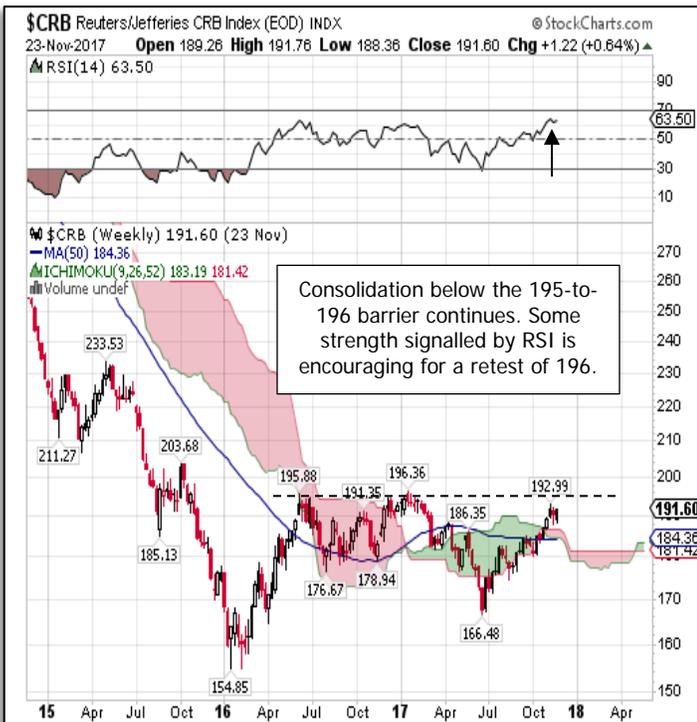


Chart 1

as this line has proven to be a key barrier since mid-2016. Crossing this level opens the door to 196 (the 1st quarter [Q1], 2017 high). A positive reading in buying momentum (Relative Strength Index [RSI]) is also encouraging, but we still suspect that more confined trading lies ahead. A rising US\$ should keep the headwinds blowing against most commodity prices. A small position in the CRB with a tight stop is recommended. The next target is still 199 (Chart 1).

#### Deflation/inflation: Deflation rising

Martin Pring's index measuring deflation or inflation sectors clearly shows that deflationary industry groups are outperforming their inflationary counterparts. Inflationary strength ended in 2011. Deflationary sectors have had greater relative performance since 2012. Deflationary trends are generally negative for commodities. We see this trend continuing in 2018 (Chart 2).



Chart 2