Commodity Intelligence

2017: A Year of Change.
What our generation has forgotten is that the system of private property is the most important guarantee of freedom, not only for those who own property, but scarcely less for those who do not. It is only because the control of the means of production is divided among many people acting independently that nobody has complete power over us, that we as individuals can decide what to do with ourselves.

Hayek
Issue #1
Nominal GNP rising?

Our view:

~Excess Labour

~Excess Land (Commodities)

~Excess Capital (Generation low interest rates.)

=BOOM!
Food Stamp recipients much the best measure of Labour
Labour/Population for the EU.

Source: Eurostat (online data code: lfsi_emp_a)
More General: International Labour Availability.

Source: Labour Force Survey, ONS, data is average for 12 quarters from 2009 to 2011.
Surplus of Commodity Capacity.
Or if we look at China (~50%+ of most intermediates)
Surplus of Capital

U.S. Treasury Bond Interest Rate History

Source: Observations (ObservationsAndNotes.blogspot.com)
Issue #2

How do we organise an economy so that it functions?

Social spend as %age of GNP.
A decade of increasing Gov’t activity has failed.
So let’s ignite Animal Spirits.
The ‘Deplorable White Van Brigade’ are elated.

SALES

Actual (Prior Three Months) and Expected (Next Three Months)

January 1986 to December 2016
(Seasonally Adjusted)
Commodities Run Through:

Oil: Stuck, OPEC Vs Shale.

Activity Commodities: Plastics, Metals all showing signs of life.

Gold: Still good reasons to like it.

Ags: Short cycle for turning higher?
There’s an entire discussion in this picture.
*Aside: Debt to GNP and Aging.

Chart 1: Total Nonfinancial Debt as a % of GDP (Excluding Off Balance Sheet Liabilities)

Oil: The Shale Barrier.
End user Gasoline demand...weak.

Source: U.S. Energy Information Administration
Base Metals: Is it really all about China?

If so, then Pollution control is the driver.

These are electrical grid mainlines from wind/solar to areas of consumption.

Accelerating??

Mad idea: Yuan collapses and base metals rally.
Copper: Dr Copper Rules OK!

How low can it go?

Note the bearish sentiment!

Point: Copper either trades ~$5k a tonne=cost OR $10k a mt= marginal capacity.