

# Technical Speculator

Timely Analysis for the Informed Investor

MARKETS - COMMODITIES - CURRENCIES

November 2017



## Commodities

### Base metals shine

#### KEY POINTS:

- Slow, measured rise developing for the CRB
- Deflation continues to dominate – not the best news for natural resources
- Slow improvement for WTI
- Weakness builds for natural gas
- Limited rebound for precious metals
- Copper prices continue to advance
- Base metals shine bright among commodities
- U.S. dollar forms bullish “head and shoulders”

#### CRB outlook: Encouraging signs

The Commodity Research (CRB) Bureau Index is edging closer to crossing the downward-sloping 50-week moving average (m/a). This is an important juncture. A move across this barrier would suggest that a new upward trend is unfolding. The uptick in buying momentum (Relative



Chart 1

Strength Index [RSI]) also looks encouraging, but we suspect that more confined trading still lies ahead. Remain on the sidelines until 190 is reached. Once 190 is broached, then 199 is the next target (Chart 1).

#### Deflation/inflation: Deflation winning

Martin Pring's index measuring deflation or inflation sectors clearly shows that deflationary industry groups are outperforming their inflationary counterparts. Inflationary strength ended between 2008 and 2011. Deflationary sectors have had greater relative performance from 2012 to now. Deflationary trends are generally negative for commodities. We see this trend continuing in 2018 (Chart 2).

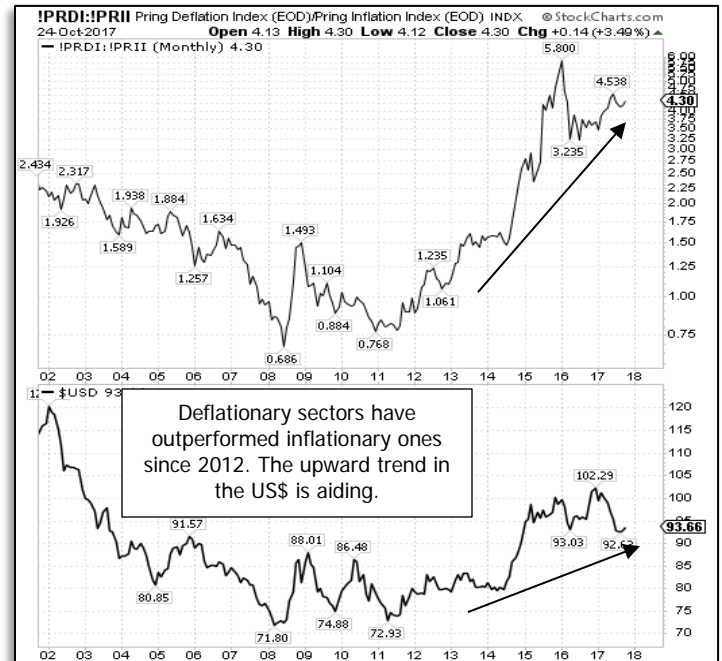


Chart 2

#### Commodity performance: Metals

The S&P industrial metals sector had the best performance over the last 90 days. The S&P energy sector is also