The Markets We Greet This Week...

• ...suddenly have a sharper geopolitical edge.

• Free Shipping Battles: *Shipping companies, ranging from startups to the biggest package handlers, are vying to help small retailers compete with Amazon.com rapid expansion of free shipping. Logistics companies say demand for fulfillment services has ballooned in the past year, as Amazon casts a bigger shadow across the retail world and the shipping market. Retailers are rushing to offer faster, cheaper delivery to keep customers from flocking to Amazon Prime. Shipping companies fear the e-tailer will starve their networks by handling more of its own orders. They see a lifeline in going after smaller customers...*  The Wall Street Journal  [http://buff.ly/2npDJA6](http://buff.ly/2npDJA6)

• Pass the Twinkies: *Healthy eating has become an obsession. Soft-drink sales are slumping, salt is getting tossed from food, and kale is on the menu at McDonald’s. And yet the Twinkie, that icon of indulgence, is on a tear. For many otherwise healthy-eating American millennials, Twinkies have become food nostalgia. Nine months of forced disappearance from store shelves sharpened appetites for the golden sponge cake filled with fluffy cream, and after two bankruptcies, the 2013 acquisition of the Hostess Brands Inc. snack-cake business by a pair of private equity firms put the company back on the road to solvency.*  Bloomberg  [http://buff.ly/2omA6L8](http://buff.ly/2omA6L8)

• Walmart Resets Expectations: *Last month, Walmart gathered some of America’s biggest household brands near its Arkansas headquarters for a tough talk. For years, Walmart had dominated the retail landscape on the back of its “Everyday Low Price” guarantee. But now, Walmart was too often getting beaten on price. So company executives were there, in part, to reset expectations with Walmart’s suppliers — the consumer brands whose chips, sodas and diapers line the shelves of its Supercenters and its website. Walmart wants to have the lowest price on 80% of its sales, according to a presentation the company made at the summit, which Recode reviewed. To accomplish that, the brands that sell their goods through Walmart would have to cut their wholesale prices or make other cost adjustments to shave at least 15% off.*  Recode  [http://buff.ly/2orglmP](http://buff.ly/2orglmP)

• No Key Indicators Next Week: As is customary, we are taking an extended break over the Easter holiday.
US Equities

- US equity indices finished steady-to-lower. The S&P500 closed at 2,355.5, down 0.3%, with the Dow Jones Industrial Average at 20,656.1, unchanged, and the NASDAQ at 5,877.8, down 0.6% on the week.

- FactSet notes: A smaller percentage of S&P 500 companies have lowered the bar for earnings for Q1 2017 relative to recent averages. Of the 111 companies that have issued EPS guidance for the first quarter, 79 have issued negative EPS guidance and 32 have issued positive EPS guidance.

US Dollar

- The US Dollar rallied, with the USDX finishing at 101.12, up 0.9% for the week. The Euro closed at 105.96 versus the USD, down 0.6%.

- European Central Bank President Mario Draghi: We are confident that our policy is working and that the outlook for the economy is gradually improving. But even so, we have not yet seen sufficient evidence to materially alter our assessment of the inflation outlook – which remains conditional on a very substantial degree of monetary accommodation.
Gold

- Gold tried to bust out on Friday, but fell back into the recent range. Nearby futures closed at $1,257.30 per ounce, up 0.5% on the week.
- CNBC reports: "On a technical basis, today's a disappointing day," Matt Maley at Miller Tabak, said on Friday. Maley explained that with their morning spike to $1,273.30, gold futures managed to rise decisively above their 200-day moving average. However, gold futures settled a bit below that mark, at $1,257.30, and slid a bit further into the equity close.

China Equities

- Equity prices in China moved higher. The Shanghai Composite Index ended at 3,286.6, up 2.0% on the week.
- The Financial Times reports: Has China regained its taste for pizza and fried chicken? Shares in Yum China surged on Tuesday after the company behind KFC and Pizza Hut in China delivered a stronger-than-expected set of first-quarter results. The company...reported a 1% rise in like-for-like sales in the three months to the end of February, confounding expectations for a 0.7% decline.
Unleaded Gasoline

- Unleaded gasoline prices crept higher.
- The DOE/EIA survey showed that, for the week ending April 3, regular unleaded averaged $2.360 per gallon, up four cents on the week and up 29 cents year-over-year.
- GasBuddy analyst Patrick DeHaan: As we've seen in the past, oil prices hate turmoil. [Thursday night's] surge in prices comes as questions remain about military action in Syria moving future... It is too early to know how severe or how long the impact to oil prices may be.

Diesel

- For the week ending April 3, the DOE/EIA saw diesel at $2.556 per gallon, up two cents on the week and up 44 cents year-over-year.
- Distillate fuel inventories declined by 2.5 million barrels in the latest accounting, ahead of the -1.1 million barrel pace anticipated by analysts.
- Demand is strong, with government data showing consumption at an average of 4.185 million barrels per day over the four weeks ending March 31. That compares to 3.675 million over the same period in 2016.
- Initial jobless claims dropped sharply during the week ending April 1.
- The US Department of Labor counted 234,000 filings, down 25,000 from the week prior and down 32,000 year-over-year.
- *The Wall Street Journal* reports: Amazon.com said it would create 30,000 part-time positions in the U.S. over the next year, nearly doubling the total as its customer base and sprawling warehouse network expand. Of the jobs, 25,000 will be warehouse positions.

- Consumer spending as measured by Gallup bounced higher during the week ending April 2.
- Daily outlays averaged $15, up 12% on the week and up 21% year-over-year.
- According to Gallup, in March: *Those in households with annual incomes of $90,000 or more typically spend more than twice as much as those making less than $90,000, and that was the pattern in March as well (average daily spending of $163 vs. $75, respectively).*
• **The New York Times** reports: After six years of a prolonged drought in California, it is all but over. On Friday, Governor Jerry Brown ended the drought emergency for the vast majority of the state. The drought had reduced Folsom Lake, a major reservoir in Northern California, to less than a third of its capacity in 2015, and all but wiped out the Sierra Nevada snowpack. Friday’s announcement… marked the formal end to a water shortage that had already been erased by a winter of plentiful rain and snow.

• **The New Zealand Herald** reports on North Island flooding: First it was Waikato, now it is farmers in Eastern Bay of Plenty to feel nature's wrath and severe flooding. Whakatane dairy farmer Rob Simpson can only look from a distance as access to his 90 hectare farm has been cut off by the rising Whakatane River and left it 80%... The flooding has forced Fonterra to temporarily shut down its Edgecumbe factory and closed its Farm Source store as staff are preparing low-lying parts of the site for potential flooding.
### Employment

- The US economy added 98,000 jobs in March, the weakest showing in nearly a year.
- Published reports cited colder weather as a factor in the slowdown. In February, expanded by 219,000, while 225,000 jobs emerged in March 2016.
- Unemployment: 4.5%, the lowest since May 2007.
- The payroll-to-population ratio moved up to 60.1% in March from 60.0% in February – the highest level since January 2009.

### Auto Sales

- Auto sales went in reverse in March.
- Industry data estimated sales at 16.6 million units on an annualized, seasonally-adjusted basis. That was down 4.8% from February and up 0.2% compared to March 2016.
- Looking at actual sales during the month: cars -11% year-over-year; light-duty trucks +5%; SUVs +7%; cross-overs +11%.
- GM +1% year-over-year; Ford -7%; Chrysler -5%; Toyota -2%; Honda -1%.
Consumer Credit

- Consumer credit expanded at a faster pace in February. US Federal Reserve data put total credit outstanding at $3.792 trillion, up $15.2 billion on the month and up 6.3% year-over-year.
- The Wall Street Journal reports: Credit-card debt breached the $1 trillion threshold in the U.S., joining auto loans and student debt in crossing that level, and hitting its highest mark since the nation’s last recession. The new data from the Federal Reserve marks the latest sign of a growing appetite for household debt.

Construction

- Construction spending continued to move up modestly in February.
- Data from the US Census Bureau put total spending at $1.193 trillion on an annualized, seasonally-adjusted basis, up 0.8% from January and up 3.0% year-over-year.
- Private-sector spending is driving gains: +0.8% month-to-month and +6.9% year-over-year.
- Public-sector spending increased 0.6% on the month but declined 8.0% year-over-year.
**Rail Traffic**

- For the week ending April 1, the American Association of Railroads reported 527,665 car loadings and intermodal starts – up 7%.
- AAR’s John T. Gray on March traffic: *This was the best first quarter ever for U.S. railroad intermodal volume. Roughly half of intermodal is international trade, but it's not just intermodal that's associated with international trade. At least 42% of the carloads and intermodal units our nation's railroads carry, and more than 35% of rail revenue, are directly associated with international trade*

**Cow Slaughter**

- Dairy cow slaughter jumped back up during the week ending March 25.
- USDA reported culling at 59,785 head, up 8.8% on the week and up 10.0% year-over-year.
- Activity increased in the Upper Midwest, with 19,285 cows slaughtered in Regions 5, 7 and 8, up 13.4% when compared to the average week in March 2016.
- Nearby live cattle futures closed at $1.2005 per pound, up a fraction on the week.
Midweek US military action in Syria propelled an already perky crude oil market to the highest levels in more than a month.

Nearby WTI futures closed at $52.24 per barrel, up 3.2% on the week.

Will old support in the $53 to $54 area become new resistance?

The latest DOE/EIA report showed commercial crude oil inventories increasing 0.3% on the week. Stocks are up 7.4% year-over-year.
The natural gas recovery rally continued, with nearby futures closing at $3.261 per mmbtu, up 2.2% on the week.

As spring unfolds, supply/demand patterns evolve to stocks building. The latest DOE/EIA accounting showed working inventories up 0.1% on the week (compares to a 0.3% decline over the previous five years).

Baker Hughes counted 165 rigs drilling for natural gas in the US, up five on the week and up 76 when compared to the same week a year ago.
Butter and Cream

- CME spot butter prices dropped, but only managed to tie year-to-date lows: $1.0975 per pound, down a penny.
- Technical support fell apart in the futures market, however, with July through December futures closing at $2.1697 per pound, down $0.0396 on the week.
- Cream is still inexpensive. USDA data implied a 116 multiple prevailing in the Upper Midwest, unchanged from the week prior but down from 119 last year.
Cheese and Class III Milk

- CME spot block and barrel cheddar prices gave up previous week gains. Blocks closed at $1.4600 per pound, down $0.0600, while barrels finished at $1.4350, down $0.0350. Barrel volume remained heavy: 40 cars changed hands.
- July through December 2017 cheese futures finished right at long-term support: $1.7053 per pound, down $0.0278.
- April 2017 through March 2018 Class III milk futures closed at $16.05 per hundredweight, down 39 cents.
Corn prices continued to slide, with nearby futures closing the week at $3.6000 per bushel, down 1.3% on the week.

Bill Gary of CIS expects to see July and December 2017 futures trade at $3.50 or lower in the weeks ahead on persistent demand strength.

Exports are still strong, with USDA reporting shipments at 1,597,672 metric tons, up 40% year-over-year. Net sales: 1,138,085 metric tons, up 20% year-over-year.
Already depressed soy markets did not see any material new depreciation.

Nearby soybean futures closed at $9.4200 per bushel, down two cents on the week. Soybean oil closed at 31.62 cents per pound, down 1%, while soybean meal ended at $307.40 per ton, down $1.

Analysts say that strong-to-date US exports could wither as producers in South America begin to harvest record large crops.
• Wheat prices ticked lower, with Chicago futures closing at $4.240 per bushel, down 0.6% on the week.
• Kansas City wheat closed at $4.2175 per bushel, down 1.5% on the week.
• Bill Gary of CIS: *Wheat will be forced to compete with corn as animal feed.*
• For the week ending April 2, USDA said that 59% of the US winter wheat crop was in either “good” or “excellent” condition, up from 51% at the same time last year.
Coffee, Sugar and Cocoa

- Nearby cocoa futures closed at $2,008 per metric ton, down 4% on the week.
- Bloomberg reports: Ivory Coast’s cocoa regulator pointed to speculators and prospects for a glut as the reason for a slump in futures that forced the nation to cut the price it pays farmers. There was something it didn’t blame: Itself.
- World sugar prices barely budged: 16.77 cents per pound, unchanged on the week.
- Nearby coffee closed at $1.4005 per pound, up 1% on the week.