Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

July 2022

Commodities

Dominance continues

Key Points:

- **Commodities are outperforming the S&P 500. This only occurs near the end of the bull market**
- **The upward trend for the GTX continues in Q3**
- **Performance between inflationary and deflationary assets shows equal strength since 2021**
- **The energy sector takes the top 90-day performance spot, once again**
- **WTIC prices slowly advance in Q3, heading back to $125**
- **A pullback then higher price levels for Natural gas. $10 is the new target**
- **Gasoline (GASO) posts new all-time high**
- **Industrial metals index pulls back on global economy worries**
- **Agriculture prices soar high on climate issues**
- **No love for gold, remains range-bound**
- **A slow decline in silver prices**
- **US dollar reaches the target of $1.04**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	-2.96%	-18.90%	**734.56%**
S&P 500	-9.37%	-20.58%	278.54%

The 19-year average for the TS Model Portfolio – 11.79%
The 19-year average for the S&P 500 – 7.24%

https://www.technicalspeculator.com/services/ts-model-growth-portfolios 7.73% average dividend yield

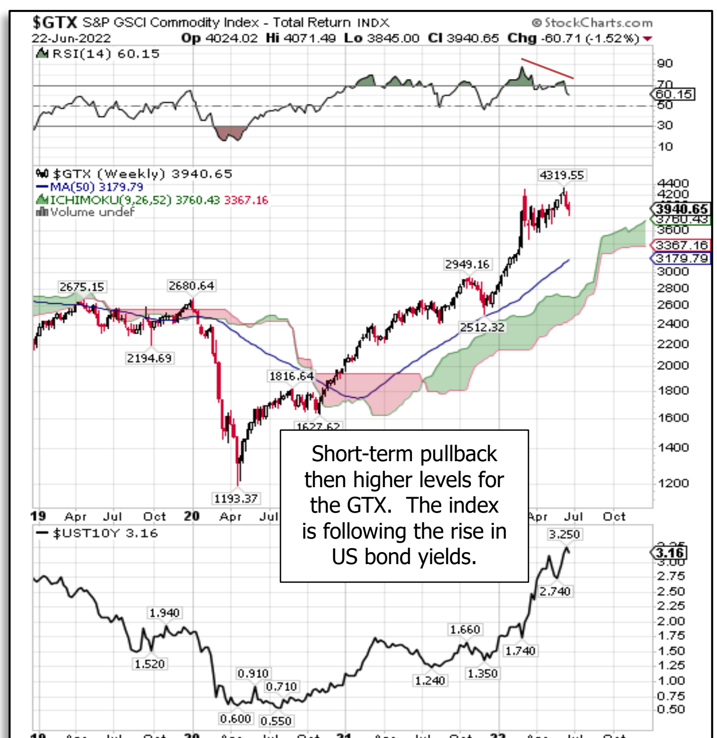

Chart 1

GTX: Going higher

Outlook positive: The upward trend of the S&P GSCI Commodity Index (GTX) is tightly connected with the US bond yields and inflationary pressures (**Chart 1**). As the Fed is determined to tame the current inflationary pressures with an increasing escalation of rate increases, this action aids the rise in US T-bond yields and commodity prices.

The S&P GSCI Commodity Index (GTX) continues to follow the trend of the US 10-year Treasury yields. As yields have made a breakout of a multi-year high in June, the same has occurred for the GTX. Buying momentum (RSI) is positive but diversion builds (suggesting short-term consolidation) and the index is riding well above the 50-week m/a.

5-year forecast models (**Chart 1a on page 2**) suggest a steady upward movement in Q3.

Chart 1a

The 20-year performance shows the commodity index is outperforming the S&P 500 for the first time since 2008. <u>This action **ONLY** occurs in bear markets and the near-term lead-up to a bear market</u> (**Chart 1b**).

Chart 1b

<u>**What does it mean?**</u> The S&P GSCI Commodity Index has been riding with the ongoing rise in the U.S. T-bond yield. The trend for the GTX is expected to remain positive in Q3. <u>The new target is 4,450 followed by 4700. Continue to hold the position. Higher levels are coming.</u>

Inflation vs deflation: Equal

<u>**Outlook neutral**</u>: Inflationary assets have equal performance against deflationary assets since Q2 2021.

The performance battle between inflationary assets (commodities) and deflationary assets (Dow) has been a draw over the last 27 months (**Chart 2**).

Chart 2

<u>**What does it mean?**</u> The current movement in both indexes (inflationary and deflationary) suggests that this retracement of inflationary assets performance will be short-lived as US 10-year T-bond yields are expected to advance over the next few months which is expected to drive inflationary assets higher.

Commodity performance: Energy

Only half of the sectors had a positive performance over the last 90 days. The S&P GSCI Energy sector had the best performance (again) outperforming the benchmark S&P GSCI Commodity Index. The industrial metals sector and the livestock sector had the lowest performance from February through to June (**Chart 3**). Note the rise of the US dollar.

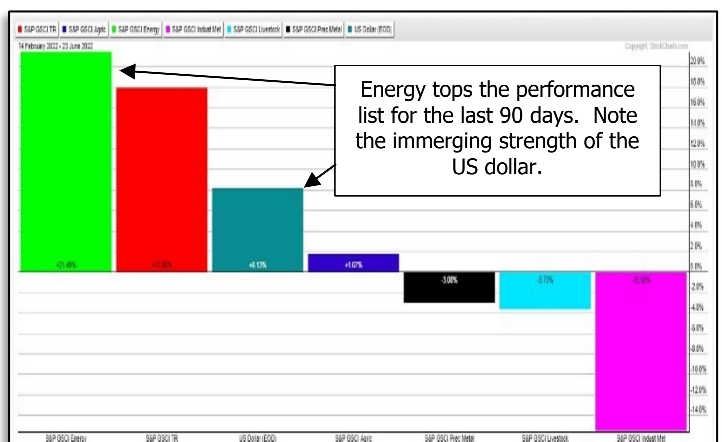

Chart 3

WTIC: Stabilizing under $125

Outlook: positive: Recent IEA report pointed to slowing demand and rising global inventories among a subdued outlook for growth in the second half of 2022. Oil prices are also facing a planned 21% surtax on oil company profits.

The primary trend is higher. Still in a short-term consolidation under $125. Recent price weakness just appears to be a pullback before higher levels develop. Buying momentum (RSI) is positive and rising (confirming higher price levels) (**Chart 4**).

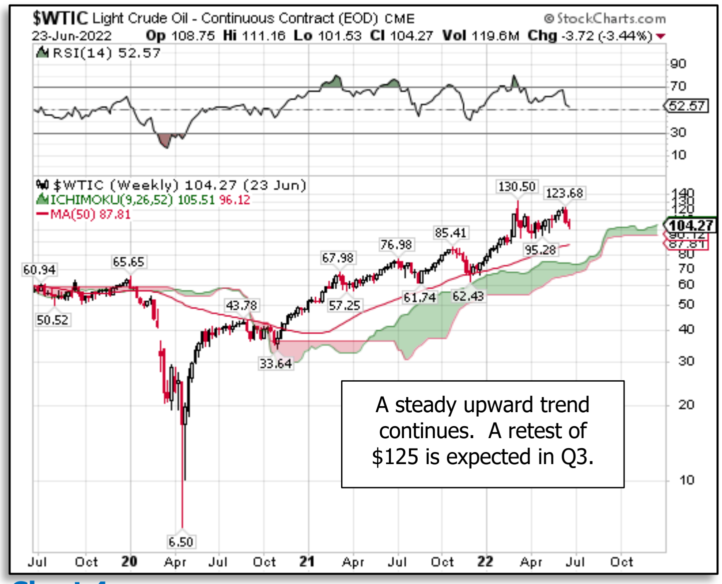

Chart 4

Five-year forecast models suggest sustained strength for WTI over the next few months. Models indicate that the price will reach $125 in Q3. (**Chart 4a**).

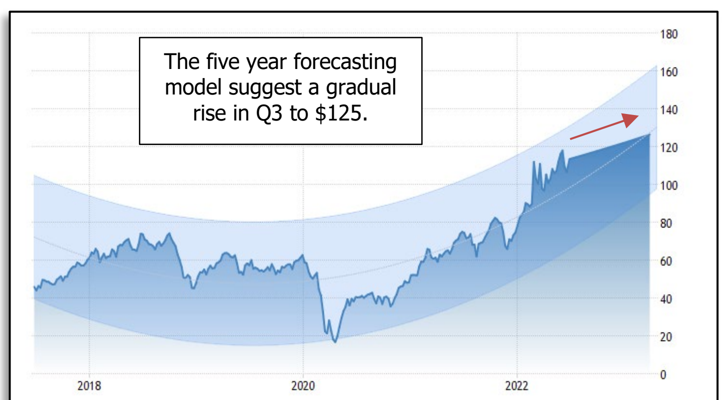

Chart 4a

What does it mean? WTIC is expected to remain in a measured advance. Any pullback over the next few months should be minable. Continue to hold. $125 is the target.

Natural gas: Short-term drop

Outlook: neutral: Traders sold off natural gas positions in June after reaching a record of $9.66. This pullback is expected to be brief as domestic and international demand remains brisk. The recent liquefied natural gas explosion at one of the largest US export terminals is keeping the supply tight. Couple this with the soaring heat that is engulfing a large portion of the US and demand is expected to continue outstripping supply.

NatGas prices appear to have stalled in June. Buying momentum (RSI) is near a neutral reading post an overbought level (still confirming additional upward pressure). The commodity has a long history of rapid run-ups and then sharp pullbacks (**Chart 5**).

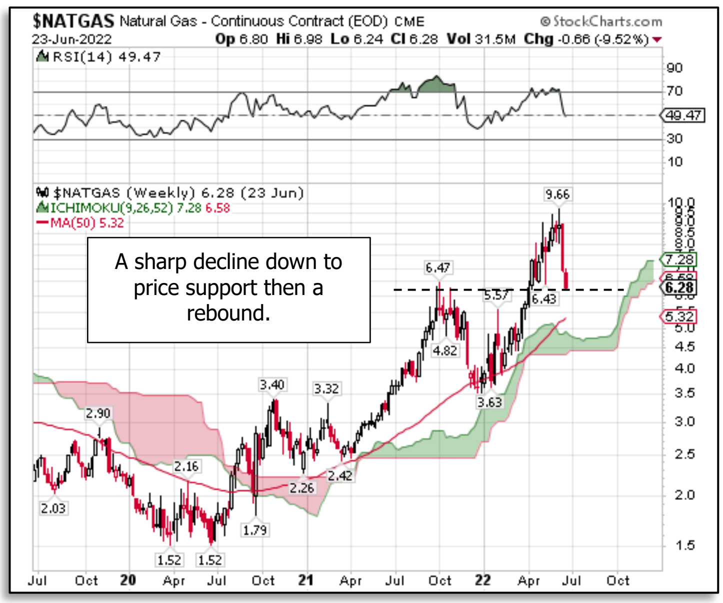

Chart 5

Five-year forecasting models suggest that natural gas prices will retest the high of trade higher at $9.66/MMBtu in Q3 and then slowly advance to about $9.00 (**Chart 5a**).

Chart 5a