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PROVEN INDEPENDENT INVESTMENT  
MANAGEMENT

# AG TECHNICALS & TRENDS

*May 2020 Edition*

Canola futures had an interesting May. The futures started increasing off the lows at the end of April. A positive trend was forming, then all of a sudden in three trading days (May 20<sup>th</sup>-22<sup>nd</sup>) the futures dropped \$12/ton and gave back all the month gains.

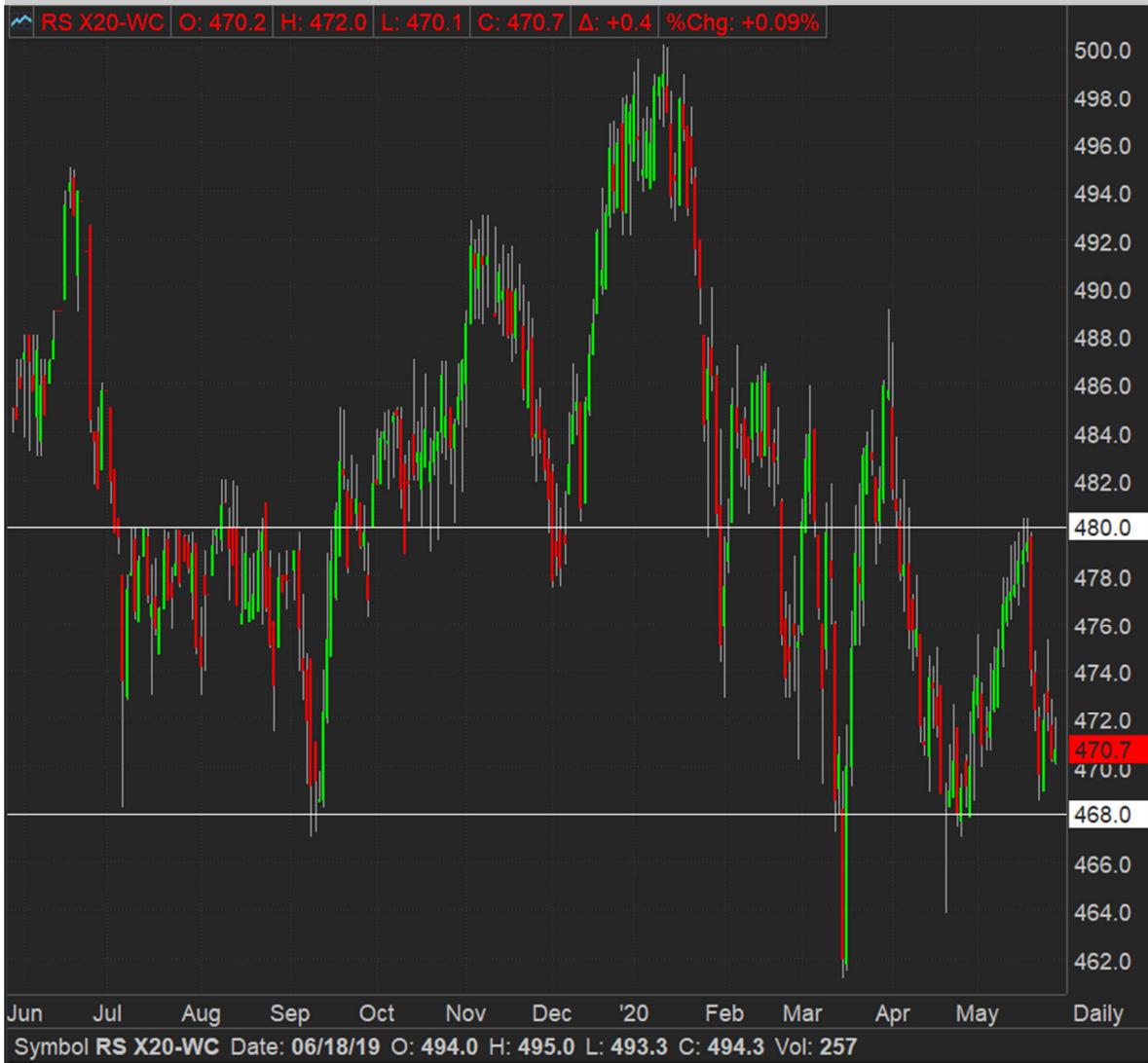
What gives?!

One technical indicator I watch is momentum. For six trading days before the decline canola was losing momentum showing weakness could be ahead. The soy markets have been weaker lately so it seems traders found the weakest commodity in canola and decided to press the “sell” button. Nobody got in the way. Relatively favorable seeding weather in the eastern Prairies weighed on values. However, rain delays and even snow in Alberta provided some underlying support. The Canadian Dollar increasing over the 72 cent resistance on the June futures has added to negative pressure for canola too. Prior to the drop I recommended to clients sell the November futures for 10% new crop protection and sell any old crop canola they may have left. Spring rallies like this often only happen once. I'm watching for November canola to hold support at \$468/ton and resistance is now around \$480/ton.

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### Canola November Futures - 1 Year



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## **Wheat**

Wheat futures may be putting in a Spring low.

Since May 19th on the July futures, Minneapolis is up 14 1/2 cent/bu, Kansas City up 27 3/4 cent/bu and Chicago up 21 cent/bu.

For the past three years Minneapolis wheat has put in a low in May.

Kansas City wheat has been leading off of the lows possibly because of a 49 cent/bu discount to Chicago.

Some concerns with parts of Europe, plus a somewhat threatening forecast for the Western Plains in the U.S. has supported the rally.

Also, the U.S. Dollar has been on a decline recently seemingly caused from the equity markets pushing higher.

This sharp drop has helped U.S. wheat be more competitive in the global export marketplace.

Similar to canola, if you don't have much new crop sold, now might be the time to be putting in targets higher up.

There are some producers that don't like selling until the crop is in the bin.

This is when I help clients to protect themselves using futures or options without the risks grain contracts at the elevator have.

My target for Minneapolis wheat is to start looking at hedging new crop prices 10 cents/bu approximately higher.

However, I'm going to have my "finger on the trigger" if my technical signals are showing the rally is fading.

## Chicago Wheat July Futures - 1 Year



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## Kansas City Wheat July Futures - 1 Year



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## Minneapolis Wheat July Futures - 1 Year



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## **Soybeans**

U.S. and Chinese trade tensions continue to simmer casting a shadow over the potential for additional soybean purchases.

This has kept a lid on soybean values throughout the month.

Any sign of adverse weather conditions during the growing season could spark ideas that yields will be lower and this could encourage the market to build a weather premium.

The seven day forecast models show very little rain across all of the Midwest.

On the currency front, the Brazilian real has seen a strong rally reaching a five week high.

This provides support to the U.S. soy complex.

COVID-19 is spreading quickly in Brazil, which could cause transportation bottlenecks.

## Soybean July Futures - 1 Year



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## **Canadian Dollar & Oil**

For the last two months the Canadian Dollar on the June futures has traded between 70 and 72 cents approximately until it broke out on May 27th. I've been questioning how much higher the Canadian Dollar could go above 72 cents and have been short for clients. With all trading strategies you have to know when your wrong and follow your risk management plan! Trends are now positive and if it goes above 73 cents 74 cents is in sight.

Why is the Canadian Dollar pushing higher?

First, the U.S. Dollar is moving lower because of the stock market looking more optimistic. Now that the economy is starting to reopen investors aren't as worried to buy the safe haven U.S. Dollar. Second, there were significant shorts on the Loonie expecting the Canadian Bank earnings to be worse. It is seeming like those positions are being covered now helping support this rally. Third, on the demand front, oil consumption has returned to the pre-coronavirus levels in China, according to Bloomberg.

Bloomberg also reported that the number of tankers used for storage at sea have started to decline. With most countries reopening, there is a possibility that oil demand will continue increasing. This should keep oil prices somewhat stable unless there is short term pullbacks from overbought conditions. I don't believe it is going to be a smooth path upwards for the Canadian Dollar. There are a lot of uncertainties around the world and a pullback could happen. I'm watching now for 72 cents as support at 73 to 74 cents as resistance.

### Canadian Dollar June Futures - 1 Year



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### WTI Oil July Futures - 1 Year



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## **Cattle**

Cattle futures remain in a steep uptrend and June cattle continues to narrow the spread with the cash market.

The steep rally leaves the market technically overbought and the increase in the slaughter pace recently has caused beef prices to drive lower.

The USDA estimated cattle slaughter came in at 110,000 head yesterday.

This brings the total for the week so far to 330,000 head, down 397,000 last week at this time and down from 369,000 a year ago.

Brazil's situation with COVID-19 spreading remains a concern.

This could cause their slaughter pace to slow dramatically, which would leave an export window open for U.S. beef and pork.

Brazil is the world's largest meat exporter and one of the JBS plants in Brazil has already been closed due to virus issues.

For clients looking for a spot to sell August live cattle, key resistance is around \$102/cwt, with support at \$97/cwt and \$94/cwt

## Feeder Cattle August Futures - 1 Year



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## Live Cattle August Futures - 1 Year



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