Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

March 2025

Commodities

Sticky inflation, tariffs, gold nears record

Key Points:

- **Near-term breakout for GTX as commodity index follows T-bond yields**
- **Long–term outlook points higher for commodities in 2025**
- **The livestock sector holds on to the top in 90-day performance. Outperforms precious metals**
- **WTI prices continue to sag in Q2**
- **Rally for Natural gas has more upside**
- **Traders push gold to overbought levels; $3,000 should stall the advance, short-term**
- **Silver heads to $34**
- **Industrial metals ETF (GYX) remains boxed**
- **Short-term rollover for the US dollar, then heads to 110.75**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	-0.49%	3.17%	**1,094.89%**
S&P 500	-1.43%	1.46%	495.45%

The 19-yr average for the TS Model Portfolio – 12.11%
The 19-yr average for the S&P 500 – 8.57%

Five Year Performance

2020-**30.39%** 2021-**16.25%**
2022-(**15.88%**) 2023-**23.29%** 2024-**19.14%**

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 a similar pattern. Yields recently broke out from a 16-month consolidation, rebounding from a seven-week low of 4.40% to 4.50%. In light of the resilient labour market and strong economy, the Fed has stated that they are in no rush to lower rates. US inflationary pressure has increased (now at 3.00%), and CPI is at a five-year high, driving away any thoughts of multiple rate reductions.

Commodity prices react positively to inflationary pressures and have recently returned to life.

The S&P Commodity Index (GTX) has repeatedly retested the resistance level of 3,850 in Q1. 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 on the edge of breaking out. Buying momentum (RSI) is positive (confirming additional long-term buying pressure). An expanding positive 'Green Cloud' for all of 2025 suggests higher price levels for the GTX. 10-year US T-bond yields are in lock-step with the GTX and are expected to remain well supported in the months ahead (**Chart 1a**).

Chart 1a

What does it mean? Economic data suggest that US inflation is expected to start rising again. A strong labour market and many positive inflation-related indicators (CPI, PPI, and PCE) indicate an increase. 10-year yields should continue to rise. The GTX should follow the path of yields and advance in the months ahead. <u>Add to the GTX position once the breakout occurs. The target has increased to 4,200.</u>

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. Once the GTX breaks out, we anticipate a more even performance between the two asset groups.

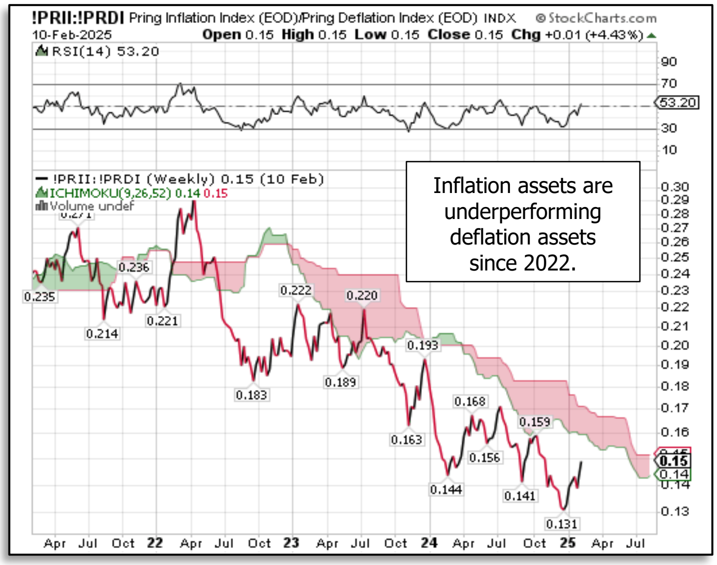

Chart 2

Commodity performance: Livestock

Outlook: Positive: Three commodity groups posted a higher positive return over the last 90 days than the S&P Commodity Index (GTX). The Livestock Index with 11.37%, the S&P Precious Metals Index with 8.52%, and the Agriculture Index led with 8.12% (**Chart 3**).

What does it mean? The Livestock Index has topped the performance list of commodity groups. Beef prices have been driven up by low supply, high demand as well as the costs of production. Many cattle farmers have reduced their herds' size due to rising costs, drought, and high grain prices.

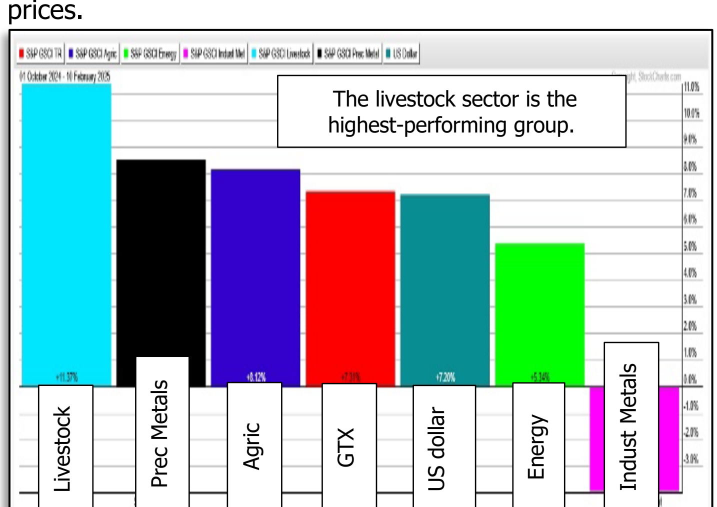

Chart 3

WTIC: Still range-bound

Outlook: Neutral/Negative: Supply risks are coming from falling Russian production, tankers from Iran being under US sanctions, and Middle Eastern conflicts continuing to limit supply. Any gains were limited due to Trump's tariffs on steel and aluminum. Oil drillers are reliant on specialty steel unavailable domestically.

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 bounce to $73.00 (**Chart 4a**).

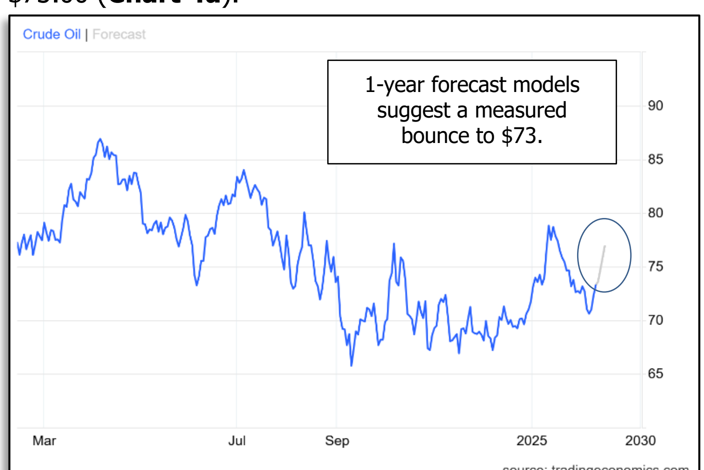

Chart 4a

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. Ongoing price weakness is expected in Q2. The target is $73.00.

Natural gas: Breakout

Outlook: Neutral/Positive: LNG exports were higher due to colder weather forecasts. Looking ahead, meteorologists predict colder-than-normal weather through late February, which will likely keep demand high. Chinese tariffs on US products, including LNG, will take effect in late February.

The 1-year trend is up. Recent price action shows a rebound out of the 12-month consolidation. Currently on price support. A negative 'Red Cloud' in Q1 then turns to a positive 'Green Cloud' in Q2. Buying momentum (RSI) is positive (confirming additional upward strength) (**Chart 5**).

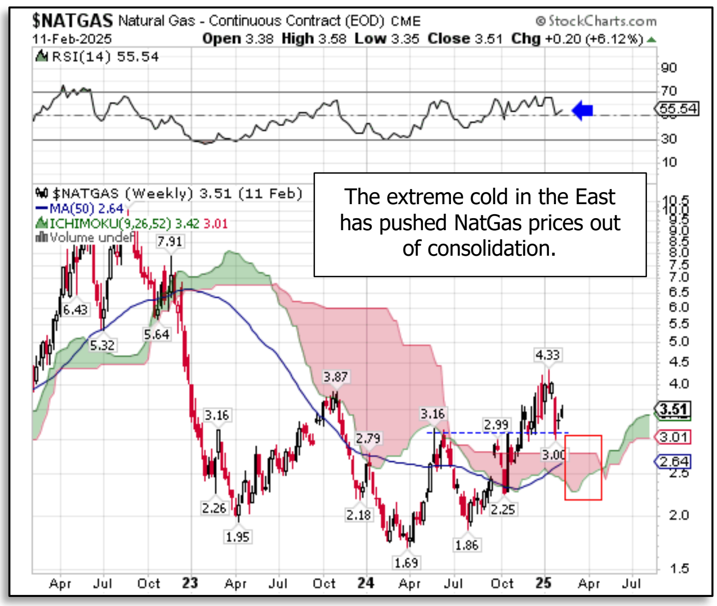

Chart 5

1-year forecasting models suggest that natural gas prices will be around $3.40-$3.50/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: The bounce in gasoline futures in October was short-lived. The commodity rose to $2.15