



Bernstein Financial Corp

Monthly Commodities Update

Apr 15

Overall Market Trends

- #1** The Thomson Reuters CRB Commodity Index of 19 commodities sank to end at 224.85 in March. The outlook into summer is little changed. Commodity indexes are finding some degree of fair value, but global economic data still points toward a strongly supported dollar and weakening growth prospects elsewhere. The looming summer driving season and new crop growing cycles across the Northern Hemisphere will provide support, but China's slowing economy is concerning. Commodity rallies will be sold in the months ahead.
- #2** Gold lost close to 3% in March, as the dollar resumed its ascent. Bulls are frustrated yet again to see rallies fade, with momentum buying mostly seen as an opportunity to sell into. Gold is likely to continue to depend on movements in the dollar and expectations of higher U.S. interest rates.
- #3** Equity markets lost over 2% as strength in the dollar offset optimism about deal news. If the dollar move is gradual, it shouldn't impact stocks too much, as companies will have a chance to hedge against the impact, but a sharp rise will have a further negative impact. We continue to believe in a test of the pivotal mid-December low at 1972 later this quarter with a break of 2064 taking a lot of the immediate downside risk off.

Commodity	Ticker	Price	Performance	Bias
		31-Mar-15	March-15	April-15
Crude Oil	CL	47.5	-4.1%	Sideways-to-Higher
Natural Gas	NG	2.6	-2.4%	Sideways-to-Lower
Gold	GC	1 183.2	-2.5%	Sideways-to-Higher
Soybeans	ZS	972.8	-5.6%	Sideways-to-Higher
Corn	ZC	376.3	-3.9%	Sideways-to-Higher
Wheat	ZW	512.7	0.2%	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

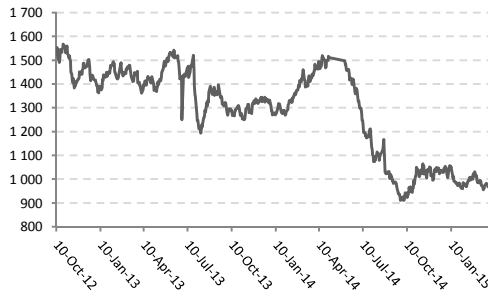
CL price (NYMEX) as of: 31-Mar-15



Soybeans

Large speculator Net Long positioning: -100%
Big corn, soy stocks weigh as S. American harvest rolls on
Soybeans hit one-week low
Recent rally an opportunity to sell

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



Wheat

Large speculator Net Short positioning: +100%
Big corn, soy stocks weigh as S. American harvest rolls on
Wheat sags as weather forecast improves
Technical selling and forecasts for rains pressure

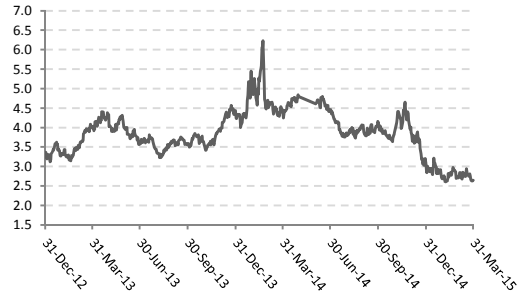
ZW price (CBOT) as of: 31-Mar-15



Natural Gas

Large speculator Net Short positioning: +188%
Mixed weather forecasts feed market uncertainty
Both bears and bulls are starved of market drivers
Price volatility to remain low for the coming weeks

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



Corn

Large speculator Net Long positioning: -70%
Big corn, soy stocks weigh as S. American harvest rolls on
Pressure from weakening demand for U.S. offerings
Longer term outlook bearish

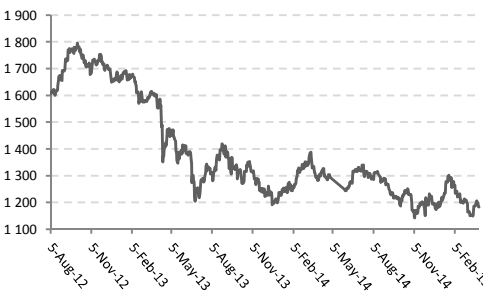
ZC price (CBOT) as of: 31-Mar-15



Gold

Large speculator Net Long positioning: -19%
Struggling to find direction
Uncertainty about a U.S. interest rate rise adds volatility
Physical demand remains tepid at current levels

GC price (COMEX) as of: 31-Mar-15



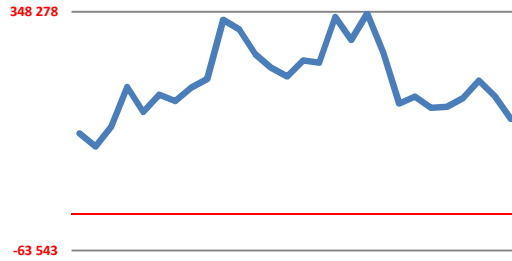


Money Flows

Large speculator Net Positioning Trailing L24M

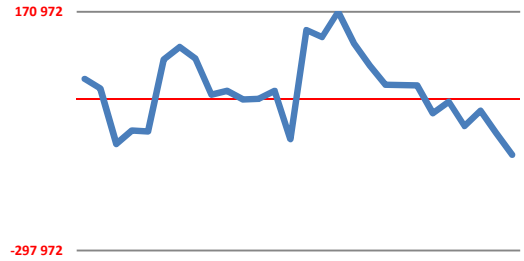
Crude Oil

As of 31-Mar-15

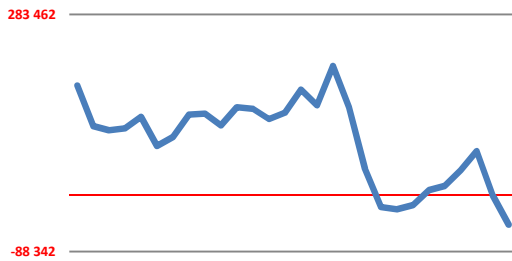


Natural Gas

As of 31-Mar-15

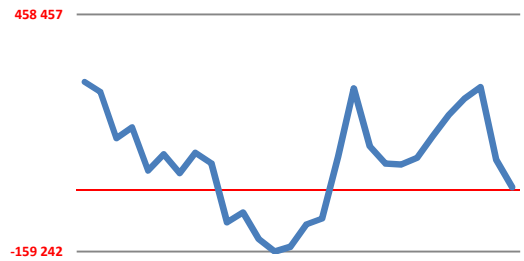


As of 31-Mar-15



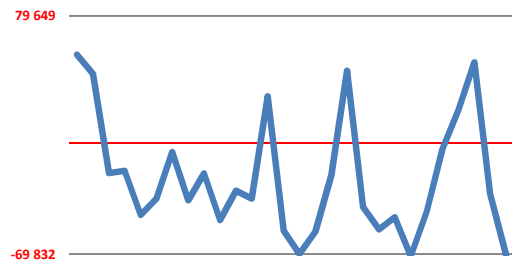
Corn

As of 31-Mar-15



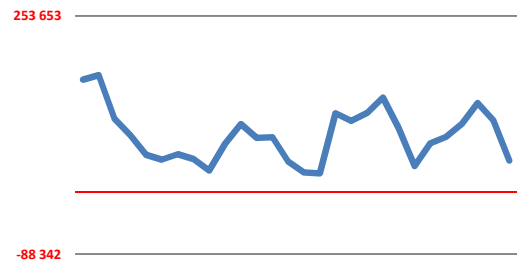
Wheat

As of 31-Mar-15



Gold

As of 31-Mar-15



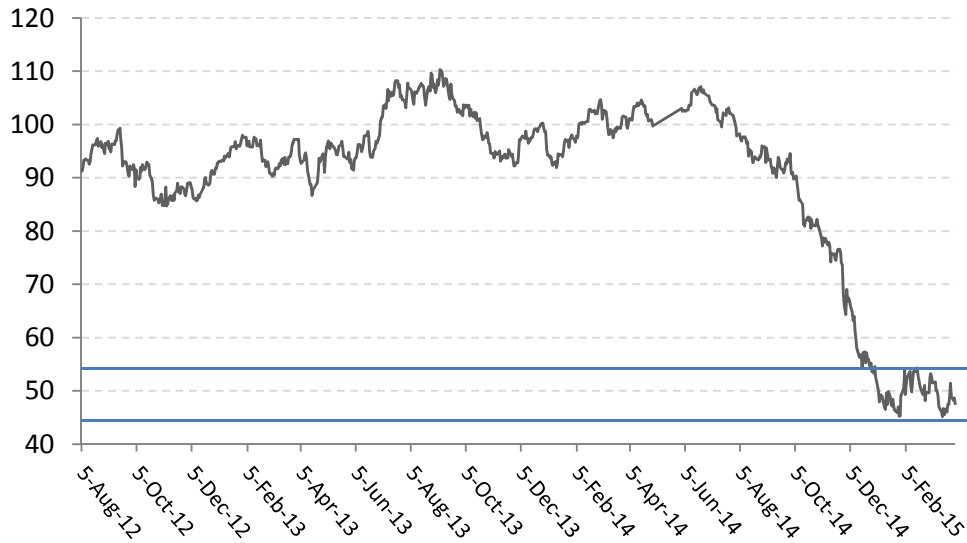


Oil - Fundamental Outlook

Crude oil prices lost over 4% in March as the dollar rally continued and traders expected a deal with Iran. Signs are also emerging of a growing oversupply with Iranian officials visiting China to seek more oil sales on expectations of a framework nuclear deal that could lead to lifting of sanctions on Tehran.

As such, we expect prices to remain under pressure below the \$54 level over the next 30 days.

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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

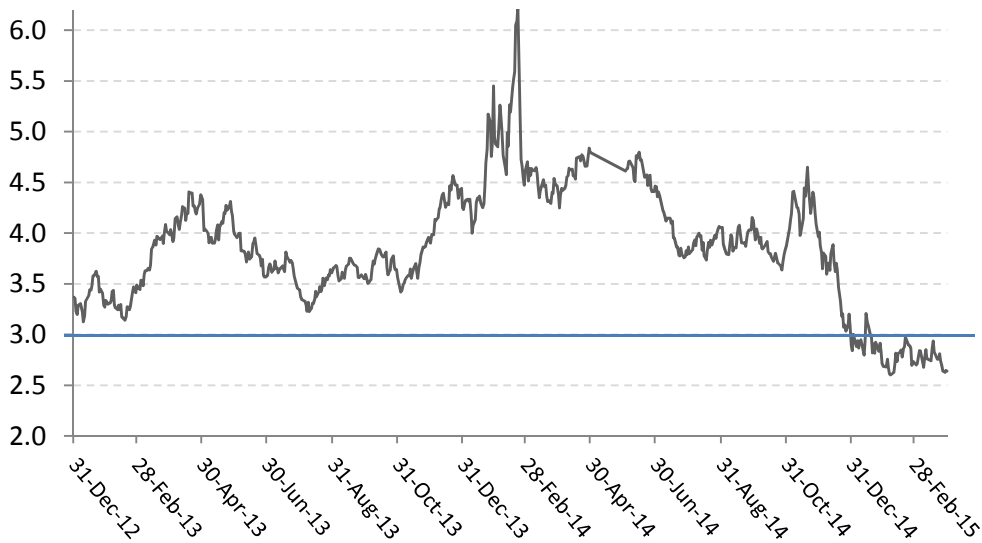


Natural Gas - Fundamental Outlook

Natural gas lost over 2% in March pressured by warmer-than-normal temperatures. 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.

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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 losses over 5% as March 1st soybean stocks were confirmed at a 3 year high. With world supplies recharged by a record large S American crop, the US soybean market for the first time in a number of years does not have a rationing job in the last half of the year. Our view is that long term bearish trends will continue, with resistance in spot futures above \$10.

As such, we expect soybeans to remain below the \$10.00 level over the next 30 days.

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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 lost 4% last month as as NASS's stocks and seedings report were decided bearish – particularly relative to \$4.00 spot corn. Planting has started across the far Southern US, and other news is lacking. Any rallies hinge upon lasting adverse weather this summer. A yield below 155 is needed to maintain \$4.00+ corn longer term. Nearby, rallies will struggle above \$3.90, spot.

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

Apr 15



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 unchanged as funds' record/near record short position and lingering dryness across the S and C Plains push and pull the market in different directions. 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 remaining below the \$5.50 level over the next 30 days.

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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 2.5% in March, as the dollar gained close to 4%. 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 upcoming job reports to gauge when the Federal Reserve might raise rates.

As a result, we expect gold to test the \$1250 level over the next 30 days before reversing.

Apr 15



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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