



See The Forest For The Trees

A newsletter with investment views, observations & ideas.

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by Rob Zdravevski

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I am warming towards commodities.

Readers may recall that I have been bearish for the past 2 years.

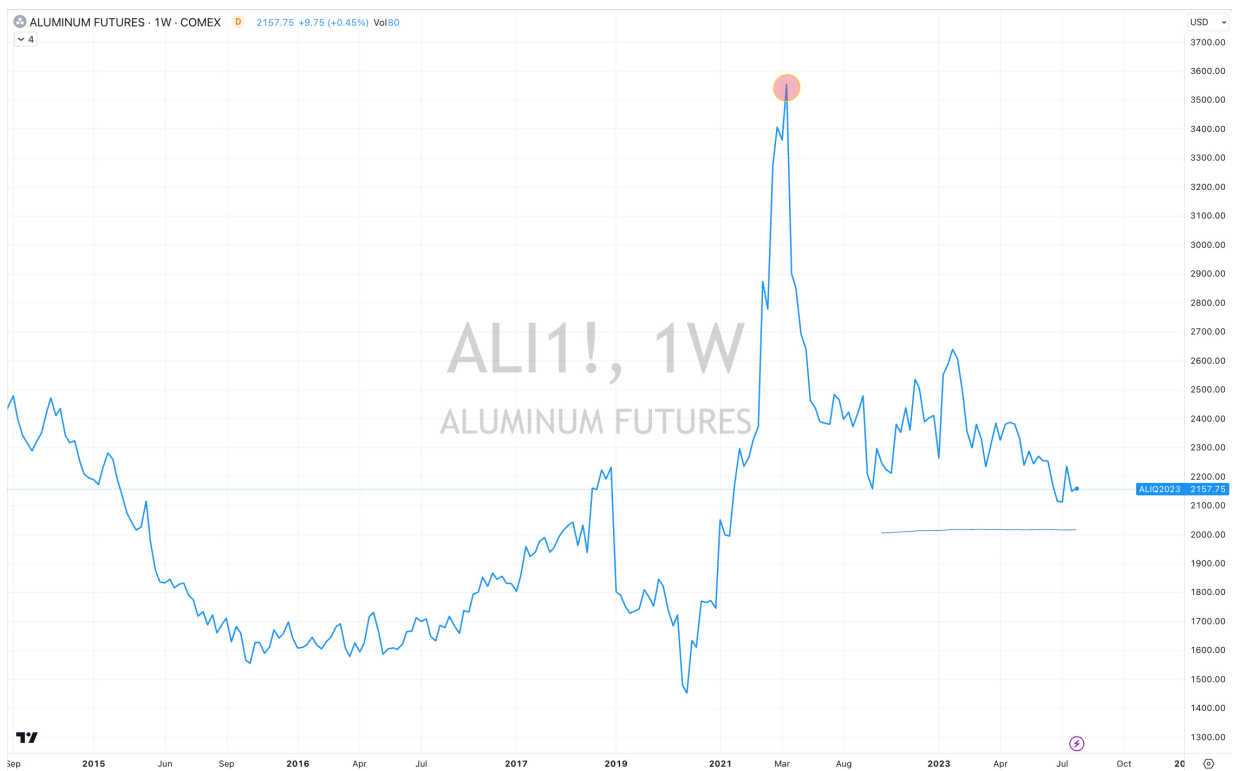
And I became more bearish 2-3 weeks after the Russo/Ukraine war began. This was when we saw many prices peak at the height of geopolitical risks and concerns over commodity supplies.

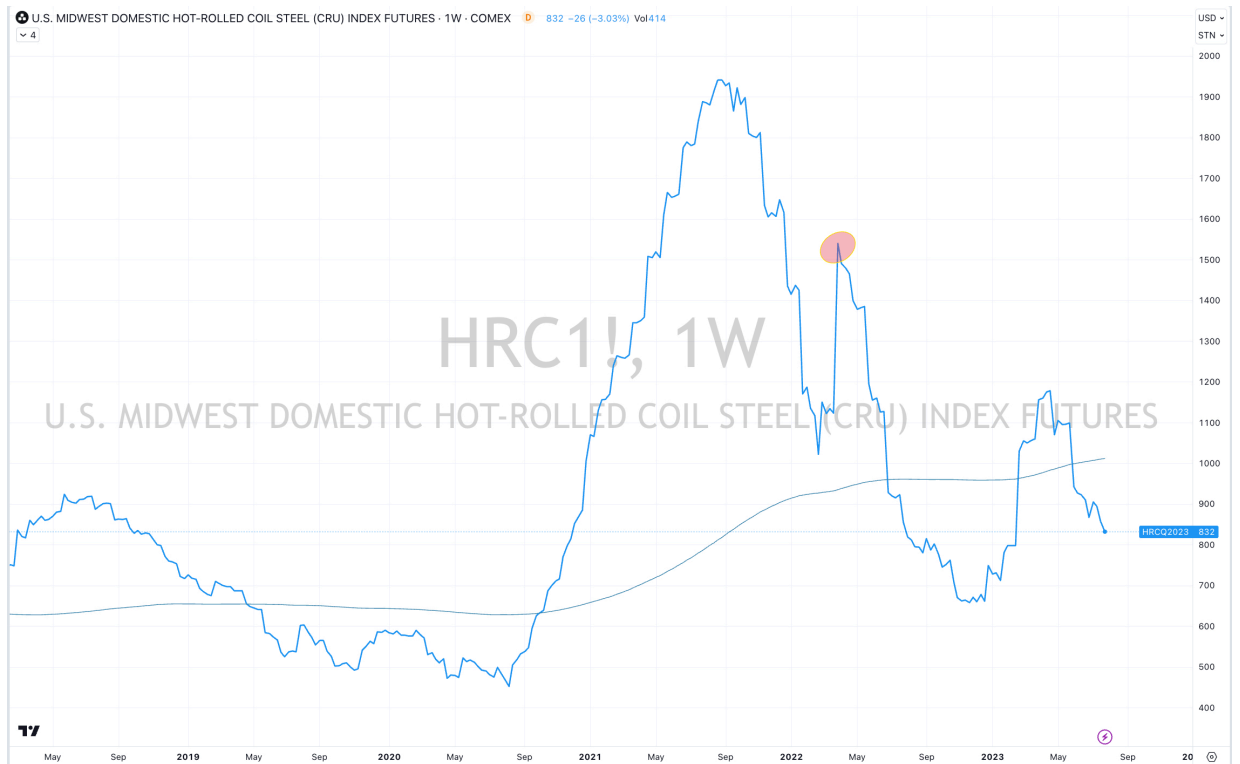
Since then, the price of many commodities such as the Oil, Wheat, Natural Gas, Aluminium, Steel, Iron Ore have halved over that time and certainly reverted toward their long term means.

In the following charts, I have placed the circles at the 3 week mark into the Ukraine invasion.

Although, you will see that prices in most commodities commenced their decline months earlier.



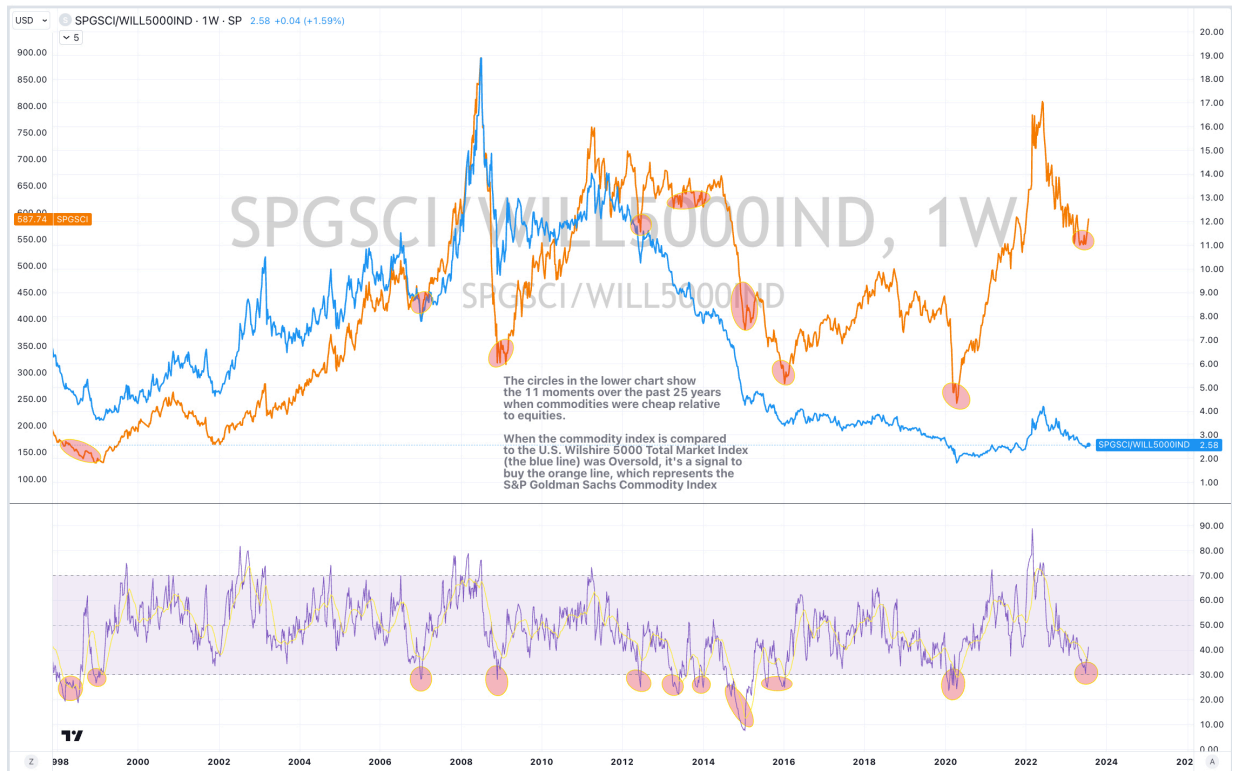




Today, I am preparing to accumulate Commodities and related equities.

In the chart below, the circles in the lower study point to the 11 moments over the past 25 years **when commodities were cheap relative to equities.**

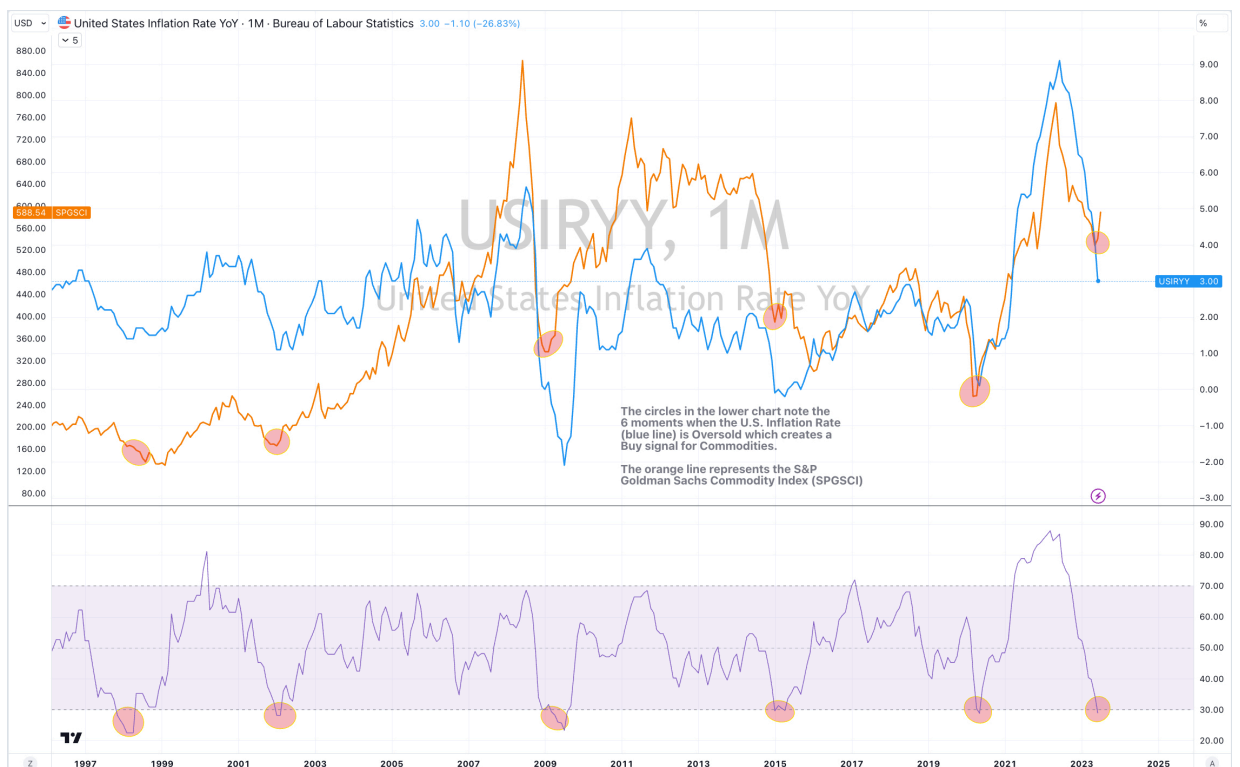
When the Commodity Index is Oversold (when compared to the U.S. Wilshire 5000 Total Market Index "blue line"), it's a signal to Buy the "orange line", which represents the S&P Goldman Sachs Commodity Index.



Then I check what the U.S. Inflation Rate is doing.

The circles in the lower chart note the 6 moments when the U.S. Inflation Rate (blue line) is Oversold which creates a Buy signal for Commodities.

The orange line represents the S&P Goldman Sachs Commodity Index (SPGSCI).



These analyses involves a correlation and a relative occurrence.

At some stage, we may see commodities oversold on an absolute basis, although that may not occur and nor are the compelled to.

My experience tells me we are close enough in various commodities to shift my stance towards preparing to initiate and accumulate selected investments.

At a later time, I'll expand about my larger bullish theme surrounding commodities.

Until next time

Sincerely,

Rob Zdravevski

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