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# TECHNICALS & TRENDS

*September 2017 Edition*

Today the USDA released their Stocks & Small Grain Report.  Here is a summary of the U.S. stockpiles on Sept 1, 2017 (million bushels):

| | **Actual USDA** | **Avg Forecast** | **Range** |
|---|---|---|---|
| **Corn** | 2,295 | 2,349 | 2,310-2,380 |
| **Soybeans** | 301 | 339 | 321-355 |
| **Wheat** | 2,253 | 2,220 | 2,083-2,750 |

*Source: Dow Jones Newswires*

At the height of volatility, notable moves came from Minneapolis wheat down 24 cents, soybeans up 17 cents and corn up 6 cents. Canola is was up $4.6 given the increase in the soy complex. Even with the increase in soybeans and corn it is hard to be bullish off just this report. There is still a large crop and rallies like this may be selling opportunities for producers. All summer canola has really been in a sideways range with the November futures trading between $485-$510/ton approx. with the exception of a spike back in early July. I'm going to be watching the January futures closely as we may see it move higher after harvest. Around 20 million tonnes is needed to satisfy demand and there are some questions where production will be this year. Come winter months we could see the futures move higher if supplies tighten and demand is not met.  I'll be reviewing with clients if the situation is right possible call option replacement strategies for canola they have sold.

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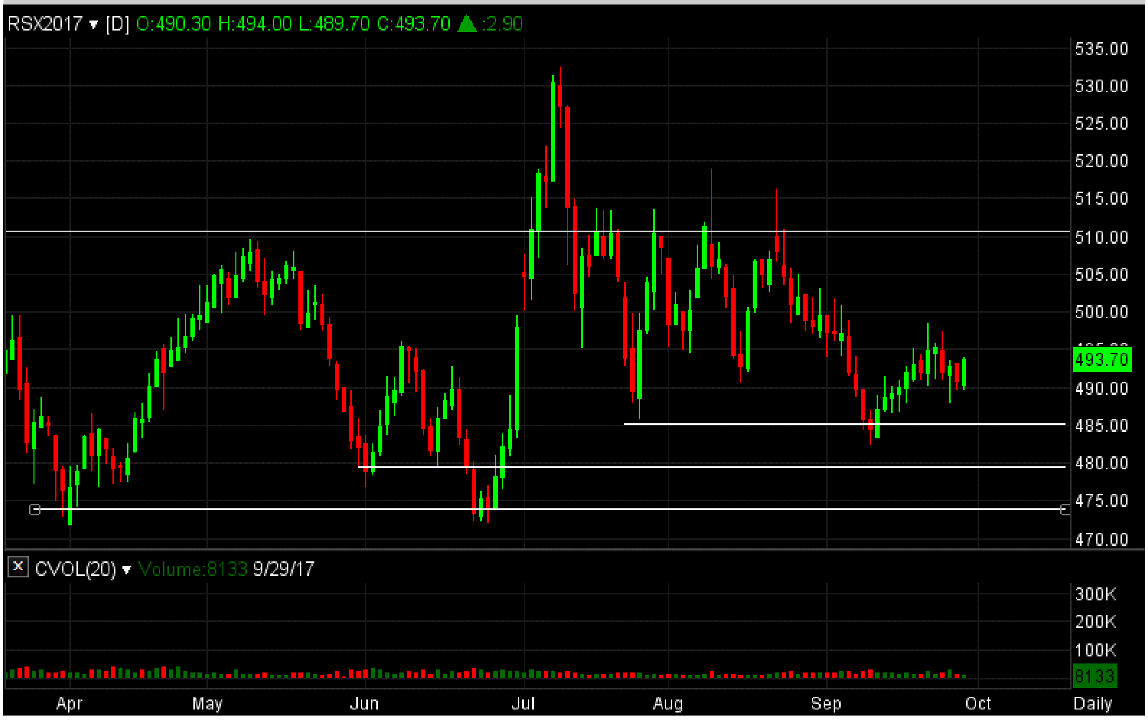
**Canola November Futures**




It has definitely been an interesting month for the Canadian Dollar! The beginning of the month started with the loonie reaching levels it hasn't been at in two years. The Bank of Canada (BOC) increased the prime lending rate on Sept 6th from 0.75% to 1% that helped fuel this surge. I want to make note briefly of how this rate increase may affect you......

Individuals and corporations are now going to be paying more for their variable mortgages or lines of credit that are based off the prime rate. Also, the BOC has already started to tighten restrictions on borrowing to make sure Canadians can handle their debt load with interest rates expected to keep increasing. The Canadian Dollar has since retreated from an announcements on Wednesday that the BOC does not have a fixed schedule on rate

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increases and today that the economy didn't grow in July, which was less than expected. Economic activity that is better/worse than expected may cause more volatility than normal. Overall, the Canadian Dollar has been presenting trading opportunities given the over or under reaction of recent announcements. All positions will have to be evaluated on-going as there can be a case for the loonie declining with major NAFTA & tax changes, tougher provincial labour laws, and unknown direction of oil prices are just a few of the catalysts.

**Canadian Dollar December Futures**

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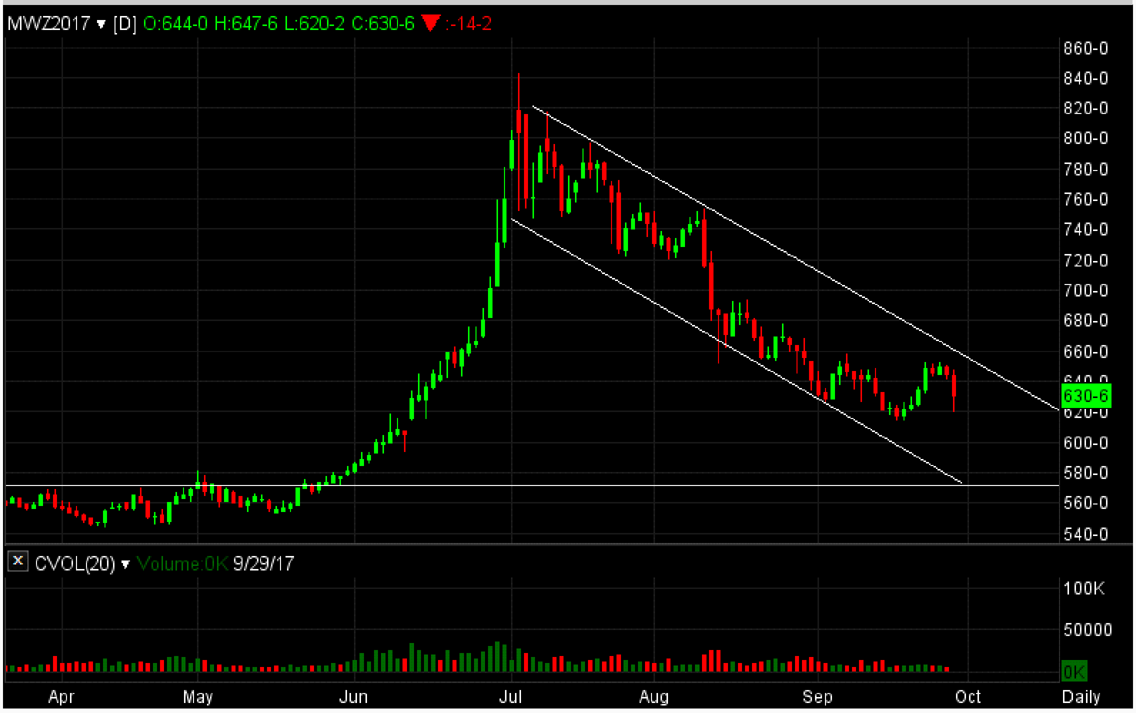
Chicago and Kansas wheat have showed to put in a possible bottom in the last month. There has been a gradual increase, but no clear sign it will keep going higher longer term. Today's USDA report was bearish for wheat so these higher trends in the recent month may turn lower. Large short positions are still in the market betting wheat could go down further. The hard red winter wheat areas of Kansas, Oklahoma, Texas and Colorado have seen rain totals over the last 14 days in excess of 200% of normal, which should benefit plantings of hard red wheat and the market to go lower. Minneapolis wheat is still in a downward trend with 50 cents lower still possible that will bring us back to June levels.

**Minneapolis Wheat December Futures**

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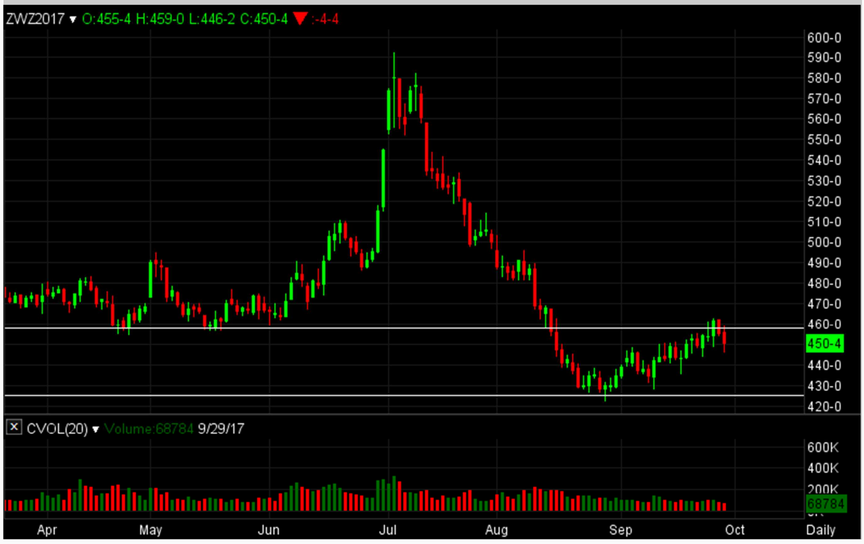
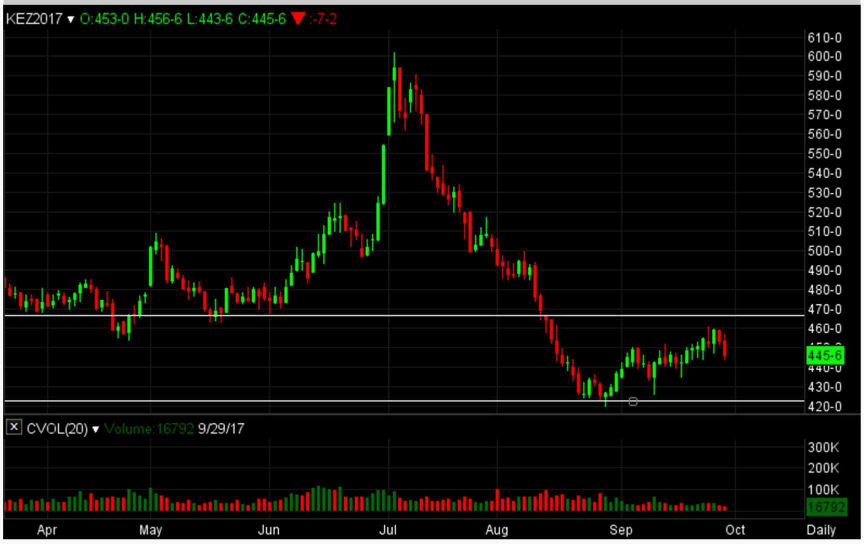
## Chicago Wheat December Futures




## Kansas Wheat December Futures





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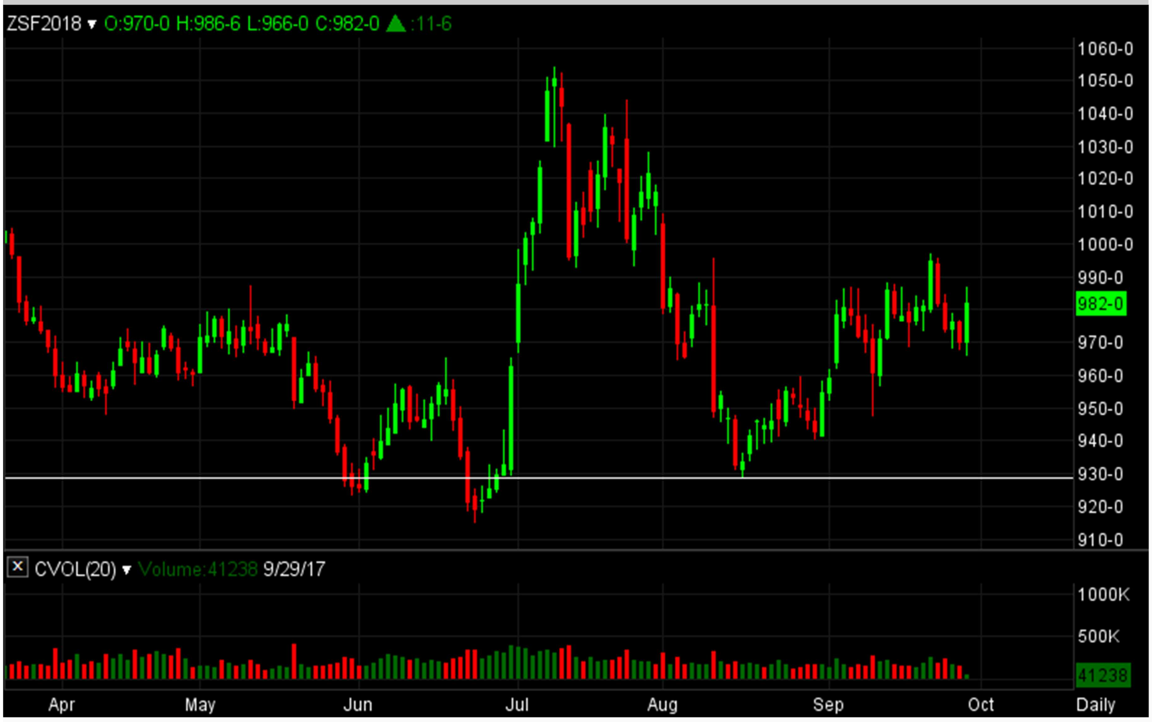
Soybeans have been trading sideways to higher since mid-August. Today's bullish tone from the USDA report may give the market what it needs to move higher. Earlier this week traders may have "sold the news" with a record export sales number this week of 2.982 million tonnes. Weakness could also be due to increased chances of rain in Brazil next week with forecasts of 0.5 to 2.0 inch rains with 70% coverage in many of the producing states in Brazil. I've read that yield reports continue to surprise the trade with a trend of better than expected yields from US producers so far.  Demand is still keeping up with supply helping prices remain stable. Similar to wheat, producers may want to look at selling on rallies. Beginning stocks could get revised higher later on and lower yields may not happen to drive prices upward.

**Soybean January Futures**

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Since the beginning of the month the nearby live and feeder cattle futures have increased approximately 5% and 7% respectively. Typically, August/September is the seasonal high period for cattle futures. On Friday, Sept 22nd the USDA came out with their Cattle on Feed report and the following Monday trading day feeder cattle futures were limit down. The report came out with high placement levels for the month of August. Expectations were for 97% of last year and it ended up being 105%. Overall, cattle on feed was 4% higher than a year ago and marketing's were 6% higher, in line with expectations. We may possibly be seeing the start of a seasonal trough in cattle futures. Having said that, feeder cattle futures are holding a in sideways pattern more than live cattle futures. In sideways markets, it is more beneficial to not buy put options for protection because the time you pay (one of two components that determine the cost of your option) will just erode. If you want cattle protection in a sideways market, there are different spread strategies to use that will help lower your cost and limit your potential risk.


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## Feeder Cattle November Futures


## Live Cattle December Futures


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