



JUNE 2017 Monthly Commodity Market Overview Newsletter

By the ADMIS Research Team

STOCK INDEX FUTURES

Signs of a growing global economy and better corporate earnings propelled stock markets around the world to record heights. S&P 500, Dow Jones, NASDAQ, Germany's DAX and Korea's Kospi index all reached all-time highs. Futures continued to gain in spite of the uncertainties of former Director of the FBI Comey's testimony.

Much of this strength can be attributed to on balance better than expected corporate earnings reports. S&P 500 first quarter corporate earnings are projected to increase 14.6%, which would be the best rate of increase in six years. Also, the percentage of companies beating estimates is at 76%, which is substantially above the historical average of approximately 62%.

Economic reports have been mixed to better on balance. On the bullish side, first quarter gross domestic product, which is a broad measure of the goods and services produced in the U.S. economy, was stronger than initially believed. Gross domestic product growth was revised up to 1.2%, while economists had expected an upward revision to .9% growth.

In addition, futures were able to hold up well in spite of the weaker than anticipated May nonfarm payrolls report, which increased 138,000 and compared to expectations of a gain of 182,000. Private payrolls were up 147,000, when an increase of 175,000 was anticipated.

The long term outlook for stock index futures remains positive.

S&P 500 Futures - Weekly



All charts provided by QST

ENERGY

Crude oil futures continue to drift lower to near a seven month low as a result of surplus inventories. Crude oil markets fell almost 4% last Wednesday following U.S. Energy Information Administration data showing gasoline inventories rose by 2.1 million barrels in the previous week, when analysts believed inventories had declined. This raised questions about whether demand would be able to grow enough at the height of the summer driving season to consume a glut of crude oil.

The International Energy Agency, reported the global supply growth rate continues to outpace demand and will likely do so until 2018 at least, in spite of the continuing output cuts by the Organization of the Petroleum Exporting Countries and other producers, including Russia.

Crude Oil Futures - Weekly



Asian demand has been good, especially in China, which is one bright spot for the market. Crude imports by the world's second biggest economy recorded their second highest level on record in May, while oil demand for oil in India in April was the highest since November.

PRECIOUS METALS

Gold prices dropped to a three week low as the U.S. dollar temporarily appreciated after the Federal Reserve's Wednesday decision to hike its fed funds rate. On Wednesday, the Federal Open Market Committee announced its decision to raise interest rates by 25 basis points to between 1% and 1.25%. In addition, the central bank also indicated plans to raise interest rates one more time in 2017, further weighing on gold prices. Some analysts were anticipating a slightly dovish statement from the Fed, which proved not to be the case.

Gold Futures - Weekly



Ultimately the influence of the strengthening global economy and rising global inflation levels will be the catalysts for a resumption of this long term bull market.

CURRENCIES

U.S. Dollar

The U.S. dollar fell to a seven month low this month as the fundamentals have turned against the greenback. A massive political headwind for the U.S. dollar 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 may 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.

In addition, the U.S. dollar has shown a tendency to underperform the news. For example, the greenback initially advanced when the bullish May Automatic Data Processing employment change report came in stronger than expected at up 253,000, when a gain of 180,000 was anticipated. However this price gain did not follow through.

In addition, interest rate differential expectations continue to undermine the greenback. 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 later this year and the Bank of England is on course to increase its key lending possibly in 2018.

It will be difficult for the U.S. dollar to mount a sustained rally.

Euro Currency

The euro currency advanced to a seven month high and continues to be supported by prospects of a less accommodative European Central Bank. This belief was underscored when the European Central Bank removed a reference to the possibility of it lowering interest rates in its regular monetary policy statement on June 8, suggesting the central bank has confidence in the euro zone's economic recovery. The central bank of the euro zone said, "The Governing Council expects the key ECB interest rates to remain at their present levels for an extended period of time, and well past the horizon of the net asset purchases." At its previous policy meeting, the ECB left the door open for reducing interest rates.

In addition, the currency of the euro zone firmed on mostly stronger than expected economic reports. For example, a report showed manufacturing jobs in the euro zone increased at the fastest rate in 20 years. In addition, the Ifo institute's confidence index increased to 114.6 in May from 113 in April, while a PMI for factories advanced to 59.4 in May.

Also, according to the European Union's statistics agency, first quarter gross domestic product increased .6% from the last quarter of 2016, and by 1.9% from the first three months of last year. It was previously estimated that quarter-to-quarter growth would be .5%, and year-to-year growth would be 1.7%.

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 June 9, the USDA estimated world 2016/17 soybean end stocks at 93.2 million tonnes. This was up from May due to an increase in the 2017 Brazil and Argentina crops. The USDA estimated world production will be near a record 351.3 million tonnes and total usage to be also a record at 331.2 million tonnes. Total world exports are estimated to be near 144.6 million tonnes versus 132.2 last year and U.S. exports are estimated to be near 55.8 million tonnes

versus 52.7 last year. The USDA estimated world 2017/18 soybean production near 344.7 million tonnes, demand near 344.2 and end stocks near 88.8. The numbers were thought to be negative to prices. Parts of the U.S. were dry in late May. The USDA first 2017 soybean crop rating is near 66% good/excellent vs. 74% last year.

The USDA left China's 2016/17 soybean imports to a record 89.0 million tonnes versus 83.2 last year and the USDA estimated China 2017/18 soybean imports to be near 93.0 million tonnes.

On June 9, the USDA estimated world 2016/17 wheat end stocks at a record 256.4 million tonnes. The USDA estimated world production near a record 754.1 million tonnes and total usage also a record at 740.2 million tonnes. Total world exports are estimated to be near 180.3 million tonnes versus 172.8 last year. U.S. exports are estimated to be near 28.2 million tonnes versus 21.1 last year. The USDA also estimated world 2017/18 wheat end stocks at a record 261.2 million tonnes. The USDA estimates world production near 739.5 million tonnes and total usage at 734.8 million tonnes. Total world exports are estimated to be near 178.5 million tonnes and U.S. exports are estimated to be near 27.2 million tonnes. U.S. north plains spring wheat areas have been dry. The USDA rates the crop 45% good/excellent versus 79% last year. The crop and carryout could drop to low levels, which could push prices higher.

On June 9, the USDA estimated world 2016/17 corn end stocks at a record 224.6 million tonnes. The USDA estimated world production near a record 1,067.2 million tonnes and total usage also a record at 1,055.1 million tonnes. Total world exports are estimated to be near 158.7 million tonnes versus 120.0 last year. U.S. exports are estimated to be near 56.5 million tonnes versus 48.2 last year. The USDA also estimated world 2017/18 corn end stocks at 194.3 million tonnes. The USDA estimated world production near 1,031.8 million tonnes and total usage also a record at 1,062.1 million tonnes. Total world exports are estimated to be near 152.9 million tonnes. U.S. exports are estimated to be near 47.6 million tonnes. The USDA rates the U.S. 2017 corn crop 67% good/excellent versus 75% last year.

LIVESTOCK

Cattle

Cattle futures in the first week in May made contract highs on the June 2017 futures contract, but fell \$12.00/cwt by mid-month and bounced sideways in a \$3.00 to \$5.00 range in the last half of May. For the year, live cattle futures and the cash cattle market have done exceedingly well. Since the beginning of 2017 cattle futures to the first of May gained over \$30.00/cwt.

The higher move in cattle is due to the exceptional strength in the choice boxed beef market. The primal cuts, loins and ribs, made historical new highs in May. Demand for high quality beef comes from U.S. retail buyers and an increase in beef exports. Beef exports for the first four months of 2017 were up 22% compared to the same time in 2016. Beef processors have extremely profitable margins and when processors are making exceptional profits, they will make sure plants run at optimum levels.

Cattle Futures - Monthly

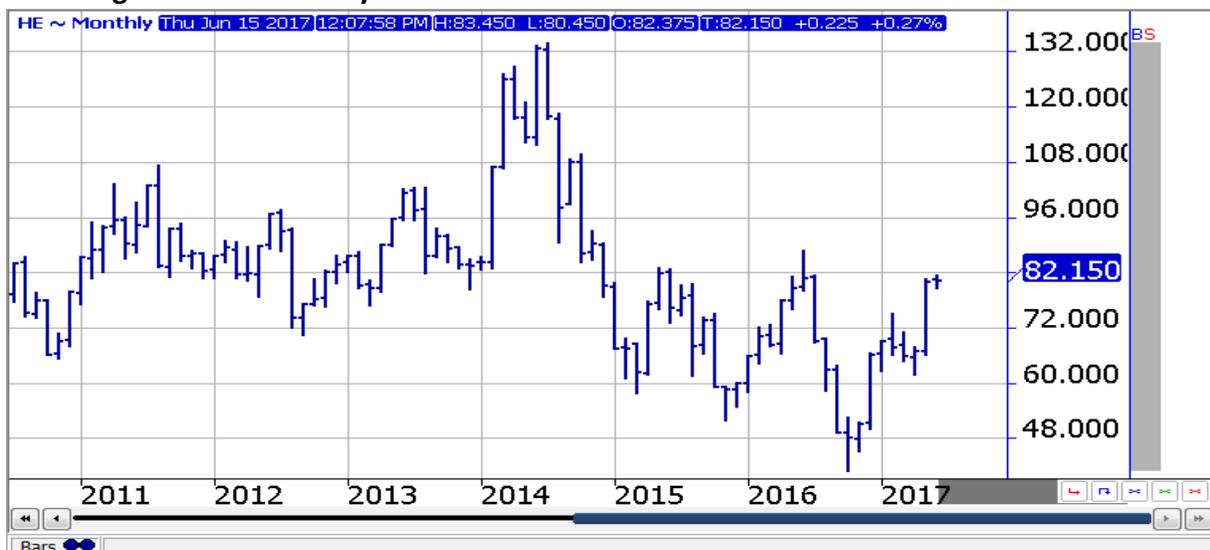


Lean Hogs

The month of May completely reversed the bear lean hog market of March and April with a rally from May 1st to May 31st close to \$10.00/cwt. Cheap pork prices became competitive to high beef and poultry prices for the U.S. consumer and for the export markets. Like beef, exports for pork were up 22% the first quarter of 2017 and remained strong throughout May.

And once again, like cattle, hog processors had lucrative profit margins in May. New pork processors have been coming online in 2017 and by the end of the year a total of five new plants will be up and running, which should give producers additional competition.

Lean Hog Futures - Monthly



SUPPORT AND RESISTANCE

Stock Index

September 17 S&P 500

Support	2390.00	Resistance	2460.00
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September 17 NASDAQ

Support	5595.00	Resistance	5900.00
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Energy

August 17 Crude Oil

Support	43.60	Resistance	47.15
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August 17 Natural Gas

Support	2.950	Resistance	3.200
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Precious Metals

August 17 Gold

Support	1245.0	Resistance	1284.0
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July 17 Silver

Support	16.400	Resistance	17.550
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Industrial Metals

July 17 Copper

Support	2.5150	Resistance	2.6400
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Currencies

September 17 US Dollar Index

Support	95.700	Resistance	97.600
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September 17 Euro Currency

Support	1.15000	Resistance	1.13700
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Grains

December 17 Corn

Support	3.80	Resistance	4.25
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November 17 Soybeans

Support	9.00	Resistance	9.80
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September 17 Chicago Wheat

Support	4.40	Resistance	4.80
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Livestock

June 17 Cattle

Support	117.25	Resistance	137.50
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July 17 Hogs

Support	65.00	Resistance	97.00
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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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