MARKET SNAPSHOT

Symbol	Last	Chg
» Dow	15503	+12
Nasdaq	3035.25	-12.25
S&P	1688.25	-2.00
Crude	106.91	-0.03
Gold	1331.8	-4.2
Corn	483-6	-14-2

Market Data provided by Barchart.com
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News & Views July 21

Sunday, July 21, 2013

by Jerry Welch of Commodity Insite, Straits Financial

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Commodity Insite by Jerry Welch. Introducing broker with Straits Financial.

**"The, "super cycle" for commodities will have legs as long as interest rates remain low, the dollar defensive and crude oil prices well bid. It is true, however, that agricultural producers will experience higher input costs due to rising energy prices. And the money received for products produced will be less than the best levels of the past few years. But the likelihood of a crash and burn scenario for commodities has been taken off the table.

Moving forward, it is unlikely the ag markets will move higher in tandem as in past years when the "super cycle" dominated trade. Individual commodities with bullish fundamentals will have their day in the sun while those markets lacking such fundamentals will not. In such an environment, traders doing best will be those using a rifle to pick out the good markets from the bad. A shotgun approach to commodity trading will no longer work. Which is fine with me." **Jerry Welch, Commodity Insite**

***"The U.S. **Federal Reserve** is "reviewing" a landmark 2003 decision that first allowed regulated banks to trade in physical commodity markets, it said on Friday, a move that may send new shockwaves through Wall Street. While it is well known that the Fed is considering whether or not to allow banks including **Morgan Stanley** and **JPMorgan**to continue owning trading assets like oil storage tanks or metals warehouses, Friday's one-sentence statement suggests that it is also reconsidering the full scope of banks' activities in physical markets, which help generate billions in profits. " **CNBC News**

**"It's a crude reality for the market: Oil will put an end to the rally. At least, that's what some market participants contend.
"The increase in the WTI oil price is creating too strong a headwind for growth and further equity gains," Encima Global President David Malpass wrote on Wednesday. "We think there will be a pause or retracement in equities until growth prospects improve or oil falls."
Over the course of three weeks, oil has rallied 12 percent to the highest level since March 2012, and Malpass believes that rising oil prices could pose a problem both for consumers and for businesses." **WSJ**

"Federal Reserve Chairman Ben Bernankesaid no one, including himself, understands gold prices, but that doesn't mean you can't. "Nobody really understands gold prices and I don't pretend to understand them either," Bernanke said during the Senate Banking Committee hearing on Thursday. He's not too far off the mark. It's more like: gold is difficult to understand and it takes a lot of work to analyze the factors and their influences on the precious metal." **Market Watch.com

**"Legendary hedge fund manager John Paulson remains undaunted by the huge plunge in gold, maintaining that the case for owning the yellow metal remains strong. Perhaps no name has been as synonymous with gold's woes as Paulson, who made his reputation by shorting subprime mortgages prior to the financial crisis unfolding in 2008 and 2009.

Since then, his star has dimmed as a big play he made in gold has gone sour. An expected surge in inflation still hasn't happened, and many investors have bailed as the price has fallen. ""Although the Fed has printed a lot of money to date, there's very little inflation. People who bought gold in anticipation of inflation have lost their patience," he said during a lunchtime question-and-answer session. "I would say that the rationale for owning gold has not gone away. The consequence of printing money over time will be inflation, it's just difficult to predict when."**Reuters News**
**"In the classic disaster flick *The Towering Inferno*, party goers ignored a fire in a storage room because they assumed it had

been contained. Are U.S. investors making the same mistake with China?
Consider: The Standard & Poor's 500-stock index hit new highs last week, as it responded to Federal Reserve Chairman Ben Bernanke's comments to Congress suggesting that scaling back the Fed's bond buying is no sure thing. In doing so, the benchmark index ignored the fact that China -- once considered the world's growth engine but now acting like it needs a tune-up just to keep it from stalling -- reported last Monday that its economy had grown at a 7.5% clip, well below its 15-year average of 9%.
The Asian giant accounts directly for some 5% of S&P 500 earnings, Bianco says. And while that might not seem like a lot, it's a bigger chunk than the 2% that comes from housing. Throw in China's massive influence on commodity prices, and the effect of a slower China could really be felt." **Barrons**
**"The price of gold could fall below $800 an ounce over a long-term horizon, a drop of some $500 from its current level of $1,294 an ounce, Duke University's Campbell Harvey told CNBC on Monday. Harvey, who works at Duke University's Fuqua School of Business,said that over 2,500 years of history, the real price of gold (the nominal price adjusted for inflation) had remained roughly the same.
"Right now we're way above the mean," Harvey said, suggesting that the price of gold would correct over the long-term to approximately $800 an ounce." **CNBC.com**
**"An end to U.S. monetary stimulus may not necessarily spell doom for commodity prices if a strong U.S. economic recovery boosts demand for oil and base metals, leading commodity managers say, but gold and silver are to be avoided.
Commodities sold off heavily in June following signals from the U.S. Federal Reserve that it would wind down its stimulus program, as long as the U.S. Economy continues to improve. The shift in direction led to investors dumping bonds, a sharp rise in real interest rates and a stronger dollar - all of which clobbered commodity prices, particularly gold.
The average actively managed fund in the Lipper Global Commodity sector was down 9.58 percent last quarter, and very few actually made money. Commodity prices as indicated by the Thomson Reuters-Jefferies CRB index fell 6 percent in the second quarter, with big moves down in gold and silver." **Financial Times.**

**"A "turning of the tide" in feeder cattle sales looks another sign that US cow numbers may fall further from their 72-year low hit at the start of the year, and squeeze beef output ahead, the US Department of Agriculture warned.
The USDA, expanding on a report last week in which it cut its forecast for US beef supplies by 315m pounds over 2013 and 2014, flagged the continuing dent to US cow inventories from slaughter rates which for both beef and dairy animals have run ahead of year-ago rates.
The elevated liquidation rate - of a US cow herd that started 2013 at 38.515m head, the smallest since 1941 – reflected drought

which has dried up pasture and continued to encourage producers to get shot of animals rather than pay up for feed costs which, for now, remain elevated. "**Agri Money.**
**"The Dow rose to a new all time high yesterday and ended the day at 15,400 a gain of 40 points and 50 off best level of the session. Bond prices on the other hand fell 22 points in disappointing performance. Stocks continue to rule and bonds continue to disappoint.
However, with crude sharply higher and most equity markets overbought, there could be a play on the short side of the market for the upcoming weekend. The Nasdaq, for instance, posted an outside day down yesterday and a key reversal at that. And there is follow thru weakness this morning. Between crude and the Nasdaq, my work is now flashing a sell signal for the Dow.
This morning, the Dow has a range of 15,478 to 15,429 with a last of 15,452, down 28 points. A close here or lower hints loudly that more weakness should be seen next week. AS A NEW TRADE, THEREFORE: SELL(1)SEPTEMBER DOW JONES FUTURES AT THE MARKET. USE 15,650, STOP, CLOSE ONLY." Commodity Insite, early morning broadcast Friday, July 19.
"Most are calling Fridays, Cattle On Feed report neutral at worst. But how can that be with marketings in June, 4% less than 2012, the lowest since the series began in 1996 coupled with boxed beef prices ending lower for the 8th week in a row. If anything, the report looks more bearish than neutral." **Jerry Welch, Commodity Insite.

****Always remember that old Chinese saying:** 使用中止损失…**..use stops!**

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About the author

Jerry Welch has been in the futures industry since the late 1970's and is a true veteran of the markets. He has been quoted often in Wall Street Journal and is author of Commodity Insite, one of the longest commodity futures newspaper columns in history. His weekly column has been published each week since the mid 1980's and is one of the most recognized names in the world of commodities.

His column is published by the Illinois Agri News in La Salle, Illinois, Cattle Today, in Fayette, Alabama as well as Consensus, in Kansas City, Kansas.

His website can be found at commodityinsitebyjerrywelch.com. He can be contacted at 406.682.5010 for a view of his, "twice a day" market column that includes price forecasts and trading suggestions.