Commodities

Performance dominance over stocks

Key Points:

- **Commodities are outperforming the S&P 500. This only occurs near the end of the bull market**
- **The "changing of the guard" happened in late 2021**
- **Performance between inflationary and deflationary assets shows inflation is in control**
- **The energy sector takes the top 90-day performance spot**
- **WTIC prices reach $130 in an overbought run, still holding above $100**
- **Natural gas prices soar higher**
  Gasoline prices remain elevated
- **Gold prices continue to climb on safe haven and inflation fears**
- **Silver prices remain supported as gold prices rise**
- **The upward surge in industrial metals continues**
- **Copper prices hold above rising 50-week ma**
- **The advance continues for S&P Agricultural Index. New highs for wheat and corn**
- **The U.S. dollar reaches par on safe-haven concerns and interest rate hikes**

	Since Last Month	Year to Date	Since Inception mid-2003
TS Model Portfolio	1.44%	-11.96%	**806.02%**
S&P 500	-8.91%	-13.31%	313.19%

The 19-year average for the TS Model Portfolio – 12.39%
The 19-year average for the S&P 500 – 7.81%

https://www.technicalspeculator.com/services/ts-model-growth-portfolios 6.97% average dividend yield

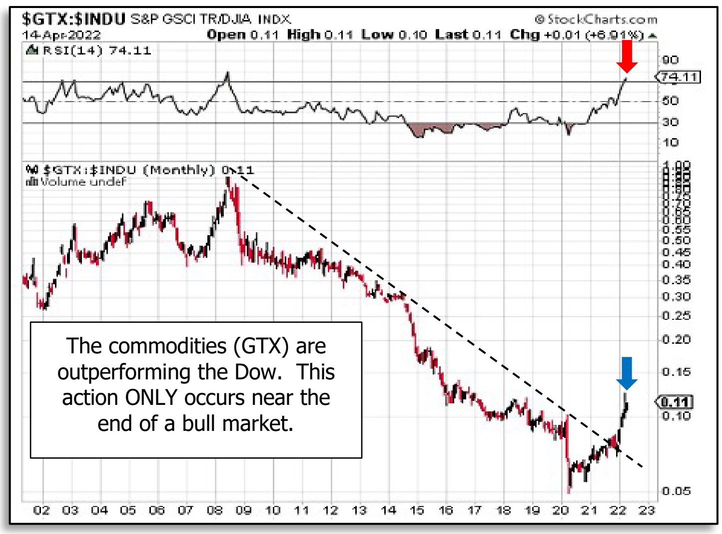

Chart 1

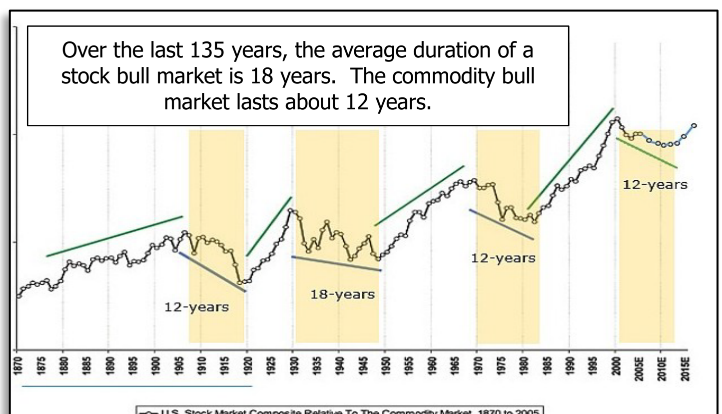

Chart 1a

The "changing of the guard"

Outlook positive: Commodity prices are, once again, showing greater performance than stocks. The S&P GSCI Commodity Index (GTX) has been outperforming the Dow Jones Industrial Average since late 2021. This same action occurred during the 2000 to 2009 bear market (**Chart 1**). Gaining performance strength over stocks is one of the early signals that the current bull market is nearing the end of its run.

This shift from stocks to commodities is a regular and rhythmic occurrence since 1907 (**Chart 1a**). On average, this cycle lasts about 18 years. The current bull market has progressed for about 14 years.

Bottom line: The performance dominance of commodities over stocks has begun. The transition period can last for several years. This action has ramifications, not just for natural resources, and also for the current bull market in equities and the economy.

S&P GSCI: Continued upward

Outlook positive: The upward trend of the S&P GSCI Commodity Index (GTX) has advanced too far, too fast, especially in 2022. Buying momentum (RSI) for the commodity index is coming off an overbought reading (again) and suggests some minor consolidation over the next few months (**Chart 2**).

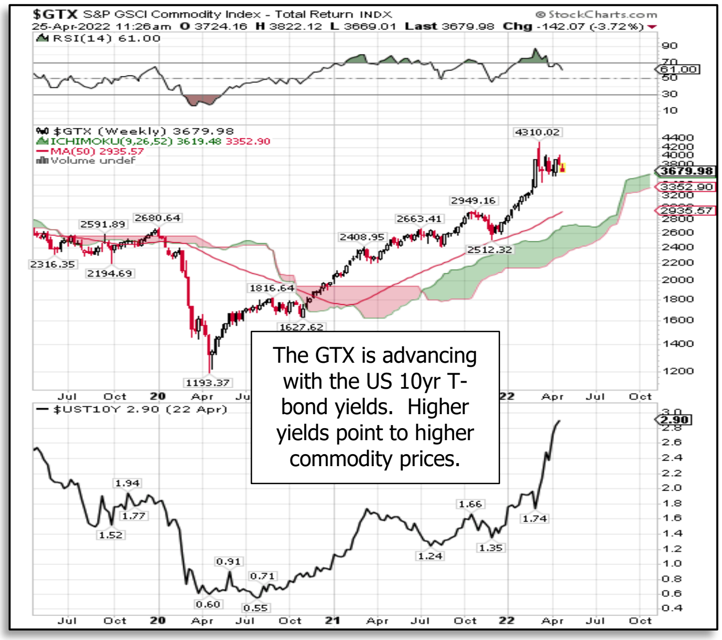

Chart 2

This same action with the GTX occurred multiple times in 2021 when the RSI was overbought, but the index continued to move higher. The first support level is still at 3,500. The GTX also continues to be aided and follows the trend of the US 10-year Treasury yields. As yields have made a breakout of a multi-year consolidation in Q1, higher yield levels are now expected in Q2. The same can be anticipated for the GTX. 5-year forecast models (**Chart 2a**) suggest some

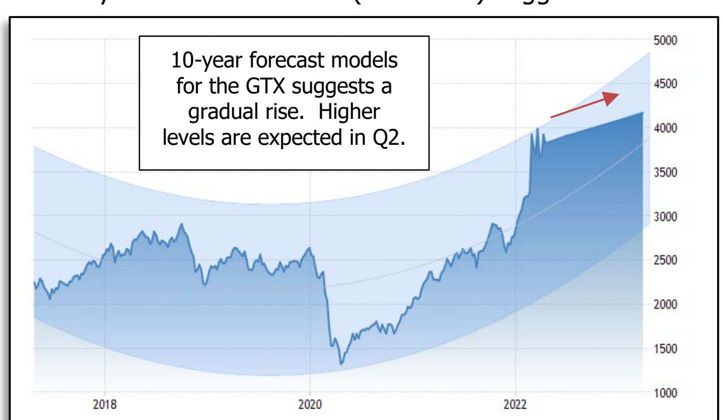

Chart 2a

short-term trend flattening early into the second quarter with price levels remaining above 3,175 and then edging upward into mid-year.

What does it mean? The S&P GSCI Commodity Index has been getting a lift from the ongoing rise in the U.S. T-bond yields plus the rising threat of inflation. The trend for the GTX is expected to remain positive into Q2. The new target is 4,450 followed by 4700. Continue to hold the position.

Inflation vs deflation: New high

Outlook positive: Inflationary assets are winning the performance battle with deflationary assets and have now broken out to a new high (**Chart 3**).

Chart 3

Inflationary assets (commodities) had equal performance strength with deflationary investments (Dow stocks) for most of 2020 and mid-2021. But commodities' relative performance decreased over the summer in Q3 and Q4 but regained strength in Q1/22.

What does it mean? A reversal of performance favouring inflationary assets over deflationary appears to be developing. This new trend should continue building this year.

Commodity performance: Energy

All of the sectors had positive performance over the last 90 days, but only the S&P GSCI Energy sector outperformed the benchmark S&P GSCI Commodity Index. The precious-metals sector had the lowest performance from November through to April (**Chart 4 on page 3**).

T e c h n i c a l S p e c u l a t o r
MARKETS – COMMODITIES – CURRENCIES – SECTORS

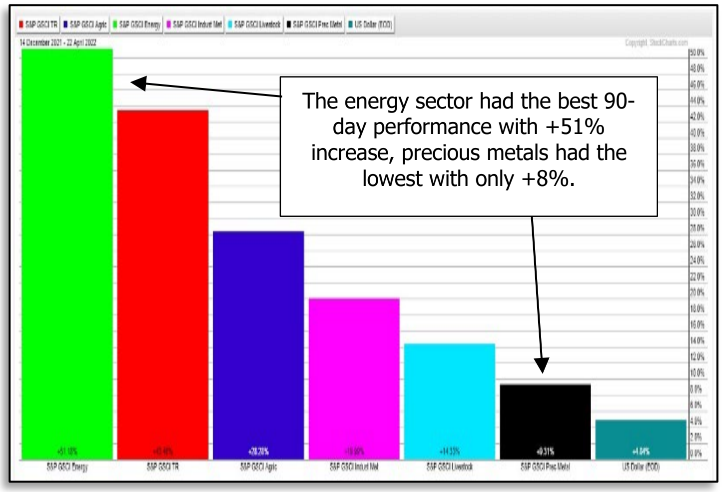

Chart 4

WTIC: upward trend

Outlook: positive: After reaching a 14-year high in March with a record $130.50 per barrel, light crude oil prices pulled back, short-term, with the announcement of additional supply coming from Venezuela, Iran, and OPEC. Now regaining upward momentum with the news of EU leaders phasing out Russian oil.

Technically, light crude oil prices have advanced steadily with no signs of weakness. The commodity continues to trade in a pattern of higher highs and lows. Buying momentum (RSI) is positive (confirming upward strength). WTI is remaining above the rising 50-week m/a (another positive) (**Chart 5**). The first support level is $95.00.

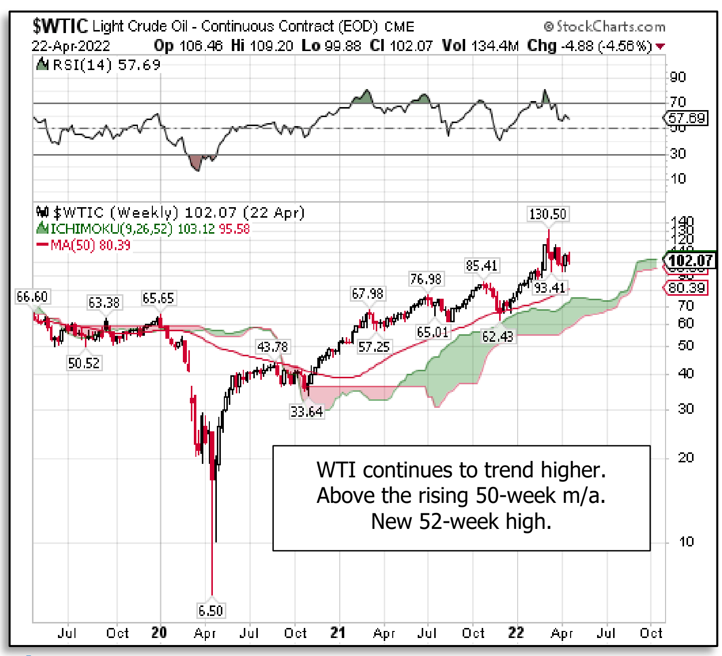

Chart 5

Five-year forecast models suggest sustained strength for WTI over the next few months. Models indicate that the price will remain well supported and reach $115-$120 by late Q2 (**Chart 5a**).

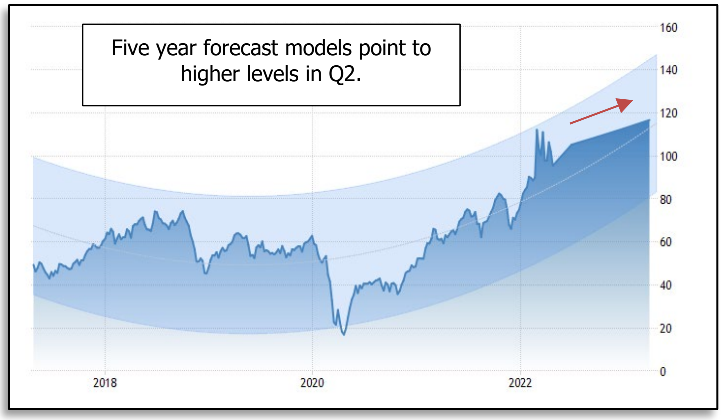

Chart 5a

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. $120 is the target.

Natural gas: Upward strength

Outlook: positive: Natural gas just topped a fresh new 13-year high as global demand remains strong. The output declines in some key pipelines plus seasonal maintenance are adding to the rise in NatGas prices. Strong demand from overseas due to the energy crunch has left inventories well below the average (**Chart 6**).

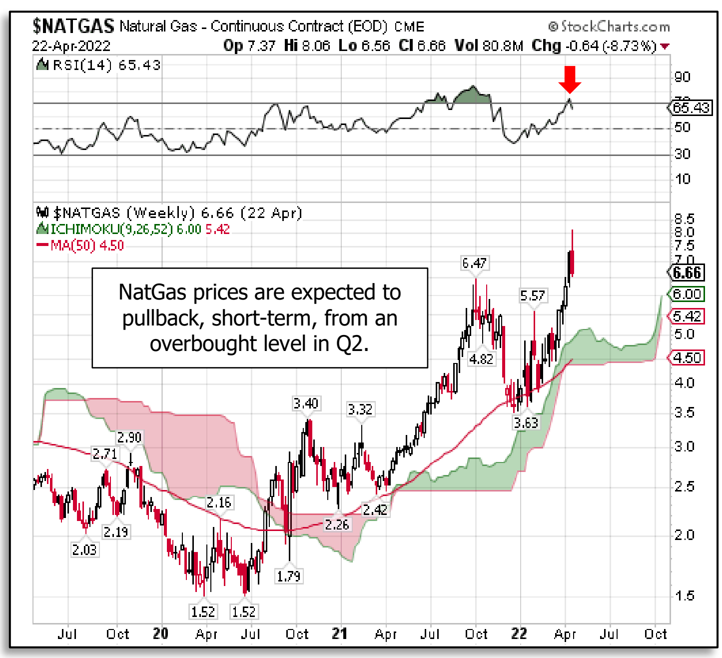

Chart 6