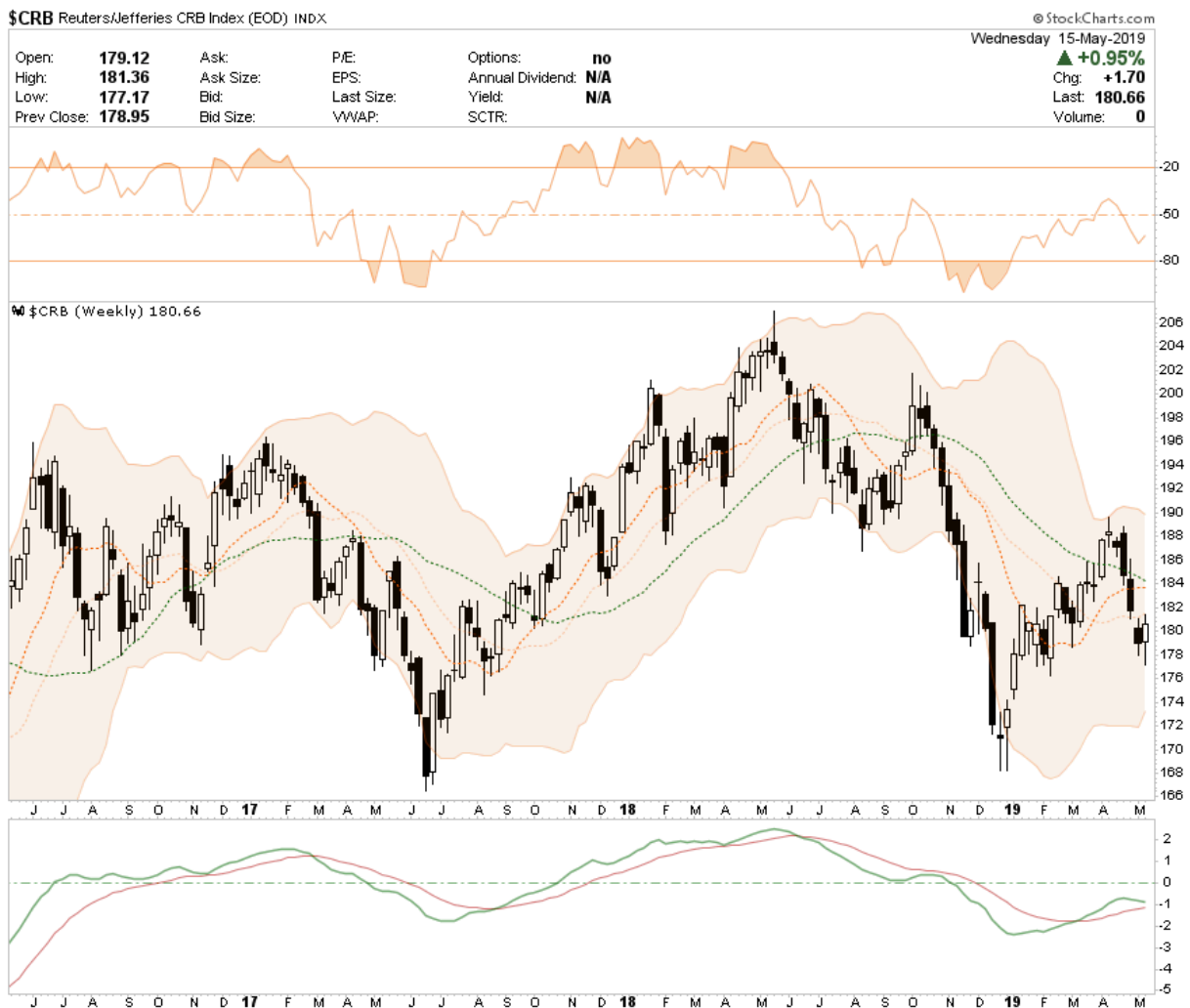


COMMODITY REVIEW: 05-16-19

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



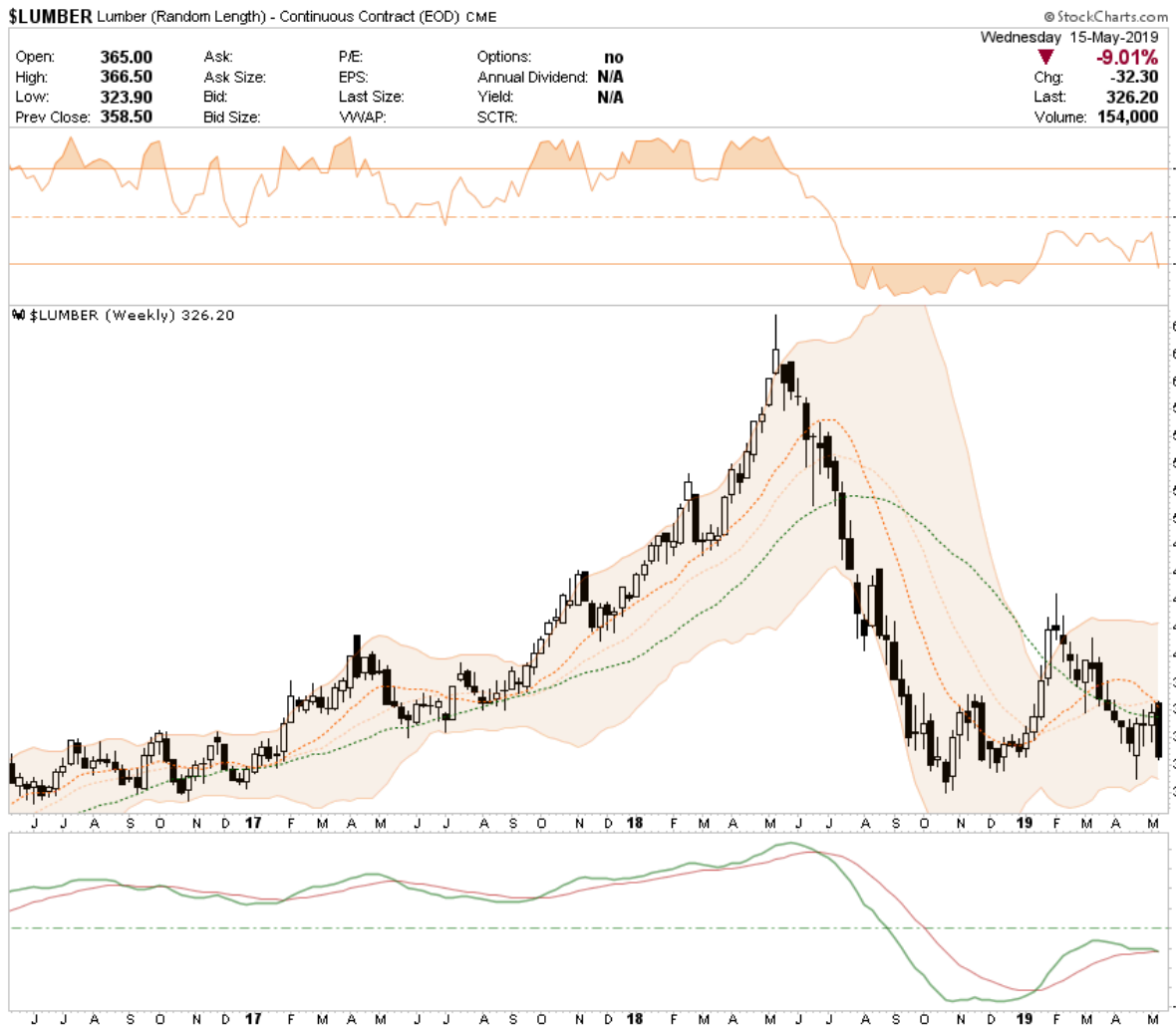
- If the economy was as strong as headlines suggest, the commodity index should be rising as demand for commodities grows. This was clearly apparent in mid-2017 as 3-major hurricanes and 2-massive wildfires devastated the U.S. requiring demand for raw materials.
- This same story will be evidence in 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



- *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

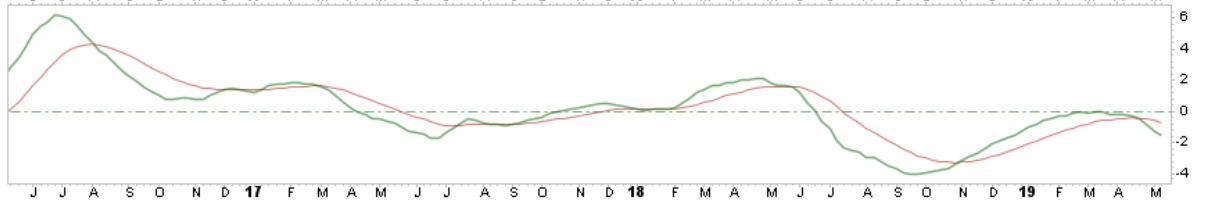
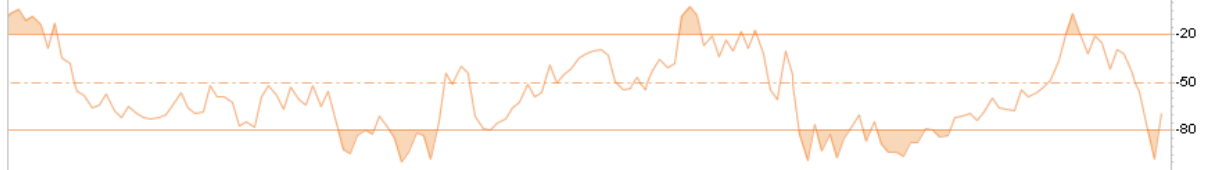
© StockCharts.com

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

| | | | | |
|--------------------------|-----------|------------|-----------------------------|-----------------------|
| 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.

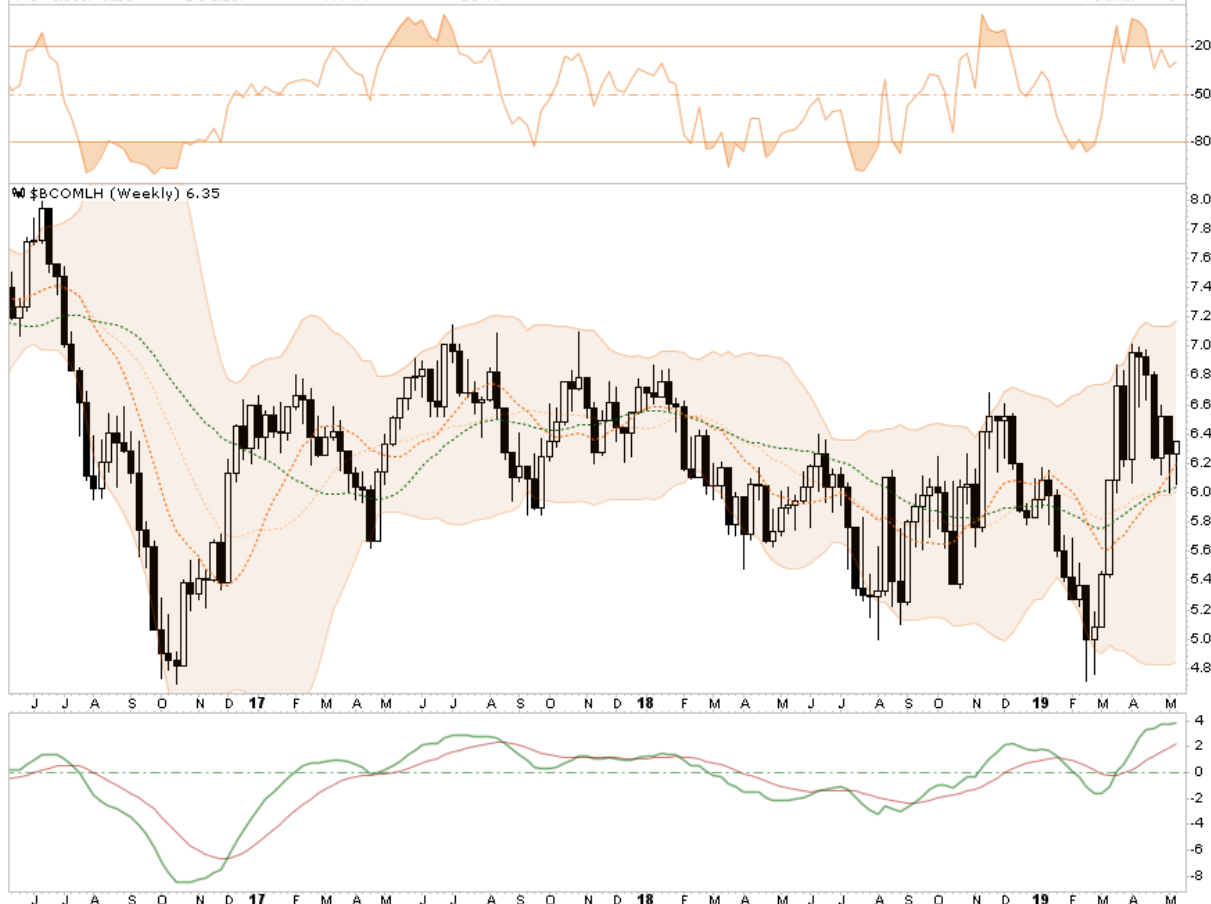
Lean Hogs

\$BCOMLH Bloomberg Lean Hogs Subindex: INDX

© StockCharts.com

| | | | |
|-------------------------|-----------|------------|-----------------------------|
| Open: 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

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

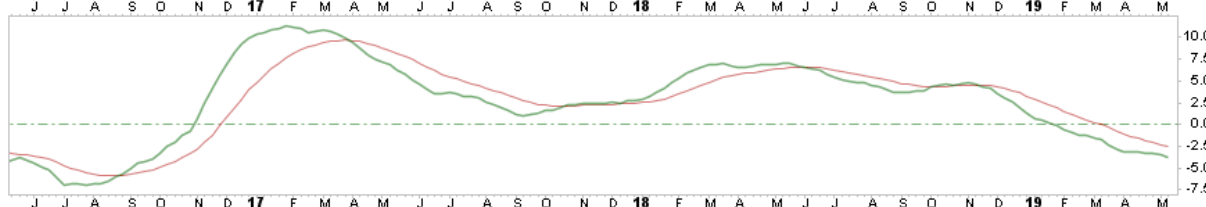
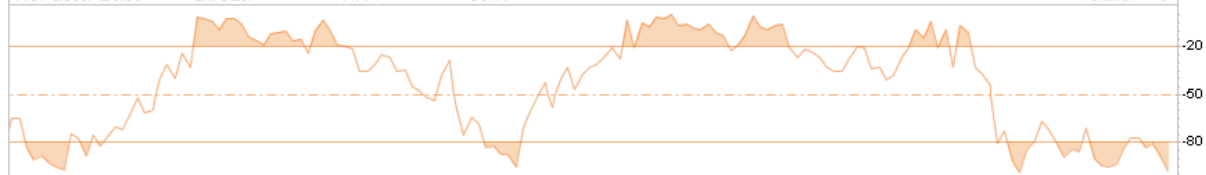
10-Year Interest Rates

\$TNX CBOE 10-Year US Treasury Yield INDX

© StockCharts.com

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: |



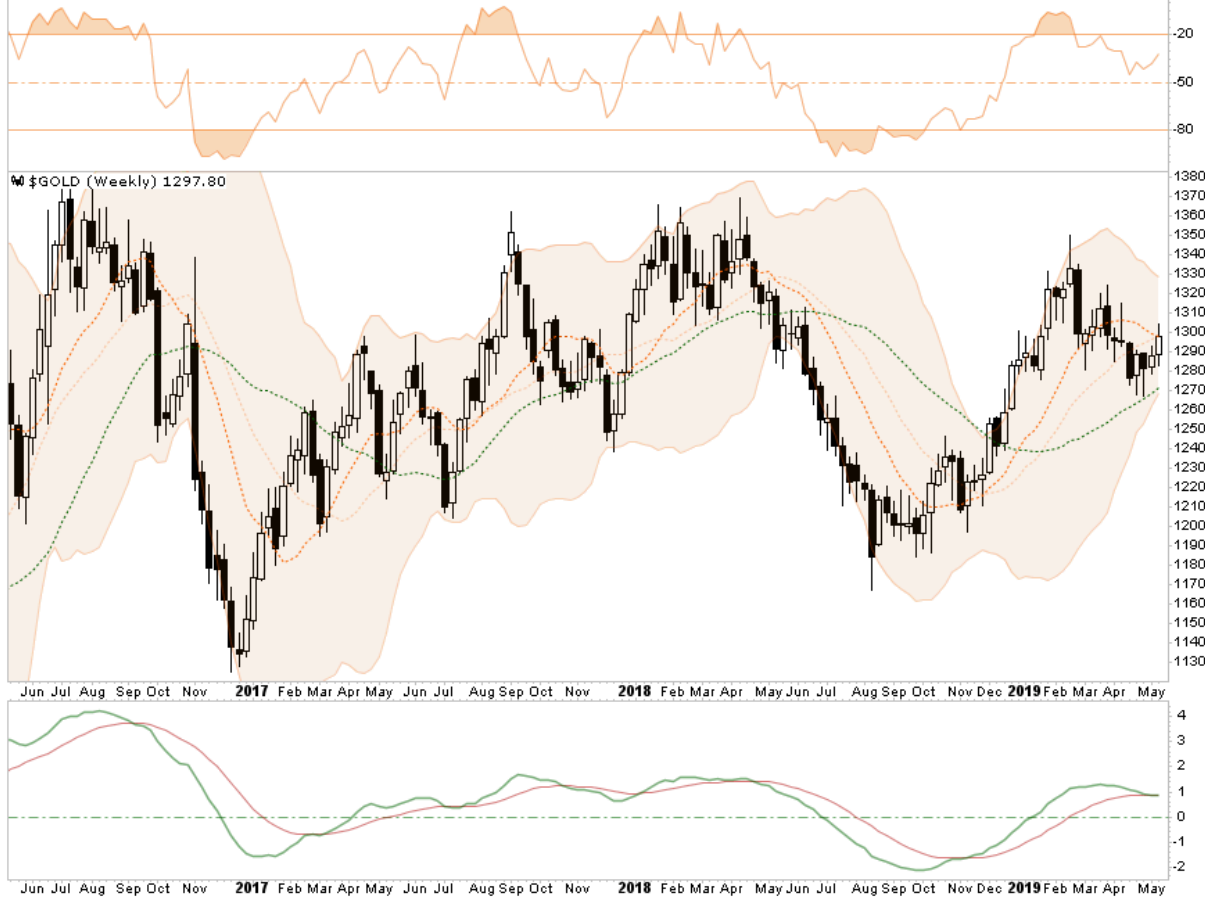
- As noted above, the stronger dollar and the "trade war" are driving foreign investors into the "safety" of the U.S. Dollar.
- Rates just broke below the previous lows of 2.4% and suggests a potential test of 2.1% may be in the works.
- Add to long-bond positions and increase duration slightly in portfolios. (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

© StockCharts.com

| | | | | |
|----------------------------|-----------|------------|-----------------------------|---------------------------|
| Open: 1288.30 | Ask: | P/E: | Options: no | Wednesday 15-May-2019 |
| High: 1304.20 | Ask Size: | EPS: | Annual Dividend: N/A | ▲ +0.81% |
| Low: 1282.40 | Bid: | Last Size: | Yield: N/A | Chg: +10.40 |
| Prev Close: 1287.40 | Bid Size: | VWAP: | SCTR: | 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

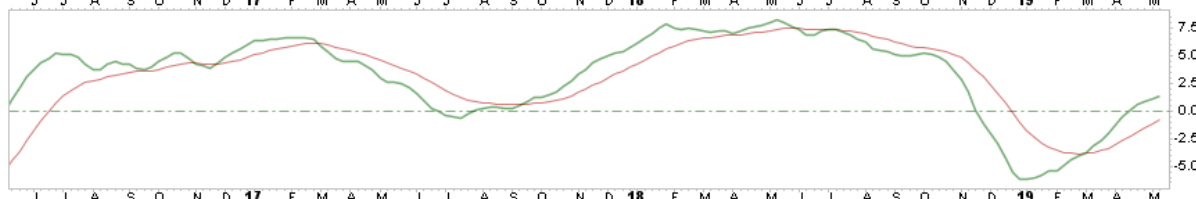
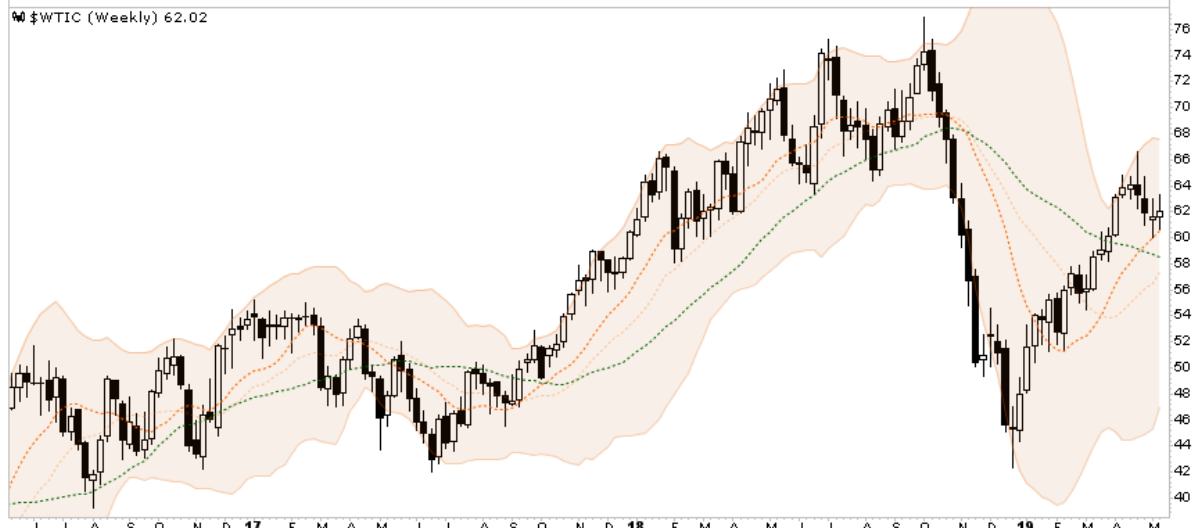
Open: **61.65**
 High: **63.33**
 Low: **60.64**
 Prev Close: **61.66**

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
 ▲ **+0.58%**
 Chg: **+0.36**
 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-shorted on a failed rally to \$61.50*