



Bernstein Financial Corp

Monthly Commodities Update

Feb 15

Overall Market Trends

- #1** The Thomson Reuters CRB Commodity Index of 19 commodities lost 1.2% to end at 224.85 in January, pulled lower by the energy and the ag complex. The index closed the month 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 rose 8.5% in January, buoyed by geopolitical tensions and the ECB launching its own QE program. Yet, we do not see the yellow metal at the beginning of a long lasting bull run due to high probability of the FED raising interest rates this year, thus pressuring the whole commodities sector in the medium term.
- #3** Equity markets remained unchanged in January 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-Jan-15	January-15	February-15
Crude Oil	CL	47.9	-10.9%	Sideways-to-Lower
Natural Gas	NG	2.7	-8.2%	Sideways-to-Lower
Gold	GC	1 283.5	8.5%	Sideways-to-Lower
Soybeans	ZS	961.3	-6.0%	Sideways-to-Lower
Corn	ZC	370.8	-6.7%	Sideways-to-Lower
Wheat	ZW	503.0	-14.7%	Sideways-to-Lower

“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

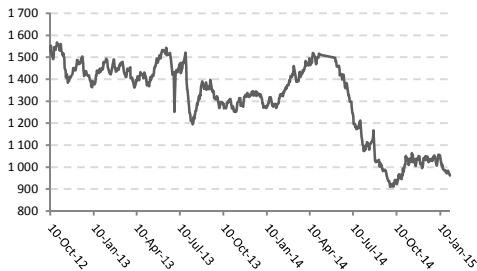
Large speculator Net Long positioning: +4%
 Rise in dollar fuels slide
 U.S. crude stocks post record high at nearly 418 mln barrels
 Recent gains due to short covering

CL price (NYMEX) as of: 31-Jan-15



Large speculator Net Short positioning: +100%
 Export sales pace flattening out
 A bearish government crop report released
 US soy stocks at record high

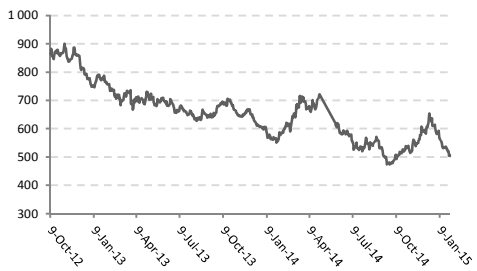
ZS price (CBOT) as of: 31-Jan-15



Wheat

Large speculator Net Short positioning: +100%
 The US Gulf's premium widened
 US export shipments are uninspiring
 Russian exports a bit higher than previously thought

ZW price (CBOT) as of: 31-Jan-15



Natural Gas

Large speculator Net Short positioning: +29%
 Forecasts for more cold and big storage draws
 Production expected to remain near record levels
 Weak crude oil prices weigh

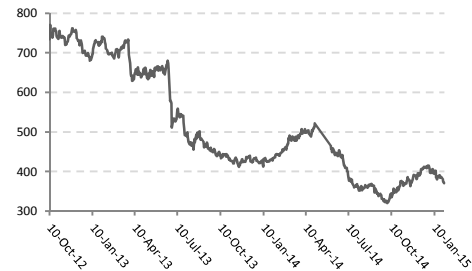
NG price (NYMEX) as of: 31-Jan-15



Corn

Large speculator Net Long positioning: +95%
 Largest stockpiles of grain-based ethanol in 2 years
 A bearish government crop report released
 Longer term outlook still bearish

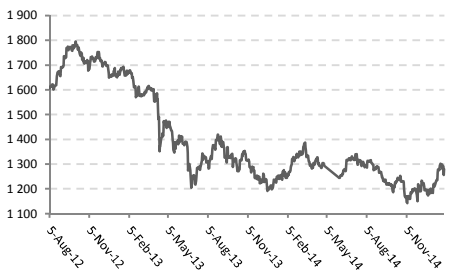
ZC price (CBOT) as of: 31-Jan-15



Gold

Large speculator Net Long positioning: +65%
 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-Jan-15



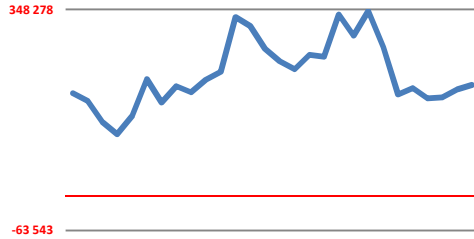


Money Flows

Large speculator Net Positioning Trailing L24M

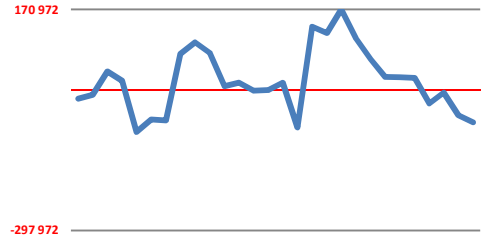
Crude Oil

As of 31-Jan-15

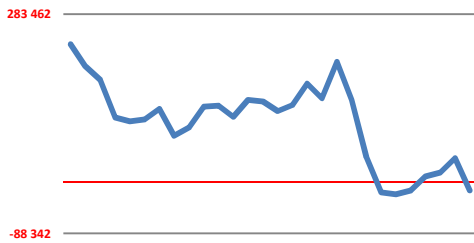


Natural Gas

As of 31-Jan-15

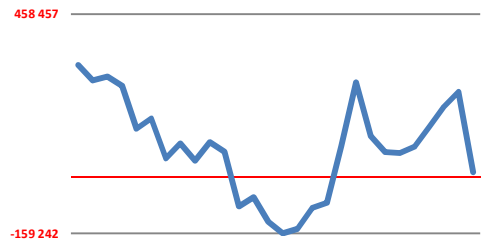


As of 31-Jan-15



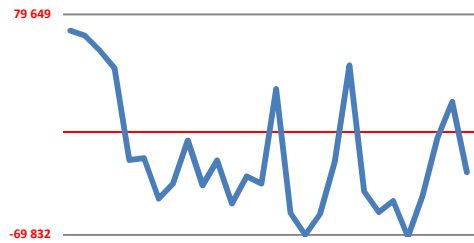
Corn

As of 31-Jan-15



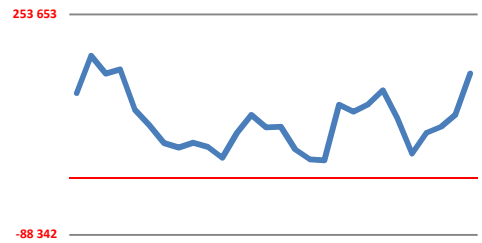
Wheat

As of 31-Jan-15



Gold

As of 31-Jan-15



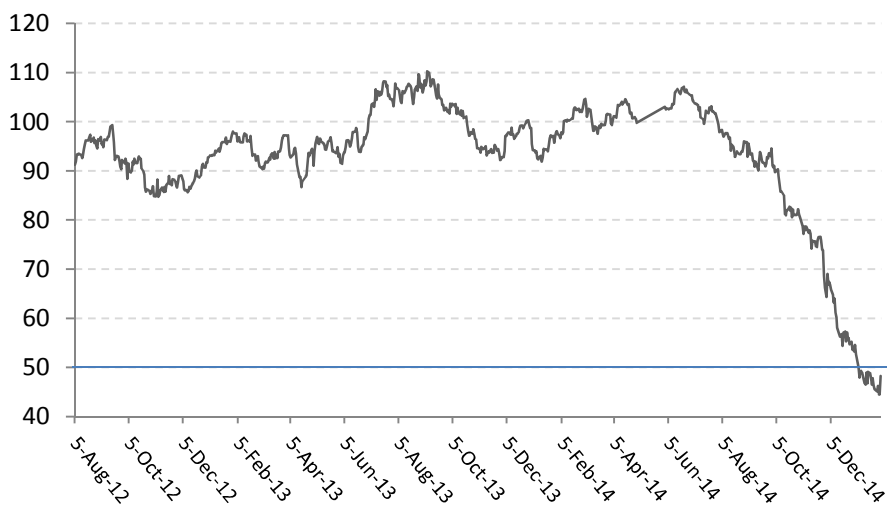


Oil - Fundamental Outlook

Crude oil prices lost close to 11% in January as the Saudis indicated they want to protect market share by cutting prices. Slowing China and strengthening dollar are the 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. U.S. crude stocks rose to reach nearly 418 million barrels, the highest since 1982, when records started being kept

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

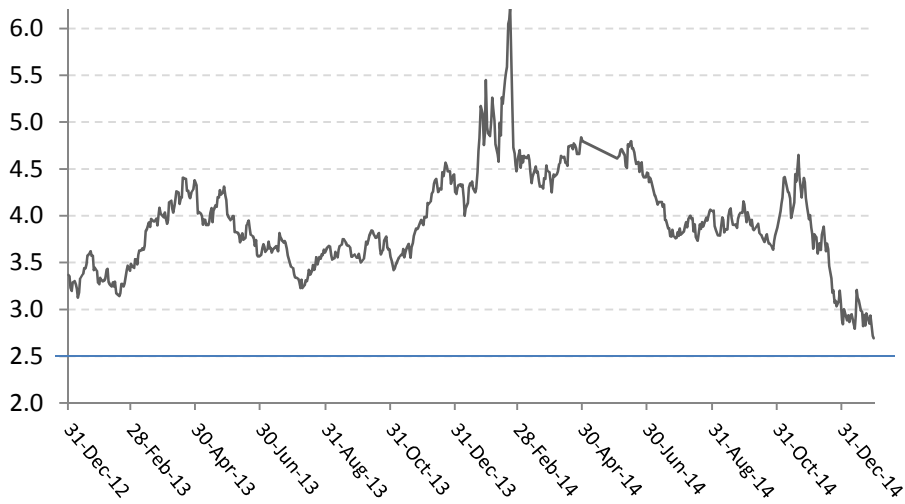


Natural Gas - Fundamental Outlook

Natural gas slid in January 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. Yet weather models are calling for more cold over the next two weeks which should support the market over the next 30-50 days

As such, we see Natural Gas holding the support @ \$2.5 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

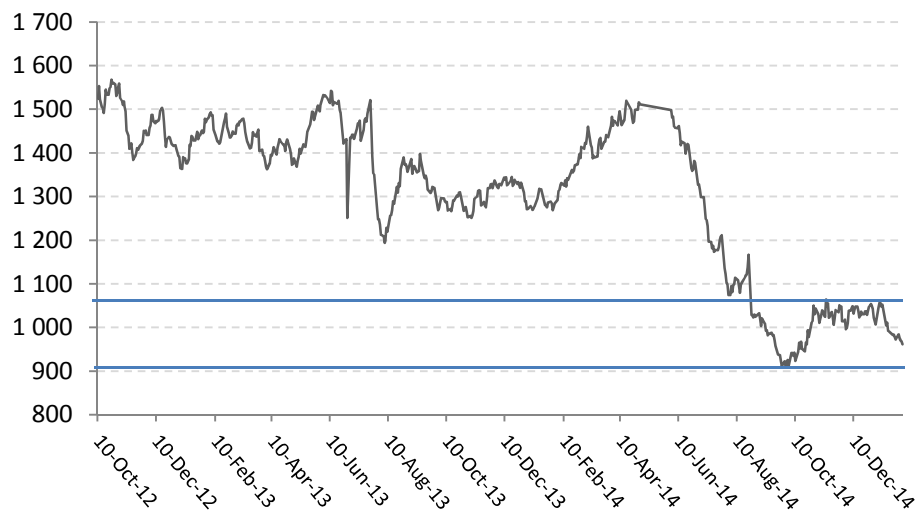


Soybeans - Fundamental Outlook

Soybean futures ended the past month down as old crop estimates climb to record high levels. The February WASDE does not normally produce any major market responses, but we look for bearish trends to resume following the report's release with March soybeans and soymeal to test contract lows in the upcoming weeks.

As such, we expect soybeans to test the \$9.50 level over the next 30 days.

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 shed 7% last month as S American weather remains highly favorable. The USDA's Feb Outlook Conference will begin a more detailed discussion about the new crop balance sheet, but until more seeding intentions are published and spring weather is better known, the market is not supposed to break out of the recent range

As such, we expect corn to test the \$3.50 level over the next 30 days.

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 lost close to 15% last month as EU futures slipped and the US export shipments remain uninspiring. Official Jul-Jan Russian exports have been fine tuned to total 18.5 MMTs, a bit higher than previously thought, adding pressure on global wheat benchmarks. The dominant fundamental factor remains the sheer size of available old crop supplies. We also fear weak Black Sea currencies will force world cash prices down another 10% by late summer.

As such, we see wheat testing the \$5.00 level over the next 30 days.

Wheat - Technical Outlook



Technical Indicators

<u>Name</u>	<u>Value</u>	<u>Action</u>	<u>Name</u>	<u>Value</u>	<u>Action</u>
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 8.0% to a 4 month high in January, extending gains on safe-haven buying as mounting concern over Greece's future in the euro zone is adding to the metal's safe haven appeal. Yet, the overriding factor - a hike by the Fed, which has kept rates near zero since 2008 to stimulate the U.S. economy - could further strengthen the dollar and in turn hurt demand for bullion, a non-interest-bearing asset.

As a result, we expect gold to remain below \$1300 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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