



Adam Pukalo
Commodity Futures Advisor

TECHNICALS & TRENDS

April 2019 Edition

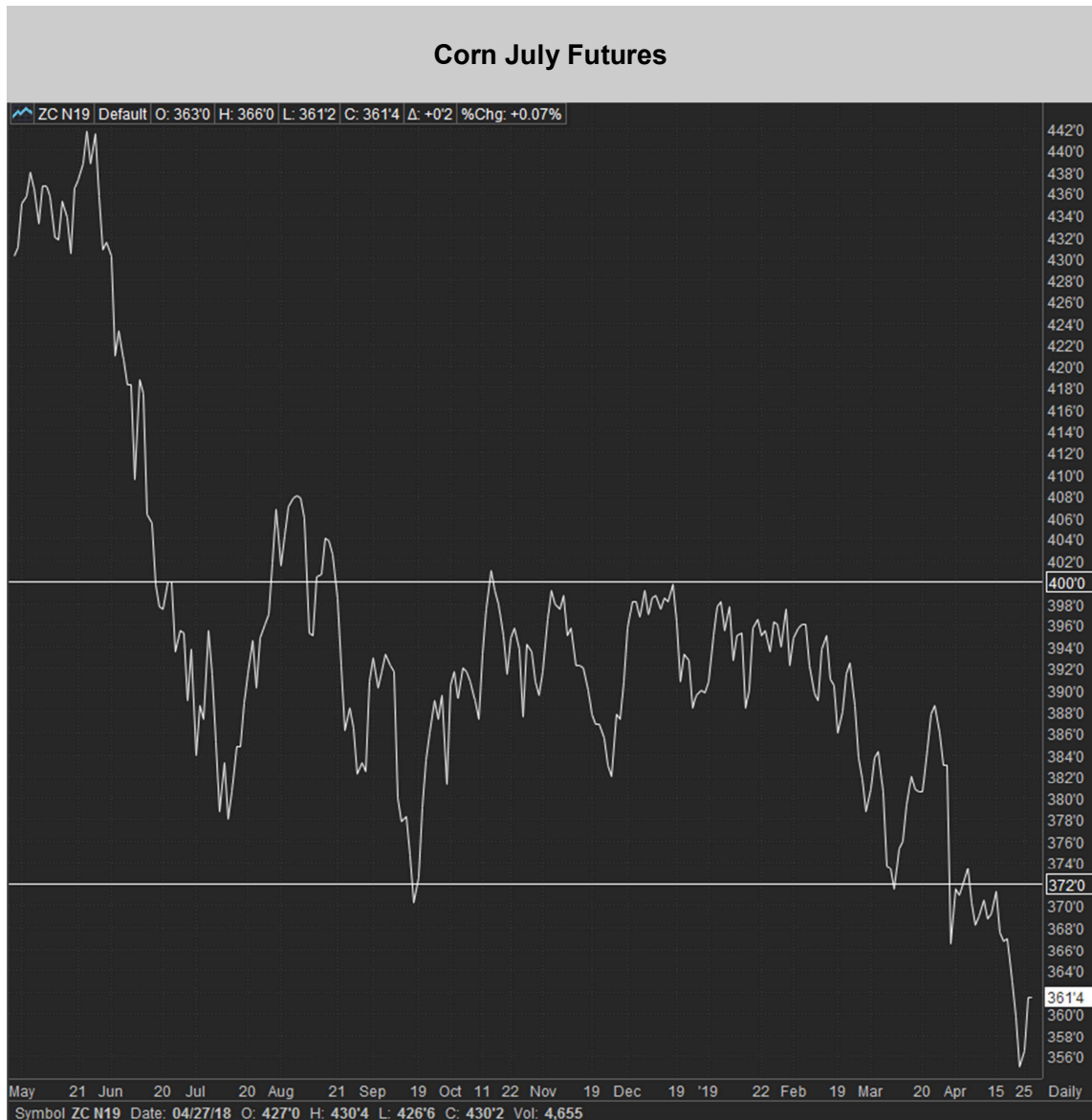
How many times have you heard that the U.S. & China are going to resolve the tariff issues? It seems that every week there is some optimism about trade talks, and then it all fizzles away. China has indicated they would buy corn, ethanol and DDGs once a trade deal is completed. Estimates of 10 million tonnes of corn (393 billion bushels) and 3 million tonnes of ethanol (360 million bushels worth of corn) could take a total of 753 million bushels of usage off U.S. ending stocks. Fund money seems to be tired of waiting for a deal to happen and are pushing the grain markets lower. "Buy the rumor sell the fact" is holding correct lately.

There is a record short position for corn at 322,215 contracts. Corn was one of the few commodities that was holding up until last month's USDA report. After that, funds have kept building a short position helping to drive the May futures to contract lows. The question for corn and all grains is if there is enough threatening weather to spark some short covering. Maybe this year will be like 2017? The funds set a record short in the spring time and the short covering rally boosted the December contract to a high of 417'2 from a June low of 374.

Time will tell.



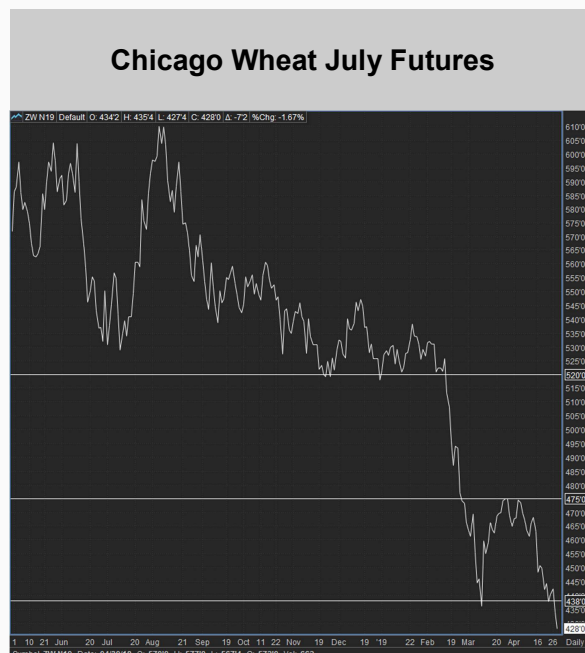
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Commitment of traders data confirmed short positions were added to all three wheat classes throughout this month. The Statistics Canada Acreage report noted spring wheat acres to increase 12% and durum wheat to decrease 18.8%. This anticipated decline in durum wheat area is the largest since 2010, when seeded area declined by more than 2.5 million acres. Trends in wheat are still clearly pointing lower. Wheat might be oversold for a technical bounce, but most of the short-term fundamentals still carry a bearish tilt. The Wheat Quality Council's tour of the Plains kicks off this morning. Sizable year-over-year production estimates are expected out of OK, KS and NE. Beneficial crop weather in the southern U.S. Plains hard wheat belt, and key wheat production areas around the globe, including top exporter Russia, are dragging on wheat prices. The USDA in a weekly report said 64 percent of the U.S. winter wheat crop is in good-to-excellent condition, ahead of market forecasts and above last year's 33 percent at this time of year.



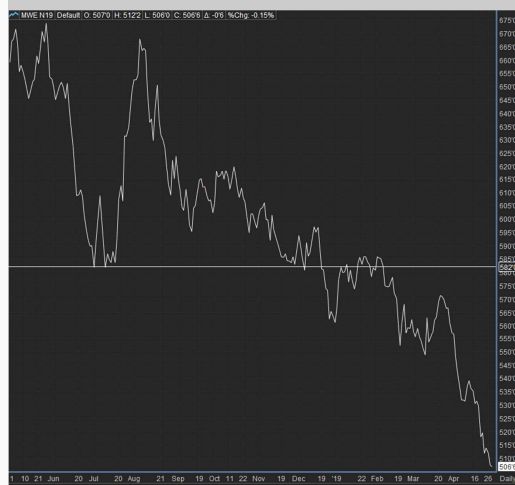


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Kansas Wheat July Futures



Minneapolis Wheat July Futures



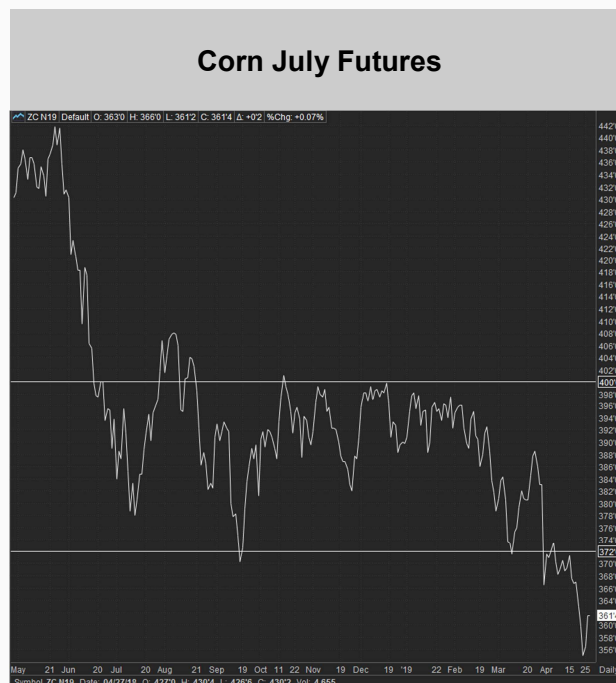
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My last months report was titled "A Plan for Canola" that reviewed for producers strategies if they have canola in the bin or are thinking about new crop. One piece of advice I gave....."I don't believe the bottom is in sight yet". I am a believer there could be a spring rally, but the percentage chance may be getting lower. Also, the question is how much (if any) of a rally could we get. I'm mentioning to clients it may not be a bad idea if they are seeing \$10/bu for new crop and don't have much sold to consider pricing some. It is never a bad idea to have a small percentage priced at a level you know is profitable. Some clients have brought up how Statistics Canada reported 6.6% less acres this year is supportive from a fundamental side. However, this news was over shadowed by China blocking canola shipments. There still may be another \$10/mt lower I'm watching on the charts.





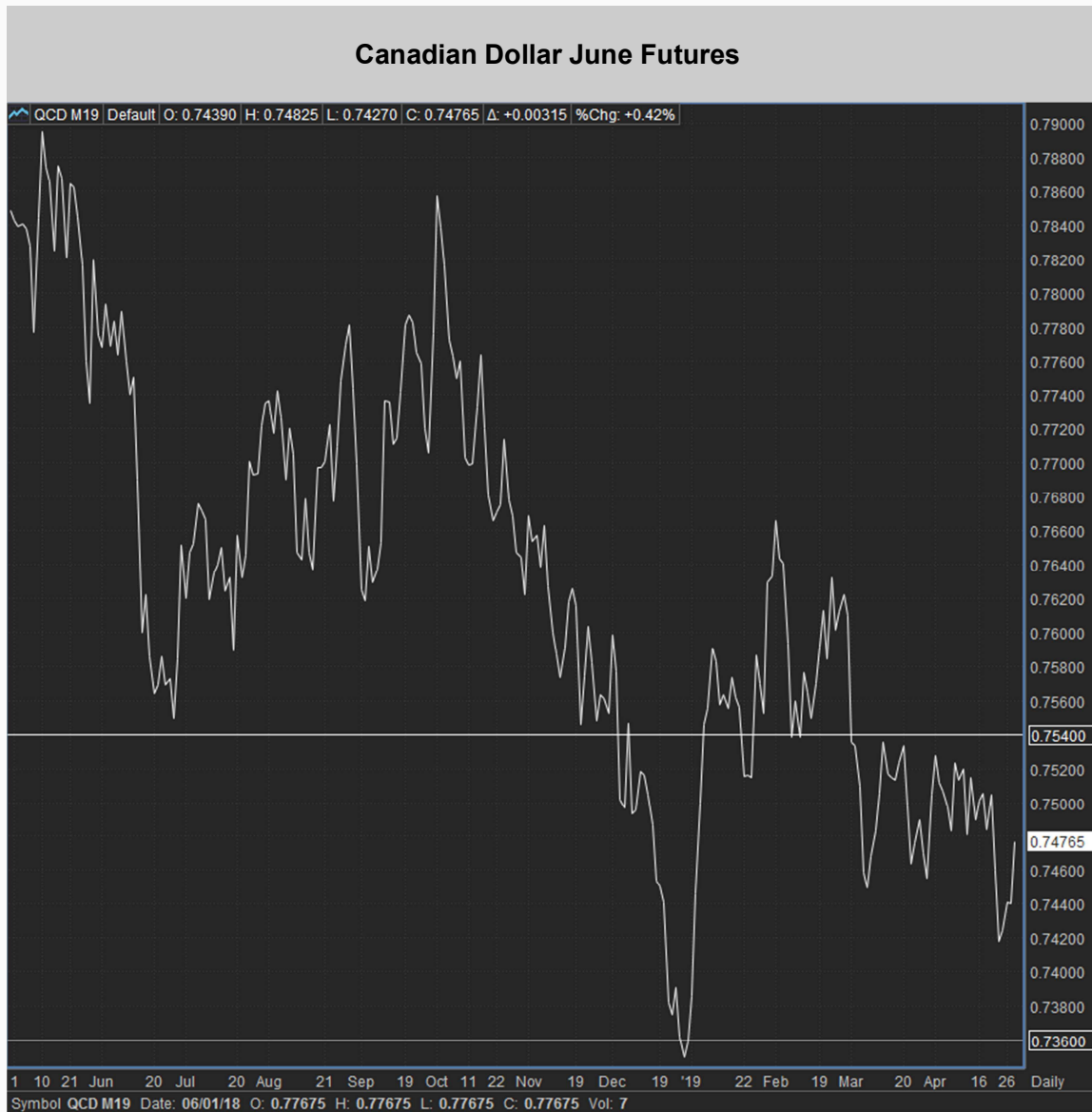
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There is no question that the Canadian dollar is on the defensive because of the Bank of Canada's shift to neutral. On April 24th, the BOC held interest rates at 1.75%. Rates tend to be cut when the bank wants to stimulate the economy and hikes when it wants to slow down an overheated one. Growth during the first half of 2019 is now expected to be slower than anticipated, which is why they are keeping rates low. The expectation is the latter half of the year to be better than the first. With everything that is going on with the trade wars I'm not so sure. An investment known as an overnight index swap implies there is now zero chance of a rate hike this year. Some reports I've read say there could be a 10% chance of a cut as early as next month and by September those odds jump to more than one in three. Overall, the Canadian Dollar on the June futures could stay between 73.60 (the December low) and 75.40 (the March & April highs). A trade deal with China on canola, oil continuing higher or an improvement in economic data could spark a rally. I think there is still negative pressure right now, but traders need to keep an eye on the factors.



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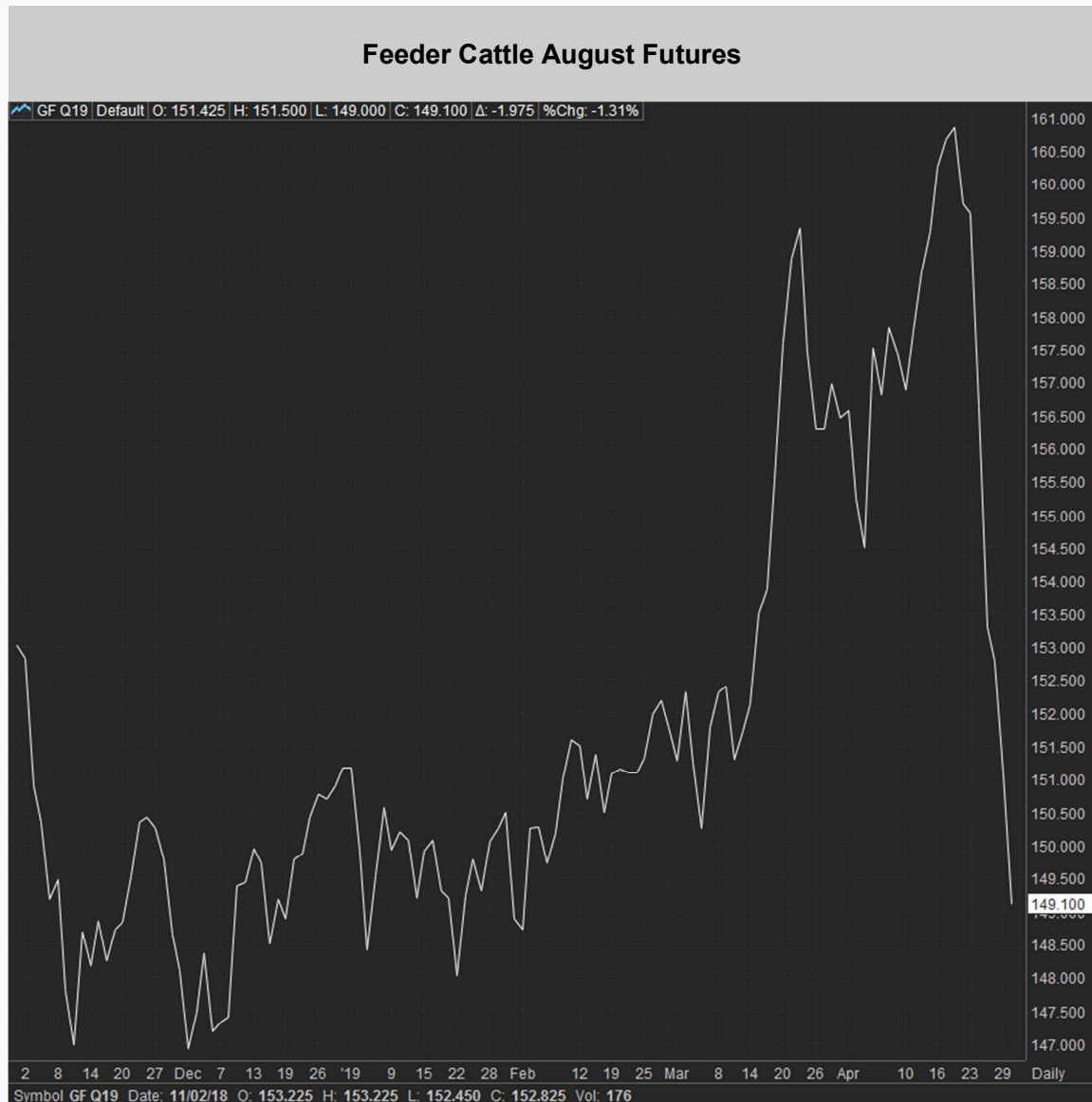
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Earlier this month mentioned on my weekly radio show that producers should consider protecting cattle their prices. On April 15th and April 18th feeder cattle August futures and live cattle June futures respectively peaked. One of the main things I watch is how fund traders are positioned. Funds pushed the cattle market too high to an overbought condition early in April. Profit taking is now happening and the feeder cattle August futures have dropped 10 cents in seven trading days. Live cattle June futures have dropped 8 cents in that same time frame. Fears of weak demand due to cold/wet weather plus talk that the short-term supply of market-ready cattle will remain high into the summer has helped to pressure cattle lower. The market may have come down too far too fast, however, there could be a bit of a recovery and more downside ahead. For the week ending April 23rd the Commitment of Traders report showed managed money traders hit a new extreme net long position of 154,550 contracts on live cattle.

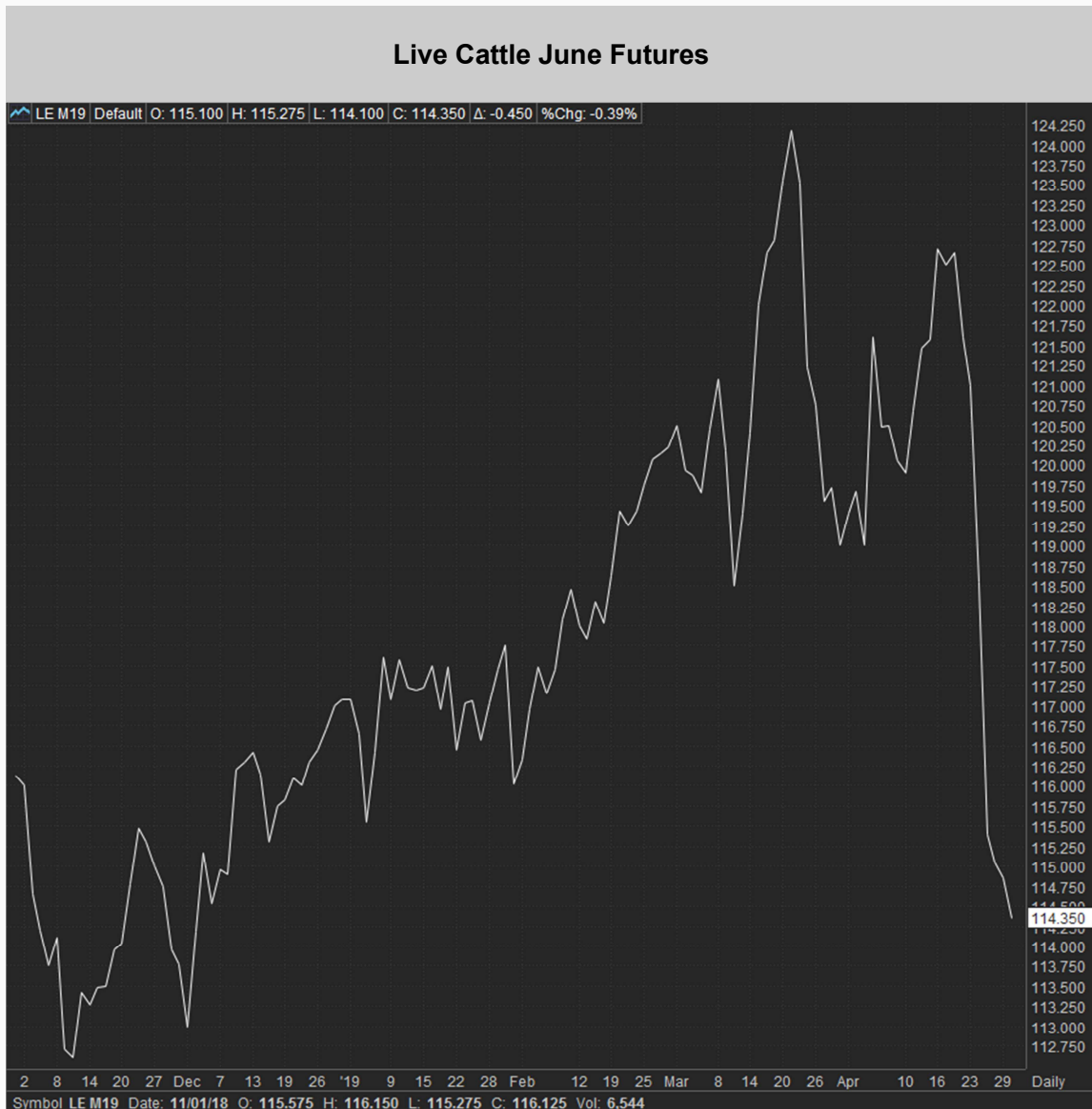


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