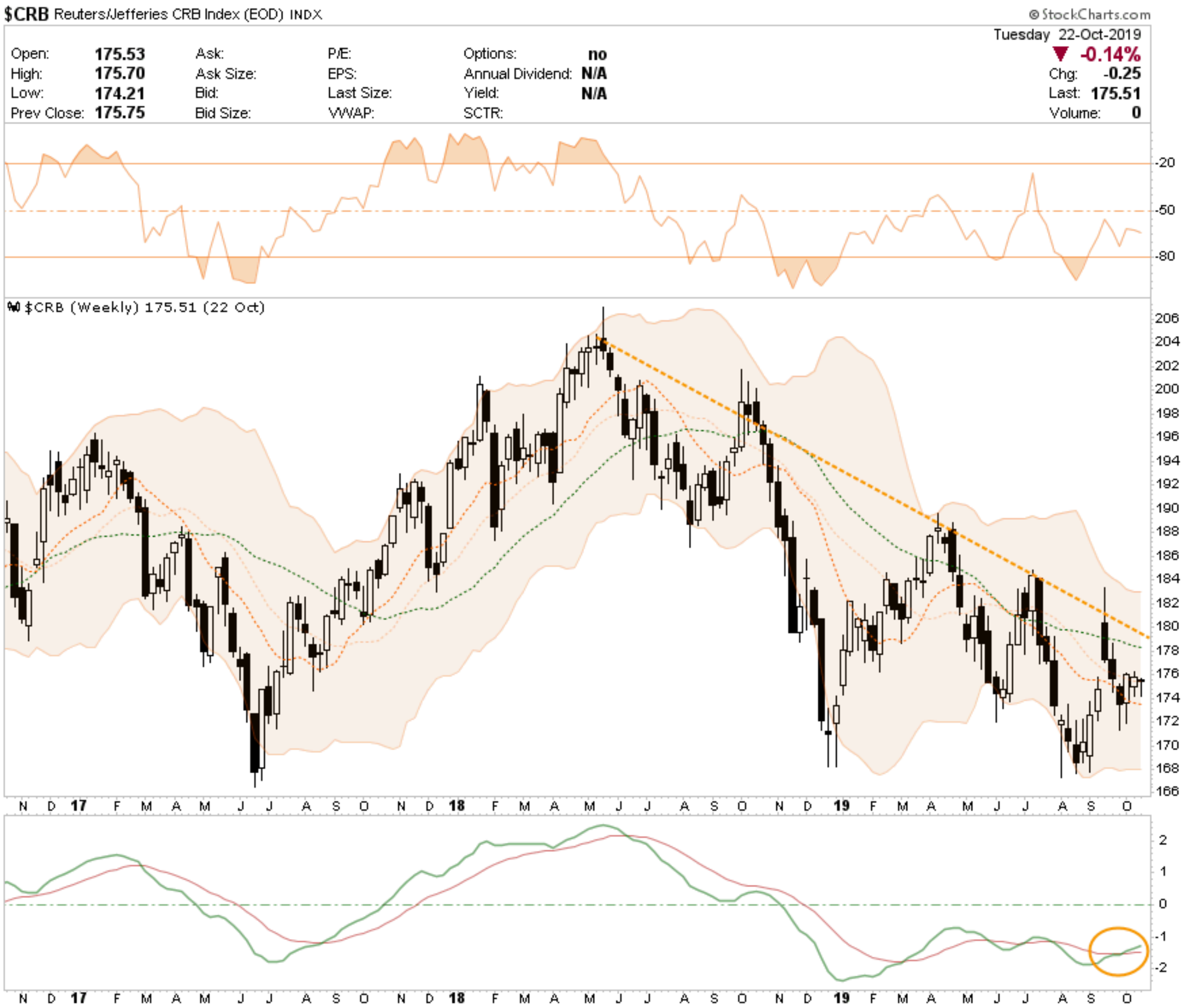
A review of important commodities which may provide clues as to both the strength and direction of the markets and the economy.

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 above $180 would suggest a stronger commodity rally which we should expect to see IF economic growth is going to improve.*
- *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.*
- *The overbought condition has been corrected and there is a "buy signal" close to triggering.*
- *A trading position with a tight stop at $2.50 is doable but the upside is limited which keeps the trade from being recommended currently.*
- *A break below $2.00 will likely suggest a test of $2.00 amidst a pickup in economic weakness.*

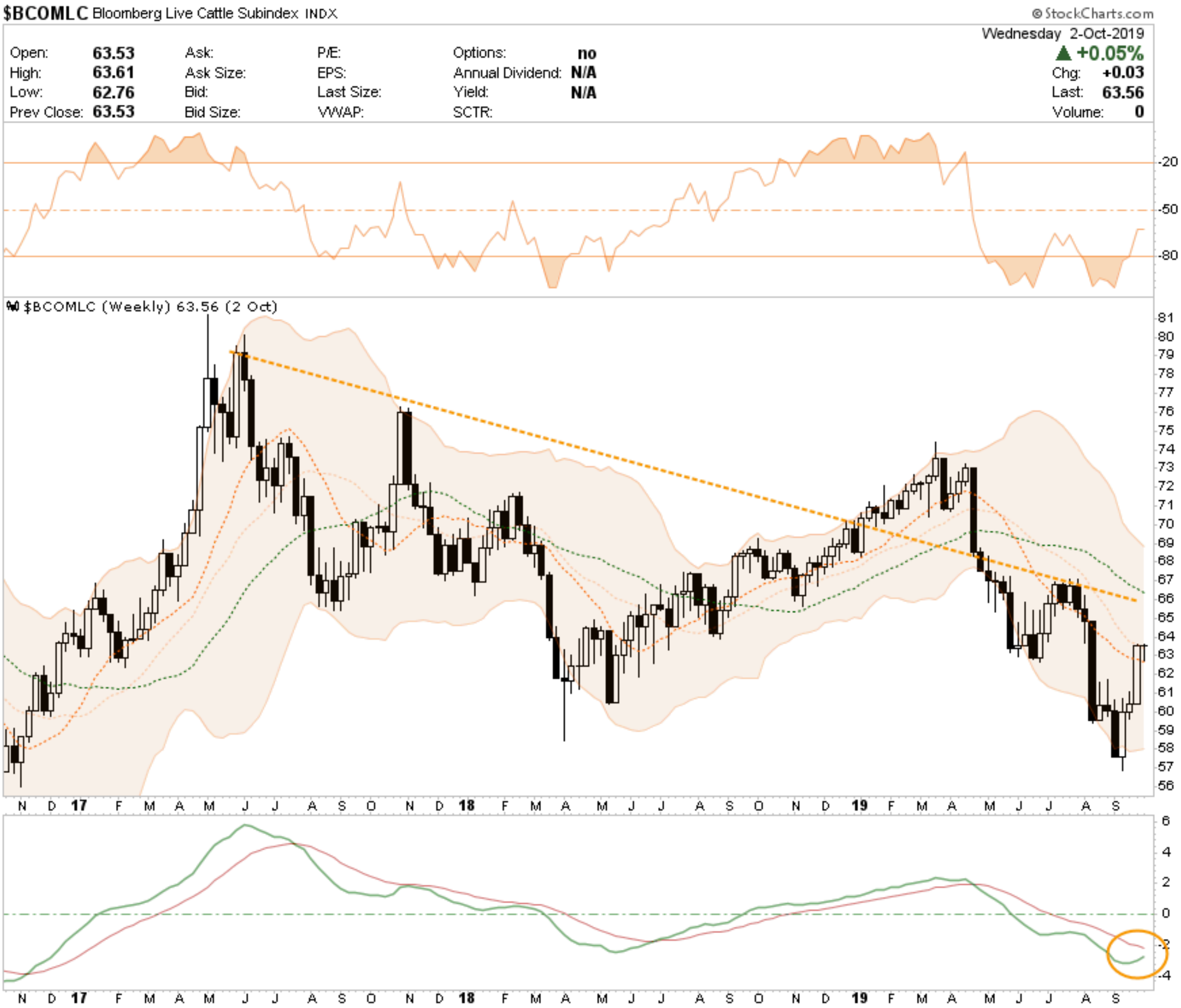
Lumber

- *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, Lumber remains in a very tight consolidation and doesn't support the idea of a strong housing market.*
- *A break above $400 will make a trade more interesting, and would confirm a pickup in economic growth.*
- *No position currently.*

Soybeans

- *One look at this chart and you can understand why American farmers are filing for bankruptcy.*
- *The recent spike to resistance is on "HOPES" that China will begin to buy more agricultural products they desperately need. However, there is no evidence currently they are actually doing so.*
- *Soybeans are extremely overbought and the risk is to the downside if China balks at trade again, which I suspect they will.*
- *A break above $940 makes Soybeans much more interesting, but the current risk/reward doesn't suggest a trade.*
- *No trade recommended.*

Live Cattle



- *Demand for beef remains 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 a "sell" signal. Look for a reversal of the sell signal which will make a trade much more interesting.*
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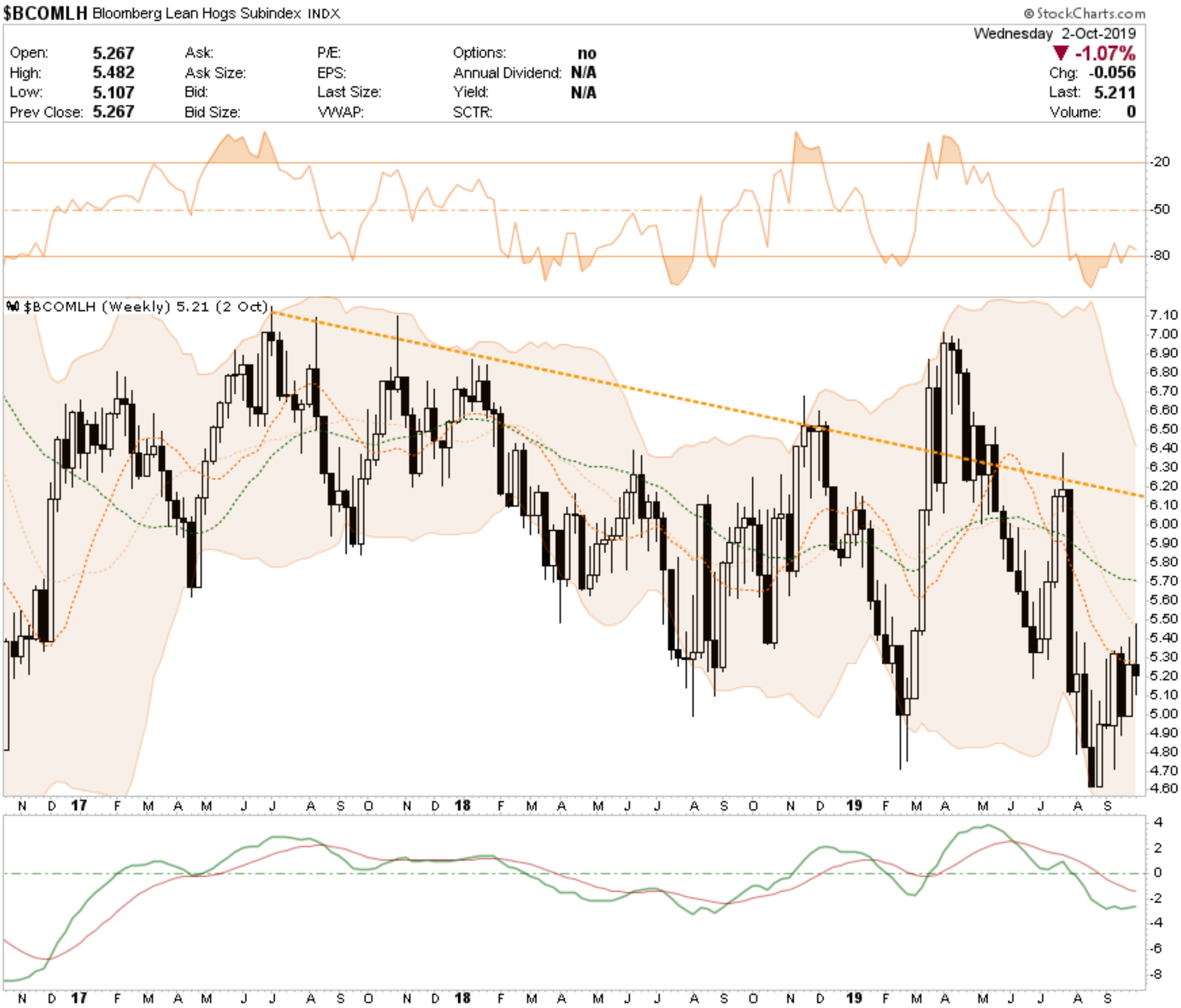
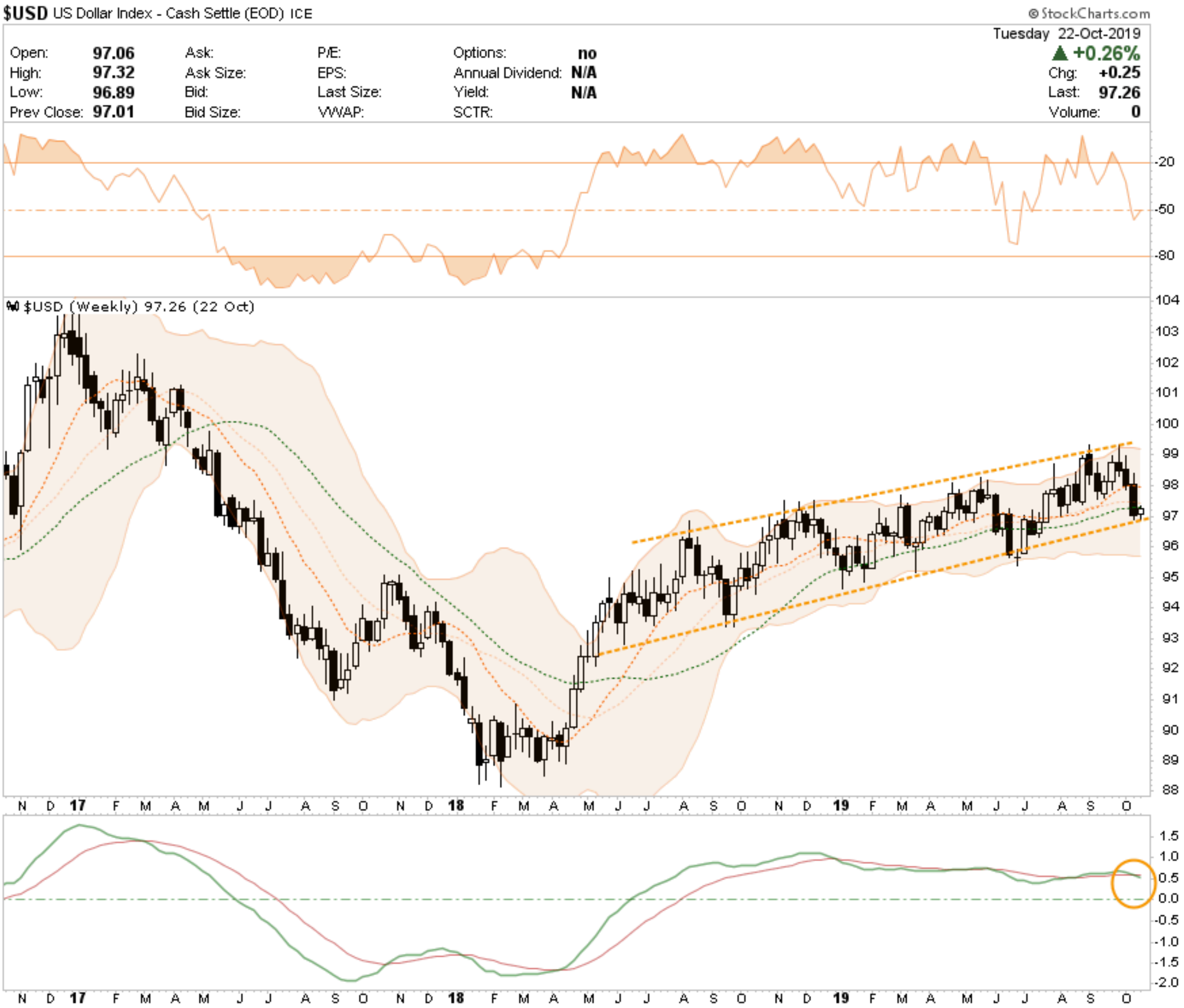
Lean Hogs



- *Hogs are another indicator that suggests China is not buying products as promised.*
- *China has a desperate need for pork due to a virus that wiped out about 30% of their hog population. If they were buying as promised, Hogs would not be on a sell signal and sitting near lows.*
- *However, Hogs are oversold and on a short-term "sell signal."*
- *A reversal to a "buy signal" will make hogs a more interesting trade.*
- *No position currently, but watch the $5.80 level for the next signal.*

US Dollar Index

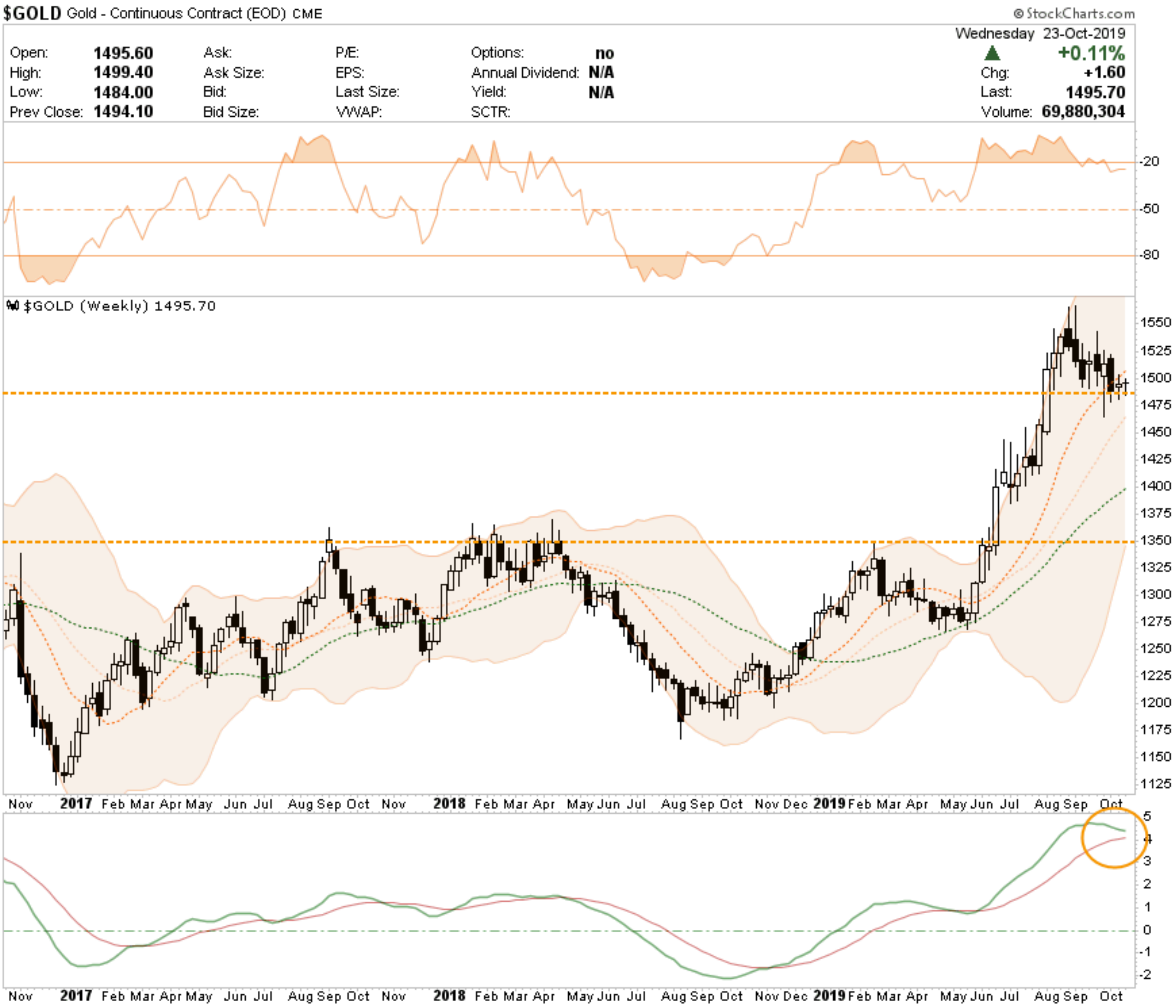


- *With roughly 40-50% of corporate profits coming from exports, all commodities globally traded in dollars, and the dollar impact on the bond market, this is a key measure to watch.*
- *Currently, the dollar continues to maintain its bullish trend and is currently testing the lows of that range.*
- *With the dollar getting oversold, but flirting with a sell signal, be patient and see if trend support can hold.*
- *With the Fed upping their "QE, but not QE" game, it could very well negatively impact the dollar.*
- *If you want to trade the dollar long, buy at current levels with a stop at $97.*

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 have discussed the extreme overbought condition needed to be reversed and we may be in the process of that correction.*
- *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.*
- *Wait for a retracement to resistance before adding more bond exposure to portfolios.*

Gold



- *We recently sold half of our position to protect gains.*
- *Gold is holding important support at $1475 and is wrestling with its 50-dma, but is threatening to trigger a short-term sell signal so support at $1400 needs to hold for the time being.*
- *Hold positions and wait for a completion of the corrective process before adding more exposure to portfolios.*
- *Maintain at stop-loss at $1400*

Oil - Black Gold

- Oil has been in a fight with trying to maintain price in the face of overwhelming supply and weakening demand.
- The good news is that oil is holding support at $54 but a break below $53 and a revisit of the $40's is likely.
- We are maintain limited exposure to energy currently in portfolios, and stops on holdings must be closely monitored.
- That signal has been triggered.