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AG TECHNICALS & TRENDS

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The term 'risk off' is used to describe the risk sentiment where traders in the markets reduce their exposure to risk and focus on protecting their capital.

Before the U.S. election next Tuesday it seems like traders in all markets are raising cash.

This is evident from Wednesday's selloff in the grain markets.

Clients asked me in particular why January canola futures went down \$24.3/t overnight.

There were mostly likely 'stop orders' to protect investors from a market collapsing.

When more and more of these orders were triggered it exaggerated the selloff.

A "snap back" type of event occurred as evidenced from canola closing finally \$8.6/t lower on the day.

Where does this leave canola now?

My views are canola (and all grains) could continue selling off here in the short term.

I've been speaking with clients about how much canola they have sold and possibly protecting some.

I'm still bullish going out into the winter months.

Resistance on the January contract is now where the high was at \$552.9/t made on Oct 26th.

I have short term support at \$528/t and longer term at \$518/t approximately.



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Wheat

Chicago wheat this month went over five year highs, but has since sold off. This month using yesterday's close...

- Chicago wheat INCREASED 30 cents/bu
- Minneapolis wheat INCREASED 13 cents/bu
- Kansas City wheat INCREASED 35 cents/bu

Concerns about unfavorable weather in key growing areas partly fueled the rally initially this month.

Technical buying and short covering helped propel prices higher.

However, now the surge in the US dollar plus talk of better weather in the U.S. has helped to drive the market lower.

One thing I am watching is the spread between Minneapolis and Chicago Wheat.

Currently, Chicago wheat is trading at a 50 cent/bu approximate premium over Minneapolis wheat.

The question is why Chicago, which represents the soft red winter wheat variety, is trading at a premium to the Minneapolis, which represents the hard red spring wheat (HRS) variety.

One would think Minneapolis should trade at a premium to Chicago because it is a higher quality grain.

However, a look at the fundamentals may provide part of the answer why this isn't the case.

Nonetheless, traders will eventually start paying attention to the "cheaper" Minneapolis wheat if Chicago keeps going higher.

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Minneapolis Wheat December Futures - 1 Year



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Chicago Wheat December Futures - 1 Year



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Kansas City Wheat December Futures - 1 Year



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Soybeans

The trend has turned lower for soybeans and the market is now vulnerable to increased long liquidation selling over the near term.

January soybeans experienced aggressive selling and the follow through to the downside helps confirm this Tuesday's key reversal.

For the month using yesterday's close, January soybeans are up 25 cents/bu.

The USDA earlier this month released they estimate soybean stocks down 42% since last September.

This positive fundamental news combined with Chinese buying have helped prices rally.

However, with the more normal rainfall in Brazil forecasted, traders expect improving planting progress and after last week's rains in Argentina trader see progress there as well.

I'm going to be watching how the soy markets tie in with canola.

If beans, meal and oil start to break down, canola will most surely follow to some extent.

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Soybean January Futures - 1 Year



Corn

With open interest near a record high, key reversals for soybeans and wheat, plus the collapse in crude oil and the strong U.S. dollar, selling could get active for corn.

Helping fuel the rally was increased fund buying this month and the USDA estimated corn stocks 10% lower since September 2019

Corn futures in China are trading at \$9.80/bu, exporting pricing for Brazil corn is at \$6.04/bu, Argentina is at \$5.89/bu and U.S. export pricing from New Orleans is at \$4.96/bu.

With December corn futures trading at \$3.97/bu world pricing will meet somewhere in the middle.

Overall, the positive trend in corn is still intact, but the trends are rolling lower here short term.

Corn December Futures - 1 Year



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Cattle

The USDA's latest Cattle on Feed report, released October 23rd, shows the number of animals on feed as of October 1st is higher than it was this time last year.

The report provides monthly estimates of the number of cattle being fed for slaughter.

For the report, USDA surveys feedlots of 1,000 head or more, as this represents 85% of all U.S. fed cattle

Placements came in at 105.9% of last year as compared to expectations of 102.5%.

Total cattle supply on feedlots as of Oct 1st was 103.8% of a year ago, which is a record high for Oct.

Typically, October begins the slow build up of animals after September lows, and this year it looks as if we are seeing this seasonality play out.

After strong impacts from the pandemic in April and May, the number of cattle on feed has largely followed seasonal patterns..

Overall, with plenty of animals in the pipeline for processing, the October Cattle on Feed report is considered relatively bearish.

There is no sign of a low right now for the futures, but we could see them stabilize soon.

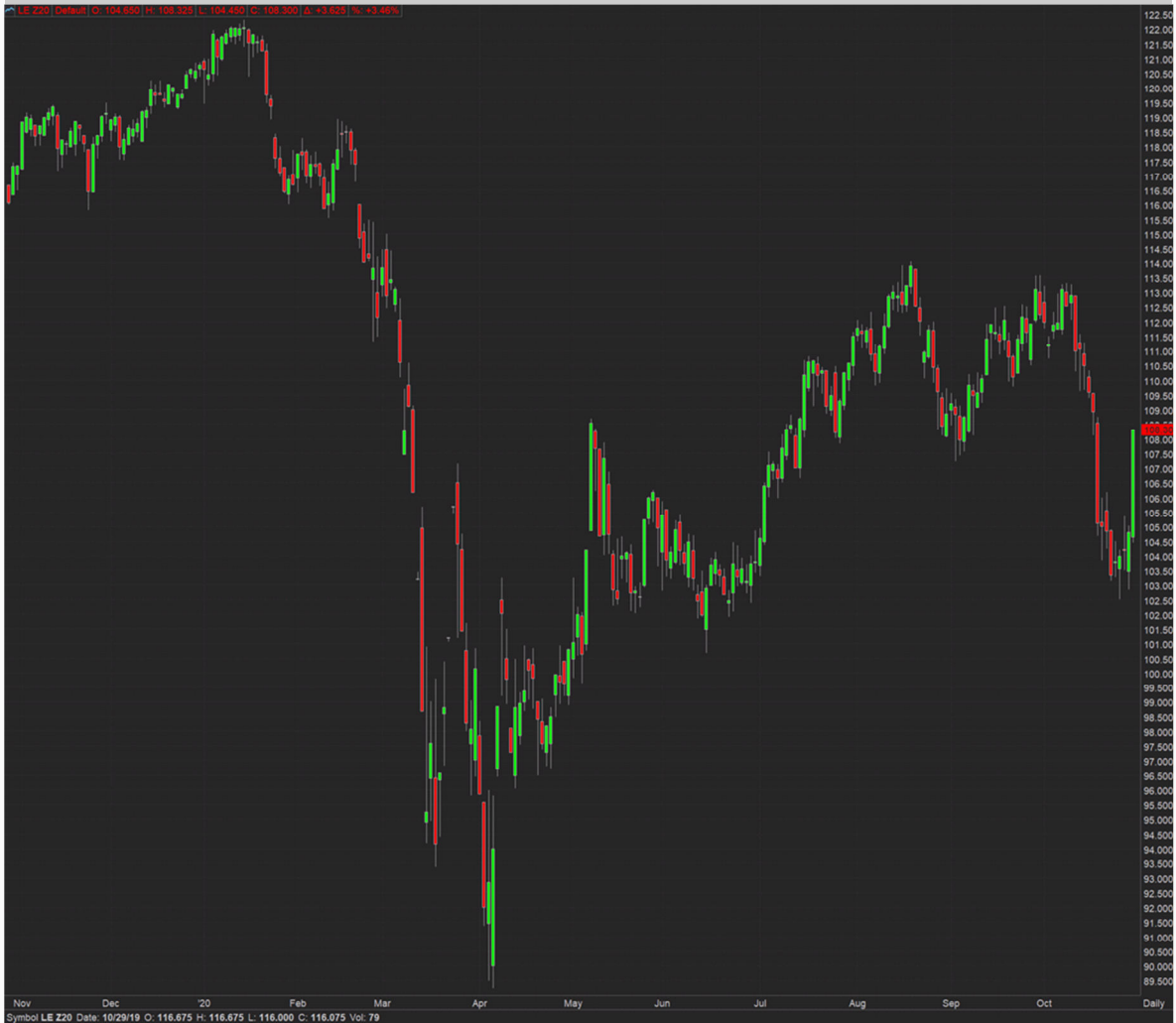
Feeder Cattle November Futures - 1 Year



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Live Cattle December Futures - 1 Year



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