

Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

June 2021

18th Year

Commodities

Super cycle peaked around 2011

KEY POINTS:

- **The super cycle in commodities peaked in 2011; next low expected in 2028**
- **S&P GSCI Commodity Index has reached the key resistance range of 2320 to 2650**
- **Equal performance continues for deflationary and inflationary assets**
- **Energy sector takes the 90-day top performance spot, again**
- **WTIC continues to trade at the top of the range**
- **More range-bound trading for natural gas**
- **Gold prices point lower into mid-year**
- **Consolidation holds silver prices in tight range**
- **The upward surge in base metals holds**
- **Copper prices are overbought, again**
- **Rocket advance for agriculture index pulls back from an overbought reading**
- **U.S. dollar index holds on to \$0.89-\$0.90 support level**

appears to have found price support at \$0.90. Models (see **Chart 14a** on page 7) point to an expected upswing in the DXY over the next few months. This action should be negative for the S&P GSCI Commodity Index.

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception mid-2003</i>
TS Model Portfolio	7.69%	10.95%	882.15%
S&P 500	6.26%	11.91%	320.41%

18-year average for the TS Model Portfolio – 13.56%
18-year average for the S&P 500 – 8.32%

<https://www.technicalspeculator.com/services/ts-model-growth-portfolios> 8.05% average dividend yield

Commodity super cycle: Low in 2028

Outlook neutral/negative: Data from the Bank of Canada's Commodity Price Index shows a clear repeating pattern. Based on the last three cycles, starting at 1899, on average, a Super Cycle lasts 30.33 years (**Chart 1**). The current cycle (the fourth) began in 1996, peaked round 2011, and should reach the next low around 2028 (16 years up and 16 years down).

S&P GSCI outlook: Overbought, again

Outlook neutral: The index is retesting the resistance zone of 2320 to 2650, an area that pinned it in for all of 2019. The overbought reading on momentum (Relative Strength Index [RSI]) suggests more consolidation into mid-year (**Chart 2** on page 2).

The U.S. Dollar Index (DXY), from Q2/20, has greatly aided the rise of the commodity index. However, the greenback

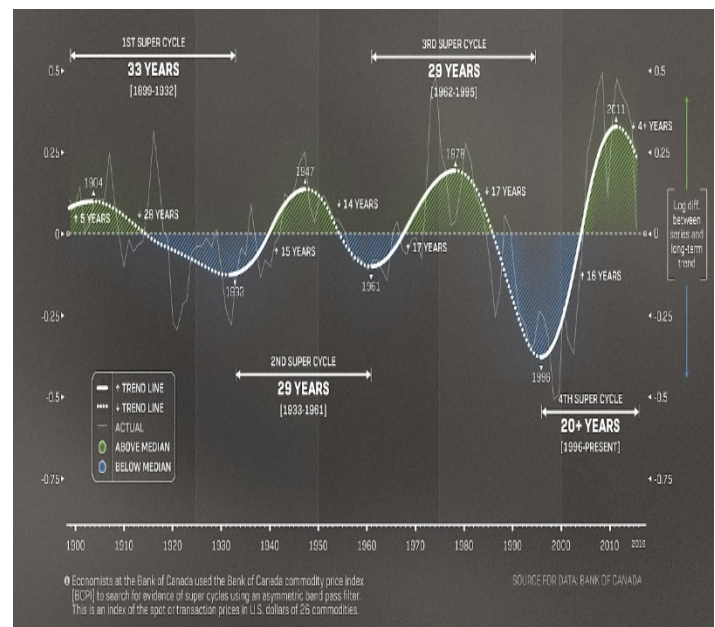


Chart 1



Chart 2

Five-year curve-fitting models illustrate that a likely top is being formed now. The outlook forecasts a minor downward drift into mid-2021. The expected target into mid-year is 2100 to 2200 (**Chart 2a**).

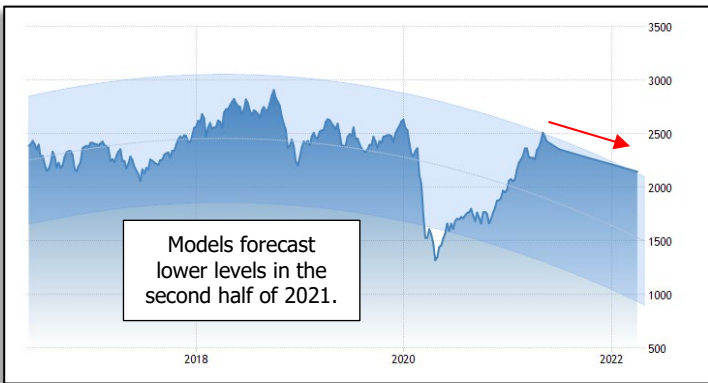


Chart 2a

Bottom line: The index is hitting a significant price barrier between 2320 and 2650. A topping process appears to be developing. With buying momentum (RSI) overbought and an expected rise in the U.S. dollar, the GTX is pulling back slightly to 2100 to 2200.

Deflation vs. inflation: Still equal

Outlook neutral: After four years of deflationary assets outperforming inflationary assets, a reversal movement has developed. Starting in April 2020, there is now a pattern of

inflationary performance. This change was aided by the rapid decline in the U.S. dollar. However, the US\$ appears to have stabilized around \$0.90, and models point to a rise over the next few months. This expected advance should aid the performance of deflationary assets over inflationary assets (**Chart 3**).

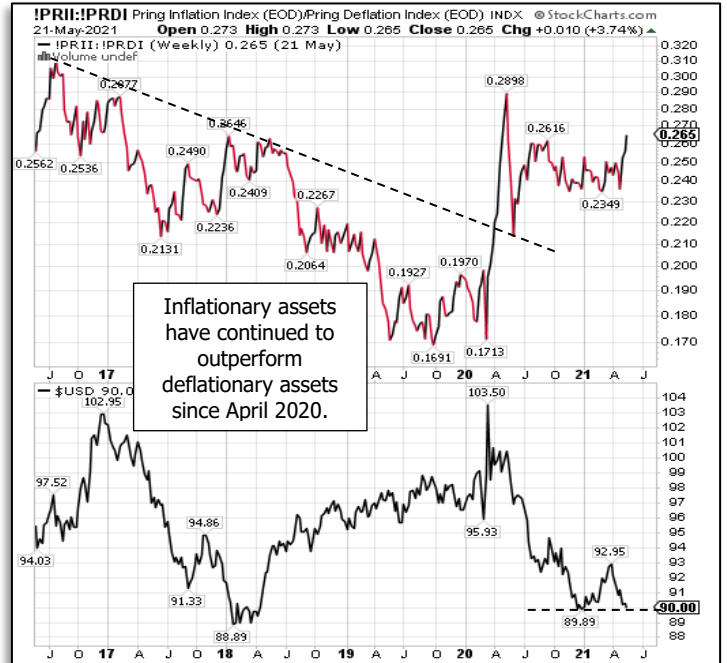


Chart 3

Relative performance: GSCI vs. S&P

The primary trend continues to favour the S&P 500 over the S&P GSCI Commodity Index. Recent price action, starting in early 2020, does show slightly stronger performance from the Commodity Index. Nevertheless, we expect this trend to reverse back to the primary trend in mid-year (**Chart 4**).



Chart 4