Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

March 2020

Commodities

Precious metals lead

KEY POINTS:

- **Commodity index (CRB) breaks support at 168 level, heads lower to 160**
- **Deflationary assets have solidly outperformed inflationary assets since mid-2016**
- **Precious metals: best 90-day performance**
- **Light crude oil prices pushes to $45.00**
- **Warm seasonal weather pushes natural-gas prices lower. Heads lower to $1.42**
- **Gasoline prices start to show stability**
- **Gold is overbought. $1680 likely peak**
- **Industrial Metals Index drops below key support level**
- **Copper prices hold at $2.50 base**
- **U.S. dollar's recent advance starts to crest**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	-7.37%	-5.02%	**498.20%**
S&P 500	-10.54%	-8.56%	173.11%

15-year average for the TS Model Portfolio 15.75%
15-year average for the S&P 500 7.41%

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

CRB outlook: More base-building

Outlook negative: In Q1 2020, the index has failed to stop at the baseline (168) of the 2019 consolidation. After the positive rise in Q4/19, the Commodity Research Bureau (CRB) Index turned tail and dropped. It is now heading to the next lower support level of 160. Buying momentum (Relative Strength Index [RSI]) is negative and now oversold (confirming the weakness). US$ strength resurgence is aiding the downward push (**Chart 1**).

Bottom line: The current price weakness of the CRB is compiling, due to the rebounding strength of the U.S. dollar and the negative economics of the Coronavirus. We expect price weakness to remain in Q2. 160 is the next mark. Stay on the sidelines.

Chart 1

Deflation vs. inflation

The minor sell-off of deflationary assets in Q4/19 aided commodities in the short term. However, deflationary assets are recapturing the lead again in Q1/20. The path of the U.S. dollar clearly plays a role in the strength of deflationary assets over inflationary assets (**Chart 2** on page 2).

Chart 2

Bottom line: The primary trend still favours deflationary assets (financial, technology, industrial, consumer products, etc.) over inflationary (commodities), with no indication of prolonged weakening. We expect this trend to continue throughout this year.

Relative performance: CRB vs. S&P

The performance from the CRB Index has continued to underperform the S&P 500 over the last five years. There are no indications of this arrangement reversing (**Chart 3**).

Chart 3

It also adds to the evidence of deflationary assets dominating inflationary assets during this market cycle, with accompanying performance from the U.S. dollar.

Commodity performance: Gold

The S&P GSCI Precious Metals Index ($GPX), had the best 90-day performance. The U.S. dollar had the 2nd best performance.

Energy and Industrial metals had the lowest performance (**Chart 4**).

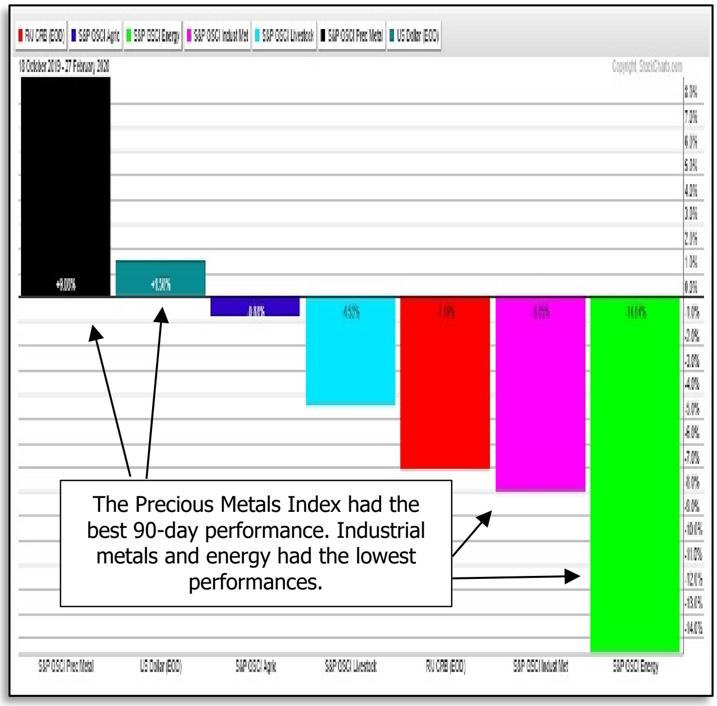

Chart 4

WTIC: More consolidation

Outlook neutral/negative: The medium-term (three-year) view is that light crude oil prices remain in a tight consolidation, with a retest of the $45.00 support level unfolding. Buying momentum (RSI) is negative (confirming price weakness). Volume spikes in January and February show that institutions are selling, and reversing their bullish positions.

Bottom line: Light crude oil prices are expected to drift downward over the next few months. Coronavirus concerns are reducing global oil consumption. We would suggest waiting on the sidelines until confirmation of the low develops. The next target is $45.00 (**Chart 5** on page 3).

Natural gas: Continued weakness

Outlook negative: The price weakness in Q4/19 continues in Q1/20. Buying momentum (RSI) is now solidly