



Creative Global Investments

Commodities Strategy & bi-weekly charts

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Macro & geo-political

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Objectivity

Integrity

Creativity

According to the IMF, the EU and global growth is in good shape, and better than previously thought, as the IMF's updated World Economic Outlook will be published at September meetings in Washington, currently forecasts region-wide growth of 2.4% for 2017 and 2.1% for 2018. But much has progressed, and we see the IMF forecasts being behind the curve, and hence we stick to our global GDP forecasts for 2017 of 3.1%, and at 3.3% for 2018.

For next year, we continue to see developing economies to lead global growth as higher commodity prices and improving fiscal positions will buttress their growth. In particular, the consolidation of the economic recoveries in Brazil and Russia will shore up economic activity in their regions.

In 2019, less favorable dynamics among advanced economies due to higher inflation and less accommodative monetary policies will slow the global economy slightly to a 3.1% increase. The stable global economic forecast for 2018 reflects unchanged projections for the US, Canada and the UK, however, we revised our projections upward for Brazil, China, Japan, Russia, MENA and the Eurozone areas.

Incoming data suggests that the Eurozone continues to fire on all fronts into Q4 of 2017. Industrial Production continues to move higher through October, and economic sentiment jumped to a 10-Year high for two months in a row now. In addition, the unemployment rate hovered at a multi-year low in August and robust external demand has boosted exports, despite a strong Euro. All in all, the Eurozone economy is on track to record the fastest annual growth since before the financial crisis.

On the political front, the situation has become less turbulent in recent weeks, which could increase economic activity in the region.

Likewise in Spain, the independence movements in Catalonia with its clashes between regional authorities and the central government have come to an end, and deescalating tensions with fewer public demonstrations could turn into a coil for economic activity in the region in the coming weeks.

Meanwhile, Brexit negotiations have yielded little progress so far, and are weighing on the UK's economy, but have yet to show signs of any negative impact on the EU.

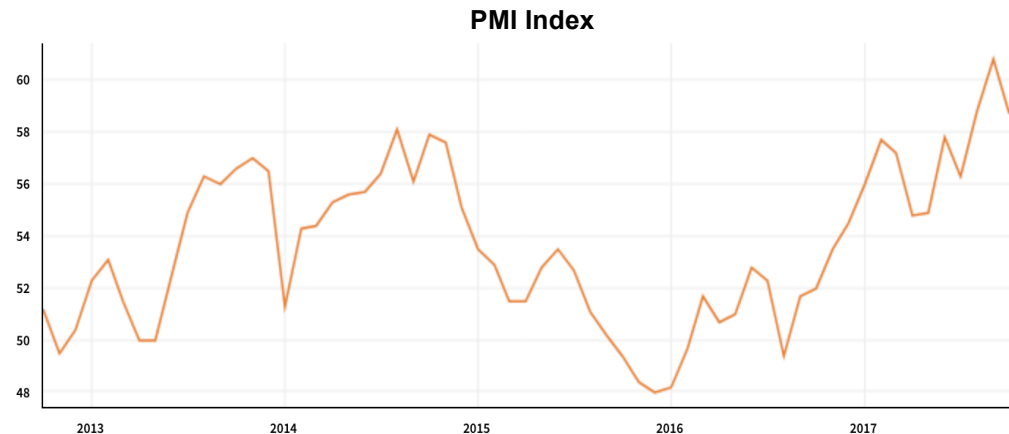
We expect the Eurozone to grow a healthy 2.0% in 2018, which is up 0.1 percentage points from last month's estimate. A stronger labor market should support robust growth as the common-currency bloc puts the crisis behind it. However, slower exports growth should take a bite out of the momentum. In 2019, GDP we see expansion of 1.8%.

Higher commodity prices and stronger global growth are expected to drive global inflation in 2018 to levels last seen nearly two decades ago. Hyperinflation in Venezuela will represent a big share of the expected reading for next year. We are projecting that global inflation will rise to 5.0% in 2018, up 0.4 percentage points from last month's forecast.

However, for 2019, we see global inflation moderating to 4.3% mostly due to improving macro-economic imbalances in emerging-market nations.

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For our general commodities price forecasting, besides global consensus macro data, we use ISM/PMI data, which we found most accurate for the short-to medium-term forecasting. As the PMI chart shows, the world economy has been expanding since late 2015.



The PMI (R) is a composite index based on the diffusion indexes of five of the indexes with equal weights: New Orders (seasonally adjusted), Production (seasonally adjusted), Employment (seasonally adjusted), Supplier Deliveries (seasonally adjusted), and Inventories. 50< indicates expansion

We also like to use the Baltic Dry Index (\$BDI) as another accurate predictor of global economic momentum. As the next chart shows, the \$BDI is near the significant 50-day MVA support level of 1,446.



As we were forecasting in our 2017 Global Outlook & investment Strategy, commodity prices represented by the CRB (\$CRB) have been breaking out to the upside. The \$CRB has moved from its June lows of 166 to a stunning 2H high of 191.

However, short-term momentum is now overbought, so it makes sense to ask the question of whether this strength is fuelling a new bull market, or is it the end of a counter-cyclical rally?

Given the macro economic outlook being so positive for the global GDP, and given the inventory adjustments of many of the long cycle commodities, and related capacity reductions, we see a healthy demand cycle continuing to propel prices of most commodities for the foreseeable future into 2019.

The CRB Index gained 2.27 points (1.20%) last week. Intermediate trend is Positive. Strength relative to the S&P 500 Index is Positive. The \$CRB is forming a flag post the breakout. The \$CRB closed above its 20-day moving average. Short-term momentum indicators are Overbought.



When looking at the energy spectrum, and particularly for Oil, we had been forecasting for WTI to reach a 2017 high price target of \$63/brl. And since the end of Q2, price dynamics for Oil have been unstoppable, as it seemed until last week, and our leading forecast seemed very achievable.

However, in the past 3 days, Oil prices declined significantly, such as for WTI dropping from \$57.04/brl on November 10th to today's price of \$55.46/brl, partly due to IEA cutting its outlook for US and global demand for the demand numbers by 50 kb/d for 2017 and by 190 kb/d for 2018.

The IEA's 2017 revision is not very large, although it includes a more significant downward revision in Q4 2017 of 311 kb/d. This is partly because of northern hemisphere heating degree-day numbers for the early winter season, revised demand data for some ME countries e.g. Iraq and Egypt, and modest changes elsewhere.

The IAE has also taken about 20% price rises into account since early September. For 2018, the IEA's demand outlook has been adjusted to reflect a lower estimate for heating degree-days in the early months plus some impact from higher prices.

For the overall market balance, the changes to demand growth, which remains robust, and supply largely cancel each other out. Using a scenario whereby current levels of OPEC production are maintained, the oil market faces a difficult challenge in Q1 2018 with supply expected to exceed demand by 0.6 mb/d followed by another, smaller, surplus of 0.2 mb/d in Q2 2018.

The reality is that even after some modest reductions to growth, non-OPEC production will follow this year's 0.7 mb/d growth with 1.4 mb/d of additional production in 2018 and next year's demand growth could struggle to match this.

We would like to make two points of distinction in the IEA's forecasts from ours:

- **The IEA has been historically behind the curve**, just like the IMF, the OECD and the World Bank, when it comes to making market timely adjustments for demand, as they historically have underestimated the sharper macro rebounds of the major economies. So, as we have maintained correctly, according to recent 12 months GDP announcements higher GDP growth rates for the G-20 countries than all above mentioned agencies, we are relying on their reliable “slow to the plate” upgrades to their current estimates, and hence, **why we maintain our 2017 high price target for \$WTI at \$63/brl (vs. Jan 2017 consensus of \$48) and maintain our 2018 high price target for WTI at \$68/brl**
- **Saudi Arabia’s planned IPO of Saudi Aramco for 2018 will in our opinion make the current OPEC production cuts more longer permanent and compliant than what analysts are currently anticipating**, as they want to realize a highest possible price for the \$+100 Bn or 5% placement of the total outstanding company stock.

The events in Saudi Arabia have added extra momentum to the rally that has driven oil prices from lows of \$45/brl (Brent) in late June to around \$63/brl recently. To date, we have not seen any impact on the Saudi energy sector.

However, we have seen real interruptions in Iraq where shipments from the north fell by an estimated 170 kb/d in October, as well as lower production in Algeria, Nigeria and Venezuela.

In recent weeks, we also saw lower-than-expected production in the US, Mexico, Venezuela and the North Sea.

These supply disruptions, geopolitical concerns, a growing expectation that the OPEC/non-OPEC output accord will be extended through 2018 at the end of the month, and with demand growth still robust, we continue to see firmer prices into the rest of the year

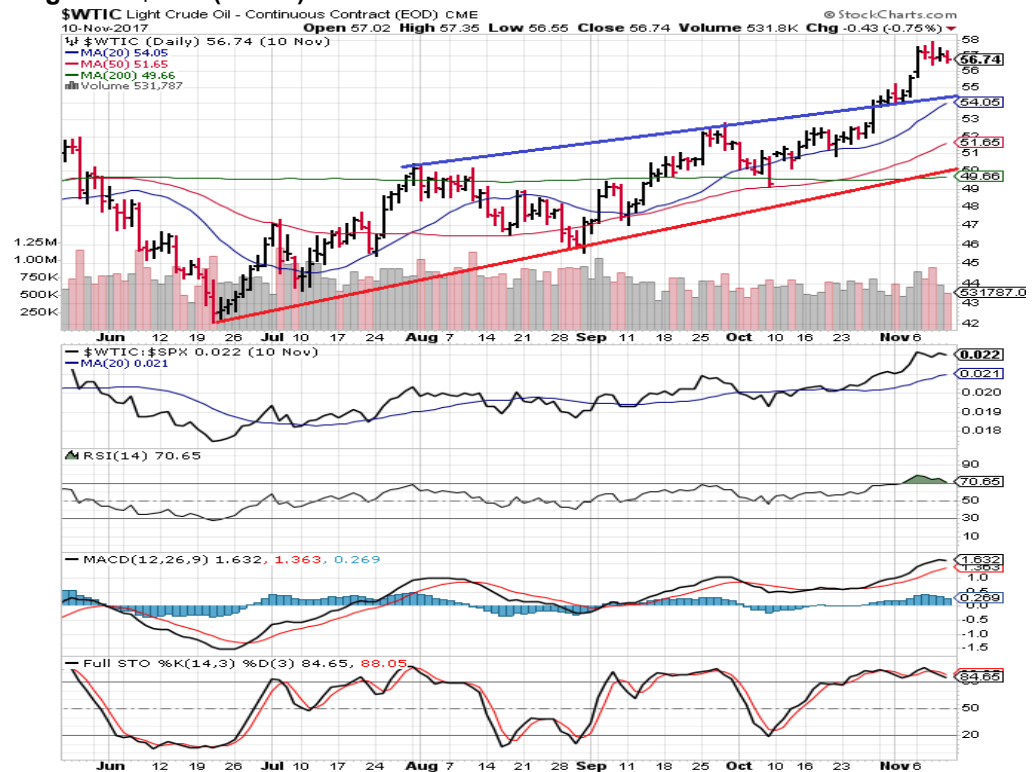
Oil & Energy markets weekly charts

WTI gained \$1.10 (1.98%) last week.

Intermediate trend remains Positive. Strength relative to the S&P 500 Index is Positive. \$WTI is pulling back after a breakout.

\$WTI remains above the 20MVA.

Short-term momentum indicators are rolling over.



Brent gained \$1.49 (3%) last week.

Intermediate trend remains Positive. Brent is ranging after a strong bullish breakout with a potential pullback towards the 62 levels. Price is above the 20-day MVA.

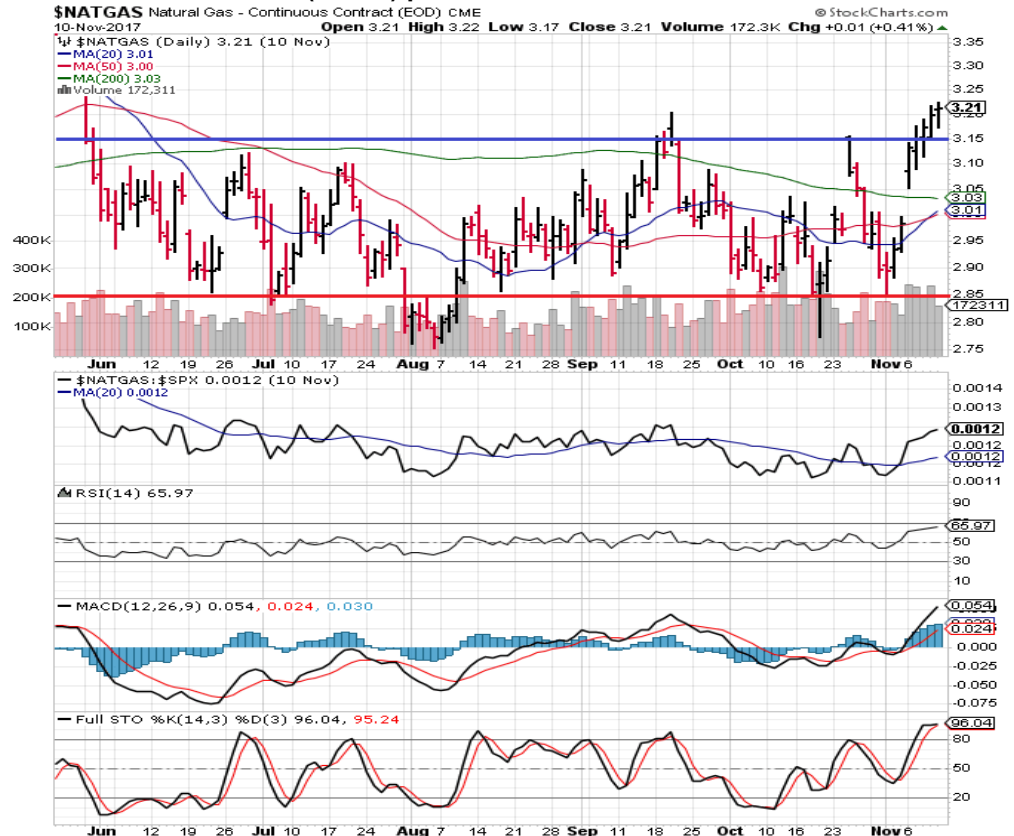
Short-term momentum indicators are Overbought.



Natural Gas added \$0.23 (7.67%) per MBtu last week.

Intermediate trend is Positive. Strength relative to the S&P 500 Index is Positive. \$NATGAS broke out above the 3.15 resistance

Short-term momentum indicators are Positive.

**Gasoline gained \$0.02 per gallon (1.06%) last week.**

Intermediate trend is Positive. Strength relative to the S&P 500 Index is Positive.

\$GASO closed above the 20-day moving average. Short-term momentum indicators are Overbought.



URANIUM FUTURES, W, NYMEX • O23.15 H23.15 L23.15 C23.15

Vol (20) = 0.85

MA (200, close) = 29.7945

RSI (14, close) = 64.7736

Post Market Delayed

Short-term momentum indicators are Positive.

Copper added \$0.01 per lb. (0.45%) last week.

Copper closed below the 20-day moving average.

Short-term momentum indicators are Negative.



Intermediate trend is positive.

Aluminium is trading towards the resistance at 96.00

Short term indicators are Positive.

Aluminium is at 91.75.



Intermediate trend is Neutral.

Zinc is forming a modified H&S pattern with an inclined neckline. Zinc trades above the 200-day moving average. Short-term indicators are negative.

Zinc closed at 3227.5 of



Steel closed at 3.292 per ton.

Intermediate trend is Positive.
Steel is continuing the bullish momentum in a well-established channel.

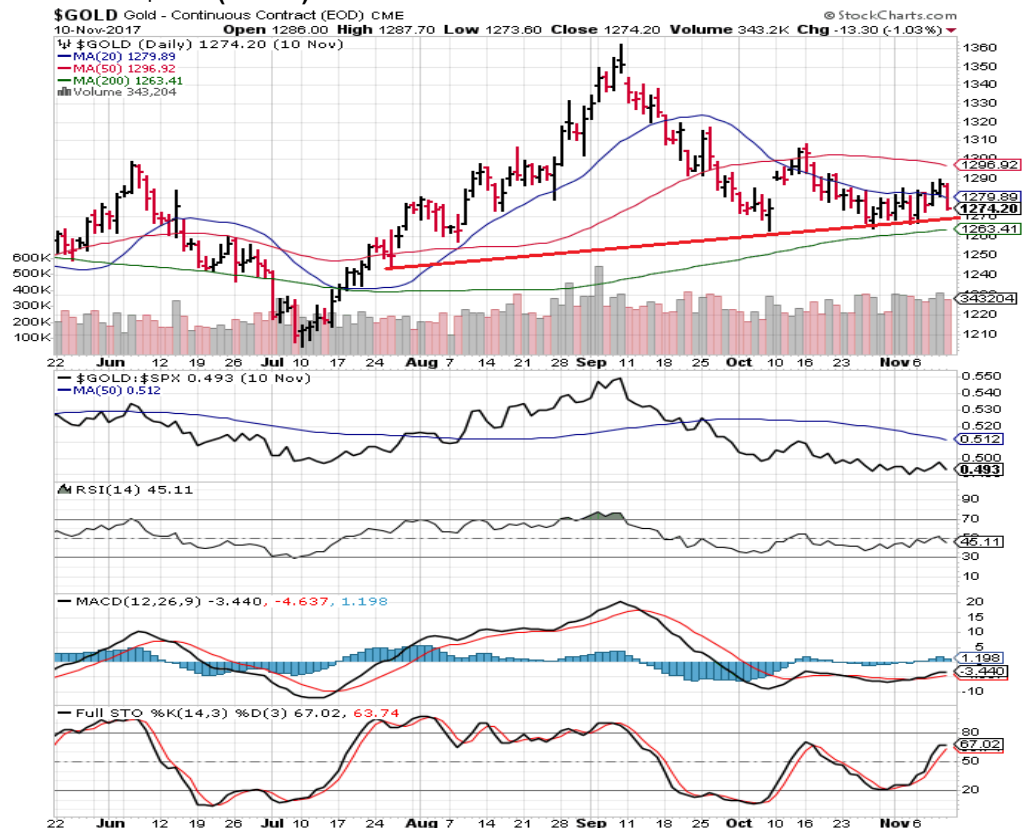
Short-term indicators are rolling over.

**Gold & precious metals markets weekly charts**

Gold added \$5.00 (0.39%) last week.

Gold looks like it will test the lower trendline again. Strength relative to the S&P 500 Index remains Negative.

Gold is below the 20-day moving average. Short-term momentum indicators are Mixed.

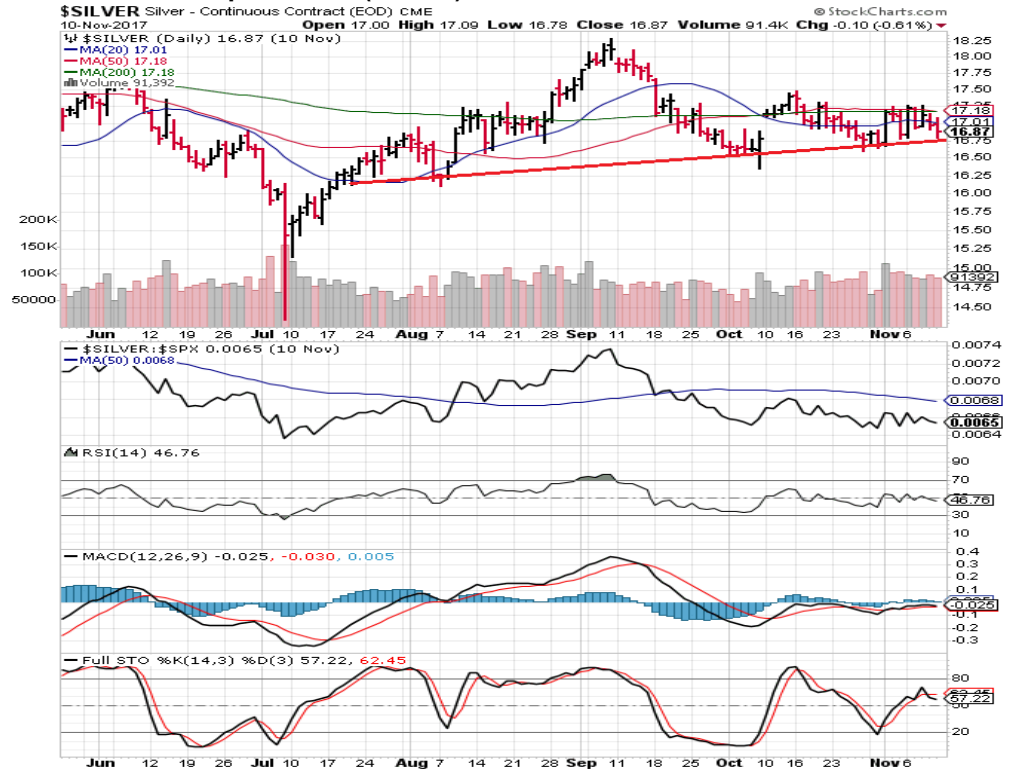


Silver added \$0.04 per ounce (0.22 %) last week.

Silver remains pressuring the lower trendline. Strength relative to the S&P 500 Index remains Negative.

Silver remains below the 20-day moving average.

Short-term momentum indicators are Mixed.

**Platinum gained \$10.20 per ounce (1.11%) last week.**

Intermediate trend changed from Negative to Neutral. Strength relative to the S&P 500 Index changed from Negative to Neutral. \$PLAT rebounded towards the 50 MVA.

\$PLAT moved above its 20-day MVA. Short-term momentum indicators are Positive.



Palladium gained \$1.60 per ounce (0.16%) last week.

Intermediate trend changed from Positive to Neutral. Strength relative to the S&P 500 Index remains Positive.

\$PALL remains above its 20-day moving average.

Short-term momentum indicators are rolling over

**Agricultural & soft commodities weekly charts****Lumber gained \$20.00 (4.55%) last week.**

Intermediate trend remains Positive. Strength relative to the S&P 500 Index is Positive.

Lumber remains above the 20-day MVA. Short-term momentum indicators are Neutral.

**The Grain ETN gained 0.02 points (0.08%) the last week.**

Intermediate trend is Neutral. Units remain trapped between the lower trendline and 20MVA.

Price is below the 20-day MA. Short-term momentum indicators are Negative.



The Agriculture ETF dropped \$0.12 (0.20%) last week.

Intermediate trend changed from Neutral to Negative. Strength relative to the S&P 500 Index is Negative. MOO is threatening to break through the 50MVA.

Units closed below the 20-day moving average.

Short-term momentum indicators have rolled over.



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