ADM Investor Services, Inc.

August 2017 Monthly Commodity Market Overview Newsletter

By the ADMIS Research Team

Stock Index Futures

S&P 500 and Dow Jones futures advanced to new historical highs in early August as most U.S. economic reports came in stronger than expected. For example, nonfarm payrolls rose by a seasonally adjusted 209,000 in July from the prior month, when an increase of 180,000 was expected. In addition, private payrolls gained 205,000, which compares to the anticipated gain of 180,000. Also, the unemployment fell to 4.3% from 4.4% in the prior month, which matched a 16 year low.

With global interest rates as low as they are in the U.S. and in many countries they are still negative, there is plenty of accommodation left in the international banking system. U.S. and global interest rates will likely remain low enough for long enough to sustain the bull market in stock index futures for quite a while.

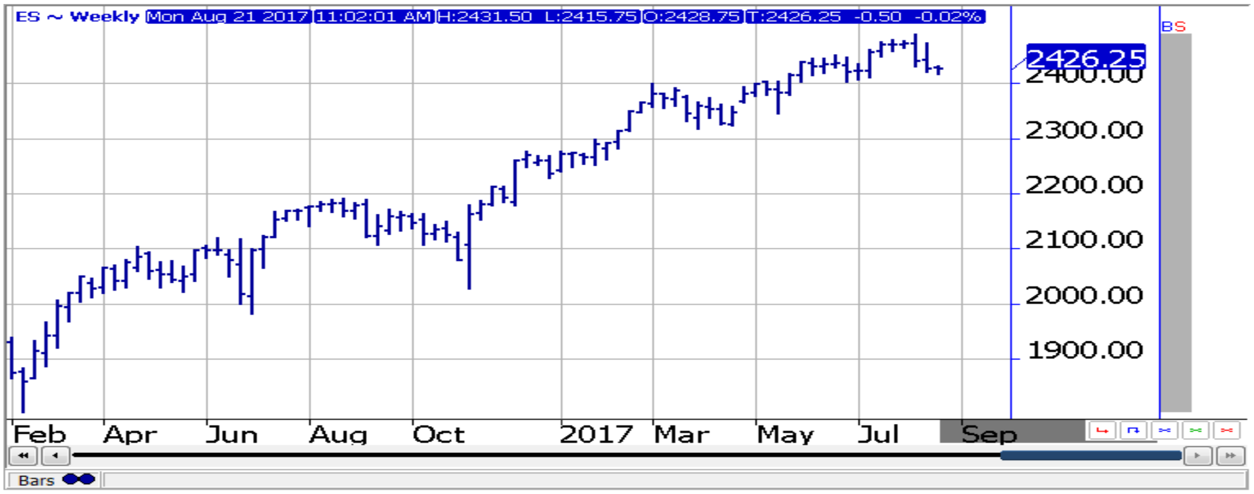
Keep in mind that from when the recession lows for stock index futures were made over eight years ago, it has been the historically accommodative global monetary policies that have been the driver behind the meteoric price gains for stock index futures. However, from time to time, there have been a variety of geopolitical events that have temporarily interrupted the advance. I stress the word temporary because every time traders and analysts have become too focused on the geopolitical risk-off event of the day, the bull market for stock index futures was eventually rescued by ongoing global central bank accommodation.

Recently there was selling pressure when the tensions between the U.S. and North Korea ramped up, along with political turmoil in Washington. Geopolitical tensions, when they arise from time to time, will only temporarily get in the way of this bull market.

Our view remains that any bearish political news that pressures the stock index futures market should be used as an opportunity to enter the market on the long side on the belief that the influence of the bearish news will probably last for a short time, while the bullish ongoing low interest rate environment is there all of the time.

The long term outlook for S&P 500, Dow Jones and NASDAQ futures is higher.

S&P 500 Futures - Weekly



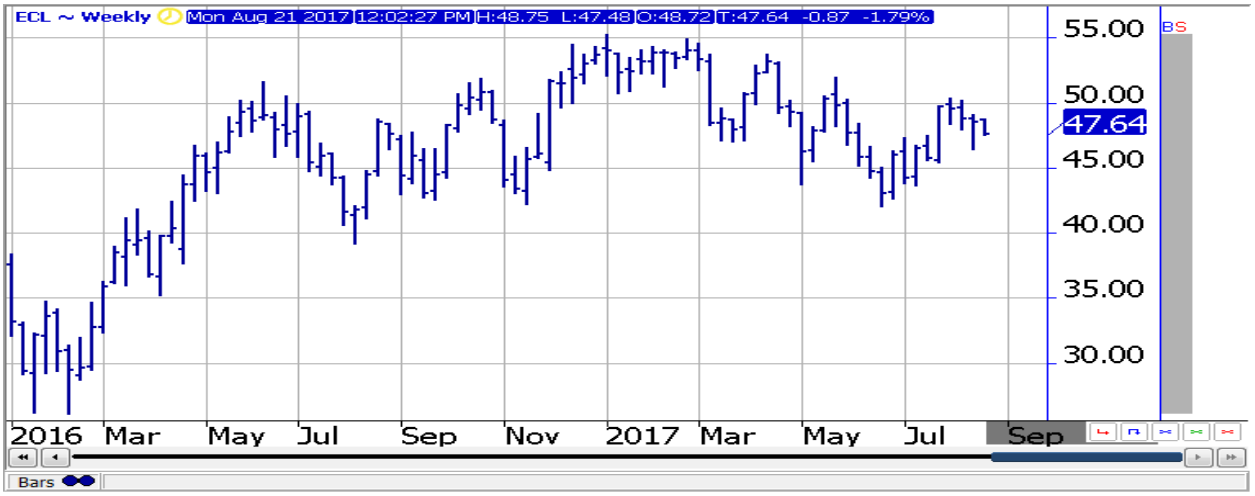
Energy

Crude oil prices trended higher in July and remained firm earlier this month. However, pressure has developed more recently due to falling prices for gasoline and diesel, as the end of summer driving season approaches.

This bearish influence to some degree is being partially offset by figures showing that production by the Organization of the Petroleum Exporting Countries is declining. OPEC's production is predicted to fall 419,000 barrels a day this month to 32.8 million barrels a day. Also, the cartel's exports fell by 750,000 barrels a day in the first half of August.

Higher prices are likely for crude oil futures in light of an improving global economy.

Crude Oil Futures - Weekly



Precious Metals

From the first week in July through the present gold futures have steadily marched higher as global investors seek safety in light of ongoing tensions between the U.S. and North Korea. In 2017, so far, the price of gold has advanced 12%. In addition to the flight to quality influence, gold has been supported due to a weak U.S. dollar, as well as indications that the Federal Reserve will take a more gradual approach to tightening monetary policy.

From a technical point of view, the 1295.00 double top on the weekly charts has been taken out, suggesting further price gains lie ahead.

Also, the influence of a strengthening global economy and the increased inflation that it brings, will sustain this long term bull market.

Gold Futures - Weekly

US Dollar

The US Dollar fell to a 13 month low in early August, as interest rate differential expectations remained bearish for the greenback.

However, the greenback recovered to a limited degree more recently due to a series of stronger than expected U.S. economic reports, including the better than anticipated U.S. employment data.

In addition, it appears that the Federal Open Market Committee is likely to embark on a slower path to interest rate hikes. While the FOMC is on a measured path to increase interest rates, other major central banks, such as the European Central Bank are likely to scale back their accommodative policies later this year, while the Bank of England is on course to increase its key lending rate possibly in 2018.

In spite of the mid-August gains we expect the U.S. dollar to decline.

Euro Currency

The euro currency advanced to a 31 month high in early August before several economic reports pressured prices. For example, German gross domestic product grew at a slightly slower than estimated quarterly rate of .6%, or 2.5% in annualized terms. This compares to the estimate of an annualized pace of 2.8%.

In addition, there was some selling on reports that European Central Bank President Mario Draghi would not use his Jackson Hole, Wyoming appearance to signal a policy change by the central bank. In spite of this, speculation remains that the European Central Bank could announce plans to wind down its quantitative easing program this year, possibly at its September 7 policy meeting.

The main trend for the currency of the euro zone is higher.

Grains

A bearish USDA August crop report helped push grains futures lower. On August 10, the USDA estimated world 2016/17 soybean end stocks at 97.8 million tonnes. This was up from July due to an increase in supply. The USDA estimated world production will be near a record 351.7 million tonnes and total usage to be also a record at 329.1 million tonnes. Total world exports are estimated to be near 145.0 million tonnes versus 132.4 last year and U.S. exports are estimated to be near 58.5 million tonnes versus 52.9 last year. The USDA estimated world 2017/18 soybean production to be near 345.1 million tonnes, demand near 343.3 and end stocks near 97.8. The U.S. August weather is near normal, which limits the upside in prices. This week China finally began to buy new crop soybeans. This could support prices.

The USDA estimated China's 2016/17 soybean imports at a record 91.0 million tonnes versus 83.2 last year. The USDA estimated China's 2017/18 soybean imports to be near 94.0 million tonnes.

On August 10, the USDA estimated world 2017/18 wheat end stocks at a record 264.7 million tonnes and the USDA estimated world production near 743.2 million tonnes versus 737.8 in July. Total usage is estimated to be 737.0 million tonnes. Total world exports are estimated to be 179.9 million tonnes versus 182.3 last year. U.S. exports are estimated to be near 26.5 million tonnes versus 28.7 last year. The Russian wheat crop was estimated at 77.5 mmt versus 72.5 last year and Russian wheat exports were raised to 31.5 mmt versus 27.8 last year.

On August 10, the USDA estimated world 2016/17 corn end stocks at a record 228.6 million tonnes. In addition, the USDA estimated world production near a record 1,070.5 million tonnes and total usage also a record at 1,055.4 million tonnes. Total world exports are estimated to be near 162.4 million tonnes versus 119.6 last year. U.S. exports are estimated to be near 56.5 million tonnes versus 48.3 last year. The USDA also estimated world 2017/18 corn end stocks at 200.8 million tonnes. In addition, the USDA estimated world production near 1,033.5 million tonnes and total usage also a record at 1,061.2 million tonnes. Total world exports are estimated to be near 152.0 million tonnes and U.S. exports are estimated to be near 47.0 million tonnes.

Livestock

Cattle

If you were selling Live Cattle and Feeder Cattle you liked July. For the hedger, July also saw bear spreading that allowed cattle producers opportunities to sell late 2017 and early 2018 cattle at higher prices than the front month. July started out with cattle trading up to $117.32, but a quick drop took place when traders came back after the July 4th holiday, moving August futures down to $113.07 with the following day cattle dropping to a low of $112. 42. But within a week Live Cattle rallied to 118.67, the high for the month, to finally settle on the last day of July on the August futures at $112.00. Hedgers taking advantage of the bear spread saw December moving up to $119.85 and closing out July at $113.15.

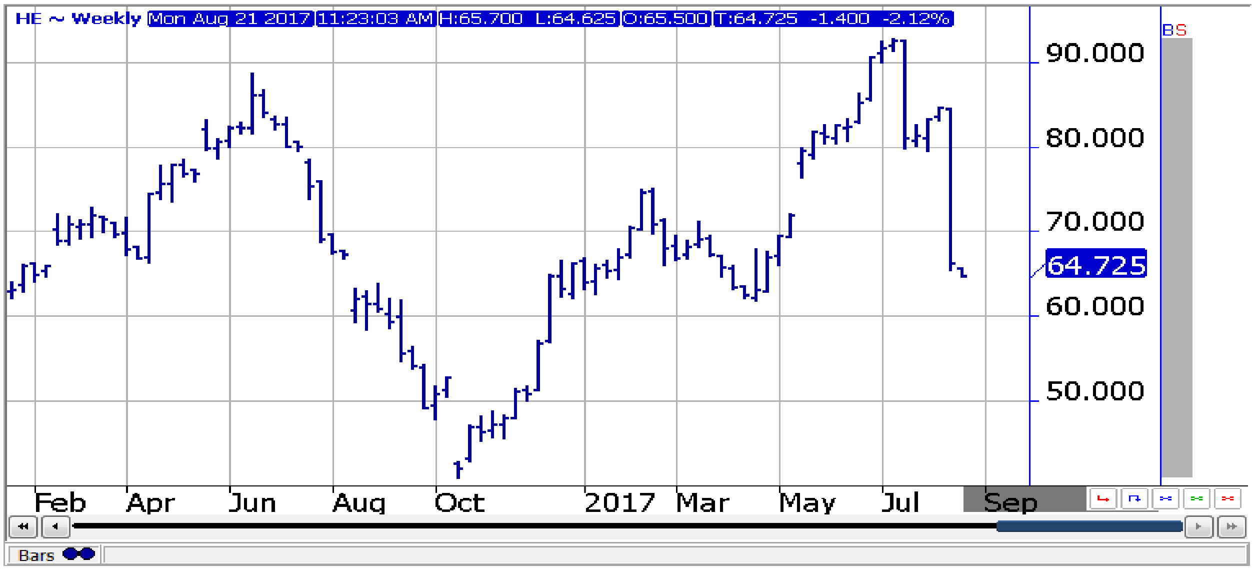
The price drop in Live Cattle happened for a few reasons. For the first half of the year, cattle slaughter was about 5.6% above a year ago and by the end of July, cattle slaughter moved up to 7.0%. Demand for choice beef plummeted in July. At the end of June, the choice boxed beef cutout value was $239.50 and on July 31st the choice cutout value was $206.25. The increase in the number of cattle combined with additional pounds put an end to the shortage of choice beef that had pushed prices up the first half of the year. Fortunately, there is a bright side. U.S. beef exports for the first six months of 2017 were up over 15%, and with the drop in the U.S. dollar in 2017, beef exports should remain strong unless there are changes in NAFTA on agricultural commodities.

Cattle Futures - Weekly

Lean Hogs

Lean Hogs started out the month with a $5.00/cwt move higher in the first week. The pork market was exceptionally strong helping to drive hog prices higher. Frozen pork supplies were down 5% from the previous month and down 4% from last year. Stocks of pork bellies were down 29% from June and down 65% from 2016 with demand for what is known as the BLT month in August. However, as retailers met their expected demand for bacon, and with hog slaughter growing by 2% over 2016, the contract highs in the first week of July saw hogs reversing and plummeting over $8.00/cwt at month's end.

Lean Hog Futures - Weekly



Support and Resistance

Stock Index

September 17 S&P 500

Support 2390.00 Resistance 2455.00

September 17 NASDAQ

Support 5711.00 Resistance 5875.00

Energy

October 17 Crude Oil

Support 46.80 Resistance 50.00

October 17 Natural Gas

Support 2.870 Resistance 3.070

Precious Metals

December 17 Gold

Support	1276.0	Resistance	1320.0

December 17 Silver

Support	16.750	Resistance	17.700

Industrial Metals

December 17 Copper

Support	2.8900	Resistance	3.1500

Currencies

September 17 US Dollar Index

Support	92.550	Resistance	93.700

September 17 Euro Currency

Support	1.17250	Resistance	1.18750

Grains

December 17 Corn

Support	3.50	Resistance	4.00

November 17 Soybeans

Support	9.00	Resistance	10.00

December 17 Chicago Wheat

Support	4.40	Resistance	4.80

Livestock

October 17 Cattle

Support	103.90	Resistance	115.87

October 17 Hogs

Support	64.00	Resistance	72.00

All charts provided by QST

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.

ADM Investor Services, Inc.

ADM Investor Services, Inc.
2100A Chicago Board of Trade Building
P 1.312.242.7000 | TF 1.877.690.7303 | www.admis.com