Source: Fxprimus Forex Broker (Review and Forex Rebates up to 85%) It's only natural that commodities would have one of their best days in months just as I wrote about how they were headed lower and how the commodity currencies would fall with them. Copper and other industrial metals jumped yesterday, but today they seem to be falling back again. I suspect that people are just taking some profits from their short positions as the year starts to wind down (Christmas trees are starting to appear already in some places!). Milk futures too have been recovering after the recent very poor auction. That doesn't change the overall supply/demand balance, which is a long-term one. Iron ore for example continues to fall, and that's as good an indicator of long-term Chinese demand as anything. I remain bearish on commodities and the commodity currencies. The economic news yesterday also supports this view. US Q3 GDP was revised up as expected yesterday to +2.1% SAAR from the initial +1.5% reading, but that was due to a massive surge in inventories; consumption and final sales were both revised down. That's led some forecasters to revise down their Q4 forecasts. Plus the November US consumer confidence index plunged, with expectations particularly weak as people get less optimistic about the job market. And the November Richmond Fed manufacturing activity index was down, too. The news didn't affect market expectations of a December rate hike though, which remained unchanged at 74%. While we don't yet know what transpired at that mysterious Fed Governors meeting on Monday, the Fed did release the minutes of the discount rate meeting from Oct.

26th. Nine Banks voted to raise the discount rate, two to keep it unchanged, and one to cut it. That's a solid majority in favor of raising rates, which should come through at the December FOMC meeting. That's one reason why I don't think the end of the commodity bust is in sight; I think higher US rates will further dampen demand for commodities, while of course supporting the dollar. Meanwhile, the news in Europe yesterday was a little better than in the US. Germany's Q3 GDP was not revised from the initial +0.3% QoQ. The gains came from private and government consumption, while net exports were a major drag. Germany's IFO survey for November showed more improvement than expected. But personally, I expect the picture in Europe to start deteriorating as the effects of the Paris bombing and the refugee crisis start to impact the data. That may not even be reflected in the November data, much of which would've been collected before the events in Paris, but it should start to come through in the new year. In short, I don't see where the pick-up in demand for commodities is going to come from - neither the US, nor Europe, nor from China or other EM countries - and so I remain bearish on commodities and the commodity currencies. With Thanksgiving in the US on Thursday and no major economic data or market-moving speakers due out, I think market liquidity will be fairly poor on Thursday and Friday and I wouldn't expect much change in the FX market. The year-end slowdown is starting. **www.fxprimus.com**