



Technical Speculator



Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

December 2018

Commodities

The last holdout breaks down

KEY POINTS:

- **Bearish trading pattern developing for CRB**
- **Deflationary pressures build: bad news for commodities**
- **Declining oil prices weaken; next support level at \$47 to \$48**
- **U.S. dollar strength continues to build**
- **Natural-gas prices jump – but not for long**
- **Gold keeps feeling downward pressure from the dollar**
- **Silver's slide is not over**
- **Industrial metals getting no relief from the US\$**
- **Copper points to \$2.50 in Q1 2019**
- **The US\$ keeps its upward path, with \$0.98 as the next target**

CRB outlook: Consolidation ends

Outlook negative: What a difference a month makes. The year-to-date (YTD) topping formation of the Commodity Research Bureau (CRB) Index has broken down, with the help of oil's sharp decline. The movement through the key support level of 185 suggests that a downward trend is starting. The "head and shoulders" (H&S) pattern implies a downside target of 175.

Bottom line: The CRB appears to be reversing its trend on the back of a rising U.S. dollar. Lower levels are expected over the next few months. Be quick to reduce positions. Stay on the sidelines (**Chart 1**).

One-year curve-fitting models show that the CRB has broken out of the curve, suggesting price weakness into Q1. This model supports the negative view for commodities over the next few months (**Chart 1a** on page 2).

Deflation versus inflation

Deflationary assets (consumer products, financials, technology, industrials, etc.) are outperforming inflationary assets (commodities). We expect the performance in

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception Mid-2003</i>
TS Model Portfolio	-4.98%	1.78%	471.79%
S&P 500	-5.01%	2.37%	176.00%

15-year average for the TS Model Portfolio: 11.94%
15-year average for the S&P 500: 6.79%

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

New dividend income portfolio launched: 6.80% yield



Chart 1