ADM Investor Services, Inc.

JULY 2017 Monthly Commodity Market Overview Newsletter

By the ADMIS Research Team

Stock Indexes

S&P 500, Dow Jones and NASDAQ futures advanced to new historical highs in spite of several bearish economic reports. Stock index futures only declined temporarily on news that retail sales in June declined for the second consecutive month. Retail sales decreased a seasonally adjusted .2% in June from the prior month, the first back-to-back sales drop since July and August of 2016, when economists expected a .1% increase. Also, excluding autos, retail sales were down .2% last month, which compares to the predicted .2% gain.

So why has this bull market for stock index futures been so resilient in the face of so many potential catalysts for a bear market? The answer is that interest rates in the U.S. and overseas, in spite of the four rate hikes from the Federal Reserve, are still low enough to sustain the bull market for stock index futures.

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

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

S&P 500, Dow Jones and NASDAQ futures are likely to trend higher.

S&P 500 Futures - Weekly

Energy

Crude prices advanced to a seven week high with gains coming from a decline in U.S. stockpiles. The U.S. Energy Information Administration said U.S. oil stockpiles fell by 4.7 million barrels last week. Large drawdowns of refined fuels, including gasoline, brought total stockpiles of oil and petroleum products down by 10.2 million barrels.

U.S. oil inventories have now declined in 13 of the last 15 weeks. That has increased confidence that production cuts by the Organization of the Petroleum Exporting Countries and other major producers are having an impact on large U.S. stockpiles. Last week the International Energy Agency said it raised its expectations for global demand growth.

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

Crude Oil Futures - Weekly

Precious Metals

Gold and silver prices bounced from their early July lows, due to a weak U.S. dollar, political turbulence in the U.S., as well as indications that the Federal Reserve will take a more gradual approach to tightening monetary policy.

The technical situation has improved as major downtrend lines have been taken out on the upside in both gold and silver.

Expectations that interest rates will stay low tend to boost prices for precious metals, which compete with yield bearing investments when borrowing costs rise.

The influence of the strengthening global economy, a weakening U.S. dollar and rising global inflation levels will be the catalysts for a resumption of this long term bull market.

Gold Futures - Weekly

U.S. Dollar

The U.S. dollar fell to a 13 month low this month as the fundamentals continue to turn against the greenback. It appears that the Federal Reserve is likely to embark on a slower path to interest rate hikes, especially after recent dovish comments from Federal Reserve Chair Yellen. In her testimony to congressional committees she indicated the Fed will approach tightening cautiously, given the uncertain inflation situation. The Fed Chair said the central bank of the U.S. plans to continue raising interest rates gradually, but is ready to change course if inflation remains weak.

While the Federal Open Market Committee 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 and the Bank of England is on course to increase its key lending rate possibly in 2018.

Expect the U.S. dollar to continue to decline.

Euro Currency

The euro currency advanced to almost a two year high as speculation mounts that the European Central Bank could announce plans to wind down its quantitative easing program sometime this year. The currency of the euro zone continued to advance in spite of news that German economic sentiment fell in July. A measure of economic expectation fell to 17.5, when economists had predicted 18.0.

Also, the euro currency only temporarily declined on news that the housing market in the euro zone cooled in the first three months of this year. House prices in the three months through March were up .4% from the fourth quarter of 2016, and 4% from a year ago. That was the smallest quarter to quarter gain since the end of 2015.

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

Grains

Grain futures are in a weather market trade. On July 12, the USDA estimated world 2016/17 soybean end stocks at 94.8 million tonnes. This was up from May due to an increase in supply. The USDA estimated world production will be near a record 351.8 million tonnes and total usage to be also a record at 331.4 million tonnes. Total world exports are estimated to be near 145.2 million tonnes versus 132.4 last year and U.S. exports are estimated to be near 57.2 million tonnes versus 52.9 last year. The USDA estimated world 2017/18 soybean production near 345.1 million tonnes, demand near 345.3 and end stocks near 93.5. The numbers were thought to be negative to prices. Parts of the U.S. were dry in early July. The USDA 2017 soybean crop rating is near 61% good/excellent versus 71% last year.

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

On July 12, the USDA estimated world 2016/17 wheat end stocks at a record 258.0 million tonnes. The USDA estimated world production near a record 754.3 million tonnes and total usage at 739.1 million tonnes. Total world exports are estimated to be near 181.6 million tonnes versus 172.8 last year. U.S. exports are estimated to be near 28.7 million tonnes versus 21.1 last year. The USDA also estimated world 2017/18 wheat end stocks at a record 260.6 million tonnes. The USDA estimates world production near 737.8 million tonnes and total usage at 735.3 million tonnes. Total world exports are estimated to be near 178.4 million tonnes and U.S. exports are estimated to be near 27.2 million tonnes. U.S. northern plains spring wheat areas have been dry. The USDA rates the crop 34% good/excellent versus 69% last year. The crop and carryout could drop to lower levels, which could push prices higher.

On July 12, the USDA estimated world 2016/17 corn end stocks at a record 227.5 million tonnes. The USDA estimated world production near a record 1,068.8 million tonnes and total usage also a record at 1,054.0 million tonnes. Total world exports are estimated to be near 159.7 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. The USDA estimated world production near 1,036.9 million tonnes and total usage also a record at 1,063.6 million tonnes. Total world exports are estimated to be near 152.5 million tonnes. U.S. exports are estimated to be near 47.6 million tonnes. The USDA rates the U.S. 2017 corn crop 64% good/excellent versus 76% last year.

Livestock

Cattle

From the close on May 31st to June 6th, live cattle had a quick strong rally of $9.80/cwt. The high on June 6th was $134.22, but the rally became a selling opportunity and live cattle futures tumbled $16.20/cwt to the low on June 20th at $118.02. For the remainder of June live cattle bounced off the lows, sideways in a $3.00 to $4.00 range.

From February through May beef processors and beef purveyors were forward contracting beef sometimes out 60 days. At some point packers contracted too much beef, overestimating expected cattle numbers, or beef buyers took advantage of a bull spread market and bought extra supplies of beef. But from mid-February through May it was obvious the number of cattle ready for slaughter could not meet the demand for the forward contracted beef. Cattle buyers were desperate and were taking cattle from feedlots that should have remained on feed at least a month longer through May and into June.

But, as soon as packers could supply the required amounts of forward contracted beef, demand for negotiated cattle faded. Throughout June, packers used their own captive supplies and bought showlist cash cattle simply to fill out slaughter schedules. Boxed beef topped in June for choice over $250.00 and by the end of June it was over $35.00 lower.

Cattle Futures - Weekly

Lean Hogs

Lean hogs fared better than cattle in June, but for the most part traded in a $5.00 to $6.00 range. Pork products began to move higher mid-month which was supportive to futures and the cash hog market.

Pork exports are the driving force behind the steady to higher hog market. Close to a quarter of the pork product is being exported with Mexico and Japan the constant and strong buyers.

Lean Hog Futures - Weekly

Support and Resistance

Stock Index

September 17 S&P 500

Support	2445.00	Resistance	2482.00

September 17 NASDAQ

Support	5820.00	Resistance	5988.00

Energy

September 17 Crude Oil

Support	44.20	Resistance	48.80

September 17 Natural Gas

Support	2.870	Resistance	3.150

Precious Metals

August 17 Gold

Support	1231.0	Resistance	1278.0

September 17 Silver

Support	15.600	Resistance	17.550

Industrial Metals

September 17 Copper

Support	2.6550	Resistance	2.8200

Currencies

September 17 US Dollar Index

Support	92.550	Resistance	95.500

September 17 Euro Currency

Support	1.15980	Resistance	1.18350

Grains

December 17 Corn

Support	3.80	Resistance	4.20

November 17 Soybeans

Support	9.75	Resistance	10.40

September 17 Chicago Wheat

Support	4.90	Resistance	5.50

Livestock

August 17 Cattle

Support	111.00	Resistance	122.00

August 17 Hogs

Support	77.00	Resistance	90.00

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.

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