Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

September 2021

Strategy

Into year-end

Key observations: Stock market

- **Outlook: positive**
- Upward trend continues. No signs of weakness.
- Both the S&P 500 and the Dow Jones Industrial Average (DJIA) posted new all-time highs in August, suggesting a continuation of the bull market in Q4.
- We recommend that investors overweight in deflationary sectors of the market (industrials, financials, consumer cyclicals, and technology).
- We remain long-term bulls on the market and continue to see comparisons to the 1980s and 1990s with the current bull market.
- Based on 135 years of market data, we expect this bull market to continue for four to six more years.
- We reiterate our year-end 2021 price objective of 4750 for the S&P 500, and 38,150 for the DJIA.

Micro-thoughts

- **U.S. economy. Outlook: improving**
  We continue to see a sustainable but low-trajectory economic recovery unfolding. The unemployment rate continues to decline (now at 5.40%), and U.S. consumer confidence is trending higher, as are business confidence levels.
- **10-year bond yields. Outlook: slow rise**
  We believe that a secular bottom in interest rates has occurred. The benchmark U.S. 10-year T-bond yield has formed a base at 1.20%, and now suggests a measured advance to 1.50% by year-end.
- **U.S. dollar. Outlook: slow rise**
  The U.S. Dollar Index (DXY) has found price support at $0.89 to $0.90. Stronger economics and a promise of higher interest rates as early as 2022 are helping to push the greenback higher.
- **Commodities. Outlook: stalling**
  The S&P GSC Index continues to be supported by energy prices. The index recently retested the high of December 2019, at 2680. We suspect that a strengthening U.S. economic outlook will be a meaningful headwind for the commodity sector in Q4. A movement away from gold and silver appears to have begun. The run-up in WTIC prices has stalled below $77.00, as the COVID-19 Delta variant brings into question concerns about its lingering effects on the recovering economy.

Market commentary: Continued upward

We recognize that for many investors, tensions are building about the longevity of this bull market. After going up over the last 13 years, how much more is there? It is important for investors to review key gauges about the markets, sectors, and the economy before making any assumptions about the market's duration.

At this juncture, the bull market is about two-thirds complete. This is based on several factors. (1) Over the last 135 years, the average bull market duration has been 18 years. The current bull market is 13 years long. That would suggest that it has another four to six years. (2) Bull markets end when the U.S. yield curve is flat or inverted. At this point, the curve is neither; it is in a normal position. (3) Sector performance shows that the base-metals sector began outperforming the S&P 500 in early 2021. This action occurs at about the two-thirds mark of the stock market cycle. (4) The U.S. is planning to start raising interest rates in late 2023 or early 2024. This normally happens when the economic cycle is mature – about two-thirds complete. All of these factors suggest that the bull market has more room to run, and that higher levels can be expected, going into year-end.

Our expectation is that the S&P 500 will reach 4750 by year-end, and the TSX will reach 22,000 by early 2022. Remain fully invested.

Donald W. Dony, FSCI, MFTA – August 27, 2021

T e c h n i c a l   S p e c u l a t o r

MARKETS – COMMODITIES – CURRENCIES – SECTORS

Commodities

Weakening trend

KEY POINTS:

- **S&P GSCI Commodity Index (GTX) stalls at key resistance level**
- **Long-term performance still shows the S&P 500 over the GTX**
- **Deflationary assets starting to outperform inflationary assets**
- **Industrial metals sector takes the top 90-day performance spot**
- **WTIC pulls back after major breakout; stalls below $77.00**
- **Natural gas moves out of multi-month consolidation**
- **Gold prices point lower, toward $1,625**
- **Silver prices break downward**
- **Upward surge in base metals holds**
- **Minor pullback for copper after record high**
- **S&P GSCI Agricultural Index continues to consolidate after record high**
- **U.S. dollar moves to $0.93; higher levels expected in Q4**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	4.32%	20.97%	**970.86%**
S&P 500	3.05%	20.39%	352.26%

18-year average for the TS Model Portfolio – 13.91%
18-year average for the S&P 500 – 8.64%

[https://www.technicalspeculator.com/services/ts-model-growth-portfolios 7.03 % average dividend yield](https://www.technicalspeculator.com/services/ts-model-growth-portfolios)

S&P GSCI outlook: Stalling

Outlook neutral/positive: The S&P GSCI Commodity Index (GTX) continues to stall at the key resistance level of 2600 to 2650 (**Chart 1**). A rising U.S. dollar appears to have put the brakes on the advance. A similar action occurred in 2019, when dollar strength capped the GTX for more than a year. The near-term movement of the GTX appears to be largely governed by the big dollar – and the outlook for the dollar is positive.

Buying momentum (Relative Strength Index [RSI]) for the commodity index is still positive (encouraging), which suggests limited pullback. The first support level is at 2400.

Five-year forecast models (**Chart 1a**) back the approach of only a modest rise in Q4 for the GTX. Models suggest a level of 2700 by year-end.

What does it mean? Continued consolidation below 2700 is the outlook for the GTX over the next few months. Again, the guiding factor for the commodity index appears to be the U.S. dollar.

Chart 1

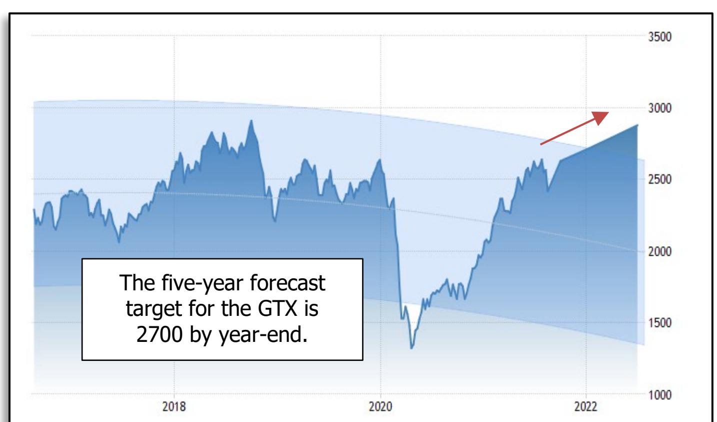

Chart 1a