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AG TECHNICALS & TRENDS

September 2020 Edition

Canola futures could be seeing some harvest pressure right now. From Aug 20th to Sept 18th, the November canola futures increased from $487.7/t to $534.2/t ($46.50/t). Since then, canola has declined $24.2/t to where it sits when I write this at $510/t. To understand why canola declined, you first have to know why it increased. Some of the main factors were....

- Soybeans increasing $1.30/bu
- Soybean oil increasing $3.00/p
- Weather concerns in Canada lowering yield and production

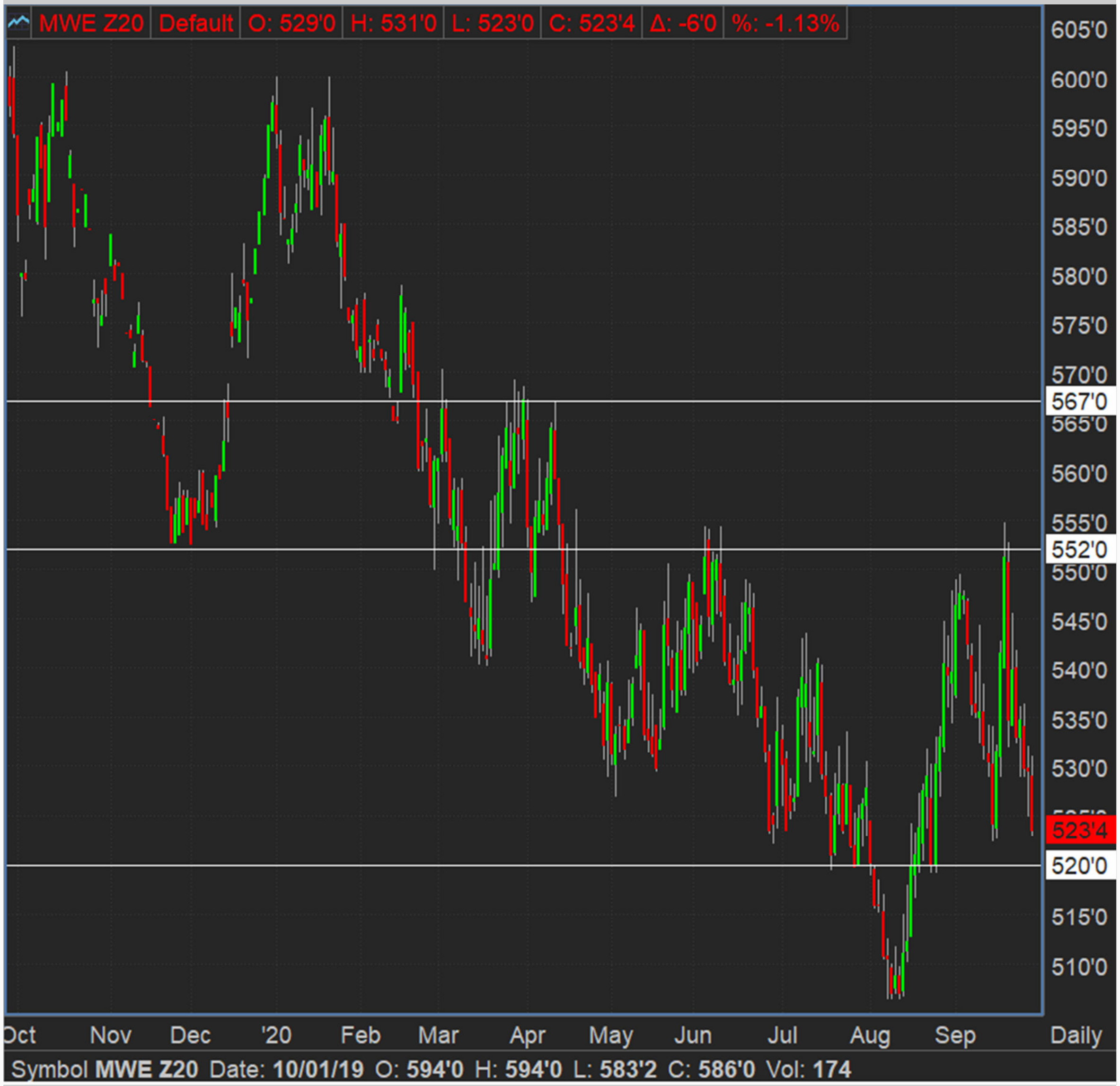
Stats Can earlier this month estimated a 19.4 million tonne crop, but to meet exports 20 million is needed. Carry-out stocks are forecast to tighten slightly to 2.2 Mt, for a stocks-to-use ratio of 11% supporting an increase in canola prices. I read FarmLink's canola production estimate is 20.2 million tonnes, which would not be as bullish for prices into the winter. It seems that the yield's aren't there for that size of a crop though. There has still been strong export demand with other countries stepping up for what China bought previously. I've been talking to clients about how much canola they have sold. If you think you might have sold too much too early, replacement strategies could be a good idea. Often farmers beat themselves up for selling early, but it is always prudent to take risk off the table because it seems you could make some good first sales for the next crop year. For those that might not have sold that much of this years crop and are wanting to hold onto it consider how to protect the futures price. Overall, I'm bullish on canola prices coming into the winter months if the soy markets can stay in a positive trend and production comes in under 20 million tonnes.

Canola November Futures - 1 Year

Wheat

Tomorrow the USDA is coming out with their Sept 1 Stocks/Small Grains Summary. The average pre-report estimate for US wheat stocks is 2.24 bbu. Traders expect USDA to show wheat production at 1.836 bbu, down 2 mbu from the August estimate. Of that, 65% is expected to be winter and 31% spring. Winter wheat was reported 35% planted as of Sept 27th. That is 2 percentage points faster than average and up from 20% last week. Minneapolis wheat has been trading sideways for the last month between $5.20/bu and $5.50/bu approx on the December futures. It seems for wheat that the fundamentals are still bearish for prices. There is a good wheat crop expected and other than a little weather issues this could keep the trend lower. Spikes in the futures may give farms selling opportunities. The Chicago wheat chart is a bit different. When soybeans rallied Chicago wheat followed to some extent creating higher lows and higher highs on the charts since June.

Minneapolis Wheat December Futures - 1 Year



Chicago Wheat December Futures - 1 Year

Kansas City Wheat December Futures - 1 Year

Soybeans

The soybean market kept trending higher until mid-Sept, but has given back some of the gains. From the breakout on Aug 25th, November soybeans increased $1.35/bu until Sept 18th. Continued buying from China and the surging open interest to the highest level since June 2018 kept the trend higher. Interesting, Sept 18th was the high on canola futures too! Soybean futures have come under some harvest pressure and declined 57 cents/bu. The Commodity Futures Trading Commission's weekly commitments of traders report showed that noncommercial traders, a category that includes hedge funds, raised their net long position in soybeans. This means funds may still believe soybeans could go higher in the future. Short term it seems like soybeans could keep going lower with producers selling into these higher prices at harvest.

Soybean November Futures - 1 Year

Oil

WTI oil futures are have broken a positive trend this month. The nearby futures are down $6/bl approx. in the last month. Saudi Arabia's state oil company Aramco cut the October official selling prices for its Arab light oil, a sign demand may be stuttering. There are concerns that a recovery in demand could weaken as coronavirus infections flare up around the world. Crude found some support recently from a weaker U.S. dollar, however, that trend might be changing. Oil has recovered from historic lows hit in April, thanks to a record supply cut by OPEC. Investors may be losing their appetite for risk in all markets given the historic increase from the March 23rd lows. Overall, it seems like oil prices could slip more with the broad stock markets.


Oil WTI December Futures - 1 Year
CL Z20 Default O: 40.84 H: 40.94 L: 38.70 C: 39.17 Δ: -1.70 %: -4.16%
60.00
58.00
56.00
54.00
52.00
50.00
48.00
46.00
44.00
42.00
40.00
39.17
38.00
36.00
34.00
32.00
30.00
28.00
26.00
Oct Nov Dec '20 Feb Mar Apr May Jun Jul Aug Sep Daily
Symbol CL Z20 Date: 10/10/19 O: 50.29 H: 51.40 L: 49.43 C: 51.37 Vol: 28,644

Canadian Dollar

The Canadian Dollar on Sept 1st reached a 9 month high of 76.97 cents on the December futures. The U.S. Dollar being in a downward trend and oil prices steadily increasing helped our loonie rally almost 4 cents since mid-June. However, both these positive factors are seeming to change now. Oil, as discussed above, is looking weaker and the U.S. Dollar has started to increase. There are concerns that the U.S. Congress will not be able to pass a new stimulus bill ahead of the November 3 election. House Democrats on Monday night released a new scaled-back $2.2 trillion Covid relief package proposal. A deal still seems unlikely without further compromise as President Trump indicated he could support as much as $1.5 trillion in additional aid. Doubts that Congress will pass a new stimulus bill and political uncertainty ahead of the November 3 election are negative factors for the U.S. dollar, which would be positive for the Canadian Dollar. With all the economic uncertainty all currencies could decline in the short term.

Canadian Dollar December Futures - 1 Year

Cattle

The cattle market seems to have the longer-term fundamentals to trade lower into October, but the short-term news remains supportive enough to hold the market in a minor up trend. August placements came in at 9.2% above last year and feedlot supplies are 3.8% above last year. In addition, weights are still very high and could add to the extra production ahead. December cattle opened lower yesterday after a bearish Cattle on Feed Report, but the market closed higher on the session and this improved the technical outlook. A continued firm tone in the cash market and the boxed beef markets has helped provide some underlying support. Friday's Commitment of Traders report showed managed money traders were net sellers of live cattle, reducing their long position. This means traders are slightly less bullish on cattle prices than what they were before. Using futures and options is often a flexible way for livestock producers to gain price protection. One of the biggest advantages over typical insurance is you can buy put options for protection at any time of the year and sell it at anytime before the maturity date.

Feeder Cattle November Futures - 1 Year

Live Cattle December Futures - 1 Year

else to trade for you, you should be aware of the following. If you purchase a commodity option you may sustain a total loss of the premium and of all transaction costs. If you purchase or sell a commodity futures contract or sell a commodity options you may sustain a total loss of the initial margin funds or security deposit and any additional fund that you deposit with your broker to establish or maintain your position. You may be called upon by your broker to deposit a substantial amount of additional margin funds, on short notice, in order to maintain your position. If you do not provide the requested funds within the prescribe time, your position may be liquidated at a loss, and you will be liable for any resulting deficit in your account. Under certain market conditions, you may find it difficult to impossible to liquidate a position. This is intended for distribution in those jurisdictions where PI Financial Corp. is registered as an advisor or a dealer in securities and/or futures and options. Any distribution or dissemination of this in any other jurisdiction is strictly prohibited. Past performance is necessarily indicative of future results.