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# TECHNICALS & TRENDS

*November 2016 Edition*

## Highlighted: Canola, Corn, Soybeans, CDN\$ & Cattle

In last month's Ag Technicals & Trends report, I noted that if the January canola futures close above \$480/ton and stay there that would be a positive signal prices could continue higher. Well, they have! I recommended earlier this month for clients to remove any canola puts they had at a lower strike to get anywhere between 30-50% of the premium back. For some farms that have sold quite a bit of their canola I did review a call replacement strategy. Mostly I have just been waiting patiently to add protection at a higher level. You'll notice from the chart below that \$535/ton approx. can be considered a ceiling. I am starting to get into the "how high can it go?" question. My view is don't get in the way of the trend while it still remains strong, but know what you are going to do if weakness could show. For example, maybe you add protection around \$520/ton if this is a good profitable level for you. Having a plan in place helps you be less emotional about your decision making and more mechanical.

### January Canola futures contract:



204.982.0010

[www.prairiecommodities.com](http://www.prairiecommodities.com)



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On October 12<sup>th</sup> there was a USDA report that is often called “the final report card”. Overall, the report was most in line with expectations. The US 16/17 corn yield was dropped to 173.4 bpa vs expectation of 173.5 bpa. Exports were raised to 50 million bu and ending stocks are down 63 million bu. In the last three months, a stair step pattern has been forming (see arrows below in chart). On the December futures I’m watching \$3.60/bu very closely. If it were to break above this, it could signal a new stair forming and higher prices.

**Corn December futures contract:**





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The USDA report came in with US bean yields at 51.4 bpa vs expected 51.5 bpa. US 16/17 soybean ending stocks were below the 400 mil bu mark at 395 mil bu, vs average market expectations of 413 mil bu. U.S. soybean exports for 2016/17 are projected at 2,025 mil bu, up 40 million with increased supplies. This month the January soybean futures have increased 60 cents approx. Managed money traders increased their net long positions (positions that think bean prices will increase) by 10,954 contract last week reaching 98,605. This leaves the market overbought and technical indicators such as stochastics are signaling to 'sell'. However, markets can stay in overbought territory for quite some time (Ex is canola being overbought for the last month). We could be range bound between \$10.20/bu and \$9.50/bu (see chart below).

**Soybean January futures contract:**



204.982.0010

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Nov 8<sup>th</sup> is the day we will find out who is going to be the next US president. If Clinton wins, the US dollar would probably gain versus other developed-market currencies. There will be a lot of attention being focused on the Federal Reserve expected to raise interest rates in December. Now if Trump wins there may be an immediate shock to the US dollar. Foreign investors may pull out of the US dollar causing it to decline based on the new president policy uncertainty. Below is chart of the Canadian Dollar (candle sticks) and Oil (blue line) December contracts. Overall, the Canadian Dollar has been declining very gradually. 75.5 cents on the December futures is now a possible ceiling. You might have noticed it is interesting how in October the Canadian Dollar didn't have as tight of a link with oil as in the past. There was an announcement earlier this month from OPEC that could limit oil output, which boosted prices. However, the Canadian Dollar didn't follow suit as it usually has. This leads me to believe we could keep seeing that gradual move lower.

**Canadian Dollar December futures contract:**



204.982.0010

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Both feeder and live cattle are still in a long term downward trend. On October 21<sup>st</sup> the USDA released its monthly Cattle on Feed report for Oct 1<sup>st</sup> and surprised markets with a better than expected feeder number. As a result, we saw futures spike from the bottom they were at. However, they have given up around 50% of the gains. The trends remain down and barring multiple positive developments will probably stay in that fashion.

**Feeder Cattle January futures contract:**





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**Live Cattle December futures contract:**



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