ADM Investor Services, Inc.

June 2018 Monthly Commodity Market Overview Newsletter

By the ADMIS Research Team

Stock Index Futures

Stock index futures performed well in spite of increased global trade tensions. In fact NASDAQ and Russell 2000 futures advanced to new record highs. There was only temporary pressure on futures when the Trump administration announced that the U.S. will implement a 25% tariff on $50 billion of goods from China related to intellectual property and technology, and pledged to impose additional levies if China takes retaliatory steps. The list will target 800 product categories, which was down from 1,300 previously.

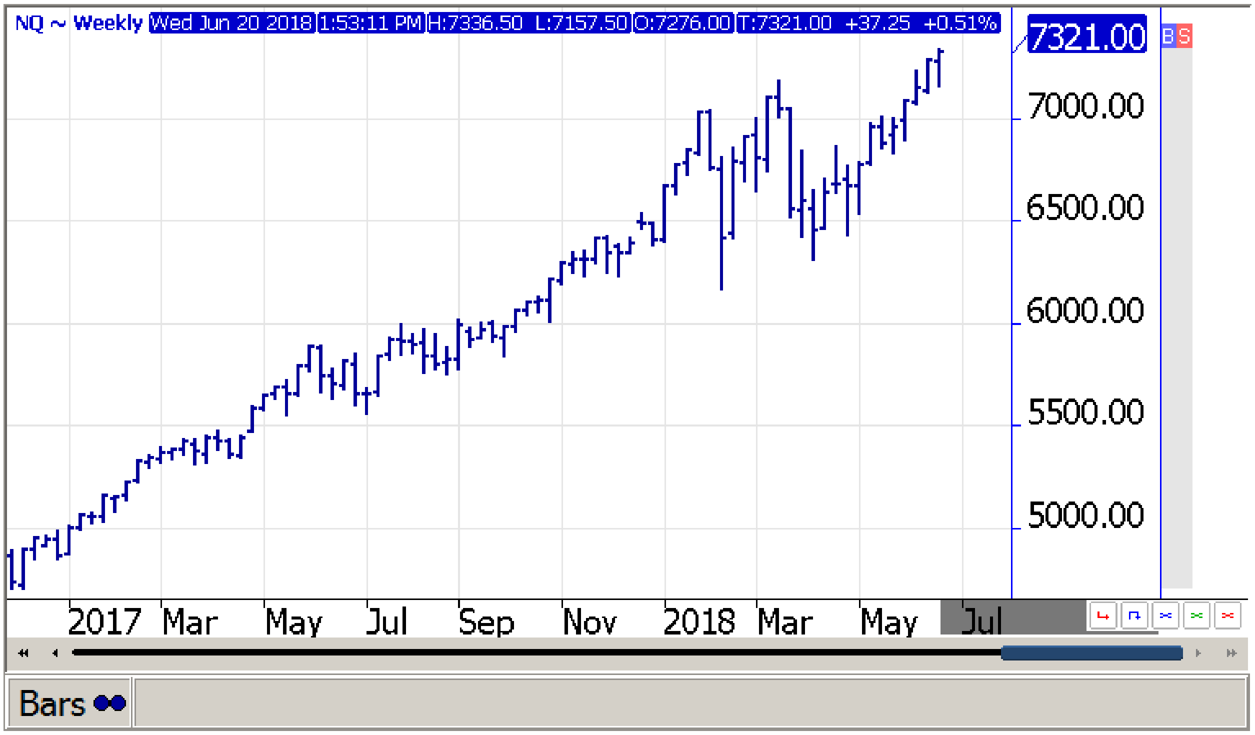
Also, President Donald Trump threatened to impose a 10% tariff on $200 billion of Chinese goods and Beijing warned it would respond with “qualitative” and “quantitative” measures. In addition, President Trump said if China retaliates with additional tariffs, he would place further tariffs on Chinese goods of up to a total of $450 billion.

More recently stock index futures are able to advance in spite of news that the European Union will start charging import duties of 25% on a variety of U.S. products after Washington imposed tariffs on E.U. steel and aluminum at the beginning of June.

Stock index futures are higher even though the World Bank said global growth is likely to slow over the next two years as central banks increase borrowing costs and the impact of U.S. fiscal stimulus starts to fade. Also, stock index futures were supported by speculation of possible increased merger and acquisition activity, along with stronger than expected retail sales numbers, the biggest jump in 8 months, which were up .8% when a gain of .4% was expected.

Ironically, in what appears to be a worsening global trade situation, we are seeing less and less negative reaction in the financial markets. It was just last week that NASDAQ and Russell 2000 futures hit new historical highs. Traders appear to be gradually shifting their focus of attention more toward the still bullish overall still accommodative global interest rate policies and away from the geopolitical worries.

NASDAQ Futures -Weekly



S&P 500 Futures -Weekly

Crude Oil

In the third week in May crude oil prices advanced to their highest level since December 2014 due to reduced supply and because of an anticipated increase in global demand. Turmoil in the Middle East and the re-imposition of U.S. trade sanctions against Iran also supported crude oil prices.

However, more recently prices declined on news that major oil exporters, Russia and Saudi Arabia, were pushing to ramp up production. A top Saudi energy official said that the proposed increase could be gradual that would be implemented in the third quarter. Russia pushed for a boost of as much as 1.5 million barrels a day, while Saudi Arabia and other Persian Gulf producers countered with a lower number, while Iran said it doesn't want to increase production at all.

Longer term, crude oil futures are likely to resume the uptrend due to an improving global economy and overall supply and demand imbalances.

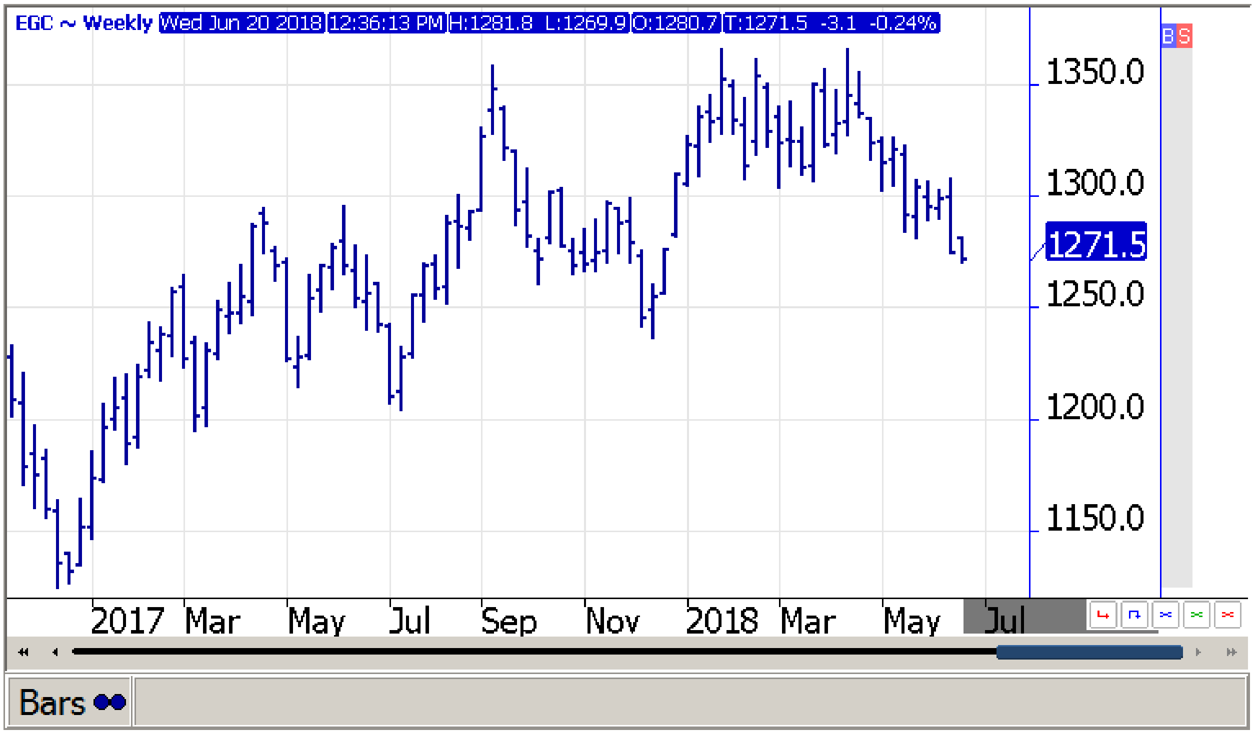
Crude Oil Futures - Weekly

Gold

After peaking in April, gold futures stair stepped lower as the U.S. dollar climbed and the outlook for Federal Reserve policy remained hawkish. From time to time, there has been limited flight to quality buying in light of heightened global trade uncertainties. However, the bearish influence of the strengthening greenback outweighed the bullish impact of the flight to quality influence.

Increased global inflation levels are likely to take place later this year, which should support the price of the yellow metal.

Gold Futures - Weekly



U.S. Dollar

The U.S. dollar advanced to an 11 month high after the Federal Open Market Committee voted 8 to zero to increase its fed funds rate by 25 basis points to a range of between 1.75% and 2.00%. FOMC officials predicted a total of four rate increases for this year, which is up from a projection of three rate hikes at their March meeting. Also, Fed officials see three rate increases in 2019 and one in 2020.

Interest rate differential expectations continue to support the greenback, with the probability of a fed funds rate hike at the Fed's September 26 meeting at 80%. Other Group of Seven central banks are unlikely to increase interest rates any time soon. The Bank of England could increase its key lending rate in December and the European Central Bank may not be in a position to hike its key lending rate until mid-2019 or later. The greenback was also supported by a flight to quality flow of funds in light of rising global trade tensions.

Over the near term the U.S. dollar should be well supported.

Euro Currency

The euro currency trended lower in April through the end of May as interest rate differential expectations remained unfavorable to the currency of the euro zone. However, in early June there was support due to speculation that the European Central Bank at its upcoming policy meeting could announce it will conclude its bond purchasing stimulus program in December.

However, prices declined sharply when the ECB at its policy meeting said it will not raise euro zone interest rates before the middle of next year. There was additional selling due to tensions within the governing coalition in Germany, as Chancellor Merkel's Bavarian allies defied her on immigration issues, which risks destabilizing her three month old governing coalition.

It will be difficult for the euro to advance due to the headwinds of unfavorable interest rate differentials, political uncertainties and ongoing global trade issues.

Grains

Is it always the darkest before the dawn? Trade issues between the U.S. China, Mexico, Canada and the E.U. have sent corn and soybean prices lower. In June, the USDA estimated world 2018/19 corn end stocks at 154.7 mmt and below trade guesses. Lower estimates of U.S. and E.U. supply dropped the estimate. U.S. spring Midwest weather has been wetter and now warmer than normal. This has improved the overall crop outlook. The next USDA report is on June 29 when the USDA will update U.S. 2018 acres and June 1 stocks.

The USDA estimated world 2018/19 end stocks near 87.0. Exports were estimated to be near 162.5 mmt. China imports remain near 103.0. The U.S. and China announced tariffs on goods. The tariffs have had a negative influence on prices despite the fact that the USDA is estimating record 2017/18 world soybean demand and a slight drop in end stocks. The concern is that China may source more of their soybean imports from South Americas and reduce their need for U.S. soybeans. This and a good start to the U.S. 2018 crop, which could increase the U.S. 2018/19 soybean carryout.

The USDA is rating the U.S. 2018 winter wheat crop 38% good to excellent versus 50 last year. Rains have improved conditions in U.S. and Canada spring wheat areas. It remains mostly dry in Russia. The USDA estimated the 2018/19 world wheat crop near 744.7 mmt. End stocks were estimated near 266.2 mmt. Dry Russia weather is offering support, but global trade issues and a higher U.S. dollar is limiting the upside in prices.

Livestock

Cattle

Cattle markets during May demonstrated that futures markets anticipate where cattle prices may or may not be when they arrive and trade into a contract month. Because there isn't a May Live Cattle contract, June futures is the nearest month. On May 1st, cash cattle prices were \$126.00/cwt and June Live Cattle futures on May 1st settled at \$105.82/cwt. It was an unusually wide spread and the cash/futures spread remained wide throughout May. By mid-May cash cattle prices had dropped to \$123.00/cwt, but so had June futures, falling to \$101.37/cwt on May 17th, with Choice Boxed beef making highs for the month at \$233.68. With a cash to futures spread close to \$22.00 and a strong boxed beef market, it appeared June futures should rally into the last two weeks of May and/or cash cattle and boxed beef should fall.

By the end of May, June Live Cattle settled at \$105.05 and cash cattle prices were at \$116 with boxed beef over \$227. The cash/futures spread had narrowed, but remained wide throughout all of May into June.

Live Cattle Futures - Weekly

Lean Hogs

Traders since the beginning of the New Year estimated hog production would increase monthly throughout 2018, and for the first four months U.S. federally inspected hog slaughter increased about 2.5% per month to 3.1% per month compared to 2017. Pork demand including exports was strong. The month of May was no exception. On May 1st, the CME Lean Hog Index was $61.75, and the CME Pork Cash Cutout Index was $68.15. On May 15, the CME Hog Index was $65.23, and the CME Pork Cutout was$ 73.26. By the end of the month Lean hog Index was up to $69.63 and the Pork Cutout Index was at $76.10.

The rally in hogs was due to the drop in hogs available for slaughter. Although slaughter remained around 3% above year ago levels, the drop in hog slaughter during March and April often over 460,000 per day had dropped the last week of May to 445,000 to around 451,000 per day. Fortunately, the tariffs placed on pork products from China were for variety cuts such as organ meats, tongues and pork feet. The boost to the pork cutout was also because of the move higher in pork bellies. At the beginning of May pork bellies were selling for $83.66/cwt and by the end of the month bellies were near $125.00/cwt with processors buying for summer bacon demand.

Lean Hog Futures - Weekly

All charts provided above by QST

Support and Resistance

Stock Index

September 18 S&P 500

Support	2738.00	Resistance	2796.00

September 18 NASDAQ

Support	7208.00	Resistance	7390.00

Energy

August 18 Crude Oil

Support	64.15	Resistance	67.80

August 18 Natural Gas

Support	2.900	Resistance	3.060

Precious Metals

August 18 Gold

Support	1263.0	Resistance	1288.0

August 18 Silver

Support	16.020	Resistance	16.950

Industrial Metals

September 18 Copper

Support	2.9800	Resistance	3.1600

Currencies

September 18 US Dollar Index

Support	93.700	Resistance	95.300

September 18 Euro Currency

Support 1.15700 Resistance 1.17500

Grains

September 18 Corn

Support 3.50 Resistance 4.00

September 18 Soybeans

Support 8.50 Resistance 9.70

September 18 Chicago Wheat

Support 4.80 Resistance 5.40

Livestock

August 18 Live Cattle

Support 99.00 Resistance 114.00

August 18 Lean Hogs

Support 72.95 Resistance 85.00

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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