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STRATEGIES FOR SUCCESSFUL INVESTING

MARKET WISDOM

Oil and Gold

WATCH CLOSELY

Kieth Richards

GIVEN THE AMOUNT OF VOLATILITY on stock markets over the past 14 months or so, many investors are looking to asset classes that are not correlated to stocks, both for hedging and opportunistic reasons. Commodities in particular can be less correlated to the movement of stock markets - making them an excellent diversification move for a portfolio. Gold and oil seem to come up as investor favorites amongst retail investors (that's you and me, folks!). Commodities like copper, grains, and even currencies remain popular amongst institutional investors. In this article, I'd like to present some of my technical observations regarding gold and oil, these being more representative of commodities most likely to be of interest to the readers of Moneyletter.

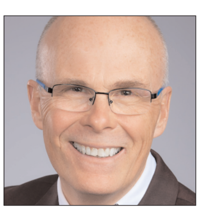
Gold

Gold has a big wall ahead of it at around $1360/ounce before we can say that it's out of the consolidation that it's been stuck in since 2013. Despite the recent upswing on the metal, which I had predicted might occur (back in December I suggested on my blog at www.valuetrend.ca that gold would rally), the commodity has a multi-year history of hitting about $1360 and failing. Below is the updated chart I presented on my early December blog suggesting a rally. If you take a look at the current picture, the commodity looks to be getting overbought again. Yet, it is not quite at its $1360 ceiling.

My thoughts are that gold may still get to that $1360 target, but the indicators that I follow (moneyflow momentum, momentum oscillators) along with that massive ceiling at $1360 suggest little more upside beyond that price point. So too for the producers, who benefit from rising gold prices. Only cumulative moneyflow looks to be turning positive enough to warrant a longer termed bullish outlook, but that can change. Cumulative moneyflow, for those not familiar with the term, follows capital inflow into a stock, bond, commodity or index.

Oil

WTI crude oil looks like it is bouncing off of an oversold level. Technical people like me like to look at momentum indicators to see if things might be changing the trend of a security. One short-termed indicator for momentum is called Stochastics. And that indicator is hooking up from an oversold level. Meanwhile the longer-term indicator MACD indicator is also hooking up from an oversold level. Oil recently bounced off of $42 support on those oversold hooks. Its risen to the $50+ level since those signals, and chances are that there is more upside to come for oil. Cumulative moneyflow (first pane below price chart below) has been raggedly moving up since 2016. The top pane (moneyflow momentum) may be hooking up from an oversold level. I think oil might take a run to $55. From there, it's hard to say what will follow for oil. Significant resistance resides right around current prices at $55/barrel. However, with the other positives on this chart, we may see WTI break through $55



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and move much higher. This is not a prediction, it is merely a potential possibility.

It's going to take something fundamentally significant to give oil that impetus, but the charts do provide some hope for oil to move much higher. Should a story develop for the commodity – we could see $70. Please note that there is a big "IF" there—regarding a fundamental catalyst. At this point, I'm not aware of anything big enough to move the needle on oil moving higher—and I would be happy to read your thoughts on this potential if you care to contact me at info@valuetrend.ca. Remember, we're all in this together!

Keith on Bloomberg/BNN TV Monday Feb 22, 2019 at 6:00pm ▼

Keith Richards is Chief Portfolio Manager & President of ValueTrend Wealth Mgmt. He can be contacted at info@valuetrend.ca. He may hold positions in the securities mentioned. The information provided is general in nature and does not represent investment advice. It is subject to change without notice and is based on the perspectives and opinions of the writer only. It may also contain projections or other "forward-looking statements". There is significant risk that forward looking statements will not prove to be accurate and actual results, performance, or achievements could differ materially from any future results, performance, or achievements that may be expressed or implied by such forward-looking statements and you will not unduly rely on such forward-looking statements. Every effort has been made to compile this material from reliable sources; however, no warranty can be made as to its accuracy or completeness. Before acting on any of the above, please consult an appropriate professional regarding your particular circumstances.