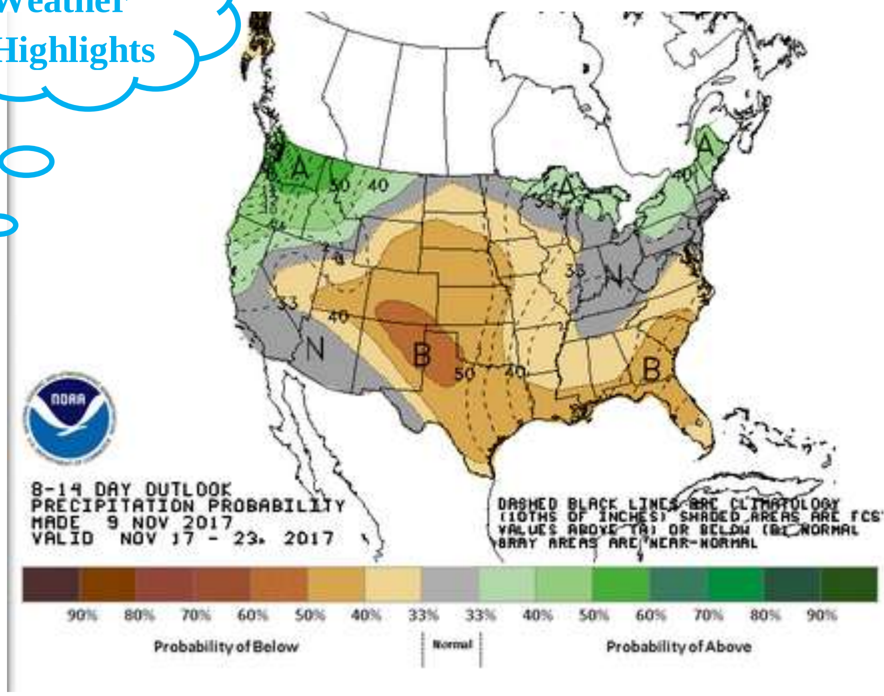
The Ag Marketing Professional
Brugler Marketing & Management LLC
Phone: (402) 697-3623
Nov 10, 2017


Other Markets that Affect Yours

OUTSIDE MARKETS: Crude oil is trading at $57.18, up 1 cent from Thursday. Gold is down $2.20 per ounce at $1285.30 per ounce. The US dollar index is cautiously lower, with a number of US banks closed today for the Veterans Day holiday. The December DX futures have 18-day moving average support at 94.24.

Weather Highlights

WEATHER: The NWS 6-10 and 8-14 day forecasts call for above normal temps and below normal precip in the central US over the next two weeks. The PNW has above normal rain chances for the period, with the ECB a 50/50 proposition. The projected dryness across the southern US is consistent with a La Nina weather pattern, although we are not officially in one yet.



Brugler News

WEBINAR RECORDING AVAILABLE: The recording from last night's Brugler November Ag Marketing Strategy Webinar is now available for download at: https://attendee.gototraining.com/42gl8/recording/4831075258682985473

This Webinar includes Alan's updated Techno-Fundamental price forecasts, the latest Price & Probability Forecasts, and latest chart studies, as well as the November 9 USDA crop production and WASDE supply/demand updates. Membership dues are $40 per meeting if you do not have an annual NAMSG membership.

CORN: Futures dropped 5 to 6 ¾ cents on Thursday following a bearish USDA crop production report. The big story on Thursday was the USDA raising their 17/18 US corn yield projection 3.6 bpa to an all time record to 175.4 bpa. State average yields for IN, IL, IA, MN and ND were all raised by at least 6 bushels from the October number. That change bumped the 2017 US production total 298 mbu to 14.578 bbu. US ending stocks were hiked but the increase was limited by larger exports and feed and residual, up 75 mbu each. The world ending stocks number was updated to 203.86 MMT, up 2.9 MMT. Thursday morning's Export Sales report showed weekly shipments of just 489,835 MT, well short of this time last

Fundamental Commentary

In Depth Brugler Technical Analysis

year. China announced that they would remove their 11% value added tax on imports of DDGS, but will leave the 53.7% anti-dumping tariff against US firms in place.

Chart Points: The weekly continuation chart shows lateral support at $3.28 ½, the August low. The 18-week moving average is resistance at $3.54 ¾ as we continue to trade in the lower Bollinger channel. These big picture numbers apply to December futures. The December contract posted a new life of contract low yesterday. Downtrend resistance is $3.53, with the 1/3 speedline at $3.52. Stochastics are not yet oversold. March futures have 1/3 speedline resistance at $3.635. Declining regression channel support is at $3.54. If the trend is intact, the quant computers should try to buy it here. See the March chart snippet alongside.

Corn Recommendations: 2017 Crop: Stay fully hedged. Cash only sellers and hedgers are 40% cash sold or forward contracted. Overall, hedgers have long puts on 60% of production and short calls on 70%. Hedgers have short Dec 420 calls vs. 10% and short Dec 400 calls vs. 30%. Short March 390 calls were added vs. 10%. Hedgers have Dec 350/340 bear put spreads vs. 30% of production after profit roll. You have Dec 350/430/330 3-way put spreads vs. the other 30%. ---You sold March 390 calls vs. 10% of production (10/24 @ $.03875). **2018 Crop:** Hedgers are short Dec 18 430 calls vs. 20% of the crop and short Dec 18 420 calls vs. 20% of production.

Feed User Recommendations: You have cash corn ownership to December 1. *****Lock in basis on three months of feed needs.** Post-harvest basis firming is underway and expected to continue.

SOYBEANS: Futures were down 8 1/2 to 13 ½ cents per bushel yesterday, on "sell the fact" action following a neutral USDA report set. Meal dropped $3.40/ton and soy oil was down 23 points to depress product value. The mid-morning WASDE report showed most US numbers UNCH from October. The 17/18 US ending stocks were reduced 5 mbu to 425 mbu. The USDA raised the average farm price for soybeans 10 cents to $8.45 - $10.15, with the midpoint @ $9.30. World ending stocks for 17/18 were raised 1.85 MMT to 97.9 MMT, as Brazil's expected production was upped 1 MMT to 108 MMT. Carryover from 16/17 was also increased 1.42 MMT. The USDA reported 2.52 MMT of soybean exports during the week of 11/2. That was 6.2% lower than last week and down 14.1% from this week a year ago.

New Recommendations for Today
-in red

Chart Points: The weekly continuation chart continues to build a triangle formation, with declining resistance at $9.89 and rising support at $9.42. These apply to November futures which expire on Tuesday. January futures are in a rising regression channel, with support at $9.78 ¾. Lower Bollinger Band support for January futures is $9.80. Upper BB resistance is $10.00. Uptrend support for November 2018 is $10.01. Retracement resistance is $10.09 3/4.

Soybean Recommendations: 2017 Crop: Cash only marketers are 65% forward contracted, with hedgers at 60% of production. Hedgers have put spreads vs. 30%, with 10% uncovered. ---You increased forward contract sales for March by 5% (10/23 @10.01). You have Jan 1000/1020/920 3-way put spreads vs. 15% of production, with Jan 980/960 bear put spreads vs. another 15%. You sold July 1020 calls vs. 15% of production as a light storage hedge. This was done 10/17 and accidentally deleted from tracking. *****Exit any short July 1020 calls if July >$10.25 near the close.** Not triggered on Thursday. **2018 Crop:** No current position.

Current Market Positions
-Note Separate Cash Market Only and Hedger Tracks

Soy Meal: The weekly continuation chart shows a double bottom at $292. A down trend line at $326.00 is current resistance. These apply to December futures. The December daily chart is forming a Bollinger pinch, with the upper BB at $320.90 and the lower BB support at $309.50. The upper BB halted yesterday's early rally. The 61.8% Fib retracement support is $308.40. Stochastics are neutral.

Soy meal recommendations: You have cash meal coverage through Dec 1. Hedgers have short Dec 290 puts vs. 3 months of use, and short Jan 300 puts vs. another 3 months of use. *****Take profits on the short Dec 290 puts to avoid zombie margin calls.**

WHEAT: Futures were up ¾ to 4 ½ cents in MPLS spring wheat yesterday, as USDA confirmed tightening spring wheat ending stocks. KC was down 1 ½ to up 1 ½ cents, while Chicago was 3 ¼ lower to 2 ¼ higher. Nearby futures were the firmest in all three markets as USDA trimmed projected US ending stocks to 935 million bushels and also tightened projected world ending stocks. The weekly USDA Export Sales report showed sales well above expectations at 781,739 MT. That was a jump of 124.8% over last week, but just 1.6% larger than a year ago. The main WASDE adjustment on Thursday came in the form of a larger US export projection, 25 mbu higher at 1 bbu. Russia's production was increased 1 MMT to 83 MMT, as smaller carryin and larger exports drove the world ending stocks lower. On Thursday, Japan purchased 132,390 MT of wheat from Australia, Canada, and the US, with 57,995 MT of US origin.

KCBT HRW WHEAT Chart Points: The 18-week moving average resistance is $4.465. The main uptrend support is $3.96. Prices bounced from the 61.8% Fib retracement support at $4.17 ¾. These

KC Wheat Recommendations: 2017 Crop: You have cash sold or forward contracted 55% of 2017 production. Hedgers are short March futures vs. 10% of production and short March 480 calls vs. 25% of production. *****Use a close only stop >$4.50 Mar on the short futures.** Not triggered on Thursday. **2018 Crop:** Forward contracted 5% of expected 2018 HRW production @ $5.41 July. Hedgers are short July 18 KC futures vs. 10% of production. ***** Use a close only buy stop >$4.82 July.** Not triggered on Thursday.

prices apply to Dec futures (which have regression channel resistance at $4.32). March futures have regression channel resistance at $4.50, with support at $4.31. July futures have a downtrend resistance line at $4.76. Lateral support is $4.63 ¼, the October low.

CBT SRW WHEAT Chart Points: The 18-week moving average resistance on the weekly is $4.43 3/4 and applies to December futures. Uptrend support on the weekly is at $4.00 1/2. December futures have lower Bollinger Band support at $4.18, from which they bounced. First resistance is the BB midline moving average at $4.28 1/2. The upper BB is located at $4.38 3/4. The 18-day moving average resistance for July futures is $4.73 ¼.

Recently Completed Recommendations
-in Dark Blue

CBT Wheat Recommendations: 2017 Crop: Cash only marketers are cash or forward contracted on 55% of production, with hedgers at 50% cash sold and 30% hedged. You have March 480/420 bear put spreads vs. 30% of production as a core position. Hedgers also are long Dec 420 puts vs. 20% of production. **---You sold Dec 400 puts vs. 20% of production (11/9 @ ¼).** This will create a bear put spread. They expire in 16 days. **2018 Crop:** You are 5% forward contracted on expected 2018 production. ---You sold July 500 calls vs. 20% of production as a come and get me hedge (11/8 @ .155). ---You sold July futures vs. 10% of expected production (11/8 @ $4.64).

MGE *Chart Points:* Retracement support continues to be at $6.08 for the December futures. December is expanding out of a Bollinger pinch. It spiked the upper BB yesterday, usually calling for a pause while the Bands catch up. The 100-day moving average for December futures is resistance at $6.74 ½. Stochastics are overbought at 85.

MGE Recommendations: 2017 Crop: You are 70% cash or forward contracted. No current hedges. **2018 Crop:** Forward contracted on 20% of expected production. *****Sell March futures vs. 10% of production if March <$6.50.** Not triggered on Thursday.

LIVE CATTLE: The CME was $.45 lower to $.60 higher on Thursday, with nearby December seeing more index fund roll pressure. Wholesale beef prices were lower on Thursday afternoon. Choice was down 39 cents at $212.74, with select boxes 59 cents lower at $198.30. Estimated weekly FI cattle slaughter through Thursday was 464,000 head, 3,000 fewer than the previous week and 2,000 head above the same week last year. The FAS reported export sales of 16,773 MT for 2017 during the week of 11/2, down 14.1% from last year. The USDA trimmed fourth quarter 2017 beef production 150 million pounds to 6.965 billion pounds. This is due to lighter carcass weights back in October. The 2018 beef production estimate was raised 325 million pounds to 27.6620 billion pounds.

Chart Points: Weekly stochastics are overbought at 85 but not yet turning. Thus far it is an inside week and a potential harami candlestick. Bollinger resistance is $127.45 on the continuous back adjusted 067 weekly chart. December futures posted a hanging man candlestick on Friday and a bearish engulfing line on Monday. Stochastics have turned bearish. There is a downside chart gap to fill at $121.62. The Bollinger midline support is $121.72. February support is the gap at $126.67. A 38.2% Fib retracement of the rally from October 18 is also a target at $127.02 as prices move away from the upper Bollinger Band. Upper BB resistance for April is $131.85. The 38.2% Fib retracement support is $126.10. Prices are dropping away from the upper Bollinger Band toward the midline support.

> **Cattle Recommendations: DEC:** You have short Dec 126 calls vs. 100% of marketings. You have Dec 126/102 short strangles 50% of expected marketings and short Dec 102 puts vs. another 50%. You have long Dec 126 puts vs. 100% of marketings after the coverage roll. ---You rolled the short Dec 122 calls (11/2 @ $4.10) to the Dec 126 strike (11/2 @ $3.15). --- You rolled the long Dec 118 puts (11/7 @ $0.60) to the Dec 126 strike (11/7 @ $3.15). **FEB:** Hedgers have Feb 128/106 short strangles vs. 100% of expected marketings. ---You sold Feb futures vs. 50% of marketings on our trigger (11/8 @ $129.27). **APR:** ***** Take profits on the long April 122 calls.** There was no volume in that strike on Thursday. The bid/ask spread was about 40 cents. ---You sold April 134 calls vs. 50% of expected April marketings (11/6 @ $3.32). The net position at the moment is an April 122/134 bull call spread vs. 50%, with the other cattle not hedged.

FEEDER CATTLE: Futures were $.45 to $1.15 higher yesterday by virtue of the 6 cent drop in corn prices. The CME feeder cattle index was 3 cents lower at $158.98 on November 8.

Chart Points: **W**eekly and monthly chart resistance is $161.50. It applies to November futures. Weekly stochastics are pegged in overbought territory. January futures RSI and stochastics are bearish, with a hanging man candlestick on Monday. Prices have dropped from the upper BB resistance to the Bollinger midline support at $156.55. If that fails, the 40-day moving average support is $154.02.

Feeder Cattle Recommendations:

> **Feeder sellers**: **NOV: No position. JAN:** You have Jan 160/134 short strangles vs. 50% of expected marketings. ---You sold Jan futures vs. 50% of marketings (11/8 @ $157.90).
>
> **Feedlots**: No positions. The correction we had anticipated is in progress.

LEAN HOGS: Futures were 37 cents lower to 47 cents higher in mixed Thursday trade. Nearby December continues to front run a decline in the cash hog index. The basis premium is hefty at the moment, but likely enhanced by index funds liquidating December and rolling to February. The CME Lean Hog Index for 11/7 was down 31 cents to $68.35. The USDA pork carcass cutout value was up 65 cents in the Thursday afternoon report. The butt, rib, and ham were reported lower. The national base hog average was down 58 cents at $59.90 this afternoon. Week to date FI hog slaughter was estimated at 1,846,000 head through Thursday. That is 15,000 head larger than the previous week and 71,000 head above the same week in 2016. Pork export sales for 2017 fell sharply from last week to just 7,788 MT, a marketing year low. Mexico had a net reduction of 139 MT. Estimated pork production for the fourth quarter of 2017 was trimmed 80 million pounds in the WASDE report, with 2018 production increasing 70 million pounds from the October estimate to 26.925 billion pounds.

Chart Points: There are multiple moving average resistance lines just under $65 on the back adjusted weekly continuation chart. December futures have dropped into the lower Bollinger channel for the first time since September. Lower BB support is $62.12.
Stochastics are getting oversold, but MACD is bearish on high ADX. This looks like death spiral liquidation, albeit a little early. The 40-day moving average support for the Feb contract is $67.75. Prices are below the 18-day moving average. See the February chart snippet at left. Uptrend support for April is $73.10.

Hog Recommendations and active positions: **DEC:** You have Dec 64/66/56 3-way put spreads vs. 100% of marketings**. FEB:** You have Feb 70/72/56 3-way put spreads vs. 50% of marketings. You have short Feb 72 calls vs. the other 50%**.** ---You exited the long Feb 66 puts for salvage value (11/1 @ $1.35). ---You bought Feb 72 puts vs. 50% of production to replace the 66's (11/2 @ $3.45). **APR:** --- You sold April 80 calls vs. 50% of expected marketings. (11/7 @ $1.70). **---You sold April 76 calls vs. the other 50% of expected marketings (11/9 @ $2.675).** ---You added long April 74 puts vs. 100% of marketings for the period (11/8 @ $3.75).