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TECHNICALS & TRENDS

November 2018 Edition

All eyes are going to be on the G20 summit today and tomorrow. The G20, or Group of Twenty, is an international forum for the governments and central bank governors from twenty different countries. Founded in 1999, the heads of G20 nations meet annually to discuss policies pertaining to the promotion of international financial stability. Sometimes stability is the last thing that comes as a result shown by how Trump canceled yesterday his planned meeting with Putin this weekend (read more here). Important things that could cause market volatility next week are.....

1. U.S./China trade showdown - Can tensions be diffused? Starting January 1st, 2019 Trump wants to increase tariffs from 10% to 20% on $200 billion of Chinese imports.

2. NAFTA revamp - Just this morning, the U.S., Canada and Mexico have signed the new USMCA agreement. Will Trump remove steel and aluminum tariffs?

Other top political things are how Mohammed bin Salman is attending the meeting in wake of the Khashoggi killing, conflicts over Ukraine and Transatlantic tensions. To start off with the Canadian Dollar, back at the end of October when the Bank of Canada raised interest rates it caused the Canadian Dollar to spike up. Some were optimistic our loonie could keep going higher. However, other factors have prevailed such as oil declining, global trade tensions escalating, and the US dollar increasing. Around this 75 cent level is an important support, or floor, that the Canadian Dollar has held since June 2017. I've started to add for suitable farm operations low cost Canadian Dollar hedge protection. The strategy I am implementing is using options and for around $600 you can protect $100,000 Canadian until March. Options are great way to define your risk if you don't want to have the volatility with

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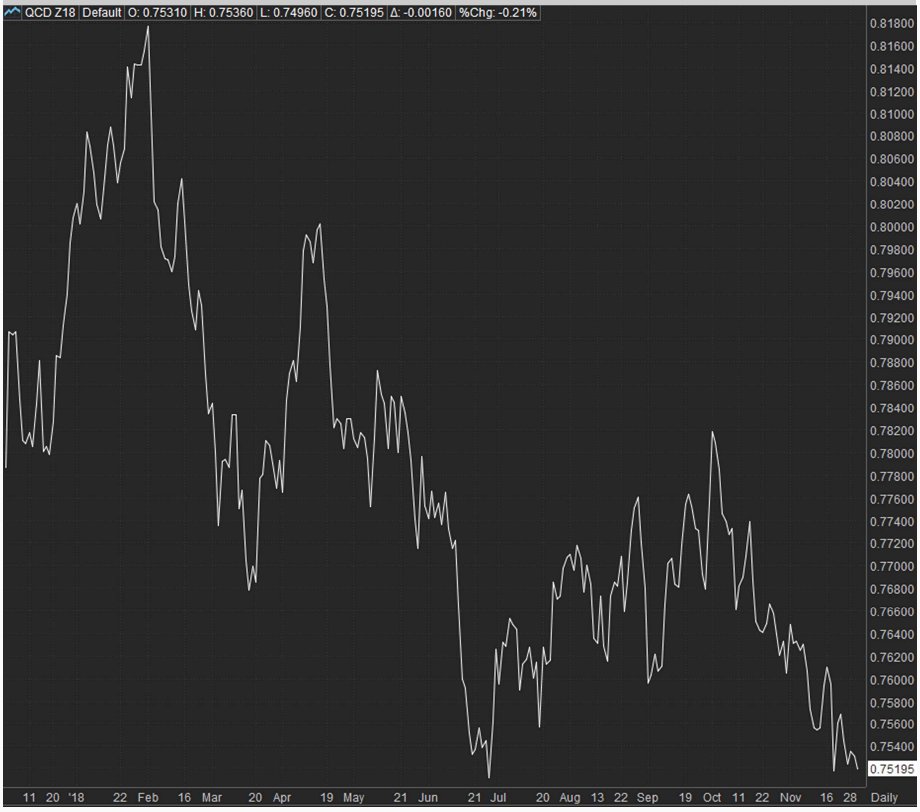
the futures market. Nobody knows where the Canadian Dollar is going to go, but I always look at historical levels and ask clients if they would be happy with protecting their currency risk at this level. Positive news for easing global trade tensions and successful signing of NAFTA could give traders enough support to think twice about selling more. However, I'm paying close attention to a still positive trending U.S. Dollar that could keep putting downward pressure on our Canadian Dollar.

Canadian Dollar December Futures



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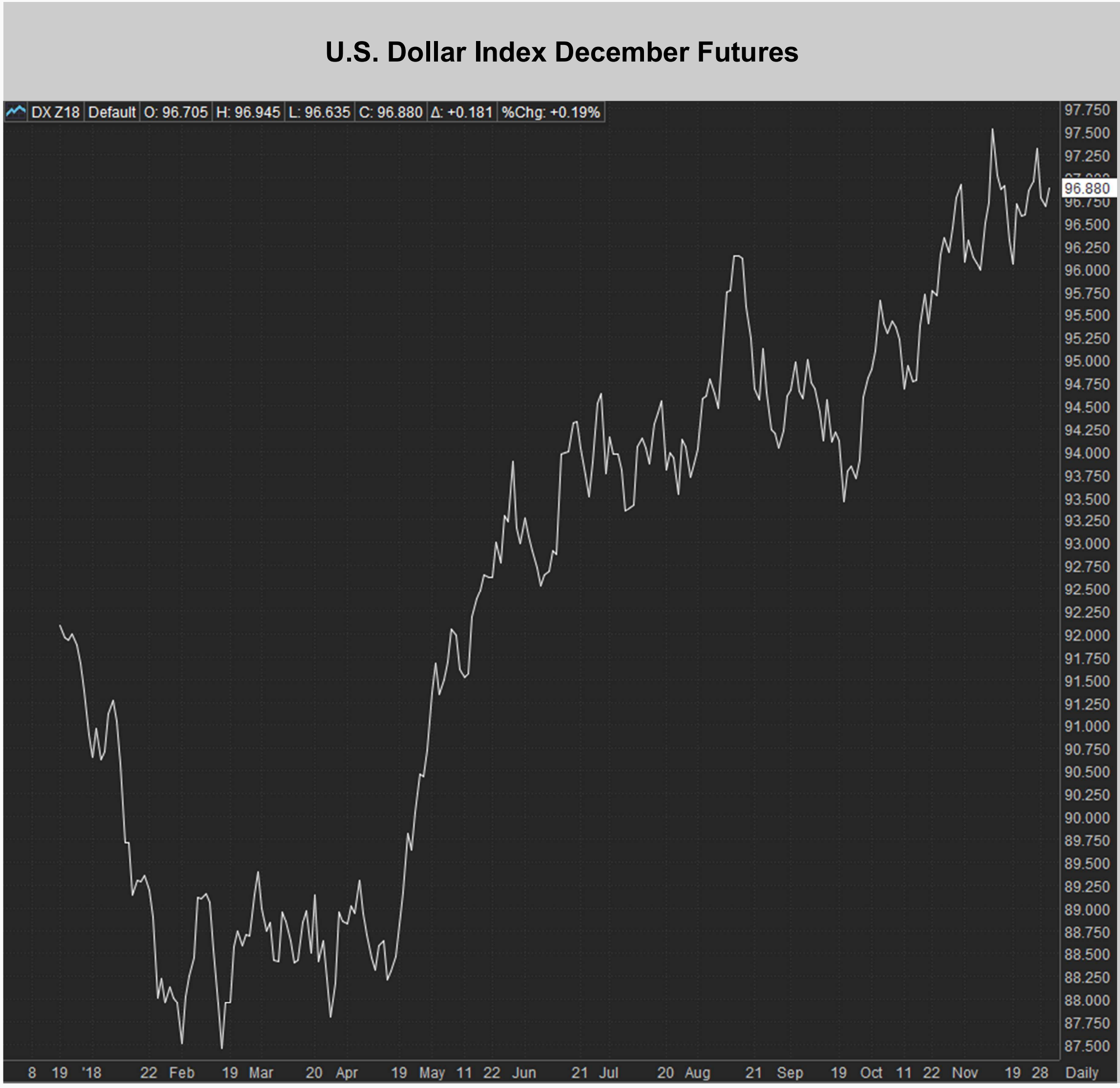

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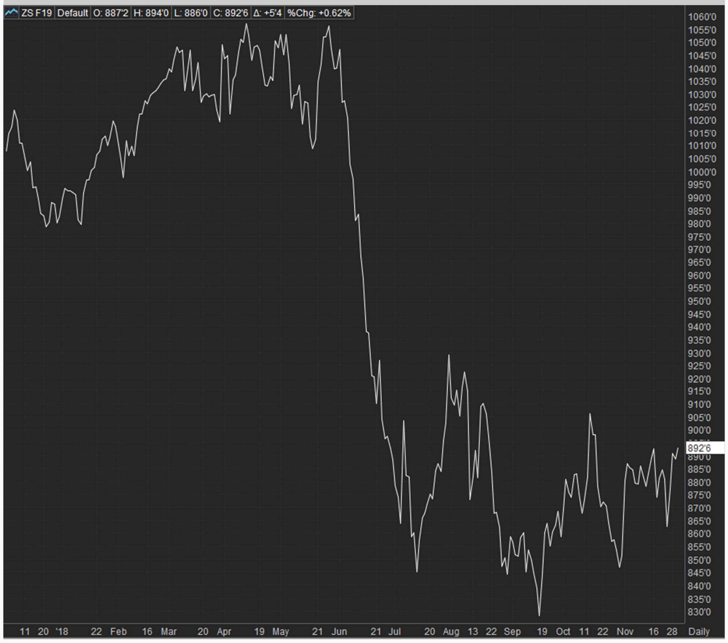
Traders are awaiting any sign of positive news in U.S/China trade relations this weekend. Hopes are some type of reconciliation may come from the meeting, although a real deal probably won't come about. The soybean market seems like it wants a reason to rally as long as traders can find any kind of confidence in the meeting. China's December soybean imports are expected to drop 37% to 6 million tons from 9.574 million tons a year ago. U.S. weekly export inspections report released Monday showed soybeans are 42% behind from a year ago. I'm a believer that if a rally happens it will be a selling opportunity for producers. Positive progress about the tariffs will not reduce the expected global or U.S. ending stocks from record highs this year at 995 million bushels and 112 million tons respectively. Brazil's soybean crop is in the ground early and conditions have been very good so far too.

Soybean January Futures



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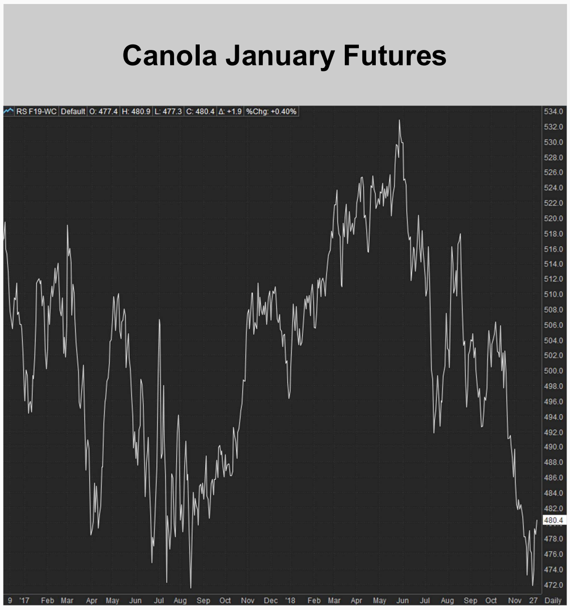
Canola has been on a lot of producers mind I'm sure. It wasn't that long ago that canola could have been sold at $11/ton. The January futures have declined $24/ton since the beginning of October. When looking at the Canadian Dollar it hasn't been much of a factor lately to keep canola prices up as it has declined almost three cent in the same time frame. It seems that the declining soybean complex has been the main driver. Now if soybeans are to spike up from any positive trade news it could help support canola to increase as well. Canola is starting to show some signs of bottoming for the time being when looking at a two year chart (below). I am still bullish on canola prices into the New Year. I've been mentioning replacement strategies for those producers who need to sell for cash flow reasons or want to clear ti out of their bins. Other producers are being patient and waiting to see higher prices. One danger of that is the bearish fundamental situation for soybeans could still bring canola lower



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The International Grains Council estimates 2018-2019 wheat plantings to increase for the first time in four years. Biggest increases were seen in the EU and India. Wheat isn't finding any new selling interest to break to the downside. Traders may stay away from the short side because they remember the Russia/Ukraine battle in 2014 when wheat rallied $1.50. Short term focus has been on the extremely slow pace of exports from the U.S. and a surge in the U.S. dollar. If the U.S. export pace does in fact pick up into the second half of the marketing year, being short wheat (whether Chicago, Kansas or Minneapolis) could be painful. I've been watching the spread between Chicago and Kansas City wheat. The spread has been at extreme levels trading around 20 cents UNDER when typically it is closer to 10 cents OVER. It seems that the change in storage differentials verses Chicago & Kansas City wheat has caused this.

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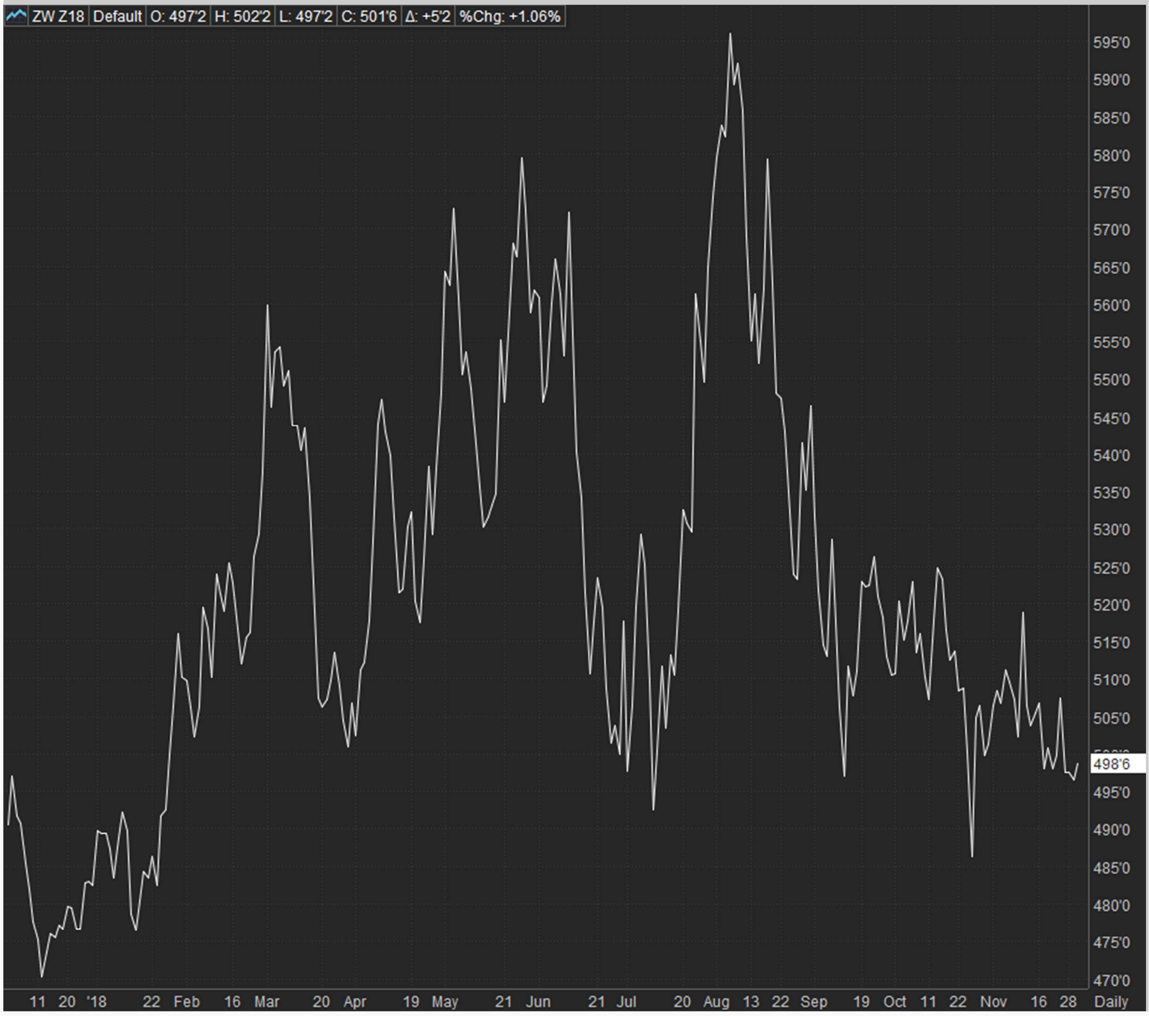
Chicago Wheat December Futures



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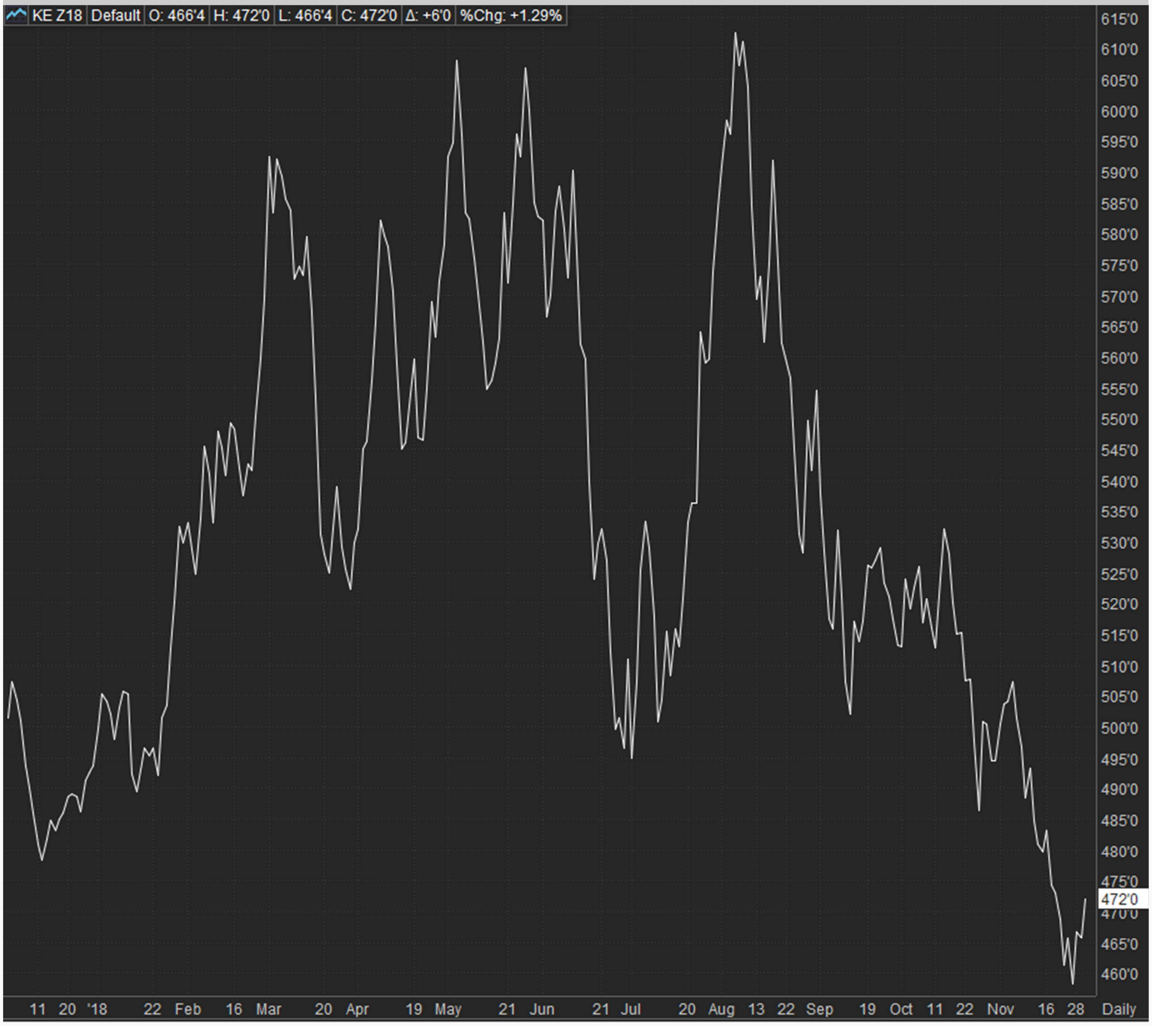
Kansas City Wheat December Futures



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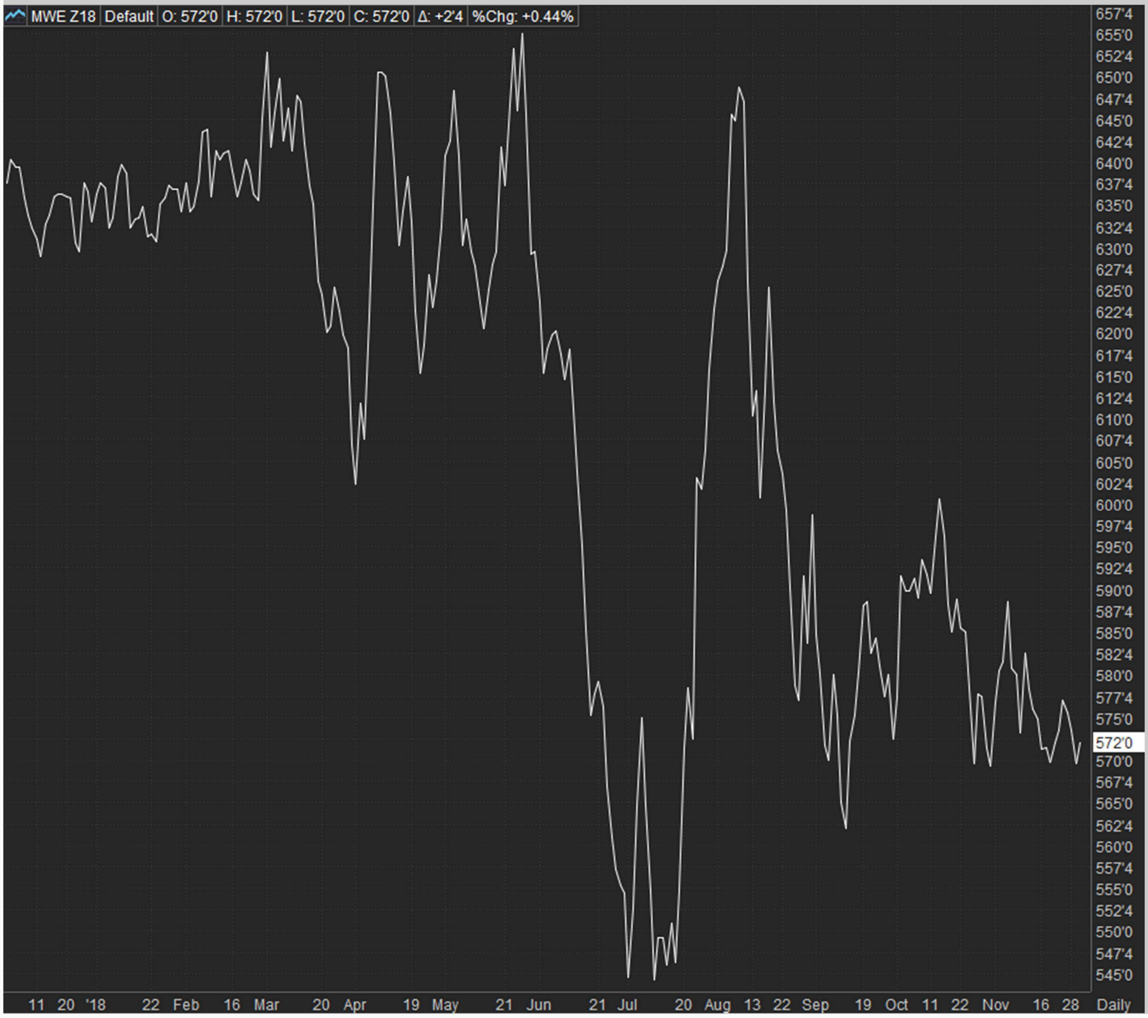
Minneapolis Wheat December Futures



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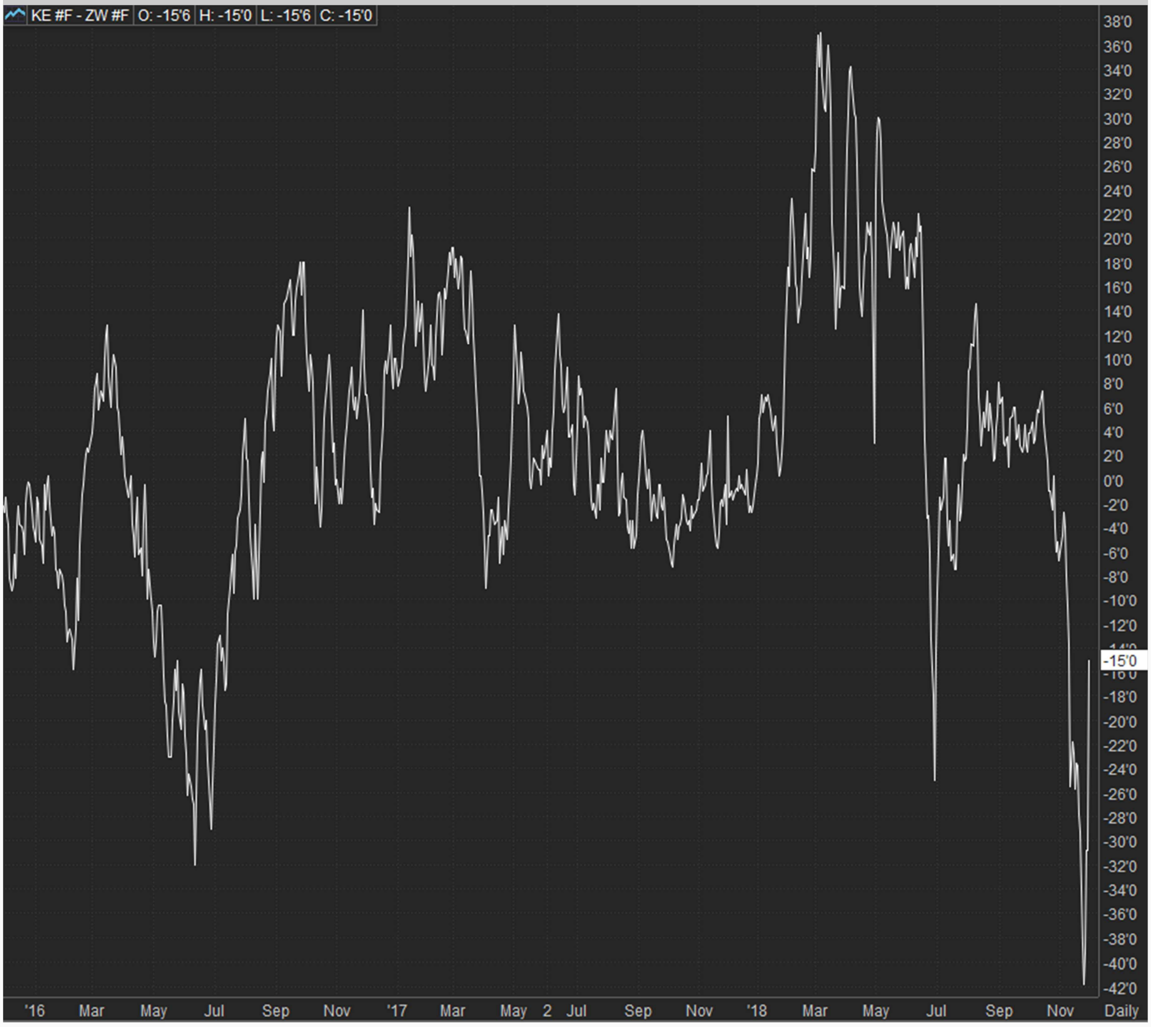
Kansas City/Chicago Wheat March Futures Spread



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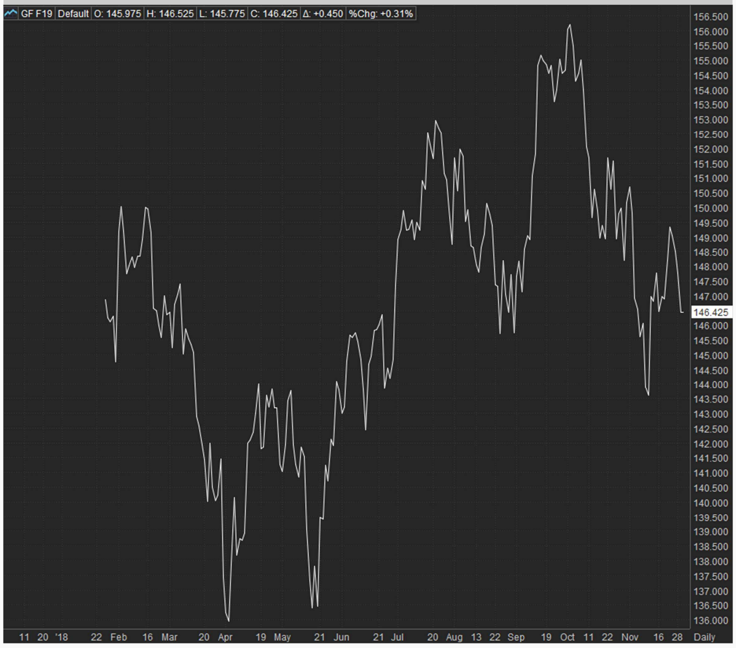
Live and feeder cattle futures have been in a sideways range for the last couple of months. Some weakness has started with technical indicators showing overbought levels. With the premium of futures to cash, new buyers might hold off and wait to see if the market can pullback. By "pullback" I still don't think cattle are going to be heading significantly lower and warrants protection. Last week’s Cattle on Feed report was supportive for prices with placements for the month of October were 93.9% of last year form the trade expectations near 99.1%. This helps erase fears of hefty supply for early in the year and supportive for February cattle. I'll be patient about recommending any cattle hedge strategies possibly into the New Year.

Feeder Cattle January Futures



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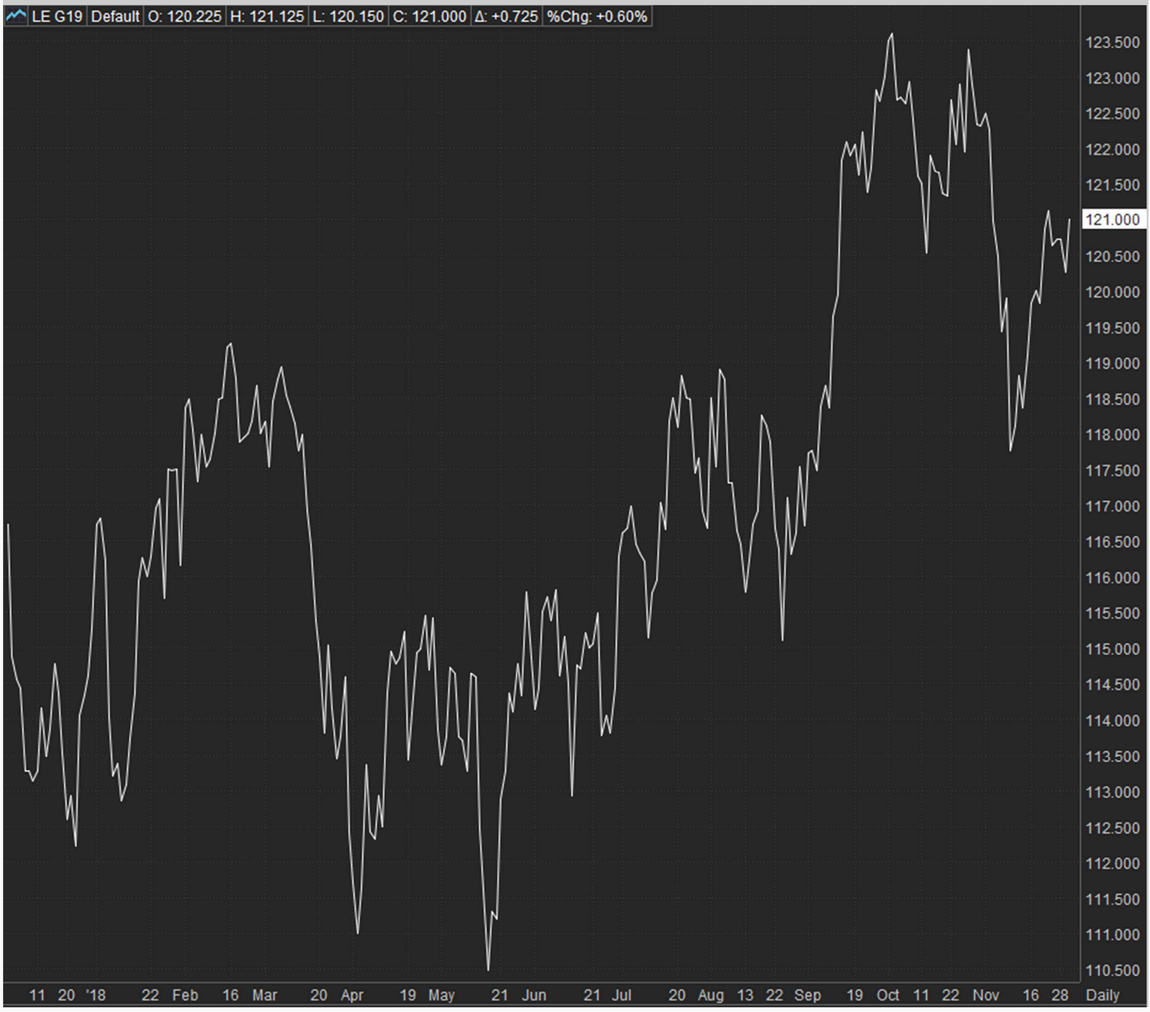
Live Cattle February Futures



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