Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

February 2025

Commodities

Inflation, Yields, Trump

Key Points:

- **Near-term breakout for S&P Commodity Index (GTX) as index follows T-bond yields**
- **Deflationary assets are outperforming inflationary assets since early 2022**
- **The Agriculture sector holds on to the top in 90-day performance, then the Livestock sector**
- **WTI tests key resistance level at $78**
- **Rally for Natural gas has legs**
- **Short-term pause for Gold. Still looks promising, with a $2860 target**
- **More consolidation for Silver in Q1**
- **Industrial metals ETF (GYX) remains boxed**
- **More stalling for copper prices**
- **US dollar breaks out on Fed rate stall, heads to 111.25**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	3.68%	3.68%	**1,100.80%**
S&P 500	2.93%	2.93%	504.05%

The 19-yr average for the TS Model Portfolio – 12.18%
The 19-yr average for the S&P 500 – 8.67%

TS Model Income Portfolio – 10.75% average div. yield

GTX: Near breakout

Outlook Neutral/Positive: The S&P GSCI Commodity Index (GTX) and the US 10-year T-bond yields continue to trade in lockstep. Yields recently broke out from a 16-month consolidation, now at 4.77% and climbing. Market sentiment has pressured traders to scale back expectations for the Fed to cut rates this year. Concerns over inflationary policies under President-elect Trump have added to the cautious outlook. The US inflationary pressure has increased (now at 2.90%) as traders assess the latest data and its impact on the Fed's rate-cutting cycle.

Inflation was assumed to have been beaten in the US, but with the latest economic data showing renewed strength, that view appears to have changed. Commodity prices react positively to inflationary pressures and have recently returned to life.

The S&P Commodity Index (GTX) has retested the resistance level of 3,850. A breakout would point to 4,200 (**Chart 1**). The GTX shows that the buying (RSI) momentum is positive (confirming additional upward strength). The positive 'Green Cloud' gradually narrows in Q1 and Q2, suggesting some measured movement lies ahead.

Chart 1

The long-term monthly data view is more supportive of the GTX. The S&P Commodity Index is still consolidating. It is expected to break out of that pattern in early 2025. An expanding positive 'Green Cloud' for all of 2025 suggests more price support for the GTX. Buying momentum (RSI) is positive (confirming additional long-term buying pressure). 10-year US T-bond yields are expected to remain supported in the months ahead with a target of 4.85% (**Chart 1a**).

Chart 1a

What does it mean? Economic data suggest that US inflation is expected to start rising again. The increase is partly due to concerns over potentially inflationary pressures from Trump's administration policies. This has pared back the likely number of Fed rate cuts in 2025. 10-year yields should continue to rise with a near-term target of 4.85%. The GTX should follow the path of yields and advance in the months ahead. The target has increased to 4,200.

Deflation vs. Inflation: Deflation wins

Outlook: Continued decline: The 5-year performance between deflationary and inflationary assets shows an ongoing higher performance from deflationary assets (Dow) over inflationary assets (commodities) since 2022 (**Chart 2**).

What does it mean? A continually stronger-performing deflationary-driven market is usually more bullish for the stock market than an inflationary-driven market. We anticipate a more even performance between the two asset groups in Q1 as inflationary pressures build, T-bond yields rise, and commodity indexes (GTX) are expected to advance.

Chart 2

Commodity performance: Agric wins

Outlook: Positive: Three commodity groups posted a higher positive return over the last 90 days than the S&P Commodity Index (GTX). The S&P Agriculture Index led with a 12.25% jump, followed by the Livestock Index with 7.77% (**Chart 3**).

What does it mean? The weather often governs agriculture prices. This element is becoming more unpredictable and extreme. Note the increasing performance strength of the US dollar. This currency's increasing strength should keep the metal's prices contained.

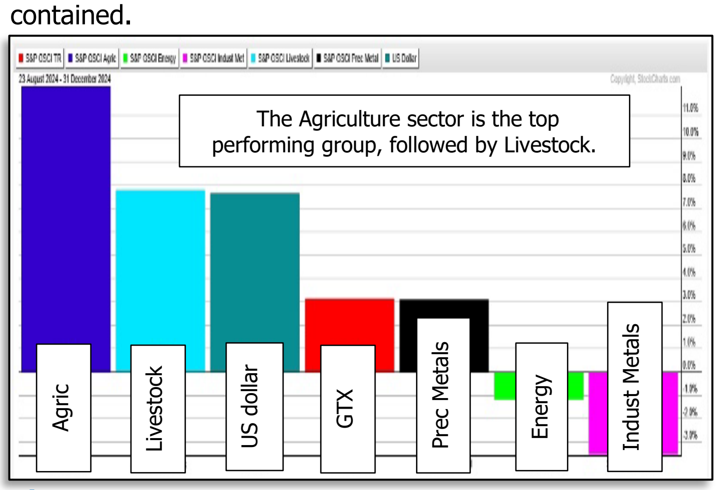

Chart 3

WTIC: Still range-bound

Outlook: Neutral: Light crude oil moved to $78, driven by tighter US sanctions on Russia's energy industry. However, weaker demand from China could limit the impact of tighter supply. EIA shows that US inventories rose to a record 3.6 million barrels in early January.

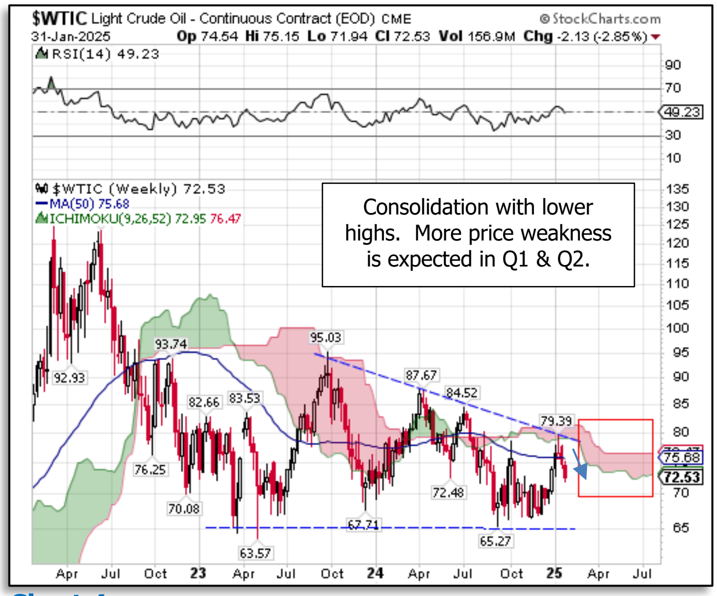

Chart 4

The 1-year trend is flat. WTIC remains contained in a series of lower price peaks. Buying momentum (RSI) is neutral (not confirming additional upward strength). A negative 'Red Cloud' extends into Q1 and Q2, suggesting prices will remain depressed over the next few months. A break below $65.00 would point to $57.50 (**Chart 4**).

1-year forecasting models suggest a measured pullback to $73.00 (**Chart 4a**).

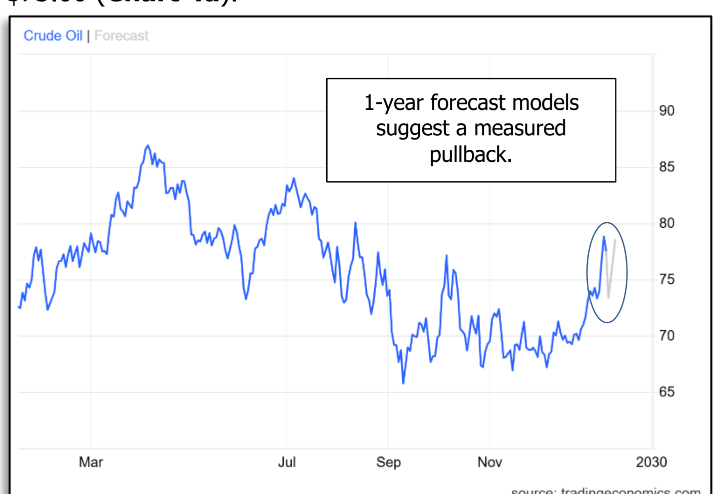

Chart 4a

What does it mean? Oil prices are expected to remain around the current level. No significant advance is expected, as there is ample global supply and weak demand from China, the world's prime consumer. The target is $73.00.

Natural gas: Breakout

Outlook: Neutral/Positive: Flows from Freeport LNG reached two-month lows as producers expected reduced demand for gas as weather patterns appeared to show unseasonable warmth this winter. However, forecasts reversed, signaling colder weather and higher heating demand. Storage withdrawals in January could erase the current surplus and drive stockpiles below the five-year average.

The 1-year trend is up. Recent price action shows a rebound out of the 12-month consolidation, then a stall. A negative 'Red Cloud' in Q1 suggesting price weakness ahead. Buying momentum (RSI) is neutral (not confirming additional upward strength) (**Chart 5**).

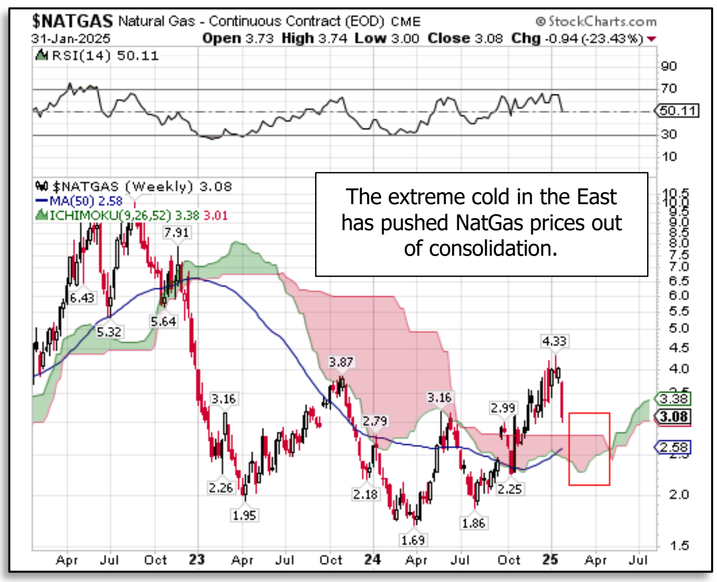

Chart 5

1-year forecasting models suggest that natural gas prices will rebound slightly from the low of $3.00-$3.10/MMBtu in Q1 (**Chart 5a on page 4**).

What does it mean? NatGas prices have bottomed. Colder weather suggests prices will maintain a measured increase. Natural gas prices are expected to remain around current levels over the next 1-2 months.

Gasoline: Weakness continues

Outlook: Neutral/Negative: The bounce in gasoline futures in October was short-lived. The commodity rose to