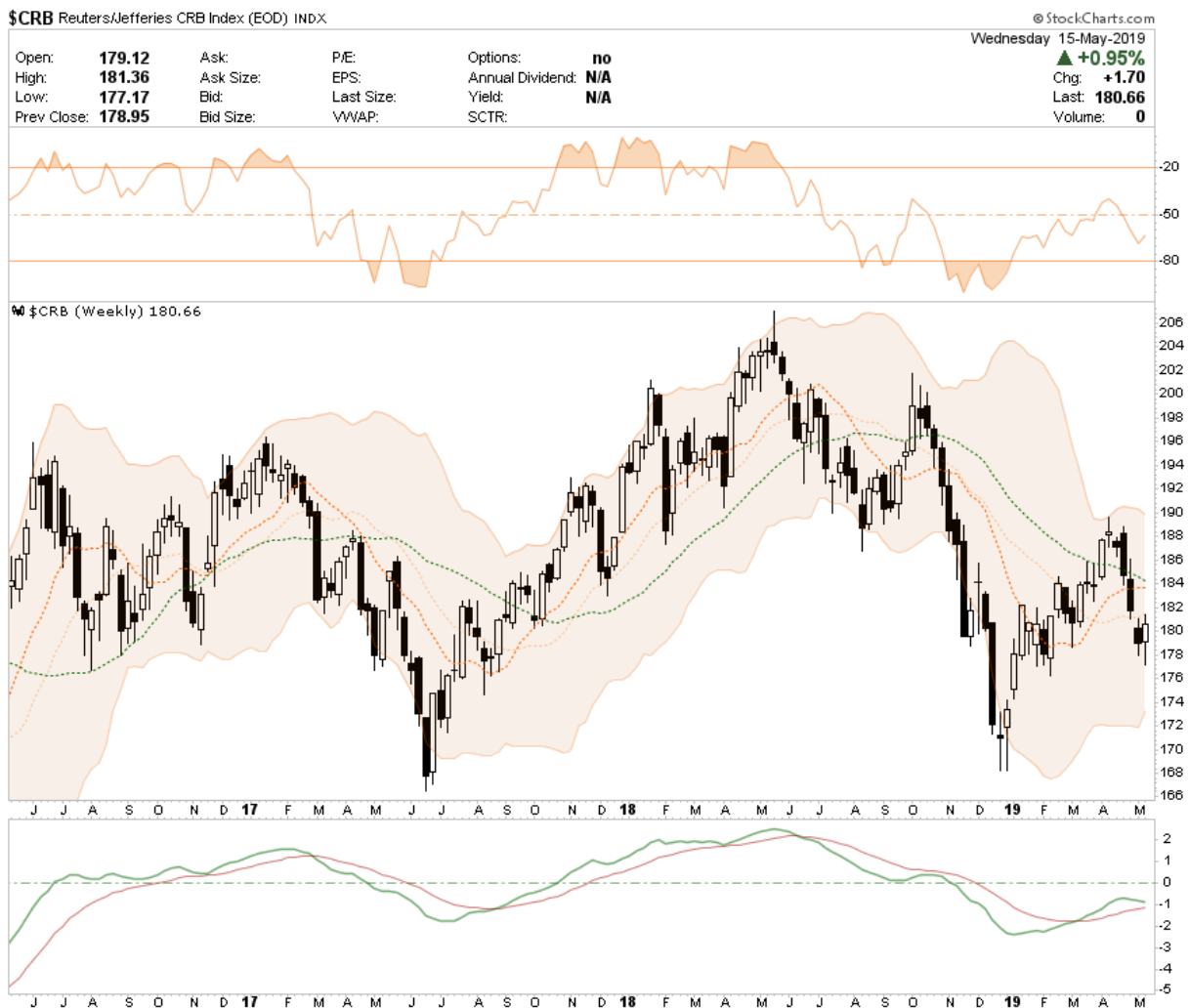


# COMMODITY REVIEW: 05-16-19

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, 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

Open: <b>365.00</b>	Ask:	P/E:	Options: <b>no</b>	Wednesday 15-May-2019
High: <b>366.50</b>	Ask Size:	EPS:	Annual Dividend: <b>N/A</b>	▼ <b>-9.01%</b>
Low: <b>323.90</b>	Bid:	Last Size:	Yield: <b>N/A</b>	Chg: <b>-32.30</b>
Prev Close: <b>358.50</b>	Bid Size:	VWAP:	SCTR:	Last: <b>326.20</b>
				Volume: <b>154,000</b>



- 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

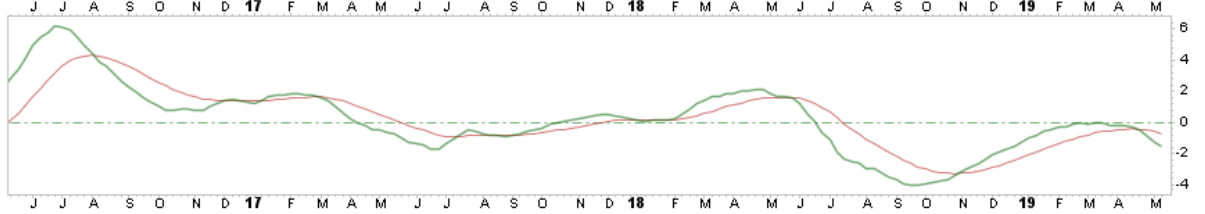
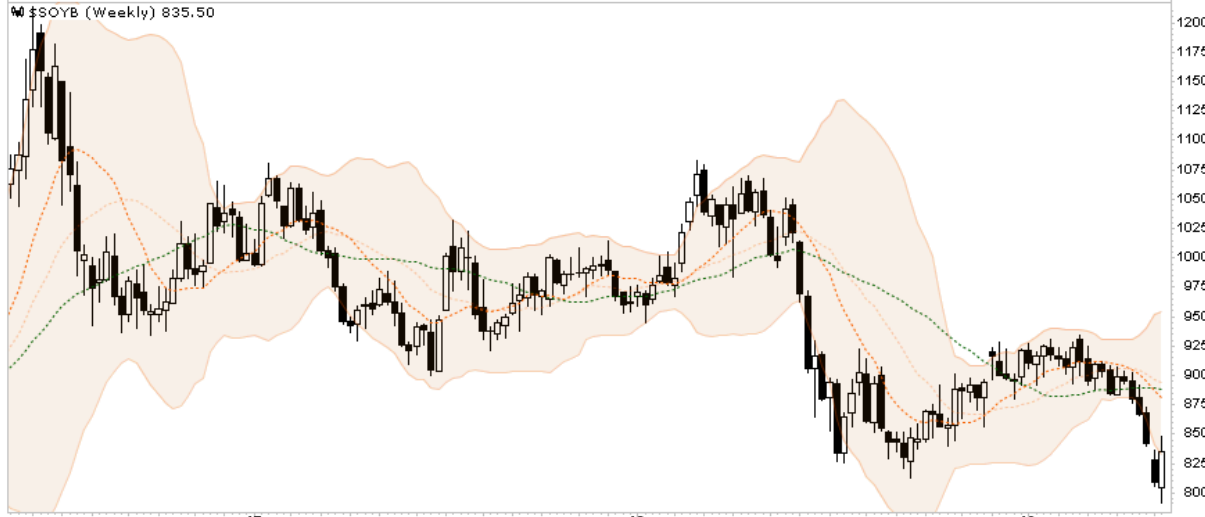
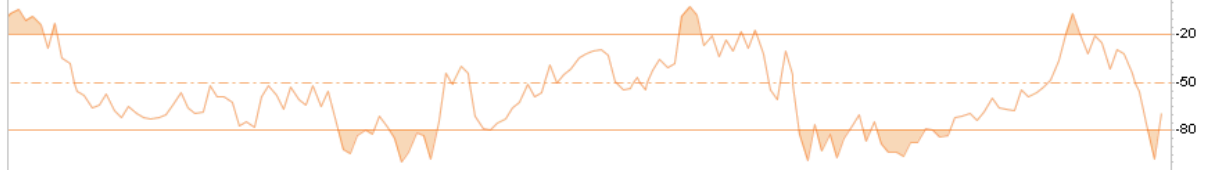
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Open: **805.00**  
High: **848.25**  
Low: **791.00**  
Prev Close: **809.25**

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: INDX

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

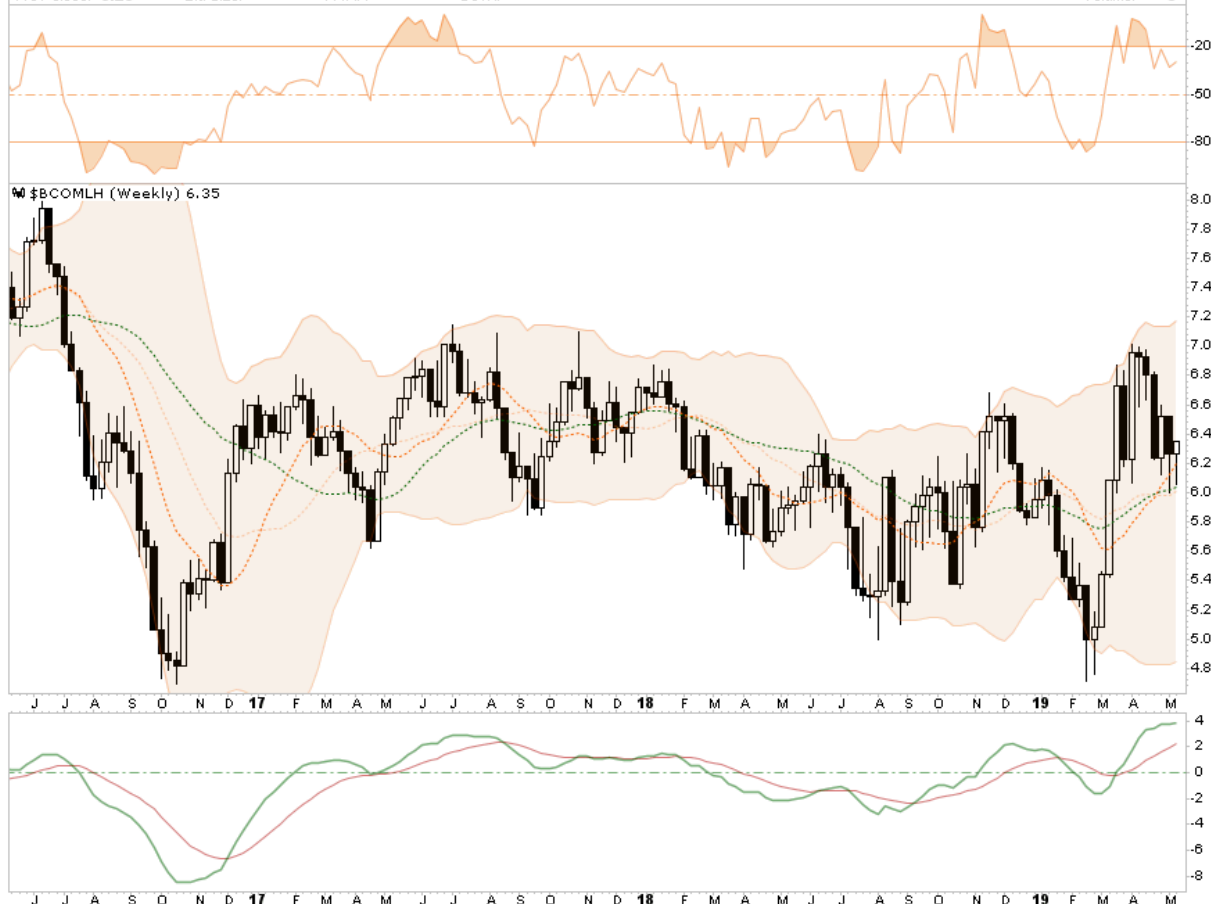
## Lean Hogs

\$BCOMLH Bloomberg Lean Hogs Subindex: INDX

© StockCharts.com

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

Open: <b>97.11</b>	Ask:	P/E:	Options: <b>no</b>	Wednesday 15-May-2019	▲ <b>+0.20%</b>
High: <b>97.36</b>	Ask Size:	EPS:	Annual Dividend: <b>N/A</b>	Chg: <b>+0.20</b>	Last: <b>97.32</b>
Low: <b>96.81</b>	Bid:	Last Size:	Yield:	Last: <b>97.32</b>	Volume: <b>0</b>
Prev Close: <b>97.12</b>	Bid Size:	VWAP:	SCTR:		



- *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.*

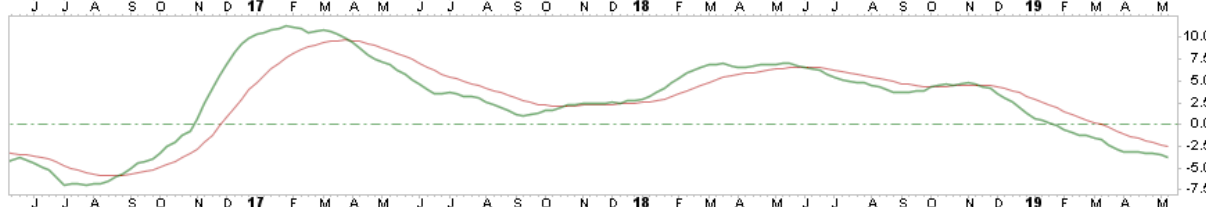
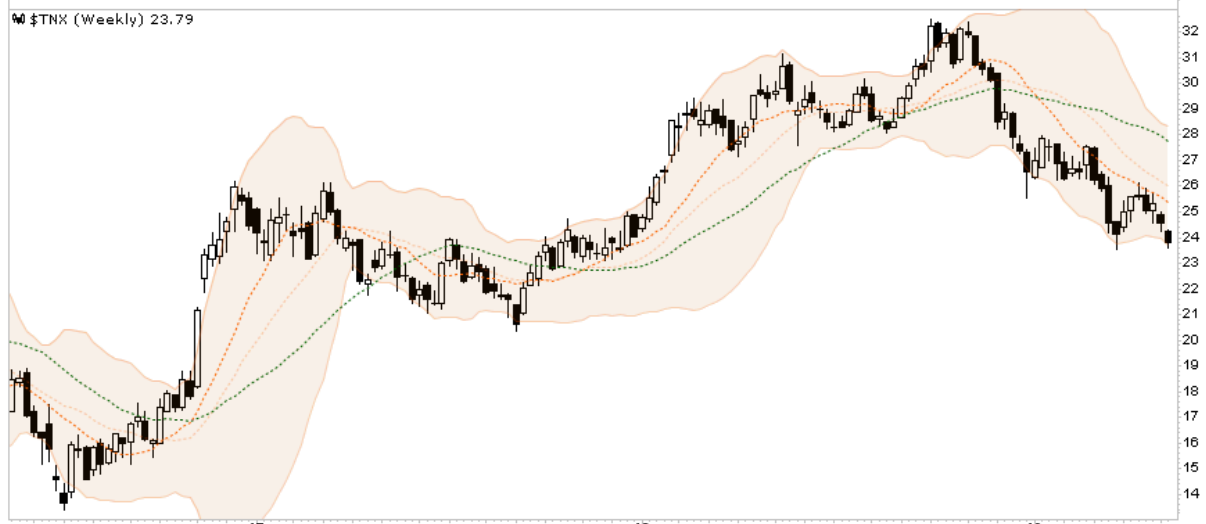
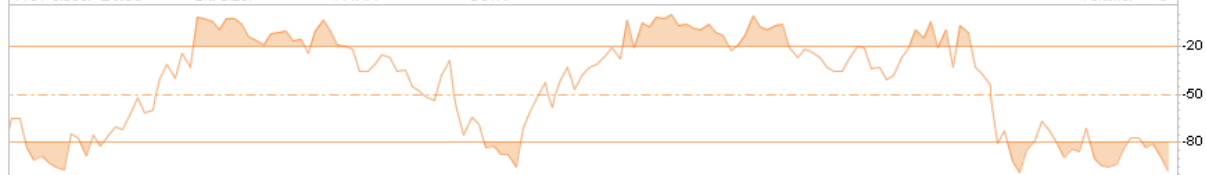
## 10-Year Interest Rates

**\$TNX CBOE 10-Year US Treasury Yield INDX**

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Wednesday 15-May-2019  
▼ -3.10%  
 Chg: -0.76  
 Last: 23.79  
 Volume: 0

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:



- 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.

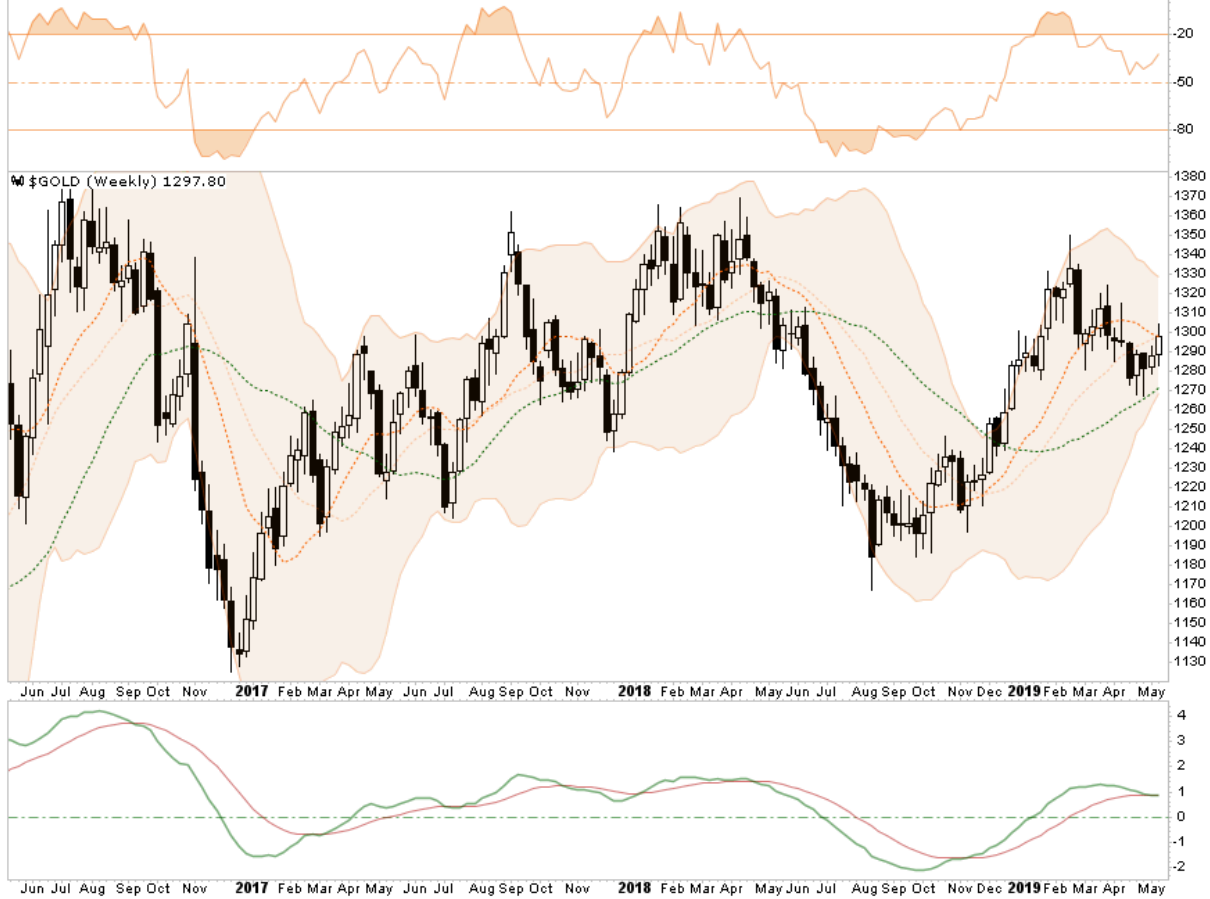
**Gold**



**\$GOLD** Gold - Continuous Contract (EOD) CME

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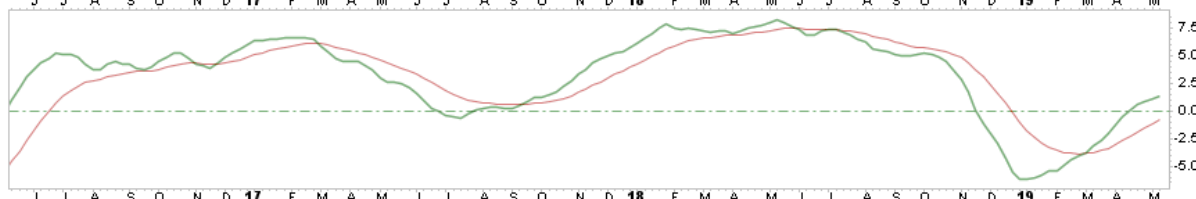
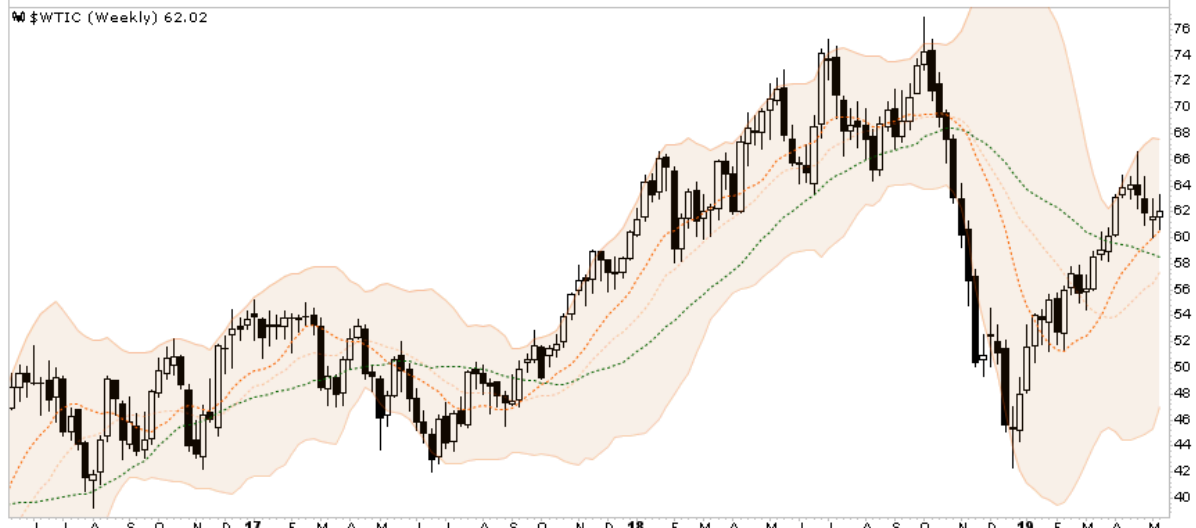
Open: <b>1288.30</b>	Ask:	P/E:	Options: <b>no</b>	Wednesday 15-May-2019
High: <b>1304.20</b>	Ask Size:	EPS:	Annual Dividend: <b>N/A</b>	▲ <b>+0.81%</b>
Low: <b>1282.40</b>	Bid:	Last Size:	Yield: <b>N/A</b>	Chg: <b>+10.40</b>
Prev Close: <b>1287.40</b>	Bid Size:	VWAP:	SCTR:	Last: <b>1297.80</b>
				Volume: <b>81,654,200</b>



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



- *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-shorted on a failed rally to \$61.50*