



# Bernstein Financial Corp

## Monthly Commodities Update

May 15

### Overall Market Trends

- #1** The Thomson Reuters/Core Commodity CRB Commodity Index of 19 commodities jumped 5.5% to end at 227.95 in April. The index continued to gain on rising crude oil values while the US Central Bank decided to hold its interest rates at historically low levels – but to get rid of the mention of the calendar – and rather determine when US interest rates should be normalized via inflation and US employment data. As the US dollar starts to regain its upward momentum, we look for the CCI to restart a bearish trend with lows not expected until early autumn.
- #2** Gold remained unchanged in April, as the dollar strengthened on U.S. economic data and investor sentiment was undermined by longer-term expectations for a U.S. rate rise. There has been a hiccup in the U.S. recovery, but certainly the view is that interest rates are going up, so gold is struggling. From a chart perspective, a weekly close for gold below the \$1,180 support level could be the catalyst for a further pullback
- #3** Equity markets rose 1.2% as investors snapped up beaten-down shares in the healthcare and technology sectors, and as data gave further signs of a pickup in the economy. At the same time we see a number of technical warning signals, which give a rather high conviction to see a short but potentially sharp correction (of around 15%) in the SPX during the next 2 quarters

Commodity	Ticker	Price	Performance	Bias
		30-Apr-15	April-15	May-15
Crude Oil	CL	59.8	25.9%	Sideways-to-Higher
Natural Gas	NG	2.7	3.3%	Sideways-to-Lower
Gold	GC	1 183.5	0.0%	Sideways-to-Lower
Soybeans	ZS	977.0	0.4%	Sideways-to-Lower
Corn	ZC	366.0	-2.7%	Sideways-to-Lower
Wheat	ZW	475.5	-7.3%	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: +12%  
 Iraq exports reach 3.08 million bpd in April  
 Dollar strength adds pressure to dollar-denominated oil  
 U.S. oil rig count down, but not as much as previous week

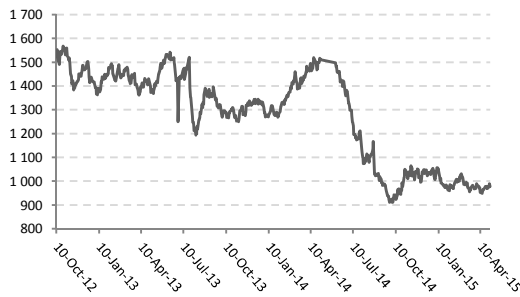
**CL price (NYMEX) as of: 30-Apr-15**



## Soybeans

Large speculator Net Long positioning: -43%  
 US farmers strongly advanced their 2015 seedings in April  
 US old crop soybeans sold to China  
 Recent rally an opportunity to sell

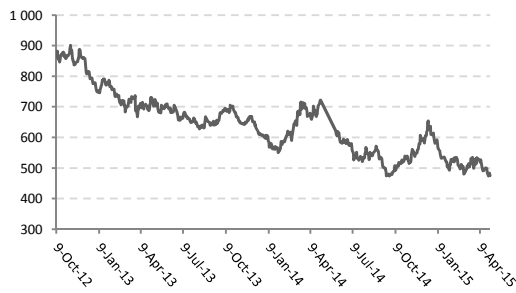
**ZS price (CBOT) as of: 30-Apr-15**



## Wheat

Large speculator Net Short positioning: -28%  
 US farmers strongly advanced their 2015 seedings in April  
 New 2015 lows on continued favorable weather  
 US winter wheat production expected to rise above last yr

**ZW price (CBOT) as of: 30-Apr-15**



## Natural Gas

Large speculator Net Short positioning: -18%  
 Warmer-than-normal temperatures over the next two weeks  
 Natural gas rigs fell to 222 - the lowest since mid April  
 The contract is in overbought territory

**NG price (NYMEX) as of: 30-Apr-15**



## Corn

Large speculator Net Long positioning: +234%  
 US farmers strongly advanced their 2015 seedings in April  
 The Central US weather forecast is nearly perfect for planting  
 Longer term outlook bearish

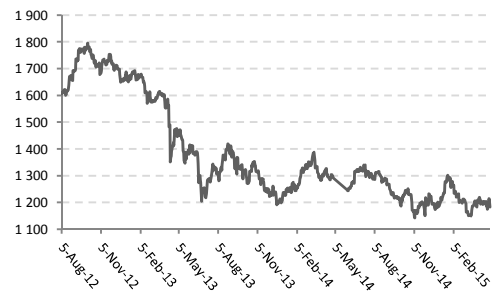
**ZC price (CBOT) as of: 30-Apr-15**



## Gold

Large speculator Net Long positioning: +44%  
 Struggling to find direction  
 Uncertainty about the U.S. interest rate rise timing  
 Physical demand remains tepid at current levels

**GC price (COMEX) as of: 30-Apr-15**



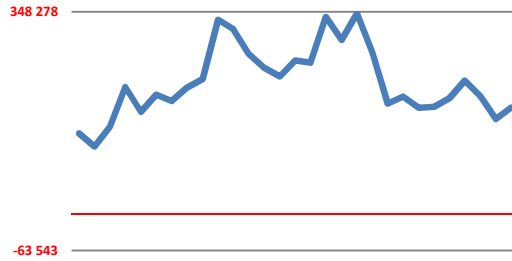


# Money Flows

Large speculator Net Positioning Trailing L24M

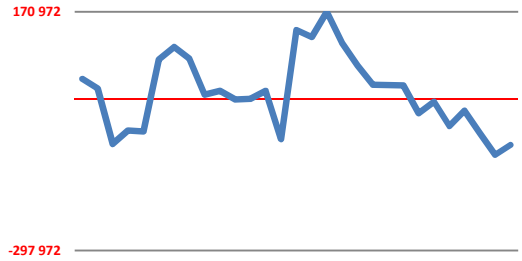
## Crude Oil

As of 30-Apr-15

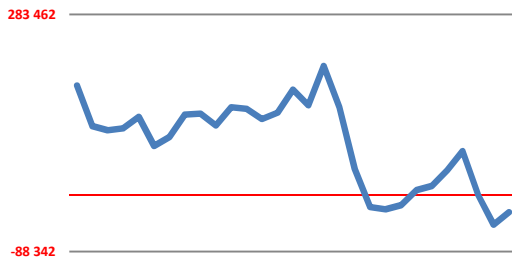


## Natural Gas

As of 30-Apr-15

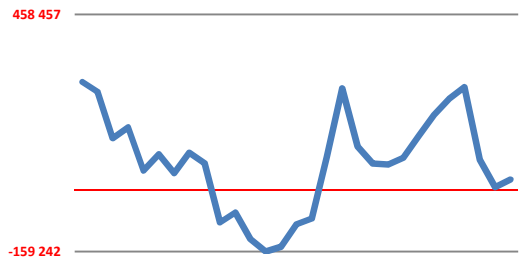


As of 30-Apr-15



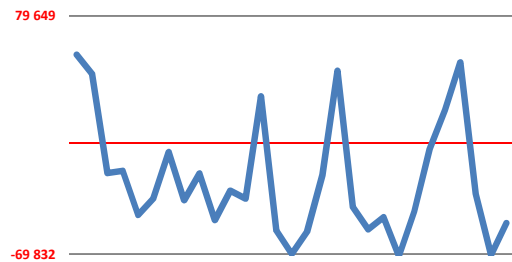
## Corn

As of 30-Apr-15



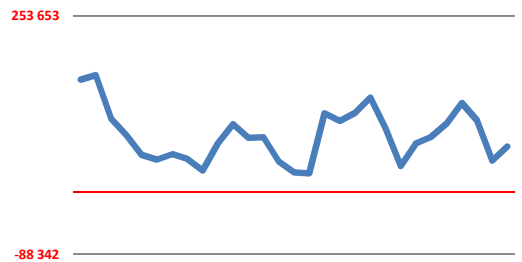
## Wheat

As of 30-Apr-15



## Gold

As of 30-Apr-15





## Oil - Fundamental Outlook

Crude oil prices gained over 25% in April as the rig count continued to drop and the US dollar weakened. Expectations of future supply tightening is driving the market with less output expected out of both the US and Saudi Arabia. Geopolitical tension with Ukraine is also supporting prices with talks of renewed clashes emerging.

As such, we expect prices to continue climbing over the next 30 days.

### May 15



### 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

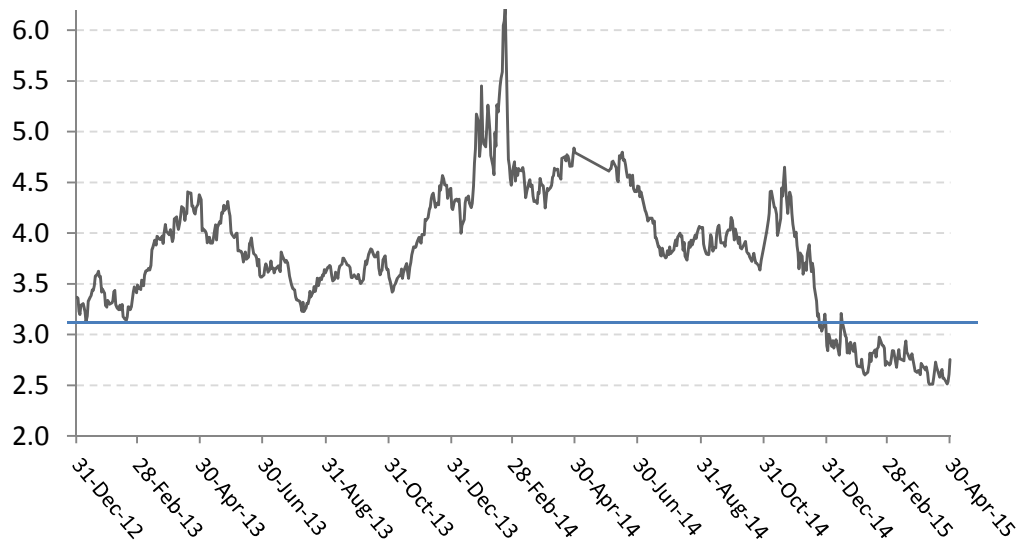


## Natural Gas - Fundamental Outlook

Natural gas lost over 3% in April on technical reversal and warm weather. 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.

### May 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
ADX (14)	61.4	Buy	Williams R%	-14.8	OB

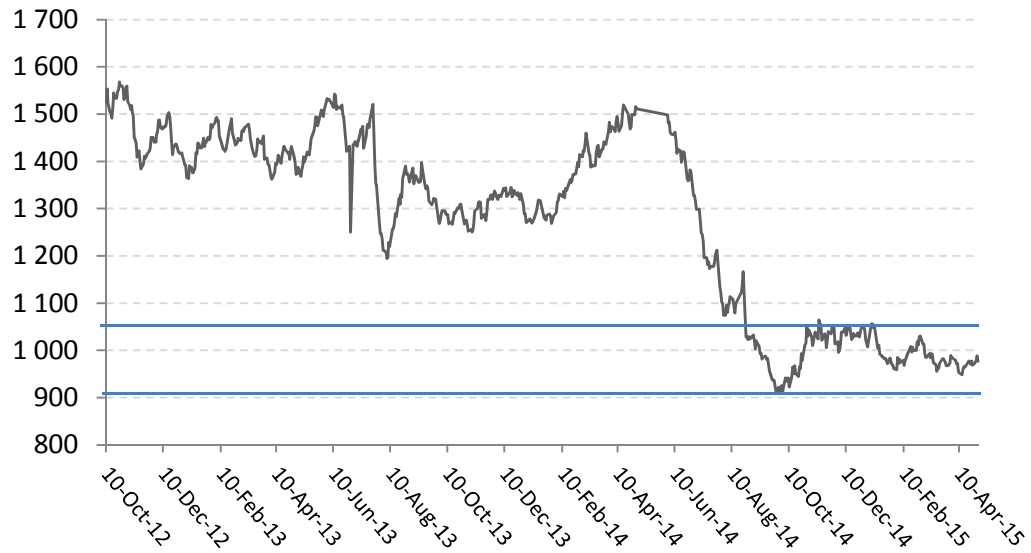


## Soybeans - Fundamental Outlook

Soybean futures ended the past month unchanged as news of an order out of China were offset by near perfect planting weather. 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.

### May 15



### 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 3% last month as the weather forecast remained near perfect and US farmers strongly advanced their 2015 corn seeding. Any rallies hinge upon lasting adverse weather this summer, although, unlike last year, El Nino is officially established, which should sustain normal temps and regular rains into summer. A yield below 155 is needed to maintain \$4.00+ corn longer term. Nearby, rallies will struggle above \$3.90.

**As such, we expect corn to continue the descent over the next 30 days before reversing.**

### May 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 lost over 7% in April scoring new 2015 lows on continued favorable weather and the pending elimination of Russia's export tariff. 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 \$5.00 level over the next 30 days.

### May 15



### 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 remained unchanged in April, as the drop in the dollar was offset by expectation of a rate hike this year. Gold is struggling to find real direction and in the meantime 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 and inflation reports to gauge when the Federal Reserve might raise rates.

**As a result, we expect gold to continue its gradual descent over the next 30 days.**

### May 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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