Technical Speculator

Timely Analysis for the Informed Investor

MARKETS – COMMODITIES – CURRENCIES – SECTORS

November 2024

Commodities

It's all about gold

Key Points:

- **Short-term rise for S&P Commodity Index GTX as the index follows the US 10YY**
- **Upward bounce for the GTX expected to end in Q1/2025**
- **The precious metals sector holds on to the top in 90-day performance again**
- **Containment continues in Q4 for WTI**
- **Rebound rally for Natural gas stalls, again**
- **Gold's recent rally is overbought again. Still looks promising with a $2860 target**
- **Silver prices start to run to $35+**
- **Industrial metals ETF (GYX) slumps back**
- **A gradual rise in copper prices in Q4**
- **Parallel dance between the US dollar and US 10YY continues. 105 is the target**

	Since Last Month	*Year to Date*	*Since Inception mid-2003*
TS Model Portfolio	-1.01%	18.78%	**1,054.16%**
S&P 500	-0.99%	19.62%	470.55%

The 19-yr average for the TS Model Portfolio – 12.12%
The 19-yr average for the S&P 500 – 8.49%

TS Model Income Portfolio – 9.93% average div. yield

GTX: Something happened

Outlook Neutral: The S&P GSCI Commodity Index (GTX), US 10-year T-bond yields, and the US dollar all jumped in early October. US inflationary pressure is easing (now down to 2.4%), the Fed has begun to cut rates (50bps 1st cut), and the global economy is cooling, with less need for natural resources.

So why are these assets suddenly advancing? Several reasons include the hotter-than-expected September jobs report and rising wages. Fitch, the bond rating service, downgraded US debt for the second time. This information also reduces the likelihood of another jumbo rate cut at the December FOMC meeting.

In response to this change in information, commodity prices (GTX) jumped 12%, and the 10-year T-bond yields rose 13% from their lows in September (**Chart 1**).

Chart 1

Moving into Q4, the GTX shows fading buying momentum (RSI) (still confirming additional upward strength). There is a slight widening of the positive 'Green Cloud' in Q4.

Price resistance still sits at the 3750 to 3850 range.

The long-term monthly data view is slightly more bullish for the GTX and the US 10-year yields. The S&P Commodity Index is still consolidating but with higher lows (positive sign). 10-year US T-bond yields have rebounded off support at 3.70%. 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 (**Chart 1a**).

Chart 1a

The outlook for the US 10-year yields is for them to remain above the 3.80% level and hover in the 4.10%-4.20% range in the months ahead.

<u>What does it mean?</u> Favourable economic news has lite a flame under the GTX, 10-year yields and the US dollar (up 3.60% from late September). The longer-term monthly view indicates that more measured upward strength for commodities should be expected in Q4 and 2025. The 1st target remains at 3,850 for the GTX.

Deflation vs. Inflation: Deflation wins

<u>Outlook Neutral</u>: 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 ongoing underperformance. from inflationary assets (commodities) since late 2022.

<u>What does it mean?</u> A continually stronger-performing deflationary equity market usually is more bullish for the stock market than an inflationary-driven market. However, we anticipate a more even performance between the two asset groups in late Q4 and Q1 2025.

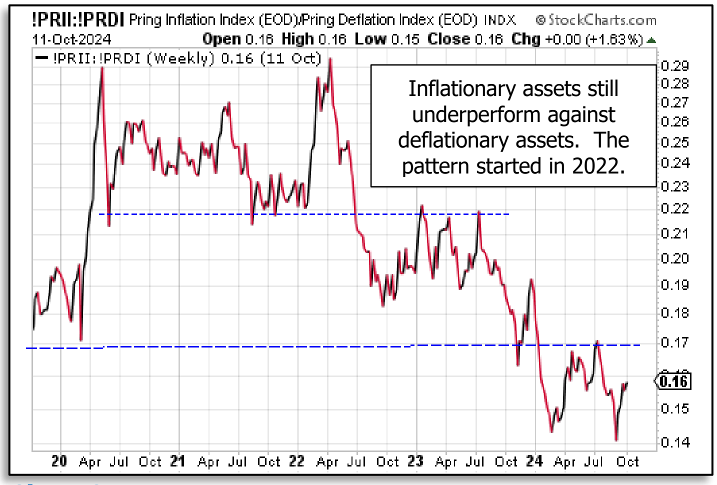

Chart 2

Commodity performance: Gold wins

<u>Outlook: Positive:</u> Only one commodity group posted a higher positive return over the last 90 days than the S&P Commodity Index – Precious metals. Up 12.00%. Agriculture and livestock were negative for the second consecutive month (**Chart 3**).

<u>What does it mean?</u> We expect ongoing performance from the Precious metals sector for the next few months. Strength in precious metals typically occurs near the market cycle's end.

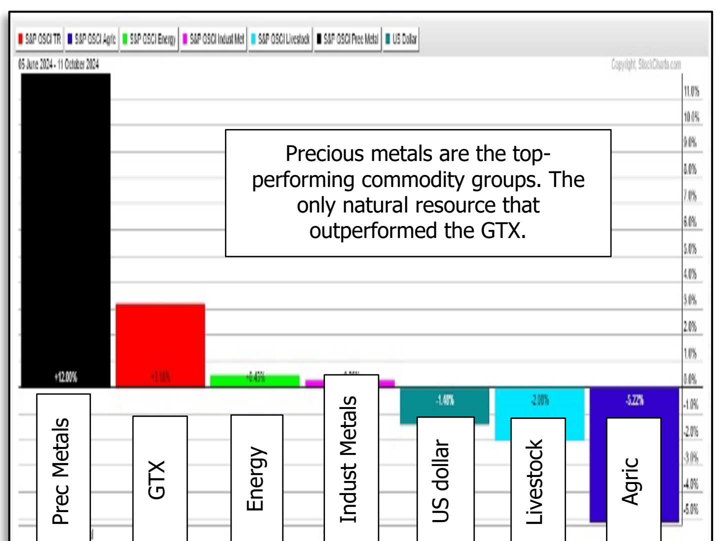

Chart 3

WTIC: Range-bound

Outlook: Neutral/Negative: Light crude oil prices continue to struggle as headwinds from China's weakening economy keep the commodity contained. The outlook for China, the world's top oil consumer, continues to look frail as Q3 data shows the economy grew less than expected.

The 1-year trend is flat. WTIC remains contained between $67.00 and $85.00. Buying momentum (RSI) is negative (not confirming additional upward strength). A negative 'Red Cloud' in Q4 and into Q1/2025 suggests prices will remain boxed over the next few months. A breakout would need a move over $77.00. An unlikely event at this junction.

Chart 4

1-year forecasting models suggest WTI will trade around $71.00 by year-end (**Chart 4a**).

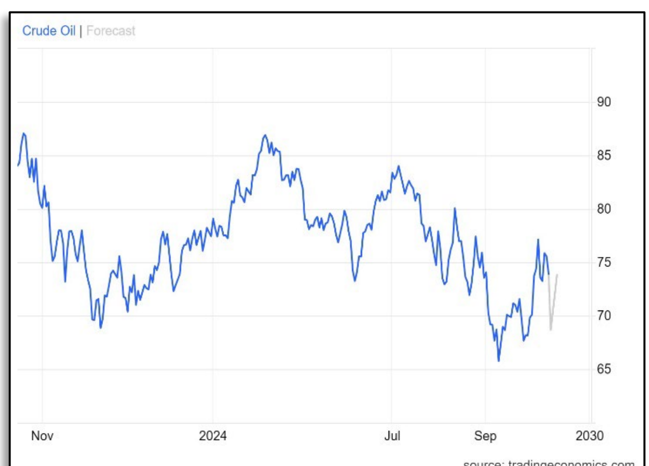

Chart 4a

What does it mean? Oil prices are expected to remain around the current level. No significant advance is expected, as there is an ample supply from OPEC+ and a weak demand from China.

Natural gas: Weakness persists

Outlook: Negative: US natural gas futures declined after hitting $3.00/MMBtu in October, driven by forecasts for lower demand in Q4. EIA reported an 82 billion cubic feet (bcf) increase in storage ending in early October.

The 1-year trend is flat. Recent price action shows a measured rebound and a dead stop at $3.00. An expanding negative 'Red Cloud' in Q4 and Q1/2025 suggests continued price weakness ahead. Buying momentum (RSI) has improved slightly and is now positive (confirming additional upward strength). 1st support at $2.00 (**Chart 5**).

1-year forecasting models suggest that natural gas prices will have a measured move down to about $2.50/MMBtu by the end of Q4 (**Chart 5a**).

Chart 5

Chart 5a