Market Movers

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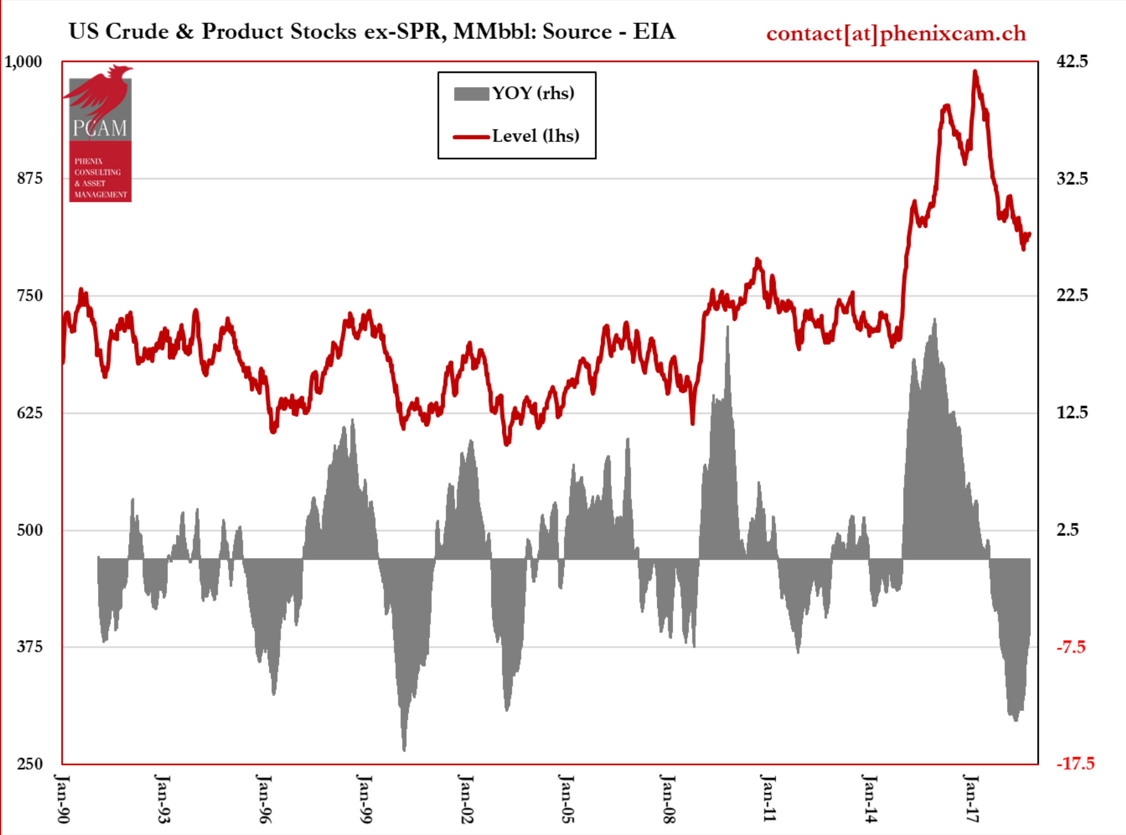
S&P GSCI TR

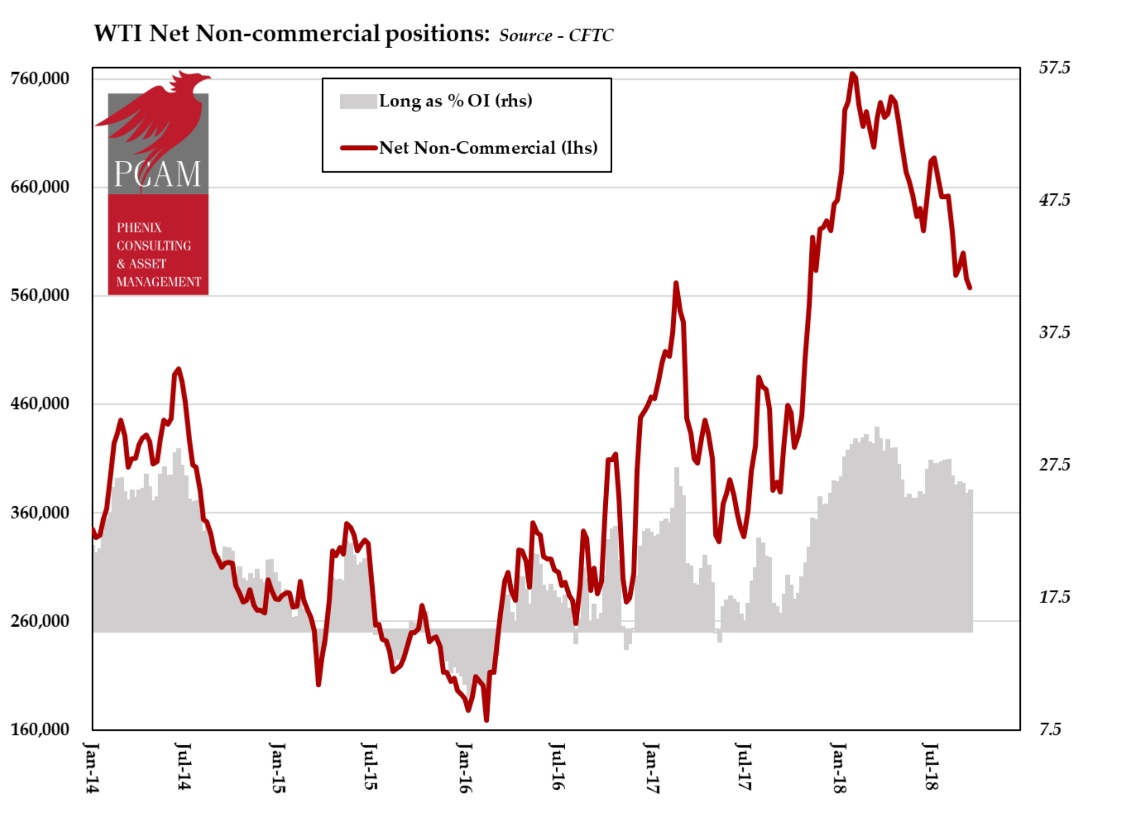
Last month, we expressed optimism that the liquidation phase was behind us and that policy moves in China, plus the dollar's loss of upward momentum signal and end to the previous three months' correction.
With the break-out from the descending channel and the May high in sight, we continue to look to levels some 10% above the current mark. Price action as we approach that high should be closely watched.

S&P GSCI NRG TR

Helped by the geopolitical mess in the Middle East, energy has broken up, out of the past -months' well-defined range. This has laid down a new high volume area –and hence a much higher mid-point pivot from which to project significantly higher targets for the medium term in a pattern perhaps bounded by the broader channel shown here but with potential for as much as a 25% upside.

WTI & Brent



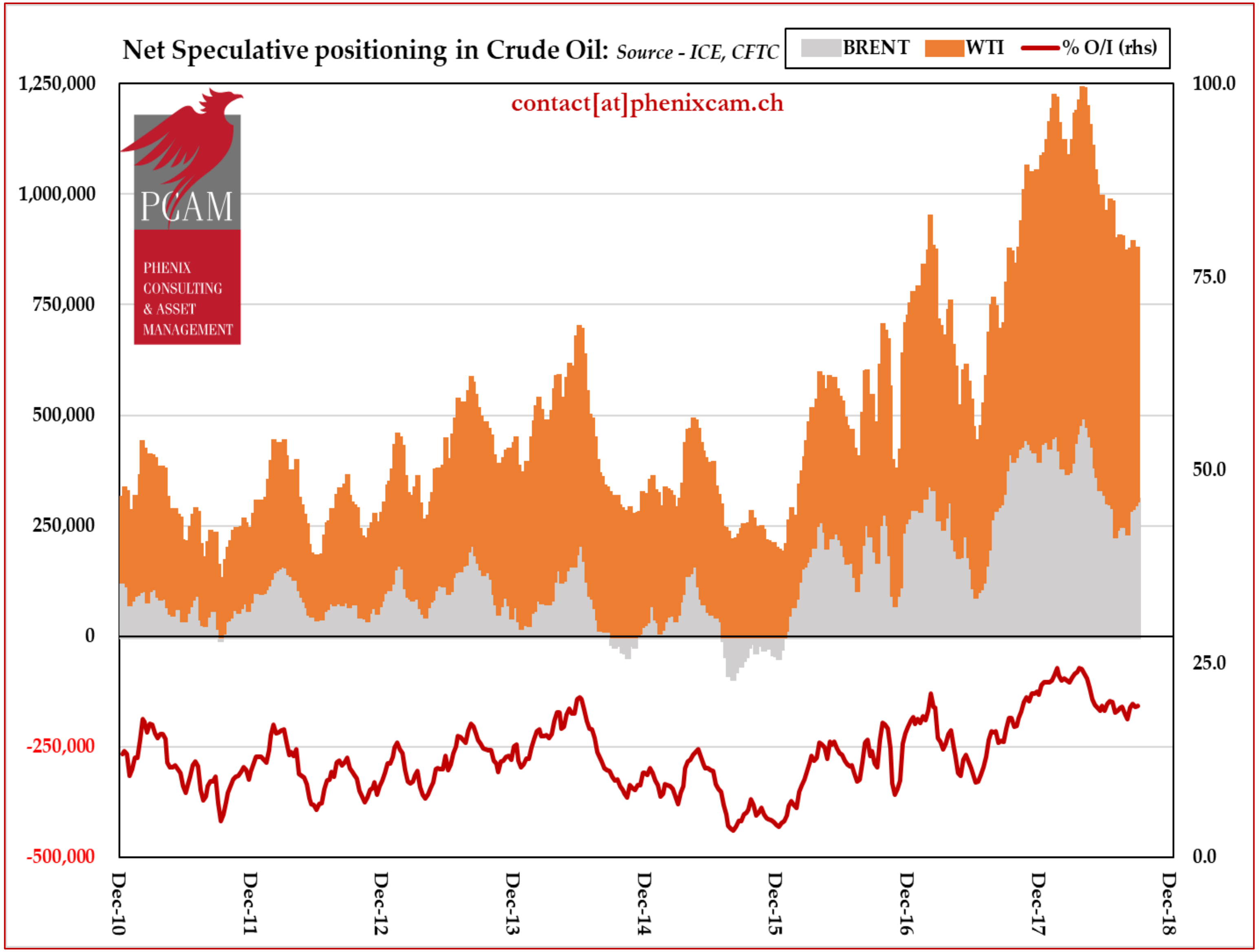


Total inventories have dropped by almost a fifth since the Feb'17 peak to a 3 ½ year low after YOY declines of up to 130Mbbl (~14%) in late spring, the largest in a 27-year record outright and just pipping the GFC in percentage terms.

Net Spec WTI exposure continues to decline, with the 568k long a quarter off from the February peak and both the smallest total and percentage since November.

WTI & Brent

Net Spec has once again begun to climb with the 875k rising thanks to Brent producer selling and some smaller swap short covering.



WTI & Brent

With the Spring highs finally being taken out, we can continue to project to $89/90 a barrel, the 2010 highs & 2012 low. We should resist the urge to add even higher objectives before the realisation of the first, but it would not then be hard to argue for a further leg to $100/bbl. Sub-$80 would be a concern: sub-$70 and all bets are off.

Still good roll yield to be had in Brent & still a good pick up over the WTI curve

Base Metals

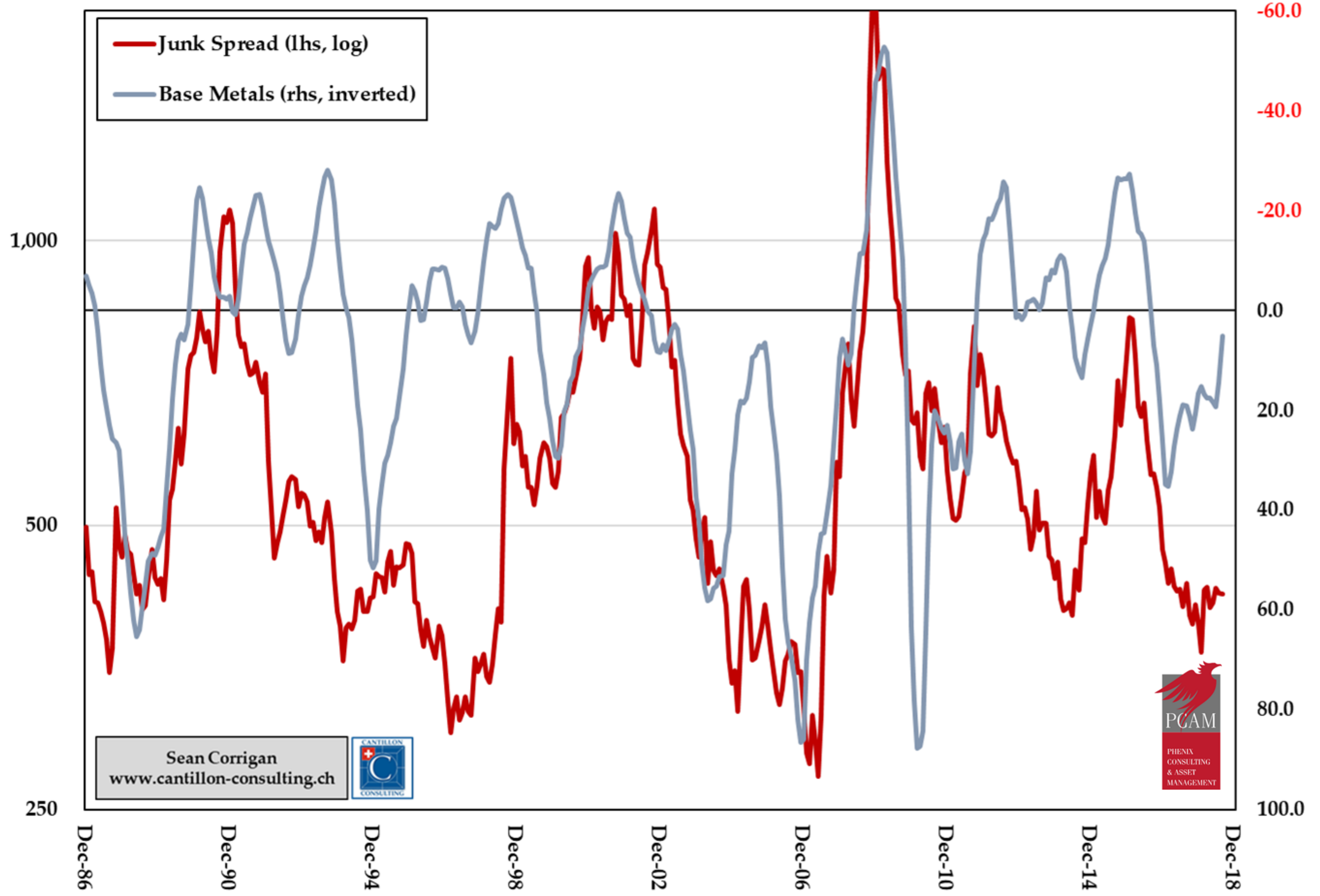
Dr Copper has undergone a nice bounce now that (Chinese?) liquidation has run its course, but needs to trade above $2.95 for us to say anything other than that it has defined a new short-term range, smack bang in the middle of the past four years' distribution.

Base Metals

The wider metals index leaves us with much the same impression: selling over but buyers not yet fully back in control
GSCI Base Metals ER
Courtesy of TradingView
PCAM
PHENIX CONSULTING & ASSET MANAGEMENT
(311.99)
(242.67)
(221.25)
(199.84)
(157.74)
(130.52)
(241.44)
(224.80)
(199.07)
(185.98)
(172.89)
(223.86)
(209.86)
(188.20)
(177.19)
(166.18)
(144.52)
(130.52)
2012
2013
2014
2015
2016
2017
2018
2019

Base Metals

US Junk Spread v CCCI Base Metals 3mmaYOY%: *Source - Credit Suisse, Cantillon*



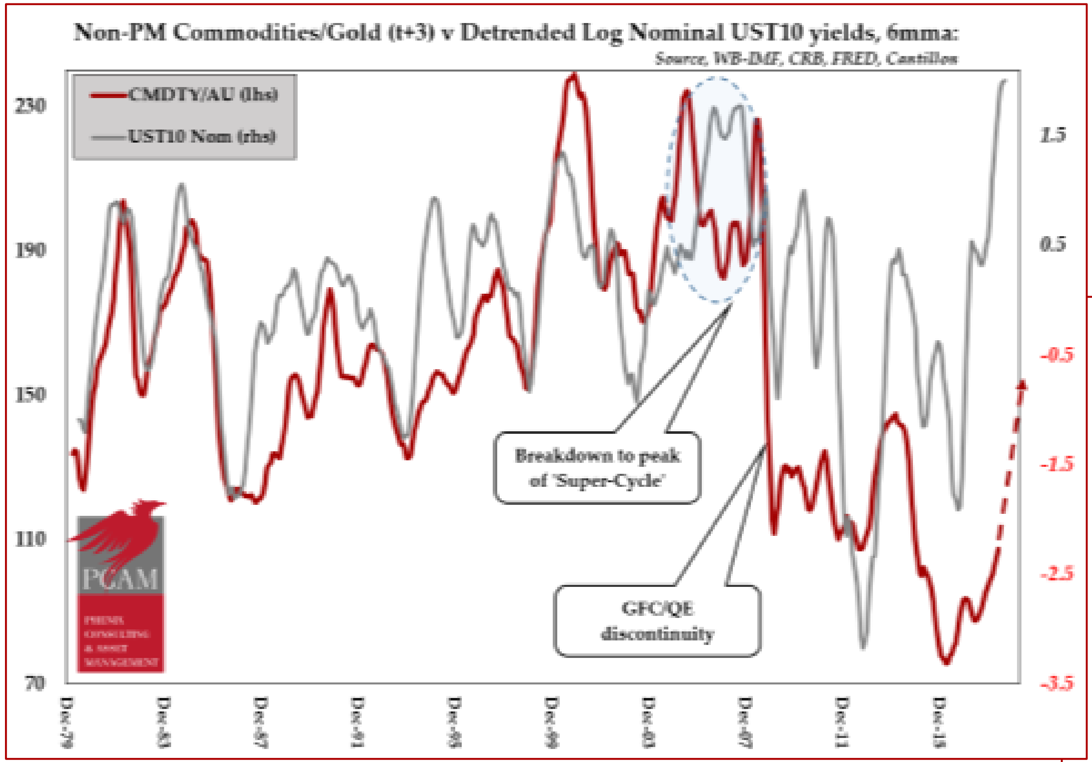
High-yield's amazing resilience in the face of Fed tightening continues to offer some exogenous support for metals

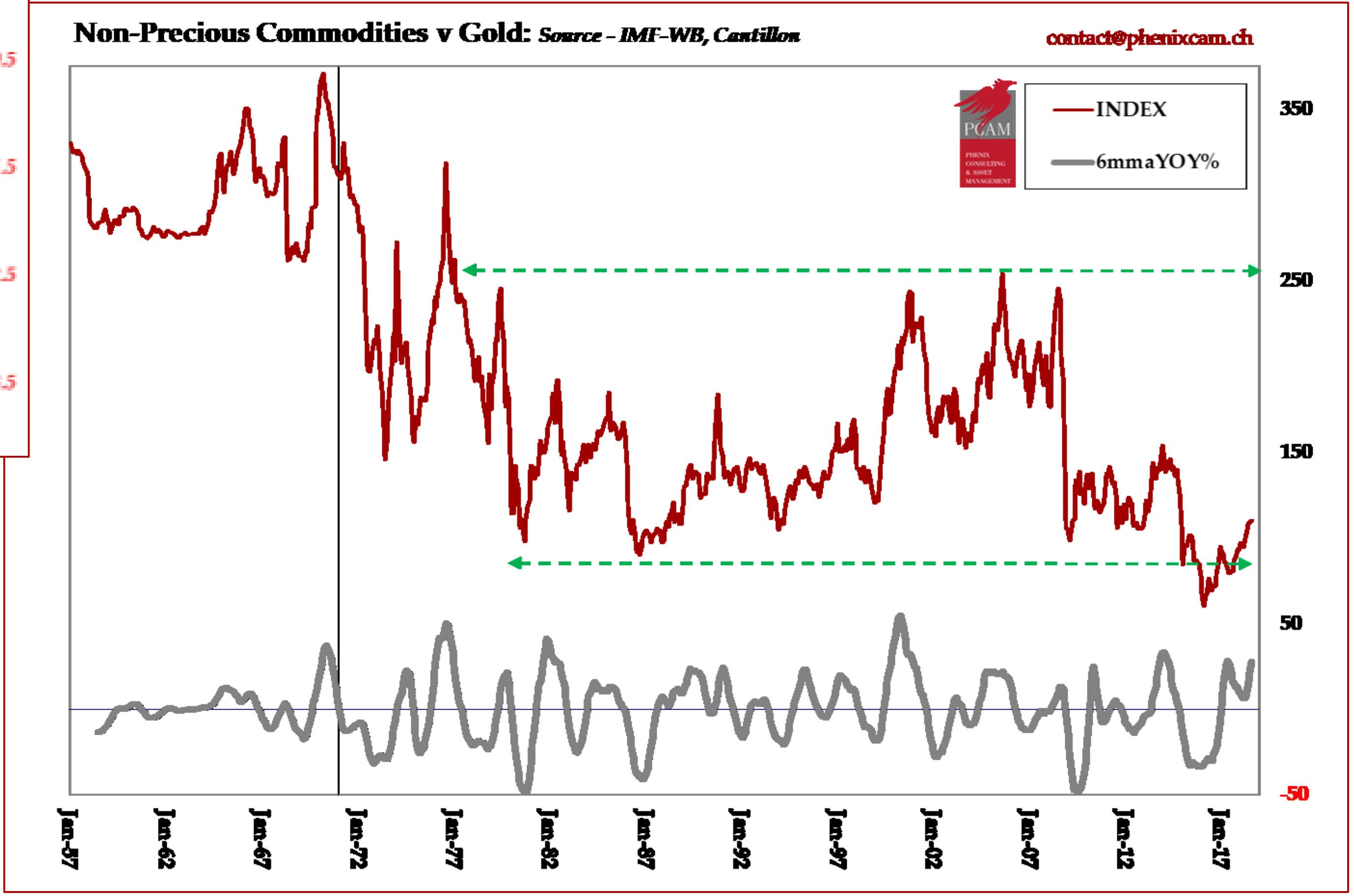
Precious Metals

The last few weeks of sideways action comes as a welcome respite after the summer's collapse but is far too shallow an unconvincing to raise hopes of renewed strength.
To the contrary, unless new buyers emerge soon, this formation potentially points to much lower lows into year-end.

Courtesy of TradingView

Gold





Gold's inability to push much beyond \$1200/oz after such a steep fall bodes ill for any renewed rise.

Interest rate trends are also firmly against any measure of outperformance taking place versus the useful (!) commodities.

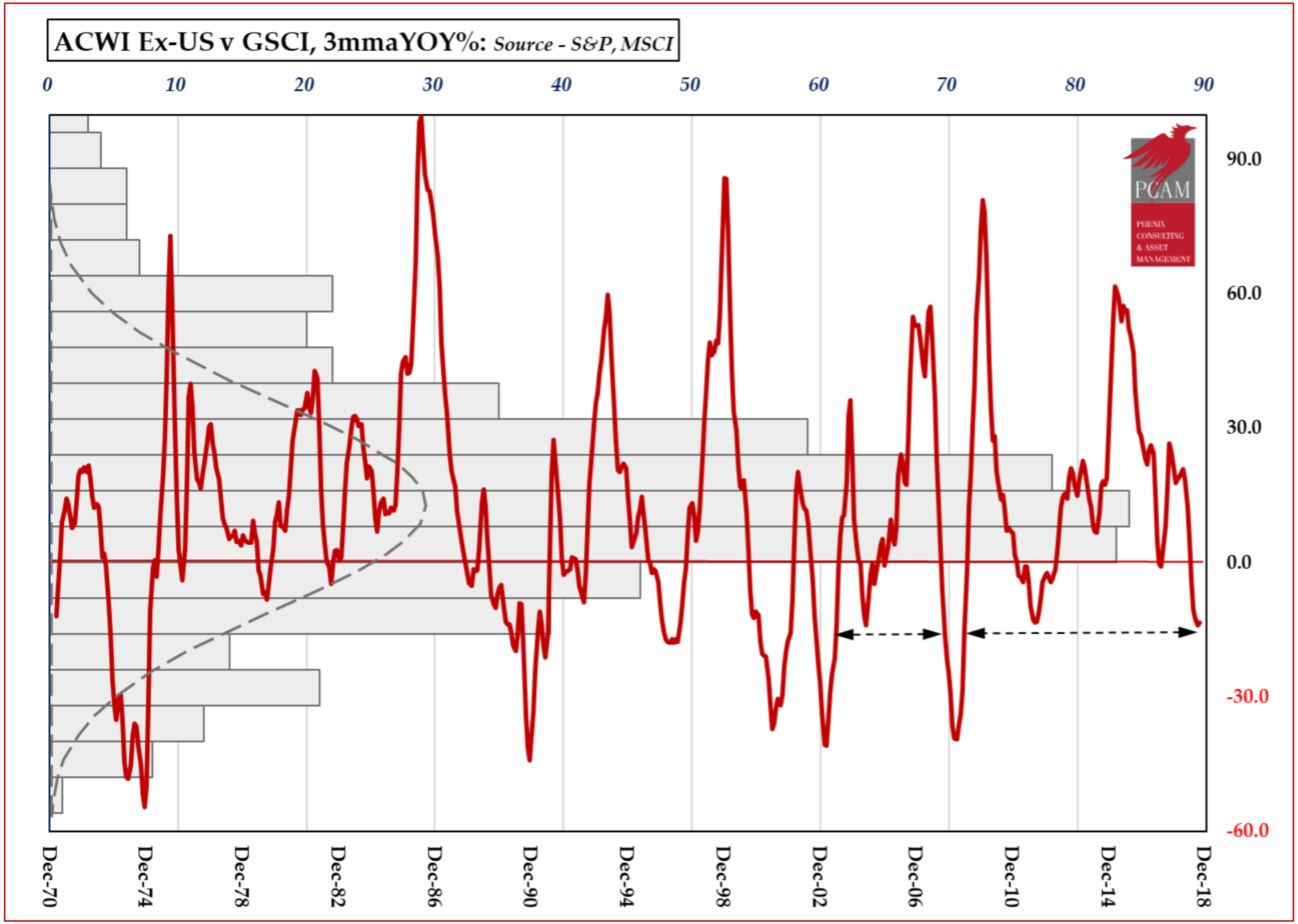
Silver is hanging in above the $13.50 level below which there is an awful lot of daylight. It is, however, becoming extremely cheap in relation to gold, pressing into a range only briefly encountered since Bretton Woods broke up. A break back into the past 25-years' range should be sold

Precious Metals

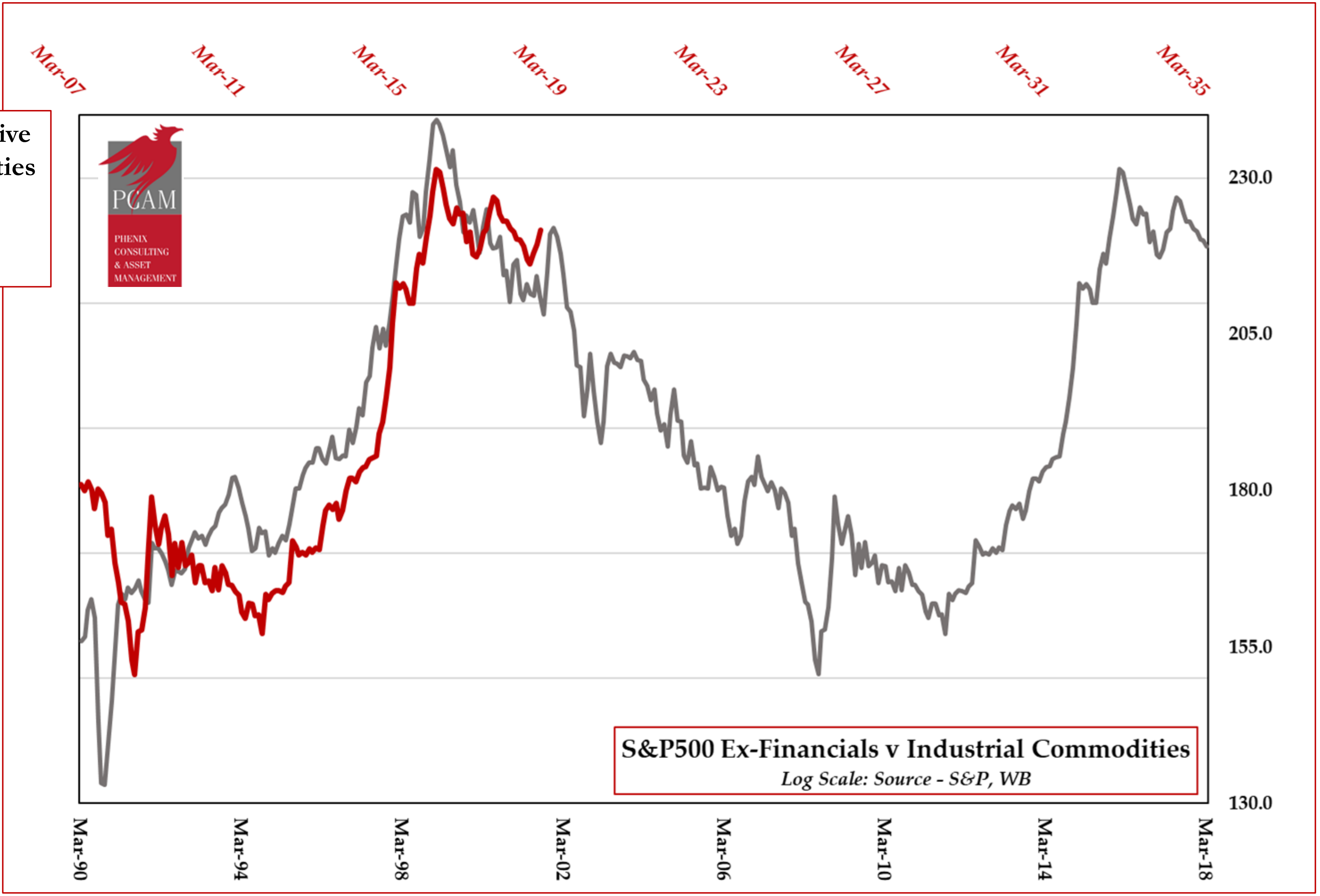
Agriculture

About the best thing we can say here is that the bottom of the range looks well protected and so one should be on the look-out for brief moments of weakness which probe towards it and do not then elicit follow-on selling

That previous pattern becomes doubly interesting when we realise that its seems to have escaped those making comparisons only with the outrageously FAANG-boosted US stock market that commodities have actually performed rather well against most of the world's more traditional asset classes over this past year



Parallels between the relative performance of commodities and stocks during the last technology-led mania continue to unfold…




FRED
Trade Weighted U.S. Dollar Index: Major Currencies
Natural Log of (Index Mar 1973=100)
5.0
4.9
4.8
4.7
4.6
4.5
4.4
4.3
4.2
1975
1980
1985
1990
1995
2000
2005
2010
2015
The dollar's rise seems to have stalled though the medium-term pattern points to an eventual test of that secular descending trendline
PCAM
PHENIX CONSULTING & ASSET MANAGEMENT
USD TWI Majors

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