ADM Investor Services, Inc.

APRIL 2017 Monthly Commodity Market Overview Newsletter

By the ADMIS Research Team

Stock Index Futures

S&P 500 and Dow futures made new historical highs in early March. However, pressure developed more recently due to delays in healthcare and tax reform. In addition, there are geopolitical tensions, including the cruise missile attack on Syria, saber rattling in North Korea and the political uncertainties of the upcoming elections in France.

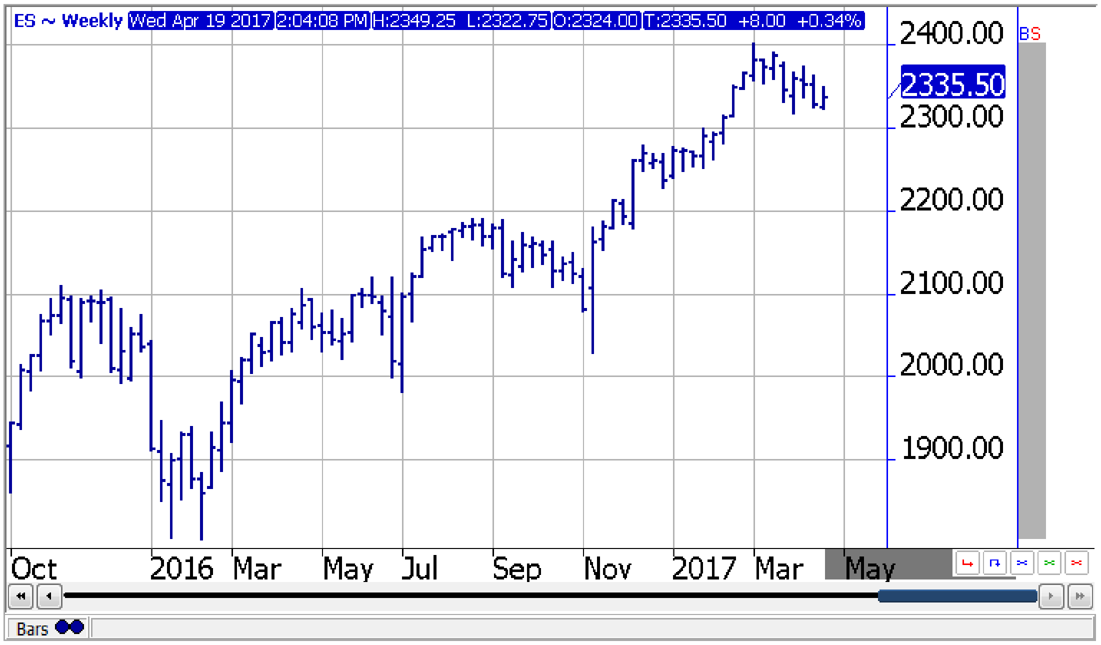
However, geopolitical pressures have been mitigated by an optimistic corporate earnings outlook. First quarter corporate earnings for S&P 500 companies are expected to increase 10.4%, which would be the best year to year gain since the third quarter of 2011, when earnings grew 18%. In addition, revenues are anticipated to be up 7.1%, which would be the best rate of growth since the 11.1% gain in the third quarter of 2011.

Economic reports have been mixed. On the bullish side the fourth quarter gross domestic product report showed a 2.1% increase, which compares to expectations of a 2% gain and personal consumption was up 3.5%, when an advance of 3% was anticipated. In addition, the gross domestic product price index gained 2%, as expected. On the bearish side nonfarm payrolls increased only 98,000, when a gain of 180,000 was expected and private payrolls were up 89,000, which compares to the anticipated increase of 170,000. The average hourly earnings portion of the report, which some analysts believe is becoming more important than nonfarm payrolls, came in up .19%, which compares to expectations of an increase of .2%.

There was also some pressure when the minutes from the Fed's March 15 policy meeting showed the Federal Reserve might start to whittle down its $4.5 trillion portfolio of Treasury and mortgage securities later this year. The U.S. central bank acquired these massive securities holdings through asset purchase programs during and following the 2007-2009 recession with the purpose of holding down long term interest rates and kick starting economic growth. The Fed minutes also showed that some officials believe stock prices are high relative to valuation measures.

Our analysis suggests recent weakness in stock index futures is only temporary. Once the domestic and overseas political uncertainties settle down, traders will once again focus on the long term bullish interest rate influence, an expanding global economy and an improving corporate earnings outlook.

S&P 500 Futures - Weekly



All charts provided by QST

Energy

The production cuts from the Organization of the Petroleum Exporting Countries provided underlying support for crude oil earlier this year. However, in the first part of March, prices fell as the bullish impact of OPEC cuts was offset by growing U.S. crude supplies. Weekly data published by the U.S. Energy Information Administration showed crude oil output is now at 9.24 million barrels a day. The rising output is mostly coming from shale producers who are able to react to price moves quickly by adjusting their production. In addition, the U.S. oil rig count rose for the 13th consecutive week in the week of April 13, according to the data published last Friday. At a total of 683, the current amount is the highest number in two years.

While many analysts expect OPEC to continue cutting production, with Saudi Arabia set to support the extension, there are many reports that are now suggesting that a six month extension of the OPEC production cuts are largely factored into the market.

It is likely that an expanding global economy will be the dominant influence that takes crude oil prices higher.

Crude Oil Futures - Weekly

Precious Metals

Since the December 2016 lows, gold has rallied over $170.00 and silver has advanced almost $3.00. Much of this strength early in the year was attributed to ramped-up inflation expectations that were being stoked by President Donald Trump's tax cuts and infrastructure spending plans. However, more recently these bullish factor have faded a bit, but were replaced by strong flight to quality flows due to geopolitical risks.

In addition, there is the supportive impact on the precious metals from the weaker U.S. dollar. Some of the pressure on the greenback was due to President Trump's comments last week, when he said the dollar is too strong. Gold and silver, especially gold, have all of the major fundamentals lined up on the bullish side.

Gold Futures - Weekly

U.S. Dollar

A massive political headwind developed earlier this year due to the belief that the Trump administration is not interested in pursuing strong U.S. dollar policy, and in fact, it could be just the opposite. Bolstering this belief were comments from President Donald Trump when said the U.S. currency is "too strong" and also from U.S. Treasury Secretary Steven Mnuchin who said an "excessively strong dollar" could have a negative short term impact on the economy.

Since then the U.S. dollar has shown a marked tendency to underperform the news. For example, the greenback initially advanced when the Fed policy minutes showed the Fed is likely to pare its massive balance sheet later this year. However, all of the gains were given back when traders weighted the bearish influence on the greenback of the potential adverse impact on economic growth due to a delay in tax cuts.

In addition, while the Federal Open Market Committee is on a measured path to increase rates, other major central banks, such as the European Central Bank are likely to scale back their accommodative policies and the Bank of England is on course to increase its key lending rate next year.

In light of the U.S. apparently not interested in a strong dollar policy in addition to the greenback losing its interest rate differential expectations advantage, it will be difficult for the U.S. dollar to match last year's gains.

Euro Currency

Since multiyear lows for the euro currency were made late last year, prices have stabilized this year with the currency of the euro zone well supported by mostly stronger than anticipated economic reports. For example, there was news that euro area unemployment declined to its lowest level in almost eight years and the average jobless rate fell to 9.5% in February from 9.6% in the previous month.

In addition, the euro currency firmed after a report showed German investor confidence increased more than estimated. The ZEW Center for European Economic Research said its index of investor and analyst expectations increased to 19.5 in April from 12.8 in the previous month. The median estimate called for an advance to 14.8. Pressure developed more recently, however when European Central Bank President Mario Draghi warned that it was too early to reduce the bank's massive monetary stimulus.

In light of recent mostly better economic data from the euro zone and the Trump administration apparently not interested in a strong dollar policy, the euro currency is likely to be well supported.

Grains

On April 11, the USDA estimated world 2016/17 soybean end stocks at 87.4 million tonnes. This was up from March due to an increase in the 2017 Brazil and Argentina crop. The USDA estimates world production near a record 346.0 million tonnes and total usage also a record 332.4 million tonnes. Total world exports are estimated to be near 143.3 million tonnes versus 132.2 last year and U.S. exports are estimated to be near 55.1 million tonnes versus 52.7 last year. The USDA increased China's 2016/17 soybean imports to a record 88.0 million tonnes versus 83.2 last year. Early estimates of U.S. 2017 soybean acres are near 89.5 million versus 83.4 last year.

On April 11, the USDA estimated world 2016/17 wheat end stocks at a record 252.3 million tonnes. The USDA estimates world production near a record 751.4 million tonnes and total usage also a record at 740.8 million tonnes. Total world exports are estimated to be near 180.7 million tonnes versus 172.8 last year. U.S. exports are estimated to be near 27.9 million tonnes versus 21.1 last year. Early estimates of U.S. 2017 wheat acres are near 46.1 million versus 50.2 last year.

On April 11, the USDA estimated world 2016/17 corn end stocks at a record 223.0 million tonnes. The USDA estimates world production near a record 1,053.8 million tonnes and total usage also a record at 1,042.6 million tonnes. Total world exports are estimated to be near 154.4 million tonnes versus 120.0 last year. U.S. exports are estimated to be near 56.5 million tonnes versus 48.2 last year. Early estimates of U.S. 2017 corn acres are near 90.0 million versus 94.0 last year.

Livestock

Cattle

Price movements for live cattle futures in March were similar to what took place in February, but in March it became evident that the packing industry was using the bull spreads to their advantage. The similarity to February was the markets moving higher mid-month. For almost two weeks from the beginning of March, cattle futures traded sideways in a $2.50 range. On March 15th, cattle futures opened slightly lower, but ended up by the end of the day almost $2.00/cwt higher. The following day, cattle futures gapped above the previous day's high and for seven days moved up $6.00/cwt. U.S. cattle packers were buying cattle in March for April delivery $7.00/cwt over the April futures and for spot needs at times $12.00/cwt to $15.00/ more than the April futures.

Demand for U.S. beef has been exceptionally strong since mid-February and continued throughout March. Exports of U.S. beef are up 18% over a year ago and strong demand for choice beef globally and in the U.S., especially the higher cuts from the loin are in demand with U.S. unemployment near 4.5%. Demand for choice beef from late 2016 throughout March has not been as strong since the start of the recession in 2008/2009.

June 17 Cattle Futures - Daily

Lean Hogs

Lean hogs have done the opposite of live cattle. Throughout March the lean hog index fell every day. To show how opposite lean hog futures traded, the day April cattle gapped higher on March 16th, was followed on March 17th with lean hogs gapping lower. With cattle moving higher and boxed beef improving, lean hogs have fallen along with the pork cutout. From

March 15th to the end of March, the April cattle/ April lean hog spread saw cattle gain $10.00/cwt on lean hogs.

The strength in the U.S. dollar compared to the euro currency and for hogs produced in Europe have hurt U.S. exports, especially to Asian countries. The U.S. hog slaughter is up around 1.6% over a year ago. Without being able to sell pork in the world market, the increase in hogs and the lack of sales has definitely hurt the hog market.

June 17 Lean Hog Futures - Daily

Support and Resistance

Stock Index

June 17 S&P 500

Support 2320.00 Resistance 2375.00

June 17 NASDAQ

Support 5337.00 Resistance 5455.00

Energy

June 17 Crude Oil

Support 49.00 Resistance 53.24

June 17 Natural Gas

Support	3.200	Resistance	3.370

Precious Metals

June 17 Gold

Support	1268.0	Resistance	1305.0

July 17 Silver

Support	18.100	Resistance	18.550

Industrial Metals

July 17 Copper

Support	2.4900	Resistance	2.6650

Currencies

June 17 US Dollar Index

Support	99.150	Resistance	100.280

June 17 Euro Currency

Support	1.06920	Resistance	1.08050

Grains

July 17 Corn

Support	3.60	Resistance	3.90

July 17 Soybeans

Support	9.50	Resistance	10.00

July 17 Chicago Wheat

Support	4.20	Resistance	4.50

Livestock

June 17 Cattle

Support	116.00	Resistance	130.00

June 17 Hogs

Support	58.00	Resistance	70.00

If you would like more information about the markets featured in this monthly newsletter, please send us an email to sales@admis.com. Thank you.

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