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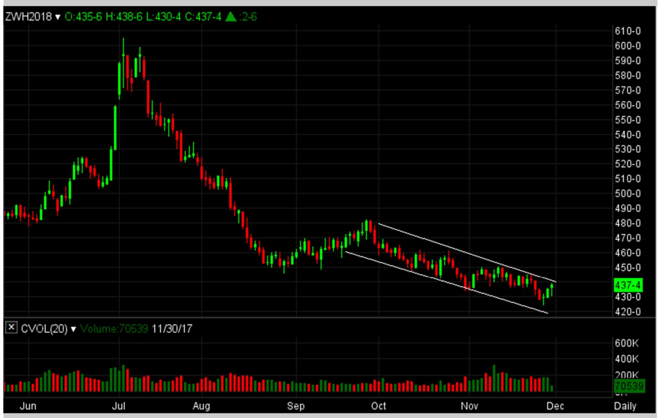
TECHNICALS & TRENDS

November 2017 Edition

In November, Chicago, Kansas and Minneapolis wheat on the March futures declined 0.50% approx. Downward trends in Chicago and Kansas still seem to be the case (see charts below). Minneapolis is holding an important support (floor) level, but the spread may continue to narrow with the other wheat contracts. Last year the harvest lows on the futures didn't start until later December before rallying 50 cents. I never like to rule out some type of a short covering rally at this time of year even with the downward trend. I'm going to discuss with clients new crop wheat marketing strategies if strength in the market is seen. There is still a lot of world stocks projected that could cause prices to go lower in 2018 after a rally. Russian wheat production is estimated at 76.7 million tonnes next year, the second largest wheat crop behind this year's 83.9 million tonne production estimate according to SovEcon. Stats Canada will release their final production estimates on December 6th with the total wheat estimated at 27.37 million tonnes compared to the August estimate of 25.54 million. Durum is estimated at 4.4 million tonnes compared to 3.8 million in August.

Chicago Wheat March Futures



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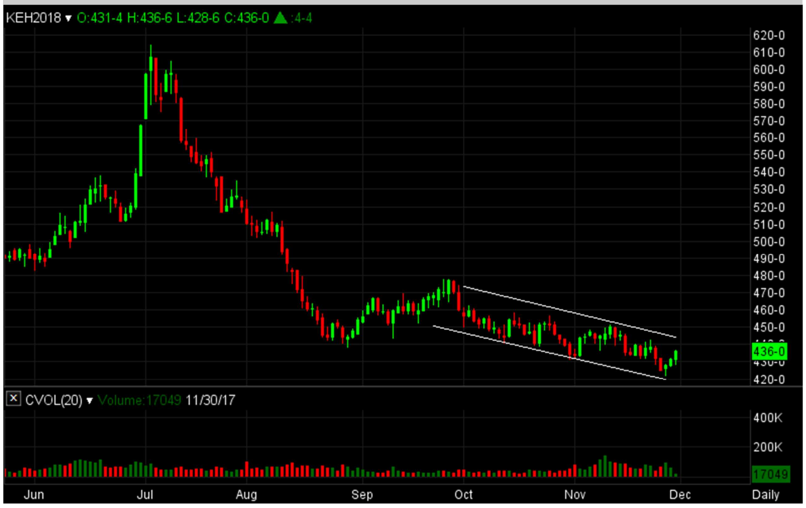
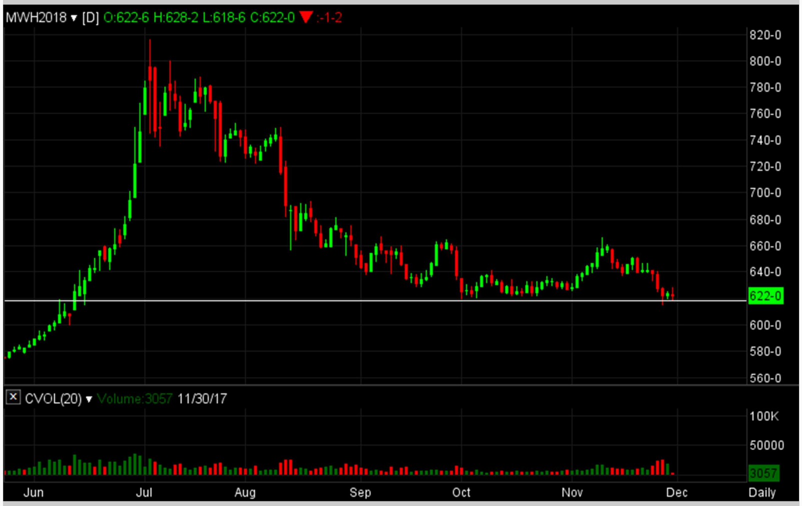
Kansas Wheat March Futures



Minneapolis Wheat March Futures



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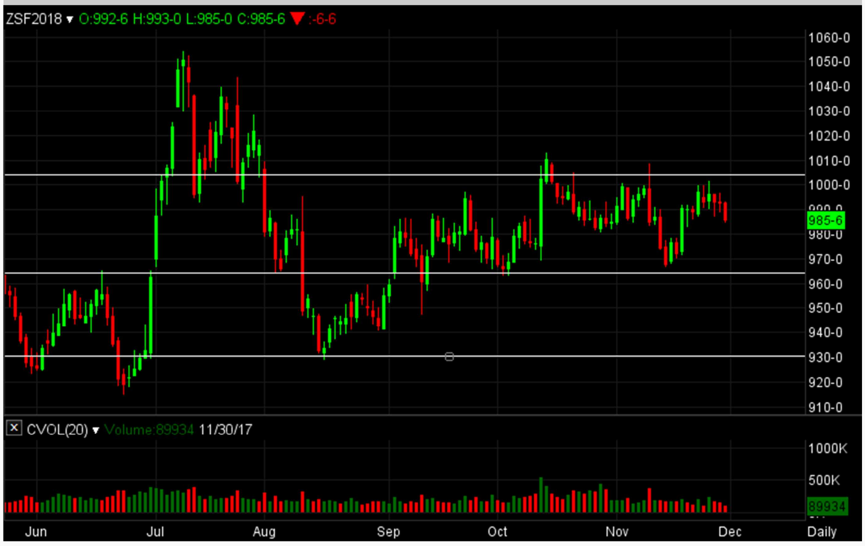
A short-term turn back up in soybean oil and weakness in meal has helped keep the soybean market choppy. Soybeans remain in a range that hasn't closed above $10.00/bushel on the January futures for any length of time since the summer. A potential La Nina weather development will continue to be monitored closely. Some forecasts are starting to show drier trends in Southern Brazil. Currently, speculative funds are holding a relatively small long position in soybeans, soybean meal and soybean oil waiting on the sidelines. Next week Stats Canada estimates see soybean production at 8.1 millions tonnes compared to the August estimate of 7.7 million tonnes. For the first hint from the USDA for next year's crop, baseline projections for the 2018/19 season were released this week and show planted acres up to 91 million, up 0.9% from last year and up a new record high.

Soybean January Futures



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The last month January canola futures created a ceiling around $520/ton. Early September to November there was a $30/ton rally fueled by soybean oil increasing 9.20% in October and the Canadian Dollar declining almost 5.5 cents. Canola futures are interesting to trade because of other factors that go into influencing the price. I saw the soybean oil rally and Canadian Dollar decline as being unsustainable and added short positions in for clients by...

1. Buying put options if they wanted to 'buy and hold' protection strategy or

2. Short tutures if it was going to be more of a shorter term trade.

Also, I recommended that producers sell their canola if they haven't made many cash sales. **See my Western Producer on my website.** There still is potential for canola to go higher depending on the acre numbers next week. I'm going to be cautious for clients going forward because anything less than 19 million tonnes could spark a rally. Average estimates for the Stats Canada report have canola production at 19.94 million tonnes up from the August estimate of 18.2 million tonnes.

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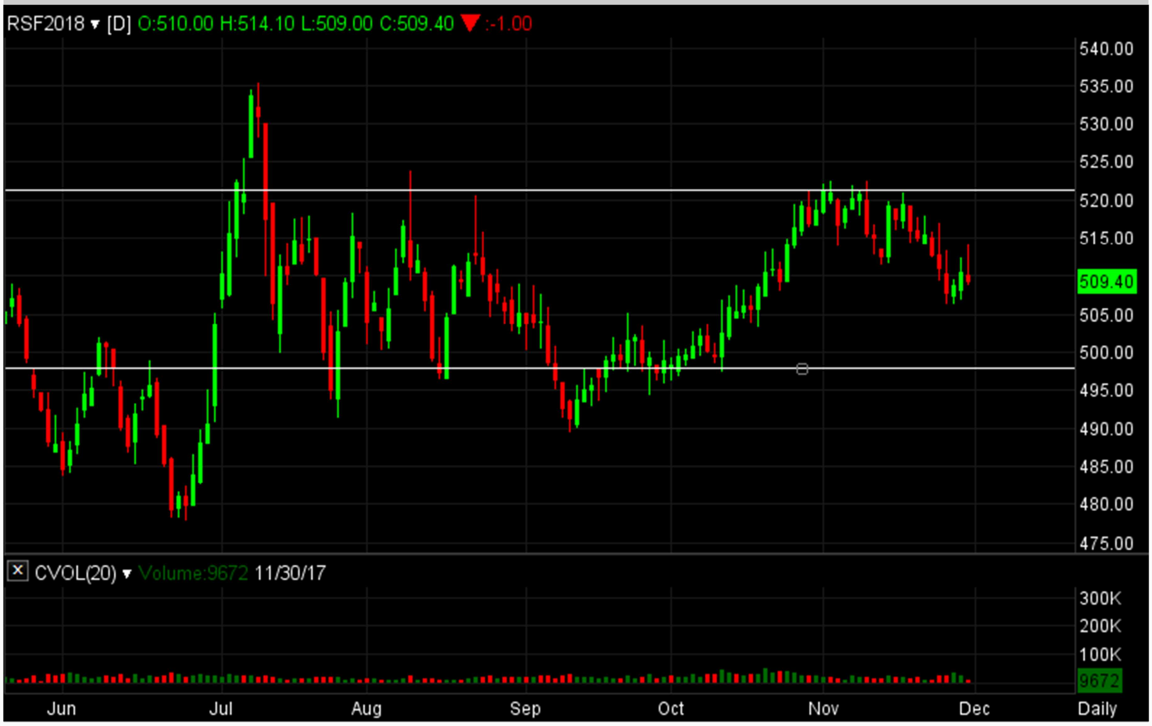
Canola January Futures



There has been a lot of speculation on where the Canadian Dollar may be going in 2018. The Bank of Canada (BOC) remains concerned with household debt as it exposes borrowers to higher rates, but that could be offset by a strong jobs component with growing wages. Tomorrow there will be GDP and employment data released that could help this trend continue lower or support it to go sideways. The BOC is not expected to make another adjustment to the Canada benchmark rate until 2018 as there are improvements in the indicators, but the jury is still out on the price of crude and fate of NAFTA. From the high back in mid-September the

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Canadian Dollar has declined almost 5.5 cents or 7%. My viewpoint is that there is currently more supporting evidence than the Canadian Dollar could go lower. When making recommendations to clients I don't just take into consideration the events that could affect the markets, but use technical analysis (charts) to help me be unemotional about my decision making. See the chart below - cover up the title and if you didn't know anything about what this was what would you do? To me, if this 77.5 cents level is broken a decline further could be possible OR if held there could be possible upside to an initial 79 cent ceiling.

Canadian Dollar December Futures

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Both the nearby live and feeder cattle futures are down 5% approx since the beginning of November. It seems that cash prices in the U.S. have started to decline leaving the futures too high and in need of correcting. The USDA Cattle on Feed report this month helped the trend continue lower with bearish numbers. It showed placements of cattle into feedlots for October came in at 110.2% of last year compared with trade expectations for 108%. Cheap corn and a better supply of heifers available for feedlots were seen as seasons for the higher placements. Also, fund money is showing to have a very large net long position. Now we could be at a risk of those traders to sell their positions and keep the futures going lower. The futures did recover off last week's low, which had taken the market into grossly oversold territory now appears to have been half-hearted. I'm watching $150/cwt on the January feeder cattle futures and $122/cwt on the February live cattle futures for important levels to hold.

Feeder Cattle January Futures

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Live Cattle February Futures

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