



April 2018 Monthly Commodity Market Overview Newsletter

By the ADMIS Research Team

Stock Index Futures

Near term lows were made on April 2, as traders centered on the potential negatives of the ongoing global trade tensions. President Donald Trump threatened to impose tariffs on an additional \$100 billion in Chinese goods. In response China warned it would fight back “at any cost” with new trade measures if the United States continued on its path of protectionism.

However, since then prices have recovered, as traders look past geopolitical risks, including the U.S. led missile attack on Syria and focus more on what is likely to be the strongest earnings season in seven years. Some analysts are predicting quarterly earnings for S&P 500 companies will increase 17% to 18.6% from a year ago.

Also, there was support on news that China’s economy grew 6.8% in the first quarter of 2018 from a year earlier, when 6.7% was expected and on reports that China's central bank will reduce its reserve requirement ratio for qualified banks by one percentage point, which will be effective April 25.

Longer term, traders will probably gradually shift their focus of attention more toward earnings and the still accommodative global interest rate environment.

S&P 500 Futures -Weekly



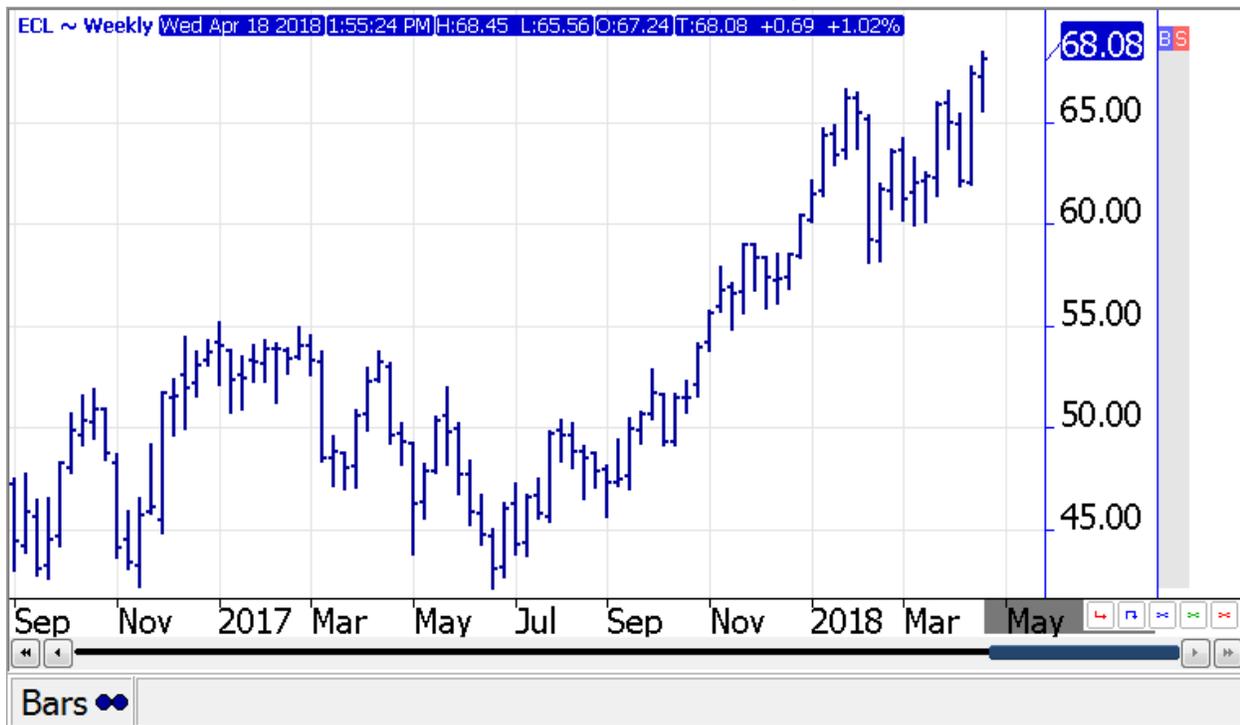
Crude Oil

Crude oil prices hit three year highs as government data showed U.S. stockpiles declined by more than analysts were expecting. The U.S. Energy Information Administration reported that crude stockpiles fell 1.1 million barrels in the week ended April 13, which exceeded average estimates from analysts. In addition, gasoline inventories fell by 3 million barrels in the previous week and distillate inventories fell by 3.1 million barrels.

Traders interpreted the latest storage data as a sign that the global glut in crude oil continues to be reduced, as major oil exporters held back production and inventories declined. In addition, prices have also been supported by geopolitical risks to supply in the Middle East.

Crude oil futures are likely to continue to advance due to an improving global economy and reduced geopolitical tensions.

Crude Oil Futures - Weekly



Gold

Gold prices remain firm in spite of prospects of higher interest rates. Federal Reserve officials have continued to point to two or three more interest rate increases in 2018. Some of the gains gold has enjoyed this year were due to flight to quality buying in light of geopolitical worries, including trade tensions, sanctions against Russia and conflict in the Middle East. In spite of a better tone too some of the geopolitical issues recently, gold has held its gains, which has to be viewed a sign of strength.

Prospects of increased global inflation levels and an improving global economy should push gold prices higher.

Gold Futures - Weekly



U.S. Dollar

The U.S. dollar has traded in a broad trading range over the past three months. In spite of increasing prospects of a fed funds rate hike in June, which would normally be bullish for the greenback, the U.S. dollar has remained range bound.

In addition, the U.S. dollar has received only temporary support from mostly better than expected economic news, including strong housing data. Housing starts increased 1.9% in March from the prior month, when a 1.6% increase was expected and residential building permits rose 2.5%, which compares to the estimate of a .8% gain. Also, retail sales rose .6% in March from the previous month, after three preceding months of declines. Economists expected a .3% increase.

Some of the reason for the underperforming U.S. dollar can be attribute to a possible unofficial weak U.S. dollar policy on the part of the Trump administration. The U.S. dollar fell when President Donald Trump may have attempted to talk down the value of the U.S. dollar when he tweeted, "Russia and China are playing the currency devaluation game as the U.S. keeps raising interest rates. Not acceptable!" Treasury Secretary Mnuchin later attempted, with limited success, to walk back the President's comments.

The greenback is likely to trend lower over the near term.

Euro Currency

The euro currency also has been in a broadly based trading range. There was support for the currency of the euro zone after a report showed house prices recorded their biggest annualized gain last year since 2006. House prices in the last quarter of 2017 were 4.2% above the comparable quarter a year ago.

There as temporary weakness in the euro currency on news that German output unexpectedly declined. Output dropped 1.6% in February compared to the estimate of a .2% gain and also when the European Union's statistics agency said industrial output in February was .8% lower than in January. Economists anticipated a .2% increase.

Interest rate differential expectations appear to be slightly bullish on balance for the currency of the euro zone.

Grains

In April, the USDA estimated world 2017/18 corn end stocks at 198 million tonnes. The drop was due to lower South American supply. The USDA dropped the total world exports estimate to near 152.5 million tonnes with U.S. exports still estimated to be near 56.5 million tonnes. The USDA estimates the Brazil and Argentina crop to be near 125.0 million tonnes. U.S. spring Midwest weather has been wetter and colder than normal. This has slowed early field work. Late April weather looks drier and warmer. The next USDA report on May 10 includes the first estimate of the U.S. 2018/19 supply and demand.

The USDA estimated world 2017/18 soybean production will be near 334.8 million tonnes. The drop is due to a lower Argentina crop. Total world exports are estimated to be near 150.4 million tonnes versus 147.5 last year and U.S. exports are estimated to be near 56.2 million tonnes versus 59.2 last year. The USDA continues to estimate China's 2017/18 soybean imports to be near a record 97.0 million tonnes. In addition, the USDA raised the Brazil 2018 soybean crop to near 115.0 despite talk the crops could be closer to 119.0. The soybean market continues to try to balance the lower Argentina supply versus the uncertainty over US/China trade policies. There was some talk that delayed U.S. corn plantings could force farmers to switch to more soybean acres. The next USDA report on May 10 includes the first estimate of the U.S. 2018/19 supply and demand.

The USDA estimated world 2017/18 wheat end stocks at a new record 271.2 million tonnes. The Russian wheat crop was estimated at 85.0 million tonnes versus 72.5 last year and Russian wheat exports were raised to 38.5 million tonnes versus 27.8 last year. The USDA is rating the U.S. 2018 winter wheat crop 31 percent good to excellent versus 54 last year. Some needed rain is forecast for later this week across the U.S. south plains. U.S. spring wheat plantings are delayed due to

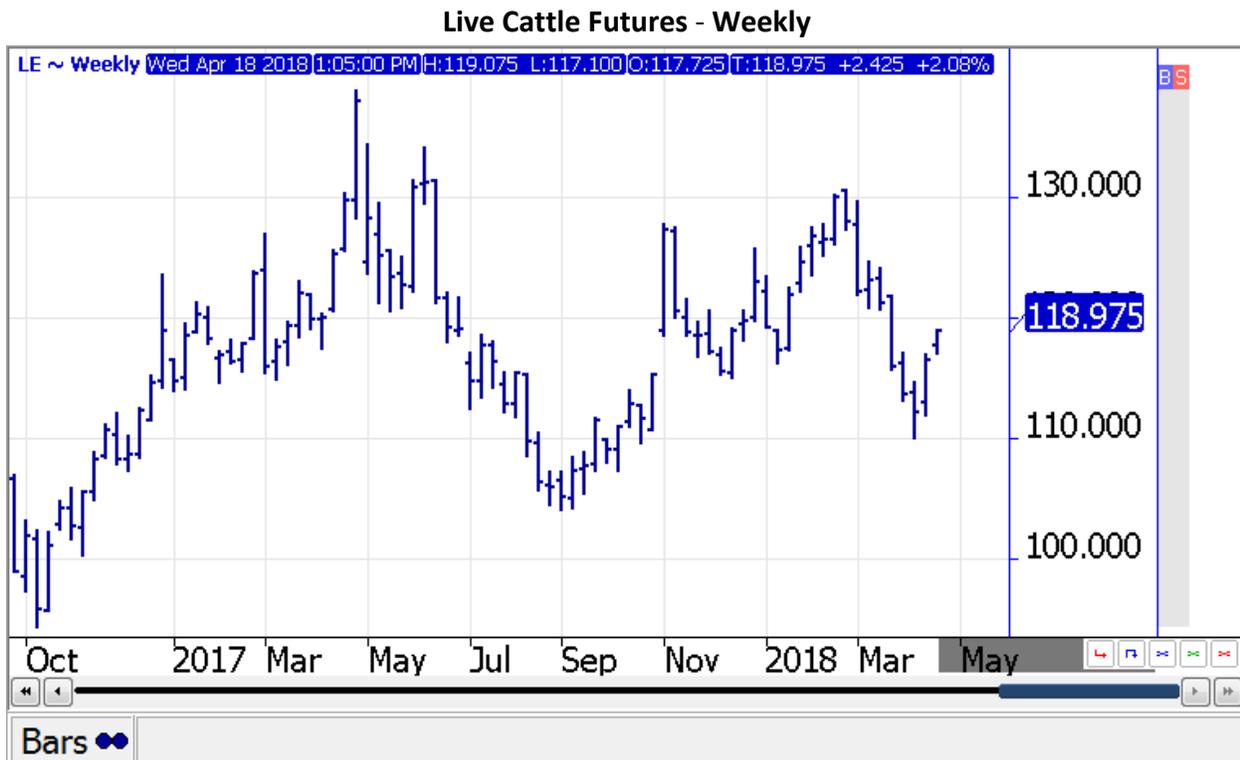
wet and cold conditions. The next USDA report on May 10 includes the first estimate of U.S. 2018/19 supply and demand.

Livestock

Cattle

Cattle and feeder cattle were like an avalanche in March picking up momentum as futures fell throughout the month. After topping in the last week of February, live cattle futures throughout March tumbled close to \$15.00/cwt into the end of March and extended the break to April 4th. The trading in March was anticipating more cattle on feed moving into the spring months and finding a wall of too many cattle. Feeder cattle futures during the same time fell nearly \$20.00/cwt.

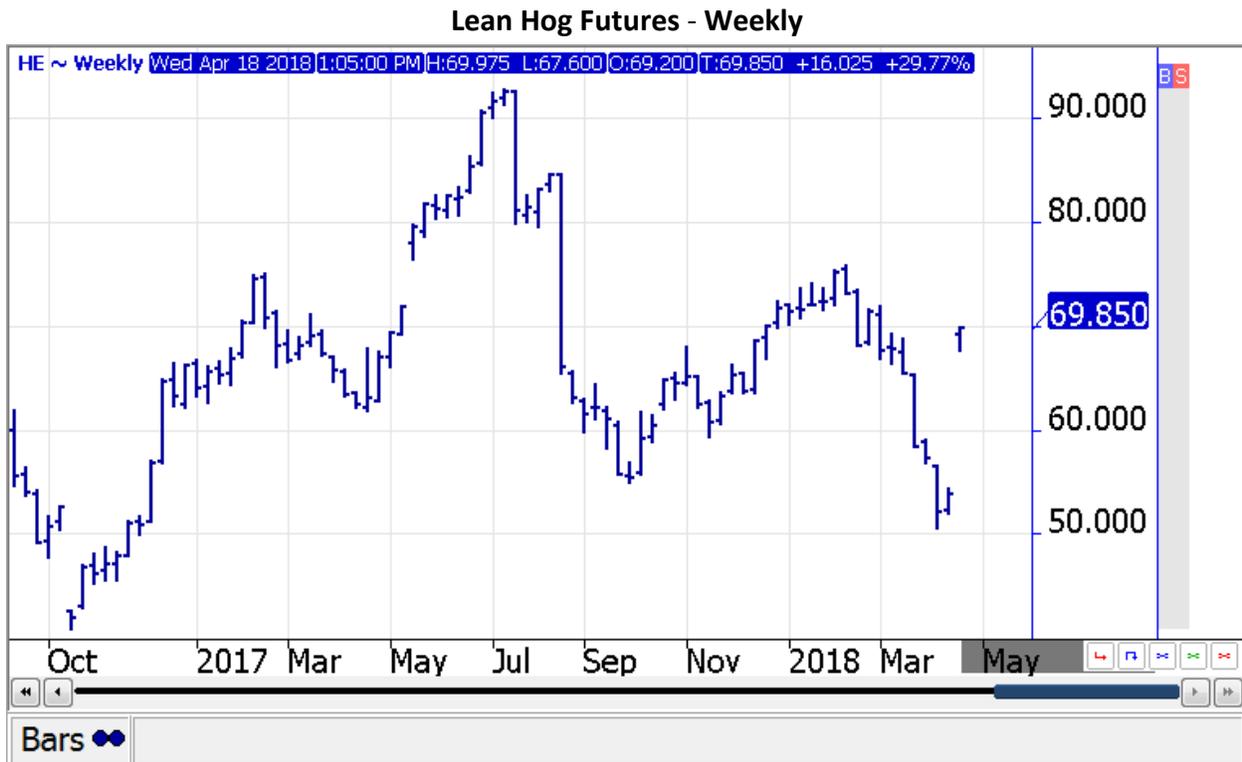
The boxed beef market during March didn't go along with the lower cash and futures markets and was a confusing fundamental indicator. On the first trading day of March, choice boxed beef was \$221.03, by the 15th of March it had moved up to \$224.11 and finished the month a \$221.04. Beef exports also helped to fluster traders as they watched futures collapse when beef exports year to date were up 17%.



Lean Hogs

Lean hog trading in March was a continuation of the downturn that began in January and accelerated in March falling \$10.00/cwt from March 1st to the end of the month and \$25.00 lower

from the first week of the new year. Fundamental factors included a glut of pork in China, the decline of live cattle futures and U.S. hog slaughter increasing by 2.5% and the decline in wholesale pork prices adding negativity to the market. Pork carcass cutouts during March fell nearly \$8.00 with pork bellies down close to \$15.00, hams off \$12.00 and loins more than \$10.00 lower.



All charts provided by QST

Support and Resistance

Stock Index

June 18 S&P 500

Support	2665.00	Resistance	2745.00
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June 18 NASDAQ

Support	6663.00	Resistance	7027.00
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Energy

May 18 Crude Oil

Support 65.80 Resistance 71.50

May 18 Natural Gas

Support 2.7110 Resistance 2.825

Precious Metals

June 18 Gold

Support 1340.0 Resistance 1369.0

May 18 Silver

Support 16.770 Resistance 17.600

Industrial Metals

May 18 Copper

Support 3.1400 Resistance 3.2550

Currencies

June 18 US Dollar Index

Support 88.750 Resistance 89.750

June 18 Euro Currency

Support 1.23650 Resistance 1.25150

Grains

July 18 Corn

Support 3.80 Resistance 4.10

July 18 Soybeans

Support 10.25 Resistance 10.75

July 18 Chicago Wheat

Support	4.60	Resistance	5.00
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Livestock

June 18 Live Cattle

Support	102.85	Resistance	108.50
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June 18 Lean Hogs

Support	75.50	Resistance	80.65
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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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