



# Timing Is Optimal To Invest In Commodities



**CLIMATELLIGENCE REPORT**  
Smarter Long-Range Weather Outlooks and Awareness of Climate Change

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### COMMODITIES TRENDING HIGHER: The Trifecta Effect?

Things move in cycles and commodities, in general, have been long forgotten. But it seems the “trifecta effect” of higher demand, lower supply and a weaker dollar due to massive US stimulus for those affected by COVID, are all setting up to take commodities even higher into 2021. Rising tides lift all boats, but it is best to be in those commodities that have deficit inventory levels and that are directly benefiting from a demand pick up and global weather problems.

Grain prices have risen 15-20% in the last six months. This has been due to global weather woes, China demand and the weaker dollar. In addition, with the rally in crude oil on optimism over the vaccine, one would think that this index (above) would be even higher. **I think that now is the time to take a longer term bullish perspective in commodities, given all of these factors.**

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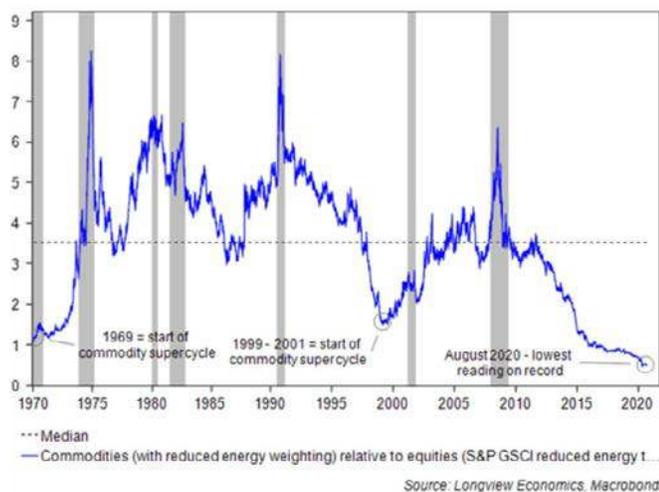
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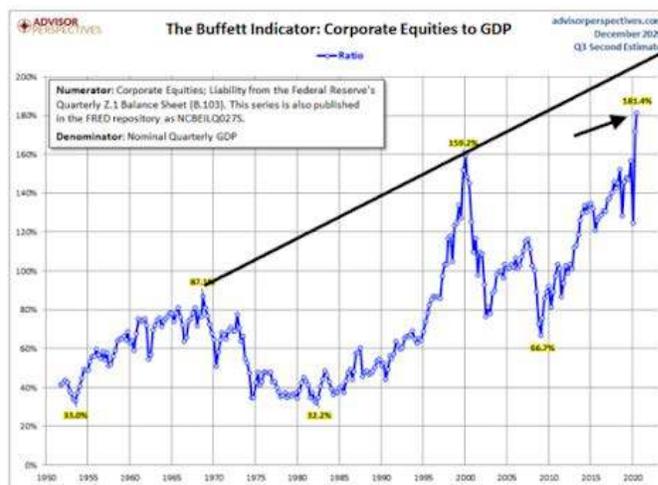


Prior to the recent up-move in crude oil, grains and several other commodities, **look at how oversold the global commodity index was at the beginning of 2020.**

In contrast, corporate equities compared to GDP still seem to have upside potential. However, you can see how it is approaching resistance from a trend-line going back to the late 1960's.

As more stimulus money printed by the Federal Reserve and distributed to millions of individuals, it has weakened the dollar. A loss of faith in the US dollar has helped Bitcoin prices soar in the last few months.

[bestweatherinc.com](http://bestweatherinc.com)



(Source: Advisor Perspectives)

**Bottom Line:** Investing in a basket of commodities from oil to precious metals, soft and grain commodities, probably makes a lot of sense in the longer term picture. I believe changing the "asset allocation" of your portfolio to include more commodities makes a lot of sense over the next few years. Weather woes from La Niña and Climate Change could be an additional shot in the arm for grain prices and a few other agricultural commodities, as well.



## CLIMATE CHANGE:

### Insurance policies to protect our coral reefs

In October, when Hurricane Delta hit Puerto Morelos, Mexico, a team known as the Brigade waited anxiously for the sea to quiet. The group, an assortment of tour guides, diving instructors, park rangers, fishermen and researchers, needed to get in the water as soon as possible. The coral reef that protects their town — an undersea forest of living limestone branches that blunted the storm’s destructive power — had taken a beating.

Humans have weakened coral, tiny tentacled animals that secrete layers of limestone to build outer skeletons. Rising sea temperatures, ocean acidification, sewage pollution and overfishing leave coral more vulnerable to hurricane damage. “We’re like paramedics,” said María del Carmen García Rivas, director of the national park that manages the reef and a leader of the Brigade. When broken corals roll around and get buried in the sand, they soon die. But pieces can be saved if they are fastened back.



The race to repair the reef is more than an ecological fight; it’s also a radical experiment in finance. The reef could be the first natural structure in the world with its own insurance policy, according to environmental groups and insurance companies. And Hurricane Delta’s force triggered the first payout — about \$850,000 to be used for the reef’s repairs. The success or failure of this experiment could determine whether communities around the world start using a new tool that marries nature and finance to protect against the effects of climate change. The response to Delta was a first test.

# La Niña and Warm Pacific: Posing Problems for Coffee Crops



Irrigated tree that shows leaves suffering from heat and the cherry formation is erratic throughout



Many bare branches. Some coffee growing but might not be sufficient to cover the cost of harvesting.



Drought stressed tree that has little to no coffee growing on it.

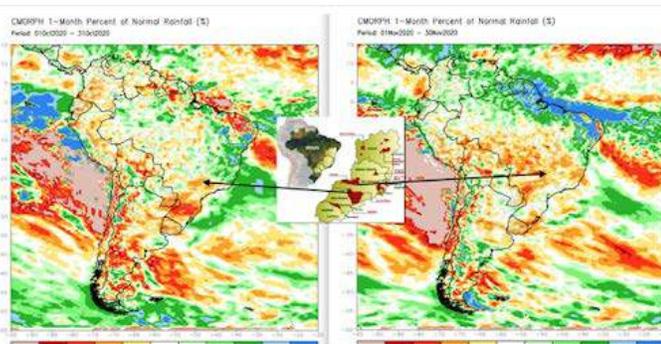


The younger trees were able to survive and could be down 10% to 20%  
*Source: Judy Ganes Consulting*

Brazil's main coffee areas have generally good weather for the early bloom in the key #1 region of Minas Gerais. However, you will notice that São Paulo and the NW part of Minas had drier than normal weather last October and November. It was also hot.

**Hence, there has been some compromise in the coffee crop in the southern and southwestern regions of Brazil. Crop estimates may come down in future reports.**

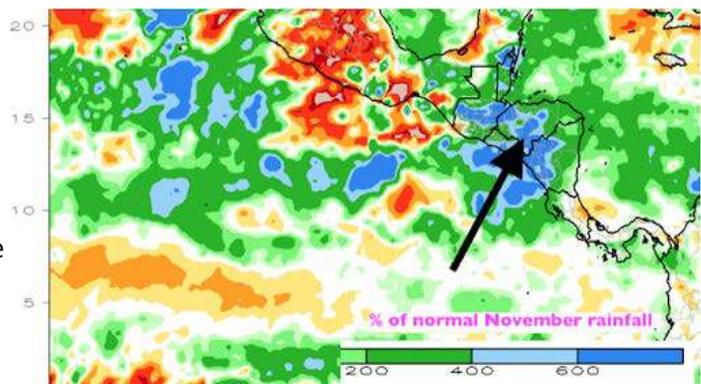
During the early bloom of Brazil's coffee crop, roughly 20-30% was hit by dry weather (as you can note by the areas in red).



Source: NOAA

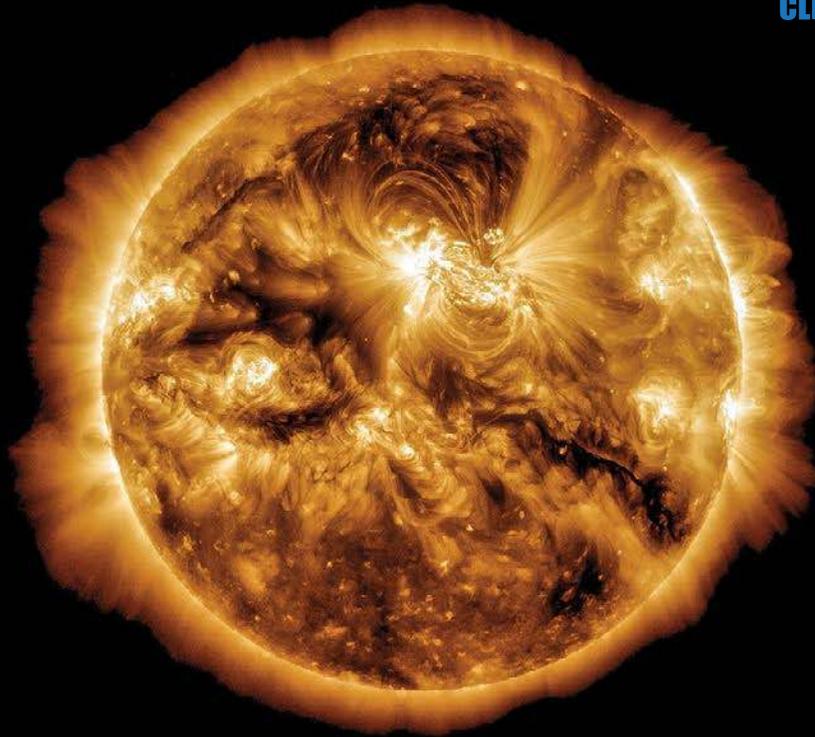
Weeks ago, I expressed concerns to our [Weather Wealth newsletter](#) subscribers that heavy rains from La Niña and a warm Pacific ocean, near China, would

**be bullish for coffee later this fall. Both Vietnam and Central American crops have been at risk from late season hurricanes and more recent heavy rains after hurricane season ended. If it were not for heavy rains coming to Brazil into January, coffee prices would explode further.**



Central American coffee crop being compromised by hurricanes late fall.

**Bottom Line:** It is possible that coffee prices could fall again due to rains in Brazil in the next few weeks. To monetize this, you can access various conservative bullish options and spread position suggestions in London Robusta coffee and NY Arabica coffee by subscribing to my premium Weather Wealth twice-weekly commodity service. Conservative traders among my readership have been long the coffee ETF (JO) for the last few months, which is up about 10%.



## SOLAR CYCLE: Neither the Dalton Minimum again, nor is it Gloom and Doom

The sun has begun a new 11 year cycle of activity, which some scientists predict could be the strongest in 270 years. The media abounds with these pundits spreading “gloom and doom” about record low solar activity, bitter cold winters and the end of the world. In my opinion, many of these so-called “scientists” are usually stirring up their political biases to formulate these predictions.

In the journal Solar Physics, a team of scientists from the National Center for Atmospheric Research (NCAR) in Boulder, Colorado say that Sunspot Cycle 25 will peak with a maximum of 210-260 sunspots, putting it near the top of the most active.

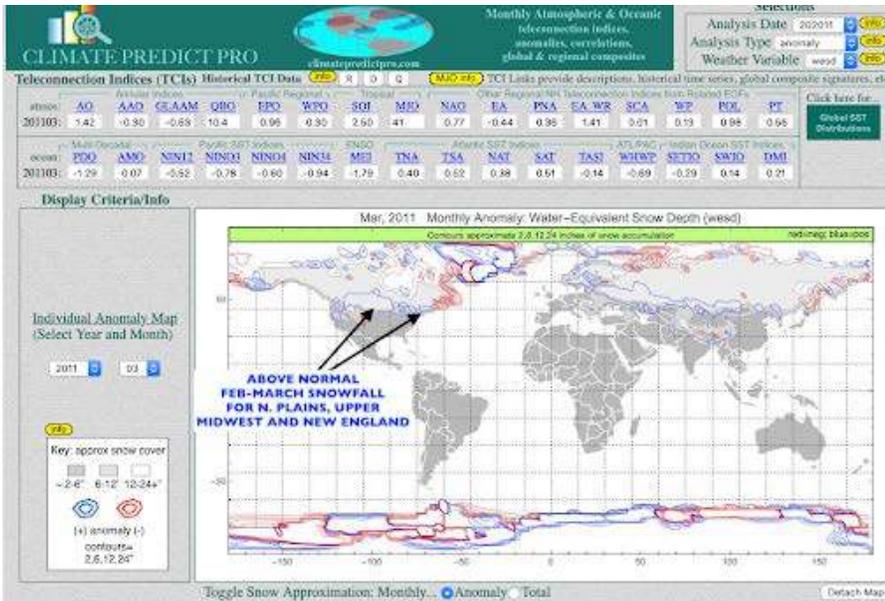
Predicting solar activity is very difficult. Therefore, only if we see extremely low solar activity and

we have frequent cold winters (globally) in the years to come, will I come to agree that solar activity has a big impact on our climate and weather.

In the meantime, here I am on Bloomberg TV (December 17th) talking about our winter weather and Climate Change (below).



[Click here to watch Jim on YouTube](#)



March, 2011 snowfall trends. This was also a drought for Midwest corn and soybeans and Plains wheat, so stay tuned. Source: Jim Roemer - [climatepredict.com](http://climatepredict.com)

## What is driving winter weather:

During La Niña events, winter snowfall tends to be heaviest in areas shaded in Blue. That is good news for New England ski areas and especially the Pacific Northwest. By March, snowfall really increases across the N. Plains, Pacific Northwest and New England.

**”Late winter could be coldest and snowiest for the US and good news for ski resorts”**

The frequency maps represent confidence for winter snowfall. In other words, some 70-90% of all Niña’s (orange-red) tend to have a dry winter from Kansas to Texas (this may be bullish wheat, later)

with again, best snow chances in blue regions.

My Climate Predict weather software (above) shows that come March, much of western Canada, the N. Plains and New England will have above normal snowfall. This will make for some great ski weather at places like Whistler, Canada; Jackson Hole, Wyoming and for parts of northern Vermont, New Hampshire and Maine. It may also support natural gas prices deeper into winter or early spring with colder US weather

**The 2 potential analog years (2008, 2011) may give us clues for the grain market and other commodities, so stay tuned.**



## Other Markets?

If you have not had a **2-week FREE trial** to Weather Wealth, I invite you to try it. You will receive much more in-depth commodity ETF, futures and option strategies.

My trade spread-sheet, as of mid December, is up nearly 60% for the year. We have had various positions in Robusta coffee, renewable energy stocks such as FCEL and much more.



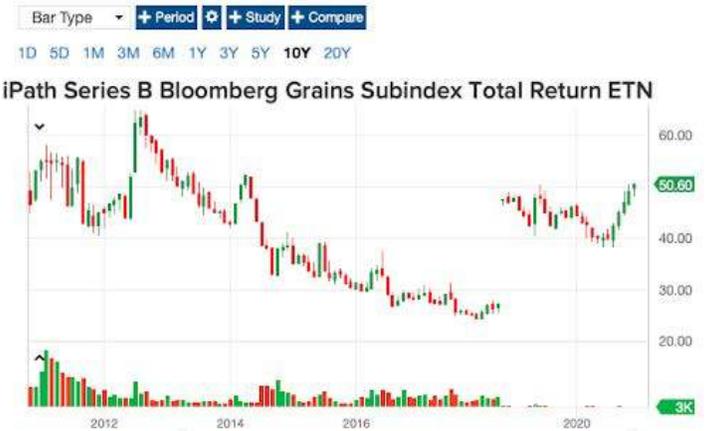
[Click Here](#)

# JJG ETF

JJG tracks an index of grain futures contracts selected according to liquidity and diversity requirements.

This “all grain” ETF still has upside potential longer term if weather problems develop in South America and/or the US grain belt next spring and summer.

## JJG Price and Volume Chart



As of late December, my Spider is most bullish Robusta coffee due to weather problems affecting Vietnam’s production. While grain prices have already exploded, and are subject to profit taking, the possibility of dry weather in Argentina (and for Midwest crops next summer) may be longer term bullish.

I had been most bearish in natural gas during November and early December and long the bearish natural gas ETF (KOLD). However, clients were advised to take profits (for now) on short positions a couple of weeks ago.

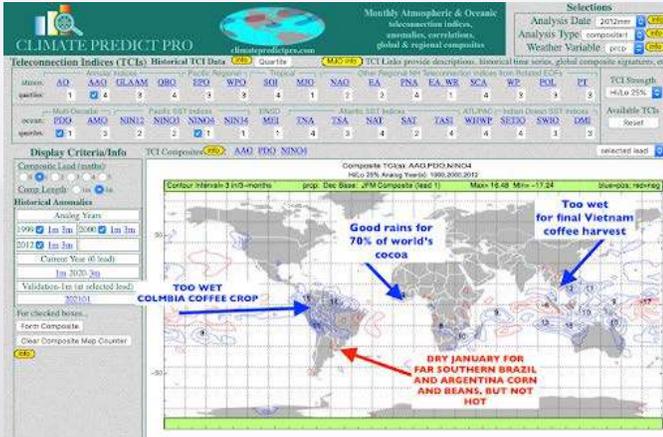
Some occasional cold snaps in the US could set a floor in the natural gas market. I am unsure for the moment about natural gas, so if you want much more timely, weekly weather and trading strategies for energy markets, but will be updating my bi-weekly Weather Wealth clients in the near future

La Niña may portend lower sugar prices next year. It has also kept me bearish cocoa on rallies, due to the potential for good cocoa production in the months ahead.

Wherever you see a (0) on my Spider means I am not following this market or unsure.

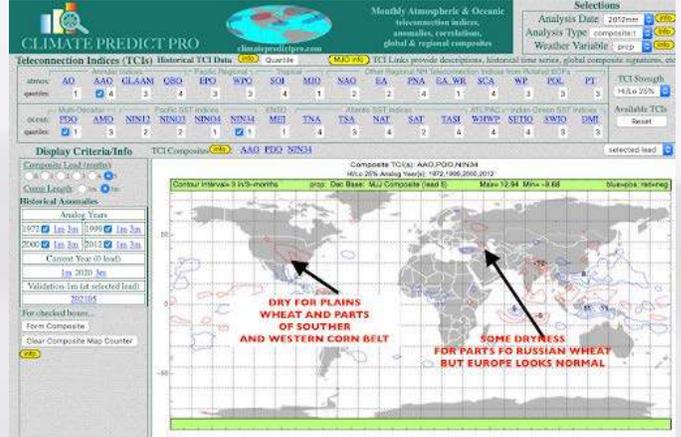
# CLIMATE PREDICT: January & Spring/Summer global rainfall trends based on La Niña, the AAO and PDO index

## January Global Rainfall Trends:



My updated software shows the potential for some dry weather issues for both S. Brazil and Argentina corn and beans in January and spring or summer weather issues for U.S. corn, soybeans and wheat. My program “automatically” checks boxes of what the most

## Potential May-July global rainfall trends:



significant teleconnections are. The Pacific Decadal Oscillation Index (PDO), Antarctic Oscillation Index (AAO) and La Niña are the checkboxes. Click on these teleconnections above to see the definitions.

**Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.**

- Sanford C. Bernstein & Company Analysts (January 2017)



- Jim Roemer