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TECHNICALS & TRENDS

April 2017 Edition

From mid March to mid April the Canadian Dollar traded in a 1 cent range approx. In the last couple weeks, there have been some important economic announcements that have weakened the dollar. First, are the duties of up to 24% that will be placed on Canadian lumber exports to the U.S. These tariffs are expected to be in place early next week. Second, are the worries of NAFTA and the Canadian Dairy industry. Yesterday, Trump decided not "rip up" NAFTA furthering his interesting political style. Logically with NAFTA staying in place (for now) that would be positive or at least supportive for the Canadian Dollar. However, oil has deceased $5 per barrel or 10% since the beginning of April. It doesn't seem that the OPEC production cuts are holding as Libya have restarted two key oilfields this week. With all that negative news said, the Canadian Dollar has declined over 2 cents now in a couple weeks and could be due for a short term bounce up. The next floor I'm watching is closer to 72 cents and now a ceiling could be 74 cents approx.

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Canadian Dollar June Futures

On Wednesday live cattle reached its highest level in a year. A combination of short-covering and futures discounts to cash prices have seeming to ignite this rally. The total number of cattle on feedlots was pegged at 10.90 million head, up 0.5% year-on-year, and the largest April inventory since 2012. Despite this, near term supplies of market ready cattle are tight and packers continue to bid up prices in order to fill orders ahead of the grilling season. The supply of cattle that on April 1st had been on feed for more than 120 days calculates to 3.122 million head, 15.4% less than a year ago. The supply of 150 day cattle is down 40%.

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One view to support cattle declining is the higher placements will catch up with the cattle market comes later Spring. A more bullish view points out the robust beef demand and the fact that packers are sending cattle to market at a rapid clip in order to fill orders. When looking at the technicals, the market is overbought and there could be a short term correction down. However, an overbought market can stay in that fashion for an extended period of time. I've added in some new crop protection for clients and will be looking to add at a higher level.

Feeder Cattle May Futures

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Live Cattle June Futures

As of April 18th, managed money traders were short 142,126 contracts of Chicago wheat and 15,245 contracts of Kansas City wheat. For the shorter term, weather conditions will dictate day-to-day moves. This weekend there is frost potential in Kansas. There has already been a decrease by 19,000 contracts in KC wheat open interest (buying) indicating short covering could be starting. I'm watching for bounces higher to protect new crop wheat for clients. There is still negative news longer term and prices could drift lower later summer.

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Chicago Wheat July Futures

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Kansas Wheat July Futures

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Minneapolis Wheat July Futures

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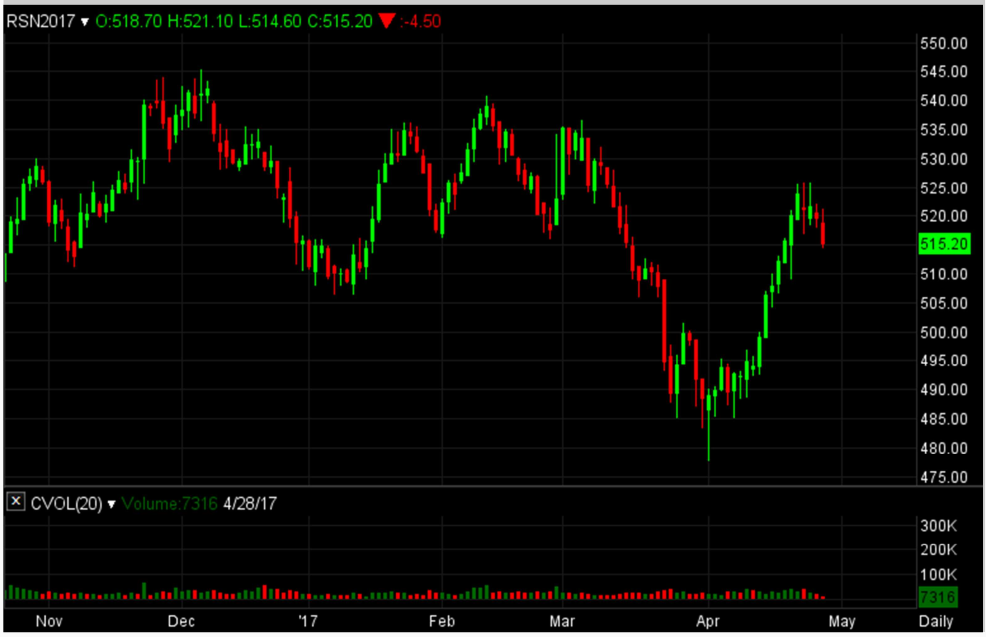
The July canola futures increased $35/ton from it's low in April. There have been a couple key contributing factors. First, many across the prairie provinces have been looking out their window at snow. The weather has definitely supported higher canola prices as many farms are still not able to get their old crop off. Second, is the falling Canadian Dollar. I was vocal with my clients about positioning them with buying call options or futures to replace their old crop canola. I've since recommended taking profit or reduce positions because we are at a level that the futures could hold steady or go sideways. I'm now going to focus on new crop canola for my clients. Around $510/ton on the November futures is my target to start considering adding protection.

Canola July Futures



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