



# Bernstein Financial Corp

## Monthly Commodities Update

Jan 15

### Overall Market Trends

- #1 The Thomson Reuters CRB Commodity Index of 19 commodities lost 9.8% to end at 227.64 in December, pulled lower by the energy complex. The index closed the month/year sharply lower - at its lowest price going back to 2010. If the index does not hold support at \$200.00, the next downside price target rests at around \$150.00 – or another 25% decline. A broad rally in the value of the US dollar and oversupply in a host of commodity markets looks to pressure raw material valuations during the first half of 2015.
- #2 Gold stayed below \$1,200 an ounce for the third month, as the dollar surged after strong U.S. jobs data bolstered bets that the Federal Reserve will raise interest rates next year. Bullion has now dropped 13 percent from its July high at \$1,345, entering into a correction. It is also within sight to a four-year bottom at below \$1,180 an ounce. We are expecting it to hold as the gold metal attracts safe haven buyers.
- #3 Equity markets remained unchanged in December as the strong macro data was offset by the surging dollar. Yet with the AAI Bearish Consensus hitting a 9-year low our sentiment work is at contrarian levels implying a potentially sharp correction leg into Q1 2015, further confirmed by a number of major divergences in place (VIX above 20, junk bonds at too-low yields)

Commodity	Ticker	Price	Performance	Bias
		31-Dec-14	December-14	January-15
Crude Oil	CL	53.7	-18.6%	Sideways-to-Lower
Natural Gas	NG	2.9	-28.6%	Sideways-to-Lower
Gold	GC	1 183.2	1.5%	Sideways-to-Higher
Soybeans	ZS	1 023.0	0.9%	Sideways-to-Higher
Corn	ZC	397.3	2.1%	Sideways-to-Higher
Wheat	ZW	590.0	2.0%	Sideways-to-Higher

“Sideways” +/- 5%

**This newsletter is aimed at investors engaged in selling deep out-of-the-money futures options, with the primary goal of predicting where price is NOT going to be at the end of the forecast period, rather than trying to estimate the exact size of the potential directional move.**

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## Crude Oil

Large speculator Net Long positioning: +8%  
 Rise in dollar fuels slide  
 OPEC members fighting for market share weighs  
 US shale production not slowing

**CL price (NYMEX) as of: 31-Dec-14**



Large speculator Net Long positioning: +165%  
 Larger than expected export sales support  
 Recent gains views as a technical bounce  
 US soy stocks at an 8-year high

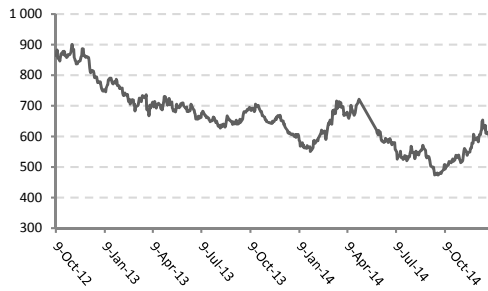
**ZS price (CBOT) as of: 31-Dec-14**



## Wheat

Large speculator Net Long positioning: +100%  
 Managed funds covering shorts  
 Fears of intervention in Russian wheat exports  
 Winter wheat conditions deteriorated in the US

**ZW price (CBOT) as of: 31-Dec-14**



## Natural Gas

Large speculator Net Short positioning: +871%  
 Forecasts for milder weather pressure  
 Production expected to remain near record levels  
 Weak crude oil prices weigh

**NG price (NYMEX) as of: 31-Dec-14**



## Corn

Large speculator Net Long positioning: +21%  
 Larger than expected export sales support  
 Seasonal lows have likely been scored  
 Longer term outlook still bearish

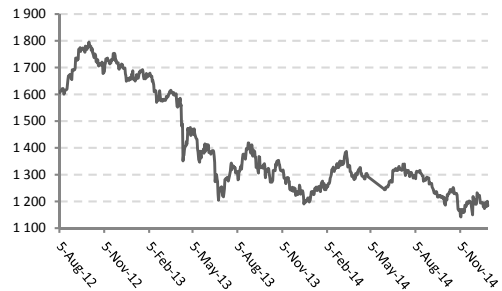
**ZC price (CBOT) as of: 31-Dec-14**



## Gold

Large speculator Net Long positioning: +24%  
 Gains fuelled by safe-haven buying  
 Mounting concern over Greece's future in the euro zone  
 Holdings in the SPDR Gold remained near a six-year low

**GC price (COMEX) as of: 31-Dec-14**



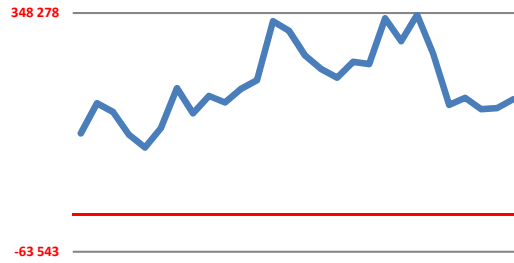


# Money Flows

Large speculator Net Positioning Trailing L24M

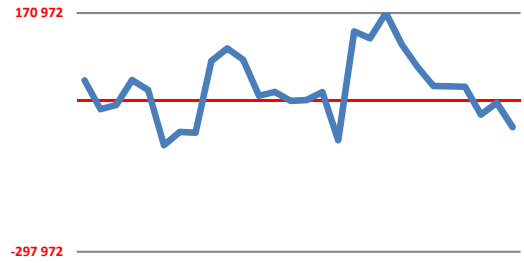
## Crude Oil

As of 31-Dec-14

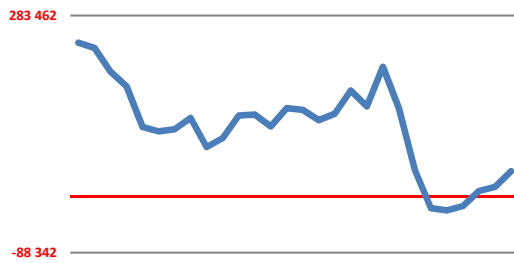


## Natural Gas

As of 31-Dec-14

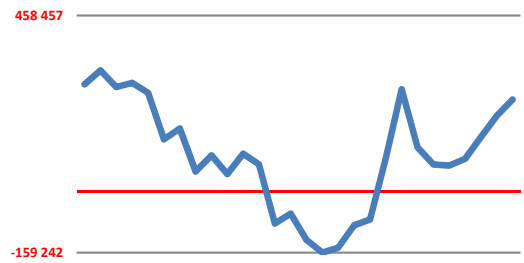


As of 31-Dec-14



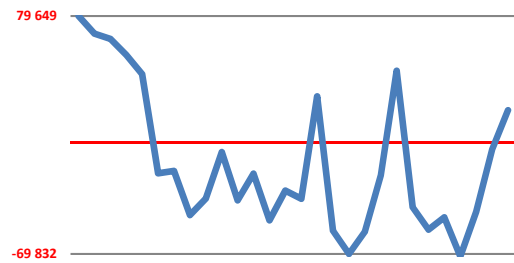
## Corn

As of 31-Dec-14



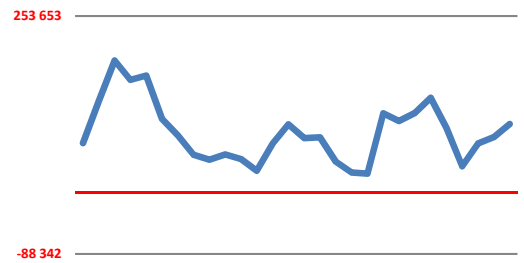
## Wheat

As of 31-Dec-14



## Gold

As of 31-Dec-14



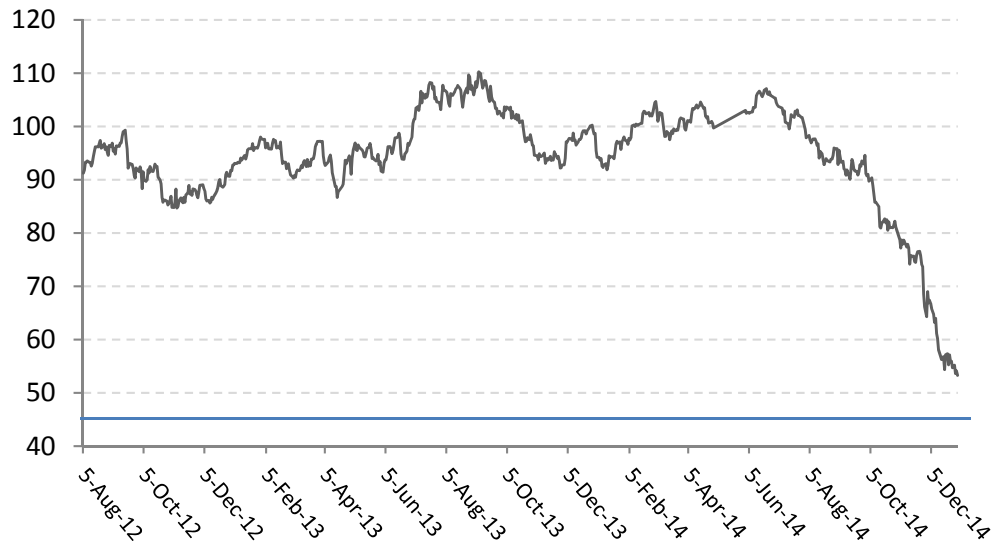


## Oil - Fundamental Outlook

Crude oil prices lost close to 20% in December as the dollar strengthened and the Saudi indicated they want to protect market share by cutting prices. Slowing China and strengthening dollar are the other key culprits of the slowdown. Russian output at post-Soviet-era highs and Iraqi oil shipments near 35-year highs are adding to the downside pressures.

As such we expect WTI prices to test support @ \$45 over the next 30 days.

## Oil - Technical Outlook



### Technical Indicators

<u>Name</u>	<u>Value</u>	<u>Action</u>	<u>Name</u>	<u>Value</u>	<u>Action</u>
RSI (14)	17.2	OS	Stoch (9,6)	55.1	Buy
MACD (12,26)	-3.26	Sell	StochRSI (14)	0	OS
ADX (14)	55.6	Sell	Williams R%	-91.7	OS

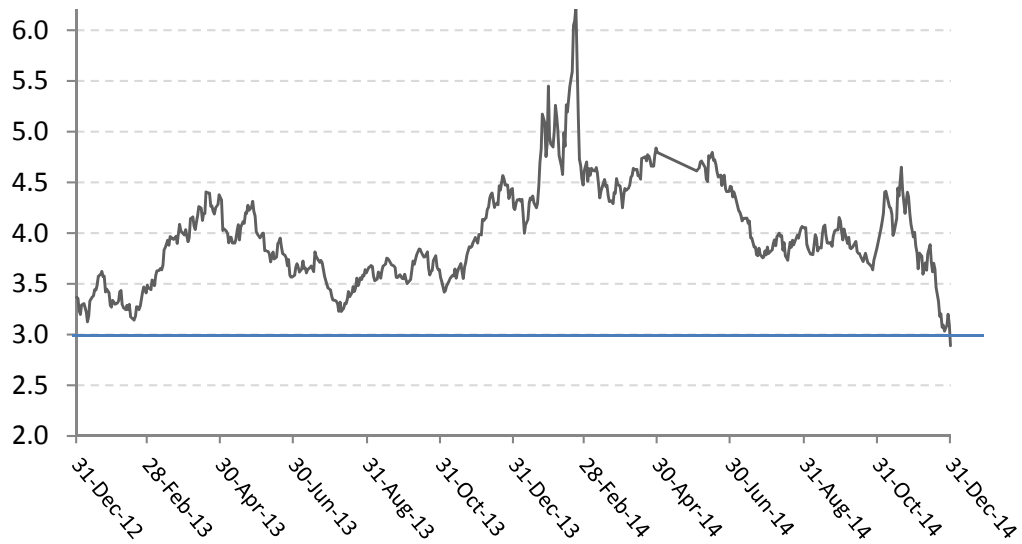


## Natural Gas - Fundamental Outlook

Natural gas slid in December on warmer-than-normal temperatures and dropping crude oil prices. The contract is sliding on fears gas in storage across the United States is excessive for the heating required in coming months. Weather models tracked called for less cold over the next two weeks but still well below normal temperatures.

As such, we see Natural Gas holding the support @ \$3.0 over the next 30 days.

## Natural Gas - Technical Outlook



### Technical Indicators

<u>Name</u>	<u>Value</u>	<u>Action</u>	<u>Name</u>	<u>Value</u>	<u>Action</u>
RSI (14)	65.9	Buy	Stoch (9,6)	71	Buy
MACD (12,26)	17.2	Buy	StochRSI (14)	54	Neutral
ADX (14)	61.4	Buy	Williams R%	-14.8	OB



## Soybeans - Fundamental Outlook

Soybean futures ended the past month with gains from short covering and a squeeze in the cash market. Strong crush and export demand have offered modest support since October, but weekly soybean export sales have been less than 1 MMT's for the last 4 weeks, while the pace of soymeal shipments has been disappointing. The S American soy crop remains in great shape, and sizeable Brazilian exports are now just 60 days away.

**As such, we expect soybeans to test the \$10.50 level over the next 30 days before reversing.**

## Soybeans - Technical Outlook



### Technical Indicators

<u>Name</u>	<u>Value</u>	<u>Action</u>	<u>Name</u>	<u>Value</u>	<u>Action</u>
RSI (14)	23.2	OS	Stoch (9,6)	49.1	Buy
MACD (12,26)	-9.26	Sell	StochRSI (14)	11	OS
ADX (14)	61.6	Sell	Williams R%	-85.7	OS



## Corn - Fundamental Outlook

Corn gained 2% last month as exports are picking up rapidly. South America's harvest will begin in the coming weeks, with Argentine soil moisture deemed as excellent. Rallies above \$4.00 require additional consumption, which will be difficult amid falling ethanol margins and ongoing corn export competition from Ukraine.

As such, we expect corn to test the \$4.00 level over the next 30 days before reversing.

## Corn - Technical Outlook



### Technical Indicators

<u>Name</u>	<u>Value</u>	<u>Action</u>	<u>Name</u>	<u>Value</u>	<u>Action</u>
RSI (14)	49.3	-	Stoch (9,6)	76.8	Buy
MACD (12,26)	-1.3	Sell	StochRSI (14)	69.8	Buy
ADX (14)	14.12	-	Williams R%	-30.6	Buy

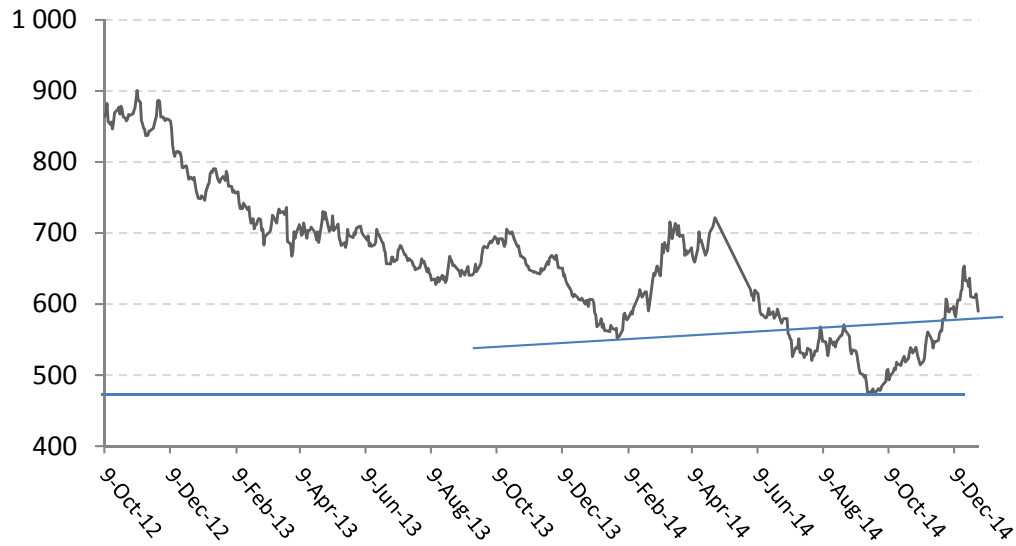


## Wheat - Fundamental Outlook

Wheat ended the month 2% higher as Russian exports are slowing. World weather patterns are favorable into mid-January, in that snow will blanket areas of the US and Russia where subzero temps are expected. We're bearish longer term without a major crop failure in the N Hemisphere.

As such, we see wheat testing the \$6.00 level over the next 30 days before reversing lower.

## Wheat - Technical Outlook



### Technical Indicators

Name	Value	Action	Name	Value	Action
RSI (14)	25.2	OS	Stoch (9,6)	47.1	Buy
MACD (12,26)	-11.26	Sell	StochRSI (14)	13	OS
ADX (14)	63.6	Sell	Williams R%	-83.7	OS





## Gold - Fundamental Outlook

Gold rose more than 1.5% to a 1 month high in December, extending gains on safe-haven buying as stock markets slide on mounting concern over Greece's future in the euro zone and as oil prices tumble further. Euro zone troubles and a possible slowdown in China are turning gold back into a safe-haven risk hedge.

As a result, we expect gold to remain above \$1200 level over the next 30 days.

## Gold - Technical Outlook



### Technical Indicators

<u>Name</u>	<u>Value</u>	<u>Action</u>	<u>Name</u>	<u>Value</u>	<u>Action</u>
RSI (14)	65.9	Buy	Stoch (9,6)	71	Buy
MACD (12,26)	17.2	Buy	StochRSI (14)	54	Neutral
ADX (14)	61.4	Buy	Williams R%	-14.8	OB



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