

Technical Speculator



Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

May 2018

Commodities

Weak US\$ a positive sign

KEY POINTS:

- **CRB Index tops expectation with mounting upward trend**
- **Inflationary assets edge out deflationary ones into the 2nd quarter (Q2)**
- **Energy sector holds the lead in 90-day performance**
- **WTIC heads to \$72 with cautionary note**
- **Natural gas holds to long-term decline**
- **Gold near key crossroad barrier**
- **Industrial-metals sector still holds to upward trend**
- **U.S. dollar decline nears key support at \$0.876**

It is difficult to speculate about how long the U.S. Dollar Index will decline. Negative issues that affect the dollar's health (government debt, political stability, inflation rate, etc.) continue to weigh on the greenback. These factors are all playing in the favour of natural resources.

The CRB Index is feeling positive tailwinds as it retests the Q1 high. It is above the rising 50-week moving average (m/a), and buying momentum (Relative Strength Index [RSI]) is positive and climbing – all promising developments. Our target remains 204 (**Chart 1**).

Our one-year curve-fitting models suggest that the current upward bias is in jeopardy. Models indicate that price weakness should be expected by mid-year, with a retest of the 186-to-190 range (**Chart 1a**).

CRB outlook: Positive trend



Chart 1

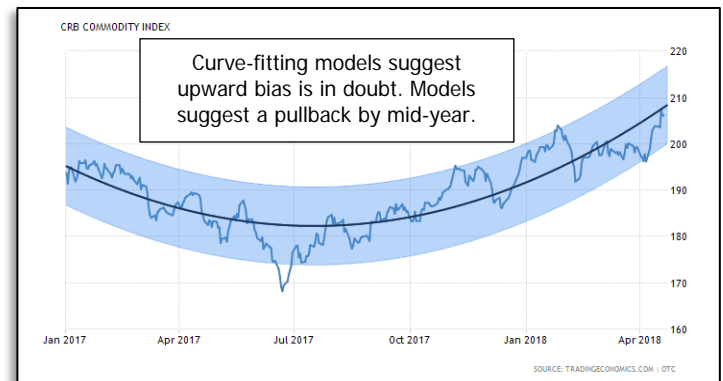


Chart 1a

Inflation/deflation: Inflationary edge

Martin Pring's index measuring inflationary and deflationary sectors shows that inflationary assets have been gaining strength over deflationary ones since mid-2017. This is another positive sign for commodities (**Chart 2** on page 2).

Commodity performance: Energy

The S&P GSCI Energy sector had the best performance over the last 90 days (again), followed by the S&P Industrial Metals sector. Note that the US\$ is near the bottom in