
MARKET WATCH

**David Derwin – Portfolio Manager & Investment Advisor
PI Financial Corp.**

Connect at www.Commodity-Options.ca or 1-844-982-0011

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

Diversifying your marketing across time – March 2, 2020

Incremental selling and diversifying your marketing across time:

I recently read a study by the Center for Farm Financial Management at the University of Minnesota that growers can maximize revenues by timing sales.

Having analyzed three decades of corn price data, they concluded that incrementally pre-selling corn in the spring and in to the month of May would have earned on average almost 20 cents per bushel more than selling everything at harvest. Likewise, selling some corn at harvest and then holding the rest until May would also have earned an extra 20 cents per bushel compared to selling everything at harvest.

I've seen similar studies for wheat, canola and soybeans so this is a good reminder of the seasonal price patterns that can occur.

Bottom line, it makes good sense to diversify you marketing strategies. Some strategies will be opportunistic hedging to benefit from weather driven price increases and seasonal patterns. Others will be storage pricing programs and pre-selling for bin space or cash flow purposes. To find out how options & futures can help in all these marketing situations, connect at 844-982-0011 or commodity-options.ca.

North American central banks slash interest rates – March 9, 2020

Trump recently tweeted: "Our Federal Reserve has us paying higher rates than many others, when we should be paying less. Tough on our exporters and puts the USA at a competitive disadvantage. Must be the other way around. Should ease and cut rate big."

Trump has been encouraging the Federal Reserve to lower interest rates for months. Remember, it's an election year in the US, and with the increasing economic concerns surrounding coronavirus, he finally got his wish last week when the US Federal Reserve reduced the central bank rate by half a percent. The Bank of Canada followed the next day with a 50 basis point cut as well.

Bottom line, there will continue to be a lot of volatility going forward. Differences between Canadian & US central bank policy will be one of the key ingredients in the soup that makes up the relative value of the loonie. For market analysis and financial strategies for your farm business, connect with me at 844-982-0011 or commodity-options.ca.

Fifty years of stock market reaction to epidemics – March 16, 2020

The coronavirus has become a global concern and is currently causing plenty of volatility in the markets. Despite this, we look at the long-term as well. A report by the Brompton Group analyzes fifty years of stock market reaction to epidemics. Here's what they say:

“If history is any indicator, markets will be quick to price in the economic impact of the coronavirus. As information about the situation continues to emerge, answers will put an end to uncertainty. Since this uncertainty tends to be a bigger drag on markets than the actual economic blow of the diseases, the first month following a health scare generally bears the brunt of fearful investor sentiment. A gradual recovery typically takes place afterwards, with markets returning to previous strength in 6 months or less.” (SEE CHART)

Bottom line, there will continue to be a lot of volatility in the markets. No one knows for sure how long it will take to stabilize and then move back up since every situation is different. So, look at history and keep an eye on current global market price patterns for some indications.



Global markets seem innoculated against the scare posed by health crises, historically showing little sign of distress in response to new outbreaks.

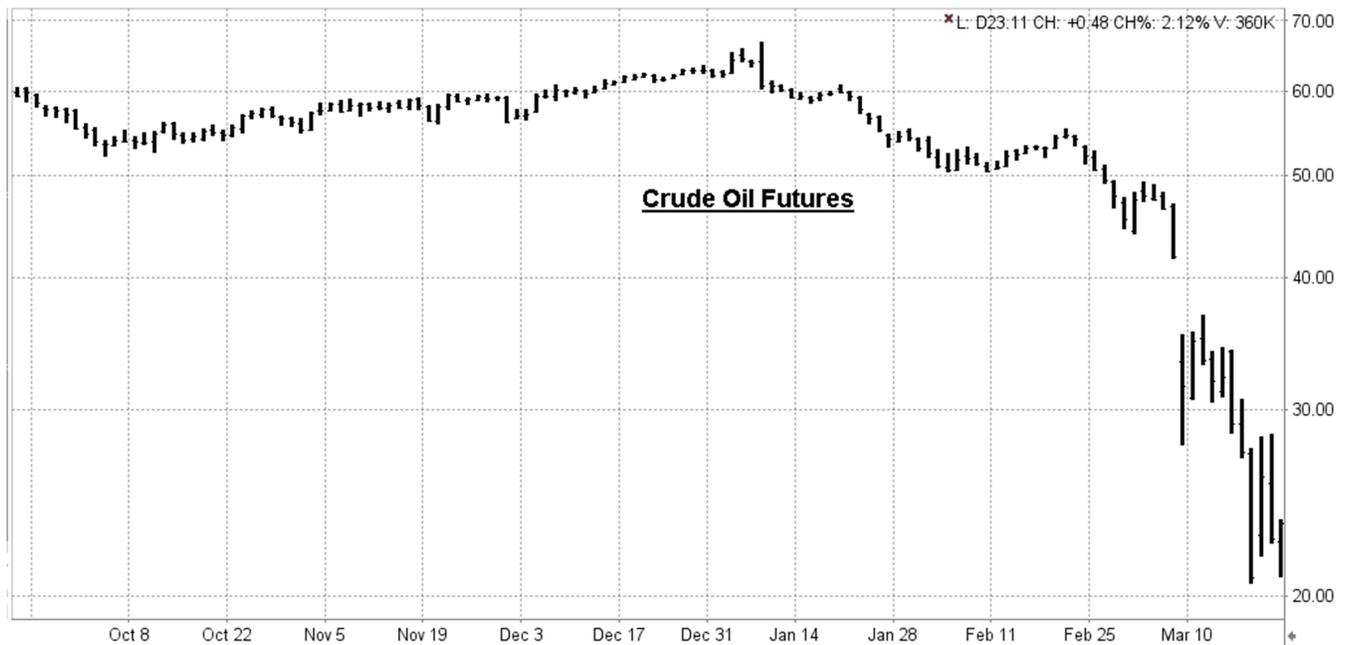
¹ Source: Charles Schwab, Dow Jones Market Data, and Bloomberg, as at December 31, 2019

On farm storage and hedging go hand in hand – March 23, 2020

Storage and hedging strategies complement each other to provide operational and marketing flexibility. Not only is this true for your grain production but it can also be true for inputs. Last week I had a lot of discussions about fuel and how options or futures as well as storage capacity can play a role in managing farm fuel costs.

Crude oil dropped from over US\$65/barrel in January to under US\$25/barrel today. Farmers are telling me that farm diesel fuel has dropped to under 60 cents/litre in some places across the Prairies. Whether it's buying and storing physical fuel, using futures & options hedging tools or a combination of both, there are various ways to capture these price moves, just like you can with canola, wheat, corn or soybeans.

Bottom line, both storage and hedging tools are good alternatives to have available to help manage market price fluctuations as well as operational decisions. To find out more about options and futures price management strategies, connect with me at 844-982-0011 or commodity-options.ca.



The effect of coronavirus on farm commodity prices – March 30, 2020

The impact of the coronavirus on agriculture commodity futures prices has varied since it started really affecting markets near the end of February.

Livestock prices have taken the biggest drop. Full weight cattle futures are down 15% in the past month while feeders are down about 8%. Lean hogs have fallen 23% in that time frame.

In the grain markets, price activity has been more varied. The biggest declines are corn, losing 9%, and oats off 10%. Soybeans are down only 2% and canola in down about 6% in US dollars terms. Wheat markets have been the most resilient of all farm commodity markets in the past month. Chicago soft red winter wheat is up 4%, Kansas hard red winter is up 3%, while Minneapolis hard red spring wheat is basically unchanged.

Bottom line, farm commodities have held up quite well recently but expect continued fluctuations, both up and down, over the next few months. To keep up to date with market opportunities and options & futures hedging strategies as we move in to the new crop year, connect at 844-982-0011 or commodity-options.ca.

Options and Commodity trading has inherent risks where significant loss of capital may occur. Investors should consult with their investment advisor to determine if options and commodity trading is suitable for their portfolio and risk tolerance profile. This document has been prepared by David Derwin, Portfolio Manager & Investment Advisor for PI Financial Corp, for information purposes only. This is not an official publication of PI Financial Corp. and the author is not a PI Financial Corp. analyst. The views expressed herein are those of the author alone, not necessarily those of PI Financial Corp. The information contained herein has been obtained from sources believed to be reliable, but the accuracy or completeness of the information is not guaranteed, nor in providing it does PI Financial Corp. assume any responsibility or liability. This document is not to be construed as an offer to sell or a solicitation of an offer to buy any securities and is intended for distribution only to those jurisdictions where PI Financial Corp. is registered as an advisor or a dealer in securities. The inventories of PI Financial Corp, its affiliated companies and the holdings of their respective directors and officers and companies with which they are associated may from time to time include the securities mentioned herein. PI Financial Corp. is a member of the Canadian Investor Protection Fund & the Investment Industry Regulatory Organization of Canada.