

Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

November 2016



Commodities Oil's big potential

KEY POINTS:

- **Bullish pattern still waits for the CRB**
- **Industrial metals post the best performance**
- **WTIC nears completion of bullish pattern**
- **Rising trend holds for natural gas**
- **Slow rise continues for gasoline prices**
- **Gold and silver hope to find support at lower levels**
- **Copper heads back to the base, again**
- **Base-metal bounce continues, for now**
- **Corn recoils off of its floor, but only to \$3.85**
- **Speculation builds for the next rate increase; US\$ tailwinds hold until December meeting**

Overview: Waiting

Last month, we commented on the upward weakness that was building on the Commodity Research Bureau (CRB)

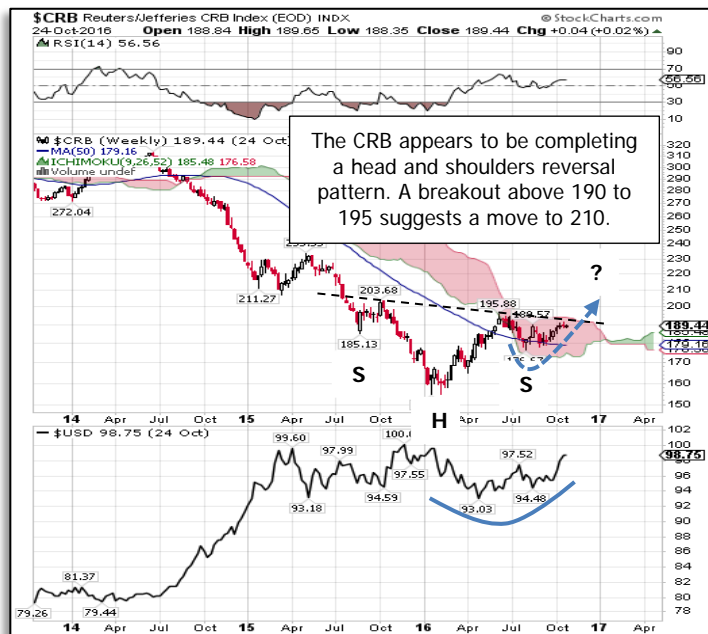


Chart 1

Index. That is likely due to an increased upward movement in the U.S. dollar. As of mid-October, there was a 70% probability of the December Federal Reserve meeting adding another interest hike. With this anticipation, the big dollar continues to experience a tailwind and move higher. Ongoing expectation of another near-term rate increase should ease the CRB down slightly to 180, and the 50-week moving average (m/a). However, should the FOMC decide to **not** increase the interest rate in December, commodities will be the beneficiary. The US\$ will likely pull back to around \$0.94, reversing the upswing, and move the CRB to 210.

Note: At this point, the primary trend for the CRB is still down, with overhead resistance at the 190-to-195 zone. Remain underweighted in this sector (**Chart 1**).

Commodity performance: Energy

A marked difference in performance is developing in the commodity sectors. With the strength of the US\$ building, performance in most commodity groups has substantially weakened. Over the past 90 days, only energy and industrial metals are still outperforming (**Chart 2**).

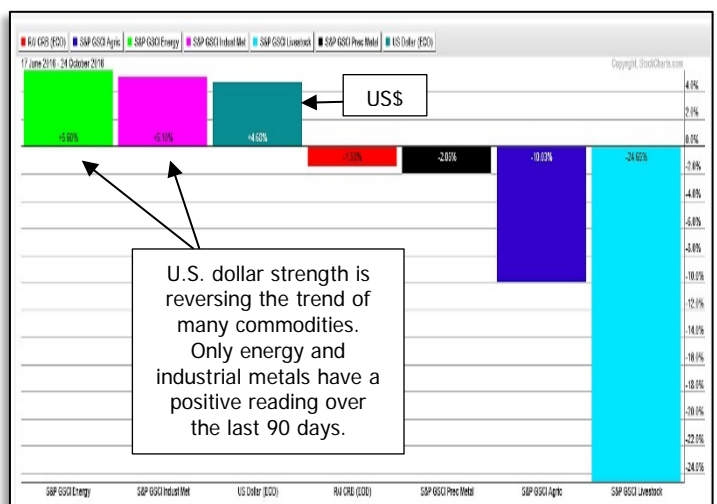


Chart 2