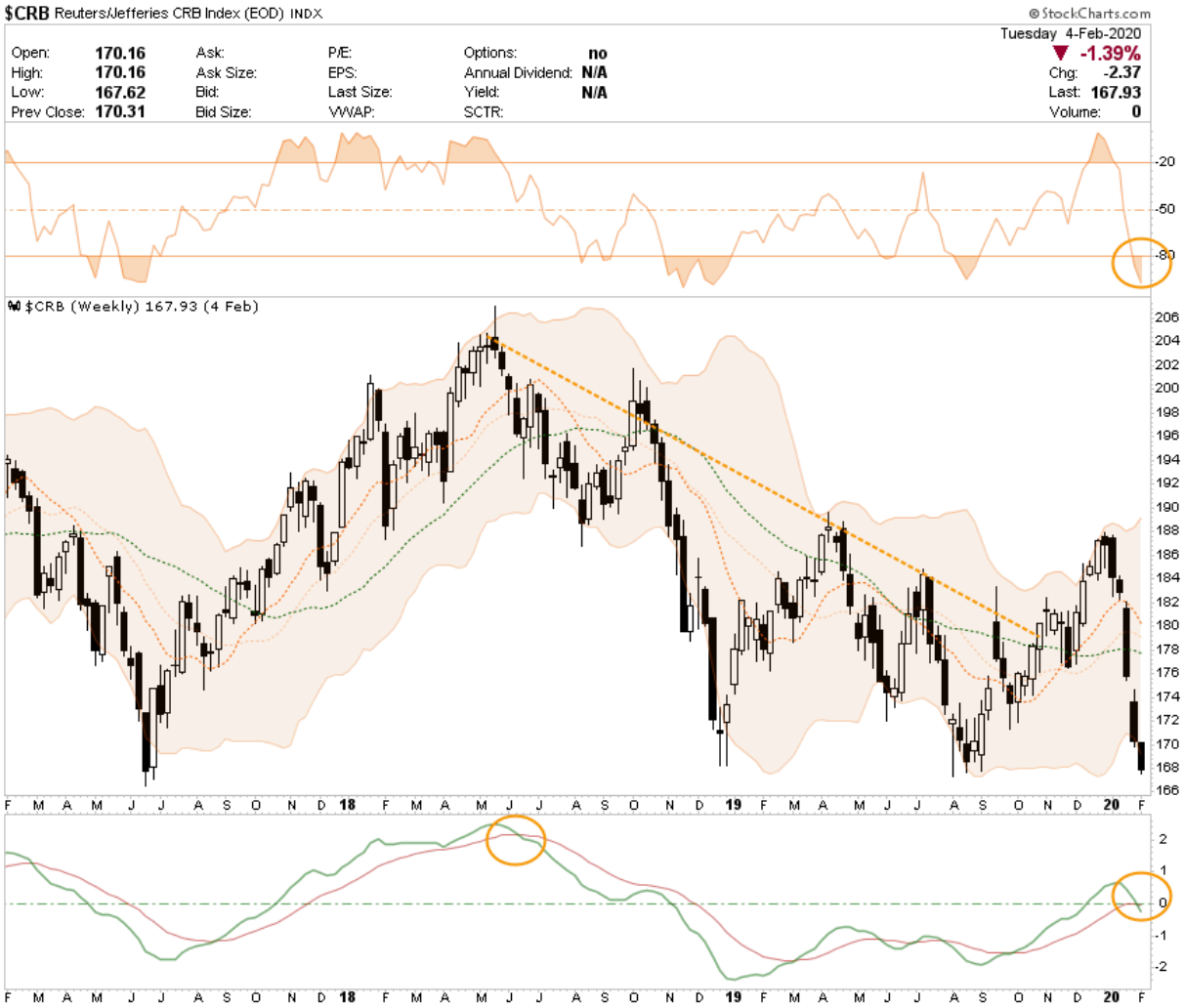
Commodity Review 02-06-20

A review of important commodities which may provide clues as to both the strength and direction of the markets and the economy.

CRB Index



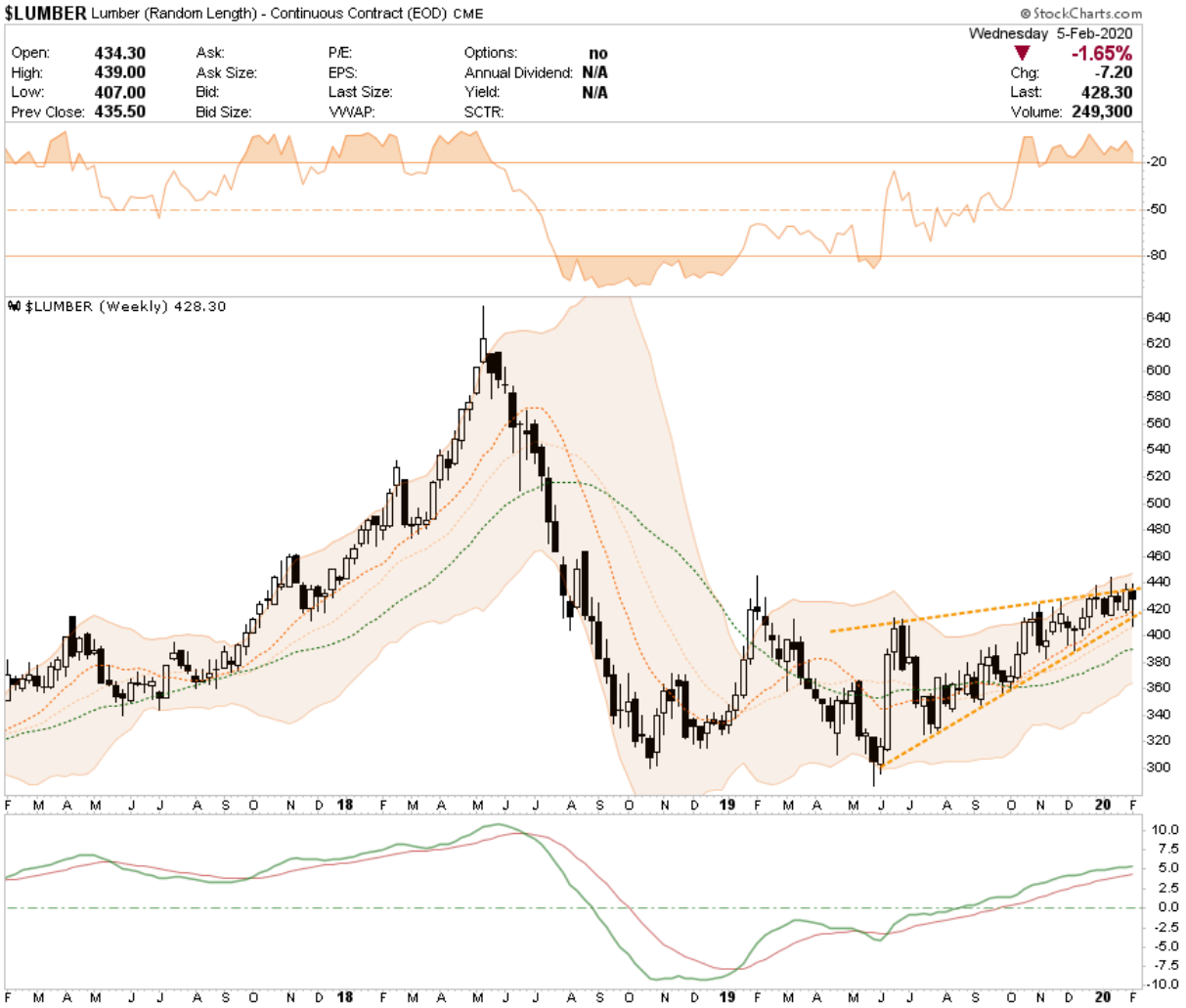
- *After rising from October of 2019 into December, in anticipation of the "Trade Deal," the CRB index has collapsed in the last month suggesting the pickup in economic activity seen last year is over.*
- *This same story SHOULD be evidenced in the following economically sensitive commodities as well.*
- *Currently, commodities are just registering a "sell signal," but are oversold currently. This suggests that with the outbreak of the "Coronavirus," which will further impact economic growth, we could see weaker commodity prices ahead.*
- *Previous positions should have been stopped out at $180.*

Copper



- *Copper, often called "Dr. Copper" because of its sensitivity to economic demand has also collapsed suggesting the same "economic weakness" story.*
- *We previously recommended a trading position with a tight stop at $2.50 and profits should have been taken on that recommendation.*
- *Stops were moved up to $2.65 on current positions which have now all been triggered.*

Lumber



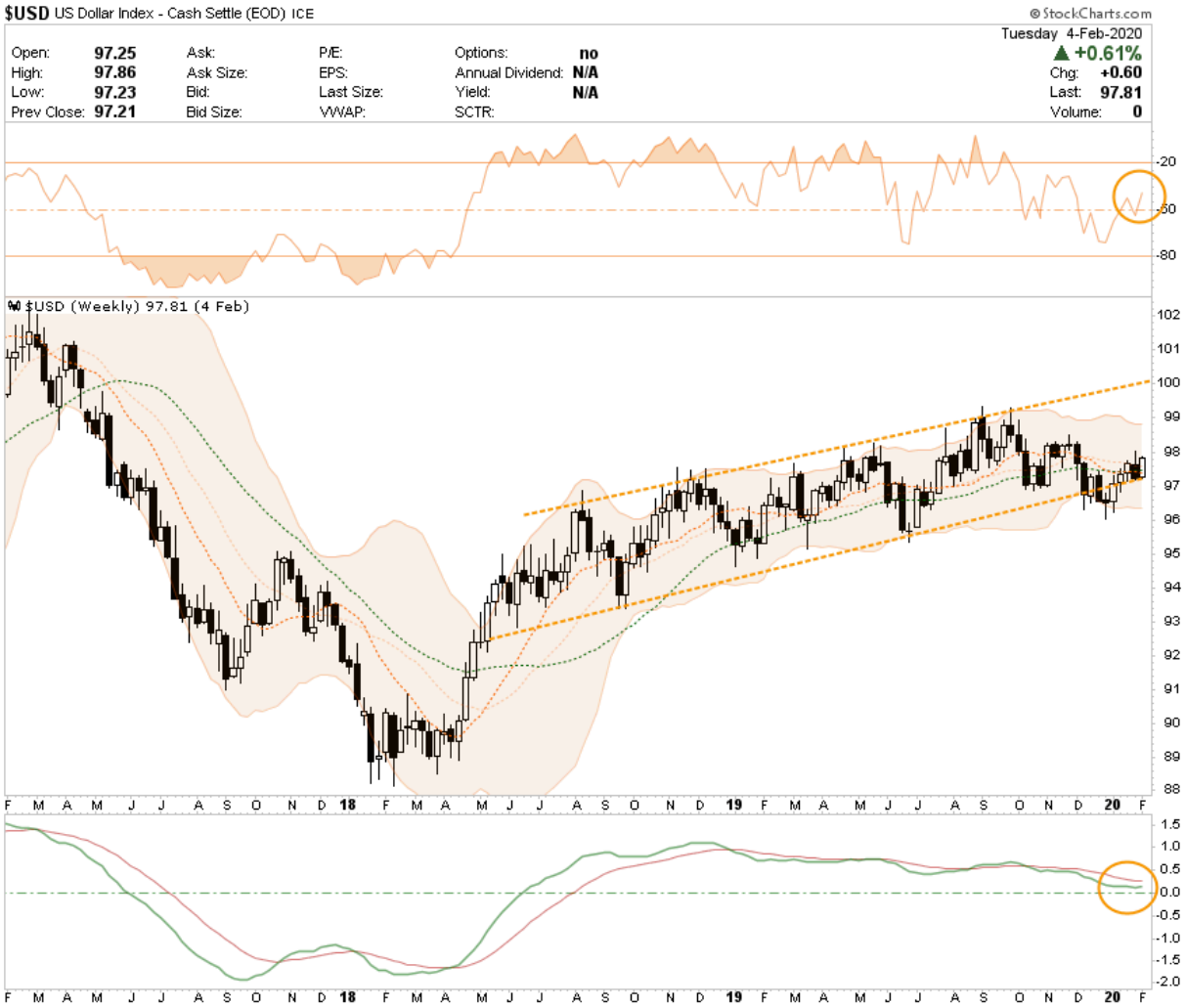
- *There has been a lot of talk about the strength of the housing market, and home builder stocks have been on fire as of late.*
- *However, while Lumber broke out of the previous consolidation range, it hasn't really performed as well as one would suspect given the run up in housing stocks. Such suggests the economy, and the housing market, is likely running at weaker rates than the stocks suggests. (Such suggests taking profits out of housing stocks which are overvalued currently.)*
- *We previously noted that a break above $400 would make a trade more interesting, and would confirm a pickup in economic growth. However, while lumber suggests economic activity may be improving some, the rest of the commodity complex doesn't agree.*
- *We previously recommended a position could be added with a tight stop at $380. Hold positions now and wait for the overbought condition to be corrected before adding further.*

Soybeans



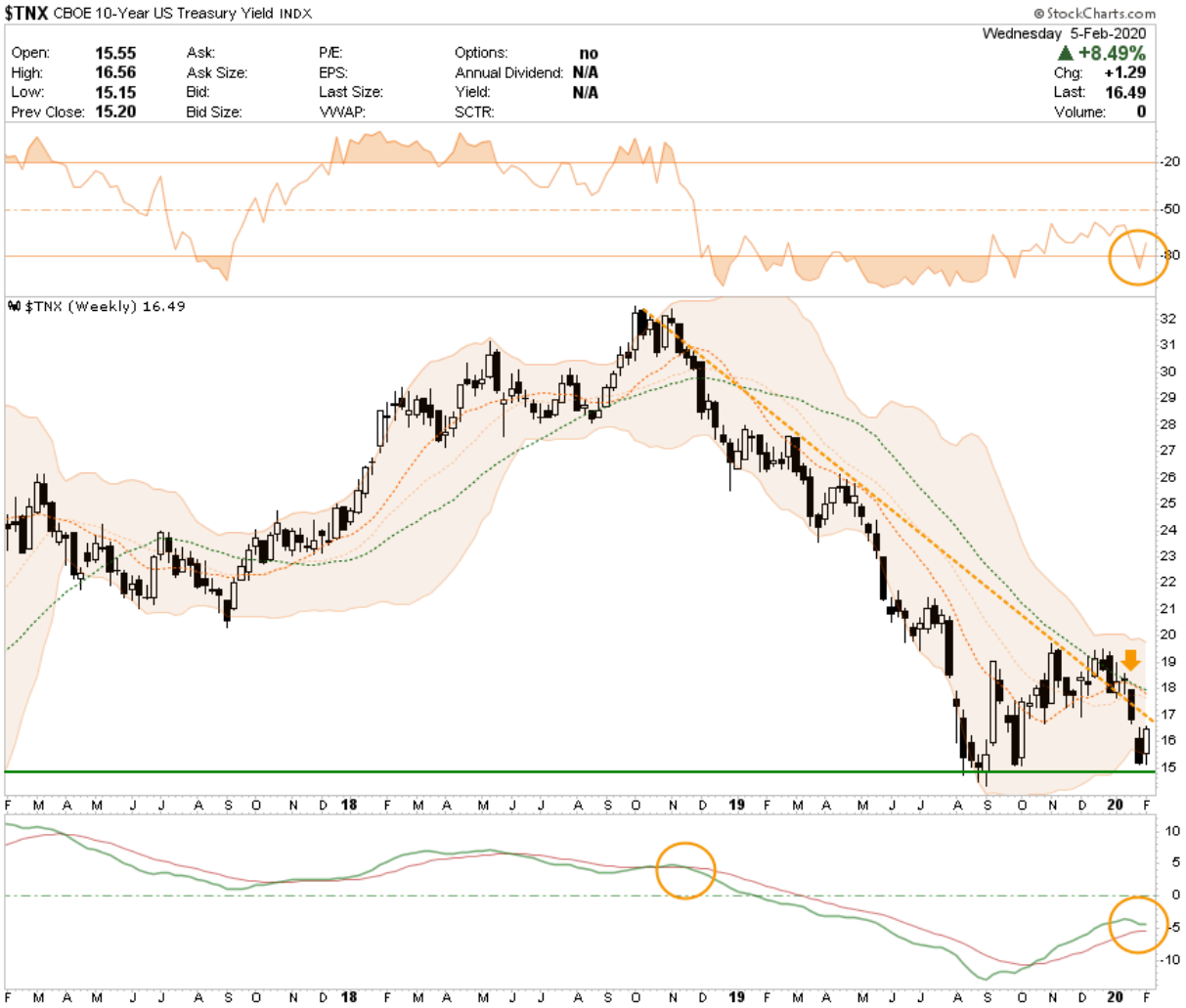
- *One look at this chart and you can understand why American farmers are filing for bankruptcy. It also makes you question the real "deal" that was cut with China.*
- *If China was really going to massively accelerate purchases of agricultural products, Soybeans should be hitting all-time highs. Since they remain bound to a lower trading range, the question that should be asked is what do traders know that you don't.*
- *Soybeans are extremely oversold currently, but with a sell signal being triggered, there is risk to the downside especially since China will not meet their goals.*
- *A break above $940 makes Soybeans much more interesting, but the current risk/reward doesn't suggest a trade.*
- *No trade recommended.*

US Dollar Index



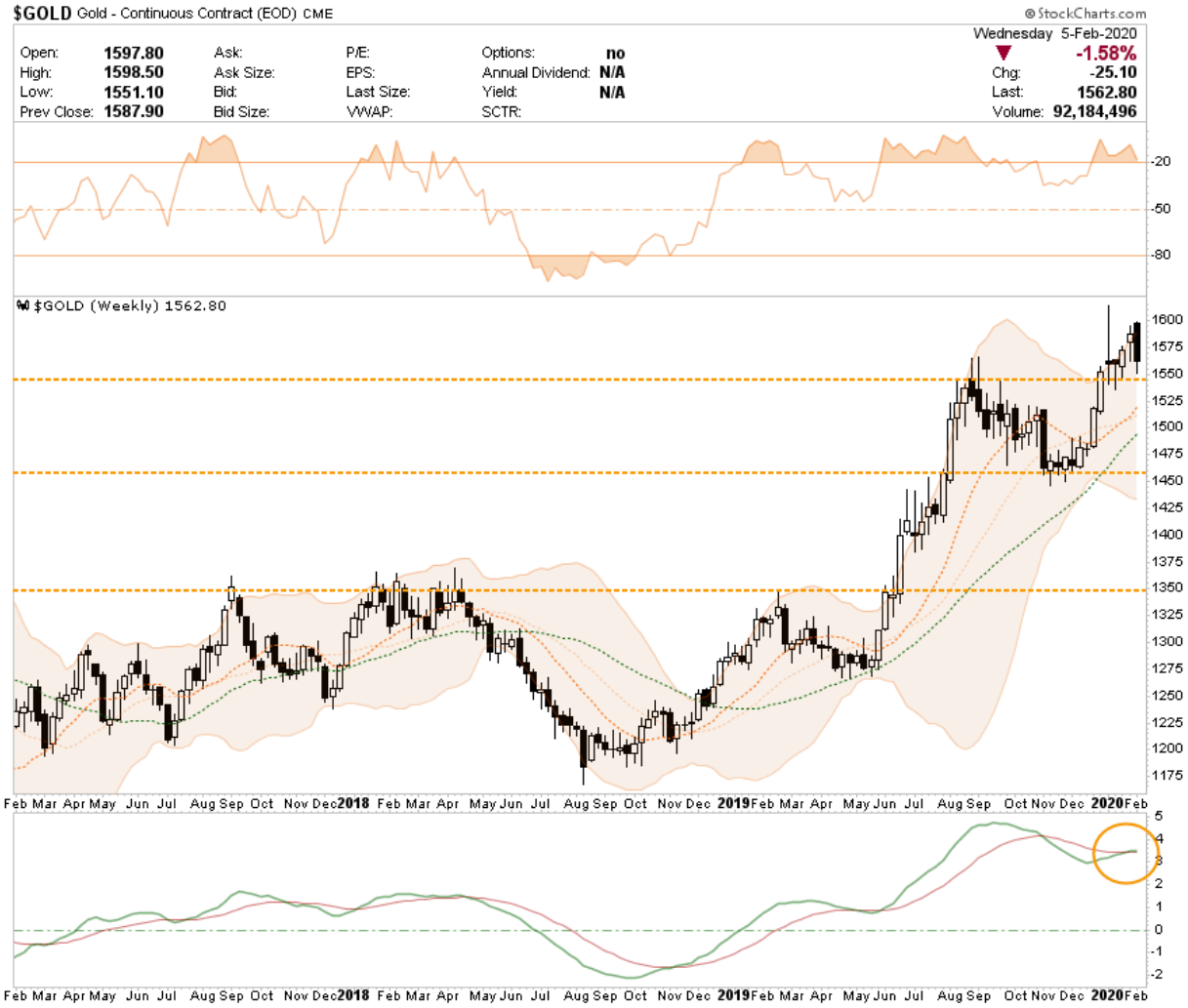
- *With roughly 40-50% of corporate profits coming from exports, all commodities globally traded in dollars, and the dollar impact on the bond market, this is a key measure to watch.*
- *We previously suggested the dollar would potentially weaken, which it started to do, but the reversal in bond yields, and better than expected economic strength, the dollar reversed course and has moved back into its trading range.*
- *With the dollar breaking above its moving averages, you can add long-dollar positions with a stop at $97.*
- *A strong dollar also suggests continued pressure on commodities, oil, and gold.*

10-Year Interest Rates



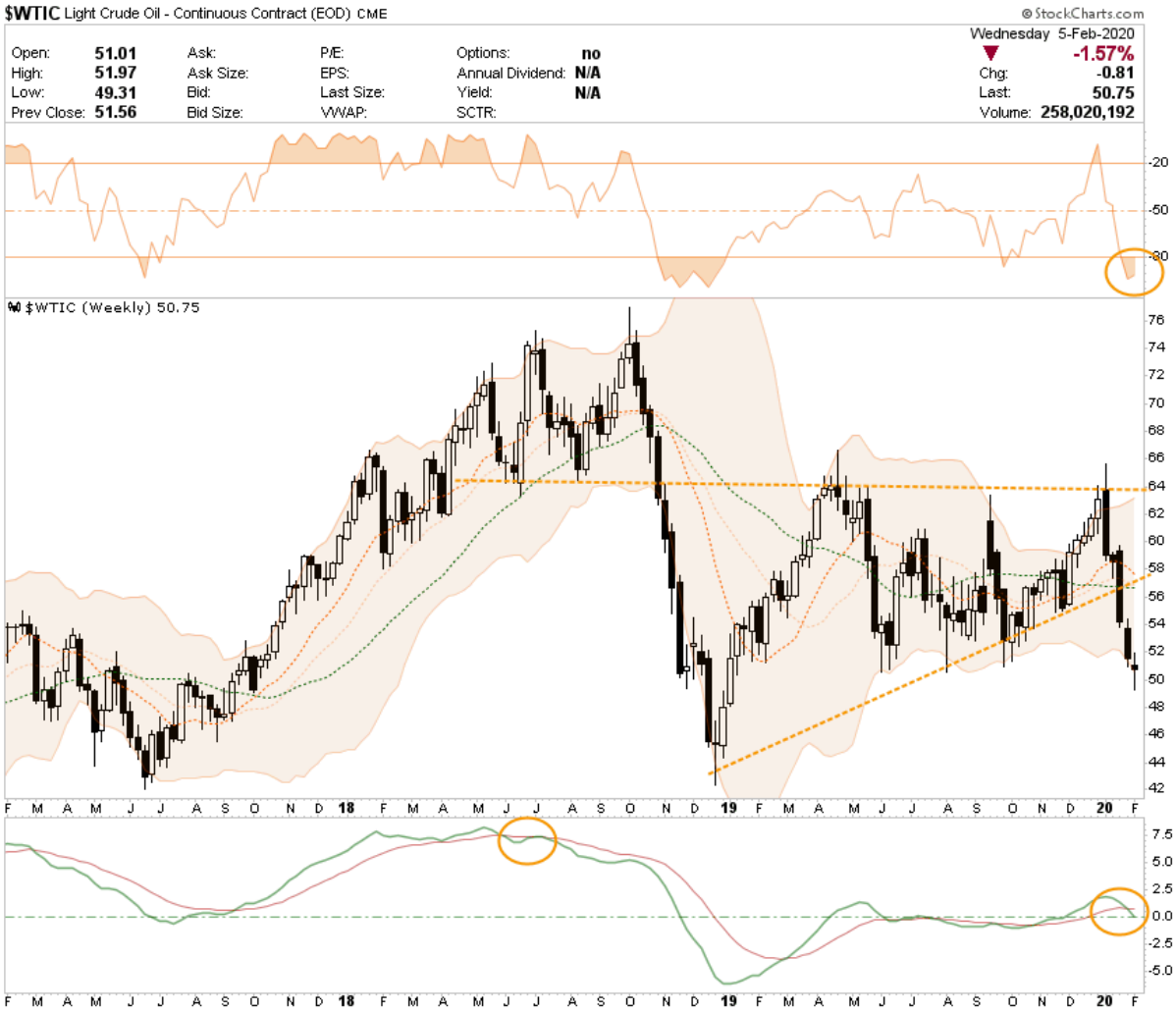
- *The "trade war" and "strong dollar" has pushed a lot of money into the U.S. Treasury market over the last year pushing rates to multi-year lows.*
- *We previously discussed the extreme overbought condition needed to be reversed and that reversal in rates occurred but was short-lived until the "Coronavirus" hit.*
- *As we said previously: "It is unlikely that rates can rise too far before they begin to impact an already weak economy, but an initial retracement back to 2.1% is likely. A weekly close above 1.9% will signal a move higher is coming."*
- *Well, we never got above 1.9% before rates plunged back to test previous lows.*
- *With rates again very overbought, look for a retracement back to 1.7-1.8% to add to bond holdings in portfolios. This is a reasonable time to take profits in bonds if you haven't done so previously.*
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Gold



- *We previously sold half of our position to protect gains, and then added back into our positions with Gold holding important support at $1470.*
- *Gold is close to triggering a short-term buy signal, and the recent pullback should provide a decent entry opportunity if support holds at $1550.*
- *Hold current positions for now.*
- *Move stop-losses up to $1500*
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Oil - Black Gold



- *Oil has been in a fight with trying to maintain price in the face of overwhelming supply and weakening demand. Oil lost.*
- *Oil failed to hold support at the 200-dma, then again at $54 and $52 breaking final support. There is nothing good going on with oil currently.*
- *However, in the short term oil is extremely oversold and a bounce is likely that positions can be cleared into at a better price.*
- *Look for a rally back into the high 50's to close out positions and rebalance risks in portfolios. A stronger dollar isn't going to play well with oil prices in the future.*