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TECHNICALS & TRENDS

July 2019 Edition

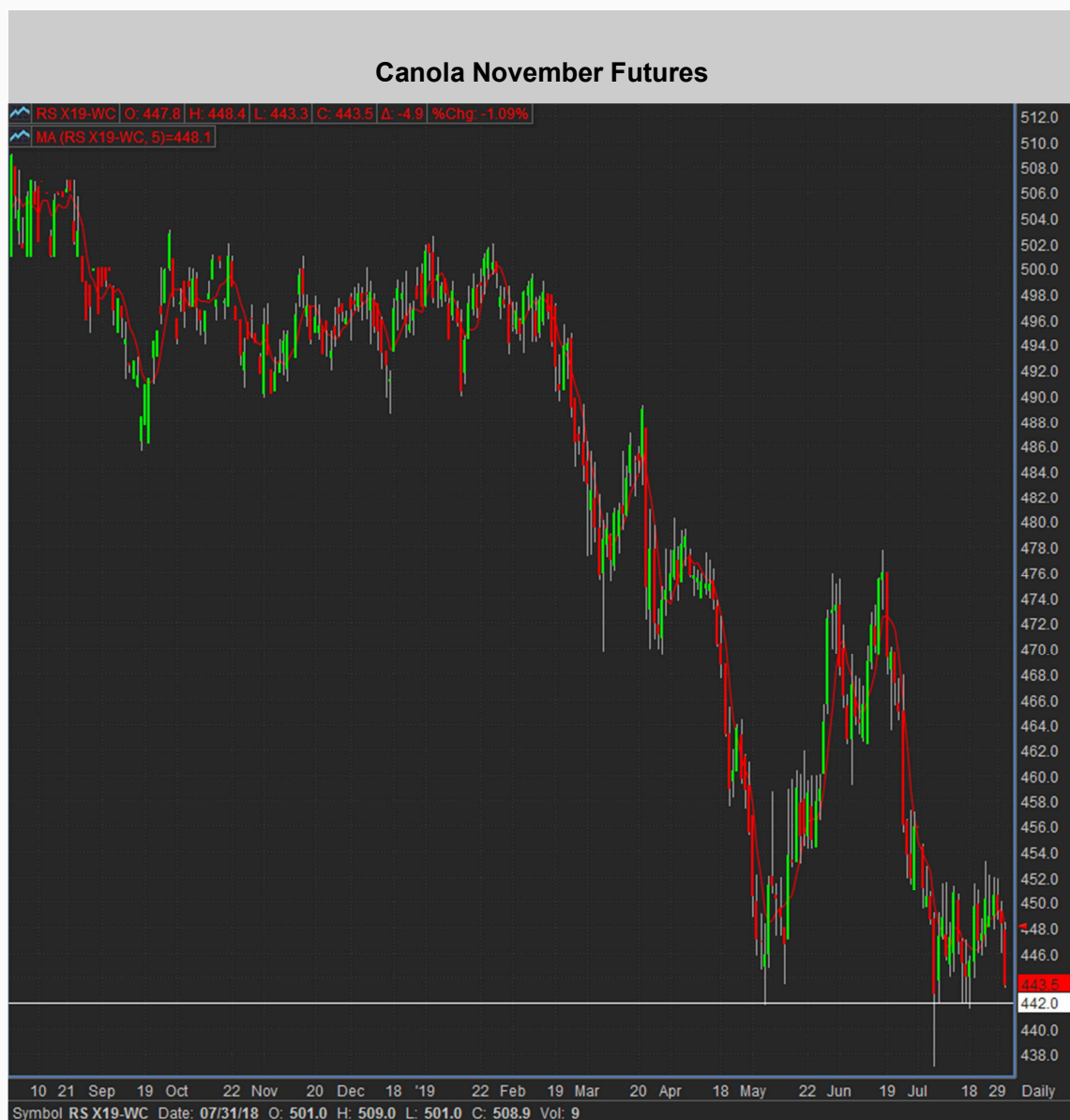
This month November canola futures have traded in a tight range between \$442/ton to \$452/ton approximately. I'm watching for a strong close above \$450/ton to signal possible upside on the charts. Other factors need to line up for canola to have any type of increase.

The Canadian Dollar is the first. A significant drop below 76 cents would help support canola prices. On the soybean side positive developments from new face-to-face trade talks with China are wanted to be seen. Nothing came out of the talks this week. There are rumors that China may want to hold out until the U.S. elections in 2020.

The top end I could see canola getting to is around \$460/ton. Looking at the charts canola is trading right at its lows. Good support is here, but if the soy market breaks lower canola could follow and technical selling may follow. Producers may want to consider adding some new crop protection in using options & futures depending on how much they have sold. Some of my clients are worried about their crop and have not contracted much, which is when my strategies give them no production risk and still provide downside protection. This could be a year where you may want to be moving your grain, then replacing it with options given how uncertain the outlook is.



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For soybeans, traders have been watching trade talks and the weather to signal some type of direction. The weather had been mostly non-threatening in the U.S. as dryness in the Midwest for the next week will be followed by cool wet weather for the 6-14 day outlook. On the trade news, talks are progressing slower than expected. Discussion this week with China included them increasing their purchases of U.S. goods, but that is nothing new. The next round of talks will be in September.

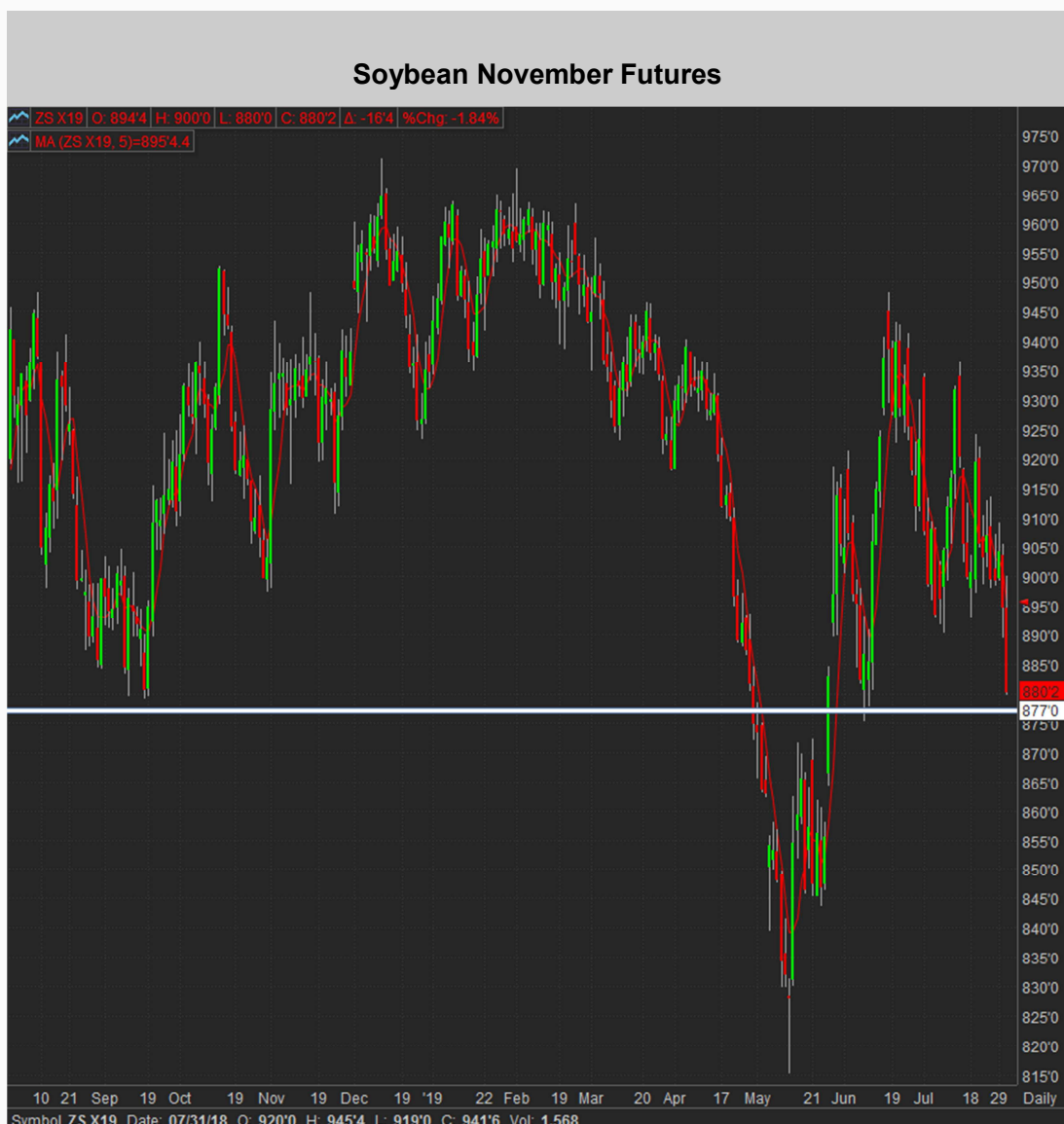
I came across an interesting graph from Bloomberg that projects U.S. soy exports won't reach levels before China tariffs hit until 2027. Uncertainty about soybean acreage and yields ahead of the August 12th report seems to have caused speculators to wait before adding new positions. A Chinese delegation will travel to Argentina in August to inspect soymeal crushing plants.

"Argentina has spent 20 years trying to gain access to the Chinese soymeal market".

The trend for soybeans is lower and until there is a positive catalytic (weather/trade etc.) the futures could go lower.



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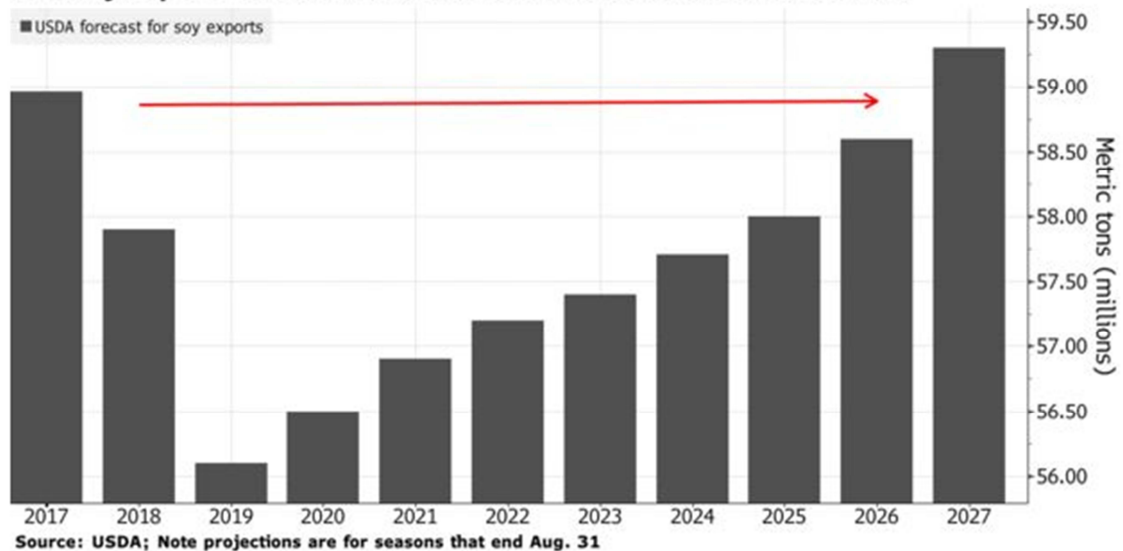
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U.S. Soy Exports

Lost Opportunity

U.S. soy exports won't reach level before China tariffs hit until 2027

■ USDA forecast for soy exports



As of July 28th, the U.S. weekly crop progress report showed spring wheat rated good to excellent came in at 73% versus 76% last week. Right now managed money is record short 14,410 contracts of Minneapolis wheat. The futures for Minne wheat are holding support at \$5.20/bu made early May. I'm watching for there to be small rallies off the lows, but longer term trends are still down. Chicago and Kansas City wheat charts are a bit different because the futures could still decrease 45 cents and 15 cents respectively before nearing lows. What may be able to help wheat prices into the winter is a rally in corn. I mentioned in my last report I protected clients wheat prices given the rally.

The exact strategy was an option strategy called a "collar". It is where you Buy a Put Option and then Sell a Call Option higher up. If you are unfamiliar with these terms, look more on my



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terminology page. This is a strategy where you get downside protection with little cost. I've now started to take profits on part of the strategy, while still leaving the protection on. For cash sales, producers might want to consider selling some of their wheat if prices rise to around \$7 for deferred delivery in case a rally doesn't happen.





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Kansas Wheat September Futures



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Minneapolis Wheat September Futures



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This month the Canadian Dollar has moved 1 cent lower from the highs around 76.9 cents on the September futures. It seemed as though there was a bit of a move too quick from the June low of 74.30 to 76.90 cents. A longer term positive trend is still in placement, but the loonie could be headed for 75 cents again. Reports I read economists are divided on which way the Canadian Dollar is going to go. Some say 80 cents others closer to 74 cents.

Today currency traders were watching the U.S. Federal Reserve interest rate announcement. They lowered rates by 0.25% as expected. When there are interest rate cuts in the U.S. it is typically negative for the Canadian Dollar. An interest rate cut signals weakness in the economy, which in turn traders may sell the country's currency causing it to decrease and in this case it would be the U.S. Dollar. So, the U.S. Dollar would go down and the Canadian Dollar would go up based on today's U.S. lowering of interest rates announcement, right? The market is never a dull and the U.S. Dollar as I write this is up and the Canadian Dollar is down sharply.

Why could this be? Something that you may not know is the U.S. Dollar that is traded on ICE Futures is actually called the U.S. Dollar Index. It is the U.S. Dollar relative to a basket of world currencies, mainly the Euro. The Euro has recently been in a downward spiral, which I think led to strength today in the U.S. Dollar. Also, I think everybody was expecting for the U.S. Dollar to decline leading to some over optimism. Overall, I think the Canadian Dollar still has some room to decrease. Any spikes up I would be converting funds for your winter vacation!



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Canadian Dollar September Futures



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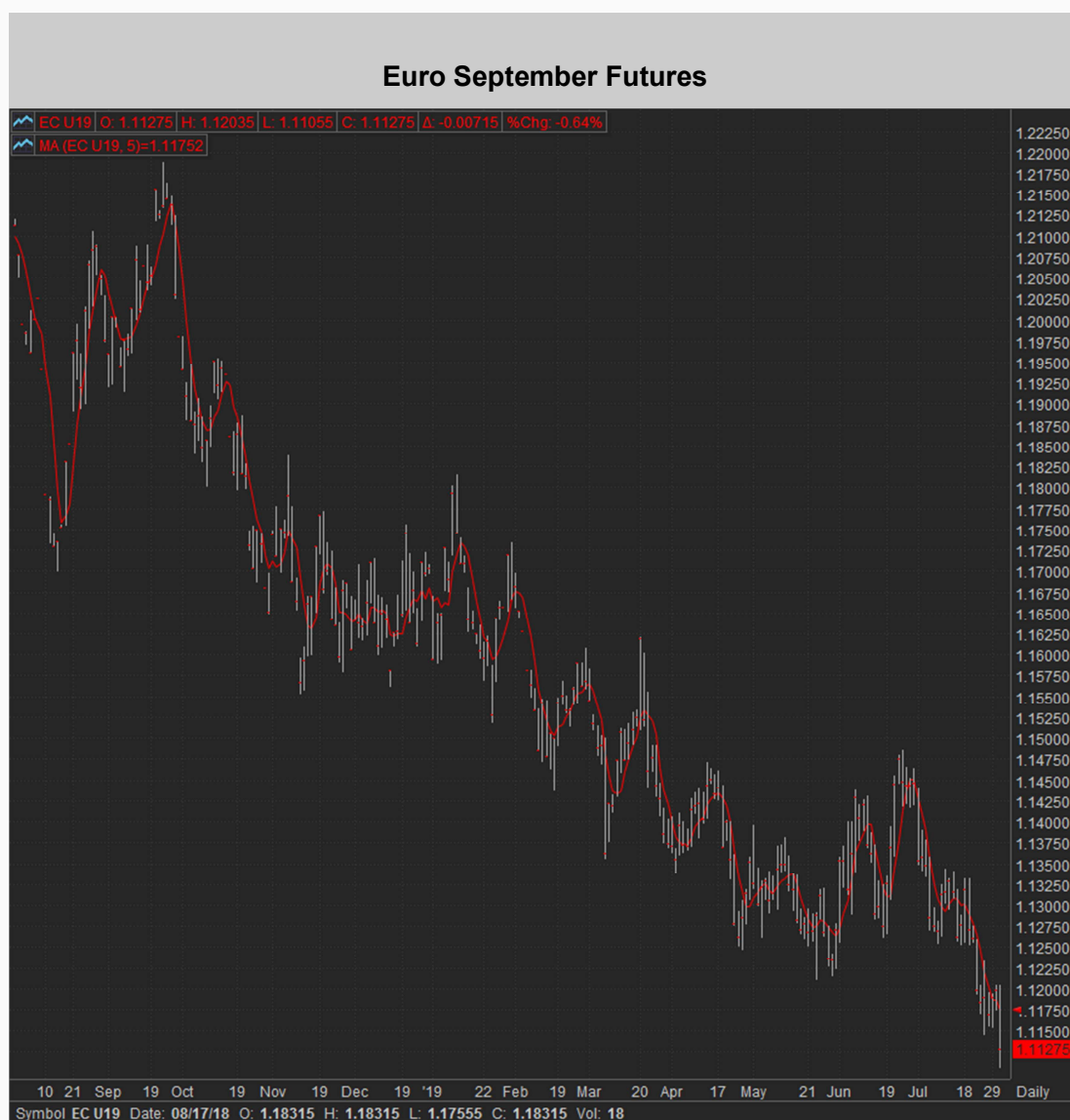


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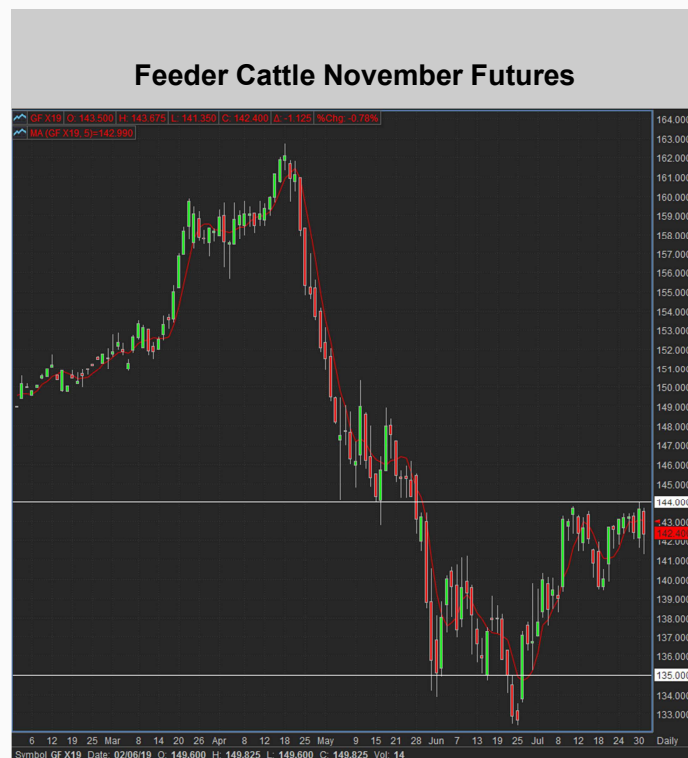
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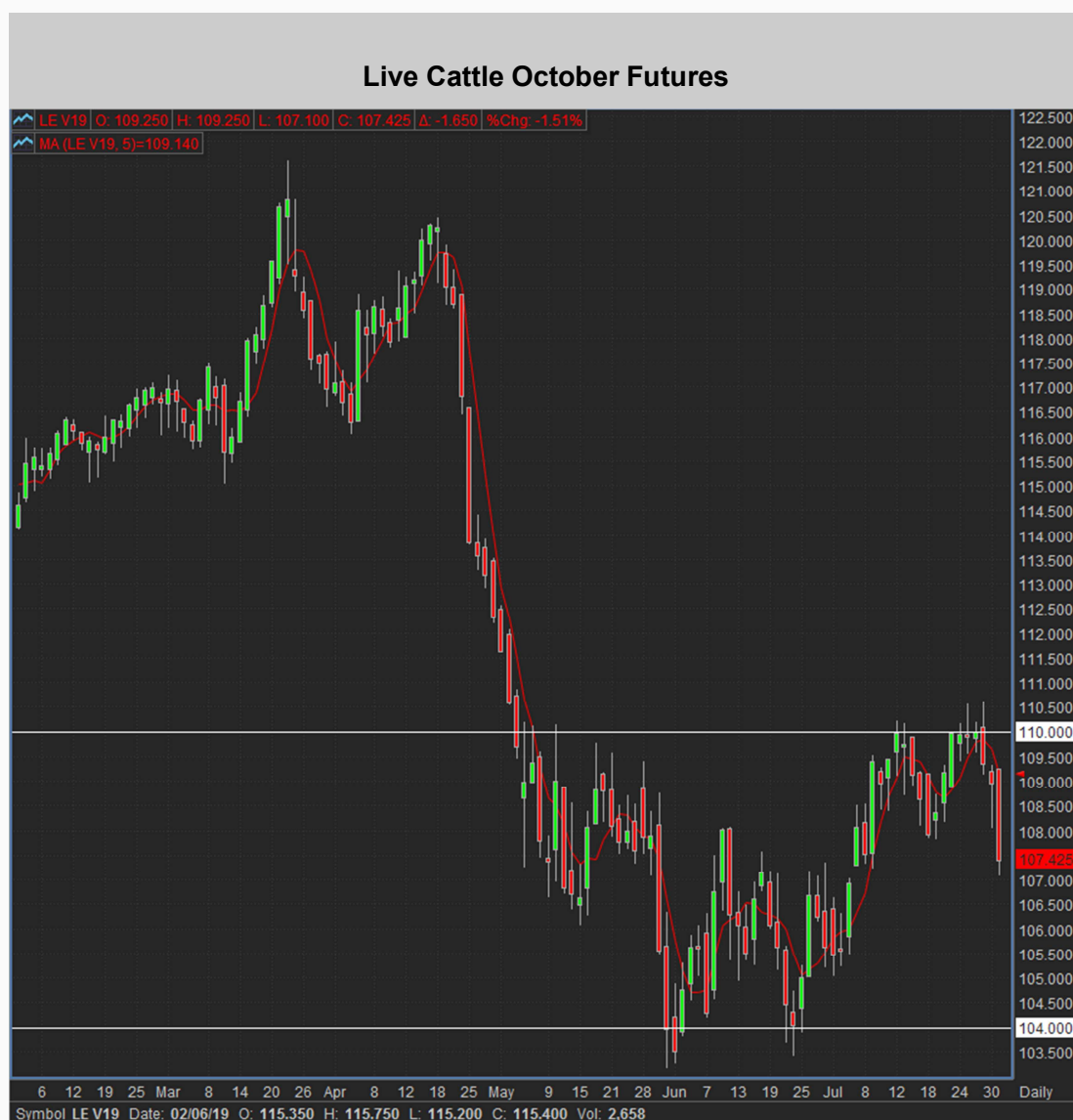
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The Cattle on Feed report last week was considered neutral. However, it did confirm smaller placements for June, which would help tighten supply later this year. U.S. Placements of cattle onto feed during June were down 2% on the year at 1.756 million. It seems that the February live cattle futures are setting up for an increase. First reason is the seasonal decline in beef production for the rest of the year. Second, is the expectations for a larger than normal decline from the fourth quarters of 2019 to the first quarter of 2020. Recently, the decline in corn futures has been supportive too. Whenever trading cattle futures for clients I review the contract sizes. Live cattle futures are 40,000 pounds. Meaning, every \$1 move up or down in the futures a \$400 profit or loss.





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