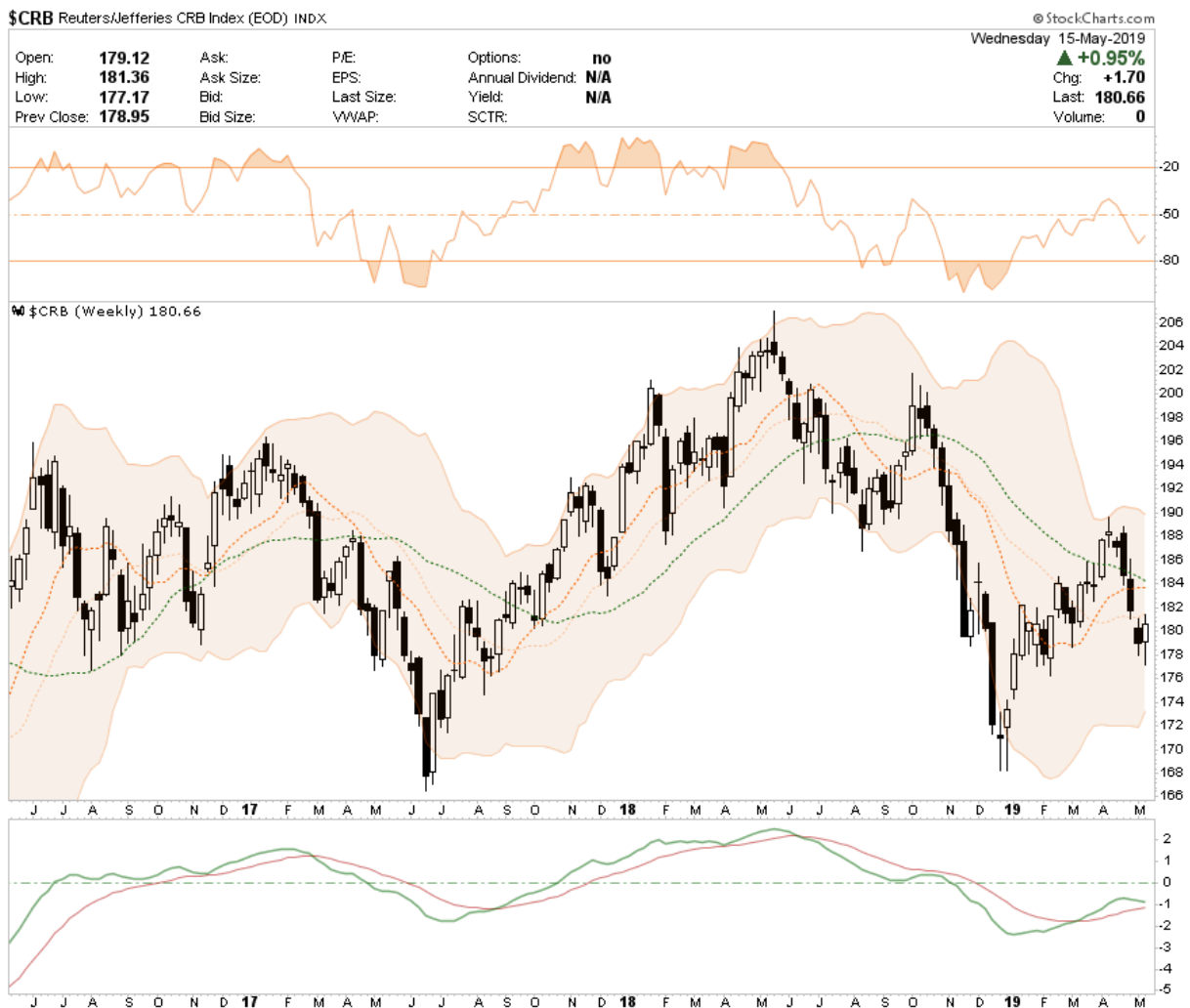


COMMODITY REVIEW: 05-16-19

We are adding a new monthly review of important commodities which may provide clues as to both the strength and direction of the markets and the economy.

CRB Index



- If the economy was as strong as headlines suggest, the commodity index should be rising as demand for commodities grows. This was clearly apparent in mid-2017 as 3-major hurricanes and 2-massive wildfires devastated the U.S. requiring demand for raw materials.
- This same story will be evidence in the following economically sensitive commodities as well.
- A break below \$178 will likely signal a test of fairly long-term lows below \$170
- No trade yet for \$CRB

Copper

\$COPPER Copper - Continuous Contract (EOD) CME

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Open: **2.768** Ask: P/E: Options: **no** Wednesday 15-May-2019
 High: **2.773** Ask Size: EPS: Annual Dividend: **N/A** Chg: **-1.14%**
 Low: **2.709** Bid: Last Size: Yield: **N/A** Last: **2.743**
 Prev Close: **2.774** Bid Size: VWAP: SCTR: Volume: **20,779,100**



- Copper, often called "Dr. Copper" because of its sensitivity to economic demand has remained weak as the rolloff of demand from natural disasters continues.
- Still correcting its recent overbought condition and close to a sell signal suggests copper may well continue to weaken.
- No position currently.
- A break below \$2.50 will likely suggest a test of \$2.00 amidst a pickup in economic weakness.

Lumber

\$LUMBER Lumber (Random Length) - Continuous Contract (EOD) CME

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Open: **365.00**
High: **366.50**
Low: **323.90**
Prev Close: **358.50**

Ask:
Ask Size:
Bid:
Bid Size:

P/E:
EPS:
Last Size:
VWAP:

Options: **no**
Annual Dividend: **N/A**
Yield: **N/A**
SCTR:

Wednesday 15-May-2019
▼ **-9.01%**
Chg: **-32.30**
Last: **326.20**
Volume: **154,000**



- Lumber is looking to retest lows of the last 3-years, and like the CRB, it is clear the demand spike, and subsequent economic input from natural disasters, is over.
- Lumber is close to triggering a "sell signal."
- A break below \$300 will suggest both accelerating economic weakness and substantially lower lows.
- No position currently.

Soybeans

\$SOYB Soybeans - Continuous Contract (EOD) CME

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Open: **805.00**
High: **848.25**
Low: **791.00**
Prev Close: **809.25**

Ask:
Ask Size:
Bid:
Bid Size:

P/E:
EPS:
Last Size:
VWAP:

Options: **no**
Annual Dividend: **N/A**
Yield: **N/A**
SCTR:

Wednesday 15-May-2019
▲ **+3.24%**
Chg: **+26.25**
Last: **835.50**
Volume: **438,979**



- One look at this chart and you can understand why American farmers are filing for bankruptcy.
- With global demand slowing, the acceleration of the decline is becoming apparent. It is unlikely even a trade agreement with China at this point will repair the damage.
- Soybeans are oversold BUT on an important sell signal.
- There is a trade to \$875 only. But the downside risk outweighs the reward.
- Stops must be set at \$800

Live Cattle

\$BCOMLC Bloomberg Live Cattle Subindex: IND.X

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| | | | | | |
|--------------------------|-----------|------------|-----------------------------|-----------------------|-----------------|
| Open: 67.04 | Ask: | P/E: | Options: no | Wednesday 15-May-2019 | ▼ -1.89% |
| High: 67.04 | Ask Size: | EPS: | Annual Dividend: N/A | Chg: -1.27 | |
| Low: 65.32 | Bid: | Last Size: | Yield: | Last: 65.77 | |
| Prev Close: 67.04 | Bid Size: | VWAP: | SCTR: | Volume: 0 | |



- Demand for beef is on the decline and I am pretty sure "Beyond Meat" is NOT the culprit.
- Given the cost of meat, cattle is a decent indicator of economic strength.
- Cattle are oversold here BUT on an important "sell" signal.
- No trade currently, but watch the message live cattle are sending.

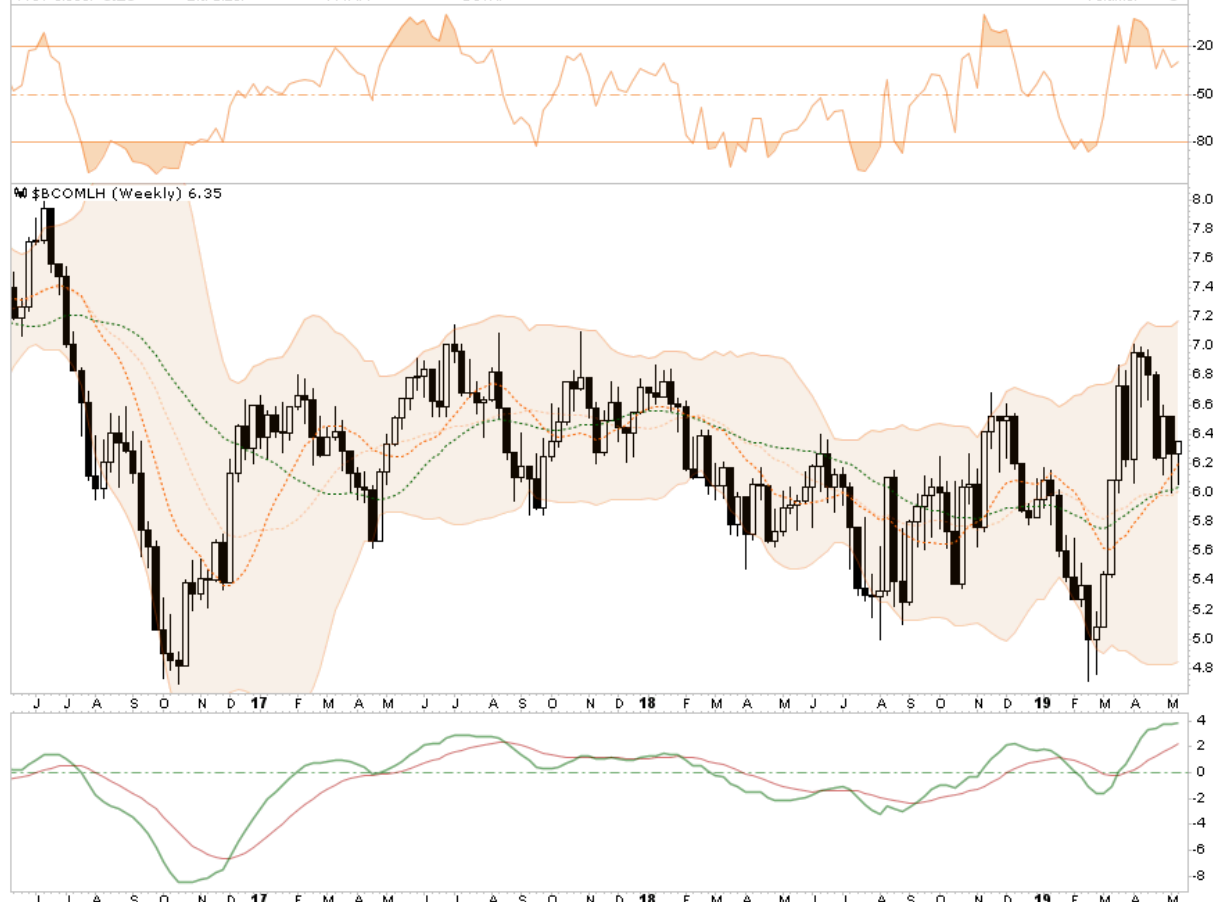
Lean Hogs

\$BCOMLH Bloomberg Lean Hogs Subindex: INDX

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Open: **6.26** Ask: P/E: Options: **no**
 High: **6.35** Ask Size: EPS: Annual Dividend: **N/A**
 Low: **6.06** Bid: Last Size: Yield: **N/A**
 Prev Close: **6.26** Bid Size: VWAP: SCTR:

Wednesday 15-May-2019
▲ +1.33%
 Chg: **+0.08**
 Last: **6.35**
 Volume: **0**



- Hogs are current performing better than live cattle and support is holding at \$6.00
- However, Hogs are overbought on the short-term and are carrying a very elevated "buy" signal.
- If economic weakness is increasing, then look for a break back down to previous lows.
- No position currently, but watch the \$6.00 level for the next signal.

US Dollar Index

\$USD US Dollar Index - Cash Settle (EOD) ICE

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Open: **97.11** Ask: P/E: Options: **no**
 High: **97.36** Ask Size: EPS: Annual Dividend: **N/A**
 Low: **96.81** Bid: Last Size: Yield: **N/A**
 Prev Close: **97.12** Bid Size: VWAP: SCTR:

Wednesday 15-May-2019

▲ **+0.20%**
 Chg: **+0.20**
 Last: **97.32**
 Volume: **0**



- With roughly 40-50% of corporate profits coming from exports, all commodities globally traded in dollars, and the dollar impact on the bond market, this is a key measure to watch. Trade war will have an impact across many sectors of the market and the dollar will likely tell the story.
- Currently, the dollar is breaking out of previous resistance and has now registered a buy signal. The combination of these two catalysts suggests the dollar could rise toward \$100 on the index.
- With the dollar flirting with a "buy signal," a stronger dollar looks to be the play as the "trade war" attracts foreign dollars into U.S. Treasuries.
- Be long the dollar with an initial target of \$100.

10-Year Interest Rates

\$TNX CBOE 10-Year US Treasury Yield INDX

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Wednesday 15-May-2019

| | | | |
|--------------------------|-----------|------------|-----------------------------|
| Open: 24.23 | Ask: | P/E: | Options: no |
| High: 24.28 | Ask Size: | EPS: | Annual Dividend: N/A |
| Low: 23.61 | Bid: | Last Size: | Yield: N/A |
| Prev Close: 24.55 | Bid Size: | VWAP: | SCTR: |

▼ **-3.10%**
 Chg: **-0.76**
 Last: **23.79**
 Volume: **0**



- As noted above, the stronger dollar and the "trade war" are driving foreign investors into the "safety" of the U.S. Dollar.
- Rates just broke below the previous lows of 2.4% and suggests a potential test of 2.1% may be in the works.
- Add to long-bond positions and increase duration slightly in portfolios. (7-10 years).
- Rates are oversold so a buy towards 2.5% would likely be an ideal entry point to add exposure.

Gold

\$GOLD Gold - Continuous Contract (EOD) CME

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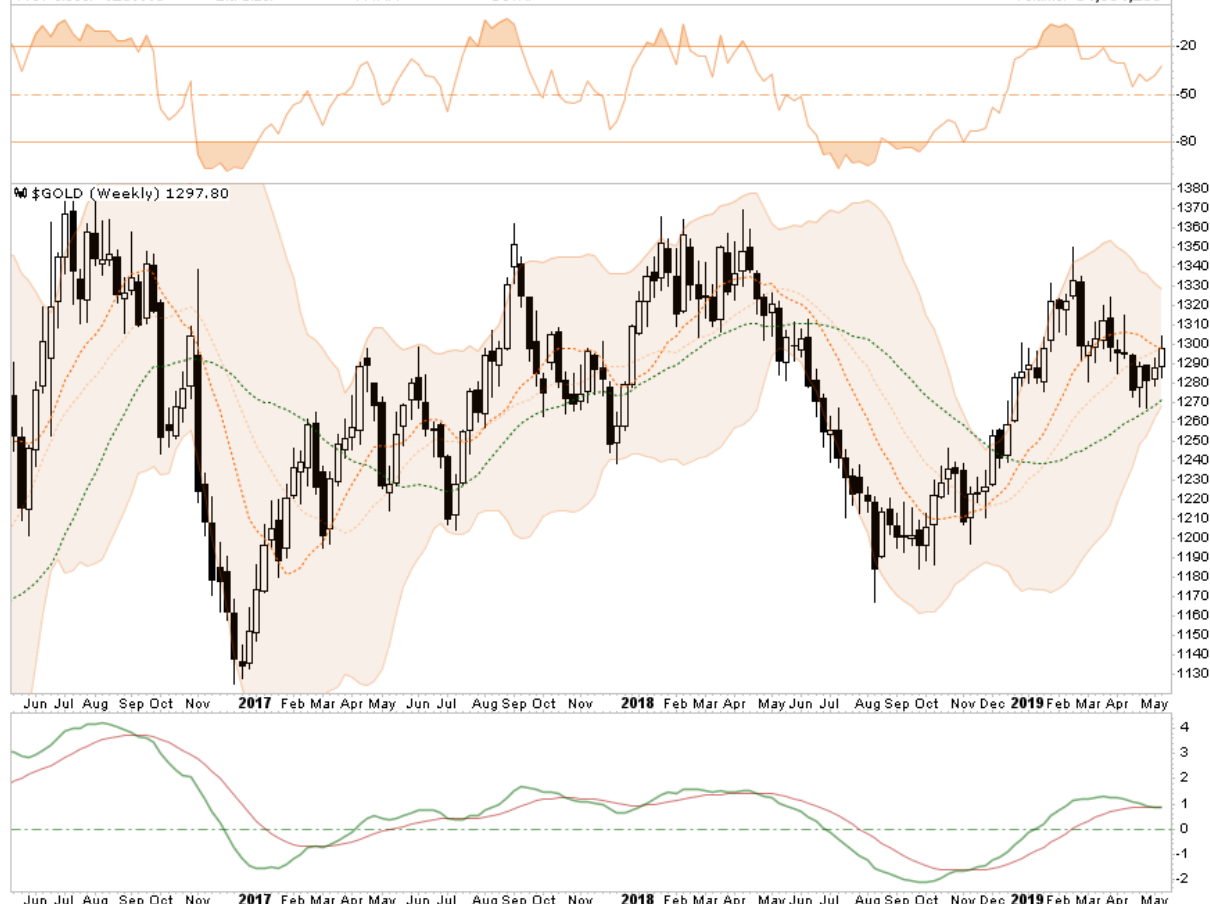
Open: **1288.30**
 High: **1304.20**
 Low: **1282.40**
 Prev Close: **1287.40**

Ask:
 Ask Size:
 Bid:
 Bid Size:

P/E:
 EPS:
 Last Size:
 VWAP:

Options: **no**
 Annual Dividend: **N/A**
 Yield: **N/A**
 SCTR:

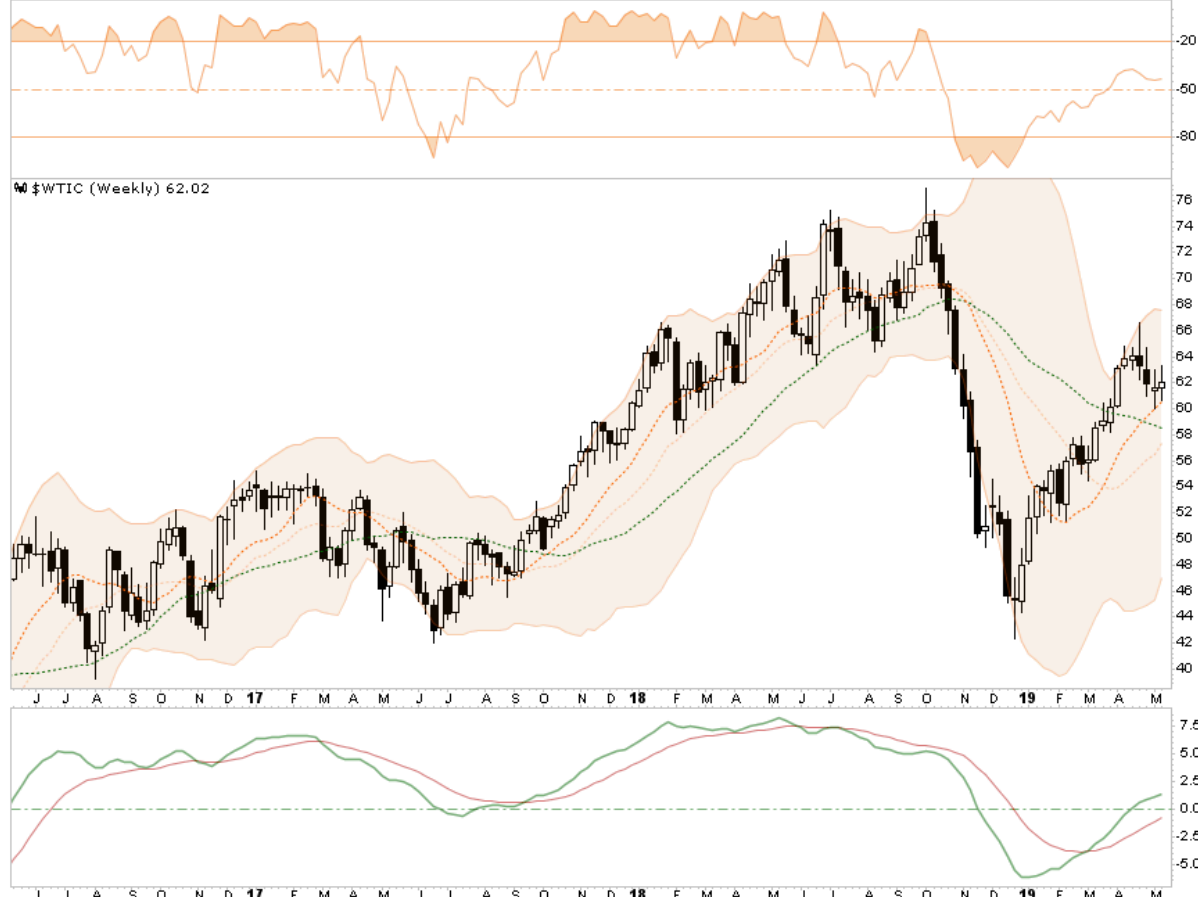
Wednesday 15-May-2019
 ▲ **+0.81%**
 Chg: **+10.40**
 Last: **1297.80**
 Volume: **81,654,200**



- Gold held important support at \$1270 and is wrestling to climb above its 50-dma.
- Gold is threatening to trigger a short-term sell signal so support at \$1270 needs to hold for the time being.
- Hold positions but be patient in adding exposure until the 50-dma is broken above.
- Maintain at stop-loss at \$1250

Oil - Black Gold

| | | | | |
|--------------------------|-----------|------------|-----------------------------|----------------------------|
| Open: 61.65 | Ask: | P/E: | Options: no | Wednesday 15-May-2019 |
| High: 63.33 | Ask Size: | EPS: | Annual Dividend: N/A | ▲ +0.58% |
| Low: 60.64 | Bid: | Last Size: | Yield: | Chg: +0.36 |
| Prev Close: 61.66 | Bid Size: | VWAP: | SCTR: | Last: 62.02 |
| | | | | Volume: 243,317,792 |



- The rally in oil from the 2018 lows appears to be complete.
- The good news is that oil is holding support at the 50-dma which has finally crossed back above the 200-dma.
- Stay long oil and energy-related investment for now BUT be critically mindful that oil is ultimately negatively impacted by both a weaker economy and strong dollar.
- Stops must be set at \$58.
- That signal has been triggered and VTR is not yet oversold.
- We blew through our initial \$60 target so cover 1/2 of the position immediately.
- Stop is now moved to \$62
- Position can be re-shortened on a failed rally to \$61.50