

# MSA

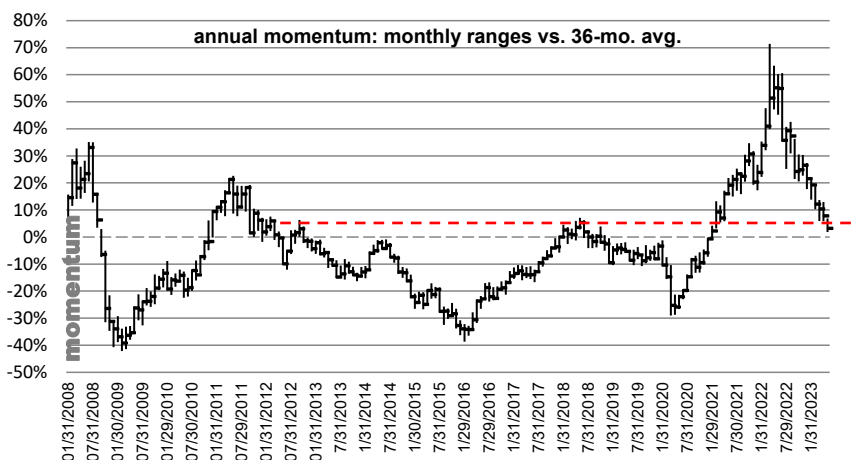
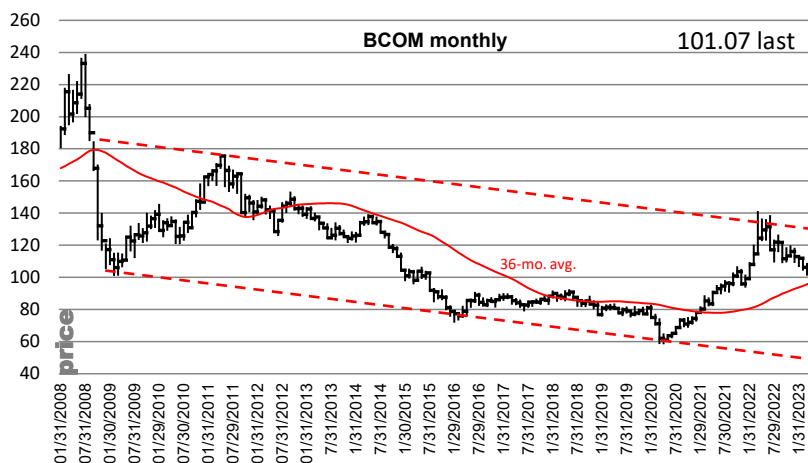
May 23, 2023

## Commodity Markets: monthly report

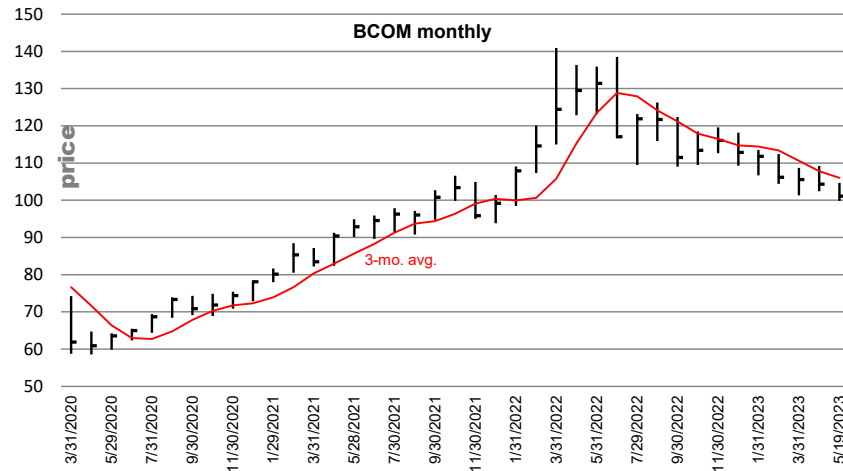
### Bloomberg Commodity Index

BCOM's annual momentum is still in a zone of support between the zero line and 5% above it, or about **98 to 103**. We still expect this support to hold and will continue to monitor more short-term indicators such as the 3-month average (next page) and 10-week average for signs of renewed upside.

*The charts in this report are current as of the close of 5/19.*

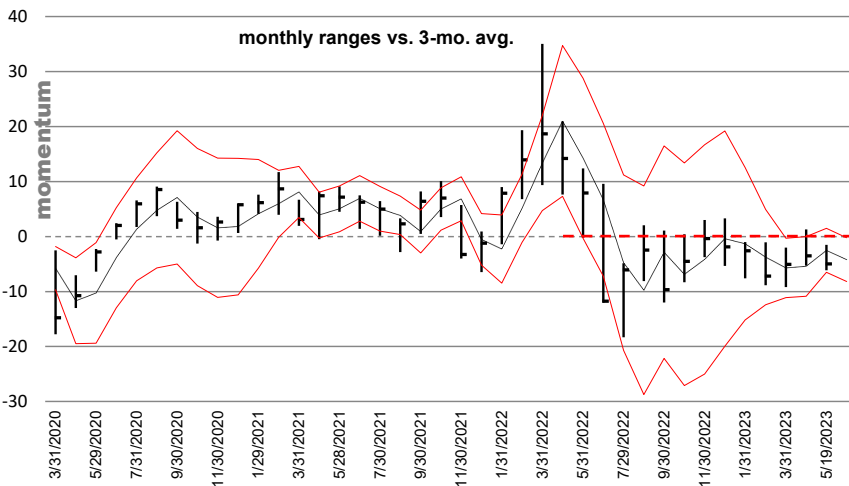


**BCOM (continued)**



We need to see a monthly close above the 3-month average before assuming renewed upside is underway. For May the number to cross is **106.05** and it's estimated to drop to **104.10** for June.

Volatility (as measured here by the narrow bandwidth of monthly momentum's standard deviation bands) has dropped to low levels as last seen in the latter half of 2021, just before a period of significantly increased volatility from November 2021 to October 2022.



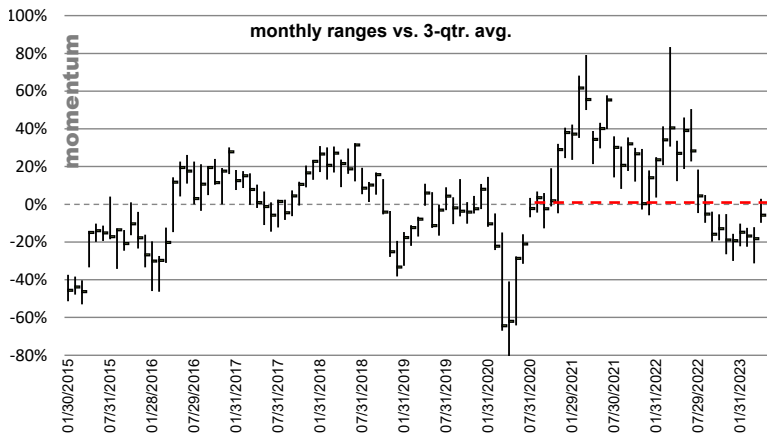
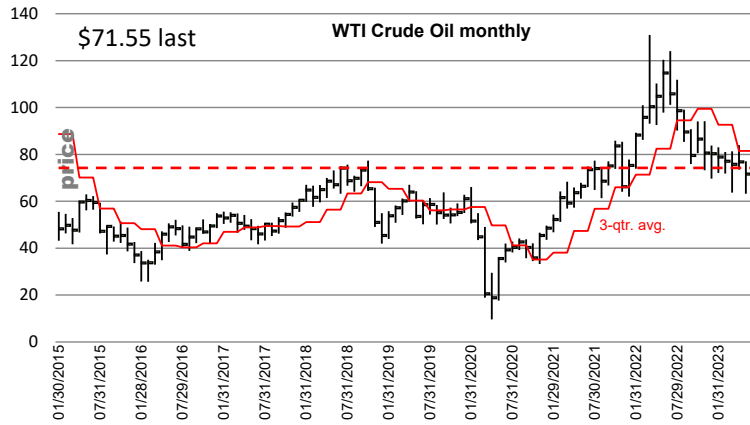
Like many aspects of the market, volatility tends to wax and wane in cycles, with periods of low volatility begetting periods of high volatility. With BCOM setting up structures as it has done overhead, we suspect we'll soon see significant moves in commodities again. Upside.

It's entirely possible there could be a "fake-out" to the downside first with resolution to the upside. Watch the zero line on this chart for the answer to that.

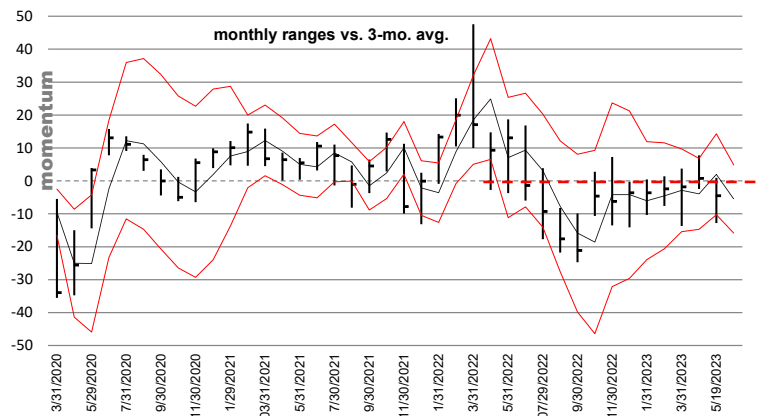
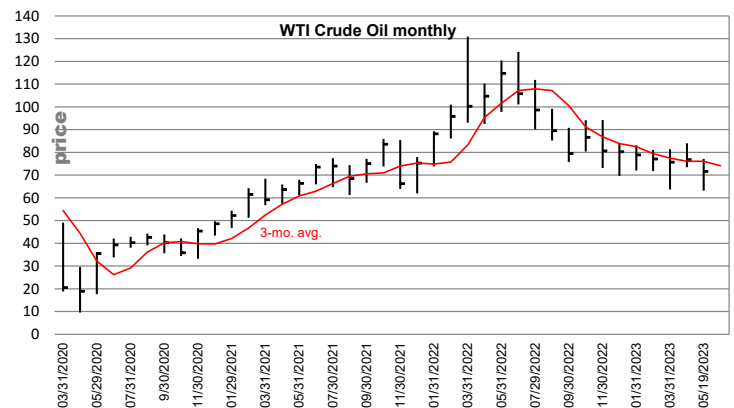
### WTI Crude Oil

The most significant line in the sand for oil is its 3-quarter average. Closing a month back above that pivotal level would signal renewed upside. **For May and June that number is \$81.52. Next quarter it's estimated that breakout level could drop below \$77.**

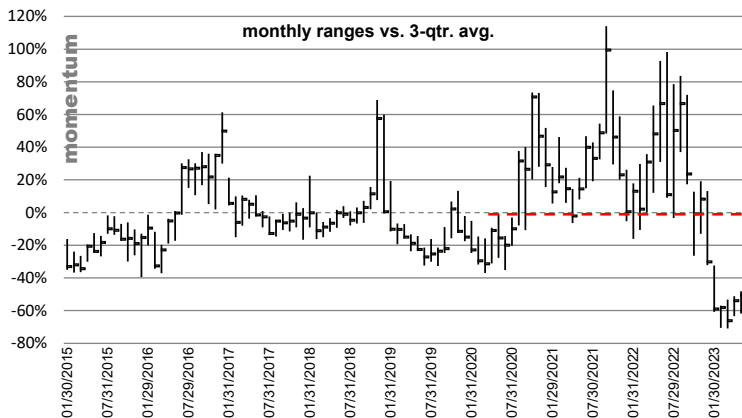
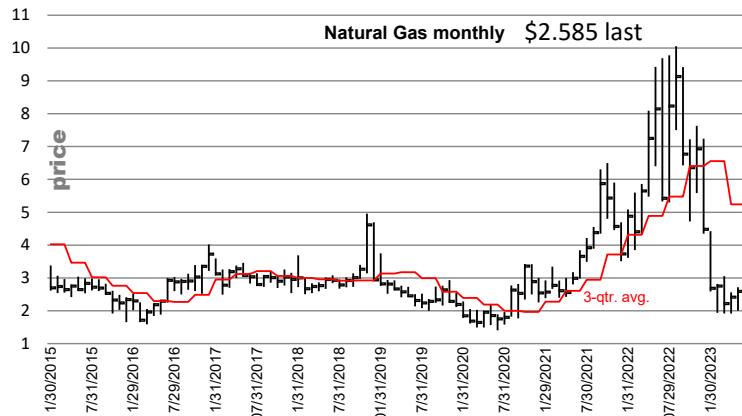
On a monthly price chart closing basis, crude oil has found support roughly on top of its prior pivotal high closes from 2018 through mid-2021.



The attempt to break out in April failed with the monthly close 70 cents above the **3-month average**, but no breakout was achieved on quarterly momentum. As such, I'll keep it simple and defer to the higher breakout level of \$81.52 as defined by quarterly momentum (to be adjusted down for Q3).



### Natural Gas



For many months since the \$10 peak we reiterated in these reports that we were satisfied our \$9+ target had been achieved and that our original buy signals were at \$2+ and \$4.50, so \$9 to \$10 was certainly not a safe place to start new long positions, as we stated. We were open to further upside, but subsequent action hosed that possibility down.

We'd also pointed out for many months the importance of holding quarterly momentum support, which finally broke in December.

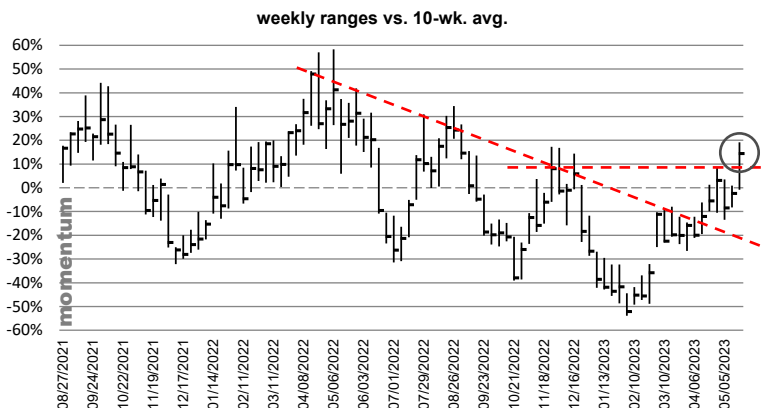
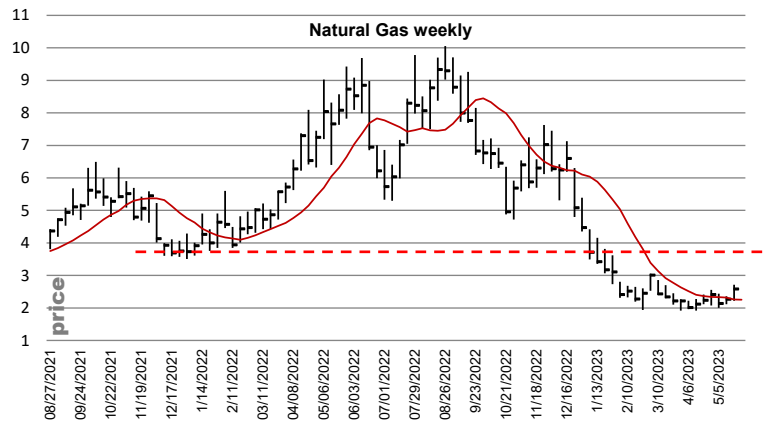
As we said in the January 11th report, it was entirely possible (even if we considered it unlikely) to see \$2.60 traded, as that would be a normal low level on quarterly momentum (going back farther than shown here).

We then said in the February report that even **\$1.90 was possible**. In March natural gas made a pivotal low of \$1.944.

**As for upside breakout numbers**, natural gas finally registered a breakout above multiple resistance levels last week, getting decisively above its 10-week average and even above a prior pivotal momentum high from November last year.

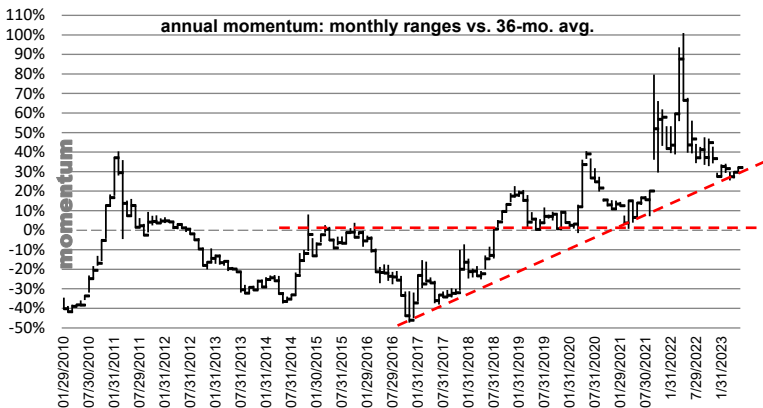
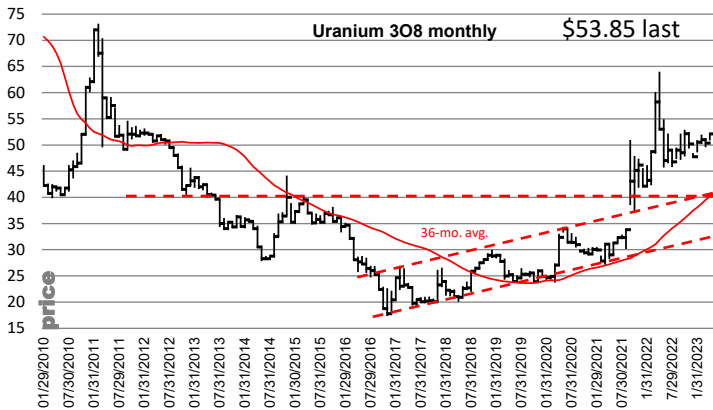
We suspect that natural gas is now in an upward trending pattern with resistance likely around **\$3.50 to \$3.60** (indicated on weekly price chart with a red horizontal). At that price level natural gas would be at normal overbought levels on its 10-week momentum chart.

By Q3 (July) the 3-quarter average (which is now at \$5.23) will also have dropped to that comparable level (estimated around \$3.58), further suggesting that resistance is waiting around **\$3.50 to \$3.60**, especially applicable if the rally advances more slowly and allows that quarterly momentum resistance level to decline.



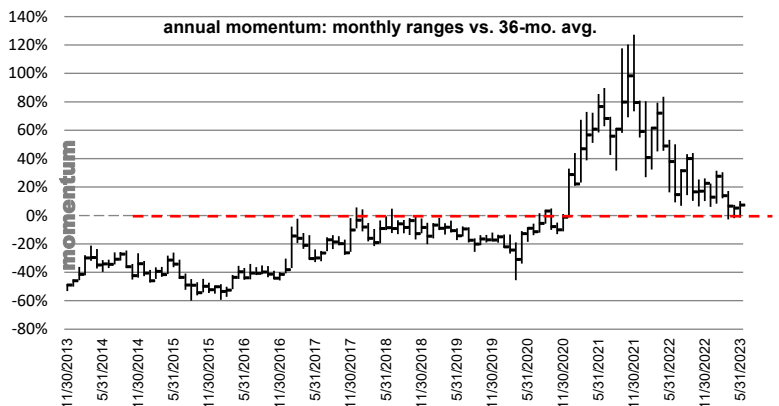
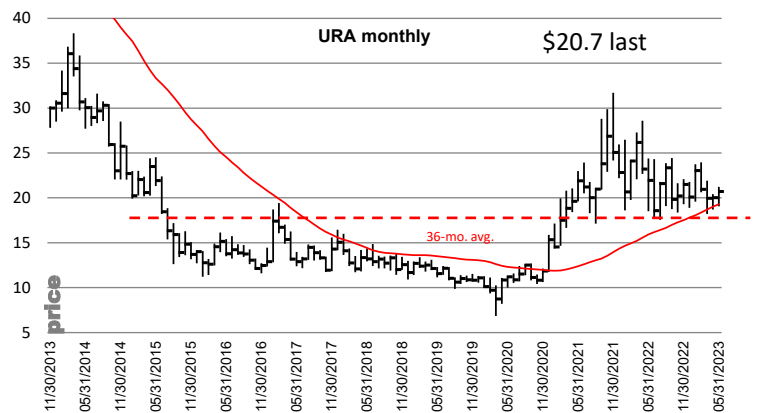
### Uranium

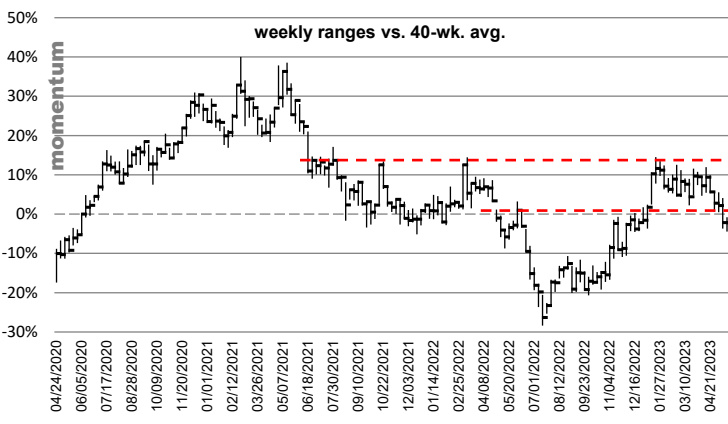
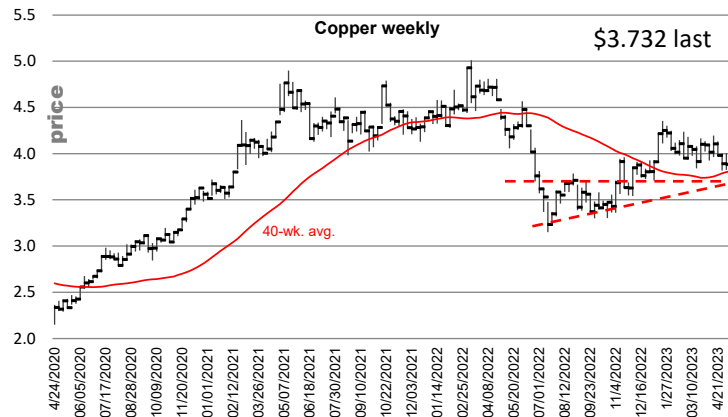
It continues to hold support on annual momentum. A monthly close at **\$48.77 or lower** would be too low at this point, breaking support on annual momentum. We remain bullish.



### Global X Uranium ETF: URA

URA also continues to hold support on annual momentum with three months now trading down to the 36-month average but closing above it. Of course May isn't over yet, but it's likely that support will hold again (\$19.28 would be too low). We remain positive.





**Copper**

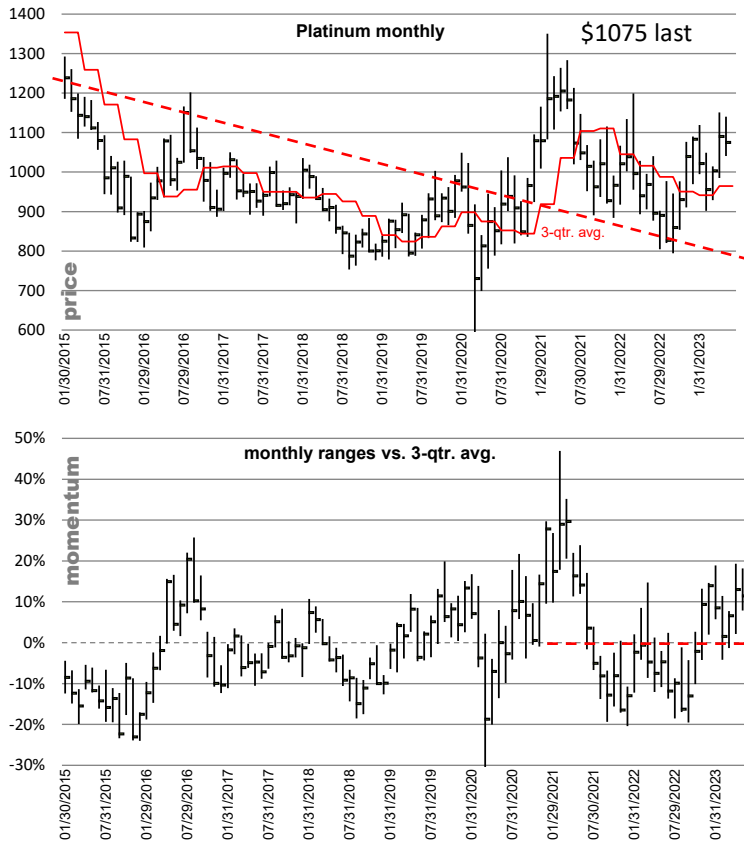
We switch now to a 40-week average chart, very similar to the 3-quarter average we've been using, but it can better illustrate what it would take to get copper moving to the upside again.

Copper broke below its 40-week average two weeks ago and is now resting on top of the August 2022 price highs around \$3.70. Time will tell if this minor support level holds or not. If not, then it's possible copper could trade lower, although it has been oversold on weekly for several weeks.

We'd like to see copper first get back above its 40-week average, which is **\$3.818** this week (lower red horizontal on momentum) and not changing significantly over the coming weeks.

The big breakout level is still 14% or more above the zero line. That would signal a breakout of a nearly two-year-wide base. This week we'd need to see a close at **\$4.35** or higher. That's also not changing significantly in the coming weeks.

### Platinum



For many months we'd been eyeing the 3-quarter average as key resistance for platinum to overcome. November last year signaled a clear breakout.

The 3-quarter average needs to hold as support as indeed it did last quarter. What was resistance *should* become support, so you don't want to see a monthly close at **\$964 or lower** for May or June.

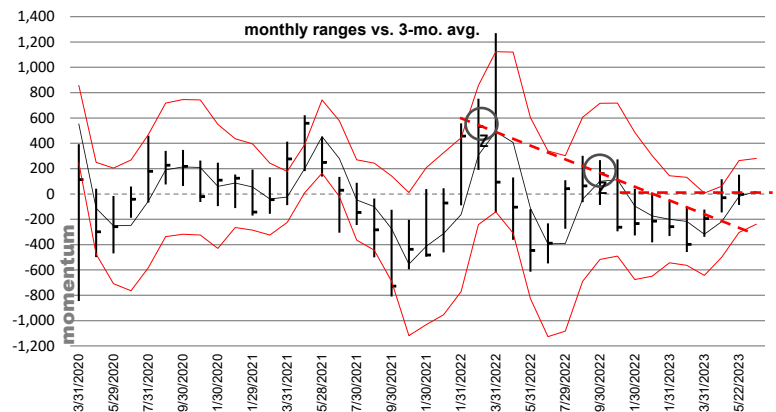
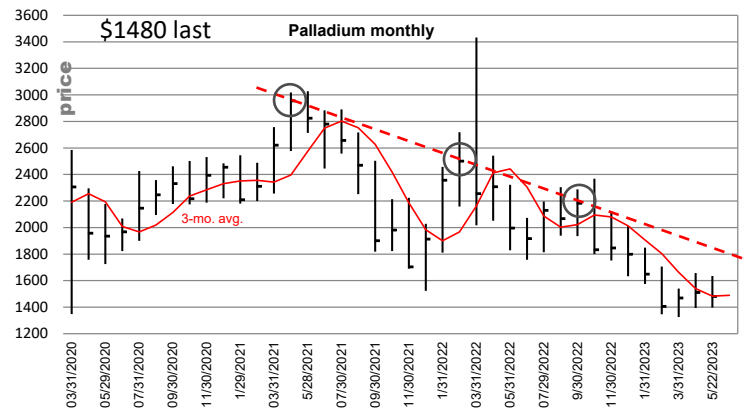
Based on normal overbought levels for quarterly momentum, we're eyeing an upside target (not a monthly close, just traded intra-month) in the mid-1400s for Q3. And that entails new price highs if seen.

### Palladium

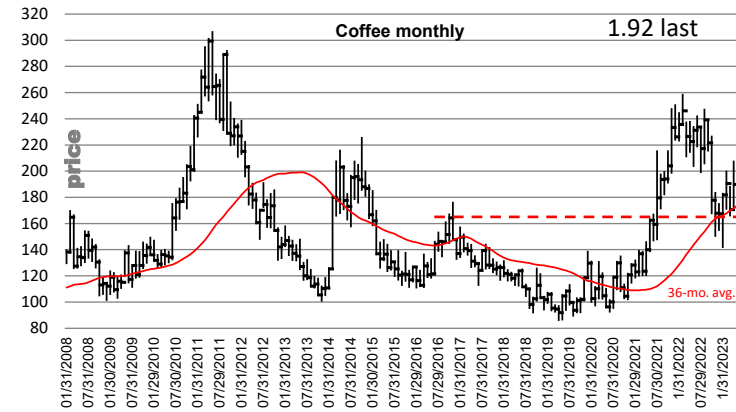
For April the breakout level is a monthly close at **\$1484 or higher** based on the 3-month average.

The monthly price chart (top chart) won't kick into gear until you see ~\$1800 or higher, so momentum will signal first.

Trendlines are drawn through monthly pivotal closes (circled).

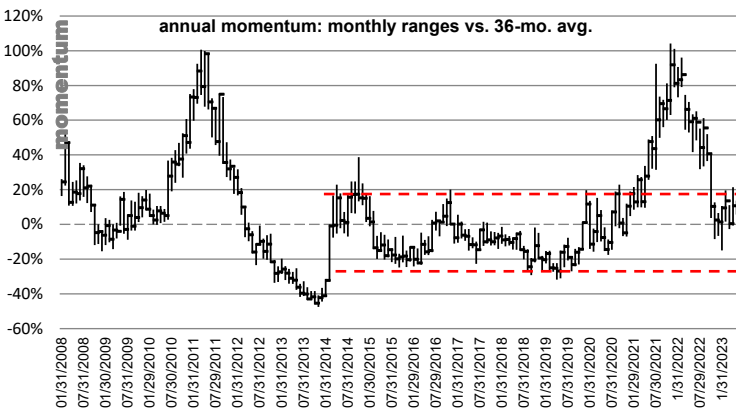


### Coffee



It continues to hold support on the 36-month average on a monthly-closing basis. Coffee having made such an issue of that average, we'd prefer to see monthly closes stay above it. **For May that number is 1.73 and for June 1.76.**

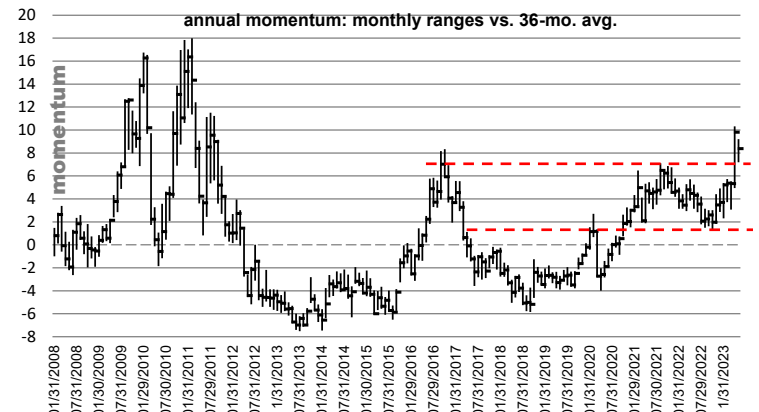
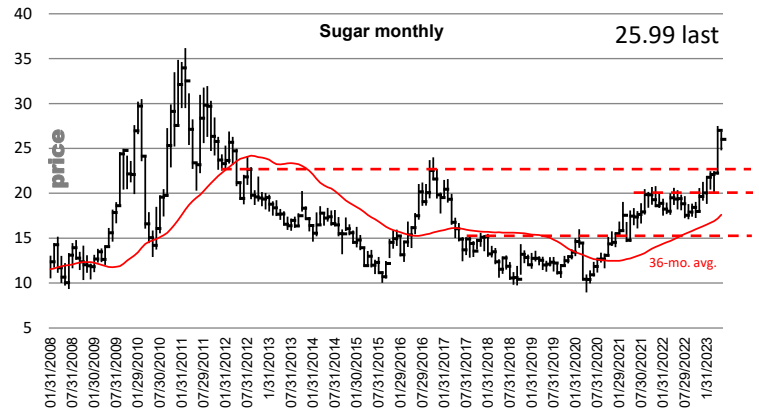
Closing a month at **2.08** or higher would signal renewed upside—by taking out the upper red horizontal on momentum.



### Sugar

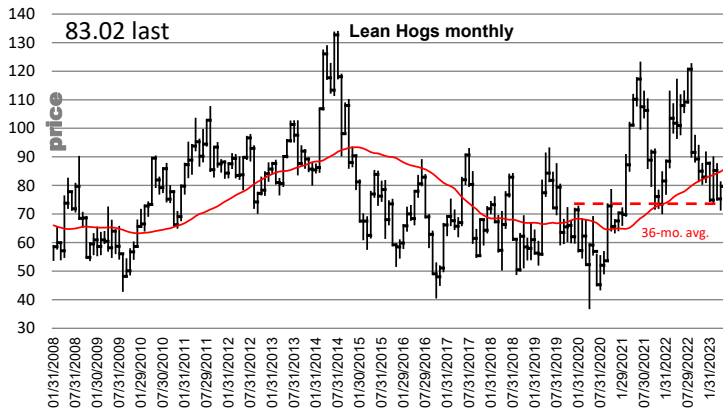
It's now showing breakouts on price and annual momentum. So far May has taken a step back but is still safely above prior resistance/current support. It has earned the right to pause and refresh.

It's overbought on monthly momentum and we'd prefer to see monthly closes stay above 22.90 for May and an estimated 24.30 for June.



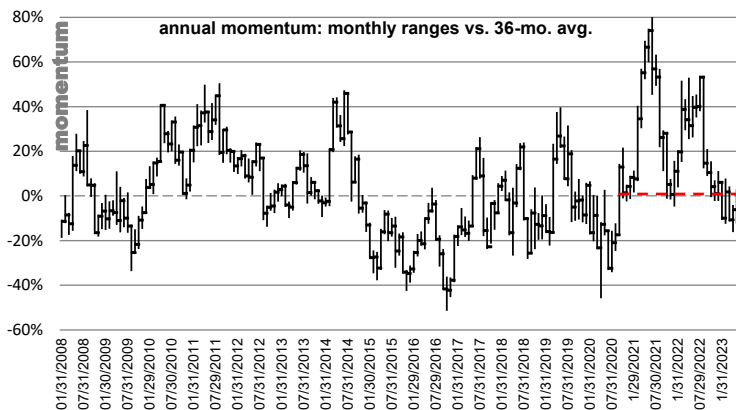


### Lean Hogs



It is now clear that support is broken on annual momentum and hog prices are vulnerable. A monthly close at **72** or lower would also take out a clear price chart support level, at which point price would simply be reflecting what momentum has already signaled. But that level is "down there," not nearby.

Thus far that price chart support level of 72 is holding, so at best I could say that we're *neutral* in our outlook on lean hogs.



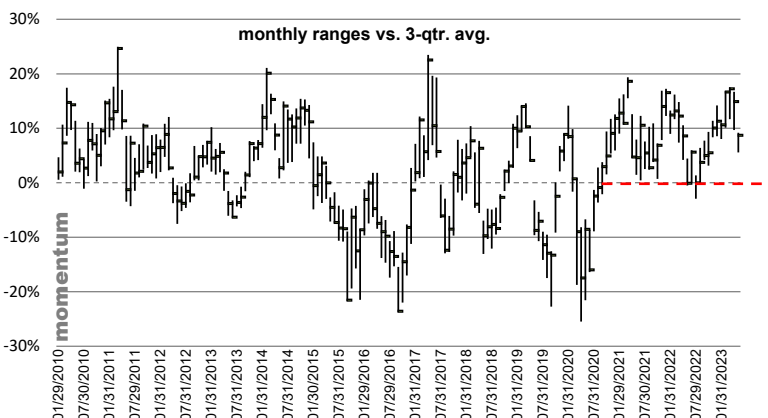
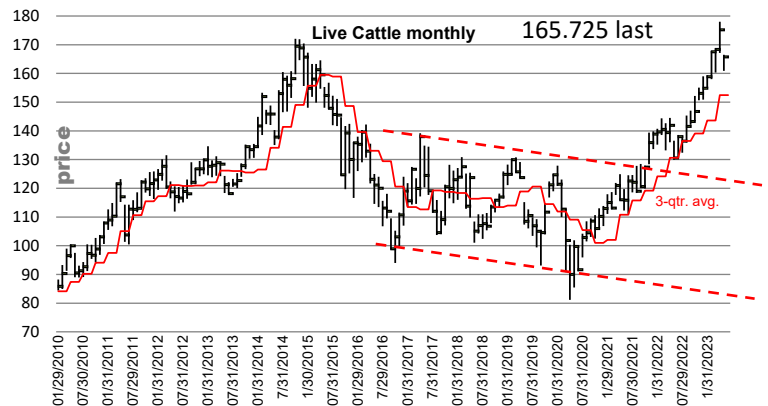
### Live Cattle

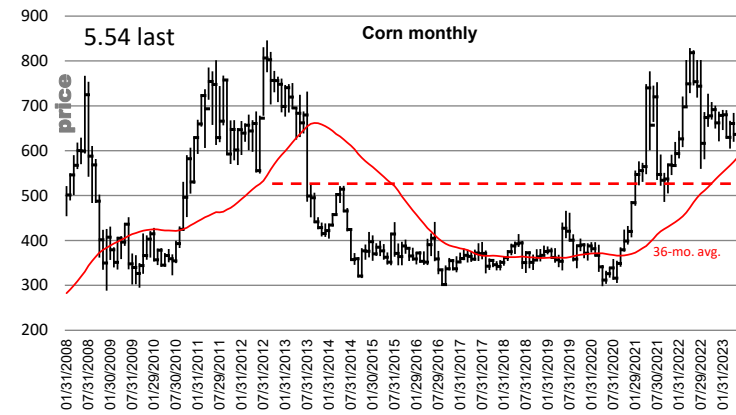
You don't want to see a monthly close below the 3-quarter average, which for May and June is **152.46**.

An even earlier sign of trend reversal would be a monthly close under the 3-month average, which for May is **167.9**. The entire trading range for this month is below the 3-month average, so we'd consider that support level **broken**.

Now would be a good time to keep your eyes on that key quarterly momentum and possible support level, which will jump even higher to ~161 in July. It needs to be respected again.

It's also not a bad time to consider perhaps reducing long positions after such an epic run from the 2020 lows to *new all-time highs* last month.



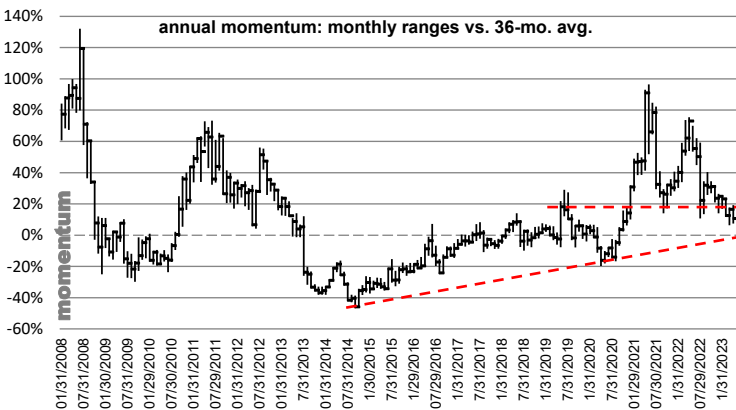


**Corn**

February's monthly close at 6.29 broke initial support on annual momentum (we said 6.49 or lower) as defined by the red horizontal.

We'd been warning that a further drop to the 36-month average was possible as a consequence, and in May corn futures have dropped sharply below support levels on annual momentum and traded below the 36-month average.

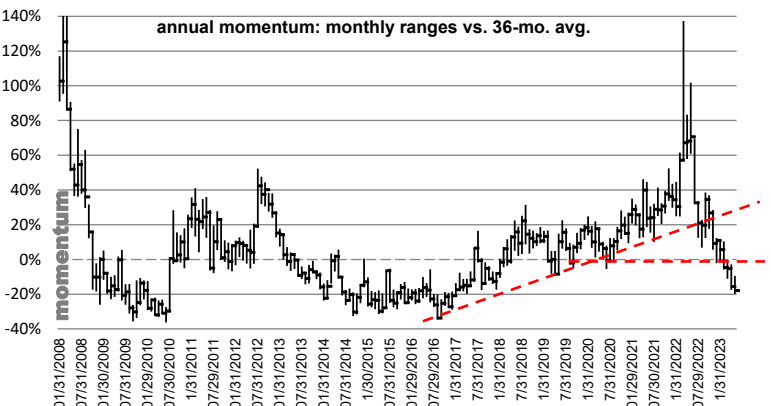
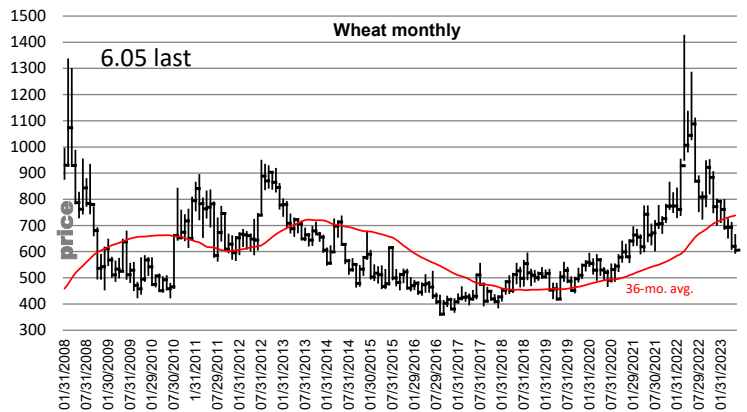
Based on the 3-month average (not shown here), corn is now in oversold status and thus possibly near a low. The next level to watch for potential support is the pivotal 2021 low close of \$5.34. But probably the key for corn now is to hold around the zero line on annual momentum at **\$5.845** this month, that number rising to near **\$5.92** for June.



**Chicago SRW Wheat**

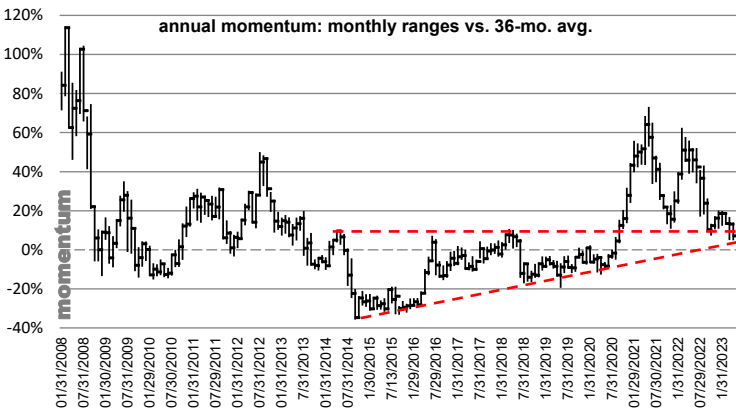
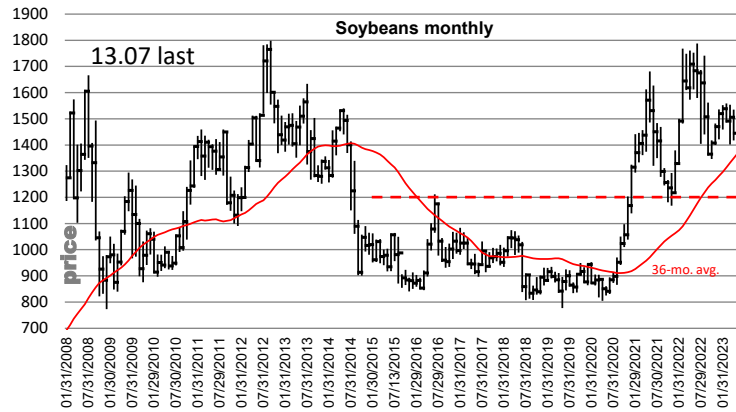
The selloff continues after breaking supports on annual momentum in November 2022 and again in February this year.

It's safe to assume the trend is still down, though there's a clear structure overhead on 3-month momentum that could spark a rally (not shown here). We need to see a monthly close above the 3-month average to shift that intermediate trend back to positive. That average is at **\$6.87 for May and an estimated \$6.52 for June.**



### Soybeans

They also took a nosedive this month, joining wheat and corn on the downside. If May closes **credibly below 13.66**, that would break annual momentum's zero line and uptrend support levels. The next level to watch for potential support will then be 12.00.

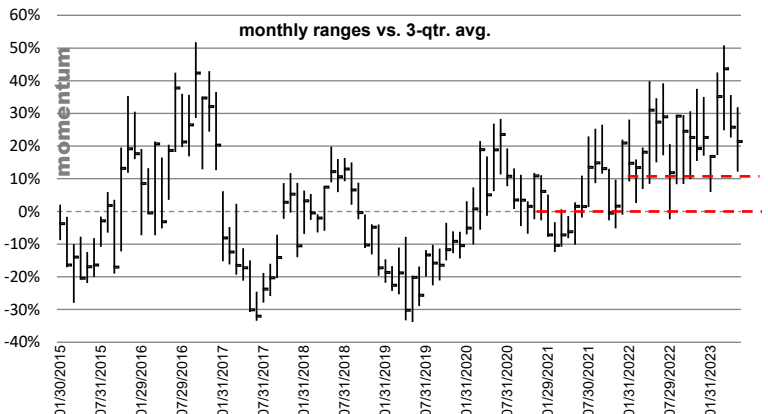
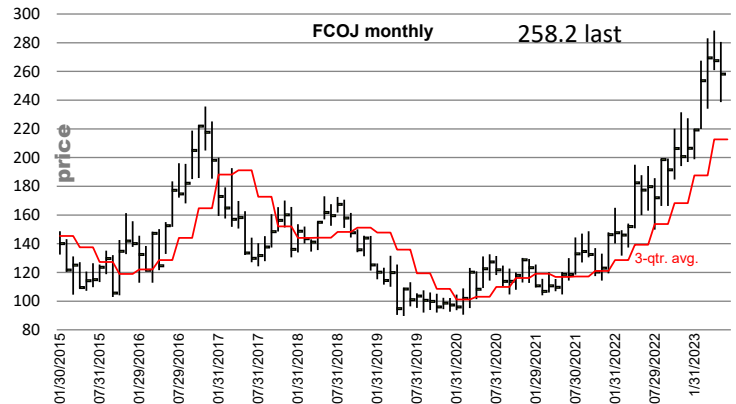


### FCOJ (orange juice)

It has been using its 3-quarter average as support for over a year now. Close a month 1% or more below the zero line and consider that a downside breakout. For May and June that number is **210.6 or lower**.

An early warning of downside will occur if May closes at or below the +10% level on momentum (upper red horizontal), or **234 or lower**. We should also note that monthly momentum was overbought the last two months and has now corrected that situation by more less stalling. There's also a structure on 3-month momentum (not shown), and I'd argue that closing at **250** or lower this month should also be taken as a negative warning.

- Bret Oliver



CME has massively changed the **lumber futures** contract specifics, and therefore current lumber futures prices have no relation/continuation of prior futures price. We are therefore unable to continue assessment of lumber via any long-term metrics or even intermediate trend factors.

Personal positions in markets mentioned in this report: none.

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