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Commodity Futures Advisor

TECHNICALS & TRENDS

March 2016 Edition

Highlighted: CDN\$, Canola Soybeans, & Wheat

In February, we began putting in place Canadian Dollar protection for operations. I was watching the \$0.7250 level (as per my previous Technicals & Trends) and when the price went higher this was our protection signal. The next resistance, or ceiling, we are watching for the dollar to stay under is around \$0.750. **For those operations that don't have any dollar protection on, we are now being patient for another entry point.** We could see the dollar be range bound down until \$0.7150 approximately. This \$0.7150 level may be a shorter term level of support that was established middle of this month.

Canadian Dollar March contract:





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Partially as a result of the dollar moving up, we have seen new crop canola go from \$487.50 on Feb 1st to the current level of \$453. That is a fast 7% move down in prices and 4% of that move approx. has come in the last five days (chart below). A recent announcement from China may have caused some of that downward pressure. By April 1 canola shipments need to contain less than one percent dockage, which is a much tighter standard than the present 2.5 percent, or they could be rejected. That's a nightmare for an exporter, because China has become a huge market, buying millions of tonnes per year of Canadian canola, but shipping a cargo there with such a low tolerance will now bring a huge risk of a costly rejection if somehow the one percent tolerance is exceeded.

Canola November (new crop) contract:



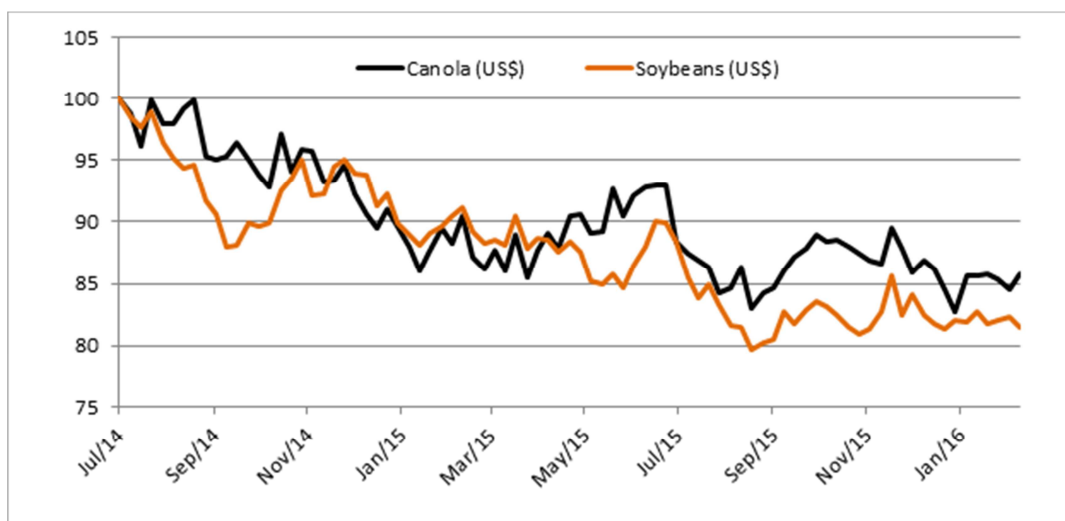


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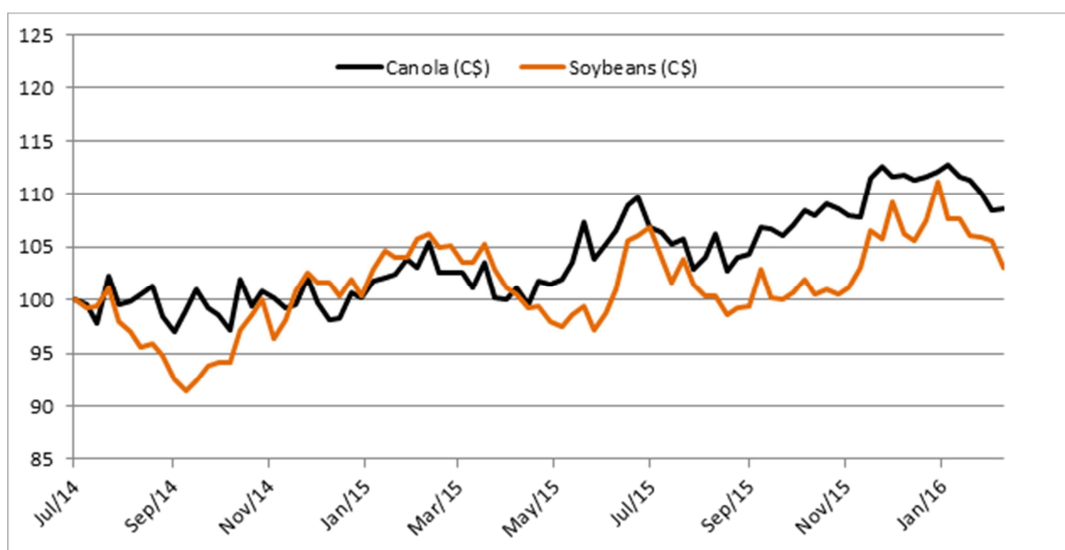
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The Canadian Dollar obviously has a big impact on your canola prices. Did you know the price of soybeans does too? Combined, they explain the majority of canola price movements. When you compare November canola and soybeans in the same currency, the connection becomes even more obvious:

Canola & Soybeans (both in US\$):



Canola & Soybeans (both in C\$):





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Either way you look at it, when you factor out the currency effects, canola is tracking soybeans very closely; in fact the correlation is about 78%. So far, soybeans, in US\$, have been moving sideways but canola, in C\$, is showing weakness as the C\$ moves higher. We have started to put in new crop soybean protection.

As for wheat, the trends still are pointing lower. We have been active in adding new crop protection. For my view to change to be more bullish, I would like to see wheat come up to the \$5.15 level and hold there.

KC Wheat December contract:





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