Market Movers

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S&P GSCI TR

Cautious optimism that the liquidation phase is behind us, coupled with concerted Chinese efforts to reinvigorate the boom, and hints that the worst of the rush into the dollar has passed, allows us to hope that the last three months' correction may have run its course.

If the descending channel is breached, the May high becomes a target and, beyond that, we might look to levels some 10-15% above the current mark. Conversely, a failure here would be most unhelpful.

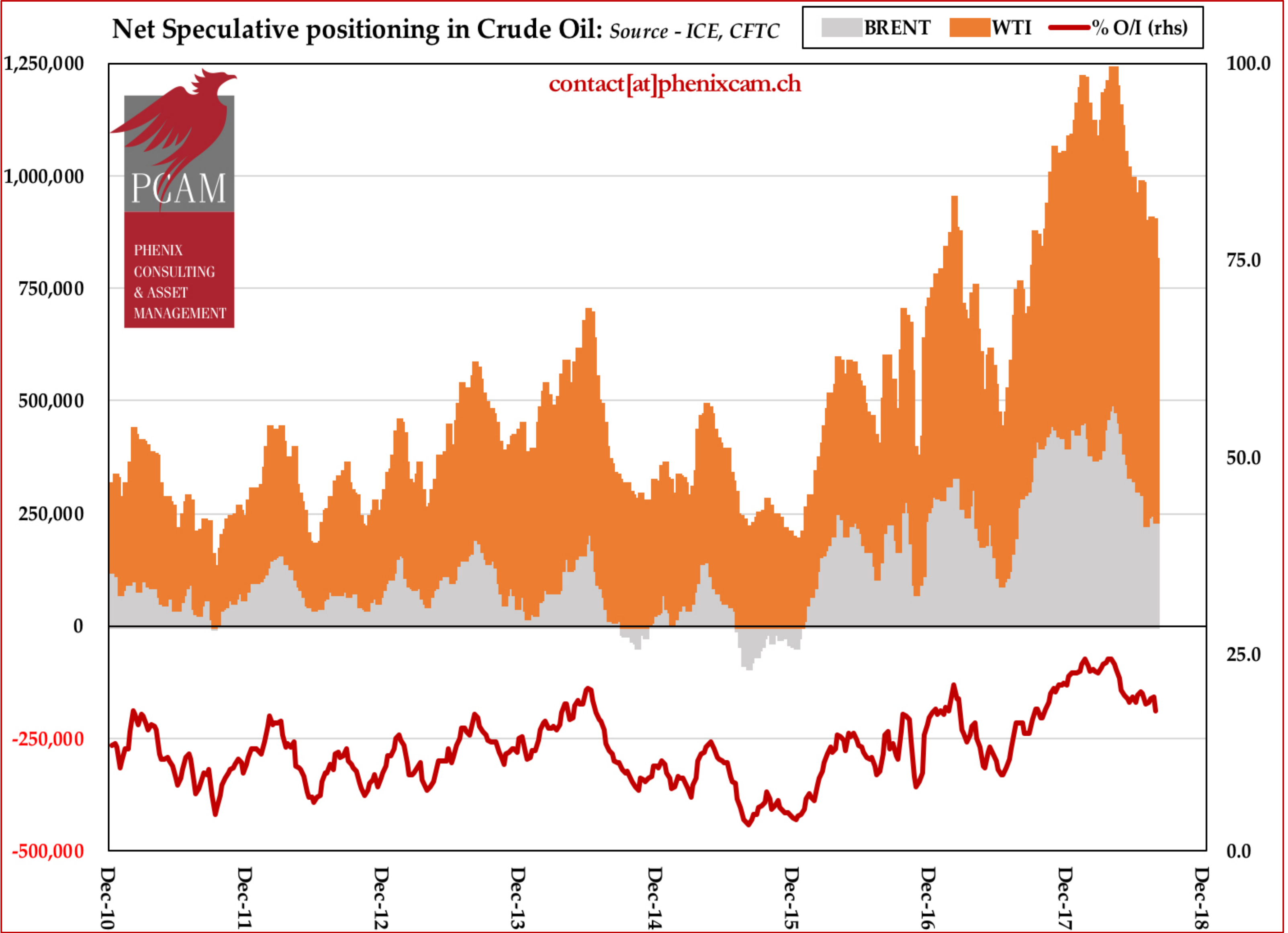
Courtesy of TradngView

S&P GSCI NRG ER

Net Spec exposure continues to decline, with the 810k long a third off from the April peak and both the smallest total and percentage since September.

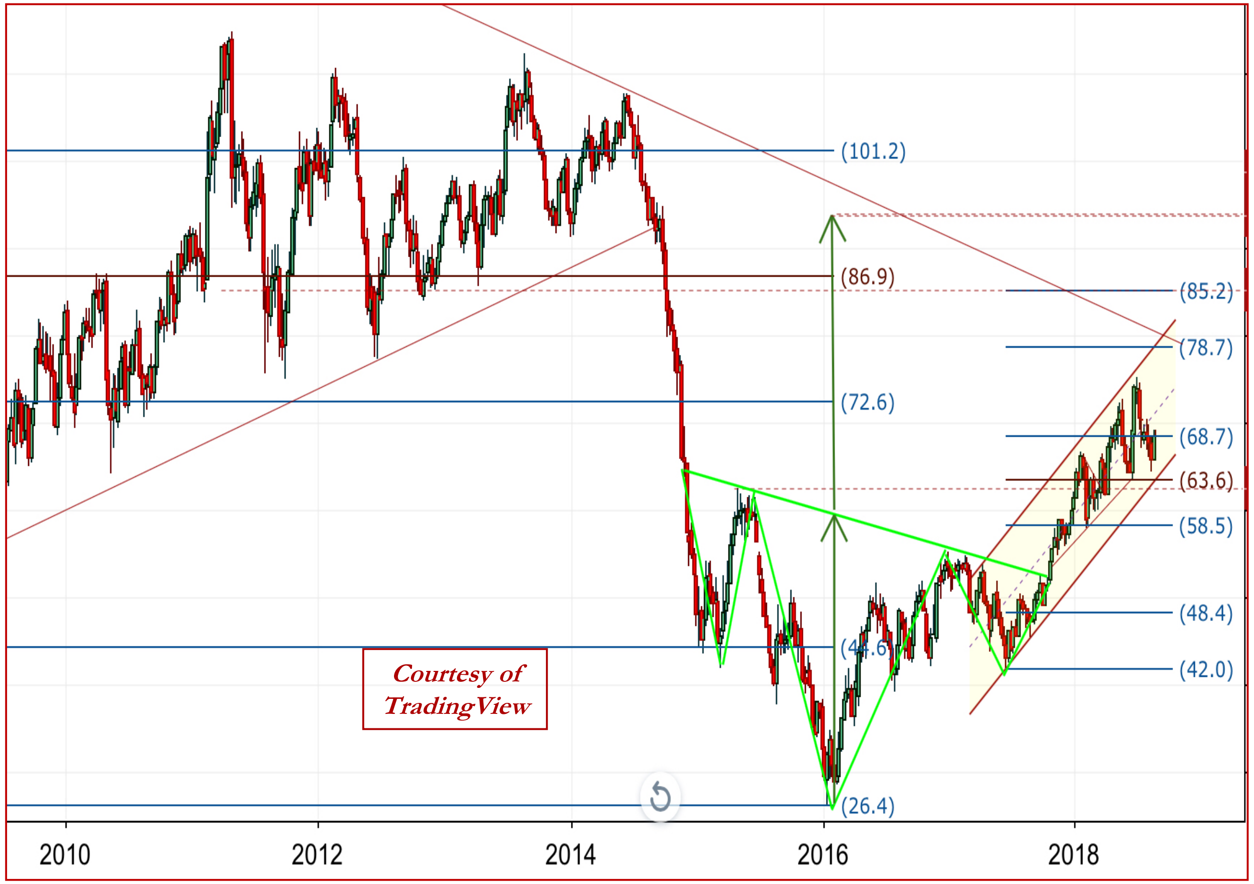
WTI producers now have minimal hedge coverage at a bare 35k contracts, all the action being between a 544k swap dealer short and a 330k managed money long backed up by a further 200k from the 'other' reporting category.

Total inventories have dropped by almost a fifth since the Feb'17 peak to a 3 ½ year low after YOY declines of up to 130Mbbl (~14%) in late spring, the largest in a 27-year record outright and just pipping the GFC in percentage terms.



WTI & Brent

Despite the exit of so many stale longs, crude has still not definitively lost all chance of making higher highs through this cycle. Holding above the May'15 high of $62.50 is a help and the volume being laid down here allows us to project to $85-and-change once the pre-Crash low of $75/bbl is beaten. Beyond that objective lies the H&S mark of $93.50



Brent's relatively large contango, coupled with a high premium over WTI offers an unusually large pickup to a box trade between them

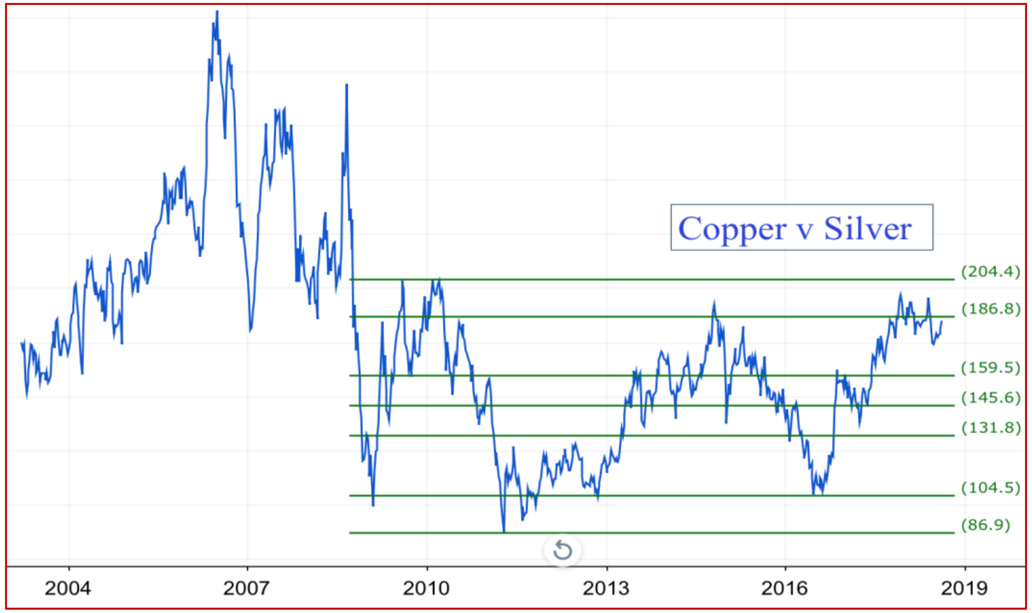
Base Metals

As we had surmised, base metals unwound half the 2016-18 rally then bounced. So far, they have not managed to regain the previous range above ~190 on this basis. Until they do, we must remain somewhat cautious though the fact that the heavy spec long seen as recently as June has all but evaporated, leaves plenty of scope for a big move when and if confidence returns.

Courtesy of TradingView

Targets hit here as the Trump rally starting point offered the anticipated support.
Overall spec/nonspec positions are small in gold and silver with producers having progressively lifted hedges.
Gold bugs relying in the large CTA short of around 90k should note the offsetting 80k 'Other' category long whose pain threshold may not be notably higher.

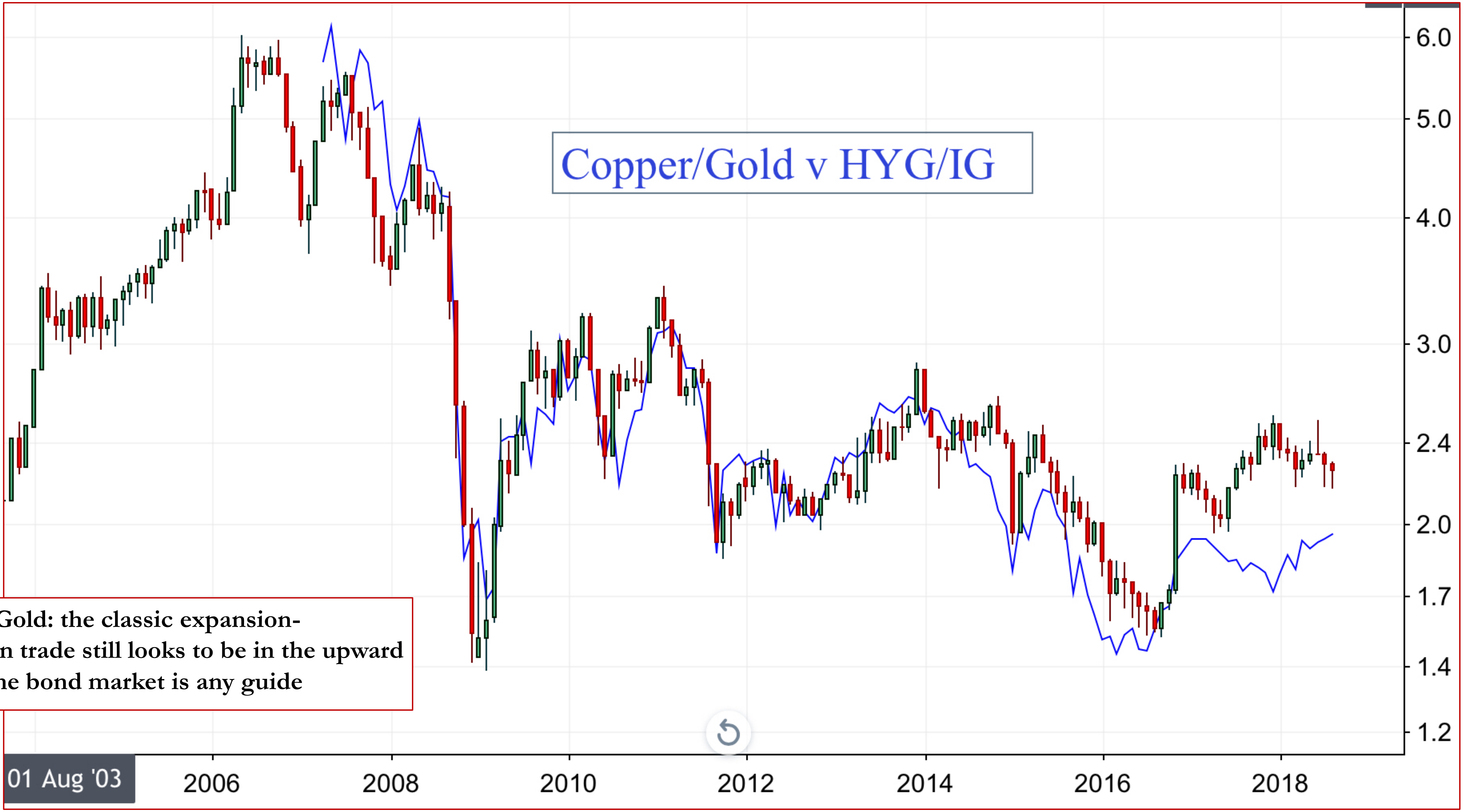
Precious Metals



With a big managed money short and a couple of identifiable technical support levels here, silver may be a buy, at least relative to gold and copper and possibly palladium (not shown)

Base v Precious Metals

Courtesy of TradingView



Copper v Gold: the classic expansion-contraction trade still looks to be in the upward phase if the bond market is any guide

Agriculture

Courtesy of TradingView

With the possibility of record harvests, uncertainties over exports to China, and competition from Brazil, things continue to look poor for an agriculture sector which is continuing to post new lows on an excess or total return reckoning.

Agriculture

Throughout the sell-off, producers have been covering, all others liquidating, but there is still a deal more left to be done, with the caveat that managed money is now well short. The well-regarded Pro Farmer advisory service is calling for a USDA-topping 4.683 billion bushel harvest while the swine fever outbreak in China could dampen whatever soymeal sales make it past the Trade War barriers. New lows not to be ruled out yet.

Courtesy of TradingView

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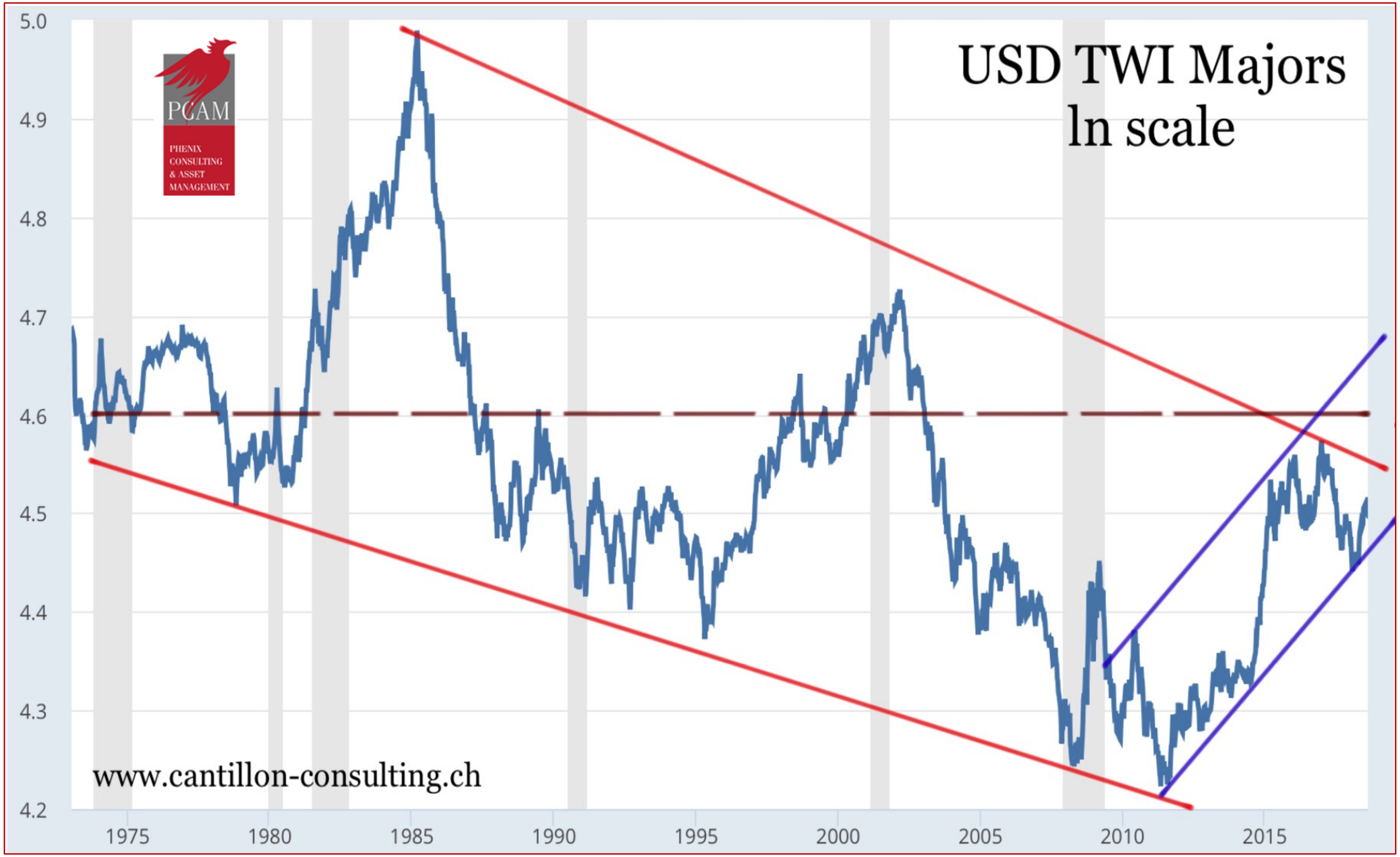
Looking increasingly like the boost emanating from weather losses in Europe and Russia may have run its course.
Over the past 7 months or so, producers have built a massive 156k short (partly offset by swap dealer longs) while specs have set their own record longs, 57k of the 79k total being managed money. The full 50% retracement still looks worth a shout.

The Chinese defence of the yuan, plus the announcement of the trade deal with Mexico, has seen some of the commodity-damaging upward pressure on the dollar abate. With the greenback making new highs against EM currencies of late, the real crux is how the current congestion zone v the majors is resolved and hence which of these two trendlines will be dominant.



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