2/02/2018

Weekly Commodities ETF Report: Upbeat Jobs Data, Fed's Plan for March Interest Rate Hike Push Gold, Crude Lower

Commodities were mostly in negative territory for Friday and for the week, in step with market equities, which sank lower as the yield on the 10-year Treasury note breached 2.80%

Energy commodities were weaker at the start of the week, with crude oil futures logging the biggest percent correction it has seen since the first week of December - sparked by a surprise build in US industry estimates of supplies. The American Petroleum Institute (API) reported a moderate build of 3.229 million barrels of US crude oil inventories for the week ending January 23, according to the API data. It's the second straight weekly build. The Energy Information Administration (EIA) reported a 6.8-million-barrel build in US crude oil inventories for the week ending January 26. That's a much larger build than analysts were expecting. However, gasoline stockpiles fell by 2 million barrels, trimming recent inventory gains. There was also a growing sentiment that the upcoming spring refinery maintenance season will see a noticeable drop in demand. Crude oil snapped back Thursday amid signs that OPEC is complying with supply quotas. However, futures returned to negative territory after stronger US jobs data underpinned the dollar and the oil rig count from Baker Hughes showed an increase to a six-month high.

For the week, light, sweet crude oil for March delivery finished the week 1.24% lower and closed Friday at $65.31 per barrel. Gasoline fell 3.22% during the week and settled at $1.87 per gallon at the close of Friday's session. Meanwhile, natural gas fell 9.69% this week, but closed Friday's session modestly higher, settling at $2.86 per 1 million British thermal unit.

The United States Oil Fund (USO) was down 1.59% during the week (versus up 4.09% the previous week) and closed the session at $13.05 while the United States Natural Gas ETF (UNG) was down 9.60% over the last five days (from up 7.68% the prior week), at $24.19 as the regular session ended. United States Gasoline Fund LP (UGA) was at $33.27 at Friday's close, declining 2.55% during the week (versus up 3.11% last week).

Similarly, gold started the week slow, moving lower as the dollar recovered some poise following the Commerce Department's report Monday that personal income climbed by 0.4% -- above forecasts for a 0.3% increase. Gold futures had brief upticks during Wednesday and Thursday, but had given up those gains following the Federal Open Market Committee announcement that it voted to leave its benchmark interest rate unchanged, in a range between 1.25% and 1.5%. However, the Fed hinted it will increase the benchmark rate at its next meeting, in late March, thanks to an improving economy and signs of inflation. Gold extended its losses Friday, with investors taking profits across most asset classes, as the upbeat jobs report this morning solidified expectations the Federal Reserve (Fed) will raise interest rates in March. The US economy generated 200,000 jobs in January, and worker pay increased 2.9% in the 12 months ended in January, according to figures from the Labor Department. This was the biggest rise in weekly wages since 2009. Gold ended Friday's session at $1,334.20 an ounce and finished the week lower, down 1.40%.

Meanwhile, copper showed some improvement in its demand outlook, helping lift copper prices. Improved confidence about China's economic stability also added strength to copper. On Wednesday, China's manufacturing sector PMI clocked in at a reading of 51.3, an eight-month low but still in expansion even if it represented a dip from 51.56 last month. China's manufacturing and industrial firms have been a major driver behind the solid economic growth last year of 6.9%. Since China is the biggest copper consumer, its improved economic conditions help boost copper's demand outlook. Copper closed the Friday session lower at $3.18 and ended the week down 0.73%. The United States Copper Index Fund (CPER) fell 1.02% during the week, versus the increase of 0.63% in the previous week. It ended the Friday session lower, settling at $20.26 at the close.

Agricultural commodities were mostly lower, with corn, wheat and cotton among losers. Corn futures ended Friday lower, finishing at $361, but showed an increase of some 1.33% during the week following the US Department of Agriculture's grain crushing and co-product production report, which showed 538 million bushels were crushed in December, with a 2% increase in corn consumed for alcohol. Meanwhile, the USDA's most recent World Agriculture Supply and Demand Estimates (WASDE) report, released in January, puts total food seed and industrial uses of corn at 6.995 billion bushels, with ethanol and by-product corn demand set at 5.525 billion bushels from a total production of 14.6 billion bushels. US corn prices took a hit in recent months, and these government reports have shown how corn and corn co-products are finding other outlets to alleviate the over-supply situation. The Agricultural Index Fund (USAG) ended Friday's session at $16.60; during the week, the fund rose 1.53%, compared with last week's decline of 0.97%.

Commodity trading is highly speculative and involves a high degree of risk. Commodities and futures generally are volatile and are not suitable for all investors. Investing in commodity interests subject each Fund to the risks of its related industry. An investor may lose all or substantially all of an investment. These risks could result in large fluctuations in the price of a particular Fund's respective shares. Funds that focus on a single sector generally experience greater volatility. Leveraged and inverse exchange-traded products pursue daily leveraged investment objectives which means they are riskier than alternatives which do not use leverage. They are not suitable for all investors and should be utilized only by investors who understand leverage risk and who actively manage their investments. For further discussion of these and additional risks associated with an investment in the Funds please read the respective Fund Prospectus before investing.

Commodity Mutual Fund Disclosures: Download a copy of a Fund's Prospectus by clicking: *USCFX* ***Please read the Prospectus carefully before investing.***

Performance is historical and does not guarantee future results; current performance may be lower or higher. Investment returns/principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Most recent performance is available at www.uscfinvestments.com***.***

Past performance does not guarantee future results.

This information is intended for U.S. residents.

Funds distributed by ALPS Distributors, Inc.

USO001596 ex. 3/31/2018