

# Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

August 2024

## Commodities

### Short-term weakness continues

#### Key Points:

- **Weaker patch for S&P Commodity Index GTX as index stalls again at 3850**
- **Lower levels for the US 10yy spells downward pressure for the GTX in late Q3**
- **Precious metals sector holds on to the top in 90-day performance, again**
- **Containment continues in Q3 and Q4 for WTI**
- **Rebound rally for Natural gas stalls, again**
- **Gold's recent rally takes a breather mid-year before higher levels begin**
- **Silver prices rest before Q4 run starts**
- **Industrial metals ETF (GYX) slumps back**
- **Rapid retracement for copper prices in Q3 lands on key support level**
- **Parallel dance between the US dollar and US 10YY continues. 105.50 target**

(US Core PCE Price Index). The Index fell in June to 2.60%, the lowest level since March 2021. This suggests that the Fed will likely pivot on rates in late Q3, pushing bond yields lower. Commodity prices (GTX) are expected to follow. The GTX has repeatedly stalled at the 3850 level.



Chart 1

US 10-yy are expected to dip below 4.25% and move to 4.17%. The GTX shows neutral buying momentum (RSI) (not confirming additional upward strength). There is a narrowing of the positive 'Green Cloud' in Q3 adding to the expected continued stalling under the 3850 level. The 1<sup>st</sup> support level is 3560 (Chart 1).

The long-term view is slightly more bullish for both the GTX and US 10-year yields. Both assets have broken out from

	<i>Since Last Month</i>	<i>Year to Date</i>	<i>Since Inception mid-2003</i>
<b>TS Model Portfolio</b>	4.27%	15.40%	<b>1,021.85%</b>
S&P 500	1.13%	15.78%	452.23%

The 19-yr average for the TS Model Portfolio – 12.12%  
 The 19-yr average for the S&P 500 – 8.42%

TS Model Income Portfolio – 9.14% average div. yield

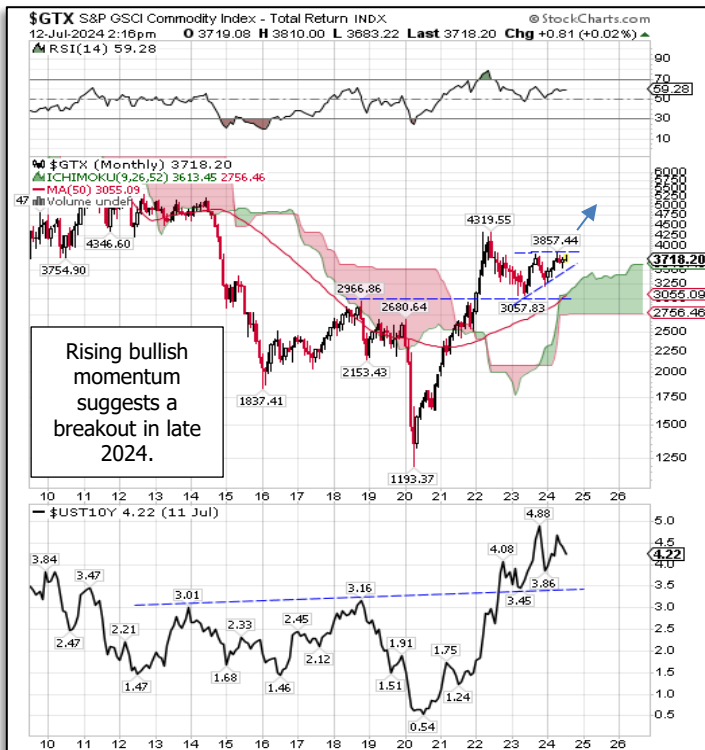
### GTX: Stalling continues

**Outlook Neutral:** The S&P GSCI Commodity Index (GTX) and the US 10-year T-bond yields continue to parallel each other. This action provides an in-site to the near-term movement of both assets. Recent US inflation data continues to soften with the Fed's favourite inflation gauge

multi-year bases (**Chart 1a**). This suggests that some residual inflation will likely persist into 2025.

Buying momentum (RSI) for the GTX is positive (confirming additional upward strength). An expanding positive 'Green Cloud' extends into the second half of 2024 and continues into 2025.

The outlook for the US 10-year yields is for them to remain above the 3.50% support level and hover in the 4.20%-4.00% range in the months ahead.



**Chart 1a**

**What does it mean?** A slightly weaker print on US T-bond yields currently should hold the GTX in check in Q3. However, the longer-term view indicates more upward strength for commodities should be expected in late 2024. The 1<sup>st</sup> target is 3,850 for the GTX.

### Deflation vs. Inflation: Deflation wins

**Outlook Neutral/Negative:** The 5-year performance between deflationary assets and inflationary assets shows an ongoing higher performance from deflationary assets (Dow) over inflationary assets (commodities). The relative performance between the two assets shows an uptick in inflationary assets in Q2 (**Chart 2**).

**What does it mean?** A continually stronger-performing deflationary equity market is normally more bullish for the stock market than an inflationary-driven market. However,

we anticipate a more even performance between the two asset groups in Q3/Q4.

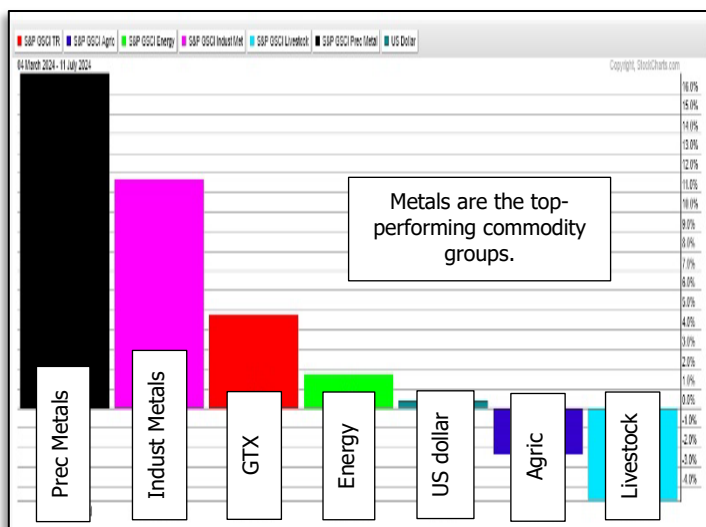


**Chart 2**

### Commodity performance: Metals win

**Outlook: Positive:** Only three commodity groups posted a positive return over the last 90 days – precious metals, industrial metals and energy. Agriculture and livestock were negative (**Chart 3**).

**What does it mean?** We expect ongoing performance from the metals. Ongoing strength in precious metals normally occurs near the end of a market cycle.

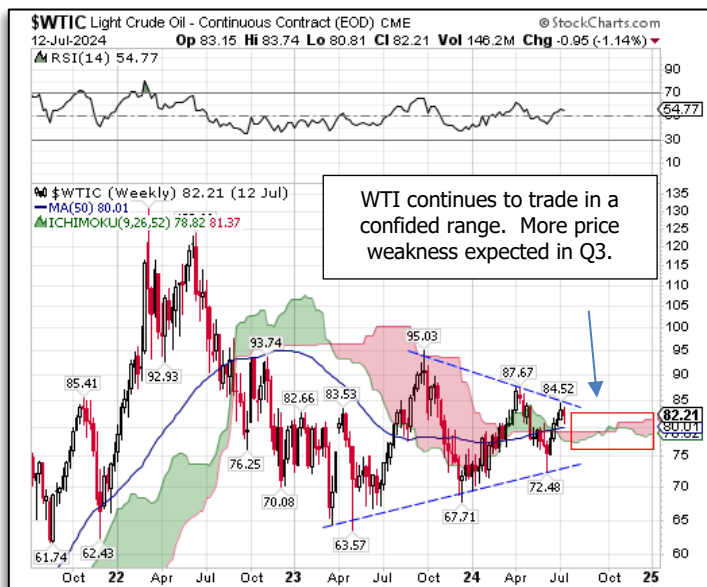


**Chart 3**

### WTIC: Range-bound

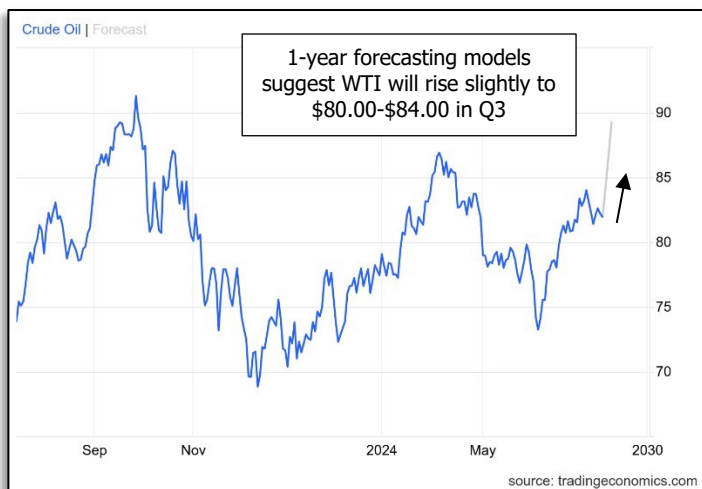
**Outlook: Neutral:** The outlook for China, the world's top oil consumer, continues to look frail as Q2 data shows the economy grew less than expected. Weak domestic demand and rising trade tensions with the West are the reasons.

In June, the EIA raised its global oil demand forecast slightly to 1.1 million barrels per day in 2024 from the previous 900,000 bpd.



**Chart 4**

**The 1yr trend is flat.** WTIC remains contained between \$72.00 and \$87.00. Buying momentum (RSI) is neutral (not confirming additional upward strength). There is a narrow negative 'Red Cloud' in Q3 and Q4 which suggests more range-bound price action over the next few months. A breakout would need a move over \$87.00 (**Chart 4**).



**Chart 4a**

1-year forecasting models suggest WTI will trade around \$80.00-\$84.00 in Q3 (**Chart 4a**).

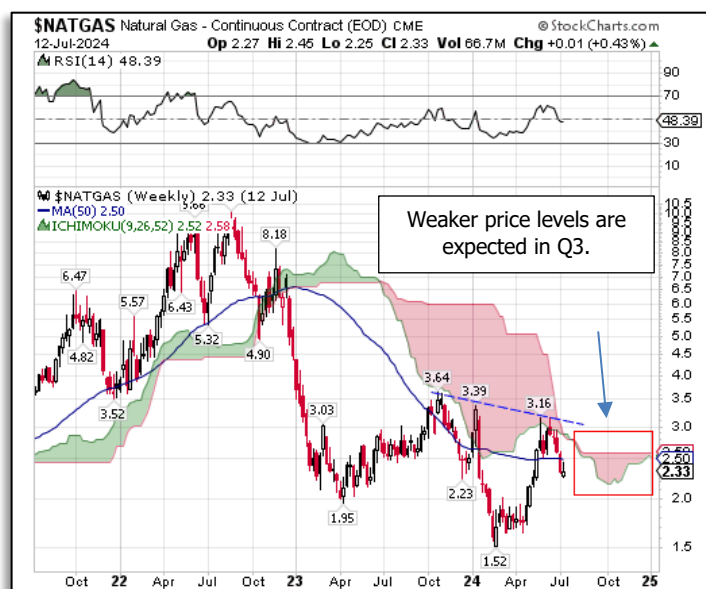
**What does it mean?** Oil prices are expected to remain around the current level. No major advance expected.

## Natural gas: More weakness ahead

**Outlook: Negative:** The EIA report on weekly storage continues to build. Still 18.7% above the 5-year average. Looking into mid-year, weather forecasts suggests warmer-than-normal temperatures in July and August indicating some increase gas consumption by power generators.

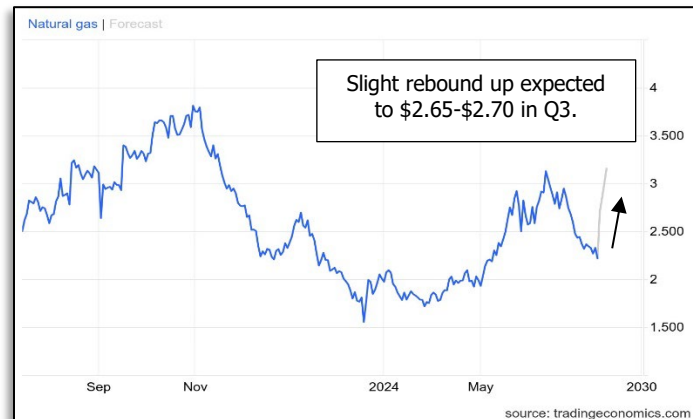
**The 1yr trend is flat.** Natural gas prices remain in a trend of lower highs and lower lows. Pulling back from the resistance line of \$3.16 (**Chart 5**).

There is expanding of the negative 'Red Cloud' in Q3 and Q4 suggesting continued price weakness ahead. Buying momentum (RSI) has faded, now neutral (not confirming additional upward strength). 1<sup>st</sup> support at \$2.15.



**Chart 5**

1-year forecasting models suggest that natural gas prices will remain around \$2.65-\$2.70/MMBtu for the next few months (**Chart 5a**).

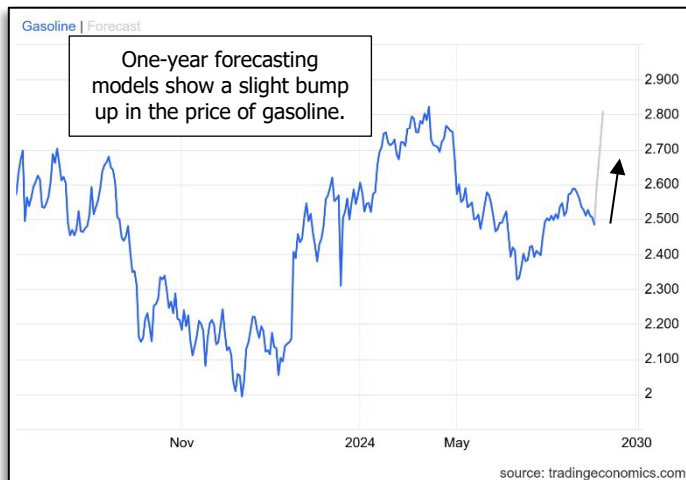


**Chart 5a**

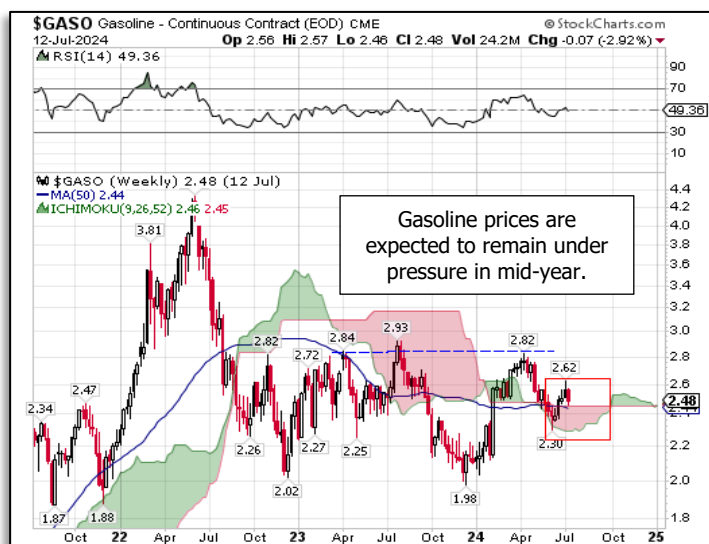
**What does it mean?** Abundant supply versus demand from warmer summer weather suggests very limited increases. Natural gas prices are expected to remain around current levels. The target is \$2.65-\$2.70/MMBtu.

### Gasoline: Retreat in mid-year

**Outlook: Neutral:** Gasoline futures bumped up in June to \$2.60 per gallon only to retreat due to an unexpected drop in demand and abundant supply. With the summer travel season well underway, traders are betting on an increase in gas consumption. So far, that assumption has not developed. In addition, WTI oil prices have declined for the third consecutive week.



**Chart 6a**



**Chart 6**

**The 1yr trend is flat.** Still boxed in a trading range of price support at \$2.45 and resistance at \$2.60. Gas prices are now on the declining 50-week m/a. There is a negative 'Red Cloud' in Q3 suggesting more consolidation or price weakness ahead (**Chart 6**). Buying momentum (RSI) is neutral (not confirming additional strength).

1-year forecasting models suggest that gas prices will rise slightly and reach \$2.60 in Q3 (**Chart 6a**).

**What does it mean?** Expect more price weakness into mid-year. Support is building around \$2.45. The upside target is only \$2.60 in Q3. Continue to hold.

### Gold: Short-term stall

**Outlook: Positive** Gold's advance stalled in mid-year as rising US dollar pressure prompted investors to backed-off from buying. Traders are concerned that after the recent assassination attempt, further violence could stoke market volatility, the US dollar will profit. On the plus side for gold,



**Chart 7**

data shows a cooling US inflation and consumer prices retreating. All increasing the bet that the Fed will pivot on rates in Q3 (**Chart 7**).

**The 1yr trend is up.** Gold prices stalled in Q2 after rocketed up over 15% in Q1. Now consolidating between \$2300 and \$2450. Buying momentum (RSI) is positive (confirming additional upward strength). The positive 'Green Cloud' narrows in Q3 suggesting some price consolidation.

The 1-year forecasting model indicates that the support at \$2300 will hold and a mild rebound to \$2350-\$2400 in Q3 (**Chart 7a on page 5**).

**What does it mean?** After the rapid rise in Q2, gold is taking a breather. We expect that the run is not over. The elements that drove gold up, are still present. Add to the position. The \$2440 target is met, \$2500 is the new target.