



Bernstein Financial Corp

Monthly Commodities Update

Mar 15

Overall Market Trends

- #1 The Thomson Reuters CRB Commodity Index of 19 commodities remained unchanged to end at 224.85 in February. The index closed the month slightly higher, remaining below major resistance levels, which is important since it confirmed that the broad commodity indexes are still in bearish price trends. The US dollar finished higher and has broke-out to the upside. We doubt that crude oil, copper or soybeans can enter bullish price trend amid their oversupply. A test of the recent January low is expected by late March with new lows possible by mid to late spring.
- #2 Gold lost over 5% in February, as the dollar resumed its ascent. 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
		28-Feb-15	February-15	March-15
Crude Oil	CL	49.5	3.5%	Sideways-to-Lower
Natural Gas	NG	2.7	1.3%	Sideways-to-Lower
Gold	GC	1 213.7	-5.4%	Sideways-to-Lower
Soybeans	ZS	1 030.5	7.2%	Sideways-to-Higher
Corn	ZC	391.5	5.6%	Sideways-to-Higher
Wheat	ZW	511.8	1.7%	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: -12%
Volatility subsiding
OPEC still not planning cuts
US rig count dropping continuously

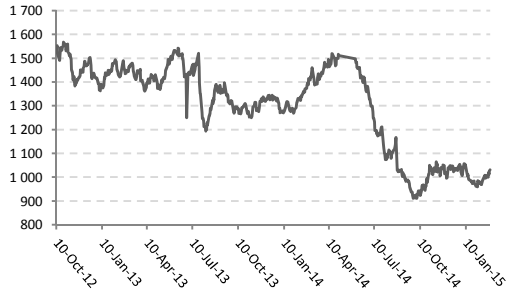
CL price (NYMEX) as of: 28-Feb-15



Soybeans

Large speculator Net Long positioning: -100%
Transportation strike in Brazil
Brazil harvest continues at good pace
Recent rally an opportunity to sell

ZS price (CBOT) as of: 28-Feb-15



Wheat

Large speculator Net Short positioning: +100%
Transportation strike in Brazil
Wheat remaining in storage is abundant
European cash wheat prices hitting seasonal lows

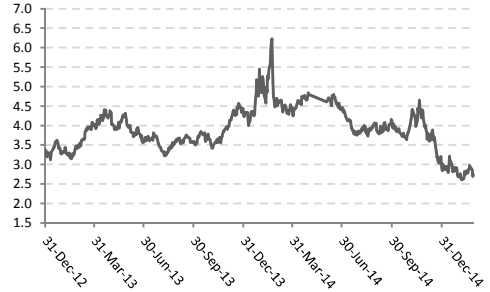
ZW price (CBOT) as of: 28-Feb-15



Natural Gas

Large speculator Net Short positioning: +188%
Forecasts for milder weather pressure
Production expected to remain near record levels
Weak crude oil prices weigh

NG price (NYMEX) as of: 28-Feb-15



Corn

Large speculator Net Long positioning: -70%
Transportation strike in Brazil
Seasonal lows have likely been scored
Longer term outlook still bearish

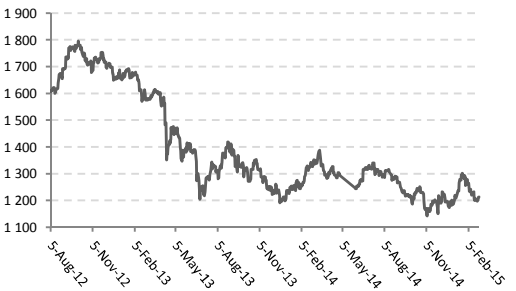
ZC price (CBOT) as of: 28-Feb-15



Gold

Large speculator Net Long positioning: -19%
Struggling to find direction
Stronger dollar pressures
Holdings in the SPDR Gold remained near a six-year low

GC price (COMEX) as of: 28-Feb-15



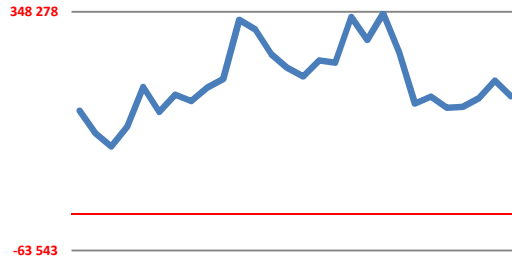


Money Flows

Large speculator Net Positioning Trailing L24M

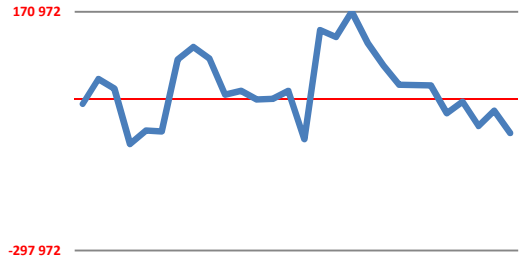
Crude Oil

As of 28-Feb-15

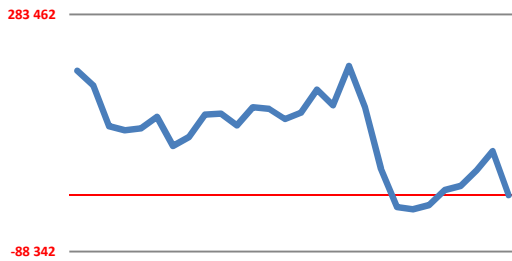


Natural Gas

As of 28-Feb-15

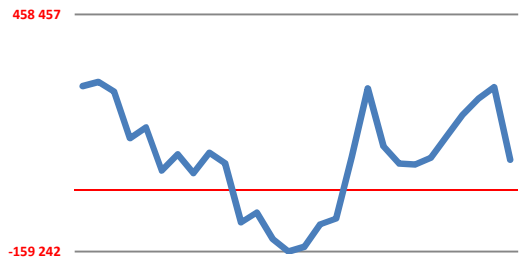


As of 28-Feb-15



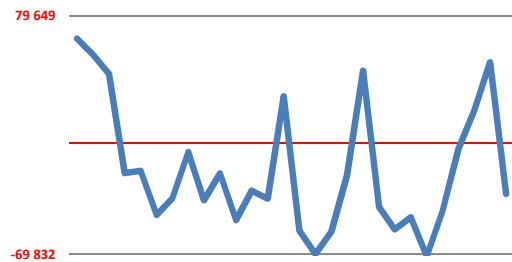
Corn

As of 28-Feb-15



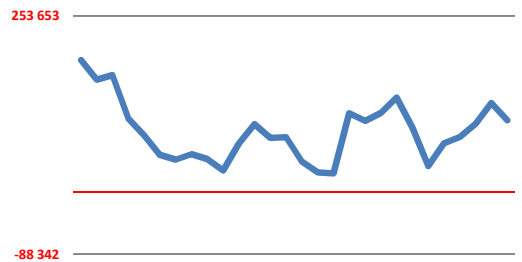
Wheat

As of 28-Feb-15



Gold

As of 28-Feb-15





Oil - Fundamental Outlook

Crude oil prices gained 3% in February as the dollar rally took a pause and the rig count in the US continued to drop. Saudi Arabia's oil minister said he expected oil prices, which hit a near six-year low in January, to stabilize, signalling cautious optimism about the market outlook. Additional support is provided by the expectations of increased fuel use during the upcoming driving season in the US.

As such we expect WTI prices to hold the support @ \$50 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

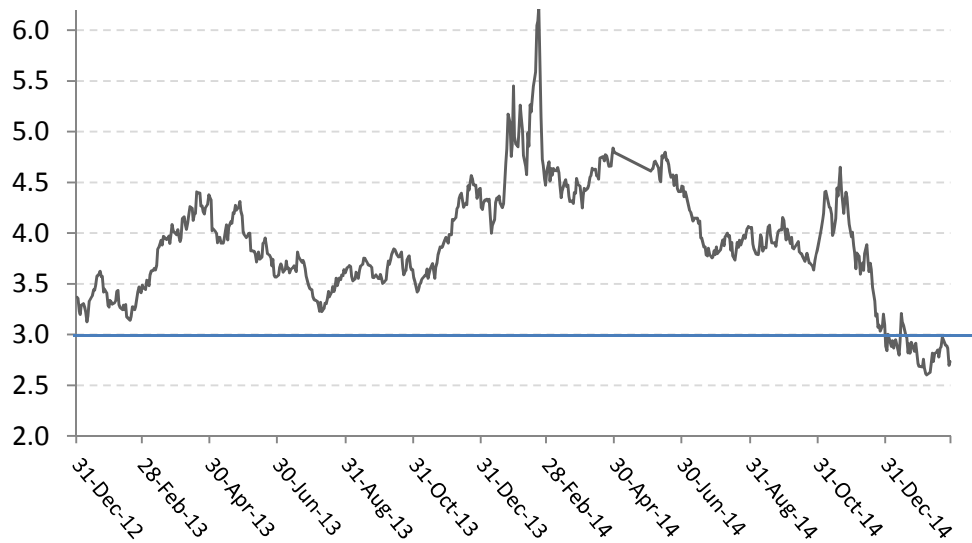


Natural Gas - Fundamental Outlook

Natural gas remained unchanged in February pressured on the upside by warmer-than-normal temperatures and supported on the downside by a 30%+ rally off the bottom in the crude oil market. On the longer term time frame, the contract is sliding on fears gas in storage across the United States is excessive for the air conditioning required in coming months.

As such, we see Natural Gas staying below the resistance @ \$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 MMTs for the last 4 weeks, while the pace of soymeal shipments has been disappointing. The S American soy crop remains in great shape, with the Brazilian transportation strike providing addition support.

As such, we expect soybeans to remain above the \$10.00 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 gained 6% 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

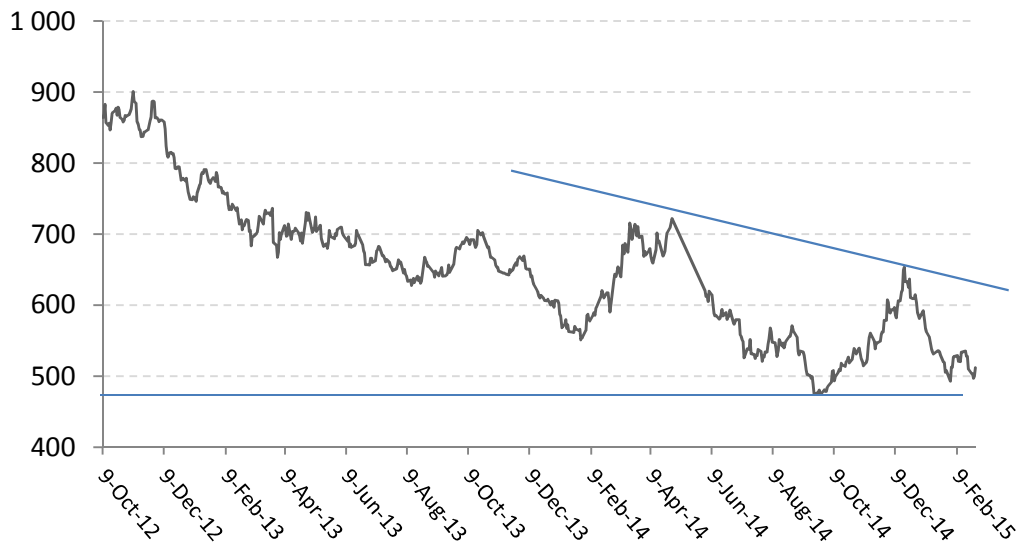


Wheat - Fundamental Outlook

Wheat ended the month 2% higher as Russian exports are slowing. The dominant theme of the market is still the huge size of remaining old crop supplies in major exporting countries. We're bearish longer term without a major crop failure in the N Hemisphere.

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

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 dropped 5% in February, as the dollar scaled 11-year highs and the turmoil in Greece subsided. It is struggling to find the real direction and in the meantime it is reacting to the dollar and the U.S. data, which will continue to drive the market for now. The bullion market is likely to focus on the Labor Department's report on U.S. February nonfarm payrolls to gauge when the Federal Reserve might raise rates.

As a result, we expect gold to test the \$1200 support 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



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