Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

December 2021 18th Year

Commodities

Agriculture & U.S. dollar breakout

Key Points:

- **S&P GSCI Commodity Index (GTX) continues upward path in Q1/22**
- **GTX still shows superior performance over the S&P 500**
- **Performance between inflationary and deflationary assets starts to lean toward deflation**
- **Energy sector takes the top 90-day performance spot**
- **WTIC prices reach target of $85; next is $89**
- **Pullback in natural-gas prices starts**
- **Consolidation continues for gasoline prices**
- **Gold prices hold at key support level, for now**
- **The upward surge in base metals continues**
- **Copper prices continue to consolidate**
- **S&P Agricultural Index starts to break out of multi-month consolidation**
- **U.S. dollar starts to rise on positive economic news; breaks through $0.945**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	-3.50%	13.56%	**905.31%**
S&P 500	+0.45%	21.57%	330.75%

18-year average for the TS Model Portfolio – 13.48%
18-year average for the S&P 500 – 8.56%

https://www.technicalspeculator.com/services/ts-model-growth-portfolios 6.87% average dividend yield

S&P GSCI outlook: Upward trend

Outlook positive: The S&P GSCI Commodity Index (GTX) broke out above the key resistance level of 2650 to 2700 in October, a level that has held it down for more than two and a half years. Rising oil and gas prices have been the main upward-driving force (**Chart 1**). Support is also coming from strengthening U.S. Treasury-bond yields.

Buying momentum (Relative Strength Index [RSI]) is near overbought, suggesting some near-term easing of the rise.

Five-year forecast models (**Chart 1a** on page 2) suggest some trend flattening into January, with price levels remaining below 3000 in Q1/22.

What does it mean? The improving U.S. economy is aiding the S&P GSCI Commodity Index and the U.S. T-bond yields. The trend for the GTX is expected to flatten and remain below 3000 into early 2022.

Chart 1

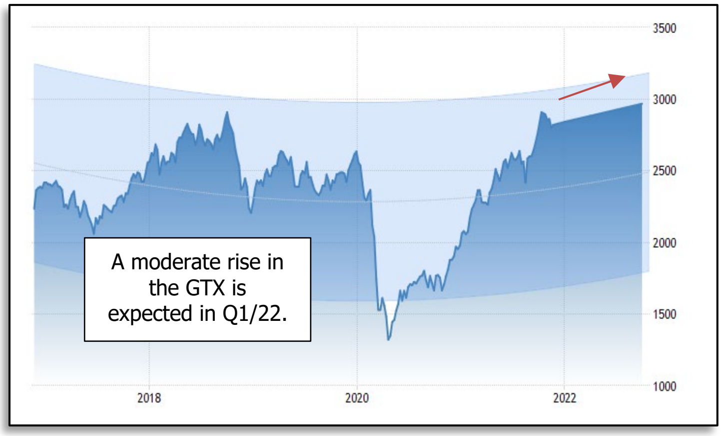

Chart 1a

Relative performance: GTX vs. S&P

Outlook neutral/positive: Moderately higher performance has been with the S&P GSCI Commodity Index over the S&P 500 (SPX) since Q2/20. The recent breakout in October 2021 shows that this trend is continuing. This action lines up with the rise in U.S. 10-year T-bond yields.

What does it mean? The guide to the performance, again, appears to be governed by the trading action of the U.S. 10 year T-bond yields. T-bond yields are expected to rise moderately over the next few months, suggesting that slightly higher performance will remain with the GTX over the S&P 500 (**Chart 2**).

Chart 2

Deflation vs. inflation: Changing

Outlook neutral: Inflationary assets are slowly losing the performance battle with deflationary assets (**Chart 3**). Inflationary assets (commodities) had equal performance strength with deflationary assets (Dow stocks) for most of 2020, to mid-2021. But commodities' relative performance started to fade over the summer and continued in Q3 and Q4.

What does it mean? The changing strength that started in Q3 points to a probable return of deflationary-asset dominance. We expect this trend to build slowly into Q1/22.

Chart 3

Commodity performance: Energy

The S&P GSCI Energy Index had the best 90-day performance. This is the only sector that outperformed the benchmark S&P GSCI Commodity Index (GTX). The precious-metals sector had the lowest performance this month (**Chart 4**)

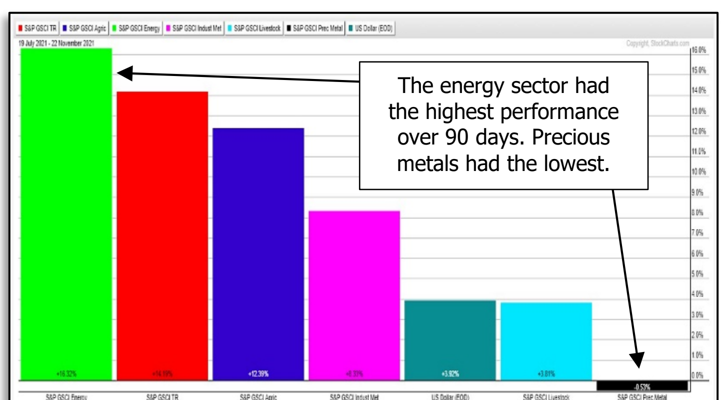

Chart 4

WTIC: Ongoing breakout

Outlook: positive: Prices remain well supported, due to supply tightness and the ongoing shortage of natural gas in Europe and Asia. However, the weaker oil demand forecast from OPEC for Q1/22, and the resurgence in COVID cases in some countries have limited the rise in oil prices.

Technically, light crude oil prices are maintaining a slow but steady advance, with $66 to $67 as a solid support level (**Chart 5**). Buying momentum (RSI) is positive (confirming upward strength), suggesting that higher levels lies away.

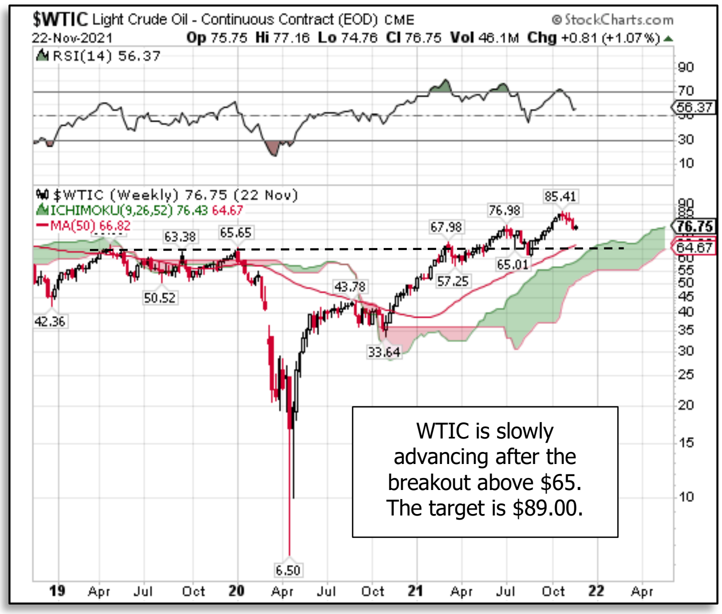

Chart 5

Five-year forecast models suggest a continued measured advance for the commodity price over the next few months. Models suggest that the price will reach $89.00 in early 2022 (**Chart 5a**).

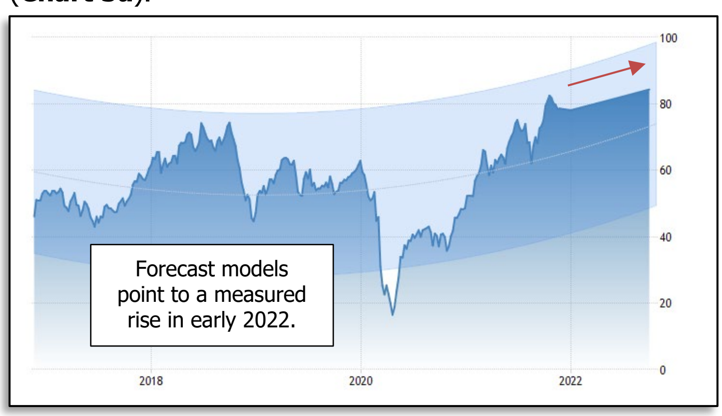

Chart 5a

What does it mean? WTIC is expected to remain in a gradual rising trend, reaching $85.00. The U.S. Energy Information Administration (EIA) predicts that demand for oil will continue to outstrip supply as the global economy expands. This action will likely persist into Q1/22. Continue to hold oil positions, as any price weakness should be minimal.

Natural gas: Rolling over

Outlook: neutral/positive: The EIA states that U.S. stockpiles are at near-normal levels ahead of winter heating season demand. Adding to the demand are depleted inventory levels in Europe and Asia, and robust demand.

Buying momentum (RSI) is just coming off of a very overbought level, suggesting that some short-term pullback or stalling is coming (**Chart 6**). First support is at $4.45.

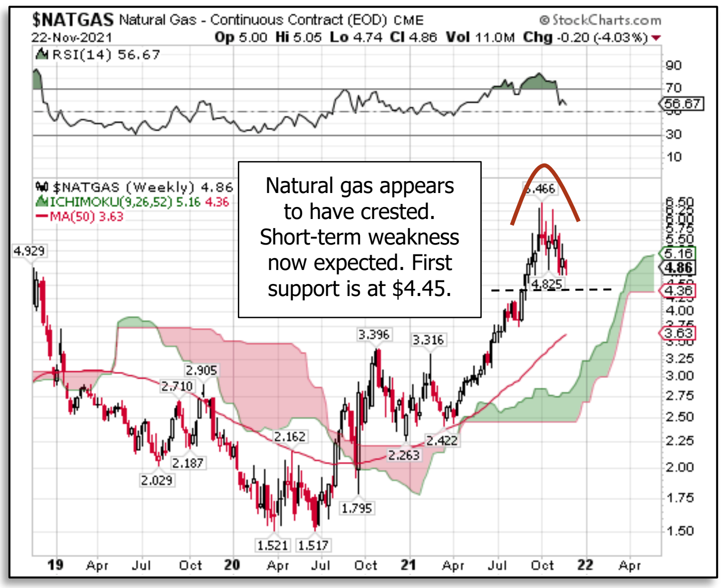

Chart 6

Five-year forecast models indicate that natural-gas prices have more upside strength in the months ahead (**Chart 6a**).

Models suggest that $6.00 USD/MMBtu is the target for early Q1/22, with a $6.50 print in Q2/22.

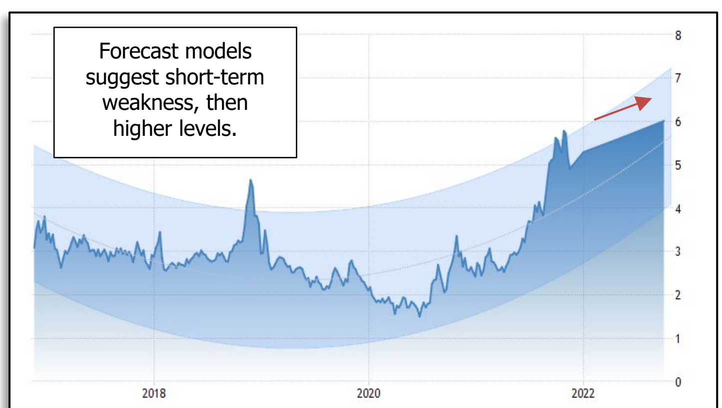

Chart 6a