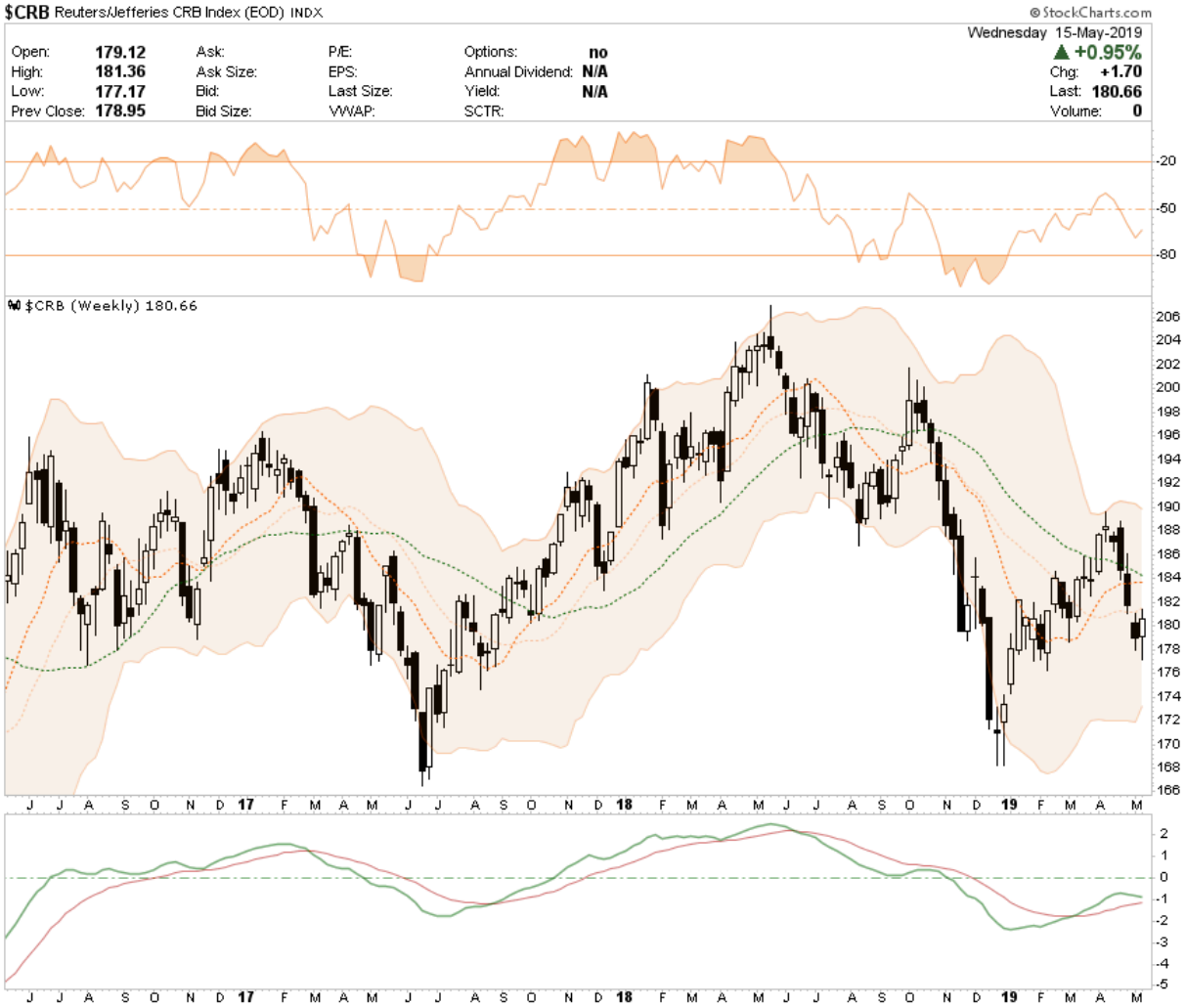
We are adding a new monthly review of important commodities which may provide clues as to both the strength and direction of the markets and the economy.

CRB Index

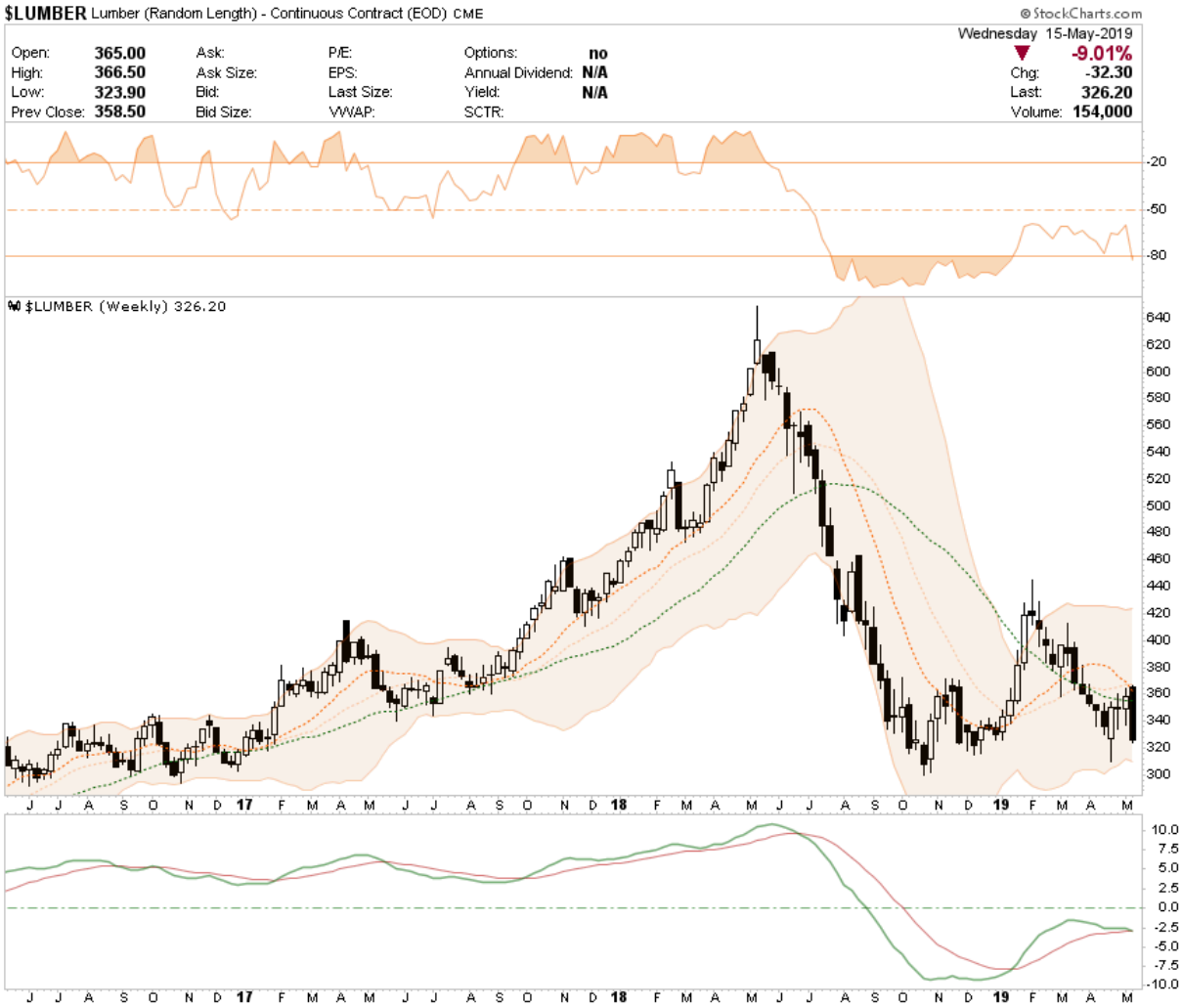


- *If the economy was as strong as headlines suggest, the commodity index should be rising as demand for commodities grows. This was clearly apparent in mid-2017 as 3-major hurricanes and 2-massive wildfires devastated the U.S. requiring demand for raw materials.*
- *This same story will be evidence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

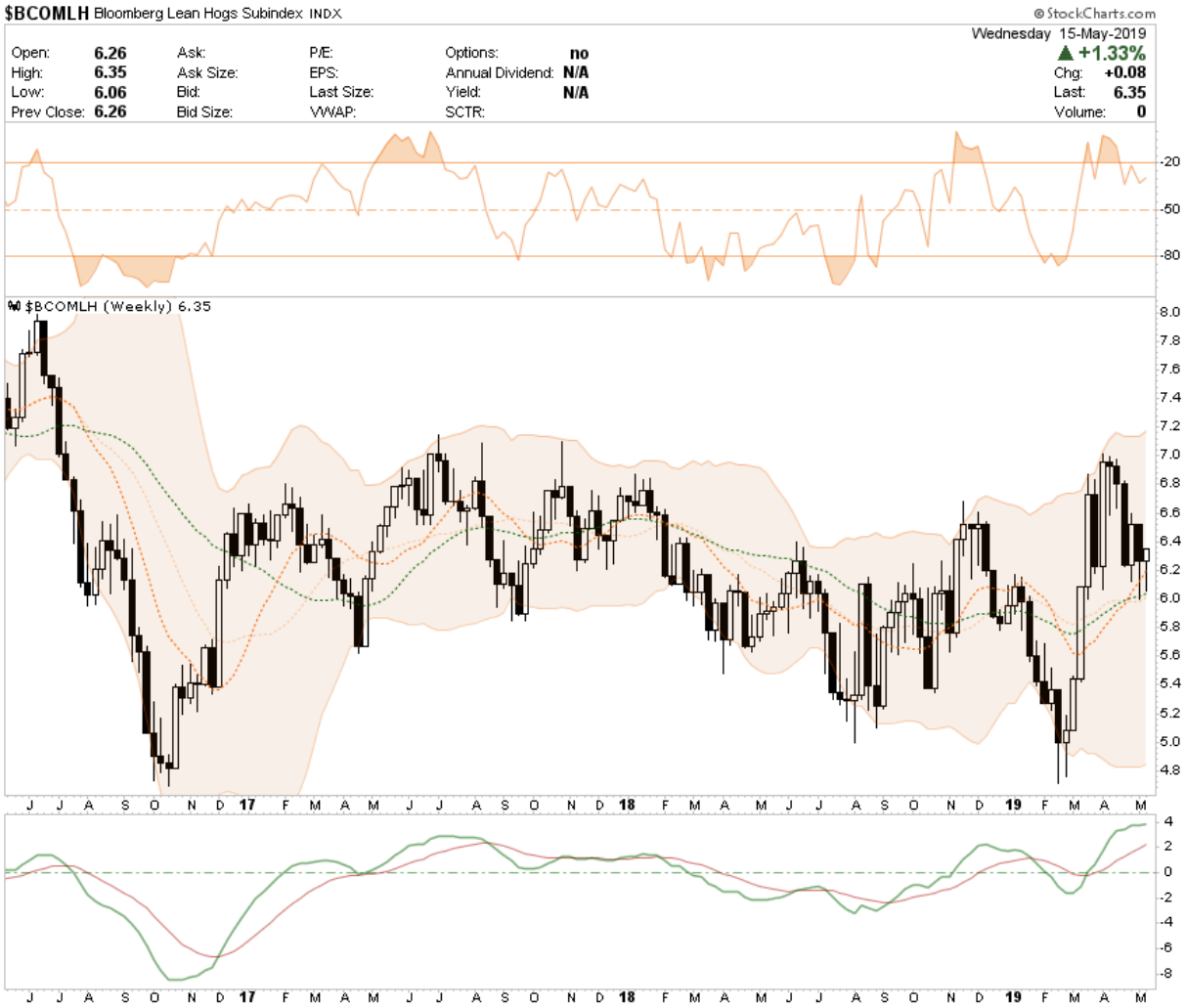
Soybeans

- *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

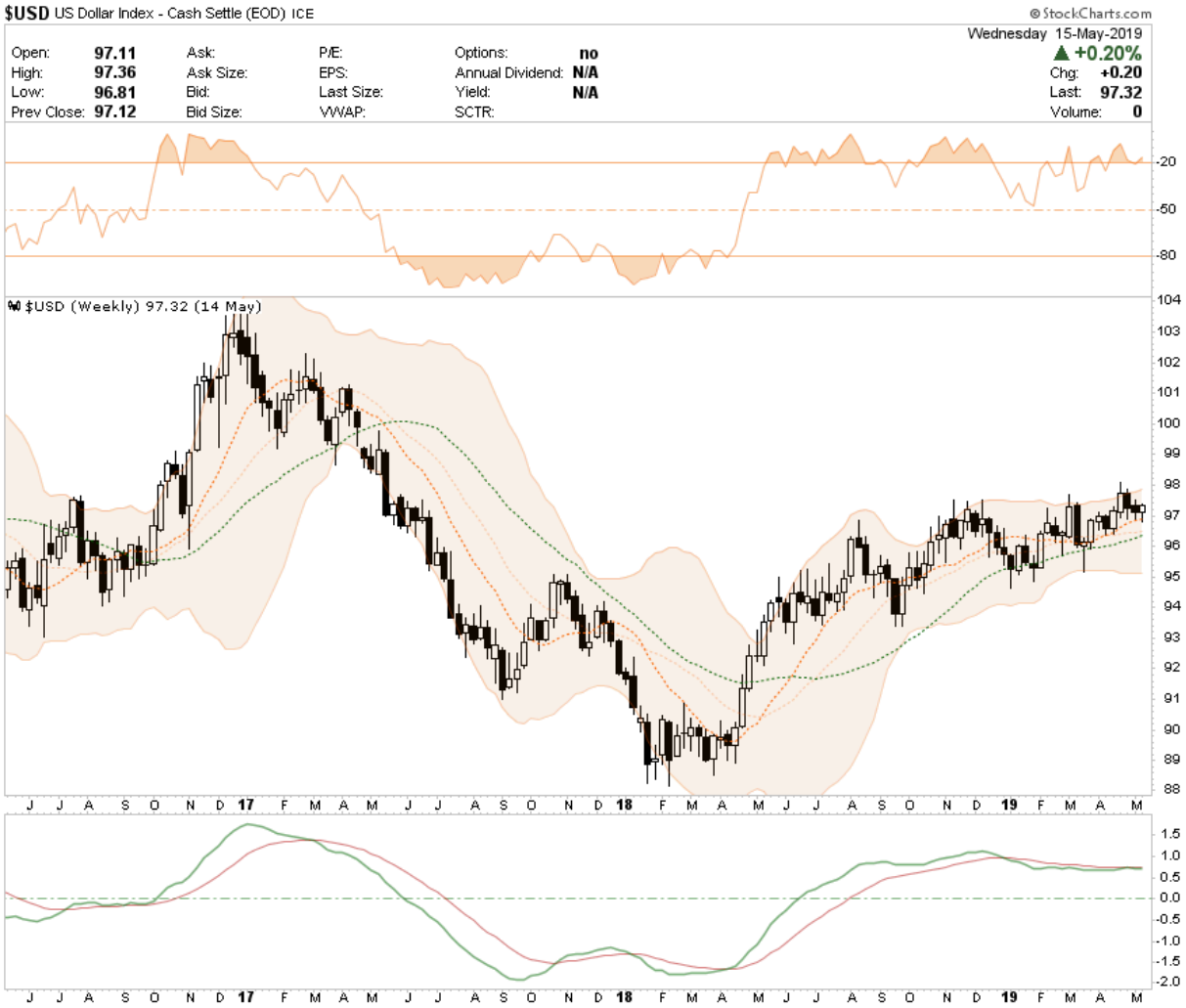
- *Demand for beef is on the decline and I am pretty sure "Beyond Meat" is NOT the culprit.*
- *Given the cost of meat, cattle is a decent indicator of economic strength.*
- *Cattle are oversold here BUT on an important "sell" signal.*
- *No trade currently, but watch the message live cattle are sending.*

Lean Hogs



- *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

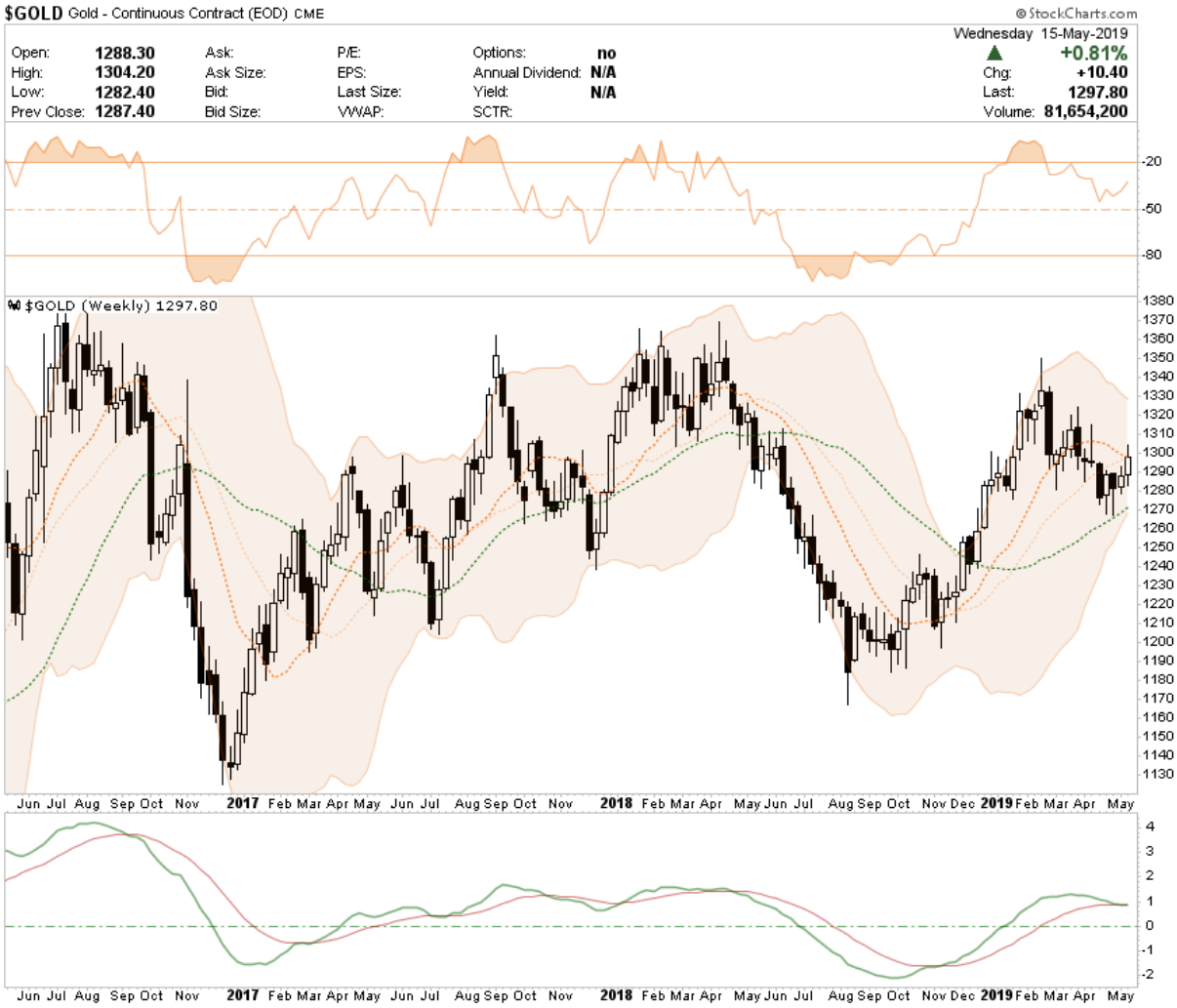


- *With roughly 40-50% of corporate profits coming from exports, all commodities globally traded in dollars, and the dollar impact on the bond market, this is a key measure to watch. Trade war will have an impact across many sectors of the market and the dollar will likely tell the story.*
- *Currently, 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

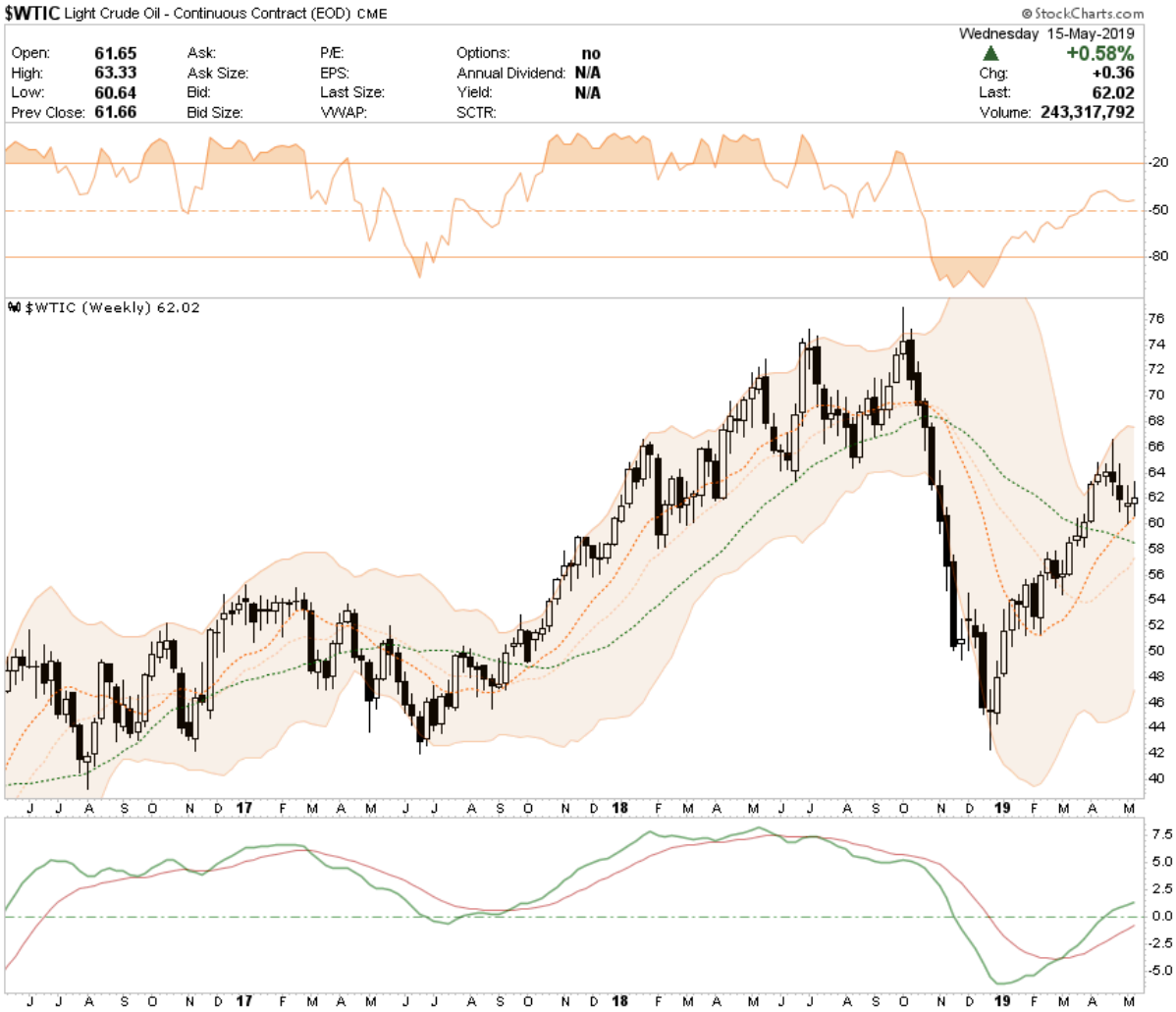
- *As noted above, the stronger dollar and the "trade war" are driving foreign investors into the "safety" of the U.S. Dollar.*
- *Rates just broke below the previous lows of 2.4% and suggests a potential test of 2.1% may be in the works.*
- *Add to long-bond positions and increase duration slightly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



- *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*