

# No Bubble in Commodities

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High prices do not mean a bubble in commodities. High prices are just high prices. Humans are horrible at best in predicting either the frequency or the magnitude of such moves, yet novices (and some pros) are dazzled and entertained with the white noise of predictions. Don't be one of them.

Prediction as an art in the US is miserably unsuccessful, and unfortunately we have to deal with the endless barrage of prediction that floods our senses via social media. That is the downside of the ease of internet publishing for sure.

If you make the mistake of reading some of the recent asshat articles that I've seen stating that we have a bubble in commodities, you may sell your longs fearing that we have put in the tops for these markets. Don't be fooled and get psyched out of your long positions. As long as the price charts are positively sloped stay long.

There is a long way to go before we see the type of inflation and hyperinflation that the massive printing of US dollars can cause. There is no economist within 1,000 miles of the White House (I cringe at capitalizing these terms anymore) who can predict how high markets can go. After that, you can use the Sperandeo 123 Trend Reversal pattern to trade these same markets short.

Part of the problem is that msm report price changes, and not percent changes. If wheat has doubled in price, then a 10% pull back is going to be twice as large as it had been. So if you're using prices for position sizing, you might consider trimming the position so your equity does not get whipped around. Keep in mind that this is as much an emotional decision as a financial one for you to make.

A word about short selling: if you put up 5% of the notional value as margin, all you need is a 5% move down for you to double your money or earn a 100% RoR on your position. If the number was 8%, then the same will hold. There are articles out there that have suggested that you can only make 100% by being short. That is not true and you can earn several hundred % by being short wheat, for example, from \$9.00 to \$4.50.

Position sizes will dictate what impact these moves have on your overall equity. In high volatility markets, as well as the potential for inflation or hyperinflation, you don't need large positions in commodity trading to earn out-sized gains. That's my prediction.