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TECHNICALS & TRENDS

January 2017 Edition

Highlighted: Wheat, Canola, Soybeans, Canadian Dollar / U.S. Dollar & Oil

Yesterday March Chicago wheat traded down to the lowest levels since January 11th. This 23 ½ cent slide since mid-month still keeps wheat in a somewhat sideways trend. The market is indicating further weakness may be ahead and a test of $4.10 could happen. However, adding in protection around $4 may not be wise because managed money is already short 88,699 contracts. These traders could take profit around $4.10-$4 and that would spur a rally. Individual U.S state crop rating for winter wheat were released after the markets closed yesterday.

Here is a short summary:

- Kansas holding steady at 44% good to excellent (G/E) versus 44% in December
- Oklahoma was 33% G/E versus 25%
- Colorado 36% G/E versus 40%
- Nebraska 47% G/E versus 46% and
- Illinois 74% G/E versus 69%

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Chicago Wheat March Futures Contract:

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At the beginning of the month I was speaking to clients about how low canola could go. From Dec 1, 2016 to the beginning of January, 2017 the March canola futures contract declined $28/ton approx. I mentioned how canola may trade sideways around $500/ton, or possibly increase another $10-$15/ton because of the quick decline seen. Also, producers should be ready to protect higher up if we did see a spike in the futures. Guess what….we saw a rally of $25/ton! I was active at the $520/ton level to buy protection for clients until May or July depending on their operation at a cost of $15/ton approx. Recently the biggest influences have been soybean oil declining and a steadily rising Canadian Dollar. I'm again watching for canola to reach around $500/ton to either take profit on protection or add more depending on the trends.

Canola March Futures Contract:

Yesterday March soybean oil declined to the lowest level since Oct 6th and March soybeans were down 22 cents, a low not seen since January 12th. The decline in soybean oil is largely due to the increase in

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Argentine soybean production. It is expected to jump to 35.5 million tonnes this year, up 12.7%. As for soybeans, the South American weather remains favorable to crop development. Rains are predicted to continue over the next two weeks in Brazil which will help crop development. We have seen a large increase in managed money on the bull side for the soybean complex recently. Expectations may be the weather could turn negative and Chinese demand turning to South American origins. Overall, I have been taking advantage of any rallies we have seen to sell soybean futures.

Soybean March Futures Contract:

Soybean Oil March Futures Contract:

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When OPEC reached a deal among all 14 member countries to cut oil production many wondered if it would happen. Earlier this month Kuwait and Oman signaled they are delivering on their accord to cut

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oil output. Kuwait has reduced output by 130,000 barrels a day to about 2.75 million. Oman is cutting 45,000 barrels a day from 1.01 million. In 2016, Kuwait ranked as the 9th largest oil producing country. Also, Russia reported they have cut 100,000 barrels out of daily production. These oil cuts are one contributing factor to our increasing loonie. This month we have already seen it climb 2 cents approx. Just today it reach over 77 cents on the March futures contract, a level not seen since Sept 2016. More of an impact recently on the loonie rising could be the declining U.S. Dollar. President Trump has been vocal about many different topics and that is probably contributing to their falling currency.

Canadian Dollar March Futures Contract:

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Oil March Futures Contract:

U.S. Dollar Index March Futures Contract:

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