

Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

March 2021

18th Year

Commodities

Base metals prices continue to rise

KEY POINTS:

- The rally in S&P GSCI Commodity Index reaches key resistance level
- Commodity index and U.S. 10-year T-bond yields remain closely linked
- Commodities remain generally overbought
- Deflation and inflation assets performing equally since 2016
- Top performing commodity group last 90 days: energy sector
- Recent rise in WTIC prices hits overbought
- Natural-gas price consolidation continues
- Gold prices break below the 50-week m/a
- Consolidation below \$30 for silver
- Upward trend for industrial metals continues
- Copper prices still rising
- Major breakout for agriculture prices; now overbought
- U.S. dollar on support; rise expected in Q2

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception mid-2003</i>
TS Model Portfolio	3.22%	2.74%	809.51%
S&P 500	3.23%	1.45%	281.12%

18-year average for the TS Model Portfolio – 13.28%
18-year average for the S&P 500 – 7.85%

<https://www.technicalspeculator.com/services/ts-model-growth-portfolios> 7.86% average dividend yield

S&P GSCI outlook: Inflection point

Outlook positive: The steady rebound from the March low has reached the resistance key zone of 2250 to 2400. This range proved to be solid price support in Q4 2018 and Q3 2019, and should offer resistance this time around. Buying momentum (Relative Strength Index [RSI]) for the S&P GSCI Commodity Index (GTX) (**Chart 1**) is overbought (confirming upward strength): the first overbought reading since Q1 2018. The recent upward movement of the GTX is aided by the lifting U.S. 10-year T-bond yields. Any additional upside movement will need to get past the resistance zone, and also be accompanied by rising U.S. T-bond yields.

Five-year curve-fitting models illustrate that a top is likely being formed. The outlook forecasts a minor downward drift into mid-2021. The expected target into mid-year has improved slightly, to 2000 (**Chart 1a** on page 2).

Bottom line: Although the S&P GSCI Index is positioned to hit a significant price barrier over the next month or two,



Chart 1



Chart 1a

models for U.S. 10-year Treasury yields suggest that some upward pressure in rates will continue over the next few months, reaching 1.45%. This is positive for the GTX and should lift the commodity index up to the 2400 target.

Deflation vs. inflation: Equal

Inflationary assets (commodities) have had near-equal performance to deflationary assets (stocks) since Q2 2020 (**Chart 2**). The recovery in the U.S. economy is aiding the rebound strength in both deflationary and inflationary assets. We expect this phase of near-equal performance to continue into mid-year, and then start to shift back to deflationary dominance in the second half of 2021.

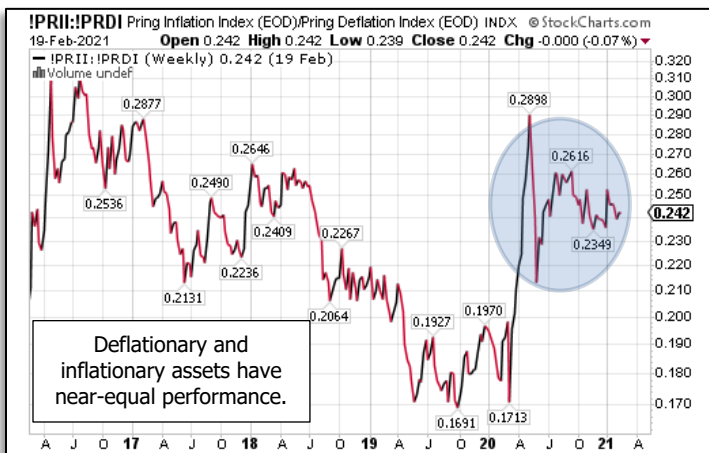


Chart 2

The 12-year view shows that a base-building of equal performance since 2016 is still forming. We suspect that this action will continue for a few months more (**Chart 2a**).

Relative performance: GSCI vs. S&P

The performance from the S&P GSCI Commodity Index has continued to underperform that of the S&P 500 since 2011. A slight levelling has occurred since 2020. There are no

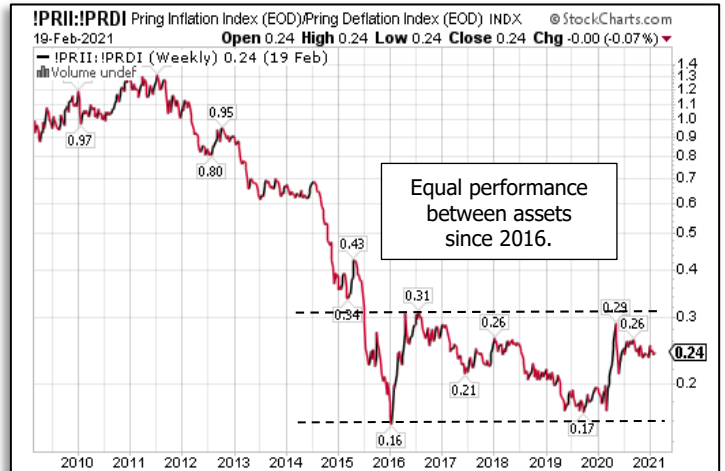


Chart 2a

indications that this pattern (favouring commodities over the S&P 500) will continue (**Chart 3**).



Chart 3

Commodity performance: Energy

The S&P GSCI Energy Index (\$GJX) had the top performance over the last 90 days. Note the relative price weakness of the U.S. dollar (down by more than 3%). The price weakness of the dollar is aiding most of the natural-resource prices (**Chart 4** on page 3). Until the U.S. dollar's performance improves, expect commodity prices to remain strong.

WTIC: Overbought

Outlook positive: Rebounding economic optimism due to rollout of multiple COVID-19 vaccines has bolstered the global demand outlook of oil. Light crude oil prices (WTIC) have successfully rebounded up past the resistance level of \$40 to \$42 and are now heading to resistance at \$62.50. Buying momentum (RSI) is overbought (confirming ongoing