<u>COMMODITY MARKETPLACE TRAVELS</u>

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"Lately it occurs to me
What a long strange trip it's been". "Truckin'", a Grateful Dead song

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<u>CONCLUSION</u>

Of course not all commodities (or commodity sectors) move exactly alike. Often their trends (or important turning points within them) dramatically differ. Supply/demand situations vary. However, using the S+P broad Goldman Sachs Commodity Index as a benchmark since 2011, commodities "in general" have traveled sideways, and arguably sideways to down. Admittedly the GSCI not only hovers far beyond its major bottom of 306 attained on 2/19/09, but also above its lows of 573 on 10/4/11 and 556 on 6/22/12. However, the GSCI's spring 2011 peaks around 762 have not been challenged. Moreover, a rough pattern of declining (lower and lower) GSCI highs emerged after spring 2011.

See the attached charts for the GSCI and assorted other commodity marketplaces. Despite different twists and turns, they generally have marched sideways (or sideways to down) from their 2011 highs. NYMEX natural gas (nearest futures continuation) is a partial exception. It began a big bull march in April 2012, racing to nearly 6.50 on 2/24/14. However, it thereafter retreated beneath 6/9/11's 4.98 high. Alongside natural gas, note that Appalachian coal remains distant from its 2011 heights. And let's add a footnote in regard to the NYMEX crude oil chart. Brent/North Sea crude oil's summit (nearest futures; chart not attached) in its big bull move occurred 3/1/12 at 12840 ($128.4). However, Brent's 2012 top only slightly surpassed its April 2011 highs (12708 on 4/11 and 12670 on 4/28, these occurred around the time of NYMEX crude oil's May 2011 peak). In any event, Brent since its 2012 top reveals a sideways (or sideways to down) appearance.

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Various individual commodity marketplaces (or commodity marketplace domains such as the petroleum complex or base metals) may appear to converge or diverge relative to each other. Also, one commodity arena may seem to lead or lag another. In addition, convergence/divergence and lead/lag perspectives and issues exist between commodities "in general" (or any given commodity) and other realms such as stocks, interest rates, and currencies.

Unlike the broad GSCI, the S+P 500 has soared higher relative to its spring 2011 elevation (5/2/11 at 1371). However, like the broad GSCI, emerging stock marketplaces ("MSCI Emerging Stock Markets Index"; MXEF, from Morgan Stanley) remain under their spring 2011 peak (4/27/11's 1212). Yet despite that notable difference between the S+P 500 and commodities in general (and the MXEF) trends relative to spring 2011, these marketplaces often have made many price turns in the same overall direction at roughly the same time (as they did for several years prior to 2011).

So in the current context in relation to the S+P 500, underline the broad GSCI's decline from its 6/23/14 interim top at 673. That occurred a few weeks before the S+P 500's all-time high to date, 1991 on 7/24/14. Further declines in the broad GSCI would be a bearish warning sign for the S+P 500 (and emerging marketplace stocks). The GSCI has important support around 595/612. Also note 10/4/11's 573 (S+P 500 bottom 10/4/11 at 1075) and 6/22/12's 556 (S+P 500 low 6/4/12 at 1267).

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The broad real trade-weighted US dollar, tumbled to a record depth of 80.5 in July 2011 (monthly average). However, since September 2011, the dollar has remained relatively feeble, ambling back and forth in a sideways trend.

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In its "World Economic Outlook Update", the International Monetary Fund recently reduced its global growth projection for 2014 by .3 percent to 3.4pc (on 7/24/14: S+P 500's 1991 high that day). The IMF left its 2015 GDP estimate unchanged at 4.0pc. Growth in advanced economies will be a paltry 1.8pc in 2014 (2.4pc in 2015), with that in emerging/developing economies 4.6pc (5.2pc in 2015).

The wonderful China story has been important for both worldwide economic growth and commodities demand. The IMF cut China's real economic growth by .2pc in both 2014 and 2015, forecasting 7.4pc in 2014 and 7.1pc in 2015. China, however, arguably is even weaker than the IMF indicates.

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The Federal Reserve Board ceased its previous quantitative easing (money printing) schemes in March 2010 and June 2011; the S+P 500 began to tumble around those times (4/26/10 high 1220; 5/2/11 top 1371). Will the S+P 500 slump again as the Fed finishes its current tapering program?

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Noncommercial participation (including alternative "investment") plays an important role in commodity marketplace bull and bear trends. For example, focus on the CFTC's Commitments of Traders for the benchmark NYMEX petroleum complex contracts (crude oil, heating oil, and RBOB together, futures and options combined). On 6/24/14, the net noncommercial long position for the petroleum complex motored to an all-time high of almost 549,000 contracts, or 18.4 percent of total open interest. That percentage of open interest nearly reached 2/25/14's pinnacle of about 18.8pc. By 7/22/14, the net noncommercial long position slipped moderately, to 427m contracts and 15.0pc of total open interest. On 6/20/14, NYMEX crude oil (nearest futures continuation) made a high at just over $107.70 per barrel; petroleum prices have eroded since then.

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