Adam Pukalo
Commodity Futures Advisor

TECHNICALS & TRENDS

February 2018 Edition

Before I start this month's report I want to review the Feb 8th USDA Crop Production report. The USDA always has some surprises for us even with the February report usually being a non-event. First, the USDA raised the soybean carryout to 530 million bushels and dropped the exports 60 million bushels. The drop in exports is mostly likely due to the bigger Brazilian crop and the uncertainty on trade with China. On corn, the USDA lowered the corn carryout by 75 million bushels, which was more than expectations. As for South America's crop, the USDA lowered their expectations on Argentina's crop 3 million tonnes. The Brazilian crop was left the same, but some analysts think the USDA over estimated it. Now remember there is still plenty of corn in the world at 2.3 billion bushels.This lower direction in South America could at least offer some support for prices. Wheat carryout was raised 20 million bushels due to lower export numbers. Some people may question this because we are holding close to last years export pace.

I want to start this month's report by reviewing the soybeans and soybean meal markets because they have been the most volatile recently. Soybeans and soybean meal are being supported by dry weather in Argentina. Since February 6th on the May contract, soybeans have increased 5.50% and soybean meal up almost 14%. Hedge funds are positioning for more gains on the soybean meal. Money managers increased their net-long holding by 37 percent to 70,991 futures and options in the week ended Feb. 13, according to U.S. Commodity Futures Trading Commission data released Friday.That's the highest in almost a year. The COT figures measures the difference between bets on a price increase and wagers on a decline. I'm going to be watching soybeans closely because this is a level before we have declined from. If the weather is supportive for soybean meal, soybeans could break higher. However, I want to be prepared to protect at profitable soybean prices in case the weather turns positive in Argentina.

PI FINANCIAL
experience. driven.

Adam Pukalo
Commodity Futures Advisor

Soybeans May Futures

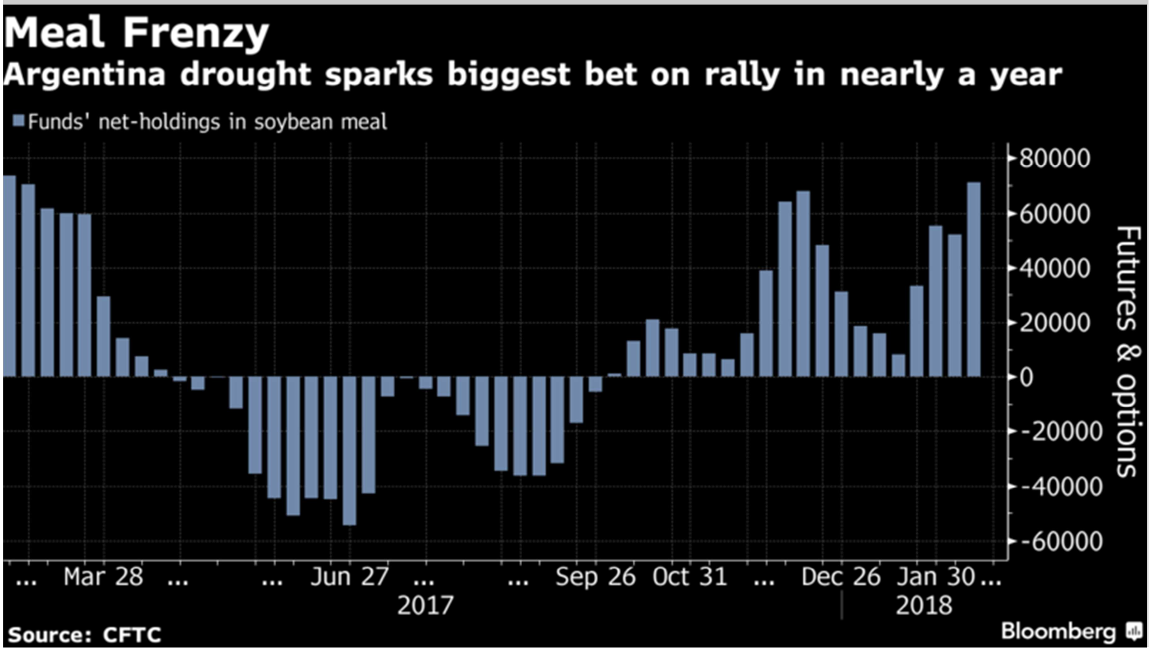
Soybean Meal May Futures

204.982.0010
www.prairiecommodities.com

PI FINANCIAL
experience. driven.

Adam Pukalo
Commodity Futures Advisor

Soybean Meal Commitment of Traders



Canola this month has stayed somewhat sideways. I've had a few clients calling me getting excited there could be a rally now we are over the $500/ton mark. However, I'm exercising caution because I'm not sure what could drive the price significantly higher to where is was in November. Could the futures rally another $10/ton? I think that is possible, but for a $20-30/ton gain there would have to be a few different factors that would have to line up. The Canadian Dollar has been supportive recently declining a couple cents. Also, canola has lagged the increase in soybeans recently. One thing to note is the large old crop supplies and expectations for increased seeded area this spring have weighed on the futures. I'm starting to discuss with clients strategies and levels to protect profitable new crop prices.There still may be a rally to protect a bit higher up, but I don't want to loose sight that some farms I hear of are

Adam Pukalo
Commodity Futures Advisor

pushing their canola acres this year that could lead to lower new crop prices.

Canola May Futures

204.982.0010
www.prairiecommodities.com

Adam Pukalo
Commodity Futures Advisor

Canadian Dollar March Futures

Since January 24th on the May futures....

- Chicago wheat is up 36 cents, 8.27%
- Kansas City wheat is up 56 cents, 12.81% and
- Minneapolis wheat is 1.6 cents, 0.26%

The NOAA (National Oceanic and Atmospheric Administration) updated long term weather

PI FINANCIAL
experience. driven.

Adam Pukalo
Commodity Futures Advisor

outlooks for the US and continued dryness is projected in the winter wheat areas. This year the extent of the La Nina pattern will be watched closely into the spring. Trend following managed money traders have flipped to a net long Kansas City position, but still remain short Chicago. This means more possible short covering is still possible on the Chicago side. I haven't discussed with clients any call option replacement strategies for old crop because how much higher the futures can keep going is really weather dependent. For clients that are comfortable with using futures, I have mentioned there could be short term opportunities. On average in years of higher prices like this, these spring rallies don't actually give way to sharply higher prices. Futures trend to slide into the end of April, rebound if the USDA's first survey of yields confirms losses, then rally again in the summer when bushels off the combine disappoint. I'm going to be watching to put in new crop prices on this rally when the trend starts to change.

Chicago Wheat May Futures

204.982.0010
www.prairiecommodities.com

PI FINANCIAL
experience. driven.

Adam Pukalo

Commodity Futures Advisor

Kansas Wheat May Futures

Minneapolis Wheat May Futures

204.982.0010
www.prairiecommodities.com

PI FINANCIAL
experience. driven.

Adam Pukalo
Commodity Futures Advisor

There is strong consumer demand for cattle, but it still may not be enough to absorb the surge in supply. Consumer demand for cattle has helped to provide strong support for the current uptrend in the futures. Beef prices are holding up well above last year's level while beef production for the 1st quarter is expected to be near 4.3% above last year. The aggressive placement pace for much of the second half of 2017 is a factor which should boost beef production in the months ahead. Short term, the trend is up and strong demand factors are supporting it, but watch for a sign of a peak. Funds are already long and it may be difficult to expect even higher demand ahead as the market absorbs increasing supply. For now, I'm just going to wait on the sidelines before buying any puts for protection. More aggressive traders that understand the risks of selling options could look at selling the April 158 feeder cattle call and collect $1,100.This is a strategy where you want cattle futures to stay below 158 on the April contract for the next couple of months. If that happens, you will keep the $1,100 you collected. However, if cattle futures increase you may have to buy your option back for more than you collected. Your physical cattle would help offset some of this loss because they would of most likely increased in value. I like to do this call selling strategy in sideways trending markets or if you don't believe a certain price is going to be achieved.

204.982.0010
www.prairiecommodities.com

PI FINANCIAL
experience. driven.

Adam Pukalo

Commodity Futures Advisor

Feeder Cattle April Futures

Live Cattle April Futures

204.982.0010
www.prairiecommodities.com

Adam Pukalo

Commodity Futures Advisor

PI Financial Corp. is a Member of the Canadian Investor Protection Fund. The risk of loss in trading commodity interests can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. In considering whether to trade or the authorize someone else to trade for you, you should be aware of the following. If you purchase a commodity option you may sustain a total loss of the premium and of all transaction costs. If you purchase or sell a commodity futures contract or sell a commodity options you may sustain a total loss of the initial margin funds or security deposit and any additional fund that you deposit with your broker to establish or maintain your position. You may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the requested funds within the prescribe time, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account. Under certain market conditions, you may find it difficult to impossible to liquidate a position. This is intended for distribution in those jurisdictions where PI Financial Corp. is registered as an advisor or a dealer in securities and/or futures and options. Any distribution or dissemination of this in any other jurisdiction is strictly prohibited. Past performance is necessarily indicative of future results.

204.982.0010

www.prairiecommodities.com