

KEY indicators

June 17, 2013



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The Markets We Greet This Week...

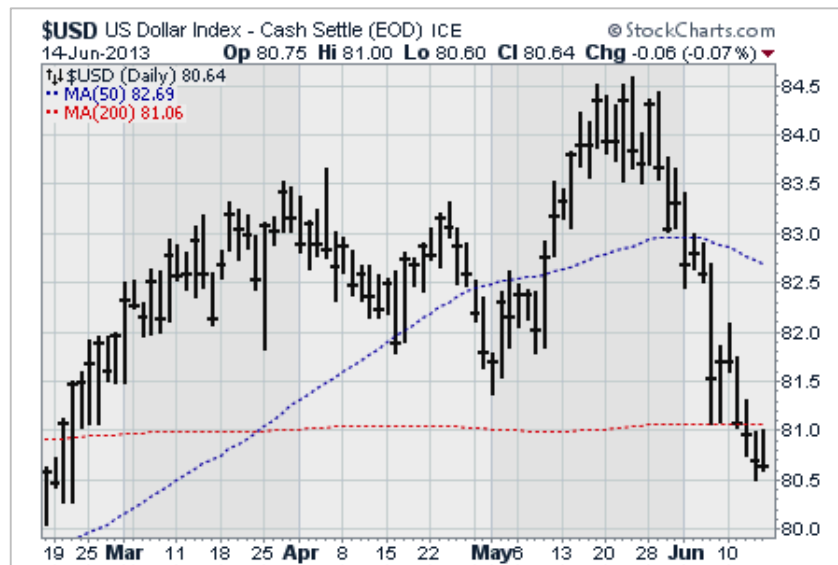
- ...still seem a little shaky.
- *Attracting Millennials: The New York Times says restaurants are struggling to figure out young adults... From sun-dried tomato wraps to agave-sweetened smoothies, restaurant chains are working to court an exceptionally particular generation — the millennials. For reasons as varied as the economic downturn and a heightened interest in local foods, a significant shift in eating patterns is under way among the millennials, those 18 to 30. Oddly, at least by historic trends, they are eating out less than the baby boomers did at that age. Many in the restaurant business worry that it may be impossible to reverse the decline, which affects 50 million to 60 million young people. The statistics alone are stark. Restaurant visits among millennials have fallen 16% over the last four years...* <http://nyti.ms/ZWRwww>
- *Inspecting the Foundation: The Wall Street Journal looks at housing's comeback... The housing-market recovery is here but there's a growing debate among bulls and bears over how long it will last and how strong it will become, with both groups pointing to the same data to make their case: U.S. demographics. The bull case says the housing market is in the early stages of a rebound that should last several years because the U.S. hasn't built enough housing to support the country's growth... The bears argue that the recent gains in housing will be short lived, pointing to changes in access to credit, elevated consumer-debt levels, and an over-reliance on investors.* <http://on.wsj.com/16iFOr>
- *Take Up A Collection: CNBC reports that mansions are suddenly in short supply... Wealthy home buyers are quickly running out of mansions to buy. While housing inventory is falling throughout the country, it's falling especially fast in some of the country's richest ZIP codes... In Palm Beach, Fla., the number of \$1 million-plus homes has plunged by 70% percent, falling from 89 to 26.* <http://www.cnbc.com/id/100811031>
- Reports this Week: CPI, Housing Starts (Tue); Existing Home Sales, “Philly Fed” (Fri).

US Equities



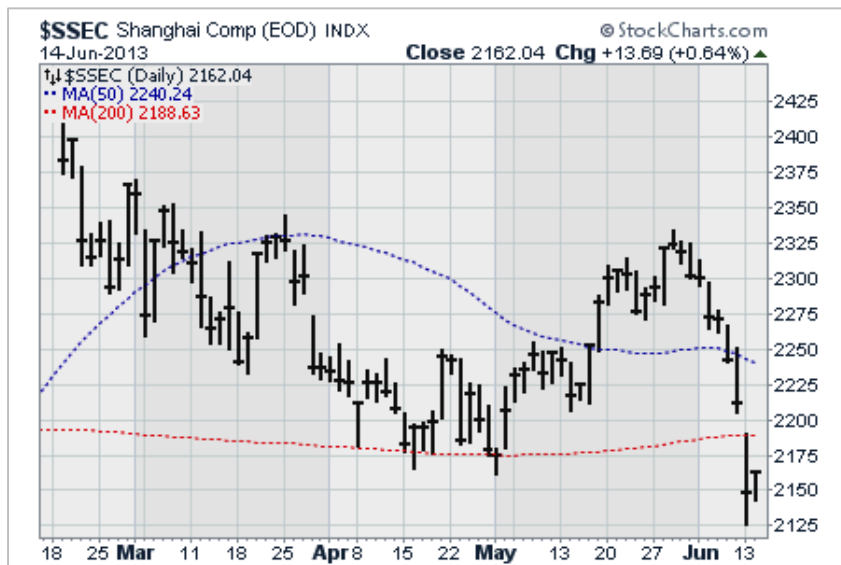
- US equity prices were lower, with the S&P500 at 1,626.7, down 1.0%, the Dow Jones Industrials at 15,070.7, down 1.2% and the NASDAQ at 3,423.6, down 1.3%.
- Bespoke Investment Group observes: *During market declines, the first half hour of the day is typically weak as investors sell at the open. That hasn't been the case during the current pullback, however, as the first half hour has actually averaged a small gain. The worst hours of the day have been 10 to 11 and noon to 1.*

US Dollar



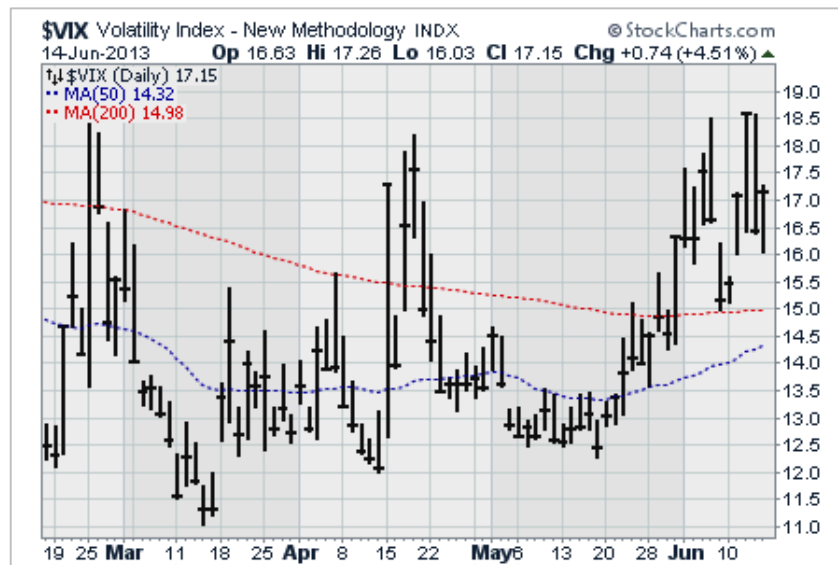
- The US Dollar was sharply lower for the second consecutive week, with the USDIX at 80.64, down 1.3% to the lowest level since February. Euro: 1.3346, up 1.0%.
- Dennis Gartman on CNBC: *I haven't seen action [in the currency markets] like this since the days of Russian problems back in '97. These are scary times. I've been trading foreign exchange for a long time. These things frighten me, and I've got to tell you: I'm cutting my positions way down just because of the volatility's so large.*

China Equities



- Equity prices in China fell, with the Shanghai Composite finishing at 2,162.0, down 2.2%.
- CNBC reports: *China's GDP growth could slide below 7% in the second half of the year, warned Nomura, highlighting that downside risks to the world's second largest economy's outlook have risen "significantly" in recent weeks. Tighter liquidity conditions and minimal support from policymakers, coupled with weakness in external demand, pose a threat to the country's growth trajectory...*

Volatility



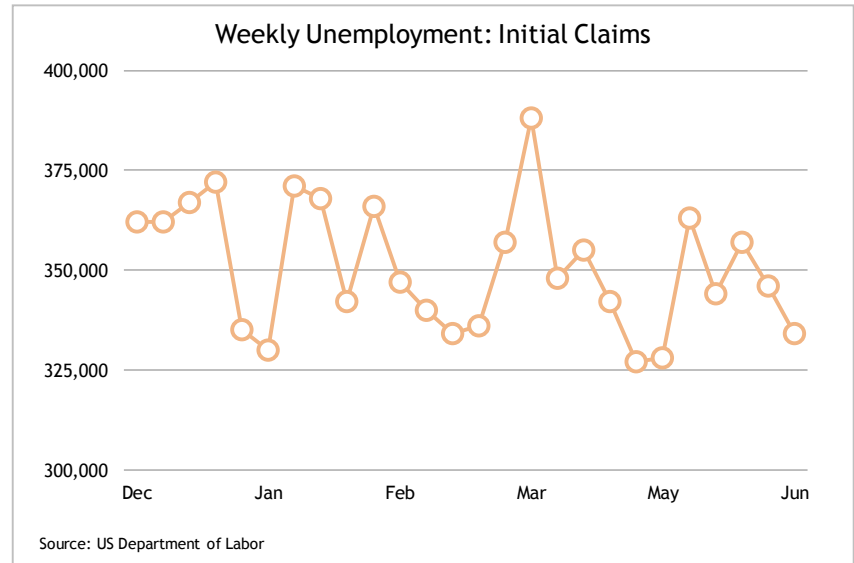
- Volatility remained elevated, with the CBOE VIX touching four-month highs before closing at 17.15 up 13.3% on the week.
- According to Wall St Sector Selector: *Throughout Friday's session, the VIX remained above its 200-day moving average of 14.98... If the VIX can spend more time above its 200-day moving average, there will be an increased likelihood that we may soon be observing a "golden cross", with the 50-day moving average crossing above the 200-day MA.*

Gold



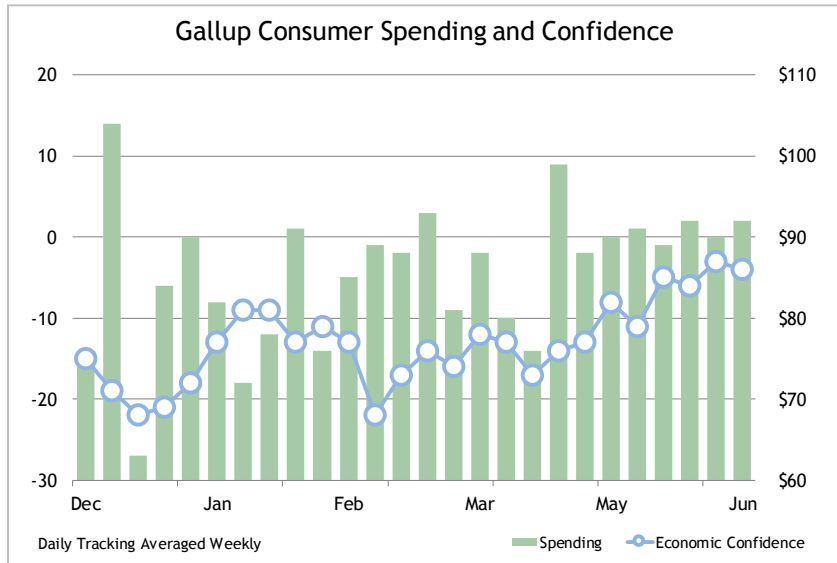
- Gold traded in a narrow range, ultimately closing at \$1,388.10 per ounce, down 0.3%.
- MarketWatch reports: “Gold continues to pivot between weak investment demand and strong physical appetite but we believe softer buying will expose it to further weakness,” wrote strategists at Barclays... Fears the Fed will begin scaling back its stimulus program have weighed on gold, which had previously benefited from fears the Fed’s aggressive monetary policy efforts would debase the dollar and boost inflation.

Jobless Claims



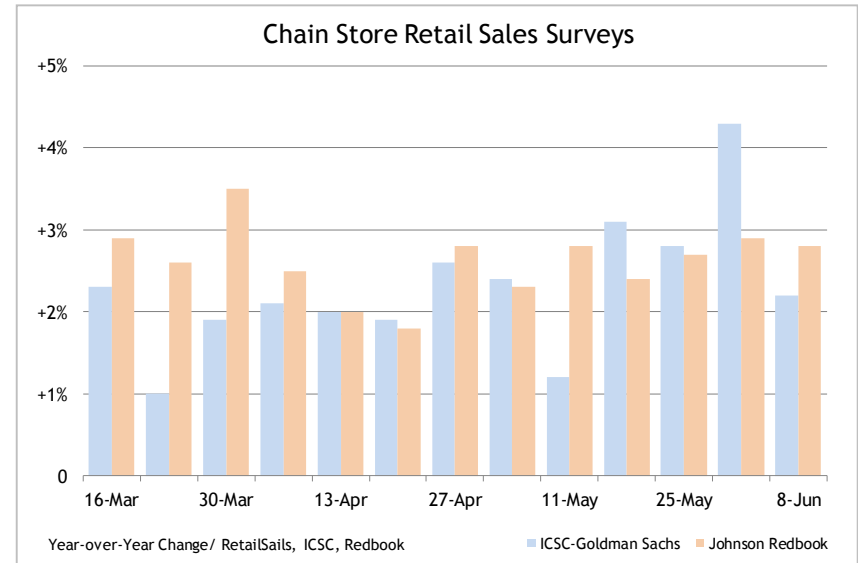
- For the week ending June 8, initial jobless claims totaled 334,000, down 12,000 from the week prior and down 55,000 year-over-year.
- CNBC reports: The auto industry is about to go on a hiring spree as carmakers and parts suppliers race to find engineers, technicians, and factory workers to build the next generation of vehicles... From coast to coast, the industry is in top gear. Factories are operating at about 95% percent of capacity, and many are already running three shifts.

Consumer Outlays



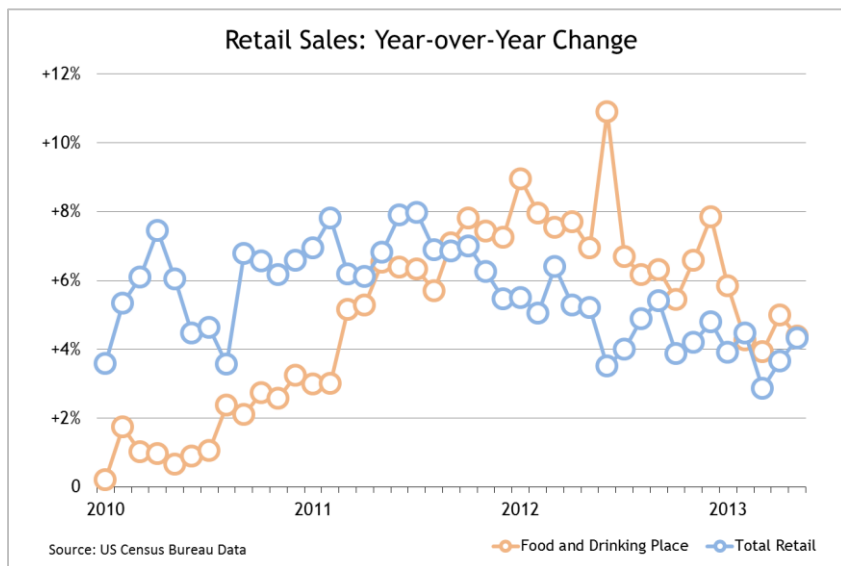
- Consumer spending was firm during the week ending June 9, with Gallup finding outlays at \$92 daily. That was up 2% versus the week prior and up 37% year-over-year.
- Gallup's economic confidence index was at -4 compared to -3 the week prior and -20 a year ago.
- Among those polled, 47% see the economy "getting better" (down two points) while 48% see it "getting worse" (up three points).

Chain Store Sales

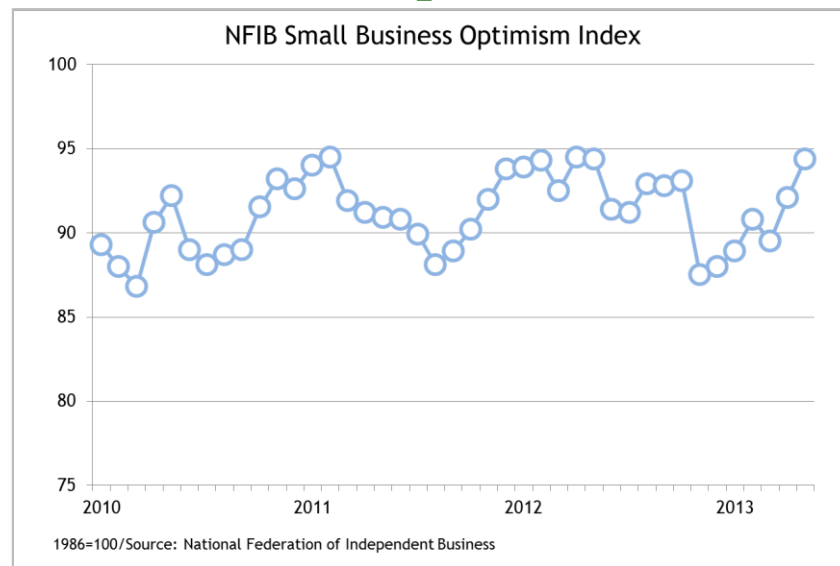


- The ICSC/Goldman Sachs chain store sales report showed dollar volume up 2.2% for the week ending June 8.
- *The Wall Street Journal* reports: On Monday, [McDonald's] said sales at restaurants open at least 13 months rose 2.6% globally in May, showing stronger-than-expected growth as it lured customers with new menu items and a more aggressive emphasis on value. Analysts were expecting a 1.9% global rise in same-store sales for May, according to Consensus Metrix.

Retail Sales



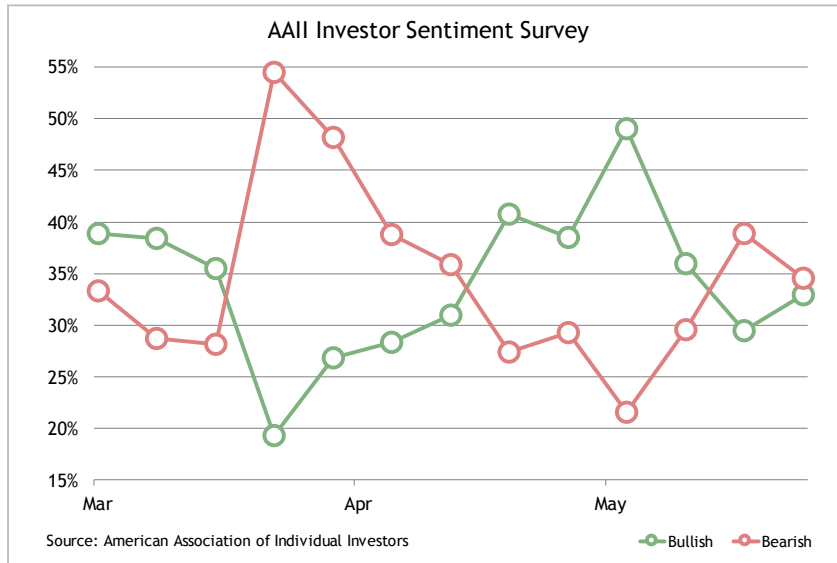
NFIB Optimism



- Retail sales outpaced expectations in May, with dollar volume up 0.6% month-to-month and up 4.3% on a year-over-year basis.
- *USA Today* reports: *Leading the charge: A 1.8% jump in sales of cars and parts, which were also 8.5% higher than this time last year. Building materials and supplies gained 0.9%. But the newest weak spot was a 0.4% drop at restaurants and bars, which had been among the biggest gainers in April, the bureau reported.*

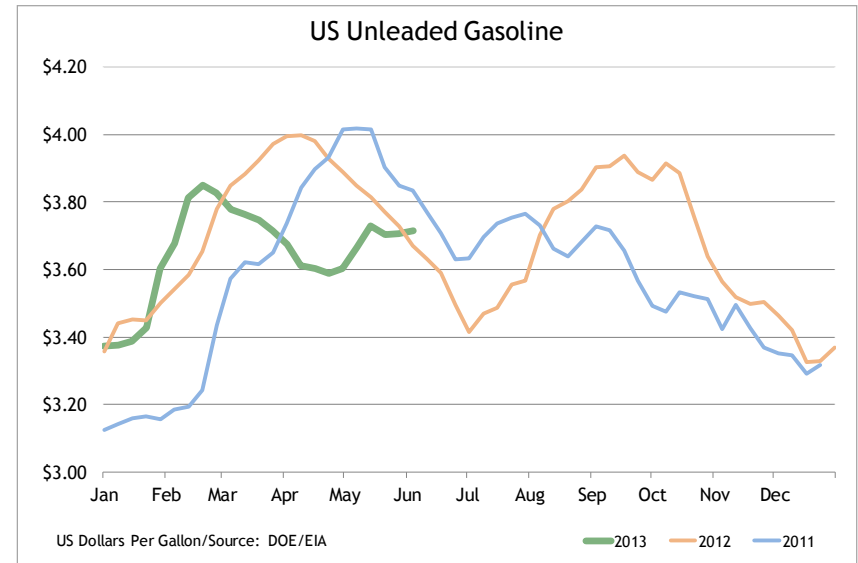
- The NFIB reported its Optimism Index for May at 94.4, up from 92.1 in April and identical to the reading in May 2012.
- NFIB's Bill Dunkelberg: *Small business confidence rising is always a good thing, but it's tough to be excited by meager growth in an otherwise tepid economy. Washington remains in a state of policy paralysis, and while the stock market sets records, GDP posts mediocre growth...Two good months don't make a trend, but we can't have a trend without them, so it's a start.*

AAII Bull/Bear



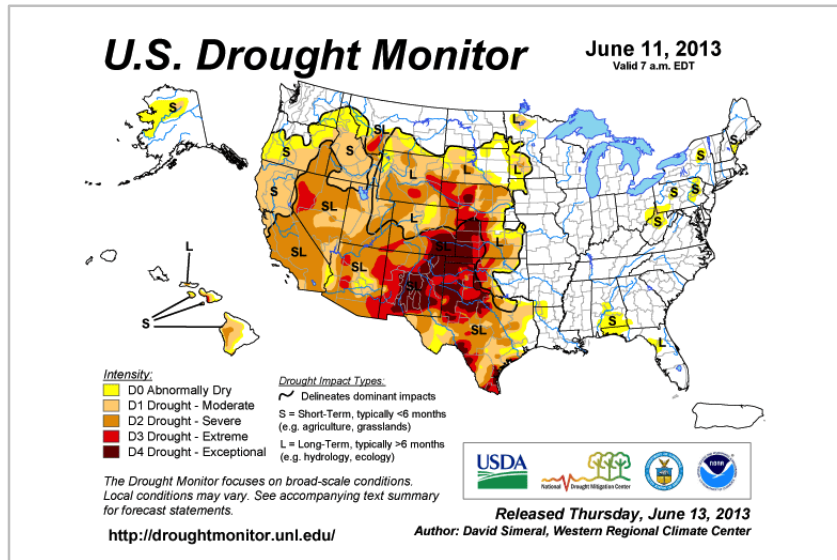
- Basically on the Fence: Individual investor sentiment toward the stock market was essentially neutral for the week ending June 12.
- The AAI survey showed 33% bullish (up from 30%), 32% neutral (unchanged) and 35% bearish (down from 39%).
- SentimenTrader says the “Dumb Money” is 54% confident in a rally while the “Smart Money” is 42% confident in the same.

Gasoline



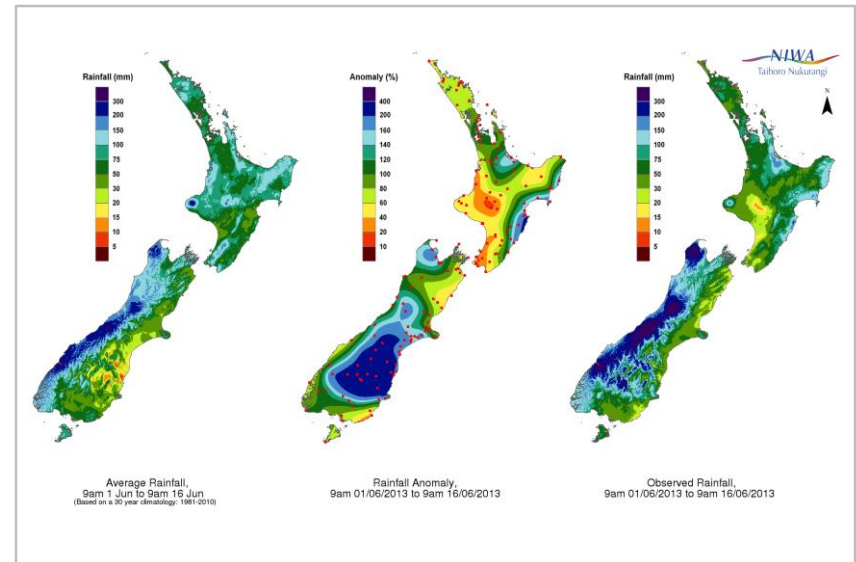
- Gasoline prices continued to edge higher, with the DOE/EIA report showing all grades of unleaded at an average of \$3.715 per gallon during the week ending June 10. That was up a penny versus the week prior and up four cents year-over-year – the first gain on 2012 levels since the week ending March 4.
- Demand seems tepid, with “product supplied” running 5.3% behind year-prior levels in the latest weekly accounting.

US Drought



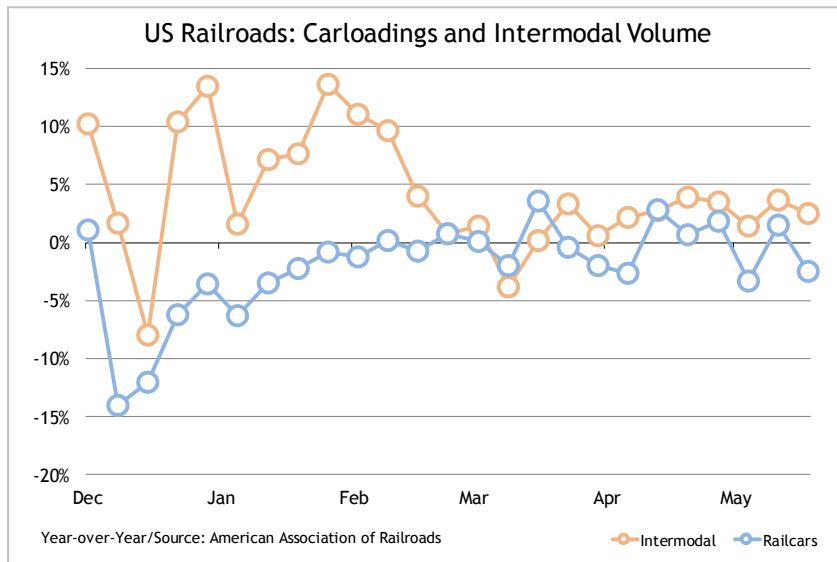
- The New York Times reports: One of the worst droughts in this nation's history... has ended with torrential rains this spring that have overwhelmed vast stretches of the country... "This is the worst spring I can remember in my 30 years farming," said Rob Korff, who plants 3,500 acres of corn and soybeans in Missouri. "Just continuous rain, not having an opportunity to plant. It can still be a decent crop, but as far as a good crop or a great crop, that's not going to happen."

New Zealand



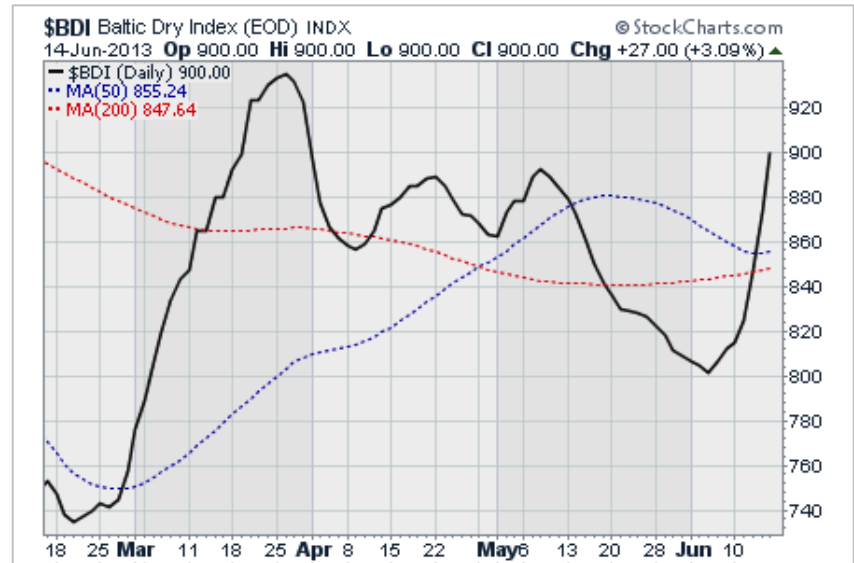
- New Zealand remains on the right side of moist, with the soil moisture anomaly and soil moisture deficit maps showing few (and small) areas that are not normal to above normal.
- The Weather Channel forecast for Taupo, on the North Island, shows good chances for precipitation on five of the next ten days. The outlook for Gore, on the South Island, features seven days with good chances for rain (or even a little snow).

US Rail Traffic



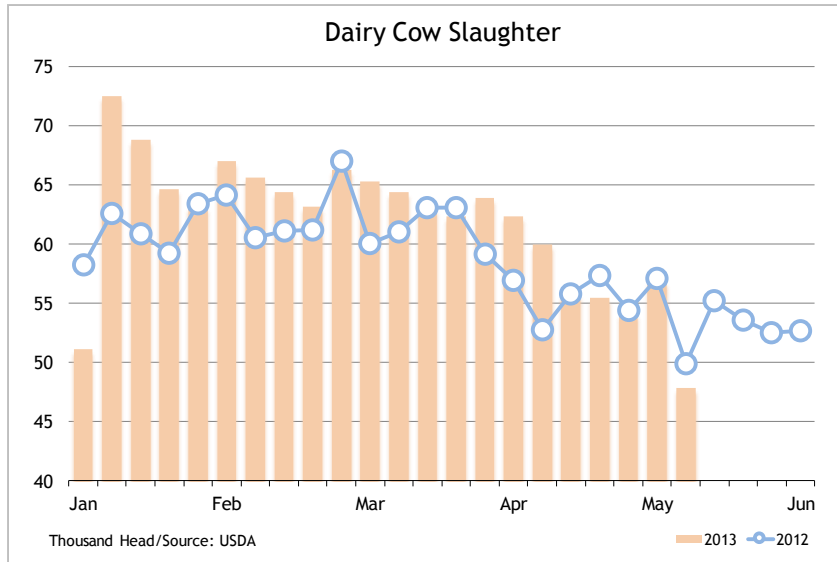
- Rail traffic continues to be mixed.
- The AAR report showed 278,249 cars loaded during the week ending June 8, down 3%. Intermodal traffic, however, was up 3% on a year-over-year basis (252,641 units).
- Five of the 10 carload commodity groups posted increases compared with the same week in 2012, led by petroleum and petroleum products, up 28%. Commodities showing a decrease compared with the same week last year included grain, down 22%.

Baltic Dry Index



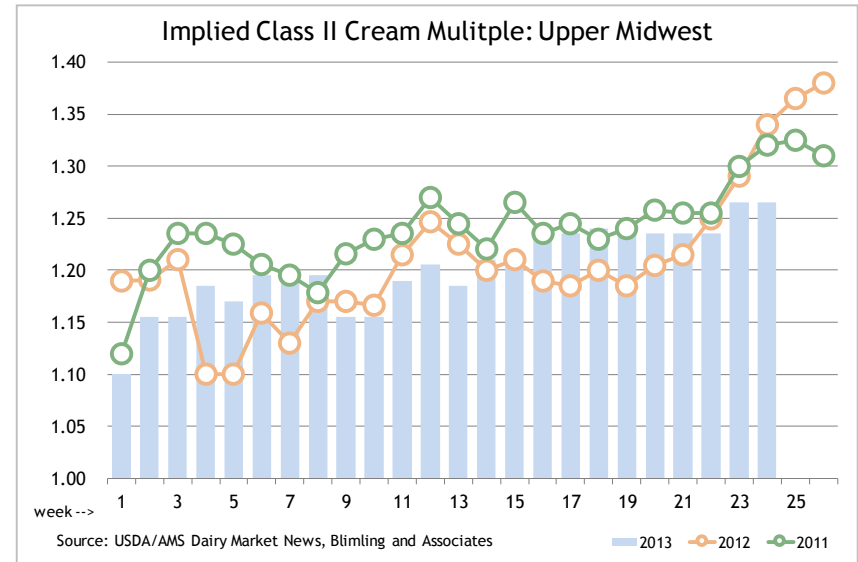
- Ocean-going freight rates bounced back, with the Baltic Dry Index closing at 900.0, up 10.8% to the highest level since mid-March.
- Bloomberg reports: Rates to ship iron ore reached a 19-week high on speculation China, the largest buyer of the commodity used to make steel, will rebuild stockpiles and ease import rules... Chinese traders booked more cargoes from Australia, the largest supplier, after holidays earlier this week, according to Omar Nokta, a New York-based analyst...

Cow Slaughter



- Dairy cow slaughter was light during the week ending June 1, with USDA reporting culling at 47,799, down 15.9% from the week prior and down 4.2% on a year-over-year basis.
- Bloomberg reports: Cattle futures slid to a three-week low on speculation that demand for U.S. beef is slowing as grocers fill orders for the summer holidays. Hog prices also declined. Meatpackers processed 3.5% fewer cattle in the first five days of this week than the same period in 2012, according to government figures.

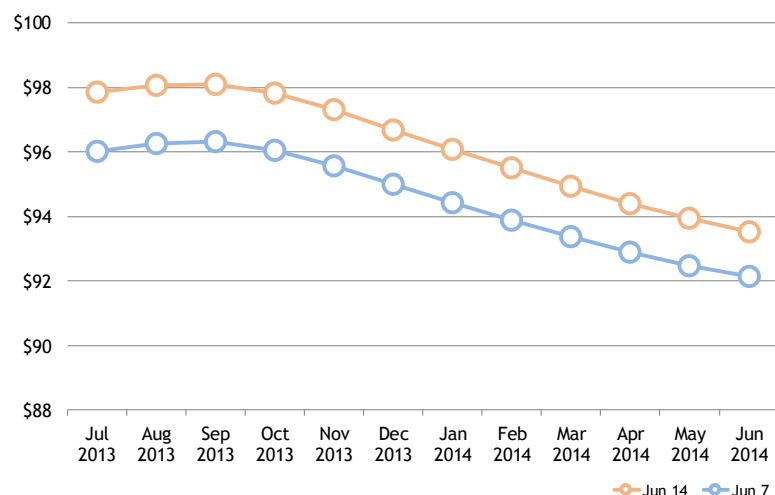
Cream Multiples



- Cream multiples edged higher, with USDA data implying a 127 level, up from 126 the week prior but down from 134 a year ago.
- Dairy Market News reports: Manufacturers report within Class II demand, both soft serve and frozen ice cream production is increasing seasonally... Production on multi-serve and individual serve packaging lines is equally strong as manufacturers work on fulfilling orders to seasonal sport parks and recreational areas as well as retailers.

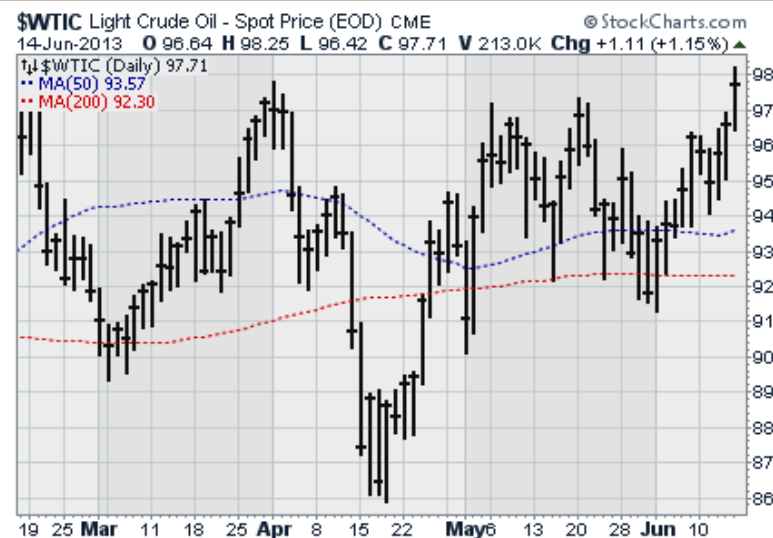
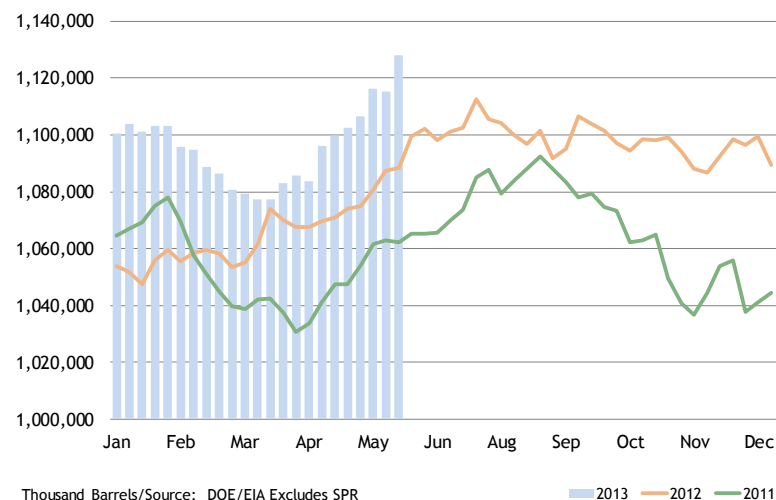
Crude Oil

Crude Oil Futures Price Curve



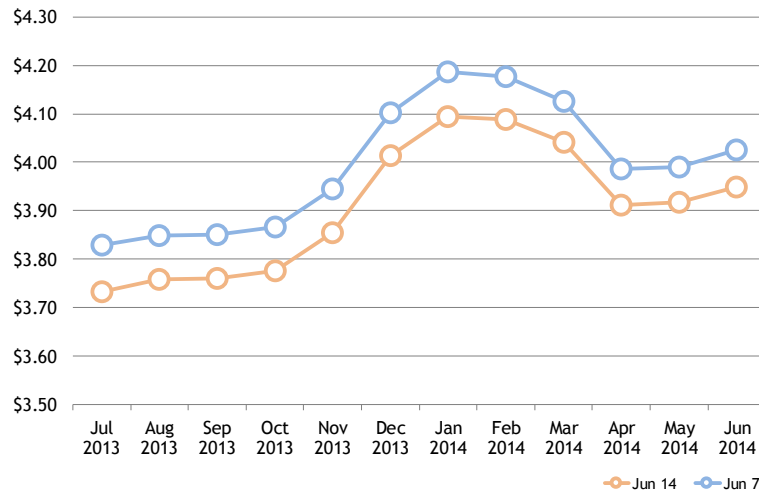
- Crude oil prices reached their highest level since September 2012, with nearby futures settlement on Friday at \$97.85 per barrel, up 1.9%. High for the week was \$98.25 per barrel.
- Tensions around Syria and a weaker US Dollar were cited as catalysts for the rally.
- The DOE/EIA reports: *In April, for the first time ever, estimated total liquid fuels consumption by the industrialized economies that are members of the OECD, at 44.3 million barrels per day, was below that of non-member countries.*

Crude Oil and Petroleum Products Stocks

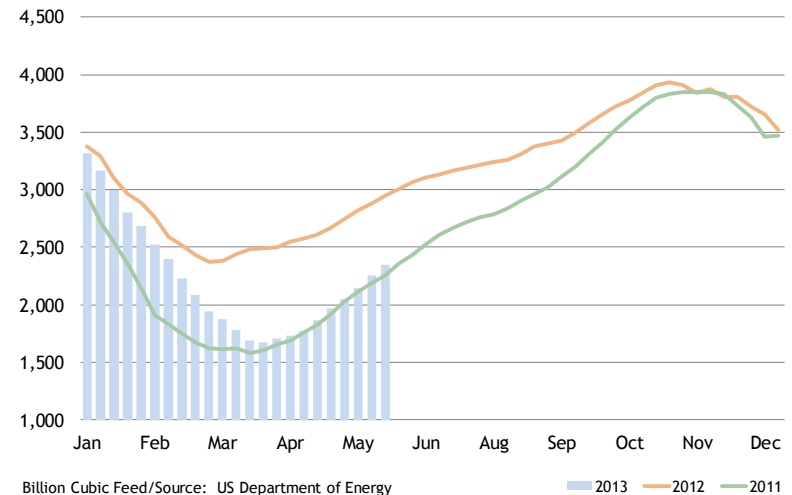


Natural Gas

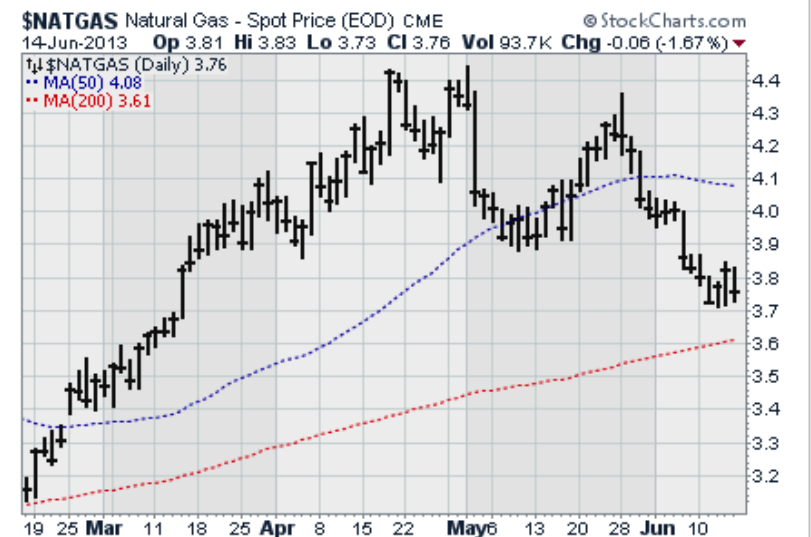
Natural Gas Futures Price Curve



Natural Gas Working Storage

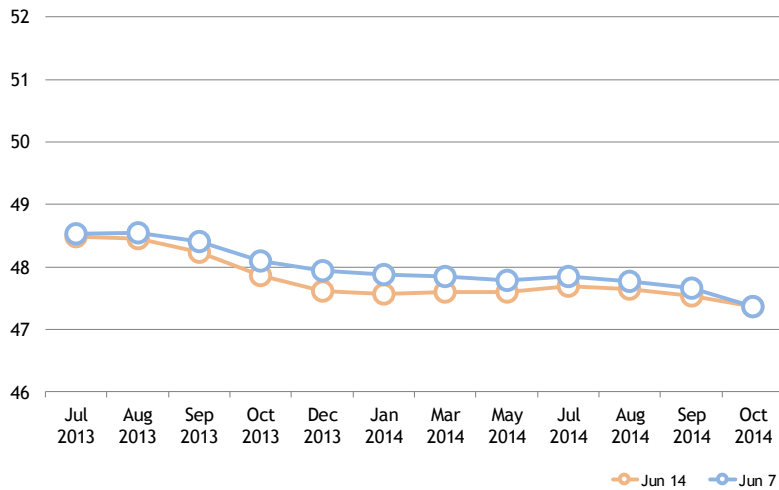


- Natural gas prices touched their lowest level since mid-March.
- Nearby futures closed at \$3.733 per mmbtu, down 2.5% after trading between \$3.710 and \$3.868.
- Baker Hughes reported 353 rigs drilling for natural gas in the US, down one from the week prior and just above recent 18-year lows.
- Inventories were up 4.2% in the latest weekly accounting, besting the +3.6% average over the previous five years.

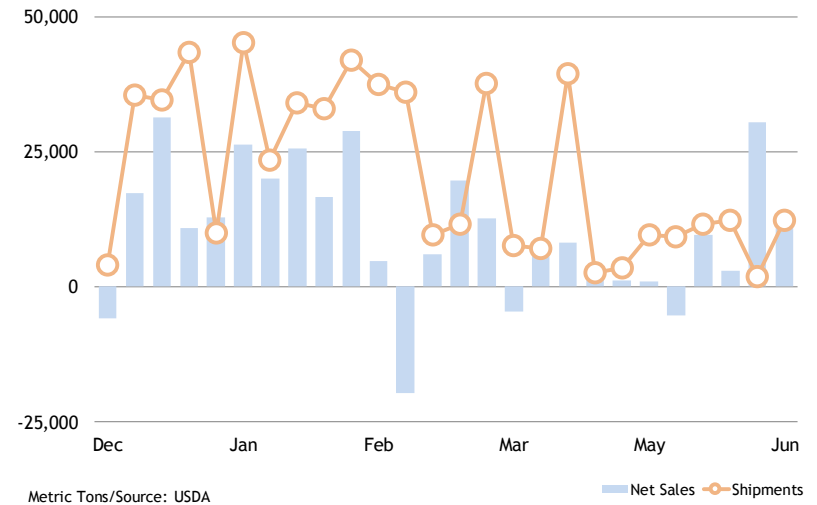


Soybean Oil

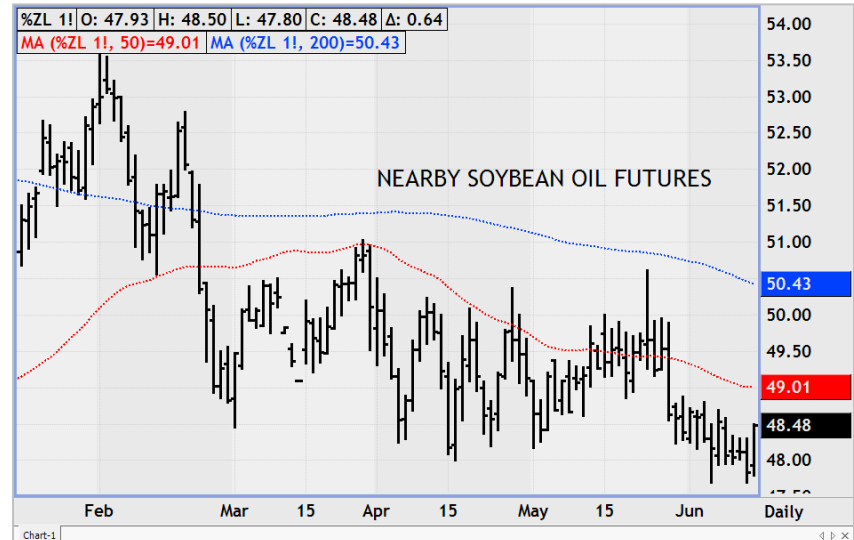
Soybean Oil Futures Price Curve



Soybean Oil Export Net Sales and Shipments

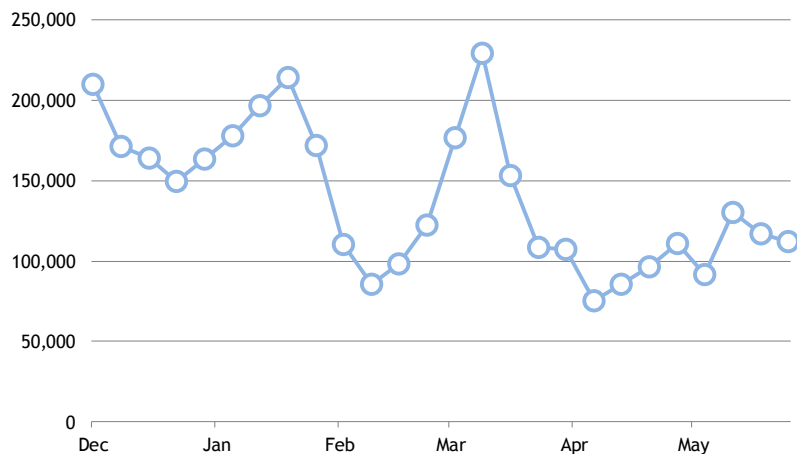


- Soybean oil prices have not moved much over the past three weeks, with Friday settlements grouped in a 15 point range.
- This week, nearby futures closed at 48.48 cents per pound, down 0.1%.
- USDA reported that, as of June 9, 71% of the soybean crop was planted, down from 97% last year and 84% on average over the past five years.
- Export shipments totaled 12,311 metric tons, the most in eight weeks.



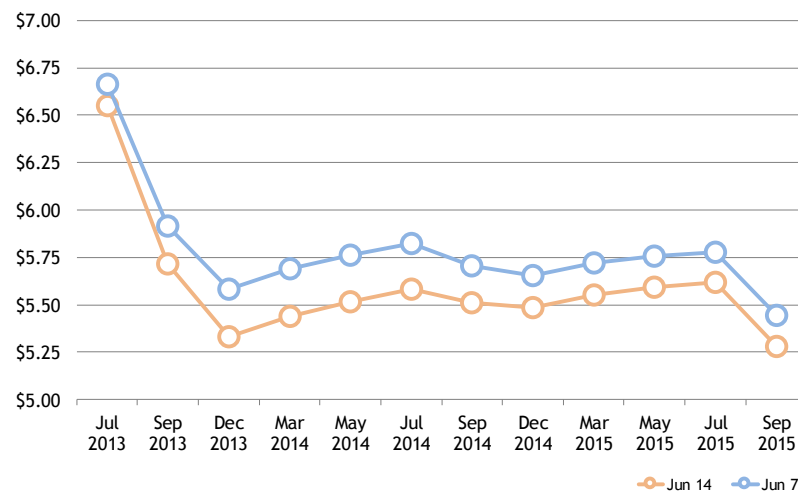
Corn

Corn: "Managed Money" Net Futures Position

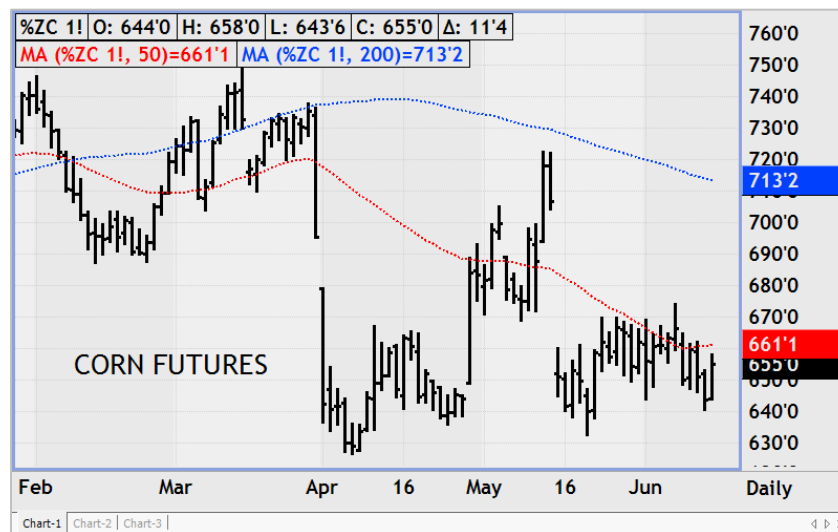


Positive Number Indicates Long/Source: CFTC Disaggregated COT

Corn Futures Price Curve

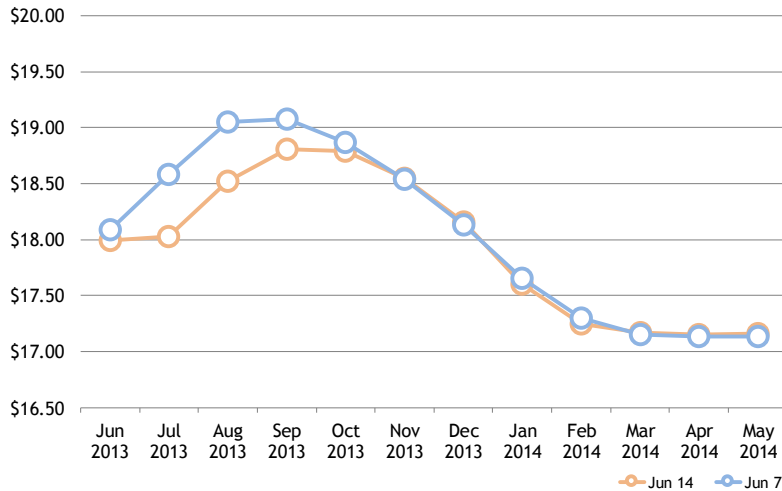


- New-crop corn prices dropped to four-week lows on decent weather and a better-than-expected reading on ending stocks from USDA.
- December futures closed at \$5.3300 per bushel, down 4.6%; nearby futures finished at \$6.5500, down 1.7%.
- USDA pegged 2013/14 ending stocks at 1.949 billion bushels, down only 3% from the previous forecast (traders were expecting a 12% drop).
- As of June 9, 63% of the crop was rated “good” or “excellent” compared to 66% last year.

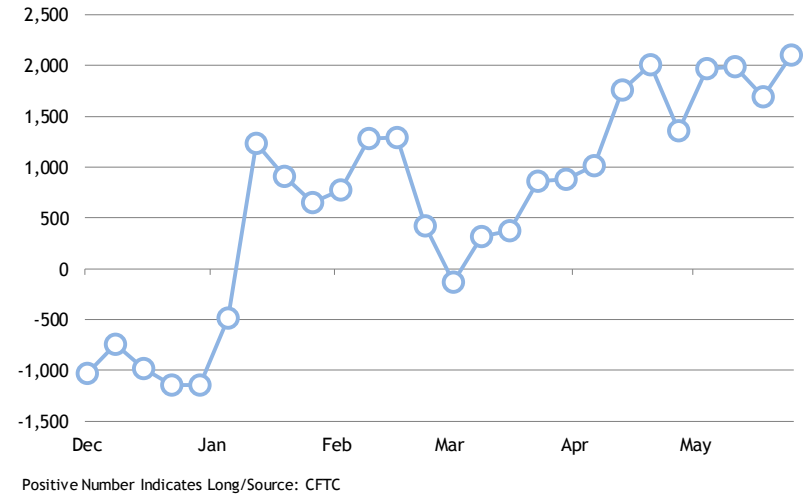


Class III Milk

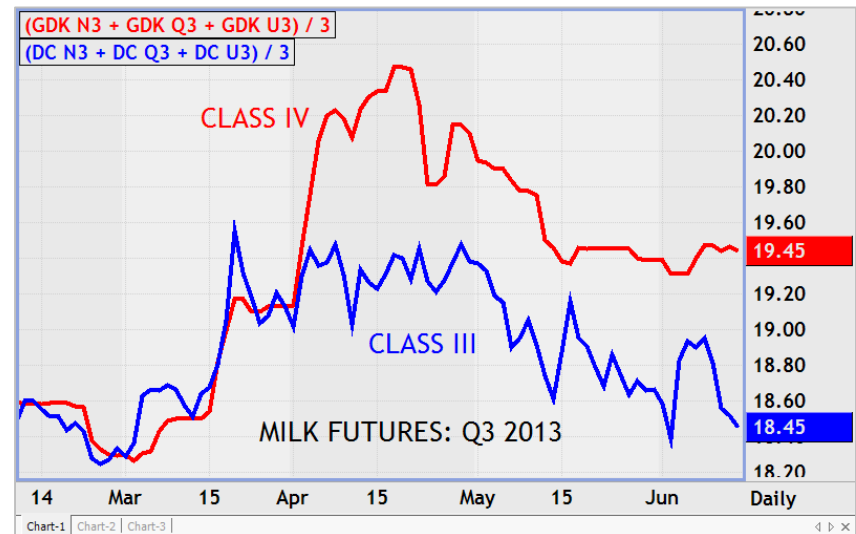
Class III Milk Futures Price Curve



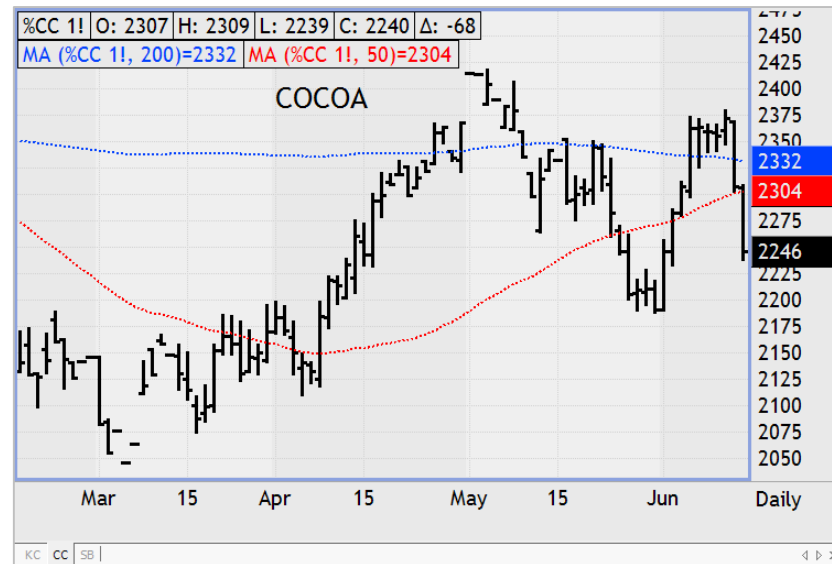
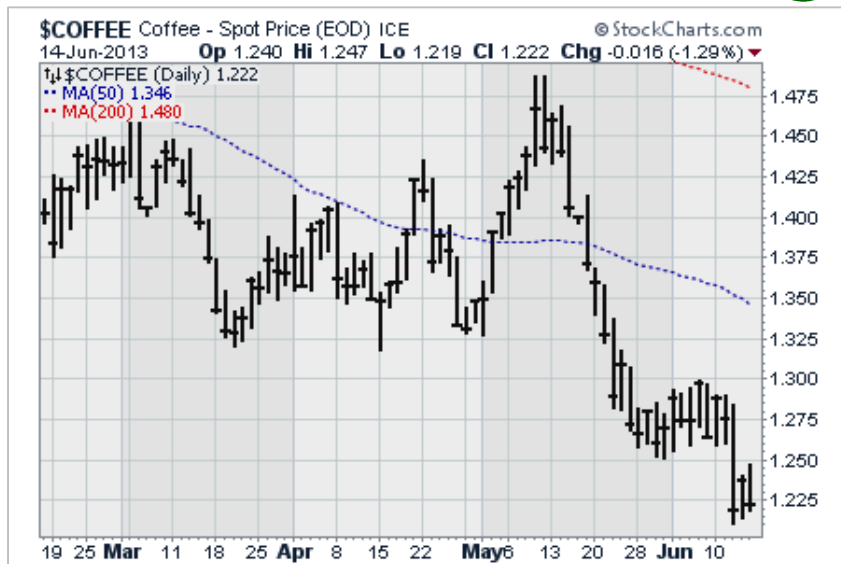
Class III Milk Futures Net Speculative Position



- The cheese market continued to cast about for direction. With prices stuck and with the calendar flipping, front month Class III milk futures contracts took a beating.
- July futures closed at \$18.03 per hundredweight, down 55 cents to the lowest levels since late-February.
- June 2013 through May 2014 contracts closed at an average of \$17.93 per hundredweight, down 13 cents; July through December 2013 finished at \$18.48, down 23 cents.



Coffee, Sugar and Cocoa



- Coffee prices continued to slide: \$1.2215 per pound, down 3%; cocoa -5%; sugar +2%.
- *The Wall Street Journal* reports: Benchmark arabica coffee prices are approaching the cost of production in top grower Brazil, and already have fallen below that point in other countries including Colombia, growers say. "It is impossible to go on," says Joaquim Libânio Ferreira Leite. He said his family has grown arabica coffee for seven generations in Brazil, but now is converting some land to cattle pastures. "No money, no coffee."

