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AG TECHNICALS & TRENDS

July 2020 Edition

Canola prices are bucking the seasonal trend. Since June 29th, the November canola futures have increased $23/t approximately. Prices tend to peak seasonally sometime in May-June and start to decline from mid-July into a harvest low. However, production problems are often the biggest supporter of prices during this time of year. It isn't seeming like that is happening this year on a large scale, so why the increase in canola right now?

There are a few main factors.....

1. Canola crush remains strong.

2. Funds are exiting their short positions.

3. Rally in soybean oil is supporting the uptrend.

I'm watching for canola prices to level off into year-end and improve into December. The futures often trade sideways to lower into mid-February and then improve into spring again. I will say that it seems more than ever markets are reacting to the world events whether that be a Tweet, trade deal, etc. I've established some new crop protection for clients depending on how much they have already sold with the elevator. Going into harvest and prices still increasing I think it is important for farms to have targets in. My philosophy is to always ensure a good profitable price. I'm going to consider adding a second round of protection for clients closer to $495/t.

Canola November Futures - 1 Year

Wheat

Minneapolis wheat has continued to stay weaker compared to the other wheat futures.

This month on the September futures....

- Minneapolis wheat DECREASED 9 cents/bu
- Chicago wheat INCREASED 39 cents/bu and
- Kansas City wheat INCREASED 3 cents/bu approximately.

Technical action for Chicago wheat is impressive given the weakness in other grains.

Minneapolis wheat has managed to hold above the July 20th contract low.

I'm watching support to be at $5.064 with $5.144 as resistance.

Chicago wheat has remained strong it seems from traders nervous about lower production estimates from Europe.

Continued weakness in the U.S. Dollar has added to the positive tone as traders are hopeful that the U.S. will receive more business ahead.

The U.S. Dollar index fell to the lowest level since June 2018.

IKAR raised its Russian wheat production forecast to 78 million metric tons from 76.5 million tons previously.

A larger crop, if they have it, is seen as bearish for U.S. wheat.

The overall weather outlook in the U.S appears favorable for crop development, particularly now that the weekend heat has subsided, and the trade is looking for steady to improved crop rating.


Minneapolis Wheat September Futures - 1 Year
MWE U20 O: 512'0 H: 516'6 L: 511'6 C: 513'6 Δ: +0'6 %Chg: +0.15%
595'0
590'0
585'0
580'0
575'0
570'0
565'0
560'0
555'0
550'0
545'0
538'0
535'0
530'0
525'0
520'0
517'0
513'6
510'0
505'0
Sep
Oct
Nov
Dec
'20
Feb
Mar
Apr
May
Jun
Jul
Daily
Symbol MWE U20 Date: 07/31/19 O: 575'0 H: 575'0 L: 573'0 C: 573'2 Vol: 0

Chicago Wheat September Futures - 1 Year

Kansas City Wheat September Futures - 1 Year

Corn

Corn has given back all the recent gains with the September contract decreasing 25 cents/bu.

For now, unless there is a weather issue, the market may continue lower into the August USDA report.

While demand factors continue to improve, the emergence of above normal precipitation for the 8-14 day forecast models in the U.S. should be enough to keep sellers active.

Seasonally, crop ratings drop lower at this time of the year, but with corn this past week the crop rated good to excellent jumped 3% in just one week.

One positive is tightening Chinese corn stocks and rising futures prices on the Dalian exchange.

High corn prices in China are the result of a five-year effort by Chinese officials to shrink surplus ending stocks.

However, rising demand for livestock production and food processing has led to an increase in Chinese corn demand at a higher rate than current stocks allow.

As the U.S. Dollar continues to weaken, U.S. corn may become a more viable option for China in the near futures, especially as imported corn in China is currently at least $2.18/bu cheaper than domestic supplies currently.

Corn September Futures - 1 Year

Canadian Dollar

June Canadian Dollar futures almost reached the June 10th high of 75.1 cents again this month with yesterday the high being 75.02 cents.

Why the recent strength?

It has largely been driven by the U.S. Dollar declining to the lowest level since June 2018.

Oil prices seem to have stabilized somewhat too

This month the Bank of Canada held rates at 0.25% with no expectation to raise until after 2022.

Large-scale asset purchases of at least $5 billion per week of Government of Canada bonds was announced to continue.

At a time when markets are pricing in negative rates from some other major central banks, the BOC could be regarded as “relatively hawkish” by opting to keep the current level of bond purchases unchanged.

This means the Canadian Dollar could stay around the current levels all things staying the same economically.

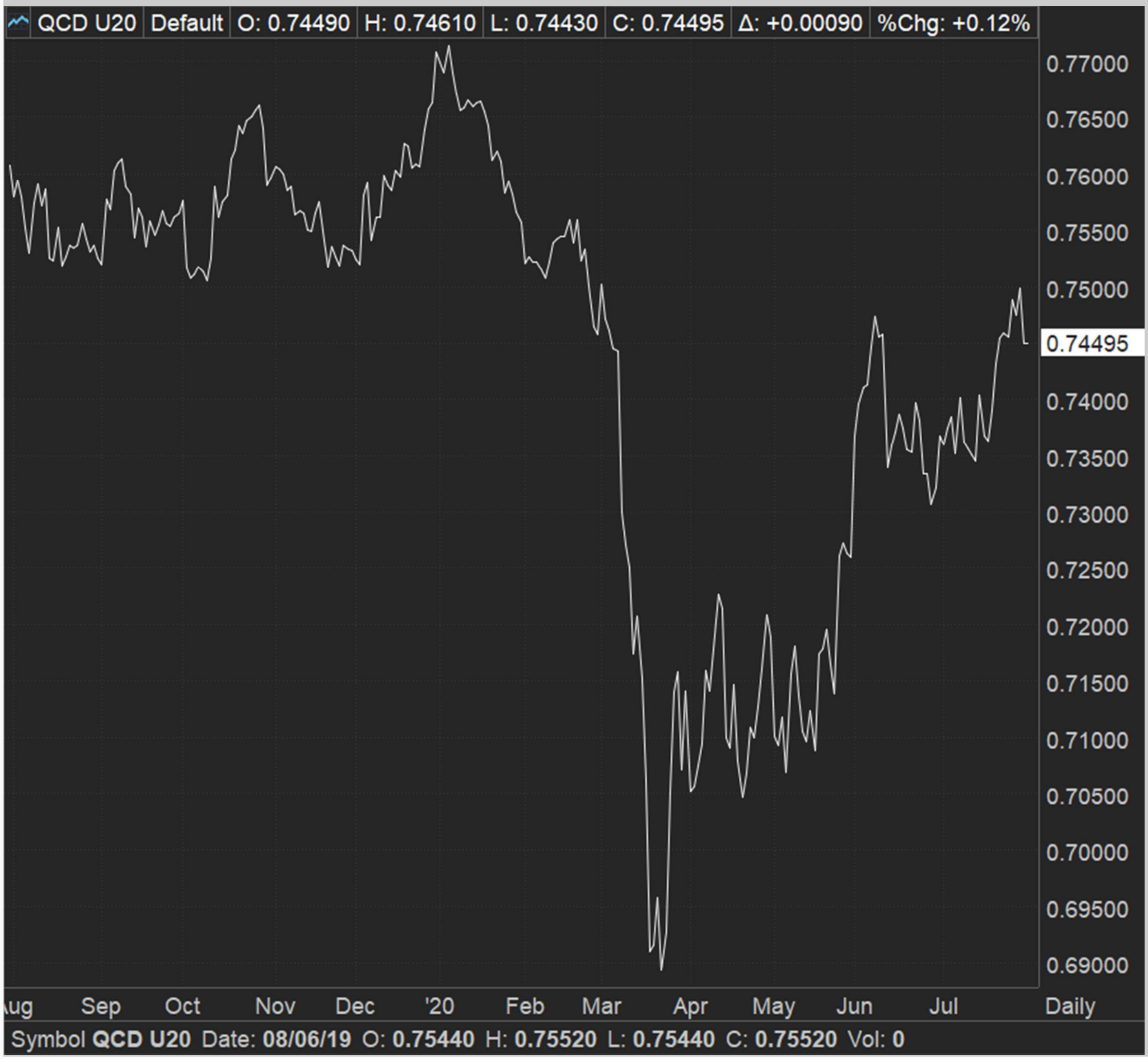
There are early signs that the reopening of businesses and pent-up demand are leading to an initial bounce-back in employment and output.

However, the Bank expects the economy’s recuperation to slow as the pandemic continues to affect confidence and consumer behavior as the economy works through structural challenges.

As the economy moves from reopening to recuperation, it will continue to require extraordinary monetary policy support.

If the loonie goes above 75 cents with any momentum, the next resistance is closer to 77 cents where it was last January.

Canadian Dollar June Futures - 1 Year



Cattle

There is a burdensome supply of heavier-weight cattle that have been on feedlots for longer than normal, but these cattle have been slow to emerge.

Cattle slaughter over the past two weeks has come in below year ago levels.

Continued talk that cash cattle may rally over the near term has helped to provide underlying support.

Big weights and a huge number of cattle that have been on feedlots for a long time could trigger increased beef production over the near term.

This could be negative for the futures, however, technical action is still positive.

Corn prices declining almost back to contract lows has been supportive for feedlots profits.

Similar to the grains, a declining U.S. Dollar has helped U.S. meat be more competitive in the global export market.

Uncertainty about domestic demand for beef could help cap a further rally as traders consider whether the COVID-19 pandemic would curb Labor Day celebrations.

I'm going to be watching for a seasonally high as cattle futures tend to peak here in the summer months.

Feeder Cattle October Futures - 1 Year

Live Cattle October Futures - 1 Year

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