

# Technical Speculator



Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES

September 2016

## Commodities Dollar-driven bounce

### KEY POINTS:

- Short-term bounce continues for the CRB
- Energy shows the most upside performance
- Modest advance for WTIC to low \$50s
- Slow breakout expected for natural gas
- A retest of \$1,300 now unfolding for gold
- Silver stalls to \$18 in Q4
- Primary trend still down for copper
- US\$ drifts lower without Fed direction

### Overview: Soft US\$ gives CRB mild lift

Commodity prices (the Commodity Research Bureau [CRB] Index) are getting a mild bounce, largely due to the slight softness in the U.S. dollar. Recent data from the Federal Open Market Committee (FOMC) shows indecision about a

rate increase to year-end. This waffling from the Fed is usually neutral to negative for the big dollar and boosts commodity prices. Technically, the CRB has bounced off of and crossed over the falling 50-week moving average (m/a). Buying momentum (Relative Strength Index [RSI]) is still in the neutral zone of around 50. The short-term weakening that we commented on in the July issue appears to be over (**Chart 1**).

Nevertheless, we still see limited upside growth for the CRB over the next few months, because the U.S. dollar is still in the driver's seat. More rate increases are coming. Look for a continued bounce above 175 early in the 4th quarter (Q4). The Q4 target points modestly higher, at 206.

### Energy tops commodity performance

Over the last 90 days, the S&P GSCI Energy sector scored the highest return, followed by the S&P GSCI Precious Metals Index and the CRB. In October and November, the energy and precious metals commodity sectors are expected to hold the top two spots in performance (**Chart 2**).



Chart 1

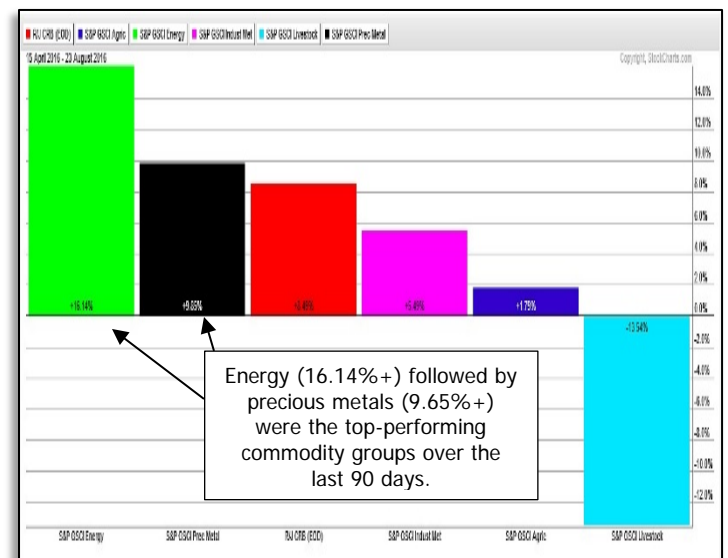


Chart 2