



**WeldonLIVE**

**MACRO Voices Podcast**

**Greg Weldon**

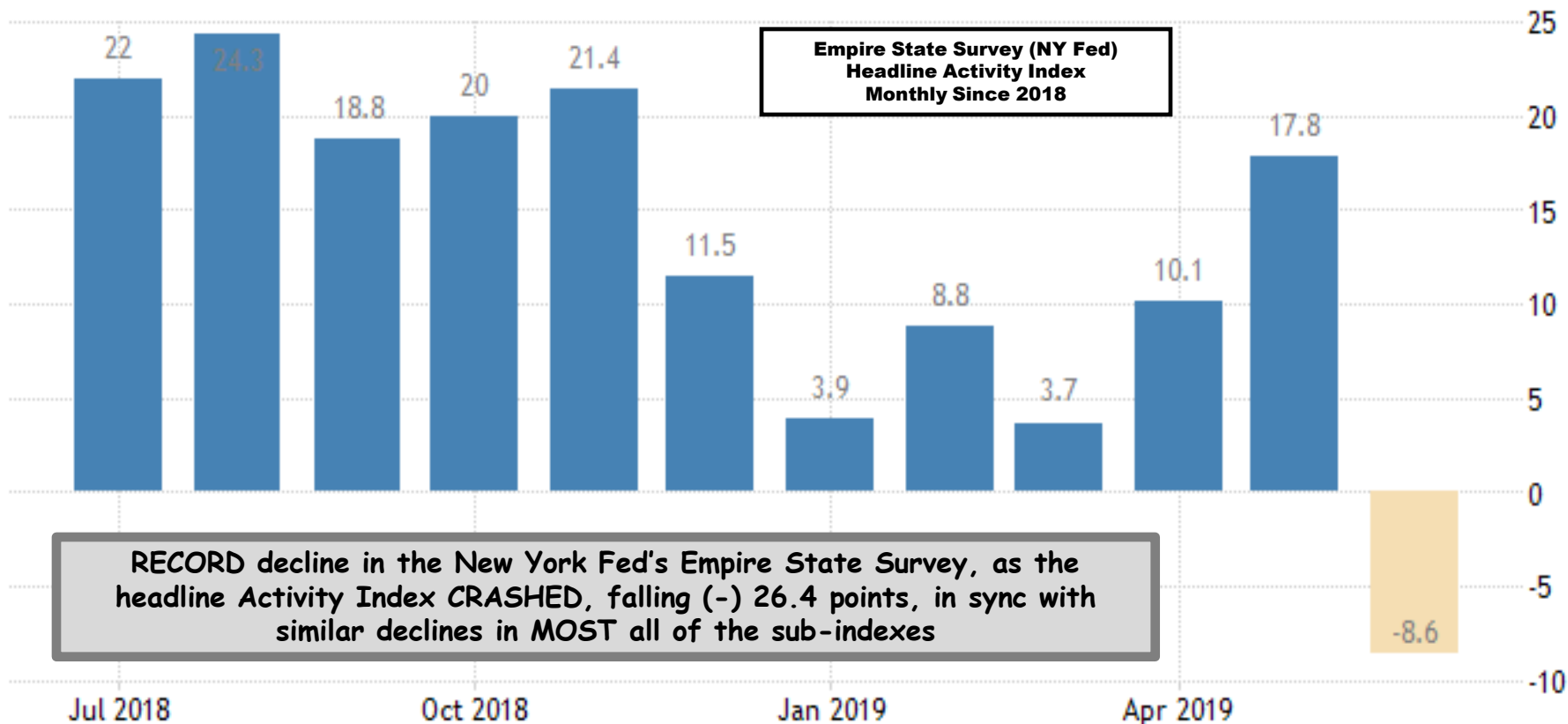
**CEO Weldon Financial, Publisher of WeldonLIVE**

**w/Host Erik Townsend – June 18, 2019**

***CHART BOOK***

The banner features the MACRO Voices logo on the left, which includes a stylized tree and the text "MACROVoices with hedge fund manager Erik Townsend". Below the logo are two headshots: Erik Townsend on the left and Patrick Ceresna on the right, with their names written in orange text below each. To the right of the headshots is the text "Talk Radio for Sophisticated Investors" in blue. Further right is a large, detailed image of a silver microphone on a stand. At the bottom right, the word "PODCAST" is written in large white letters on a dark blue background.

***FREE TRIAL of WeldonLIVE ... sign up > [www.weldononline.com](http://www.weldononline.com)***



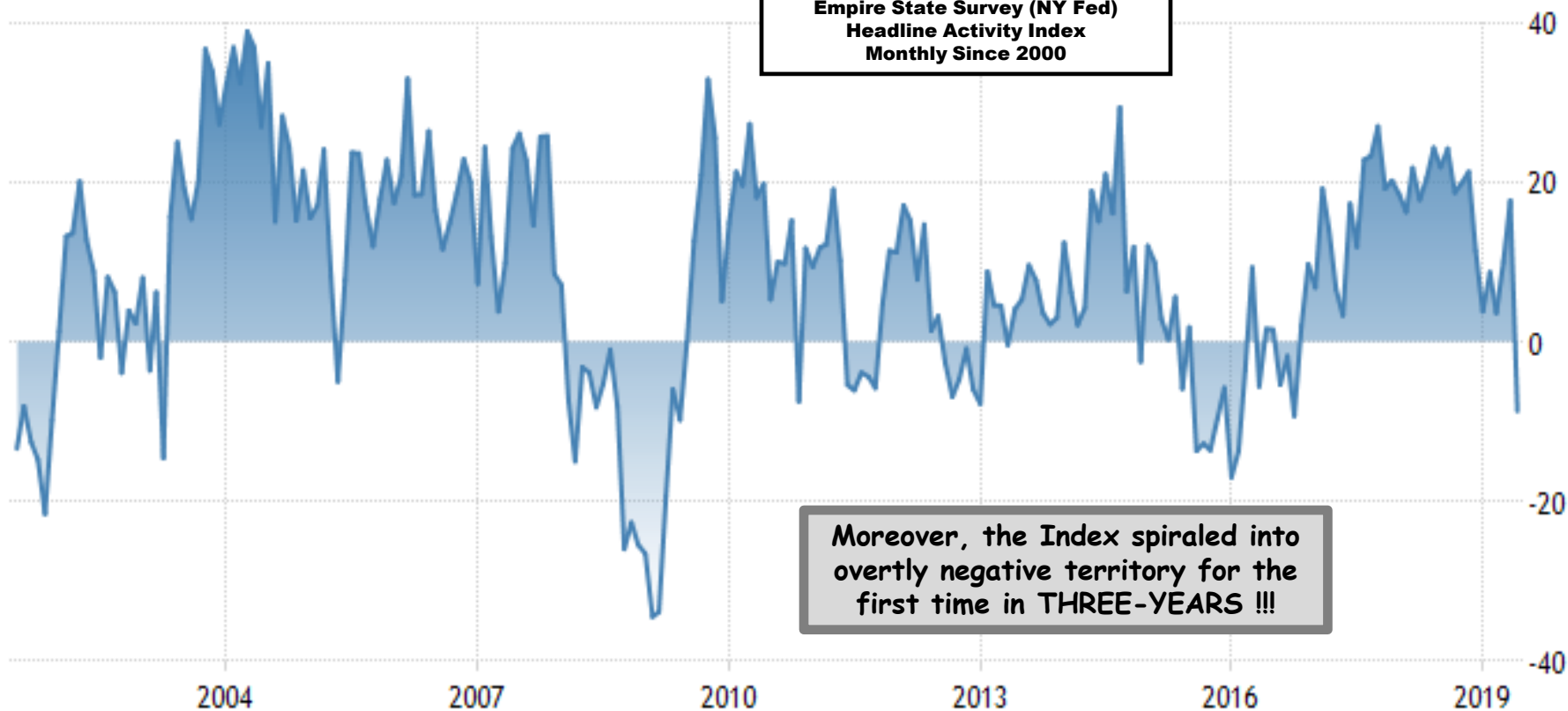
A COMPLETE flip-flop in the percentage of firms reporting growth, versus contraction

	Percent Reporting		Index
	Higher	Lower	
May	36.3	18.4	17.8
Jun	21.8	30.4	-8.6
Change			-26.4



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**Empire State Survey (NY Fed)  
Headline Activity Index  
Monthly Since 2000**



**Moreover, the Index spiraled into  
overtly negative territory for the  
first time in THREE-YEARS !!!**



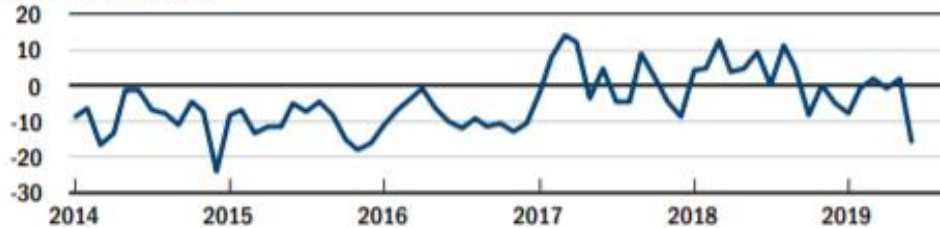
## New Orders



	Percent Reporting		Index
	Higher	Lower	
May	33.4	23.7	9.7
Jun	23.4	35.4	-12.0
Change			-21.7

The future is NOT so bright that NY businesses need to wear shades ...  
New Orders PLUNGED into negative territory, while the "pipeline" is DRY as the Sahara Desert

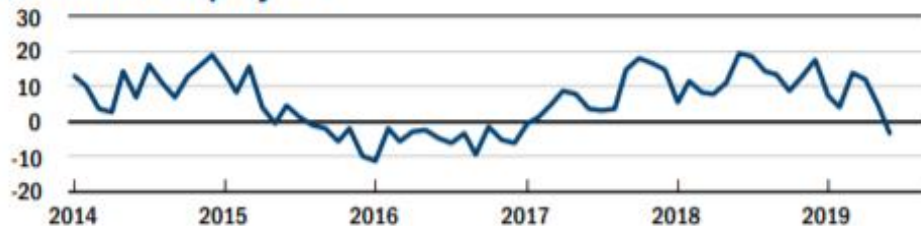
## Unfilled Orders



	Percent Reporting		Index
	Higher	Lower	
May	15.9	13.8	2.1
Jun	9.8	25.6	-15.8
Change			-17.9



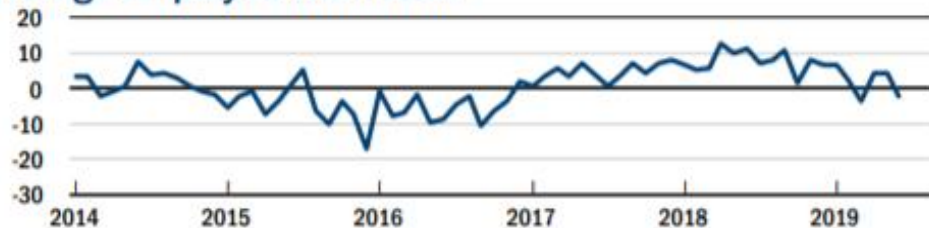
## Number of Employees



	Percent Reporting		Index
	Higher	Lower	
May	18.9	14.2	4.7
Jun	11.8	15.3	-3.5
Change			-8.2

I've been saying for the past two-to-three months that the Labor Market is rolling over and that a secular peak in Wage growth has already been defined ... and these numbers here FULLY SUPPORT my view ... negative readings in BOTH indexes for the first time in two-years !!!

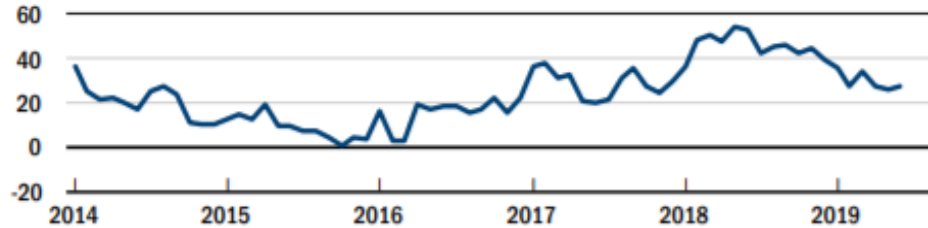
## Average Employee Workweek



	Percent Reporting		Index
	Higher	Lower	
May	17.0	12.6	4.4
Jun	10.7	12.9	-2.2
Change			-6.6



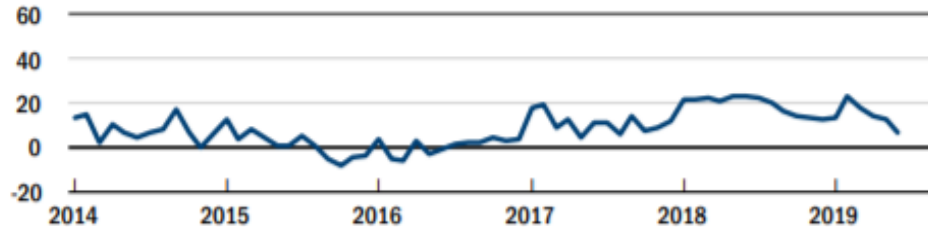
## Prices Paid



	Percent Reporting		Index
	Higher	Lower	
May	32.4	6.2	26.2
Jun	32.3	4.5	27.8
Change			1.6

The Prices Received Index in ALL the Fed Surveys is one of THE “keys” ... as there is NO “reflation” without pricing power, let alone positive margins (which may be a thing of the past) ... and thus the near HALVING of the percentage of Businesses that are able to charge more for their finished product is VERY CONCERNING

## Prices Received



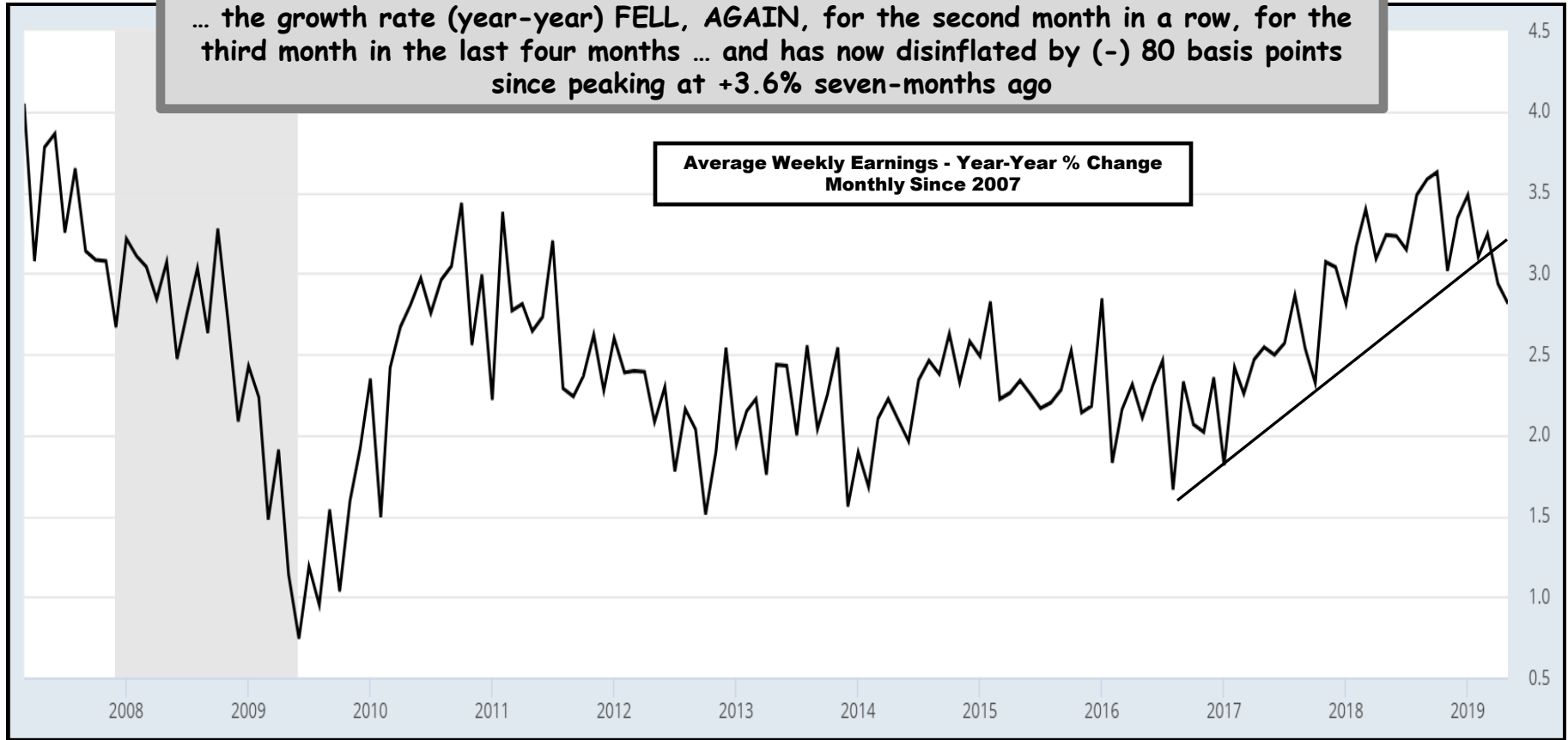
	Percent Reporting		Index
	Higher	Lower	
May	20.0	7.6	12.4
Jun	11.3	4.5	6.8
Change			-5.6



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... the growth rate (year-year) FELL, AGAIN, for the second month in a row, for the third month in the last four months ... and has now disinflated by (-) 80 basis points since peaking at +3.6% seven-months ago

**Average Weekly Earnings - Year-Year % Change  
Monthly Since 2007**



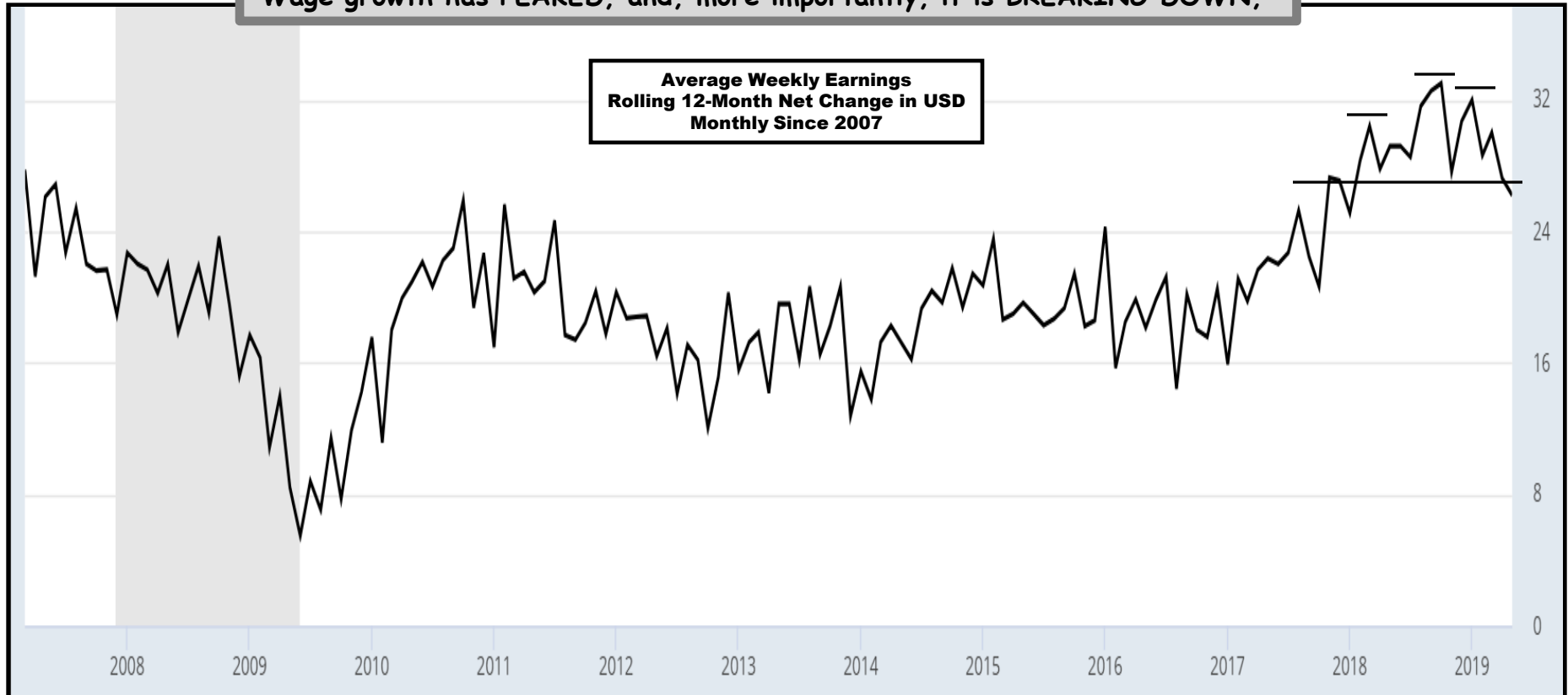




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**I said it last month, and this month's data only solidifies my view ...  
Wage growth has PEAKED, and, more importantly, it is BREAKING DOWN,**

**Average Weekly Earnings  
Rolling 12-Month Net Change in USD  
Monthly Since 2007**

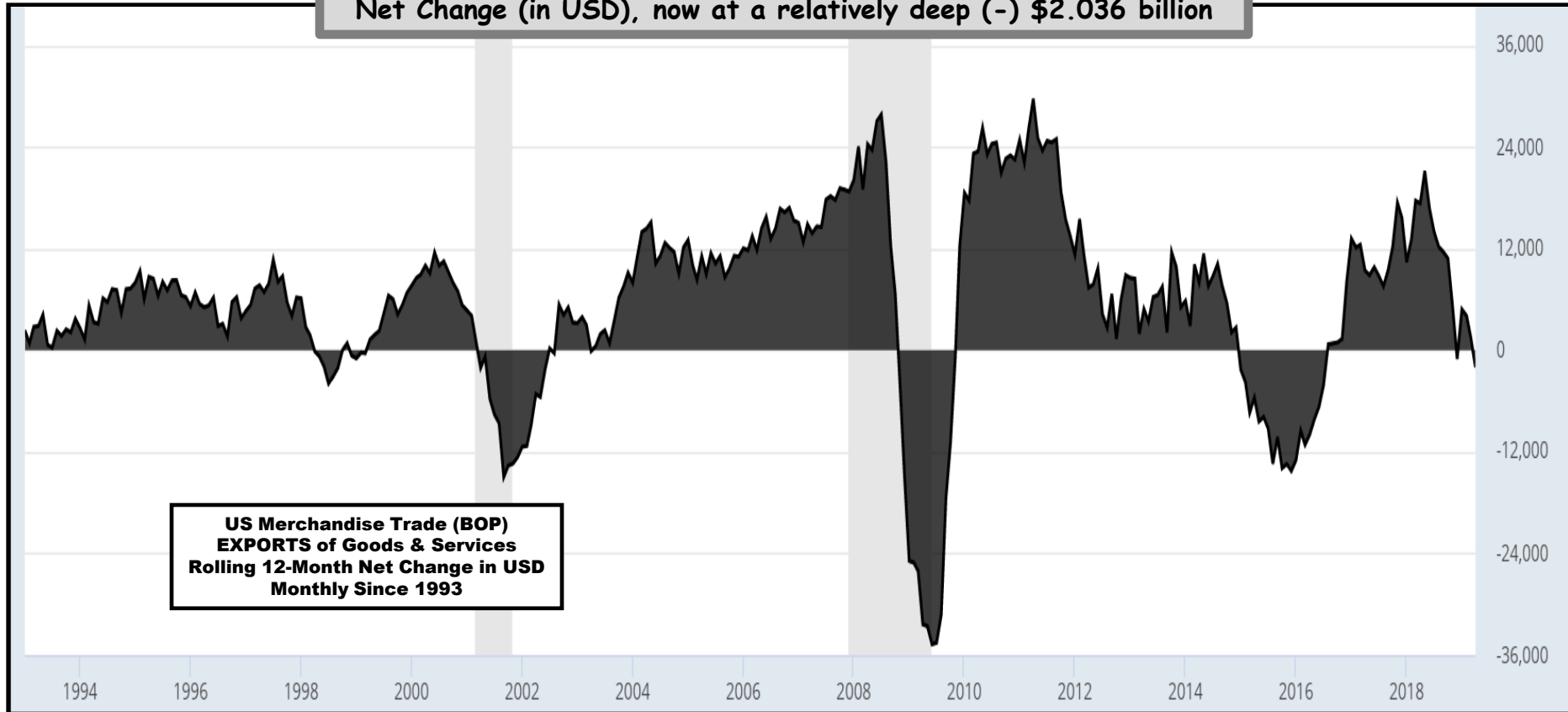




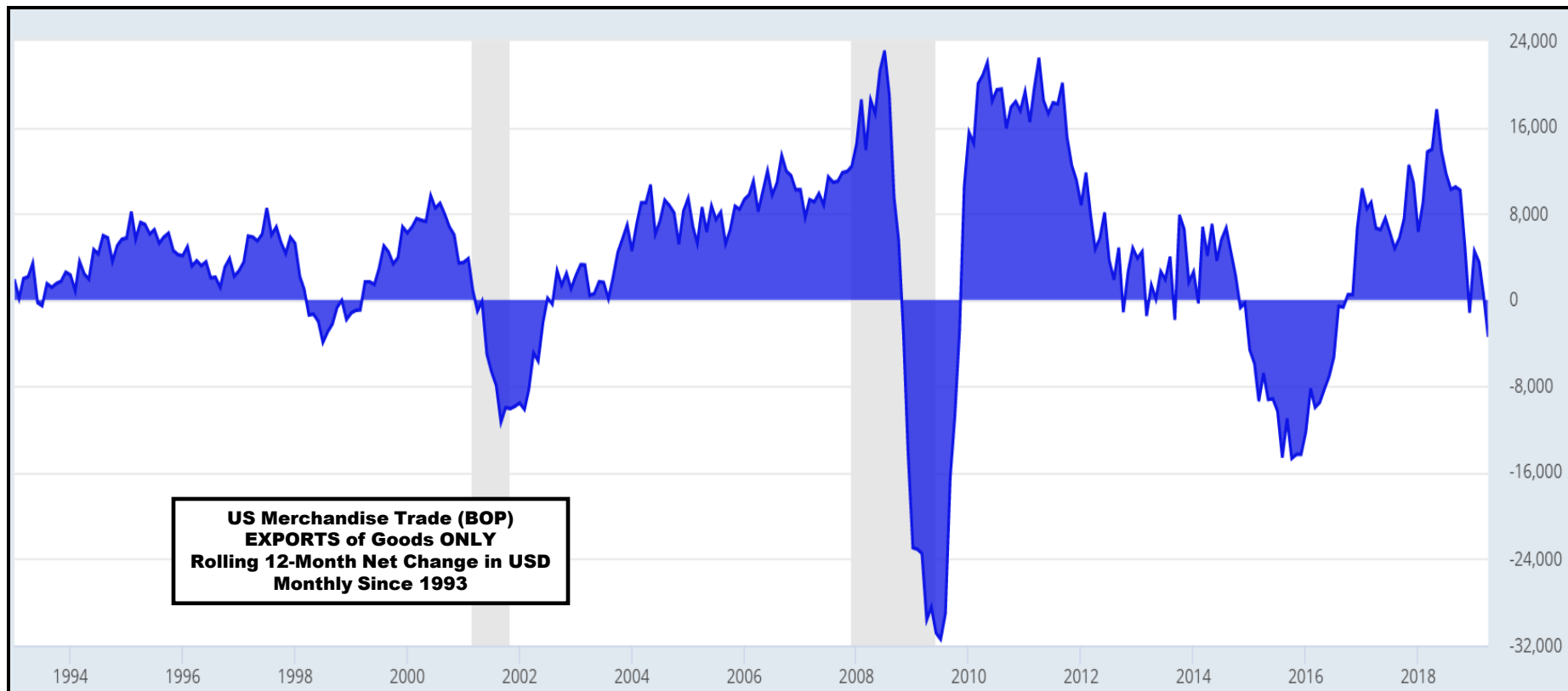
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Evidence the plunge into an overt deflation in the Rolling 12-Month Net Change (in USD), now at a relatively deep (-) \$2.036 billion

**US Merchandise Trade (BOP)  
EXPORTS of Goods & Services  
Rolling 12-Month Net Change in USD  
Monthly Since 1993**



**Stripping out Services ... 12-Month Goods Export DEFLATION is even DEEPER, at (-) \$3.422**

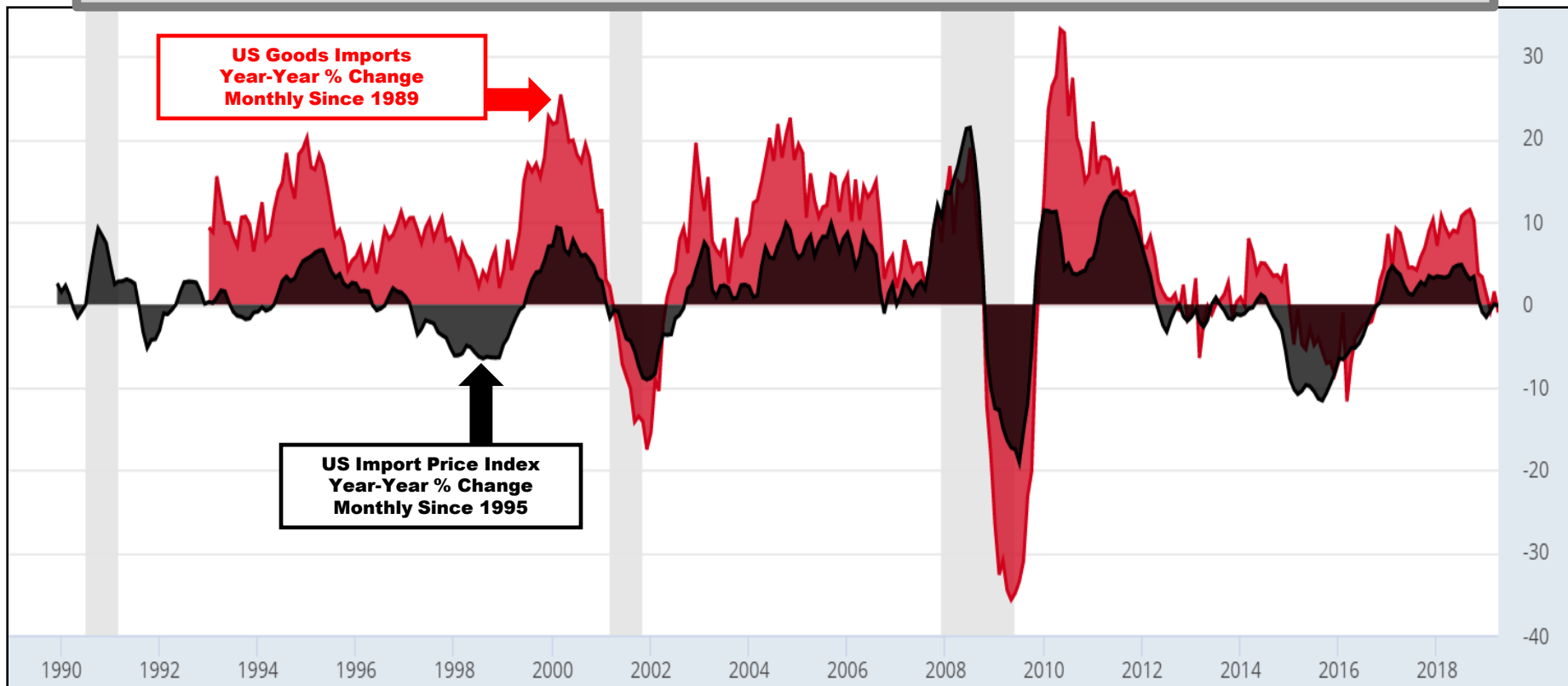


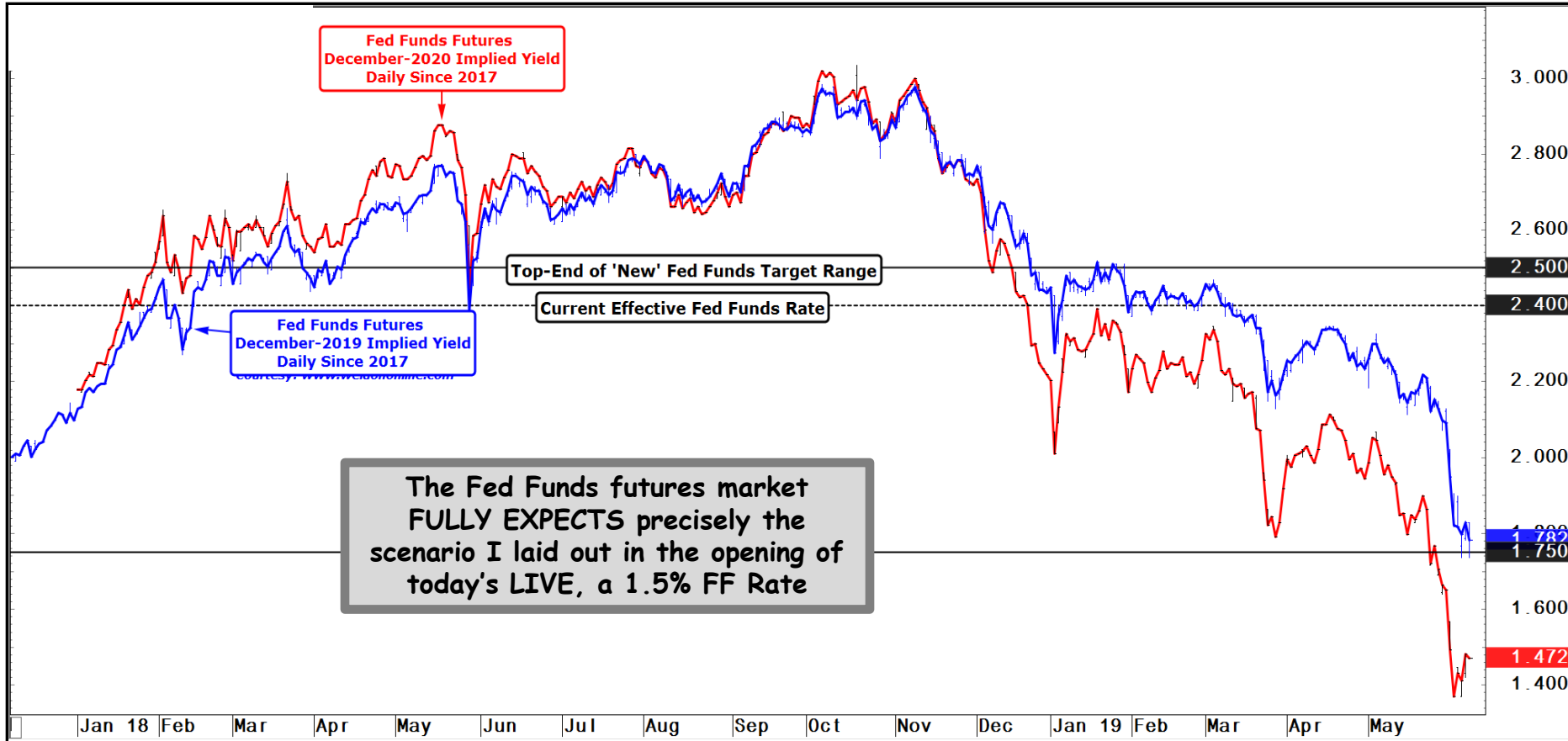
**US Merchandise Trade (BOP)  
EXPORTS of Goods ONLY  
Rolling 12-Month Net Change in USD  
Monthly Since 1993**

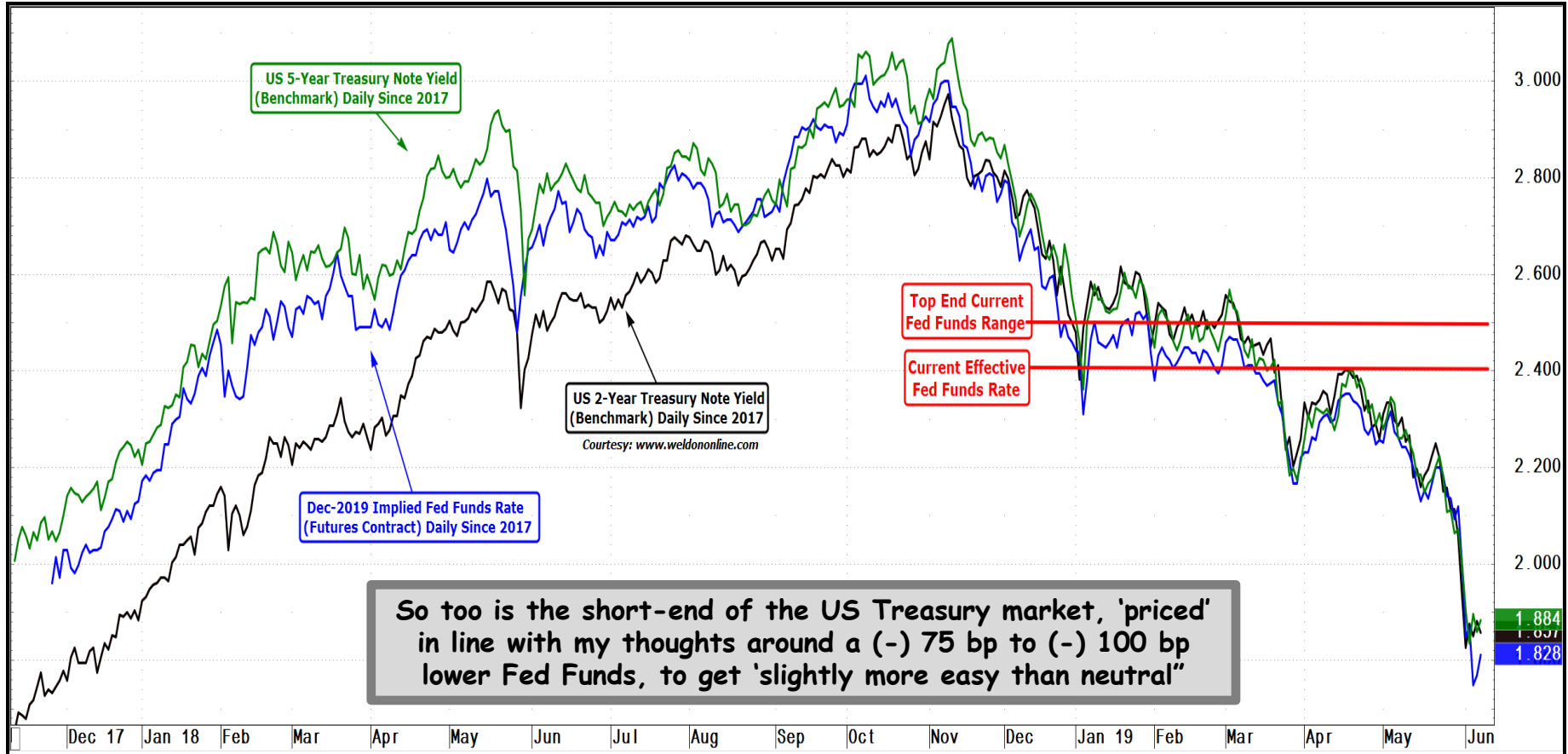


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Indeed, I said in 2016 the biggest "risk" that would accompany a Trump Presidency would be an overly-aggressive protectionist policy ... and within the context of the thought that ... 'as trade goes, so too goes global GDP growth' ... in which case we are teetering on the verge of a **SIGNIFICANT CONTRACTION**, globally !!!









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Indeed the 2-Year Treasury Note yield has collapsed further in the last two weeks, completely cracking the 2% level

US 2-Year Treasury Note Yield Weekly Since 2003

Courtesy: [www.weldononline.com](http://www.weldononline.com)



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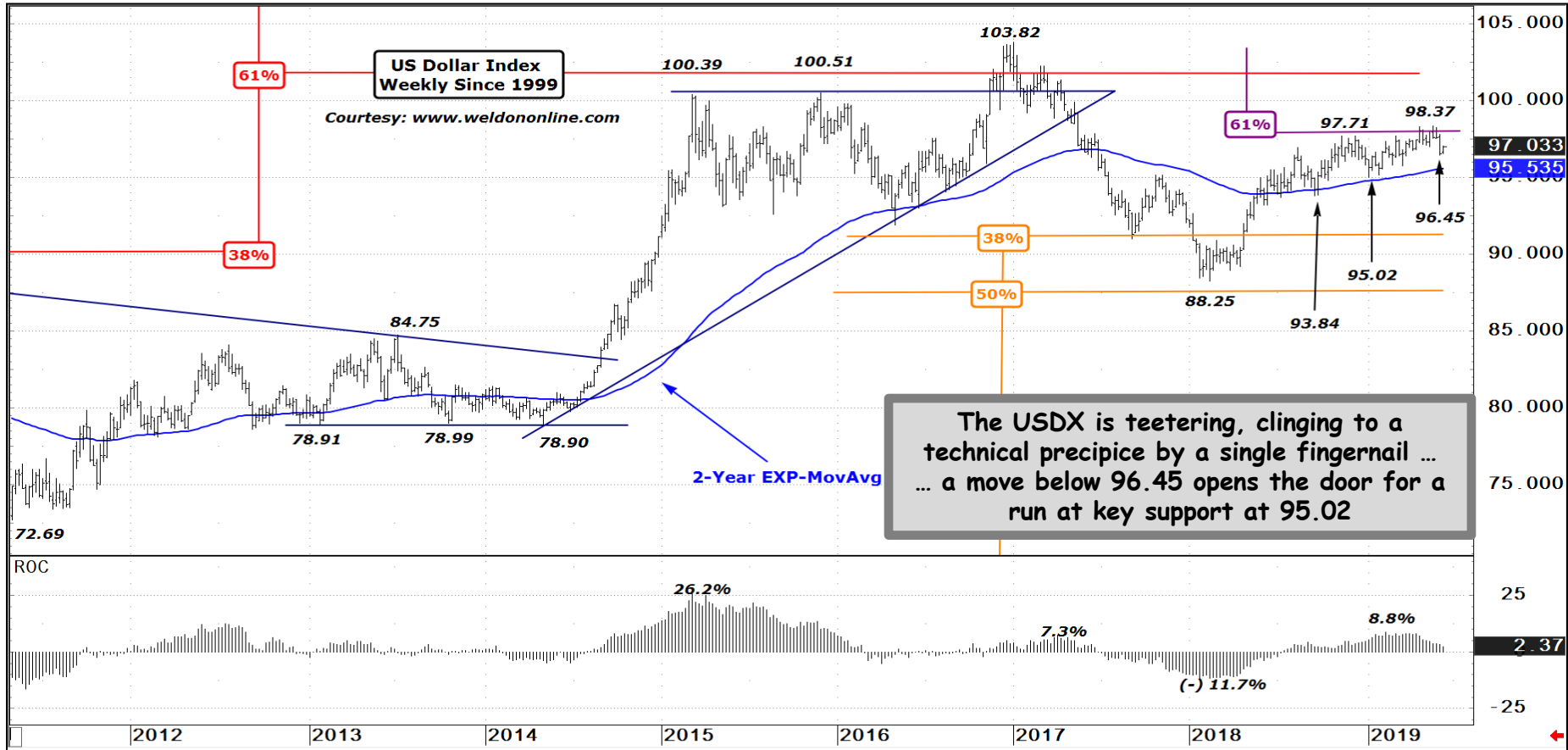


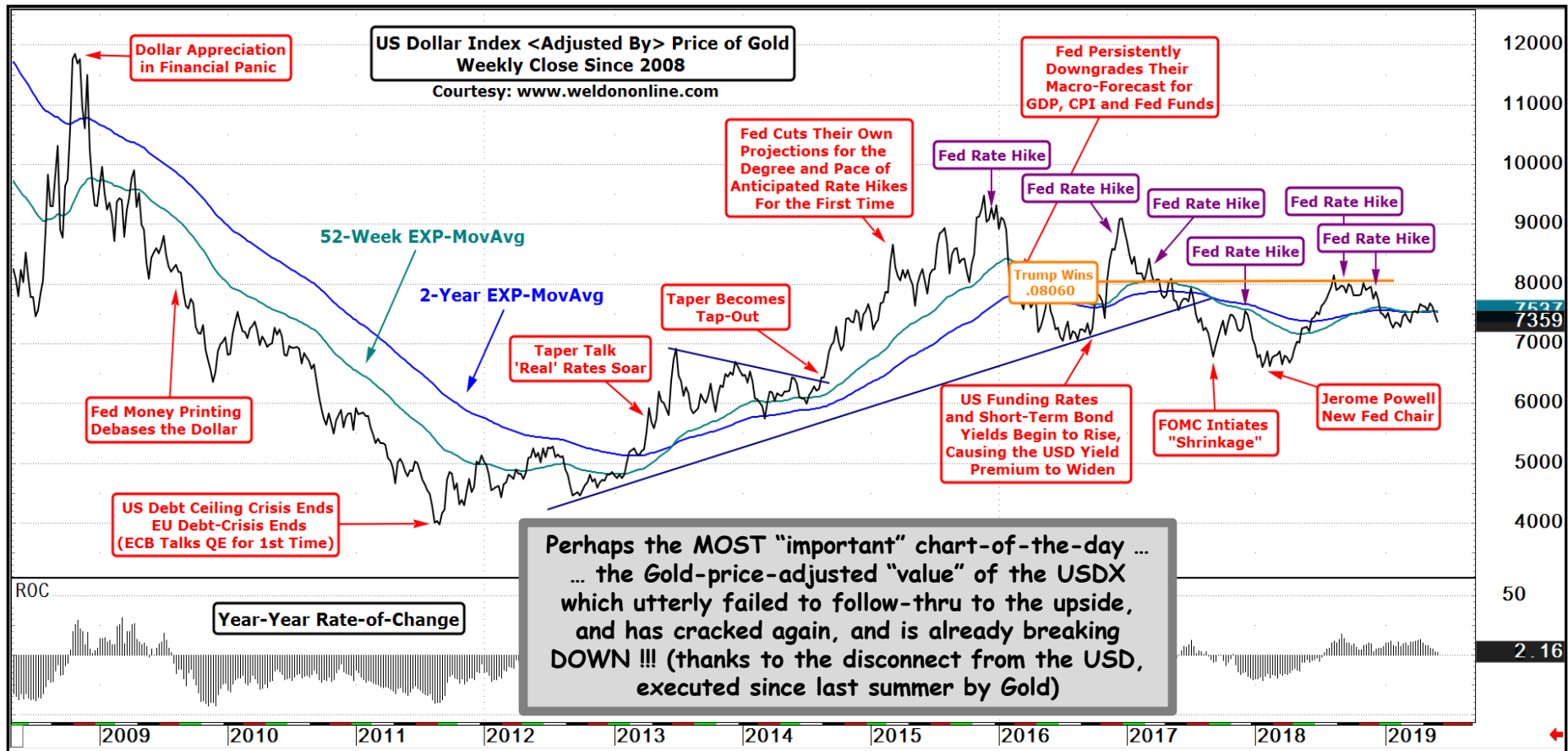
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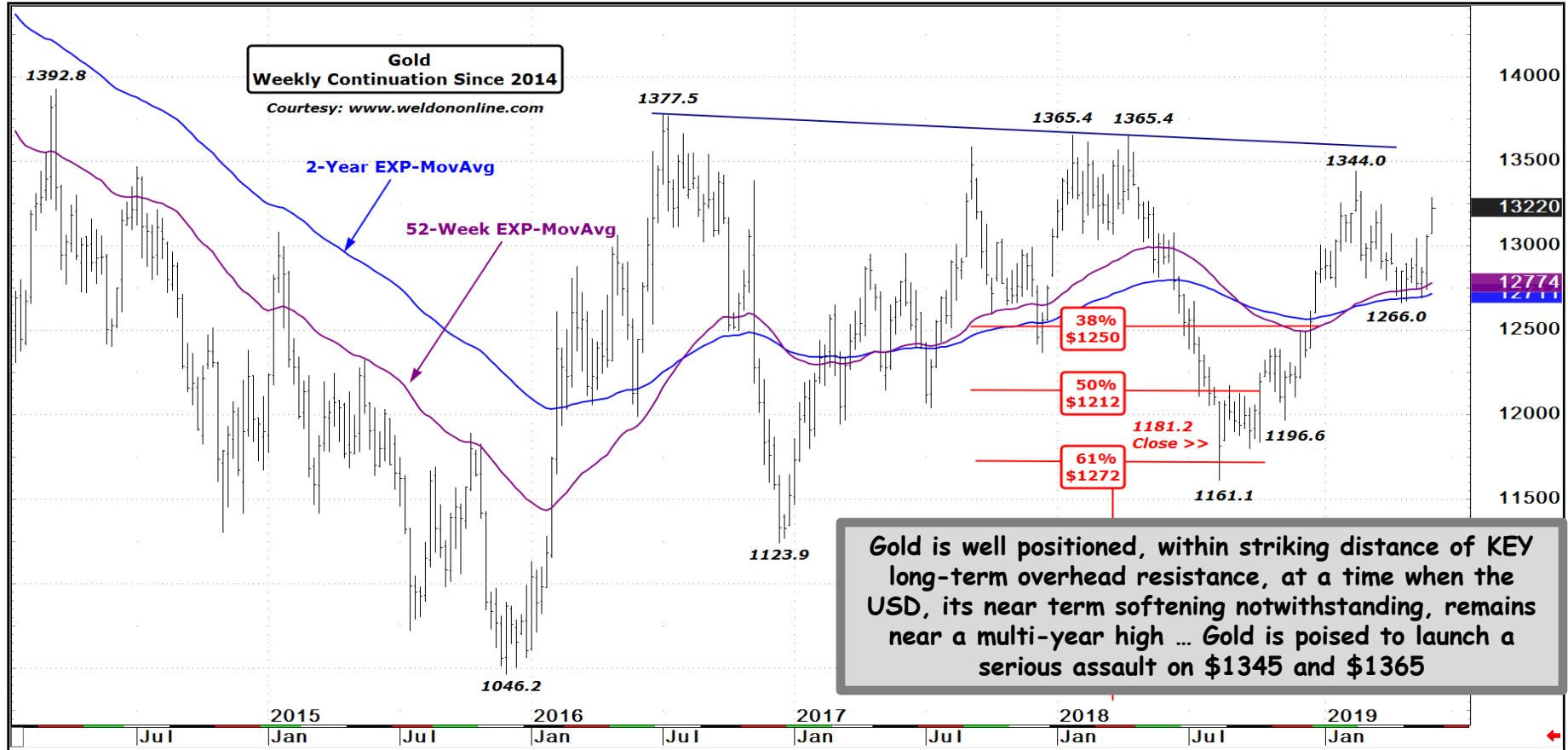
In line with the plunge in the  
5-Year Treasury Note yield,  
the futures contract has SOARED  
to its highest price since 2017











I cannot help but feel very positive about the longer-term prospects for Gold, when I view this chart !!!

Given the rally in, and appreciation by, the USD,  
the action in Gold has is all the MORE STELLAR !!!

Now it's time to take it up a notch,  
literally and figuratively

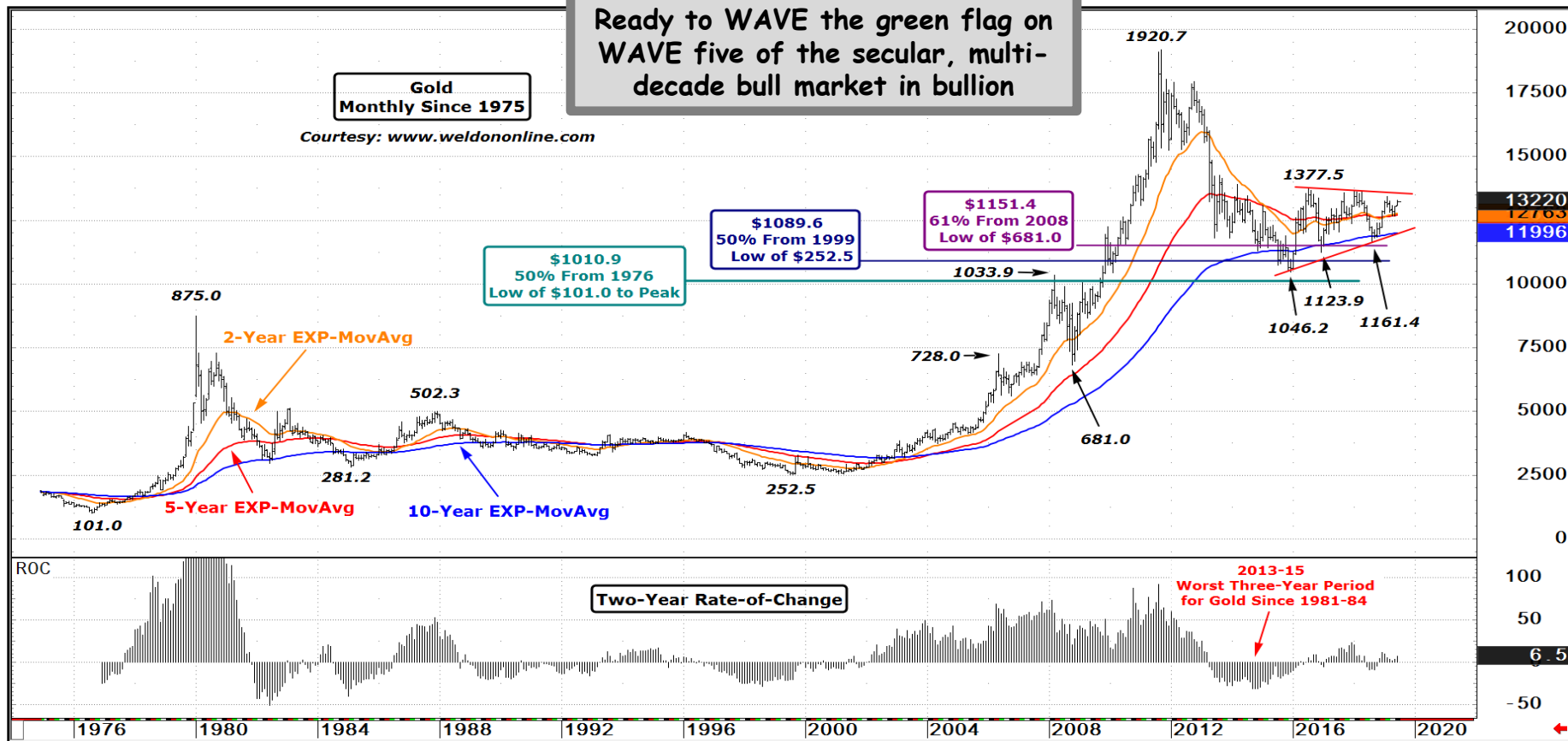




Ready to WAVE the green flag on  
WAVE five of the secular, multi-  
decade bull market in bullion

Gold  
Monthly Since 1975

Courtesy: [www.weldononline.com](http://www.weldononline.com)





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AND, there may be light at the end of the Silver tunnel, with a possible upside reversal and bottoming pattern emerging, if not already in place !!!

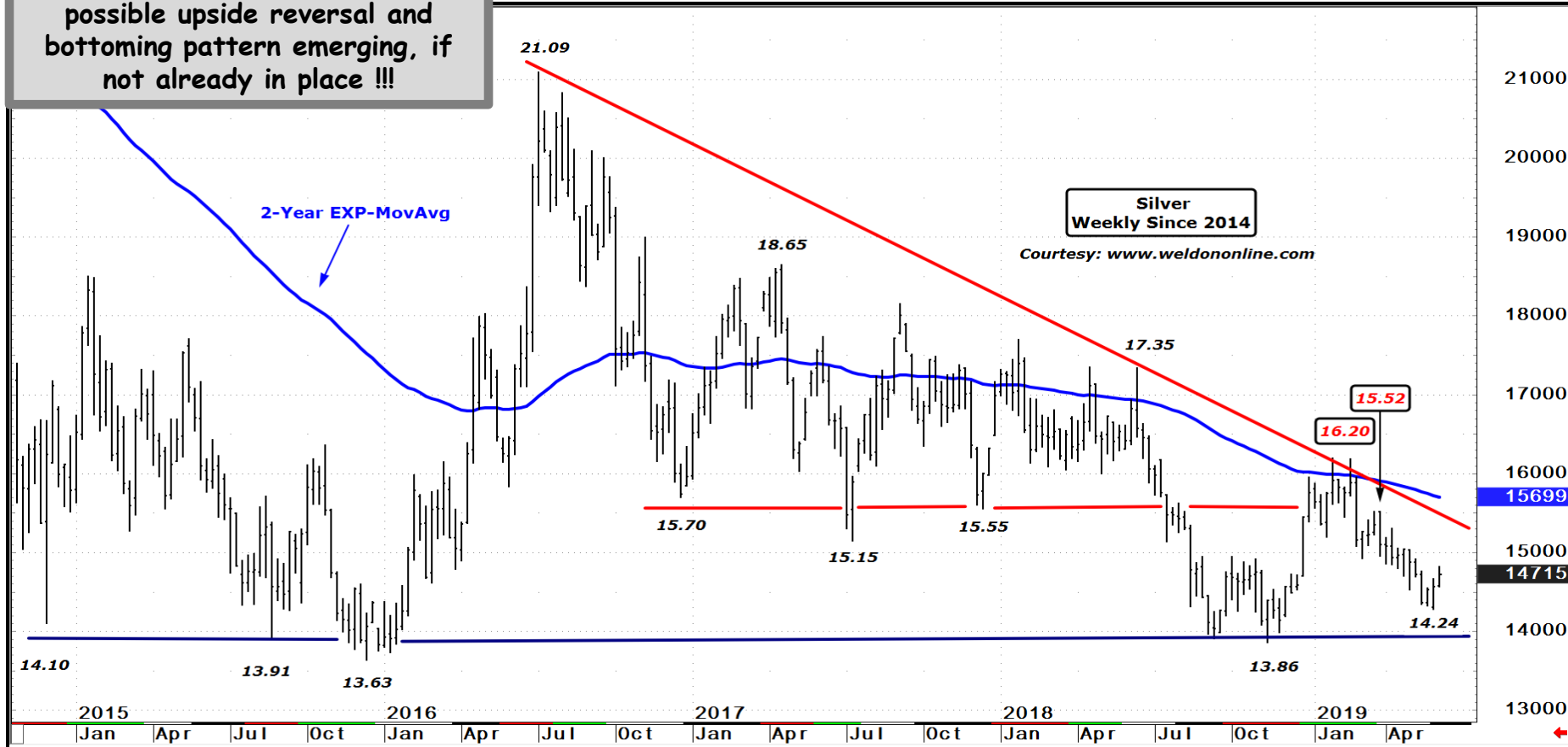


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2-Year EXP-MovAvg

Silver  
Weekly Since 2014

Courtesy: [www.weldononline.com](http://www.weldononline.com)





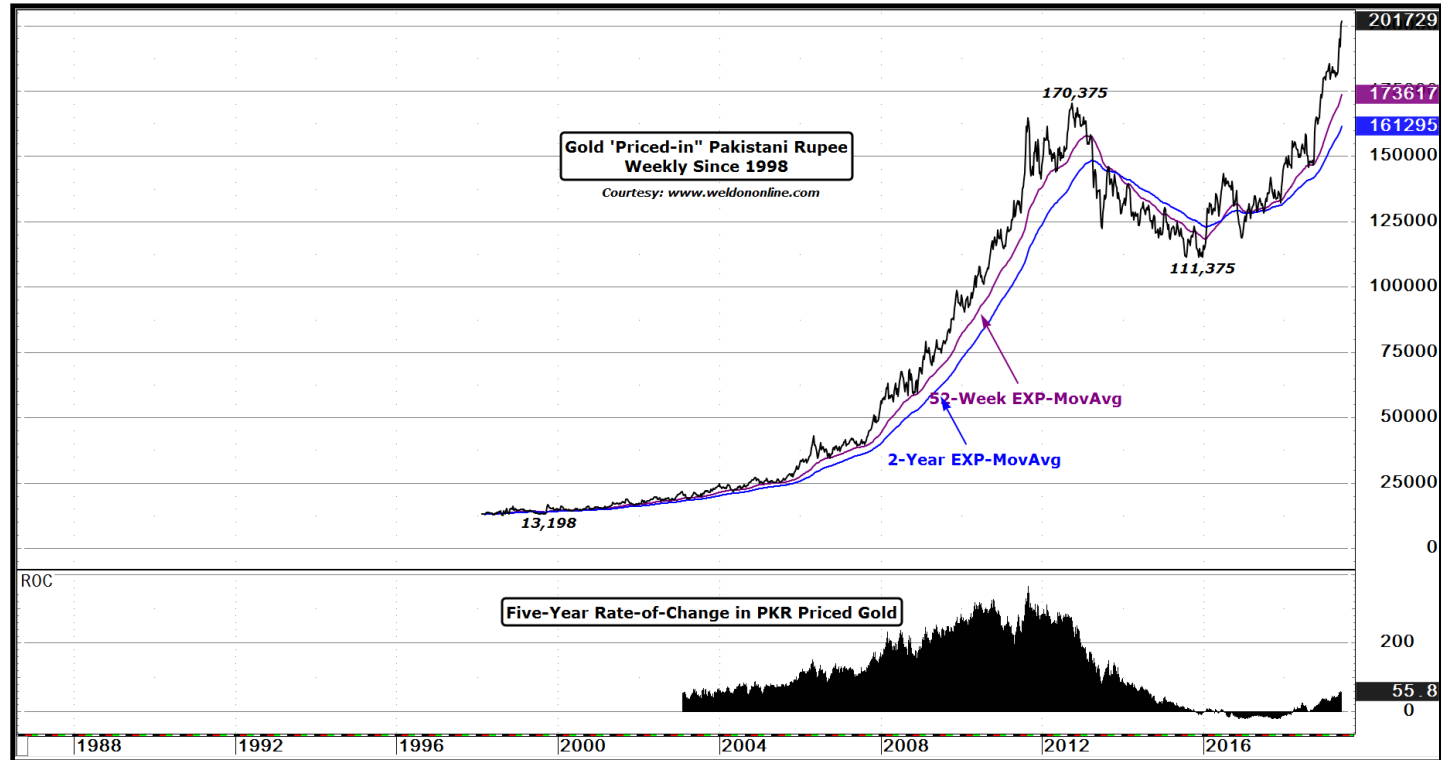
## Africa

### Angola



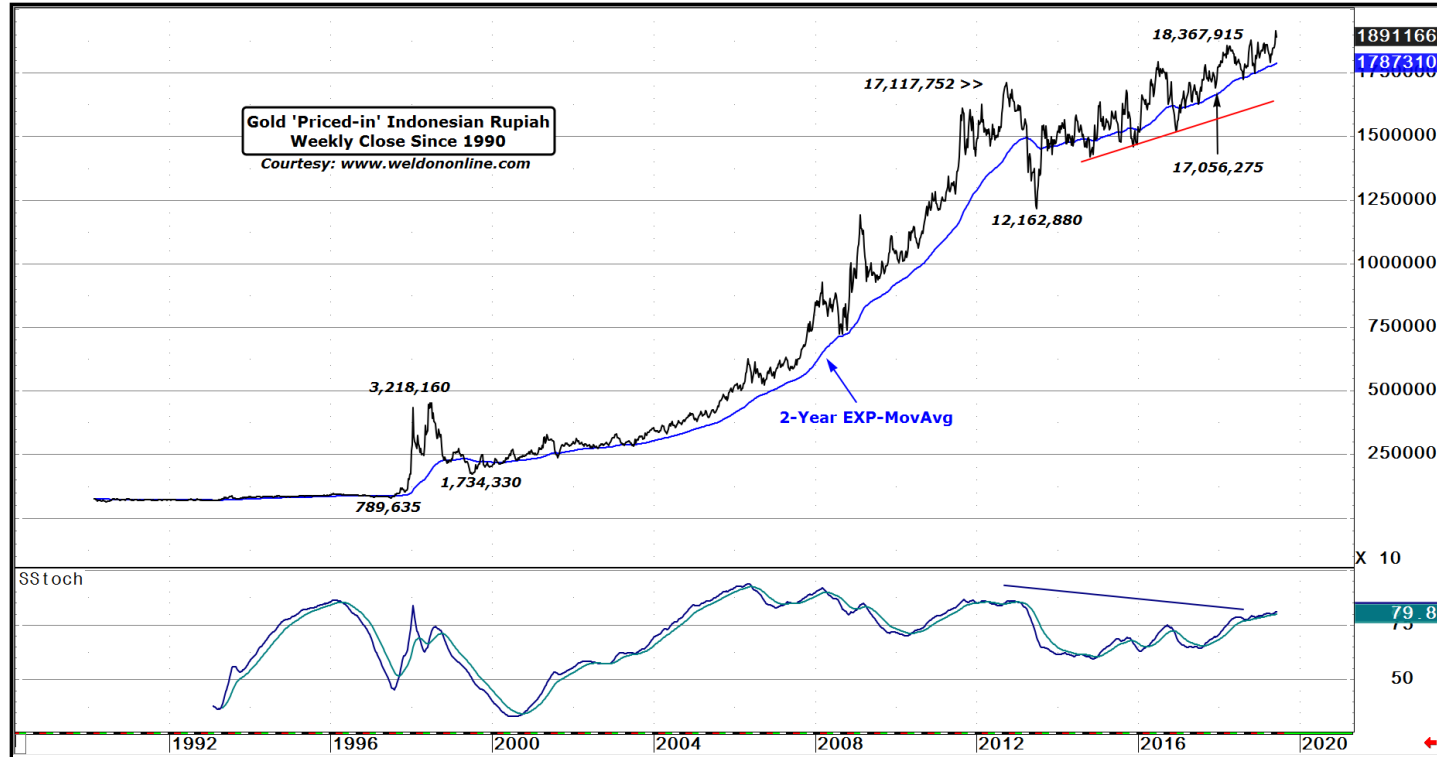
## 'Middle East'

Pakistan



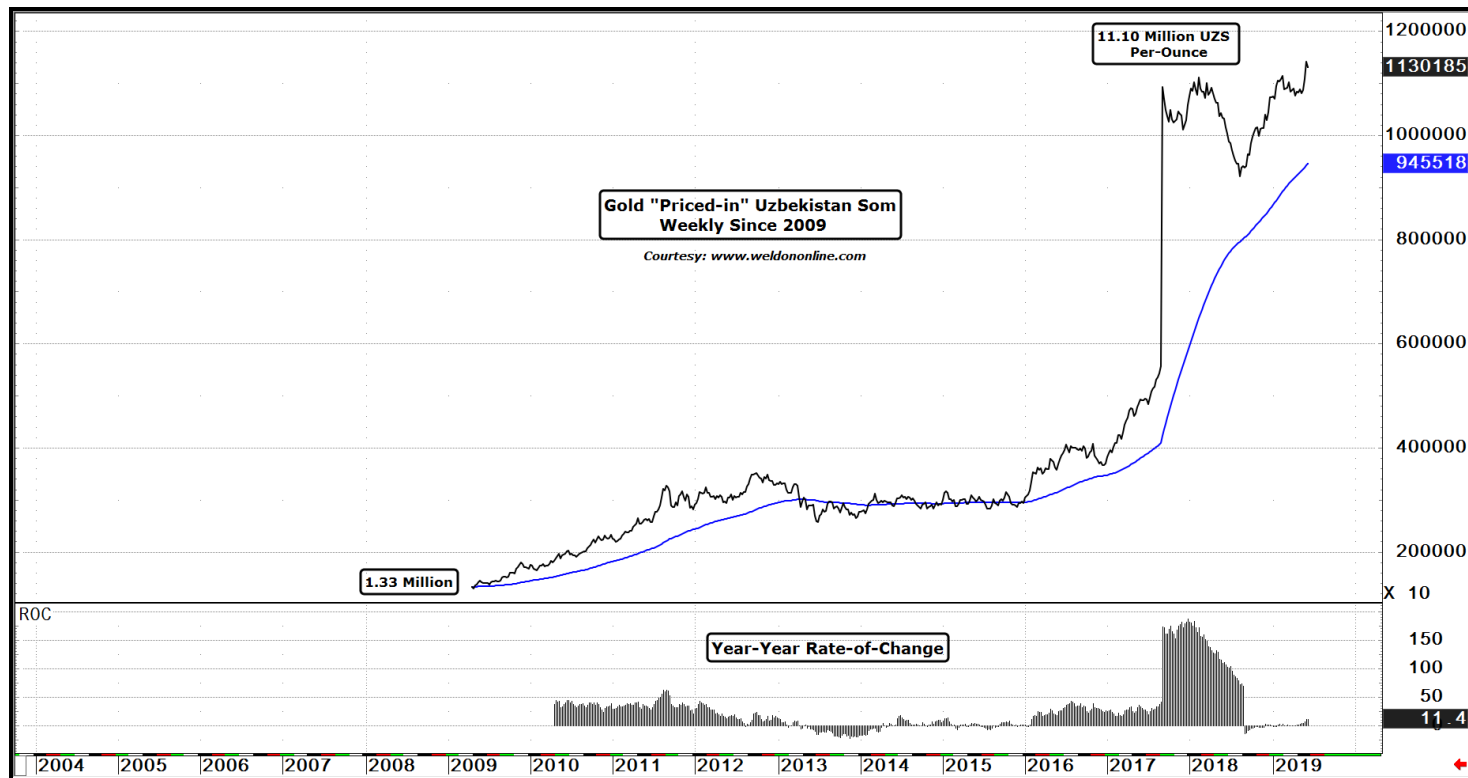
[gregweldon@weldononline.com](mailto:gregweldon@weldononline.com)

**Asia**  
**Indonesia**



## Eurasia

Uzbekistan



[gregweldon@weldononline.com](mailto:gregweldon@weldononline.com)

## South America

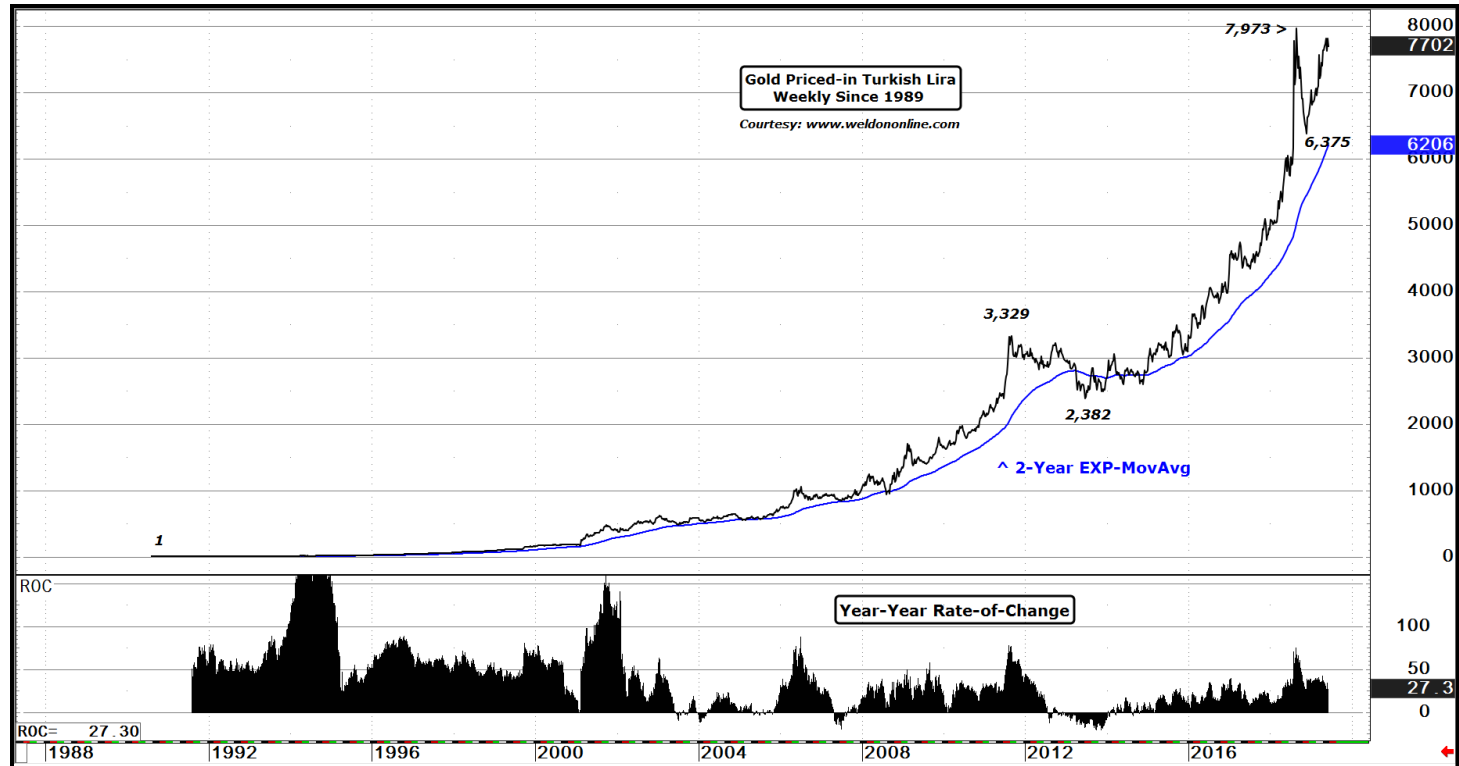
Uruguay



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# 'Middle East'

Turkey



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# Majors

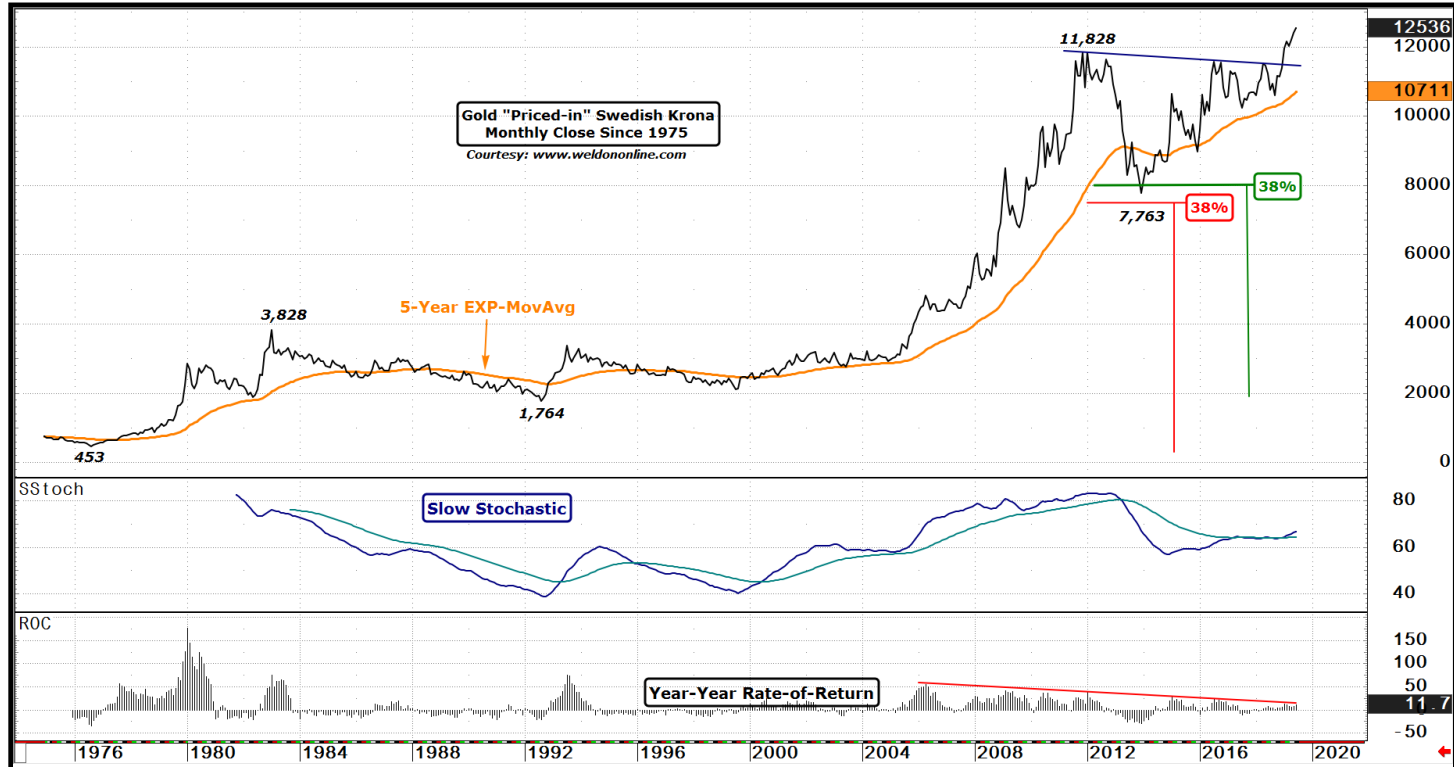
Australia



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# Majors

## Sweden





This applies to all instruments of our monetary policy stance.

Further cuts in policy interest rates and mitigating measures to contain any side effects remain part of our tools.

And the APP still has considerable headroom. Moreover, the Treaty requires that our actions are both necessary and proportionate to fulfil our mandate and achieve our objective, which implies that the limits we establish on our tools are specific to the contingencies we face. If the crisis has shown anything, it is that we will use all the flexibility within our mandate to fulfil our mandate – and we will do so again to answer any challenges to price stability in the future.

All these options were raised and discussed at our last meeting.

What matters for our policy calibration is our medium-term policy aim: an inflation rate below, but close to, 2%. That aim is symmetric, which means that, if we are to deliver that value of inflation in the medium term, inflation has to be above that level at some time in the future.

But fiscal policy should play its role. Over the last 10 years, the burden of macroeconomic adjustment has fallen disproportionately on monetary policy. We have even seen instances where fiscal policy has been pro-cyclical and countered the monetary stimulus.

If the unbalanced macroeconomic policy-mix in the euro area in part explains the slide into disinflation, so a better policy mix can help bring it to a close. Monetary policy can always achieve its objective alone, but especially in Europe where public sectors are large, it can do so faster and with fewer side effects if fiscal policies are aligned with it.



**More from Mario the Mad Scientist –**

***"further cuts in policy rates remain part of our tools"***

***And, the APP still has considerable headroom"***

***"the Treaty (Maastricht) REQUIRES that our actions are proportionate to fulfill our mandate, which implies that the limits we establish are specific to the contingencies we face"***

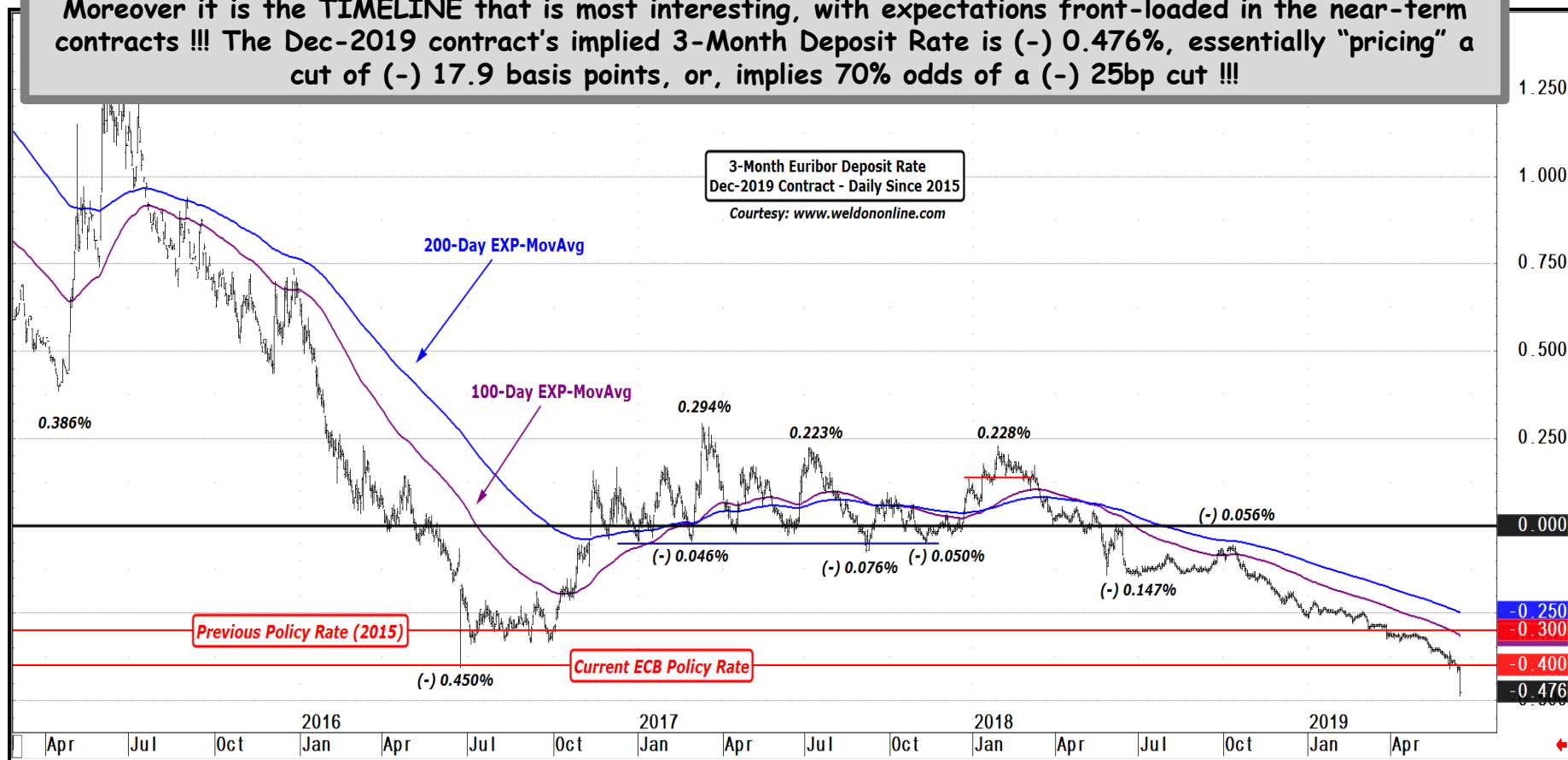
**In other words, on that final comment ...**

**... the Monetary Armageddon Button is "in play",  
and the ECB is not only prepared,  
but feels empowered to DO IT ...  
...as per the validation implied within  
the Maastricht (Union) Treaty,  
with the use of the word "necessary",**



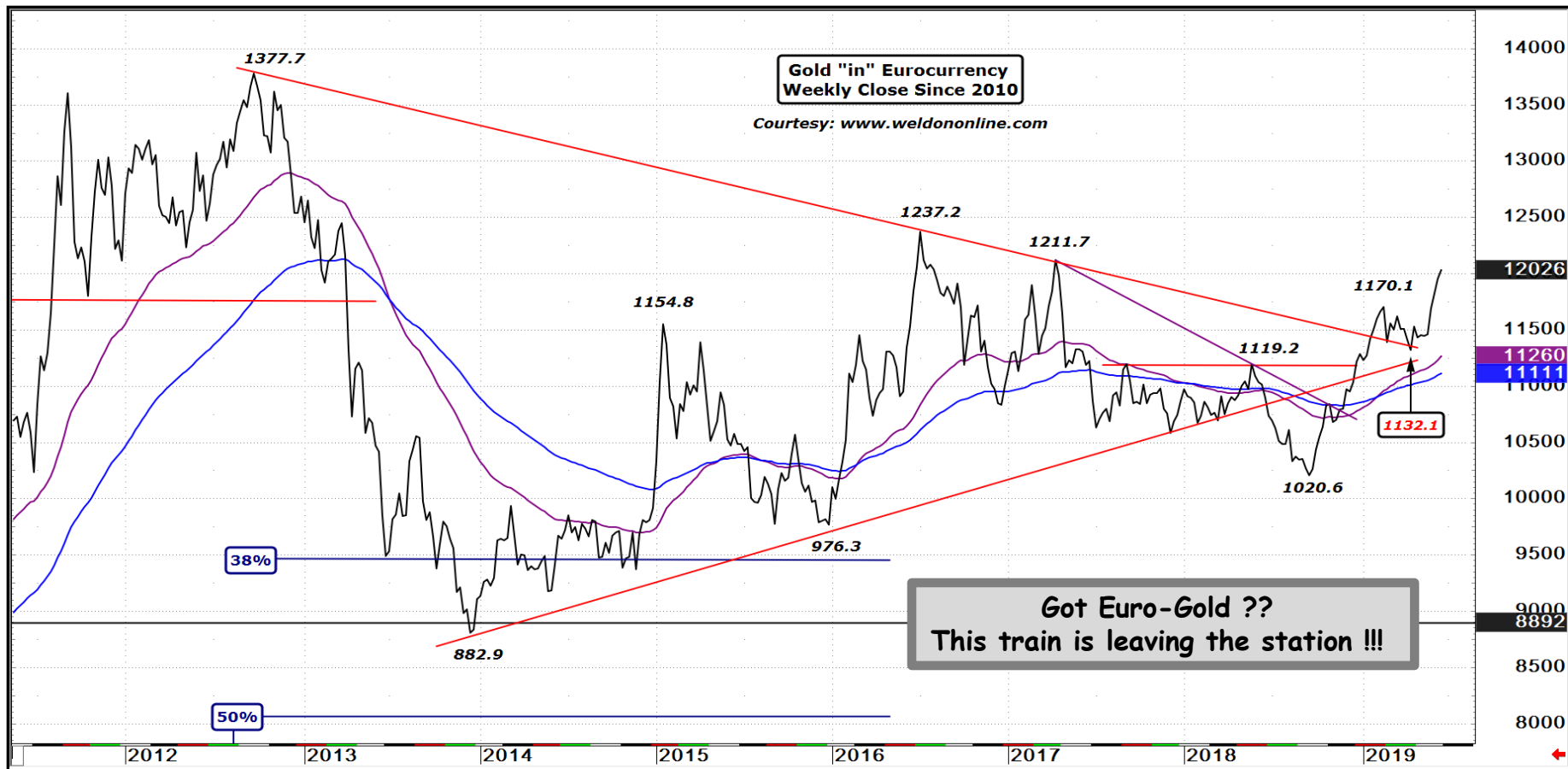
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Moreover it is the **TIMELINE** that is most interesting, with expectations front-loaded in the near-term contracts !!! The Dec-2019 contract's implied 3-Month Deposit Rate is (-) 0.476%, essentially "pricing" a cut of (-) 17.9 basis points, or, implies 70% odds of a (-) 25bp cut !!!





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Recall first, Oil Demand expected to rise by +1.14 mbpd,  
with a seemingly minuscule cut of (-) 0.07 mbpd reduction from OPEC's May forecast

Then note that Oil Supply (output) is expected to rise by +2.14 mbpd, unchanged from the May estimate

Next we note that, since the Demand estimate was cut while the Supply estimate was unchanged ...  
... the expectations for an INVENTORY BUILD during the second half of this year, has, by default and  
definition,

EXPANDED ... and has done so by the same amount as was the cut in demand !!!

Okay, no problem, right ... because that cut in demand is TINY, right ??

Welllllll ... yeahhhhh ... NO !!!

Do the math:

Demand cut means an increase in Inventories to the tune of, +70,000 ... but that is PER DAY ...  
... soooooooooo ... over a week that means an additional +490,000 barrels in Inventories !!!

EVERY WEEK !!!

So for the 2H-2019, that seemingly MINUSCULE downgrade in demand  
puts +12.6 million barrels MORE in Inventories at year-end, than was forecast just one-month ago, !!!

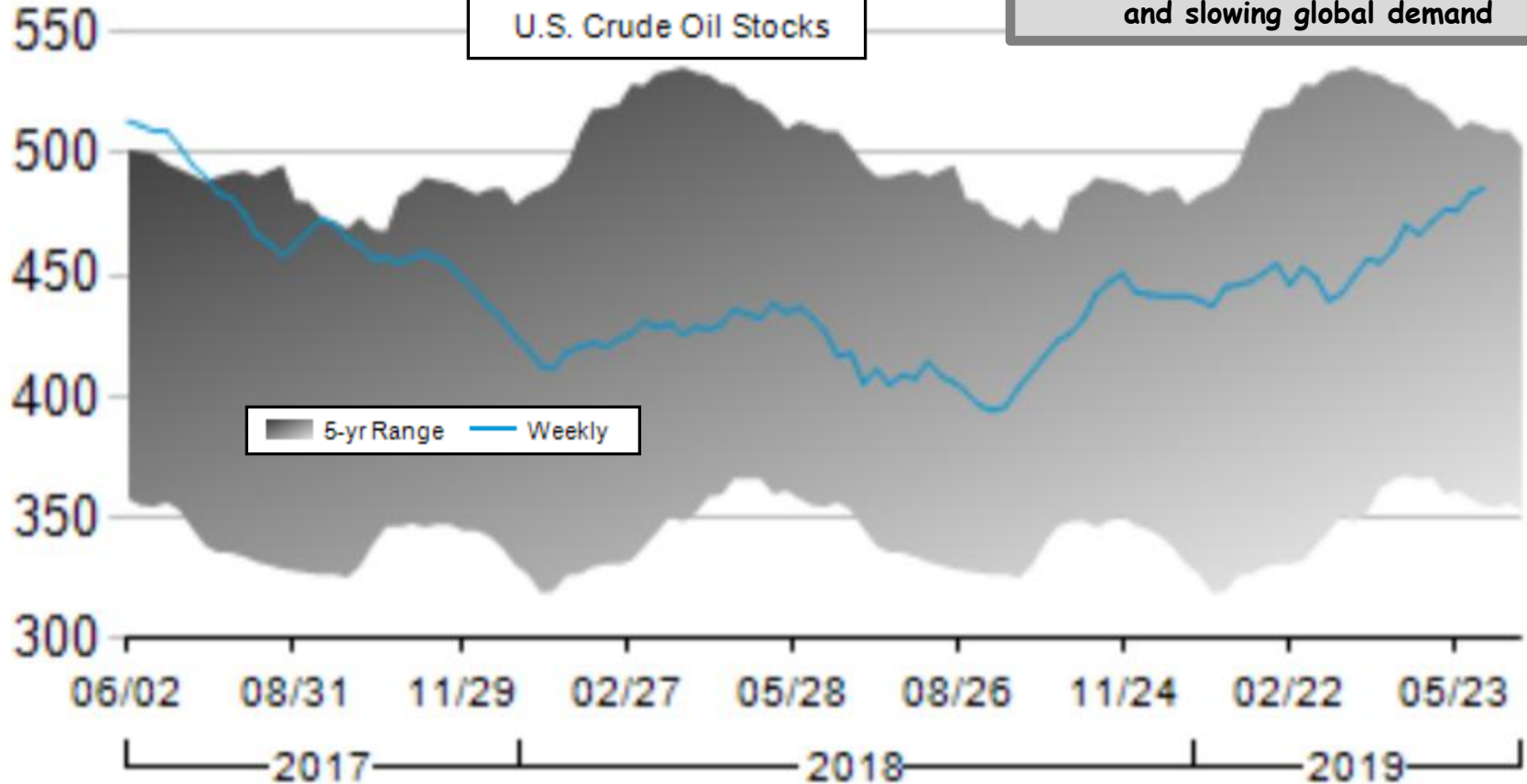
Indeed ... "OH NO, Mister Bill" ... moment !!!!



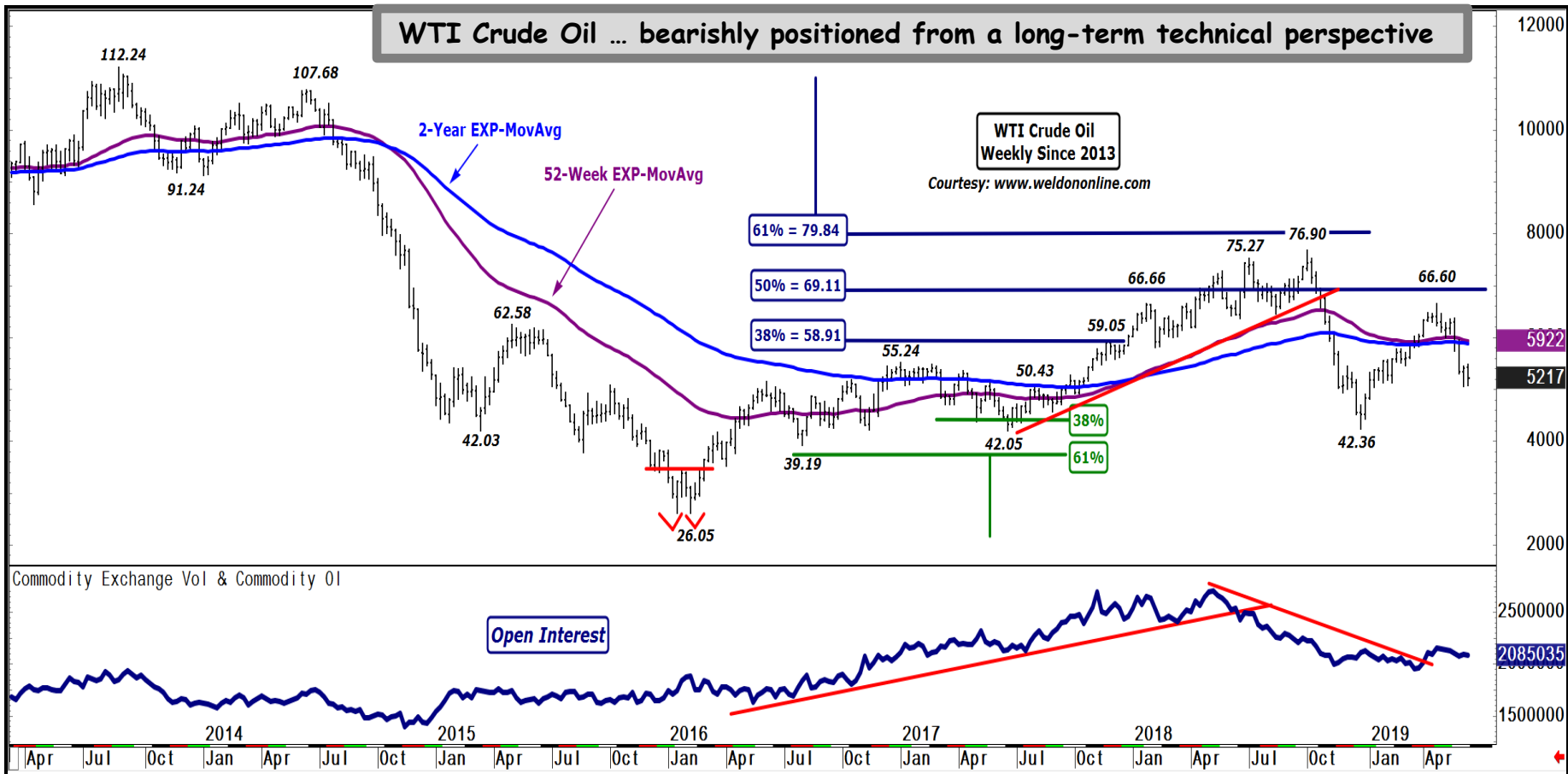
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**US Crude Oil Inventories SOARING,  
and nearing a FIVE-YEAR HIGH  
amid the surge in US Production  
and slowing global demand**

U.S. Crude Oil Stocks



**WTI Crude Oil ... bearishly positioned from a long-term technical perspective**



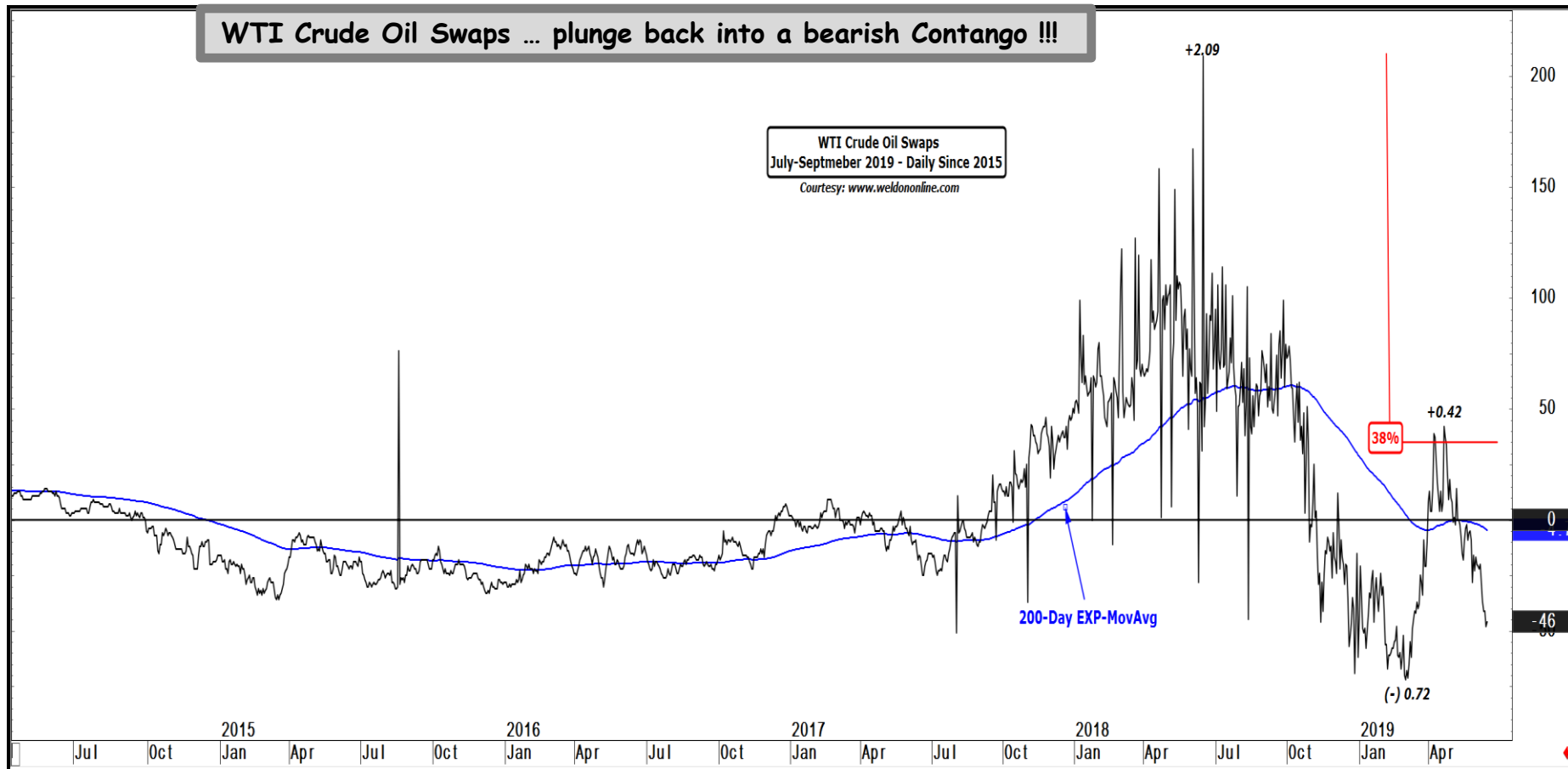


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## WTI Crude Oil Swaps ... plunge back into a bearish Contango !!!

WTI Crude Oil Swaps  
July-Septmeber 2019 - Daily Since 2015

Courtesy: [www.weldononline.com](http://www.weldononline.com)

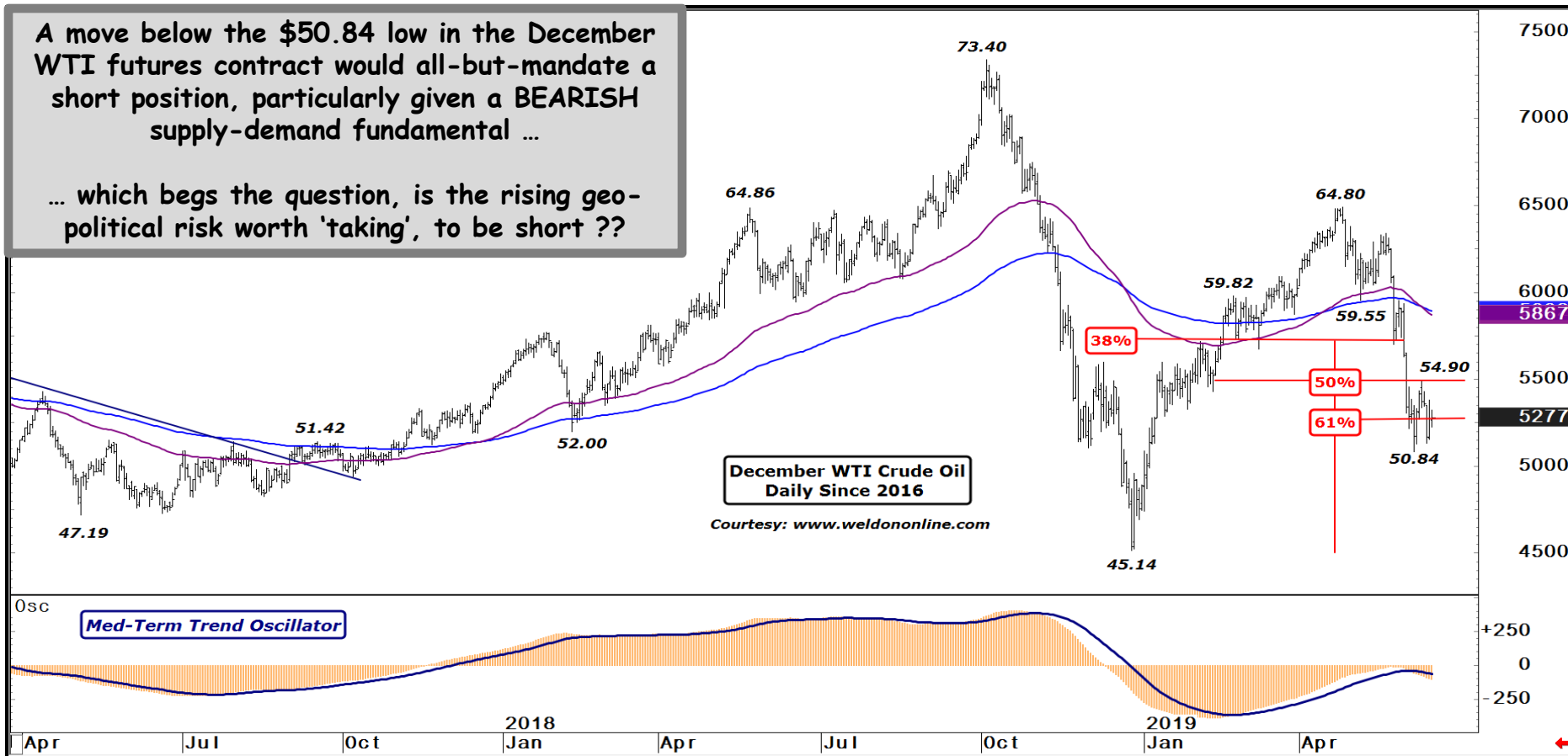




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A move below the \$50.84 low in the December WTI futures contract would all-but-mandate a short position, particularly given a BEARISH supply-demand fundamental ...

... which begs the question, is the rising geopolitical risk worth 'taking', to be short ??





Soybeans have been crushed (figuratively) recently ...

... by the Trade War,

AND,

the appreciation in the USD !!!

But, I feel that these dynamics have been largely DISCOUNTED by the market !!!

Thus ANY positive 'surprise' as per US-Chinese trade deal negotiations,

AND, or, a depreciation in the USD,

would have a SIGNIFICANT impact on Soybeans !!!

Throw in the VERY BULLISH fundamental supply-demand data from the USDA ...

... AND ...

the weather, which has greatly delayed plantings

and dramatically slowed the current crop's emergence ...

... AND ...

... a tight secular supply-demand 'balance', with NO margin for 'error'

As it pertains to the US crop to missing an already-bullish USDA harvest forecasts

... AND ... VOILA ...

... you have a potentially EXPLOSIVE situation brewing !!!

**Global Oilseed / Soybean Balance Sheet is more positive than not !!!  
Chinese Consumption and subsequent Imports represent the most significant "swing factor"**

Global oilseed production for 2019/20 is projected at 598.0 million tons, down 2.9 million from 2018/19. Global soybean production is forecast at 355.7 million tons, down 6.4 million with lower production for the United States, Argentina, and Canada partly offset by a higher Brazilian crop. Brazil's soybean production is projected at a record 123.0 million tons, up 6.0 million on higher area and trend yield. Argentina's soybean production is forecast at 53.0 million tons, down 3.0 million from the revised 2018/19 forecast due to a lower trend yield.

China's soybean production is projected 1.1 million tons higher to 17.0 million on reported higher planting intentions. Global production of high-oil content seeds (rapeseed and sunflowerseed) is projected up 1 percent from 2018/19 on increased rapeseed production for Australia and Ukraine, which is partly offset by lower production for the EU and India. Sunflowerseed crops for Turkey, Russia, and Ukraine are also lower.

Global soybean beginning stocks for 2019/20 are forecast to increase 14.1 million tons compared to 2018/19, leading to higher supply despite lower production. Global protein meal consumption is projected to increase 2 percent in 2019/20, compared to the prior 5-year average of 4 percent. Protein meal consumption growth in China is flat, largely due to suppressed feed demand from outbreaks of African Swine Fever. Global soybean exports at 151.2 million tons are also relatively flat compared to 2018/19. China's soybean imports are

projected at 87.0 million tons, up only 1.0 million from the revised 2018/19 projection and significantly lower than growth seen in prior years. With stagnant trade and a 2 percent increase for crush offsetting the higher global supply, ending stocks at 113.1 million tons are forecast to decline slightly from 2018/19.

The US Balance Sheet is downright BULLISH

USDA is expecting a significant reduction in Acreage and the Harvest in the US ..  
... with LOWER Yields too ... AND ... higher "Usage" ... thus, a decline in Ending Stocks ...  
... in fact, the US side of the supply-demand 'ledger' is a GRAND SLAM !!!

U.S. Soybeans and Products Supply and Use		2017/18	2018/19 Est.	2019/20 Proj. Apr	2019/20 Proj. May
		<i>Million Acres</i>			
Area Planted		90.2	89.2	NA	84.6 *
Area Harvested		89.5	88.1	NA	83.8 *
		<i>Bushels</i>			
Yield per Harvested Acre		49.3	51.6	NA	49.5 *
		<i>Million Bushels</i>			
Beginning Stocks		302	438	NA	995
Production		4,412	4,544	NA	4,150
Imports		22	17	NA	20
Supply, Total		4,735	4,999	NA	5,165
Crushings		2,055	2,100	NA	2,115
Exports		2,129	1,775	NA	1,950
Seed		104	98	NA	96
Residual		9	31	NA	34
Use, Total		4,297	4,004	NA	4,195
Ending Stocks		438	995	NA	970

**And while Soybeans is a “later in the season” developed crop, it is also in BIG TROUBLE if plantings do not catch up to the average ...**

## Soybeans Planted - Selected States

[These 18 States planted 95% of the 2018 soybean acreage]

State	Week ending			2014-2018 Average
	May 26, 2018	May 19, 2019	May 26, 2019	
	(percent)	(percent)	(percent)	(percent)
Arkansas .....	86	31	42	73
Illinois .....	89	9	14	70
Indiana .....	85	6	11	63
Iowa .....	78	27	32	77
Kansas .....	63	17	22	41
Kentucky .....	53	22	38	40
Louisiana .....	96	67	82	90
Michigan .....	43	10	23	52
Minnesota .....	75	22	35	77
Mississippi .....	88	45	65	86
Missouri .....	75	9	12	53
Nebraska .....	84	40	56	74
North Carolina .....	48	36	52	45
North Dakota .....	66	24	46	65
Ohio .....	65	4	11	55
South Dakota .....	56	4	6	64
Tennessee .....	61	31	49	50
Wisconsin .....	59	12	20	59
18 States .....	74	19	29	66

## Soybeans Emerged - Selected States

[These 18 States planted 95% of the 2018 soybean acreage]

**... AND ... the later the crop “emerges” the greater the risk that LOWER YIELDS will be LOWER, also hurting the size of the harvest, considering that less acreage is planted with Beans this year !!!**

State	Week ending			2014-2018 Average
	May 26, 2018	May 19, 2019	May 26, 2019	
	(percent)	(percent)	(percent)	(percent)
Arkansas .....	75	20	30	62
Illinois .....	72	2	8	44
Indiana .....	59	1	3	35
Iowa .....	40	3	8	36
Kansas .....	39	6	12	22
Kentucky .....	30	8	17	21
Louisiana .....	91	46	64	83
Michigan .....	24	1	5	24
Minnesota .....	25	-	3	35
Mississippi .....	77	32	44	75
Missouri .....	49	3	7	32
Nebraska .....	49	7	23	36
North Carolina .....	33	18	34	27
North Dakota .....	17	-	4	21
Ohio .....	43	-	4	29
South Dakota .....	14	-	-	24
Tennessee .....	37	14	28	28
Wisconsin .....	22	-	1	23
18 States .....	44	5	11	35



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Last week's USDA Crop Progress Report sparked an upside reversal and \$1 rally, but the fundamental side of the ledger is heavily 'skewed' towards being long ...

July Soybean Futures Contract  
Daily Since End-2017

Courtesy: [www.weldononline.com](http://www.weldononline.com)

Year-Ago Price  
\$10.15

10.48

9.64

50%

9.50

8.64

At \$8.38 Last,  
Soybeans for July Delivery  
Down (-) 17.4% vs Last May's Price

7.91

10000

9500

9094

9000

8836

8500

8000

Osc

0

-200

-400

Osc#2

+100

0

-100

-200

Feb 18 Mar Apr 15 May 18 Jun Jul Aug Sep Oct Nov Dec Jan 19 Feb Mar Apr May

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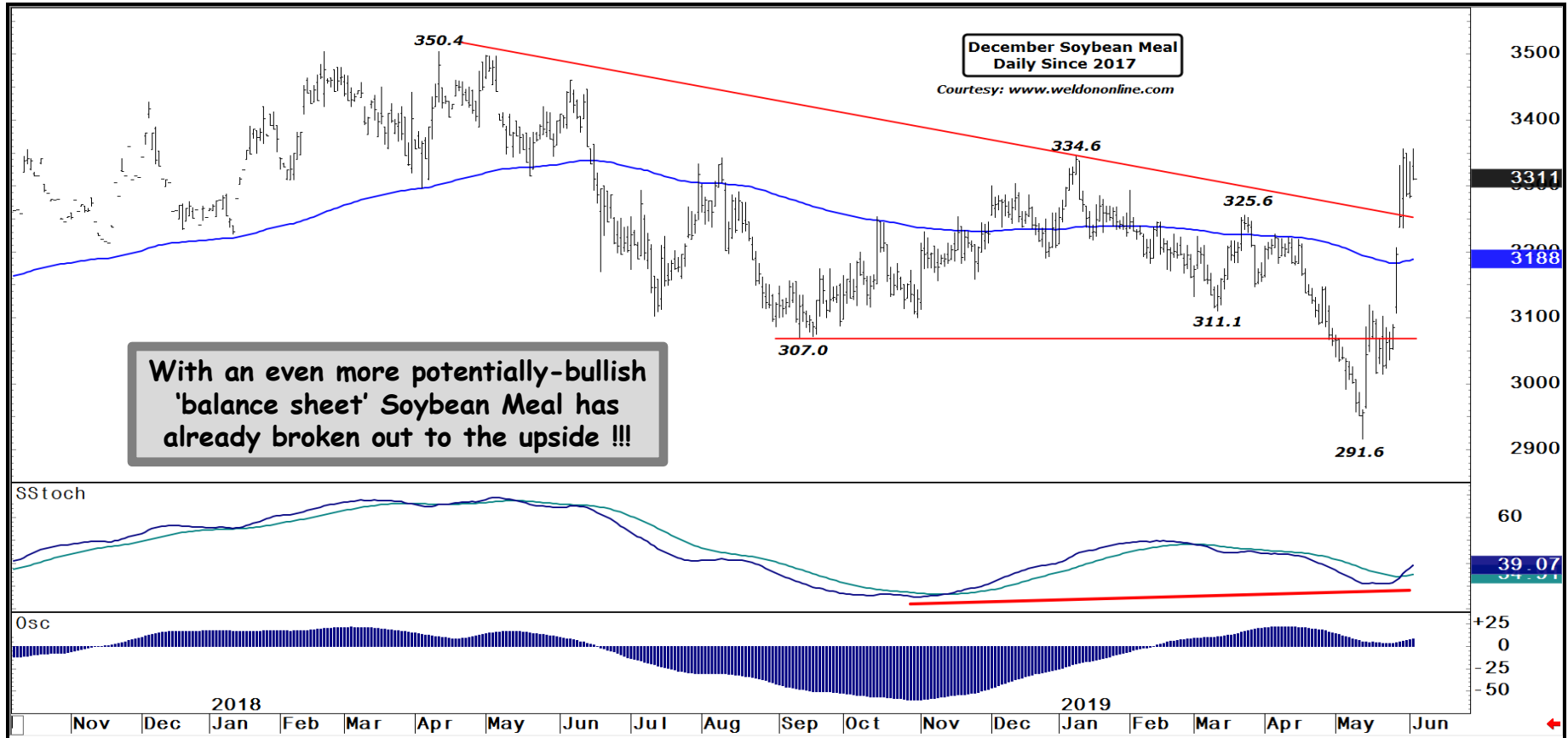




**BAM ... long-term upside breakout in the making, from an unconfirmed lower-low ... a move above \$9.31 constitutes a technically significant violation, in sync with what would also be an upside penetration of the long-term trend-defining 2-Year EXP-MA and the FIVE-YEAR downtrend line !!!**



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Sugar is looking increasingly "sweet", with a positive supply-demand backdrop, one that would not prohibit a move to 20-cents

Sugar  
Weekly Since 2005

Courtesy: [www.weldononline.com](http://www.weldononline.com)

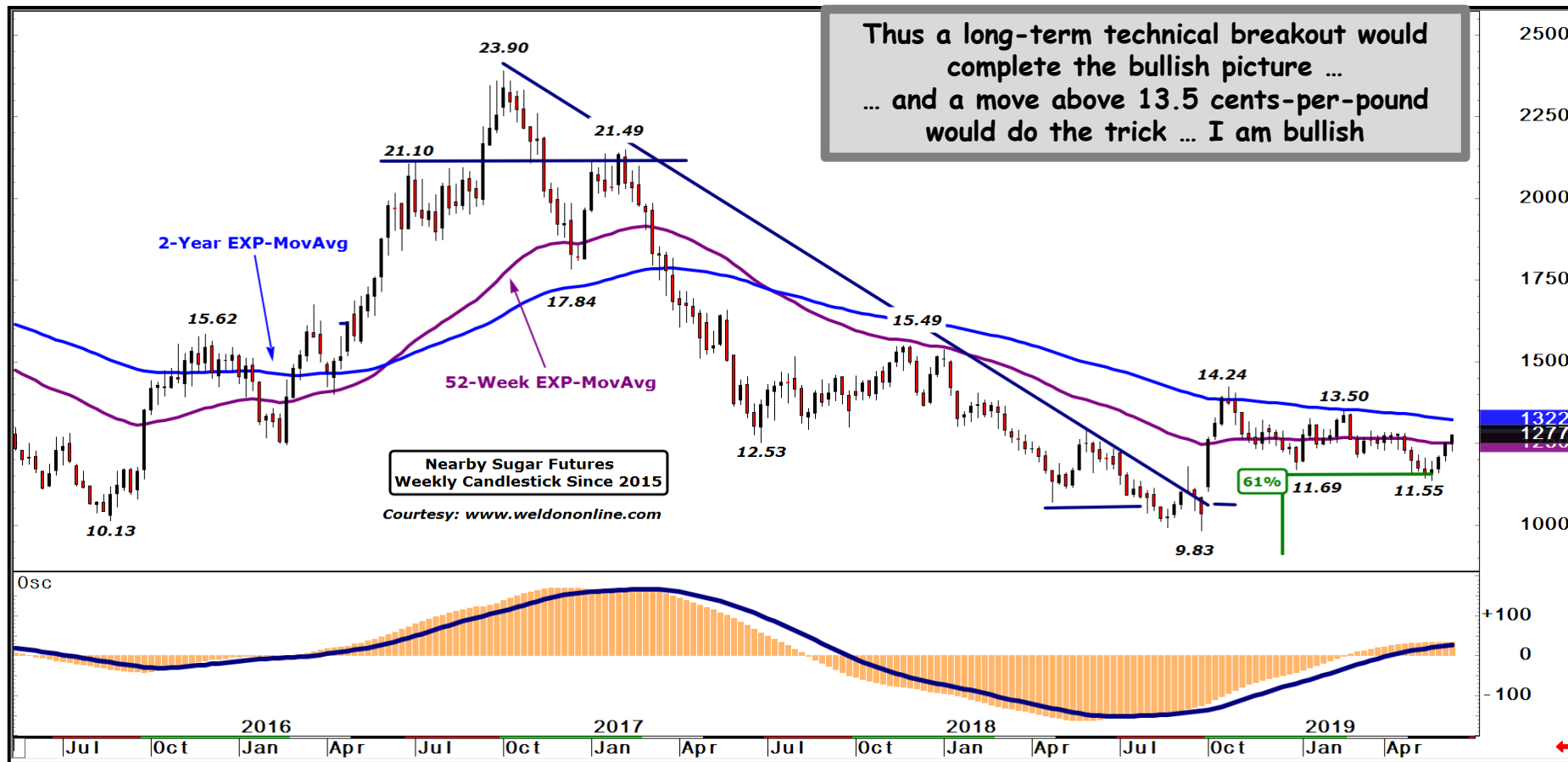


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Thus a long-term technical breakout would  
complete the bullish picture ...  
... and a move above 13.5 cents-per-pound  
would do the trick ... I am bullish



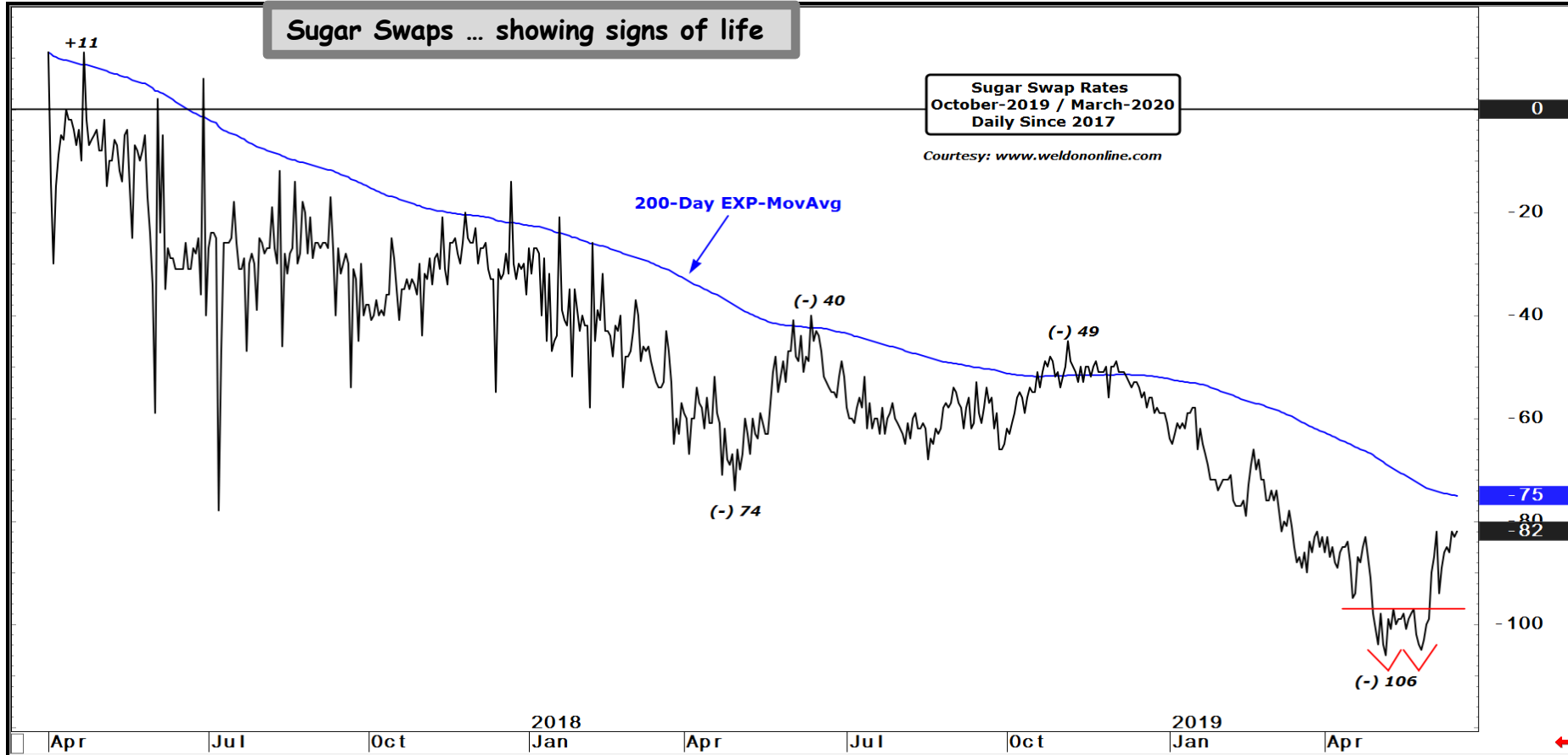


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## Sugar Swaps ... showing signs of life

Sugar Swap Rates  
October-2019 / March-2020  
Daily Since 2017

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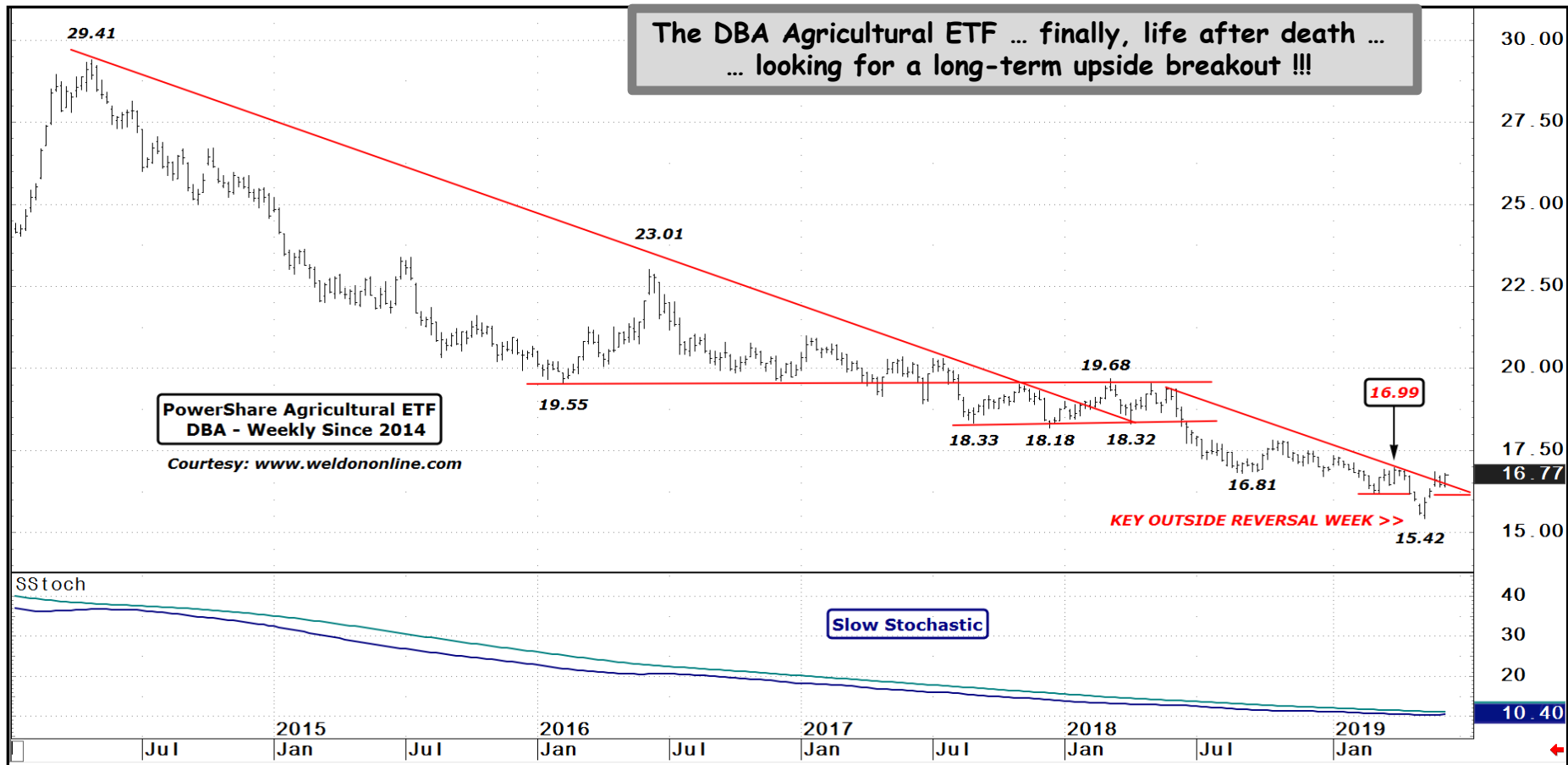


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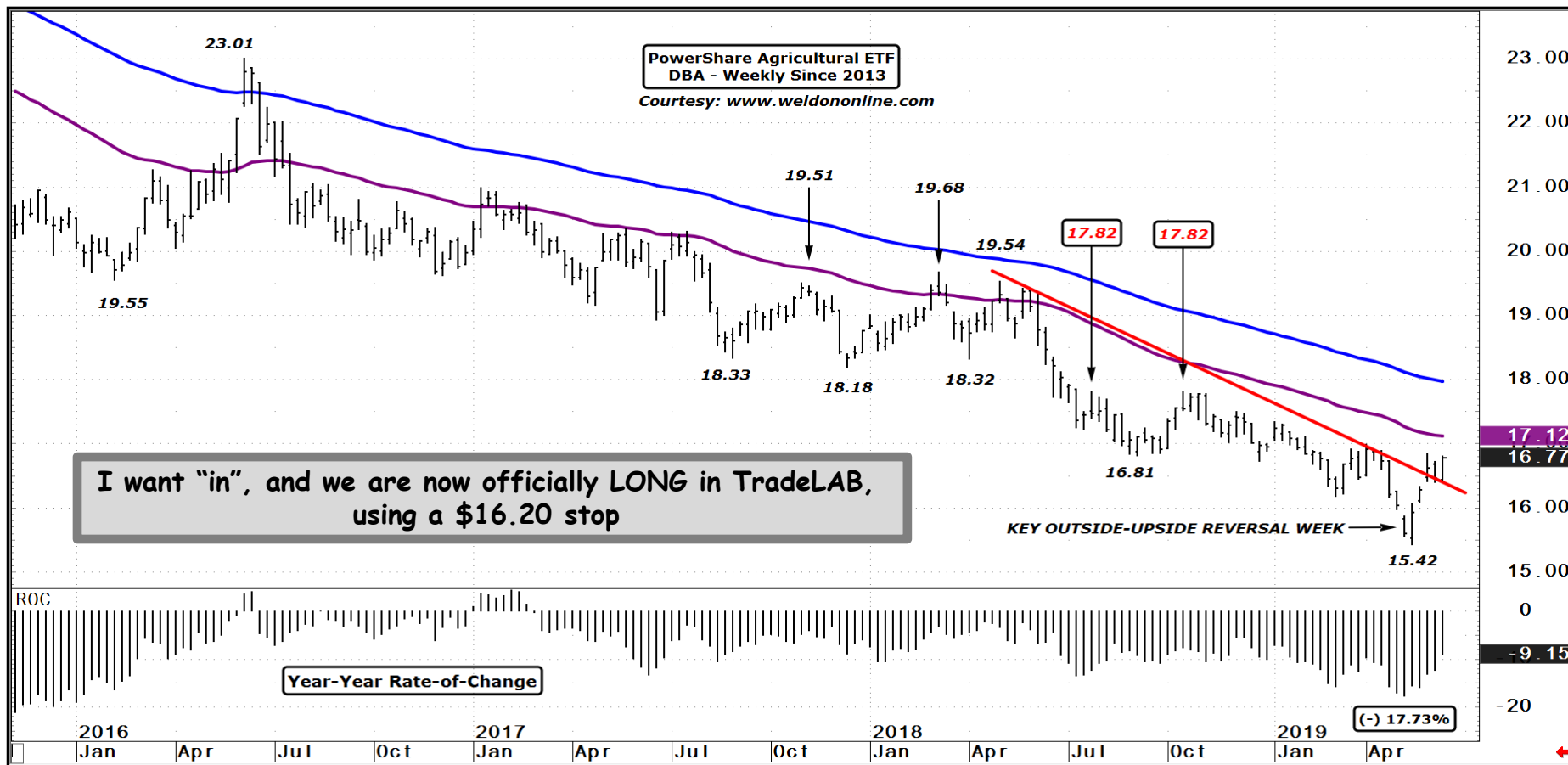
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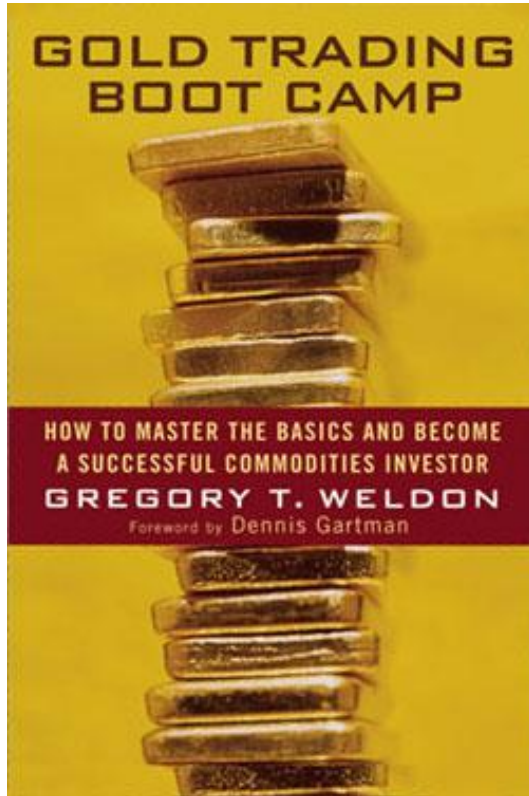
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