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INVESTMENT & COMMODITY FUTURES ADVISOR

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AG TECHNICALS & TRENDS

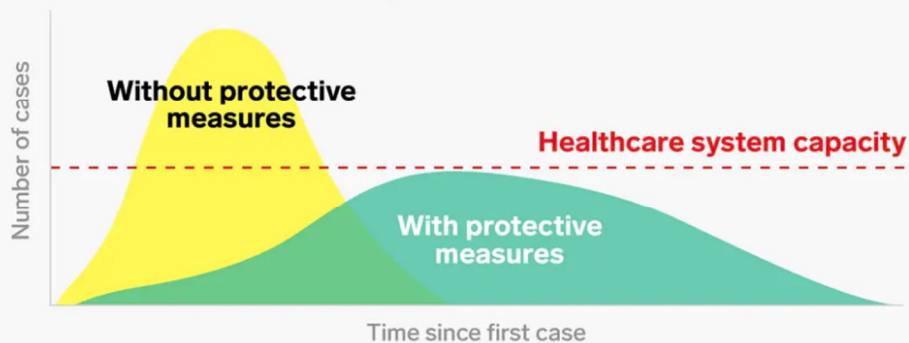
March 2020 Edition

This month I have been getting a lot of questions about protecting farm operations Canadian Dollar and fuel exposure.

Before I get into that, below are some of the interesting graphs & charts that I have come across recently regarding the outbreak, economy and markets.

The goal of social distancing and other preventative measures is to keep the outbreak within the capacity of the healthcare system. Otherwise, facilities and staff are at risk of being overrun.

Possible spread of COVID-19 with and without protective measures



Samantha Lee/Business Insider

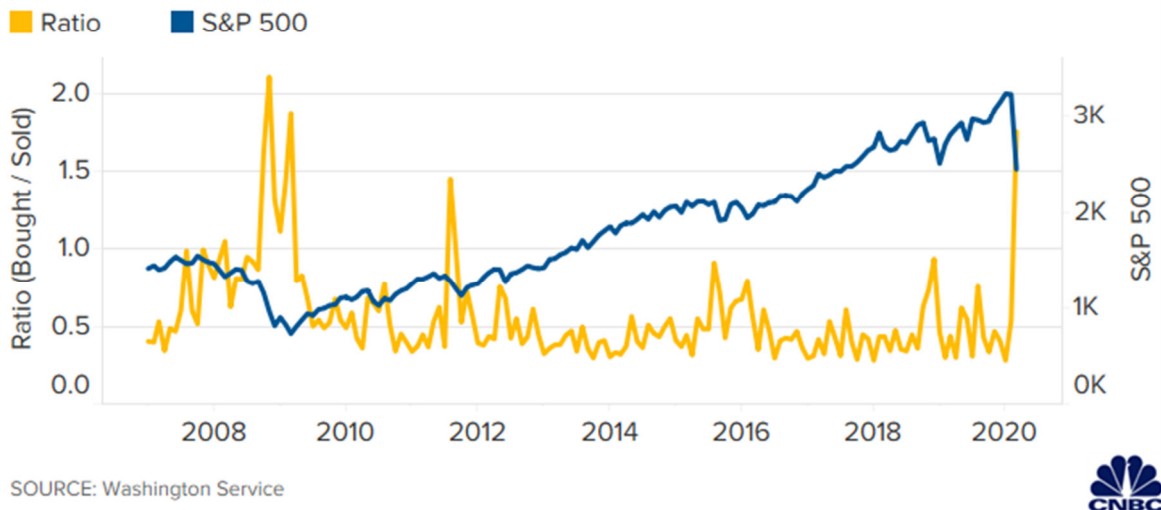
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As of March 26th, The ratio of companies with insider buying compared to insider selling is at 1.75 for March, its highest level since 2009, per Washington Service. Typically, that ratio is below 1, meaning more execs are selling stocks; however, the current ratio is a sign of corporate optimism.

Companies with insider buying outpacing selling

Ratio reached 1.75 in March, its highest level since 2009



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Countries' coronavirus death rates varies widely right now....

**COVID-19 death rate in countries with
confirmed deaths and more than 9,000 cases**

COUNTRY	# CASES	# DEATHS	DEATH RATE
Italy	86,498	9,134	10.56% 
Spain	64,059	4,934	7.70% 
Iran	32,332	2,378	7.35% 
France	29,593	1,698	5.74% 
UK	14,735	761	5.16% 
China	81,897	3,296	4.02% 
Switzerland	12,311	231	1.88% 
US	92,932	1,438	1.55% 
South Korea	9,332	139	1.49% 
Germany	49,344	304	0.62% 

Data as of March 27, 2020 at 2:30 pm EST.

Source: Johns Hopkins














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Looking at cases per capita tells a different story....

COVID-19 cases per capita

COUNTRY	POPULATION	# CASES	# CASES PER MILLION PEOPLE
Switzerland	8,637,642	11,575	1,340 
Spain	46,749,991	56,188	1,200 
Italy	62,402,659	74,386	1,190 
Austria	8,992,659	6,398	710 
Belgium	11,576,314	6,235	540 
Germany	83,713,432	40,585	480 
Netherlands	17,124,915	7,459	440 
France	65,235,578	25,604	390 
Iran	83,704,030	29,406	350 
US	329,410,596	69,246	210 
South Korea	51,835,110	9,241	180 
UK	65,761,117	9,462	140 
China	1,437,858,810	81,782	60 

Note: Data as of March 26, 2020 at 11 am ET.

Source: Johns Hopkins

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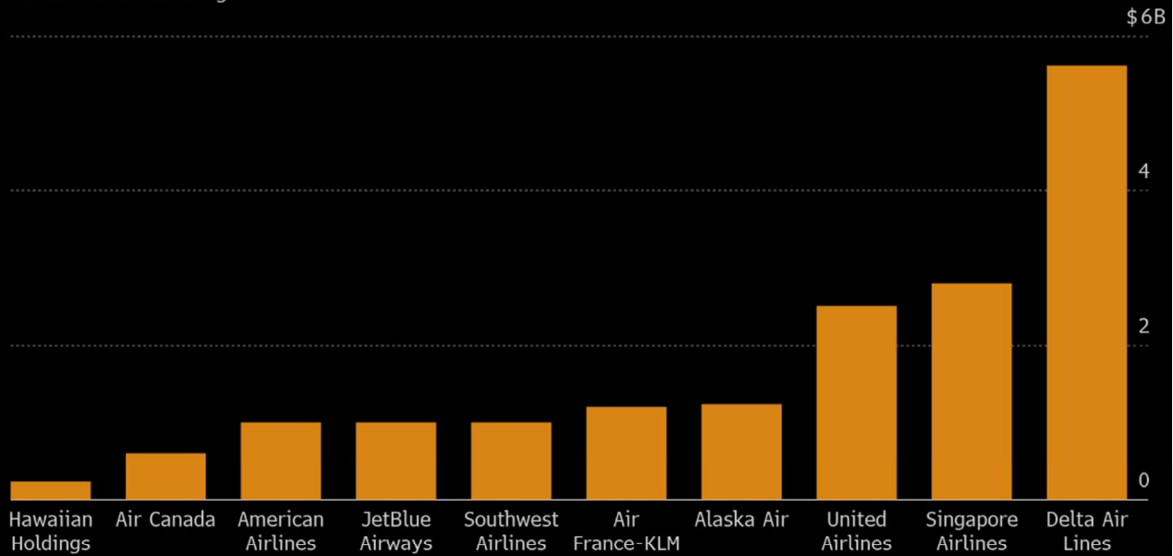
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Airlines worldwide raised more than \$17 billion in bank loans in March to shore up their finances amid the coronavirus outbreak. US airlines get \$12.5 billion in rush to combat virus impact.

Airline Borrowers

U.S. airlines are most active in raising bank loans to combat virus crisis

■ Virus-crisis financing



Source: Bloomberg

Note: Includes drawdowns from existing credit lines and new or incremental facilities in March

Bloomberg

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History is a guide and not a guarantee. However, looking at the past the stock market will recover....the question is when.

The stock market has overcome past bear markets and unsettling news

Growth of a hypothetical \$100 investment in the S&P 500 Index (with dividends reinvested)



Sources: RIMES, Standard & Poor's. As of 3/23/20. Chart shown on a logarithmic scale. The Standard & Poor's 500 Composite Total Return Index is a market capitalization-weighted index based on the results of approximately 500 widely held common stocks, and assumes the reinvestment of all dividends.

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Canadian Dollar

The Canadian Dollar has hit a four year low this month. I've been getting questions lately on how to lock in this lower Canadian Dollar for farm operations. Other than the general reason of markets dropping from COVID-19, some factors for the Canadian Dollar have been...

1. Drop in oil prices from the Saudi Arabia & Russia output disagreement.
2. U.S. Dollar surge from being considered a safe haven asset.
3. New Bank of Canada monetary policies. Ex. slashing the prime rate to 0.25% this month.

While I don't believe the bottom isn't in sight yet for the Canadian Dollar, around this 70 cent level historically may not be a bad area to start protecting.

To give you some information about the contract size, each Canadian Dollar futures contract is worth \$100,000. Depending on your risk level you could use futures or options.

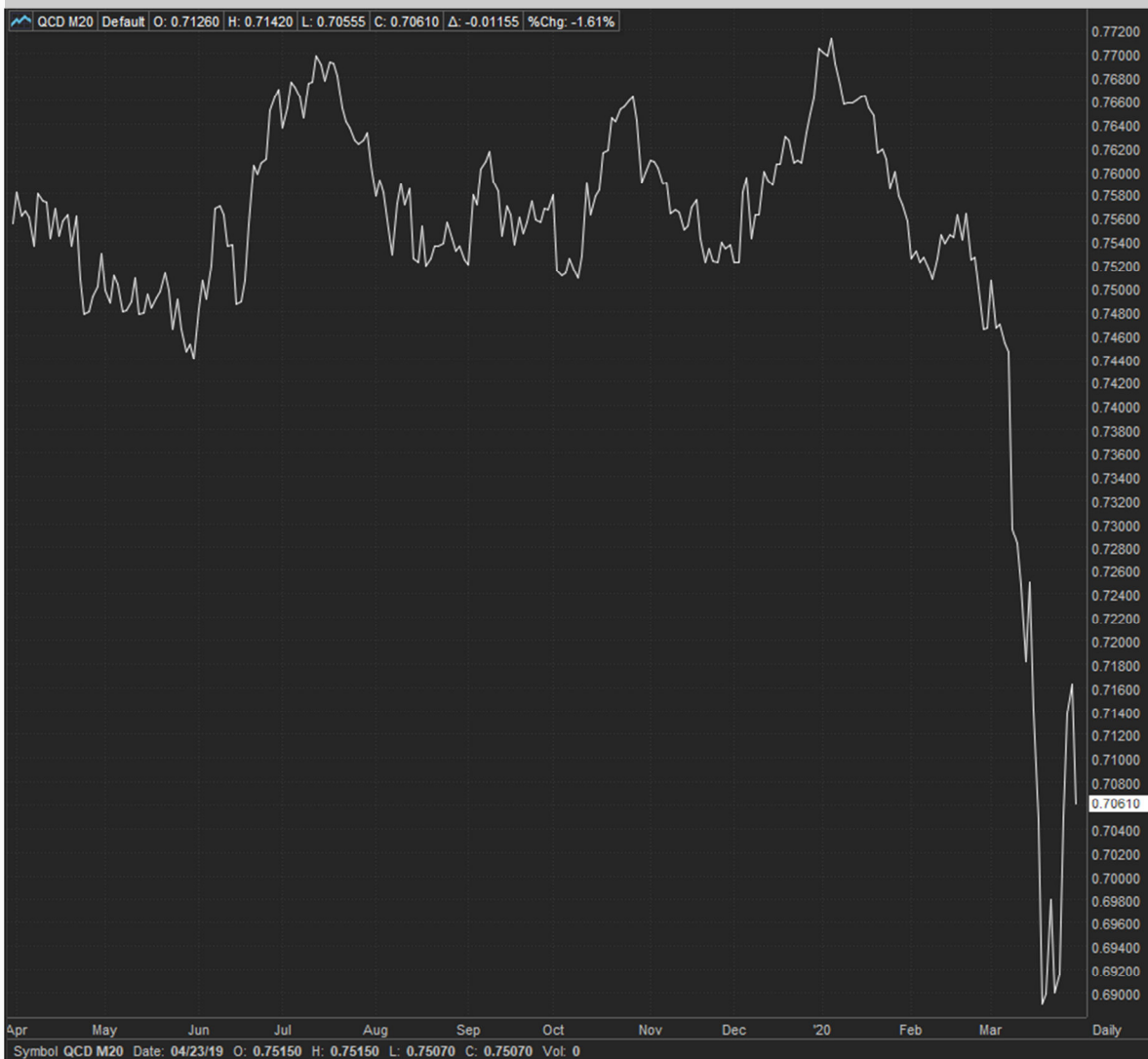
Given this market volatility to help manage clients risk I'm leaning more towards using options for clients. The most basic strategy would be buying a call option on the Canadian Dollar possibly until December.

I'd like to have protection for clients through the November U.S. election.

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Canadian Dollar June Futures - 1 Year



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Oil

There has been a \$30/bbl (60%) drop in oil prices this month using the nearby oil futures. Widespread lockdowns in Europe and North America have slashed oil demand by a huge amount, with analysts forecasting as much as a quarter of normal global consumption could be lost. With supplies being boosted at the same time by the price war between Saudi Arabia and Russia, traders believe the surplus could approach 25m barrels a day next month, a level that could overwhelm storage capacity worldwide within weeks.

Prices are expected to remain under pressure until the market adjusts, with producers likely to be forced to shut-in output at a scale never before seen in the modern oil industry. Now may be the time for farm operations to consider how they can protect their diesel prices. Besides buying and storing the fuel, there are ways to protect from an increase in diesel prices just like how you trade wheat or canola. Using heating oil futures is one common way that has a 97% correction with diesel prices. It is a 42,000 gallon contract, which equals 159,000 liters approximately. Another option is to use oil futures with a 91% correlation with diesel prices.

There is a 500 barrel or 1000 barrel contract.

500 barrels = 79,500 liters

1000 barrels = 159,000 liters

Similar to hedging the Canadian Dollar, I don't think there is a large rush to be hedging diesel quite yet. However, operations should have an idea how they could protect themselves from an increase in prices when the opportunity arises.

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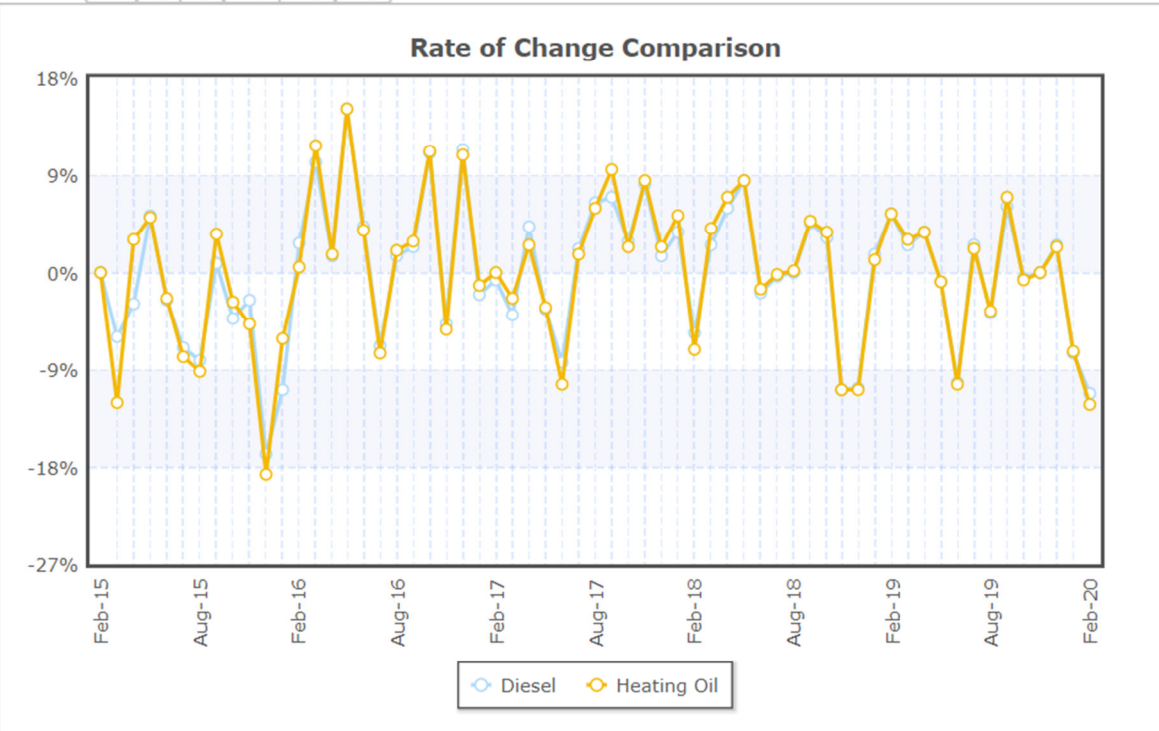
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Diesel vs Heating Oil - Price Rate of Change Comparison

Range

Correlation coefficient: 0.972280



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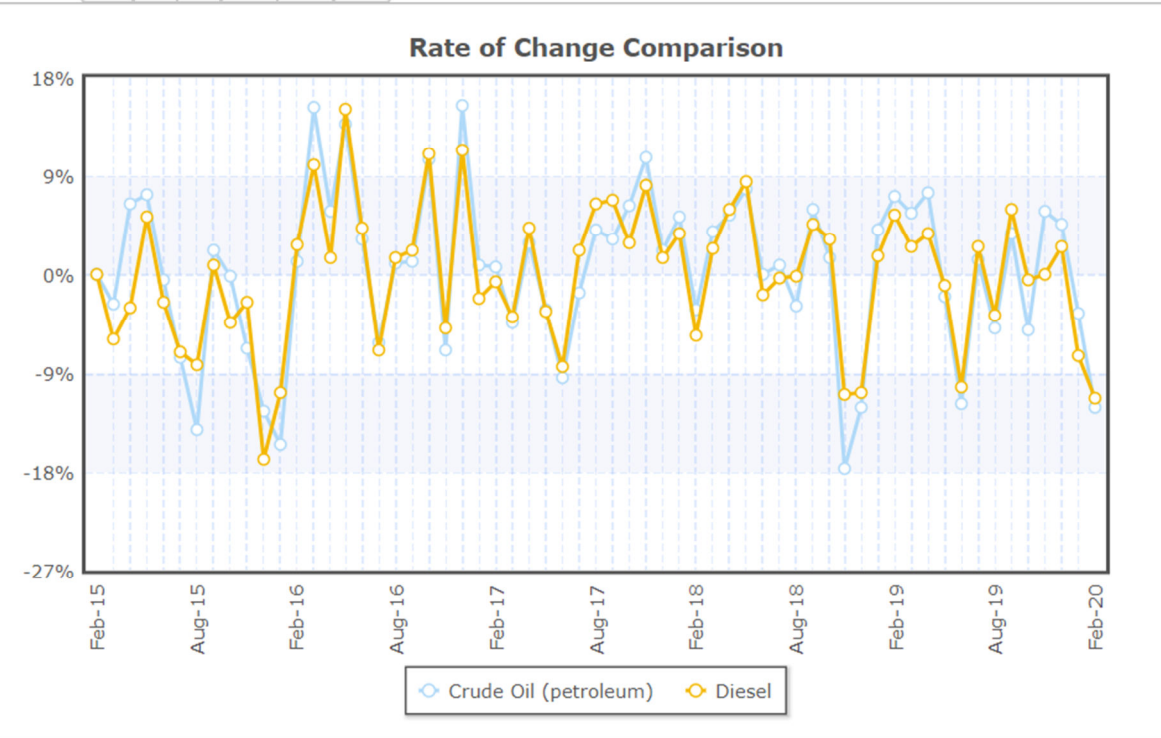
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Diesel vs Crude Oil (petroleum) - Price Rate of Change Comparison

Range

Correlation coefficient: 0.913364



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Wheat

All three wheat futures contracts have increased substantially since mid-March. Since March 18th, on the nearby May futures Chicago wheat has increased 80 cents/bu, Kansas City 78 cents/bu and Minneapolis 20 cents/bu approximately. Wheat futures remain in a steep uptrend as end users and countries around the world want to own a little more inventory for most food commodities.

A sharp sell-off in the U.S. Dollar has helped support prices. This buying is a bullish short term force, but may not have much impact longer term.

For tomorrow's USDA planting intentions report, traders estimate all wheat plantings at 44.982 million acres, compared to last year's 45.158 million acres.

With this slight reduction I still believe that large short term rallies like this give producers opportunities to sell. I've been discussing a zero cost options strategy for clients to protect them on this rally. One thing I want to say is one headline could change everything.

Markets are in uncharted territory and farms may want to have all the tools available to give them the most market flexibility.

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Kansas City Wheat May Futures - 1 Year



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Minneapolis Wheat May Futures - 1 Year



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Canola

Canola futures have gone sideways for the month.

After making new contract lows on March 16th, canola futures have rallied over \$15/mt.

The soybean market experienced a key reversal leading to trends pointing higher, which supported the rally in canola

May soybeans are up more than 60 cents since March 16th.

There are now 10 years low stocks at ports in China and there was a limit up advance in China soybean meal futures helped spark the buying.

Soy meal is now one of the strongest ag commodities reaching a new five month high.

Soybean oil futures have been trading in a consolidation zone and starting to turn higher.

How much higher can canola go?

This is a question I've been reviewing with my clients to make a plan for their new crop.

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Canola May Futures - 1 Year



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Cattle

With so many restaurants and events closed until the end of April, it is difficult to see beef demand holding up as supplies increase.

Feedlots in the U.S. are already seeing higher than normal weights and any backup of cattle because of sluggish demand indicators could cause a quick shift in psychology for the live cattle seller.

Cattle futures, like everything, decreased substantially this month with last week rallying off the lows, but continuing the trend lower.

Traders remained concerned with the turn back down in beef prices and the ability for the cash cattle market to quickly give back all the gains made recently if beef prices trend lower.

Record production of pork and poultry in the U.S. have added to the negative tone.

Friday's Commitment of Traders report showed managed money traders were net sellers of 4,418 contracts of live cattle for the week ending March 24, taking them from a net long position to a net short position of 3,055 contracts.

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Feeder Cattle May Futures - 1 Year



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Live Cattle June Futures - 1 Year



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