What commodity analysis is actually for

> **DIFFERENTIATED VIEW**
>
> A belief about a market's balance that differs from the consensus in a stated, checkable way. Analysis that reproduces what everyone already believes reproduces the current price; only the difference between your model and the market's can be worth money, and only if reality sides with yours.

The FX track opened its analysis module with a warning: currency analysis is mostly crowd-reading, because a currency's price is other people's behaviour all the way down. This module opens differently, and the difference deserves to be explicit rather than just felt.

Commodities give analysis something real to hold

A currency has no harvest. An index is a calculation. But a barrel of oil is produced by machinery that breaks, stored in tanks that fill, and burned by economies that grow and shrink - and module 1 showed the delivery promise that chains the paper price to all of it. When you analyse a commodity you are analysing physical constraints that do not care what anyone believes: a freeze takes the crop whether or not the market saw it coming. That is a causal mechanism, not a mood, and it is why this module can afford to be less sceptical than its FX twin without being less honest.

Where the honesty stays

Less sceptical is not credulous, and the limits carry over intact. The consensus balance is already in the price - module 2's expectation machinery made that structural. The causal knowledge is common knowledge: everyone can see the freeze, the strike, the inventory build, so seeing them is worth nothing. And the market's collective model of each balance is genuinely good, built by the commercials from module 1 who watch physical flows you will never see. The mechanisms are real; your edge over the crowd's reading of them still has to be earned.

So the work is this

Learn the market's model: the balance sheet, next lesson, is the consensus made legible.Find the place your view differs, and say it in numbers - a tighter balance, a slower recovery, a demand the table underweights.Know which release will prove it right or wrong, and when. Commodity views come with expiry dates attached, which is a gift: it makes them testable.

Analysis that ends in 'oil looks strong' produced nothing. Analysis that ends in 'the consensus draw is too small, and Wednesday will show it' produced a testable difference - and every lesson in this module exists to make the second kind possible.

Check your understanding

1. Why can commodity analysis be less sceptical than FX analysis without being less honest?

a. Commodity markets are smaller and easier to predict

b. Commodity prices are chained to physical mechanisms - production, storage, weather - rather than consisting entirely of other participants' behaviour

c. Commodity data is published more frequently

Answer: b. FX is crowd-reading because the mechanism is the crowd. A commodity has real causal machinery underneath - though the consensus reading of that machinery is still priced in, which is where the honesty stays.

2. Everyone can see that a freeze has damaged the crop. What is that observation worth?

a. A great deal - supply has genuinely fallen

b. Nothing by itself - common knowledge is already in the price; only a differentiated reading of its size or duration can be

c. It depends on how large the freeze was

Answer: b. The mechanism is real and the price has already moved on it. Edge lives in the gap between your quantification and the market's, not in noticing what everyone noticed.