

LE COIN TECHNIQUE

Further Uptrend towards February for Commodities and Reflationary Assets

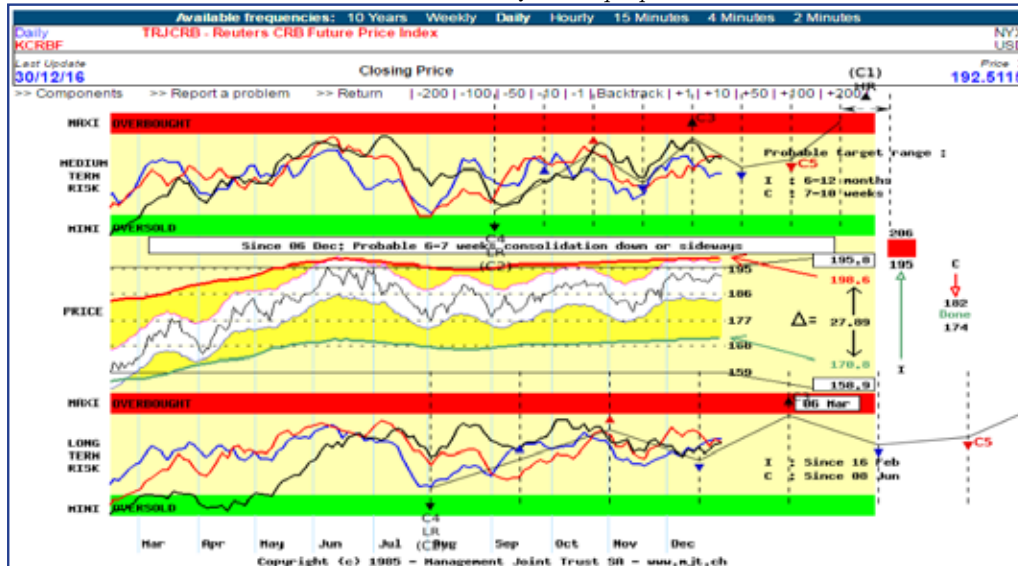
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Reflationary assets accelerated up with the US Election. However, the dynamics of this reflation had already been developing since early last year. They are now approaching the point when some retracement could be expected. The last days of December saw the premises of a consolidation. Yet, we believe this is a false start and that this move is temporary: it could find a low point the week of the 9th of

January and should be followed by a further move up towards a top in February. Commodities, especially oil and industrial metals (*key reflation assets*) should hold and, in the case of the latter, lead this move up.



Chart 1: Reuters CRB Future Price Index, Daily chart (perspective over next 1 to 2 months)



The Reuters CRB Future Price Index is quite diversified with energy related commodities accounting for less than 40% of its weighting (agriculture accounts for more than 40%). Hence, it goes some way to confirm that the rally in commodities since early 2016 is quite broad-based and that the cyclical uptrend which accompanies reflation goes beyond the US election or any agreement on oil production. The index topped out in June 2016, yet it is back near its highs and two uptrend sequences are still underway: the first one as shown on our long term oscillators (lower rectangle) should top out towards end January/early February. The second described on our medium term oscillators (upper rectangle) has seen some correction since early December, yet could resume its uptrend over the next couple of weeks towards a top early March. Hence, our consensus observation (which is confirmed by our longer term Weekly charts) would be that oil, commodities and reflationary assets could top out in February and start several month of retracement down.

In the meantime, to fine tune the timing of this last move up (*Hourly chart*), we look at a typical risk-on / risk-off measure in the commodity space, i.e. Industrial metals vs Gold.

Chart 2: Goldman Sachs Industrials Metals Index VS SPDR Gold Trust ETF, Hourly chart (perspective over over the next couple of weeks)



On this relative chart, the move down since mid-December is expected to continue until a Case 4 bottom is expected towards the 10th of January. Given the comments on the Daily chart above, we would expect this inflection point to kickstart a last move up in reflationary



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