

MARKET WATCH

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Below are excerpts from my weekly Market Watch radio spots.
Market Watch is broadcast on over two dozen radio stations across Western Canada.

"Even if the situation is very complex, usually the simplest solution is the one to go with." – Roxanne Quimby founder of Burt's Bees

Global Interest Rates – August 3, 2020

The US Federal Reserve kept interest rates near zero this week as many government bonds around the world remain in negative territory.

Central bank and government bond rates in Canada and the US are almost at zero. Japanese rates have been near zero for over two decades. Almost every major country in Europe has negative short-term rates including heavily indebted Italy, Spain and Portugal. In Germany, Denmark and the Netherlands, the negative rates extend all the way out to their 30-year bonds.

Indicative Benchmark Bonds

28/07/2020

Country	2 Year Yield	3 Year Yield	5 Year Yield	7 Year Yield	10 Year Yield	15 Year Yield	20 Year Yield	30 Year Yield	50 Year Yield
Australia	0.2623%	0.2764%	0.4097%	0.6815%	0.8997%				
Austria	-0.6085%	-0.5950%	-0.5709%	-0.4791%	-0.3409%			0.1731%	
Belgium	-0.5843%	-0.6190%	-0.5613%	-0.3959%	-0.2053%	-0.0045%		0.5201%	
Canada	0.2905%	0.2741%	0.3600%	0.4010%	0.6238%		0.8900%	0.9899%	
China	2.3479%	2.4347%	2.6130%	2.8890%	2.9085%	3.3622%	3.4943%	3.6307%	3.7651%
Czech Republic	0.0589%	0.0842%	0.3421%	0.8000%	0.9006%	1.0543%			
Denmark	-0.4827%	-0.5501%	-0.5342%	-0.4274%	-0.3558%			-0.1074%	
Euro	-0.6550%	-0.7138%	-0.6970%	-0.6683%	-0.5244%	-0.0088%	-0.2884%	-0.0776%	
Finland		-0.6078%	-0.5665%		-0.3225%				
France	-0.6143%	-0.6053%	-0.5472%	-0.4188%	-0.2406%	-0.0088%	0.1809%	0.4621%	0.5926%
Germany	-0.6550%	-0.7138%	-0.6970%	-0.6683%	-0.5244%		-0.2884%	-0.0776%	
Greece					1.4606%	1.8600%			
Hungary	0.4098%	0.5198%	1.1369%		1.8268%				
India	4.0924%	4.2711%	5.2517%	5.8043%	5.9447%	6.4478%		6.4981%	
Ireland		-0.5381%	-0.4902%	-0.4494%	-0.3955%	-0.1528%			
Italy	-0.0596%	0.0320%	0.3839%	0.6589%	0.9582%	1.3987%		1.9520%	
Japan	-0.1329%	-0.1437%	-0.1136%	-0.1160%	0.0201%	0.2549%	0.4010%	0.5730%	
Mexico	4.5636%	3.7220%	4.1780%	5.5619%	5.8584%	6.3862%	6.7417%		
Netherlands	-0.6208%	-0.6316%	-0.6060%	-0.5159%	-0.4255%			-0.0603%	
New Zealand		0.3876%	0.4081%	0.5650%	0.8551%				
Norway		0.2686%	0.3916%	0.5373%					
Poland	0.0526%	0.1372%	0.5281%	1.1132%	1.1374%		1.7558%		
Portugal	-0.4195%	-0.2940%	-0.2658%	0.0070%	0.3623%				
South Africa		4.9816%	7.3699%	7.5766%	9.3600%			11.5492%	
South Korea	0.7536%	0.8277%	1.0951%	1.1649%	1.2929%	1.3664%	1.4047%	1.4867%	
Spain	-0.3620%	-0.2789%	-0.2004%	-0.0068%	0.2699%	0.5116%		1.0986%	
Sweden	-0.3029%	-0.2989%	-0.2770%	-0.2180%	-0.0680%				
Switzerland	-0.7418%	-0.7470%	-0.6780%	-0.5741%	-0.5123%				
United Kingdom	-0.1016%	-0.1433%	-0.1306%	-0.0564%	0.0607%	0.3428%	0.4894%	0.6264%	0.5300%
United States	0.1573%	0.1793%	0.2850%	0.4584%	0.6084%			1.2517%	

Source: Refinitiv Datastream

Most of these bonds are purchased at these low rates by central banks. Central banks create money to buy the bonds from their governments to help them finance their spending programs to try to support their economies.

This is really just good old fashioned monetary inflation. But, this doesn't mean it has to directly translate in to wage or price inflation just yet; at least not until global economies rebound and we have sustained long-term growth.

Bottom line, while interest rates are extremely low around the world, they can stay this low, or lower, and for a lot longer than we think. For market analysis and financial strategies, connect with me at 844-982-0011 or commodity-options.ca.

FarmLink Crop Tour Estimates – August 10, 2020

Speaking with dozens of growers from across all parts of the Prairies over the past few weeks and most of the stories I've been hearing sound the same: things are looking really, really good in the fields.

In fact, a recent crop tour by FarmLink Marketing Solutions points to a record large all-wheat crop and more canola than last year. They estimate the all-wheat crop, including durum, to be 39 million tonnes, larger than the previous record of 37.6 million tonnes in 2013. As for canola, FarmLink expects canola production at 20.2 million tonnes, an increase from 18.6 million last year. However, they still say many crops are behind normal development so will need favorable late summer weather and additional moisture to reach their potential.

- CANADA DURUM YIELD FOR 2020-21 SEEN 45.3 BU/ACRE, OUTPUT 7 MLN TONNES -FARMLINK CROP TOUR
- CANADA WHEAT (EXCLUDING DURUM) YIELD FOR 2020-21 SEEN 60.5 BU/ACRE, OUTPUT 31.9 MLN TONNES -FARMLINK CROP TOUR
- CANADA OAT YIELD FOR 2020-21 SEEN 107 BU/ACRE, OUTPUT 5.6 MLN TONNES -FARMLINK CROP TOUR
- CANADA CANOLA YIELD FOR 2020-21 SEEN 42.9 BU/ACRE, OUTPUT 20.2 MLN TONNES -FARMLINK CROP TOUR
- CANADA PEA YIELD FOR 2020-21 SEEN 47.4 BU/ACRE, OUTPUT 4.9 MLN TONNES -FARMLINK CROP TOUR
- CANADA LENTIL YIELD FOR 2020-21 SEEN 26.6 BU/ACRE, OUTPUT 3.1 MLN TONNES -FARMLINK CROP TOUR
- CANADA BARLEY YIELD FOR 2020-21 SEEN 82.3 BU/ACRE, OUTPUT 11.1 MLN TONNES - FARMLINK CROP TOUR

Source: Reuters

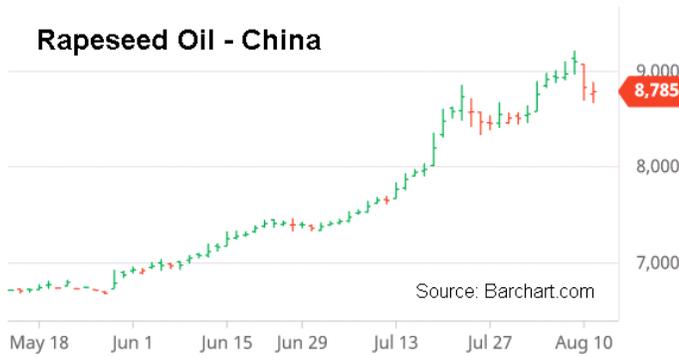
Bottom line, crops are looking really good but there is still a lot of weather to work through and then of course there's the demand side of the equation too. Wheat prices have been drifting sideways to lower over the past couple of months but canola futures have reached \$500/MT again so for commodity market insights and farm hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.

Global Oilseed Markets – August 17, 2020

Canola futures prices have recently moved back up to the top end of their range of the past couple of years. Certainly demand has been strong but at the same time, the canola crop is expected to be over 20 million tonnes. Other external factors are also playing a part in the recent strength of canola prices.

Global oilseed prices have been supportive as well. US Soybean oil futures have been steadily rising in the past four months and French rapeseed futures had been increasing in that time too.

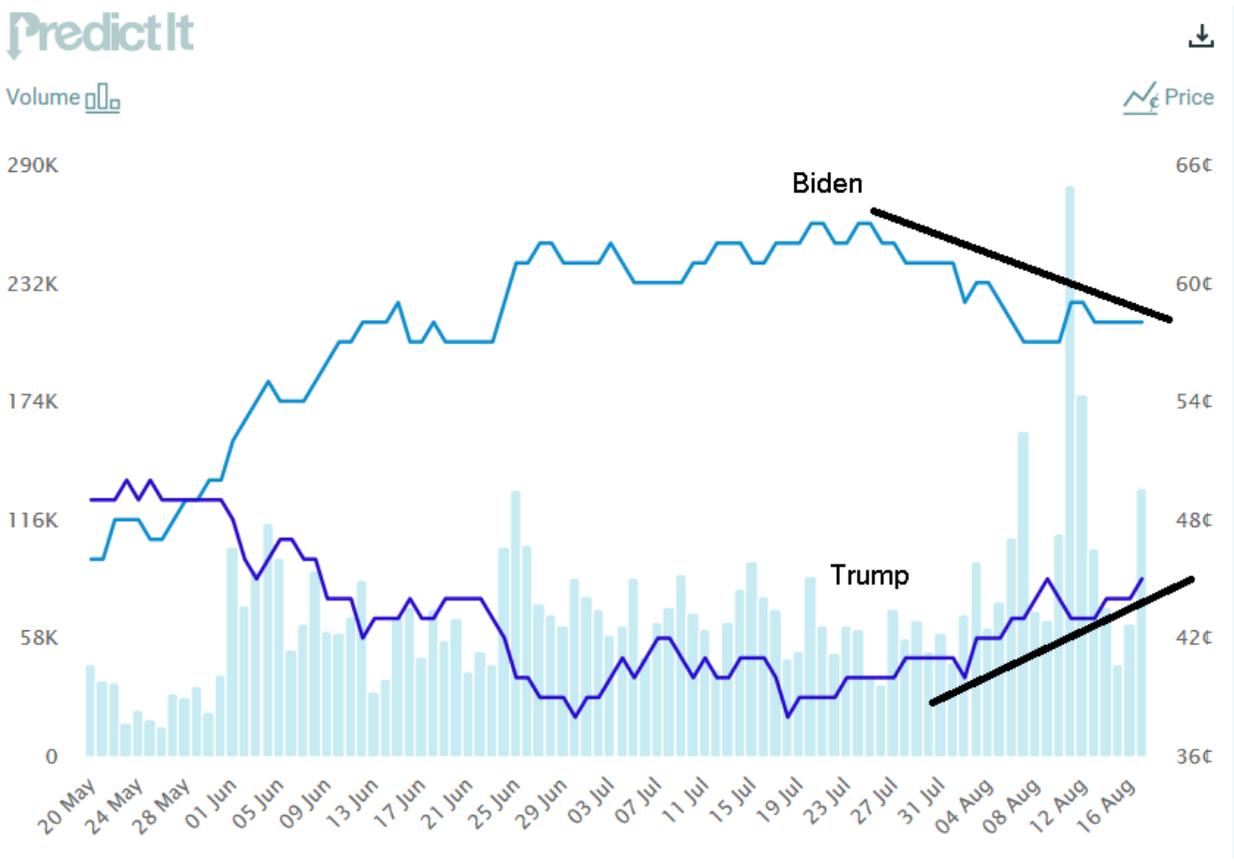
Meanwhile, vegetable oil prices in Asia have been very strong. Chinese rapeseed oil and Malaysian palm oil futures are up over 30% in the past three months.



Bottom line, canola crops are looking really good across the Prairies but demand and global vegetable oil prices have been strong recently as well. Some of those price patterns are starting to change so does that mean canola price patterns will change as well? For commodity market insights and farm hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.

Presidential Election Update – August 24, 2020

With the US presidential election just over two months away, trading based indicators still show Biden with a lead over Trump. Throughout most of the summer so far, the online betting website, PredictIt, was showing Biden with a steady 60% probability of becoming the next US president versus Trump's 40% chance of winning.



Now, however, that 20 point lead is starting to narrow a bit. It's currently trading at about a 12 point lead with Biden having a 56% chance compared to Trump's 44%.

Also, most polls, for what those are worth, show Biden with a lead in the 10% to 12% range over Trump. And with Trump approval ratings only at 42%, it seems like a lot of things will have to line up for Trump if he is going win again.

Bottom line, history has shown that the incumbent President usually wins and that a rising stock markets in the months before an election also help their chances. I'll update you next month and every month as we move closer to that November 3 election date. For more market commentary and trading analysis, connect with me at 844-982-0011 or commodity-options.ca.

Global Financial Market Update – August 31, 2020

It's now been six months since COVID really started impacting financial markets near the end of February. How have markets reacted since then?

Overall, since COVID concerns pushed down asset prices around 30% near the end of March, they have recovered but there is still more to go to reach the highs of earlier this year. For example, while the broad US stock market, as measured by the Russell 3000 Index is now up a couple of percent from pre-COVID levels, the Toronto Stock Exchange Composite Index is still down 7% while European stock markets have fallen around 14%.

Corporate and high-yield bond funds have decreased by 7% while preferred share funds are lower by about 7% as well.

Bottom line, markets have recovered significantly from the lows in March but we will likely continue to live through a period of heightened uncertainty going forward. Markets are pushing their way higher but it will still take time for economies to return to growth and global financial markets to fully recover. For more market analysis and financial strategies, connect with me at 844-982-0011 or commodity-options.ca.

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