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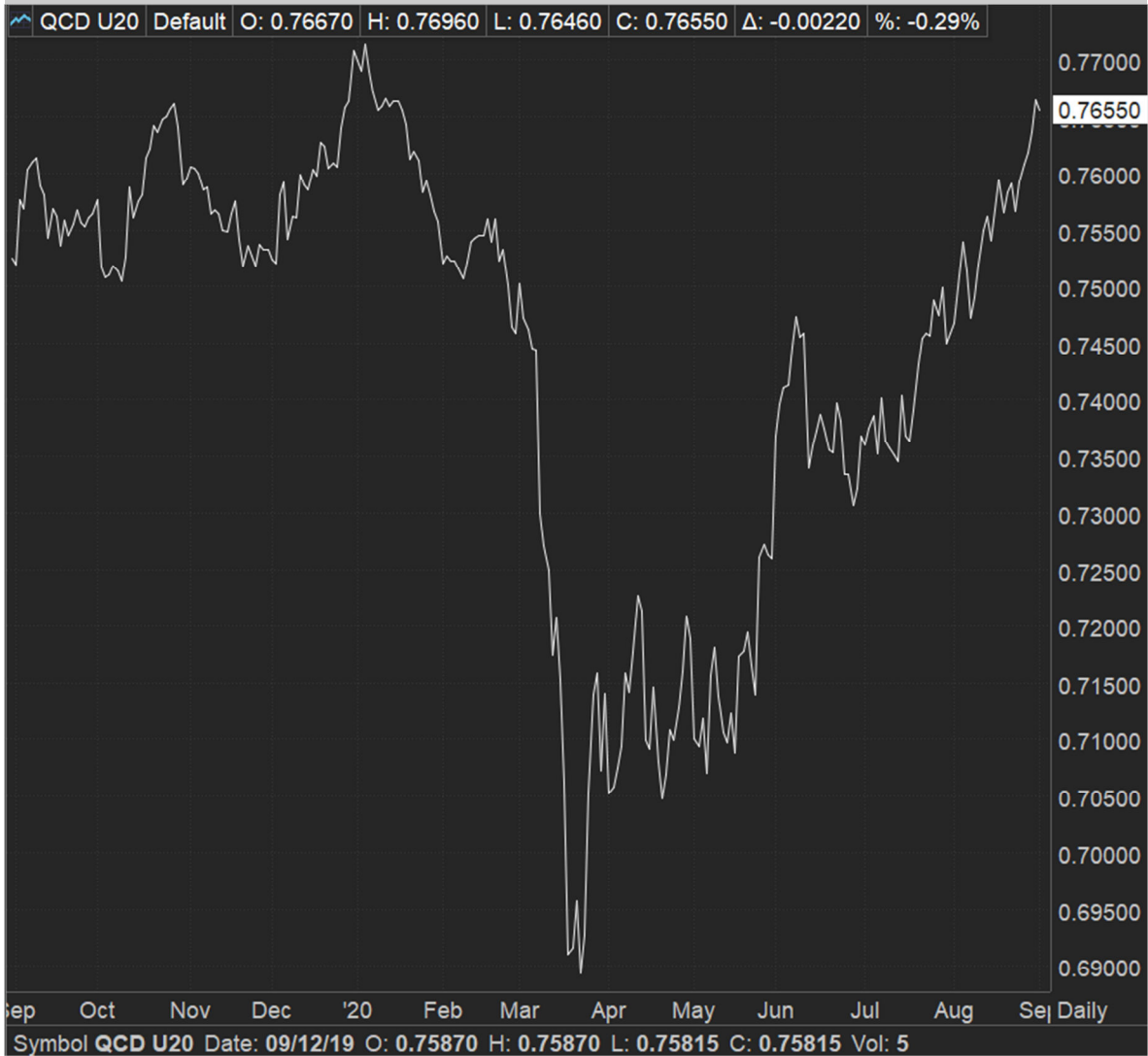
August 2020 Edition

The Canadian Dollar is surfing the greenback selling wave and has ridden it to levels last seen in January. In August, the Canadian Dollar increased 2.9% and almost reached 77 cents yesterday. Among G10 currencies, only the Norwegian crown and the Australian dollar outperformed the loonie. Canada, Norway and Australia are major producers of commodities, so ours/their currencies tend to benefit from an improved outlook for the global flow of trade and capital. This was the fifth straight month the loonie has gained ground, which is its longest winning streak since 2014. The biggest factor causing this increase has been the broad-based pressure on the U.S. dollar after a Federal Reserve policy shift on inflation. U.S. Federal Reserve Chair Jerome Powell announced that the Fed would shift to Average Inflation Targeting from a mandated inflation goal of 2.0%. The Fed said the change was needed to manage employment growth better. Analysts concluded that it meant U.S. rates would remain extremely low for an extended period. Also, the loonie has benefited from signs of a sharp rebound in Canada's economy after it was pummeled by COVID-19. Traders are going to be watching for Canadian and U.S. employment data for August released on Friday.

How much more momentum could the Canadian dollar have?

If it goes above 77 cents, the next resistance is closer to 80 cents. Right now it is seeming that could be possible. Solid support I am now seeing is at 75 cents.

Canadian Dollar September Futures - 1 Year



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Canola

Since June 1st, November canola futures have increased \$28.5/t approximately using yesterday's close. I've been mentioning to clients resistance is around \$500/t. Just yesterday, the November futures reached a high of \$503.2/t and then sold off into the close.

What has been driving the price up?

The main driver has been the soy markets, in-particular soybean oil. I discuss these commodities more below. Even with the Canadian Dollar increasing the combination of strong soy markets, some weather concerns, and good exports are keeping canola prices higher.

Stats Can came out yesterday with their first production estimates. They are expecting 19.4 MMT of canola this year, slightly down from last year and the five-year average. This was below analysts expectations of 19.9 MMT. In my opinion, this is a bullish number because just to meet demand Canada needs to produce 20 MMT.

However, keep in mind this is a very early production estimate. Nonetheless, canola is bucking the seasonal trend and could keep going higher over the next six months.

I still ask myself, how much higher could canola futures go?

On the November futures, significant resistance is around \$500/t, which it couldn't close above yesterday.

Bottom line, I think there is still more possible upside medium term, but it is still prudent for farms to take advantage of these prices depending on how much they have sold.

Canola November Futures - 1 Year



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Soybeans and Soybean Oil

November soybeans have seen a rally of over \$1.00/bu since the August 10th low.

August weather was poor for the soybean crop in Iowa and parts of Illinois, but traders are uncertain if this will be enough to significantly tighten the ending stocks outlook.

For now, traders are covering their short positions to not take any chances.

It will likely take a yield under 51 bushel/acre compared with 53.3 bushel/acre the USDA reported last month to continue the strong uptrend.

A 51 yield would cause ending stocks to tighten to 420 million bushels, which would be a 4-year low.

There is still ample global supply so a further weather issue would most likely keep the rally going.

Producers may want to look at this current rally as an opportunity for hedging some new crop soybeans.

Switching gears to soybean oil, it has been one of the main factors for the increase in canola prices recently.

From the April 27th low, soybean oil futures have increased 26% approximately.

Below is a chart to show you how much soybean oil and canola futures are positively correlated.

If soybean oil keeps going higher, canola futures will most likely as well.

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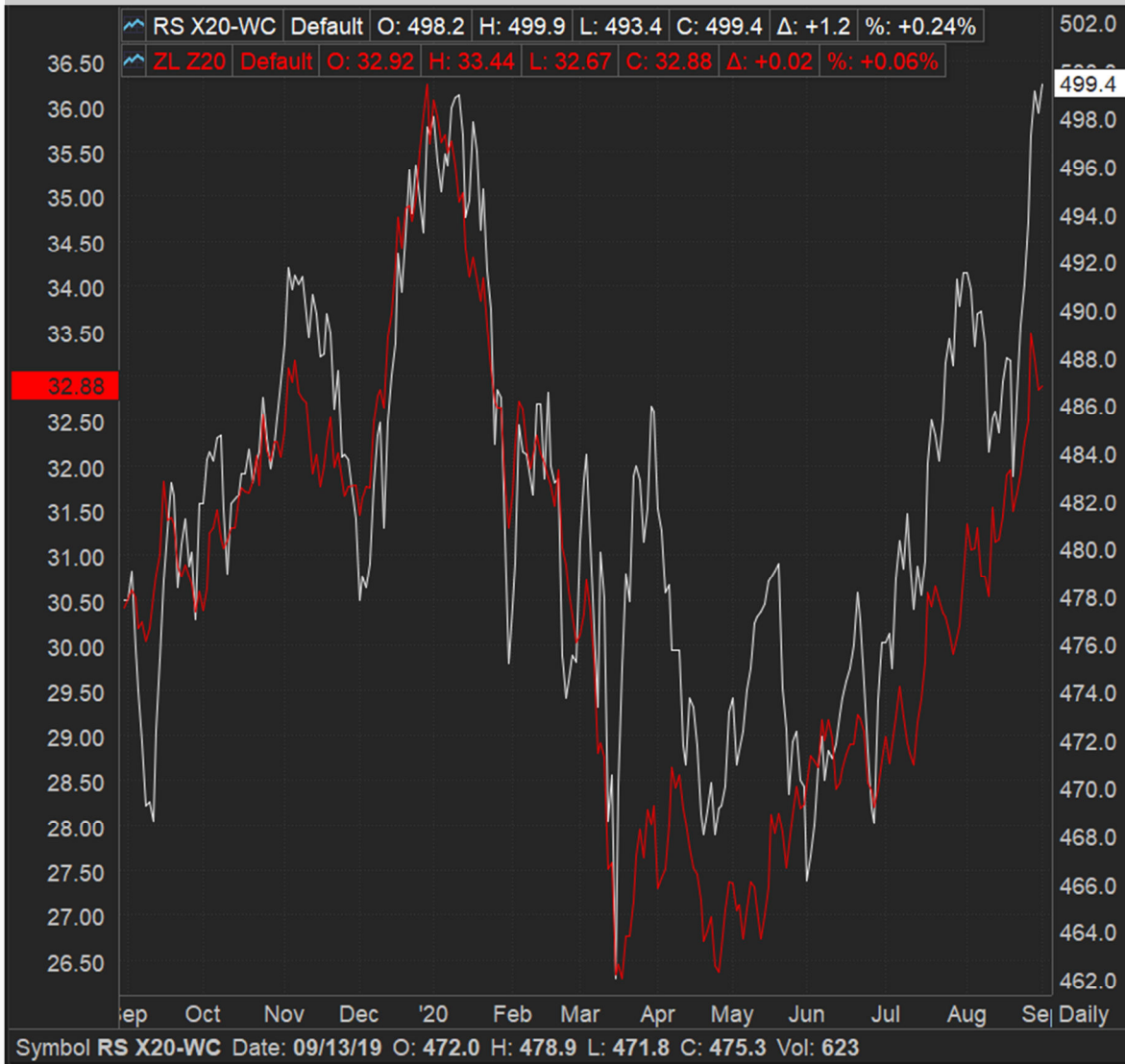
Soybean November Futures - 1 Year



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Canola/Soybean Oil Comparison - 1 Year



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Wheat

December wheat futures remain in a steady uptrend, which has been fueled by mostly short covering.

From August 10th-31st.....

- Minneapolis wheat INCREASED 32 1/4 cent/bu
- Chicago wheat INCREASED 53 cents/bu and
- Kansas City wheat INCREASED 49 cents/bu

Stats Can released their production estimates, but this is such an early report that it might not mean a whole lot. The forecast was for Canadian all-wheat production this year to be 35,739,800 tonnes, up 11% from the 2019. This would be the second largest harvested in Canada. The record wheat outturn was 37,589,100 tonnes in 2013. The recent five-year average all-wheat production was 30.9 million tonnes. Statistics Canada said the production increase from 2019 was tied to higher anticipated yields, up 8% to 53.8 bus per acre, and a larger harvested area, up 2.3% from 2019 to 24.4 million acres.

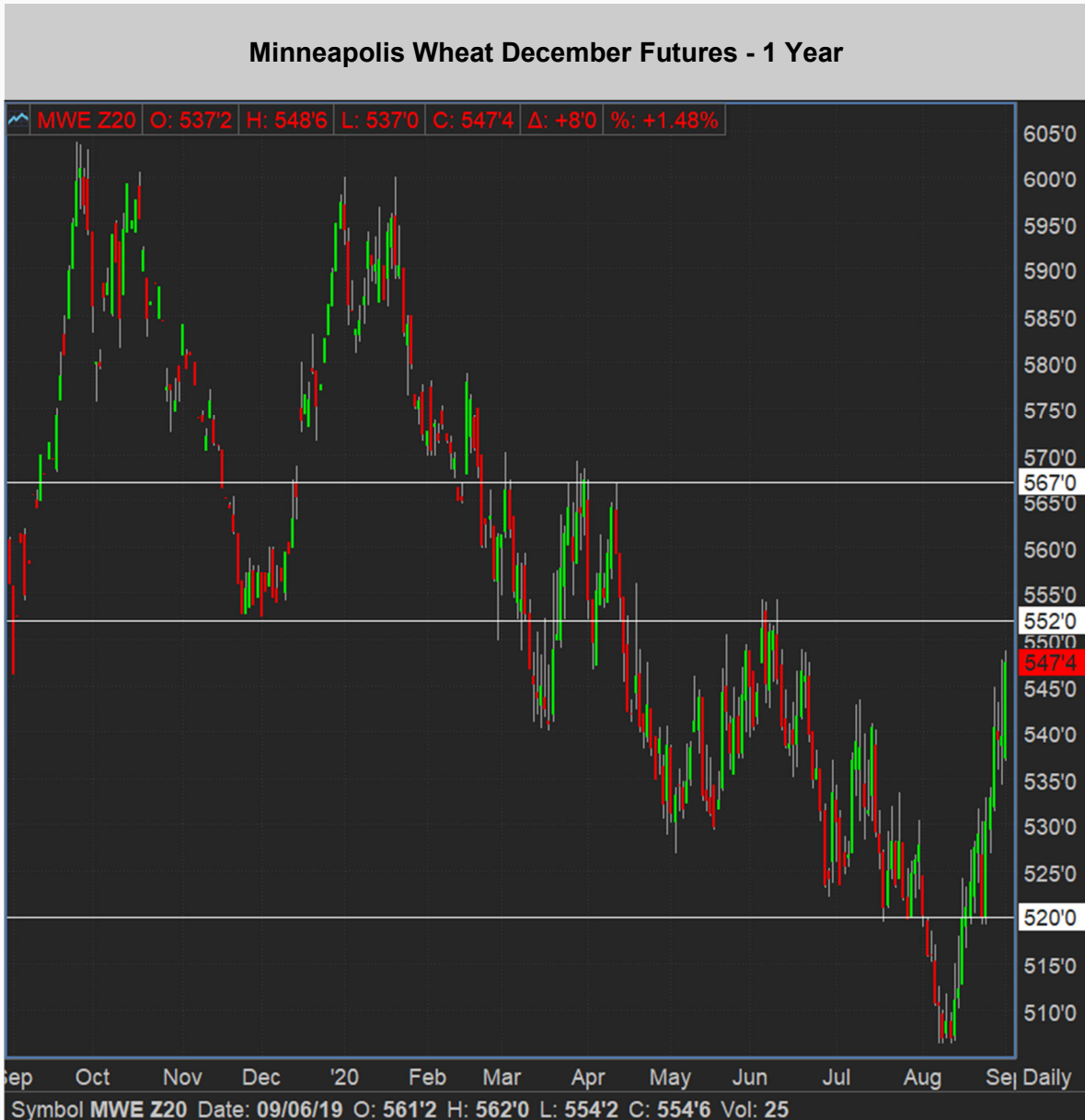
“The projected increase in wheat area is largely attributable to durum wheat and winter wheat area remaining after winterkill, which offset the decrease in spring wheat area,” Statistics Canada observed.

“Higher yields for all types of wheat nationally are also expected to contribute to the production increase.”

Statistics Canada forecast Canadian spring wheat production at 25,935,176 tonnes, up 1% from 2019.

The recent five-year average spring wheat production was 22.6 million tonnes. The Canadian durum crop was forecast at 6,925,700 tonnes, up 39% second in size only to the record in 2016. The recent five-year average Canadian durum outturn was 5.8 million tonnes. Statistics

Canada estimated Canada's winter wheat crop at 2,878,900 tonnes, up 69% from 2019. The recent five-year average winter wheat production was 2.6 million tonnes.



Chicago Wheat December Futures - 1 Year



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Kansas City Wheat December Futures - 1 Year



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Cattle

Cattle futures have been in a strong uptrend since the beginning of July.

It has been just in the last couple of week's cattle futures have traded sharply lower.

Rallies seem like selling opportunities for cattle now.

With the heavyweights, if slaughter begins to pick up in September and comes in well above year ago levels beef production could be burdensome.

Recent cattle-on-feed data would suggest plenty of market-ready cattle could move from feedlots in September.

I'm watching support to be at \$138/cwt on the October feeder cattle futures and \$104/cwt on the October live cattle futures.

Traders are waiting to assess U.S. beef demand following the upcoming Labor Day holiday in the U.S.

Typically, consumers shift purchases to meats consumed indoors like roasts from steaks that go on the grill.

I've been reading analysts think boxed beef may have peaked for now.

Feeder Cattle October Futures - 1 Year



Live Cattle October Futures - 1 Year



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