

Cornnption Fit

Weather markets are always fun with a capital F. This year is no exception. We have seen wheat take off because of severe drought conditions. Corn and soybeans have been battling conditions reports and weather radar. Looking at the charts the most striking thing is how much corn futures have been moving around. I pulled some data and found out that in the past 35 days corn has moved \$3.22 worth of up and down in only a \$0.42 range. That is an average \$0.09 a day! Putting that in perspective it previously took 60 days to move \$3.22 and that was a \$0.23 trading range, closer to \$0.05 per day. You can see from the chart below how the trading has widened out. It is safe to say we will continue to be in for a ride until this crop is “made”. Dec corn options are trading approximately \$0.20 at the money (\$3.90 futures). If you priced some near the high you could look at buying calls between 10 and 13 cents (\$4.10 and \$4.00 futures) to leg into the minimum price contract.

Dec 2017 Corn Daily Chart.



US Dollar Weekly Chart – First time to look at a weekly chart. This chart begins April of 2014. Arrow is May of 2016. We are approaching some long-term support. It will be interesting to see how currency traders react. At this point nothing has slowed the decline. Could be very positive for grain exports!



General

USDA report – August 10th

Keyword's this week – Wheat market correction, Spring wheat tour, Spring wheat abandonment, timely corn belt rains, “we’ve learn what we can from crop condition report until harvest”.

Futures Comments and Targets

Aug 17 Soybean Daily Chart –Feels like it's trying to find a range to trade in between \$10.32 and \$9.75, but \$9.75 needs to hold. If not rains might be enough of an excuse to test and close \$9.50 gap (circled).



Nov 17 Soybean Daily Chart – 200 SMA becomes support at \$9.84, if not gap circled at \$9.58. Soybeans have held their own vs corn. Good time to buck trend.



Sept 17 Corn Daily Chart – As discussed above...corn just trying to keep it out of the ditch's! I wouldn't be shocked if it tried to retest \$4 area...equally not shocked to see it test \$3.48 if \$3.65 fails to provide support from a technical perspective. Fundamentally we need to sort out the production question to narrow the range.



Dec 17 Corn Daily Chart – Similar story as Sept. Testing weak uptrend support.



Sept 17 Wheat Daily Chart – No easy way to say this so off with the Band-Aid....Well that is what a dollar move feels like folks! Possibly working on support here...could be just a dead cat bounce(low volume).



July 18 Wheat Daily Chart – Time is on our side in this market. If you made sales at near the high it could be a call buying opportunity...a lot can change in a year!



Chart Legend

Simple moving averages (SMA)

SMA 5 day – light yellow, SMA 25 day - Pink, SMA 60 day – Gold, SMA 90 day – Lime Green, SMA 200 day – light blue.

Upper and Lower Bollinger Bands – Solid white

Trend lines – Dark blue and red

Support and Resistance – Black

	Futures Price Targets			Support		API
Sept 17 Wheat	\$ 4.93	\$ 5.07	\$ 5.43	\$ 4.71	\$ 4.65	\$ 0.28
July 18 Wheat	\$ 5.62	\$ 5.95	\$ 6.19	\$ 6.08	\$ 5.95	\$ 0.23
Sept 17 Corn	\$ 3.85	\$ 3.97	\$ 4.03	\$ 3.65	\$ 3.60	\$ 0.14
Dec 17 Corn	\$ 3.95	\$ 4.06	\$ 4.16	\$ 3.82	\$ 3.75	\$ 0.14
Aug 17 Beans	\$ 10.23	\$ 10.33	\$ 10.60	\$ 9.75	\$ 9.50	\$ 0.30
Nov 17 Beans	\$ 10.18	\$ 10.34	\$ 10.43	\$ 9.84	\$ 9.58	\$ 0.25

Futures Price Targets are technical points of resistance that a particular futures contract has created as it has traded. Typically these are previous highs or lows. They can also be points created by tracking various daily moving averages (30,60,90 day averages), simple trend lines, and numerous other methods for establishing trends.

Support is a technical point of resistance for a declining market. They are determined the same way as the Futures Price Targets, but serve as a potential floor to market movement.

AgMark Pricing Index (API) is a measure of volatility that can be used to establish an upper and lower trading range. The larger the number, the wider the range. API is an average of weekly trading ranges. It can be used to gauge how long it may potentially take to reach a price target. For example, if an API is \$0.10, there is a higher chance of that futures contract to trade \$0.10 higher or lower in that week. So, if you are waiting on a \$0.20 move up (or down) it is more likely it would take 2 weeks in an upward (or downward) trending market than 1 week.