



ADM INVESTOR SERVICES, INC.

THIS ISSUE

Fundamental Trades:

Bullish: Crude Oil

Spreads:

Corn/Soybeans

Technical Trades:

Bullish: Silver

Other:

Is the US Economy on "The Wrong Path?"

November 14, 2014

Next Week's Economic Focus

The US recovery has continued and Euro zone 3rd quarter growth has been slightly better than some expectations, but global economic sentiment is still not strong enough to temper bearish sentiment toward most commodity markets, especially in the face of ongoing adversity from the US Dollar.

The scheduled data flow on Friday, November 14th was a prime example of how very little economic edge is required to send the Dollar sharply higher against the Euro, Swiss and Pound. Seeing US Retail Sales gain only 0.3% (versus expectations of +0.2%) and some Euro zone 3rd quarter growth readings come in minimally positive should have resulted in a mixed to slightly higher Dollar. Instead, the Dollar soared into fresh new high ground towards its highest level since 2010.

With added headwinds from the threat of more sanctions against Russia, deflationary fears probably won't easily leave the marketplace in the near future. The latest decline in energy prices should eventually provide a benefit to the world economy but so far that potential windfall has been spun into a sign of even more deflationary price action ahead.

Western nations will simply add to the bearish commodity market environment.

-David Hightower

MAJOR ECONOMIC EVENTS

November 17

- Industrial Production

November 18

- Producer Price Index
- NAHB Housing Index

November 19

- BOJ Meeting
- Housing Starts
- FOMC Minutes

November 20

- CPI & Jobless Claims
- Existing Home Sales
- Philly Fed Survey

US Retail Store Sales
Percent Change From Year Ago



OUR OPINION... MARKET BY MARKET

Market		*
Stocks	"Goldilocks" data leaves stock bulls in control.	L
Bonds	Data just strong enough to leave Treasuries weak.	S
Dollar	Macroeconomic differential favors the bull camp.	L
Euro	Ukraine conflict leaves the trend pointing down.	S
Gold	Slack Chinese demand not easy to forget.	S
Silver	Deflationary environment leaves the pressure on.	S
Copper	Undervalued, but more consolidation is possible.	L
Crude	Brent under \$80 prompts OPEC output cut talk.	L
Gasoline	Physical buying activity under \$2.00 to support.	L
Nat Gas	Buy dip into gap support, \$4.03 basis Jan.	L
Soybeans	Dec Soymeal reversal from contract high; down.	S
Corn	May need to inch lower to find better demand.	S
Wheat	Short-covering; stiff resistance from 550 to 580.	S
Hogs	Up 7 days in a row; supply news points down.	S
L Cattle	Hard to fight cash uptrend; open interest uptrend?	L
Sugar	In position for first deficit production in five years.	L
Coffee	Confirmation of smaller 2015 crop could spark up.	L
Cocoa	Given back 50% of 15-month rally; oversold.	L
Cotton	Cheap energy, record world ending stocks again.	S

* For traders/commercials who need to be in a market, L = Long, S=Short

SOYBEANS OVERPRICED RELATIVE TO CORN

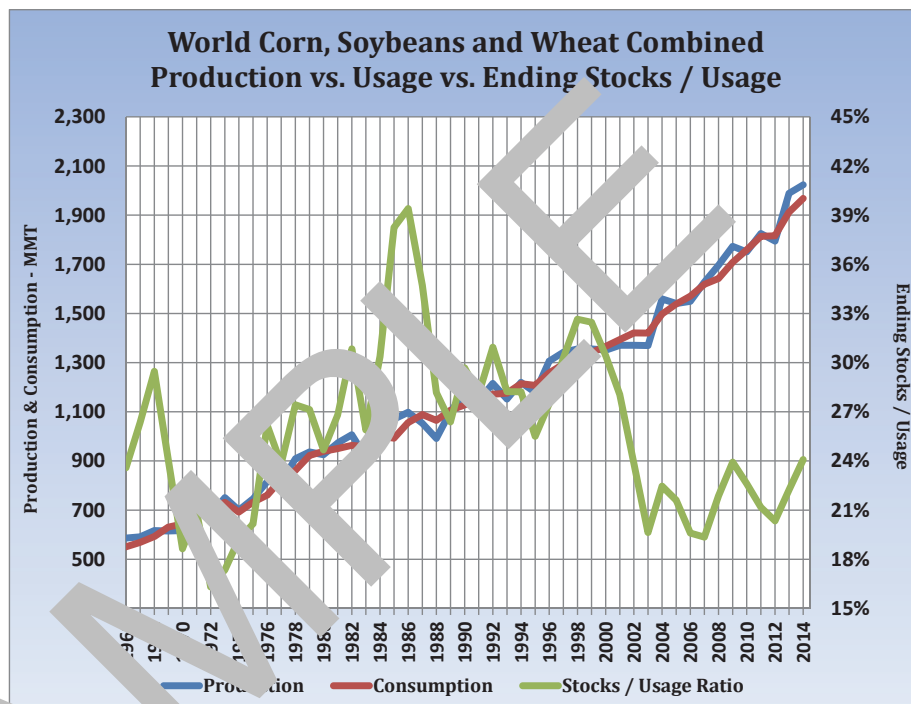
There seem to be significant differences in the short-term and longer-term fundamentals for corn and soybeans. The key reversal from a contract high for December Soymeal this week may have been a significant top. The bullish forces for soybeans that supported the solid gains in October and early November appear to have been temporary in nature. Once the soybeans are crushed and the soymeal is shipped by rail to the right locations, the party will be over, and both soymeal and soybeans will look extremely overvalued against supply.

US soybean production is at a record high this year, and it is likely to see another record high next year. Brazilian production in 2015 is expected to hit a record high for the third year in a row, and overall production will be up 42% in just three years. Argentina's production is also expected to be at a record high this coming season. As a result, world ending stocks are expected to swell to a whopping, record-high 90.28 million tonnes, which will amount to roughly 32% of total usage.

The argument that Chinese demand will be strong enough to eat into this surplus is weak. A 7% increase in Chinese usage is already included in the record world ending stocks forecast. If that usage actually increases 10%, it would represent a difference of just 2.4 million tonnes.

The outlook for higher soybean planted acreage for next year could be the focus of attention going into early next year, especially if there are no weather issues in South America. The table on page 3 gives

Continued on Next Page...



TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
OVERVALUED		
S&P 500	Soybean Meal	Soybean Meal
Corn	S&P 500	Dow Jones Index
Cattle	US Dollar Index	US Dollar Index
UNDERVALUED		
Natural Gas	Coffee	Rice
Silver	Silver	Cocoa
Copper	Australian Dollar	Silver

OPTIONS SCAN

Undervalued

Buy Jan Natural Gas 4.60 call @ 0.125

Buy Mar Copper \$3.30 call @ 350

Buy July Soybeans 9.60 put @ 26

Overvalued

Sell Dec Hogs 95.00 call @ 107*

Sell Jan Soymeal 390.00 call @ 11.50*

Sell Feb Silver \$13.75 put @ 21*

Trend Reversals

Buy Jan Crude Oil 80.00 call @ 0.85

Sell Jan Wheat 5.90 call @ 11*

Buy Mar Cocoa 3100 call @ 21

* When selling options, only risk to double the premium received.

SOYBEANS OVERPRICED RELATIVE TO CORN

Continued from Page 2

a general idea of what would happen if the US were to plant an extra 1, 2 or 3 million acres. From that we can deduce that record ending stocks are a real possibility for the 2015/16 season. If acreage increases 1 million acres and yield is the same as this year at 47.5 bushels/acre, ending stocks could surge to 778 million bushels. A prominent analyst has pegged 2015 planted area at 88.3 million acres for next year. If that occurs and yield is 45.1 bushels/acre, ending stocks could come in at a record-high 714 million bushels. This follows a record-low 92 million bushels for the season just ended.

While the outlook for increased production from key producers is the theme for soybeans, corn is in an opposite situation. 2015 corn production from the world's four

largest producers, US, Brazil, Argentina and Ukraine, could be down significantly. US corn is struggling to be competitive with other countries for exports, which could cause corn prices to follow soybeans lower over the near-term. If corn prices do not improve relative to soybeans, corn planted area could decline significantly.

The table on page 4 shows a general idea of what would happen if the US planted 2, 4 or 6 million acres fewer acres of corn. A drop of 2-5 million acres is expected to be the likely setup unless prices continue to advance to levels where corn is more profitable than soybeans or at least offers less of a loss.

The areas that have recently seen a major expansion in planted area have been the western and northwestern areas of the Corn Belt and Great Plains. With the North

Dakota corn basis recently trading \$1.25 under the futures, producers are more likely to plant soybeans, wheat or other crops than corn, which is more capital-intensive. If US corn planted acreage is down just 2 million acres and yield comes in at a much higher-than-expected level of 170 bushels/acre, ending stocks would still drop to 1.989 billion bushels. If yield ends up being 163 bushels per acre and acreage falls by 4 million acres, ending stocks could slide to 1.112 billion bushels or with a stocks/usage ratio of just 8.1%. The 15-year trend yield is less than 160 bushels/acre.

Soybeans went in the ground late in Brazil, and if there are other weather issues that push back the Brazilian harvest, major second-crop corn plantings could be off significantly, and Brazilian corn

Continued on Next Page...

USDA SUPPLY/DEMAND US SOYBEANS								Hightower 2015/16 Estimates		
	08-09	09-10	10-11	11-12	12-13	13-14	14-15	Changes in Planted Acres Est. 15 Yr. Trend Line Yield		
Planted Area (M Acres)	75.7	77.5	77.2	77.2	77.2	76.8	84.2	85.2	86.2	87.2
Harvested Area (Acres)	74.7	76.4	76.6	73.8	76.1	76.3	83.4	84.3	85.3	86.3
Yield (Bu/Acre)	39.7	41.1	43.5	41.9	40.0	44.0	47.5	45.1	45.1	45.1
Beginning Stocks (M Bu)	205	138	151	215	169	141	92	450	450	450
Production	3,067	3,329	3,329	3,094	3,042	3,358	3,958	3,804	3,849	3,893
Imports	13	14	14	16	41	72	15	15	15	15
Supply, Total	3,283	3,511	3,494	3,325	3,252	3,570	4,065	4,269	4,314	4,358
Crushings	1,662	1,752	1,648	1,703	1,689	1,734	1,780	1,810	1,785	1,810
Exports	1,279	1,499	1,505	1,365	1,317	1,647	1,720	1,770	1,695	1,770
Seed	90	90	87	90	89	98	92	92	92	92
Residual	16	20	43	-2	16	0	23	22	22	22
Use, Total	3,047	3,361	3,279	3,155	3,111	3,478	3,615	3,694	3,694	3,694
Ending Stocks	138	151	215	169	141	92	450	575	620	664
Stocks/Use Ratio	4.5%	4.5%	6.6%	5.4%	4.5%	2.6%	12.4%	15.6%	16.8%	18.0%

SOYBEANS OVERPRICED RELATIVE TO CORN

Continued from Page 3

production could be down more than expected. There are also concerns for Ukraine's plantings for 2015, as a lack of credit and the higher cost of planting corn could become concerns.

While it "feels like" the global grain supply is extremely high, we should note how quickly this situation could change. US corn production fell 12.8% in 2012 after harsh summer weather hit the US crop. If China's corn production were to face a similar fate in 2015, China could be in the market to import as many as 28 million tonnes, which would represent 15% of world ending stocks. This past season, global corn exports totaled 114 million tonnes. If Brazil & Argentina's corn production were to fall 12.8%, exports from those two countries (the world's

second and fourth largest corn exporters) would drop about 37%.

Suggested Trading Strategies

1) **SELL** 2 March Corn \$3.60 puts at 7 cents each and also **BUY** 1 March Soybean \$9.80 put for 24 cents. Hold the position for a downside objective of \$8.75 in March Soybeans, and risk a total of 16 cents on the entire spread.

2) **SELL** 1 March Soybean \$10.80 call at 31 cents, and **BUY** 3 March Corn \$4.30 calls at 7 1/2 cents each. Exit one of the corn calls at 16 cents, and exit the other 2 corn calls and the soybean call if March Corn reaches \$4.49 1/2. Risk a total of 14 cents on the entire position. If the grain markets fall, the trader should be in position to collect 8 1/2 cents.



USDA SUPPLY/DEMAND US CORN								Hightower 2015/16 Estimates Changes in Planted Acres Est. If 163 Yield		
	08-09	09-10	10-11	11-12	12-13	13-14	14-15			
Planted Area (M Acres)	86.0	86.4	82.2	79.9	97.3	95.4	90.9	88.9	86.9	84.9
Harvested Area (Acres)	78.6	79.5	81.1	84.0	87.4	87.7	83.1	81.3	79.4	77.6
Yield (Bu/Acre)	153.9	152.7	152.8	147.2	123.1	158.8	173.4	163.0	163.0	163.0
Beginning Stocks (M Bu)	1,624	1,673	1,700	1,128	989	821	1,236	2,008	2,008	2,008
Production	12,092	12,447	12,447	12,360	10,755	13,925	14,407	13,247	12,949	12,651
Imports	14	8	28	29	160	125	25	25	25	25
Supply, Total	13,720	14,732	14,182	13,517	11,904	14,782	15,668	15,280	14,982	14,684
Feed & Residual	5,182	5,126	4,798	4,566	4,315	5,132	5,375	5,460	5,460	5,460
Food, Seed & Industry	5,025	5,961	6,425	6,421	6,038	6,497	6,535	6,550	6,550	6,550
Ethanol for Fuel	3,591	4,591	5,019	5,000	4,641	5,134	5,150	5,165	5,165	5,165
Domestic Total	10,207	11,087	11,224	10,987	10,353	11,629	11,910	12,010	12,010	12,010
Total Exports	1,849	1,979	1,831	1,541	730	1,917	1,750	1,850	1,850	1,850
Use, Total	12,056	13,066	13,055	12,528	11,083	13,546	13,660	13,860	13,860	13,860
Ending Stocks	1,673	1,708	1,128	989	821	1,236	2,008	1,420	1,122	824
Stocks/Use Ratio	13.9%	13.1%	8.6%	7.9%	7.4%	9.1%	14.7%	10.2%	8.1%	5.9%

TAKE ADVANTAGE OF PLUNGING CRUDE OIL PRICES

* Oversold COT net speculator long positioning.

* Oversold RSI status greater than 2008 financial collapse.

* November 27 OPEC meeting and geopolitical concerns could offer support.

The fundamental backdrop for crude oil would appear to be bearish in the face of expanding global supplies and questionable demand. The latest weekly report from the EIA pegged US crude oil production above 9.0 million barrels per day, which is the highest reading on record. The expansion in US production and sluggish outlook in China and Europe has tamped down demand for OPEC crude oil. A portion of the October/November decline in crude oil prices has come on ideas that OPEC might prefer slashing prices to attract demand rather than reducing output. This sets up an interesting dynamic going into the November 27th OPEC meeting, where the members are expected to hash out a plan to deal with plunging prices.

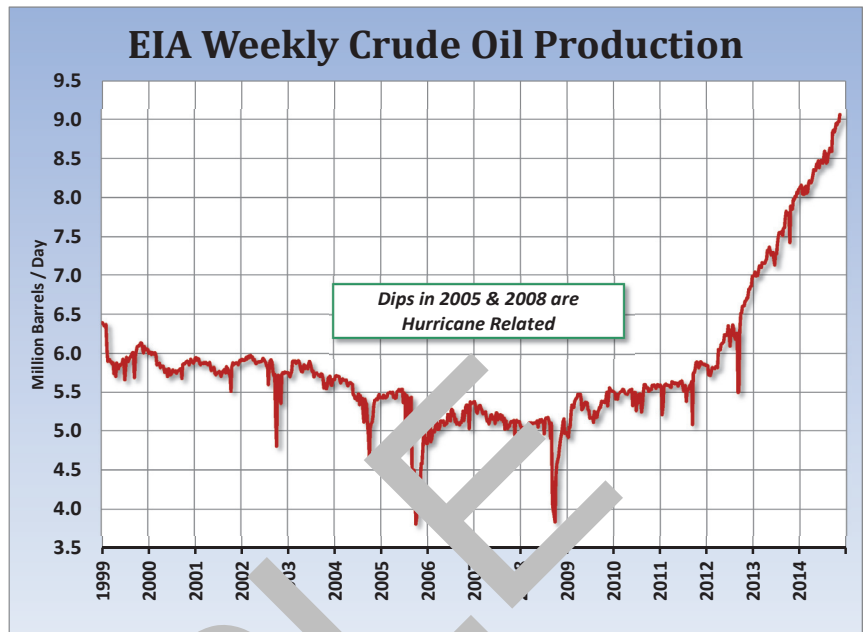
WTI Crude Oil prices have experienced a peak to trough decline of 32% from their June high going into this past week's low. The drop in prices has come with a more than 17% pullback in open interest and a precipitous drop in COT net speculator net-long positioning. Additionally, the June through November selloff has produced an oversold technical condition for crude oil of a magnitude greater than what was seen during the 2008 financial collapse.

Given that the market is severely oversold and that OPEC looking for a solution to stem the slide in prices, we think there is good potential for a corrective rebound during the coming weeks. An initial corrective retracement target of the June through November decline for February Crude Oil comes in at \$83.90.

Suggested Trading Strategy

BUY a February Crude Oil 83.00 call at 0.85, with an objective of 2.70. Risk a close on the option below 0.35.

-John Isaacson



TECHNICAL TRADE: BUY MARCH SILVER

* **Extremely oversold net long speculator positioning.**

* **Friday's bullish outside-day reversal favors another leg higher.**

* **Bullish price pattern forming on short-term chart targets \$16.965.**

March Silver became severely oversold during the late October/early November selloff and began showing signs of a bottom. The first of these came in the wake of the November 4th push into a new contract low at \$15.085, as prices then rallied nearly \$0.80 to form a bullish outside-day reversal. Corrective action took hold for much of following week's activity, with contracting trading volume and price ranges. This corrective action culminated Friday morning, November 14th with a failed attempt to revisit the previous week's low that was then followed by another bullish outside-day reversal.

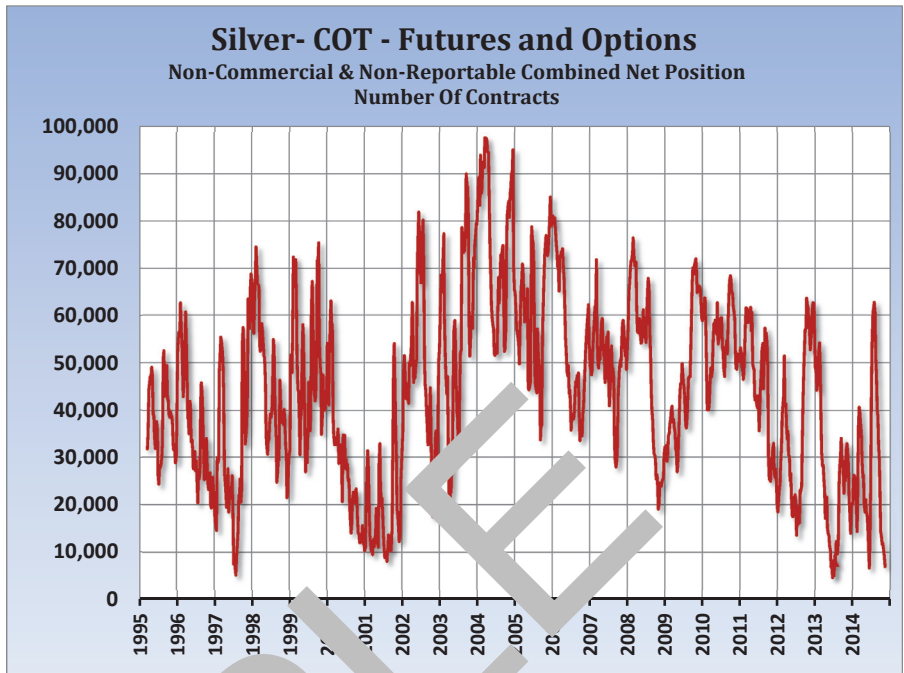
Net long speculative positions became severely oversold and likely posted a record low around the November 4th contract low. Price momentum indicators like Slow Stochastics and the RSI became severely oversold during the price decline, and flashed bullish divergences going into the contract low. This left the silver market in position for a corrective rally just ahead.

The short-term charts for March Silver suggest a head-and-shoulder bottoming pattern. The neckline of the pattern offers resistance at \$16.025. Confirmation of an advance back above this level would the bullish pattern in play with an upside target coming in at \$16.965.

Suggested Trading Strategy

BUY a January Silver 17.25 call at 0.24. Use an objective of 0.525 on the call, and risk the trade to a close below 0.105.

-John Isaacson



THE US ECONOMY: IS IT ON “THE WRONG PATH?”

As analysts dissect the results of the 2014 Mid-Term Elections, there appears to be one theme that has fueled the desire in many voters for “change” in Washington: that the US Economy is on the “wrong path.” Certainly the politicians in Washington have done themselves few favors with their obstruction and gridlock over the past few years. If you look at the major US economic indicators, however, there are very few that indicate that the US economy is underperforming other major nations, much less showing signs of trouble.

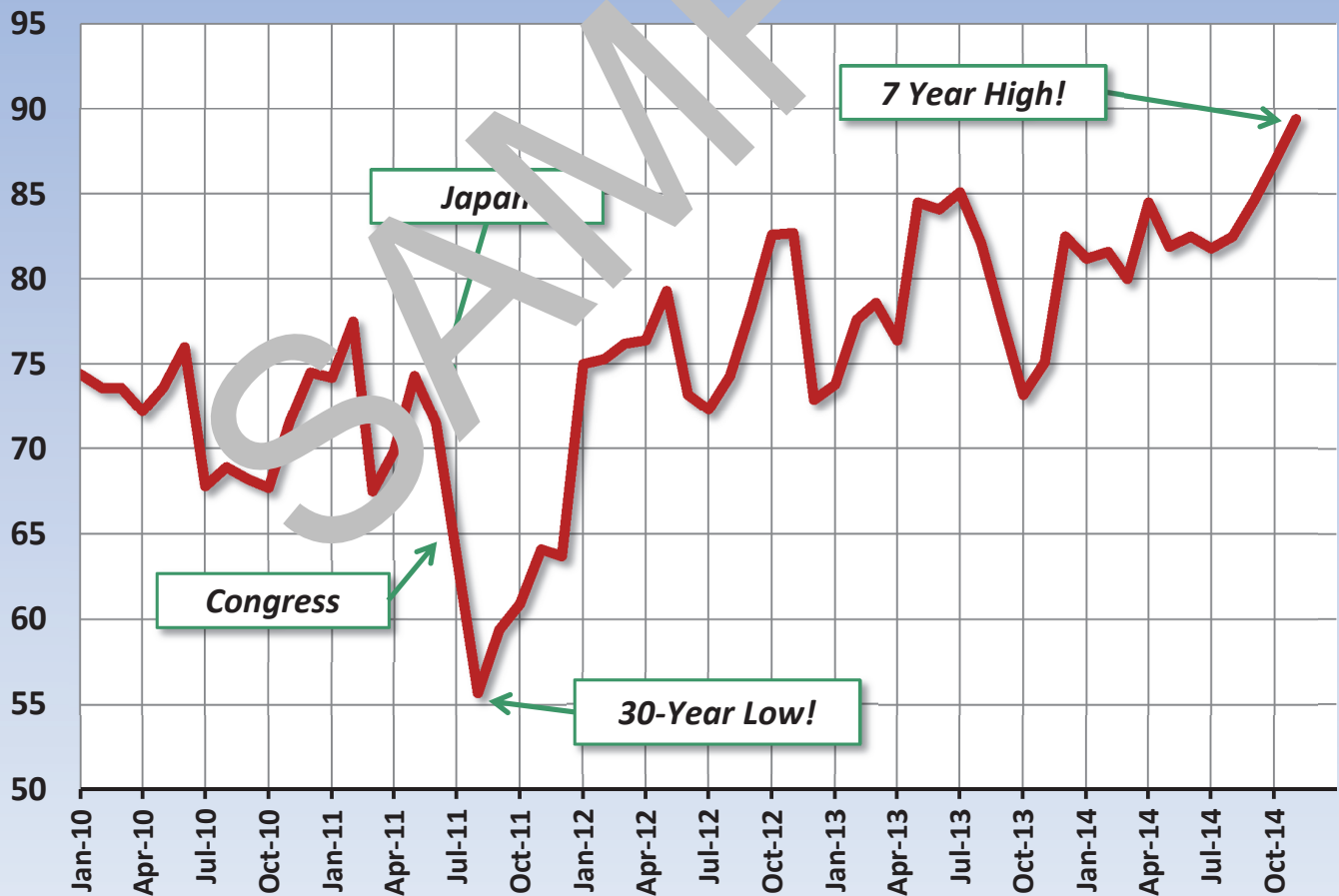
Within days of the election, the October Employment Situation report showed an Unemployment Rate of 5.8%, the lowest

reading since July 2008 and more than 4% below its peak in the fall of 2009. Non-Farm Payrolls posted a 200,000-plus reading for a ninth month in a row. The ISM Manufacturing Index for October climbed to 59.0, a 4 ½-year high, and Capacity Utilization reached a 5-year high at 79.3%.

However, there may be an economic indicator that best shows the disconnect between perception and statistical evidence. Just this Friday, the Reuters/University of Michigan Index of Overall Consumer Sentiment posted a reading of 89.4 – its highest reading in over 7 years!

- Stephen Maass

Reuters/University of Michigan Index of Overall Consumer Sentiment



Longer-Term Investment Trades

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Corn 9/5/14	Short July Corn futures at \$3.77 1/4 and Long 3 July Corn \$4.30 calls at 12 3/8 cents each. Look to SELL a July Corn \$3.30 put at 16 cents or better.	Use an objective on the short futures position of \$3.42 1/4, and look to hold the July calls until expiration or a return to \$4.70 for the July Corn futures price. Use a risk on the combination of a net loss of \$2,900.
Cattle 9/19/14	Long 2 February Cattle 166.00 calls at 197.5 each, short 1 February Cattle futures at 159.95, short 1 February Cattle 158.00 put at 260, and Long 1 February Cattle 170.00 call at 215.	Use an objective of 171.55 in February cattle, and risk a total of 250 points on the entire position.
Copper 9/19/14	Long 1 December Copper \$3.01 put for 740 points, and Long 1 December Copper futures at \$3.0425. Short 1 December \$3.09 Copper call for 480.	Reached objective at 115 on short December \$3.09 call position. SELL a December \$3.06 call for 290 or better. Use an objective of 3.33 in December Copper futures for the entire strategy. Risk the entire position to a close below \$2.9520 in the December Copper futures.
RBOB 10/3/14	Long a December RBOB Gasoline 2.40 call at 0.0598. Previously short a November RBOB Gasoline 2.38 call at 0.0782 which reached its objective at 0.0223.	Use an objective of 2.60 on the long December 2.40 call, and risk the entire premium for a maximum loss of \$1,080 on the strategy.
Sugar 10/17/14	Long 1 March Sugar 16.00 put at 75 points and Long 1 March Sugar futures at 16.75. Previously Long 1 March Sugar 16.00 put at 46 which reached its objective at 74.	Hold the remaining long futures/long put position for a rally to 21.48 in the March Sugar futures.
Soybeans 10/24/14	Long 2 January Soybean \$9.50 puts for 6 1/2 cents each, and short 1 December Soybean \$9.10 put for 42 cents.	December Soybean \$10.10 put reached objective at 10 cents. SELL a January \$9.30 put at 9 cents or better. Wait to set an objective on the long January \$9.50 puts. Risk the entire premium on the January \$9.50 puts.
Bonds 10/24/14	Long 3 January Bond 138.00 puts at 1-00 each and Short 1 December Bond 143.00 put for 1-57.	Use an objective of 1-30 and a profit-stop of 1-63 on the short December 143.00 put. Use an objective of 2-39 for the long January 138.00 puts. Risk a loss of \$1,500 on a closing basis.
Soybeans 11/7/14	BOUGHT a January Soybean \$9.00 put at 11 cents.	Use an objective of 49 cents. Risk 8 cents from entry.

Trade recommendations are only suggestions. This is not to be construed as a trading system or tracking account. No representation is being made that any account will or is likely to achieve profits or losses to those shown. By reading or following this report, you acknowledge and accept that all trading decisions are your own sole responsibility, and The Hightower Report or anybody associated with The Hightower Report cannot be held responsible for any losses that are incurred as a result. Trade fills are hypothetical. Traders may not be able to enter or exit the trades exactly at the prices indicated due to liquidity or market shifts.

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COMMITMENTS OF TRADERS

Data As of November 11, 2014
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	42,418	58,630	194,785	35
Corn	107,682	33,928	87,028	41
KC Wheat	-11,069	-5,826	-6,810	4
Minn Wheat	2,895	-320	-1,745	1
Oats	3,778	128	-18	44
Rice	-3,975	-88	-985	1
Soybeans	-32,461	23,239	84,717	20
Soyoil	57,891	-13,804	23,904	51
Soymeal	111,500	7,500	46,719	52
Wheat	-32,000	163	23,040	35
Livestock				
Cattle	97,540	743	-1,593	11
Feeder Cattle	-3,172	0	954	21
Hogs	64,280	2,943	-2,249	15
Metals				
Copper	1,139	-1,494	159	3
Gold	49,200	-4,670	-58,199	2
Platinum	23,981	1,777	403	5
Silver	12,835	5,791	2,419	9
Softs				
Cocoa	44,207	-686	-17,771	1
Coffee	43,095	-1,426	-10,481	27
Cotton	14,669	-288	17,264	21
Lumber	-1,156	-131	-1,047	10
Milk	2,540	-1,595	-1,676	29
OJ	-2,950	-1,453	-1,543	1
Sugar	4,332	19,161	759	17
Currencies				
Canadian	-36,370	-2,567	-290	22
Dollar	52,728	-1,287	-5,915	44
Euro	-225,045	6,042	-15,075	2
Energies				
Crude Oil	308,893	4,142	5,781	4
Gas (RBOB)	60,196	4,511	9,260	28
Heating Oil	-21,907	2,652	1,706	4
Natural Gas	-162,441	7,237	14,791	4
Financials				
Bonds	1,375	-824	-2,316	12
E-Mini S&P	69,358	17,579	-15,178	24
Dow Jones \$5	18,401	972	19,755	42
S&P 500	5,888	563	14,596	21
T-Notes	-268,343	-101,520	-85,517	20
	Extreme			Ranking 1 = Shortest Short
	5% of Extreme			52 = Longest Long

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