

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.

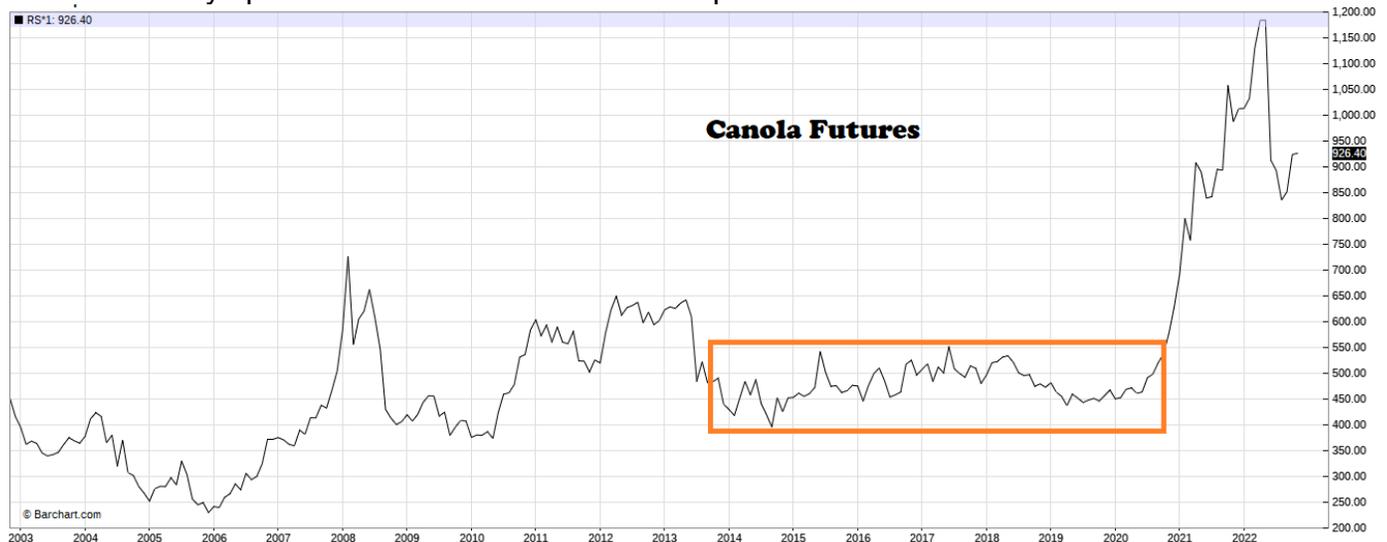
*"Russia is a country with a certain future;
it is only its past that is unpredictable." - Soviet proverb*

Commodity Price Behaviour – November 7, 2022

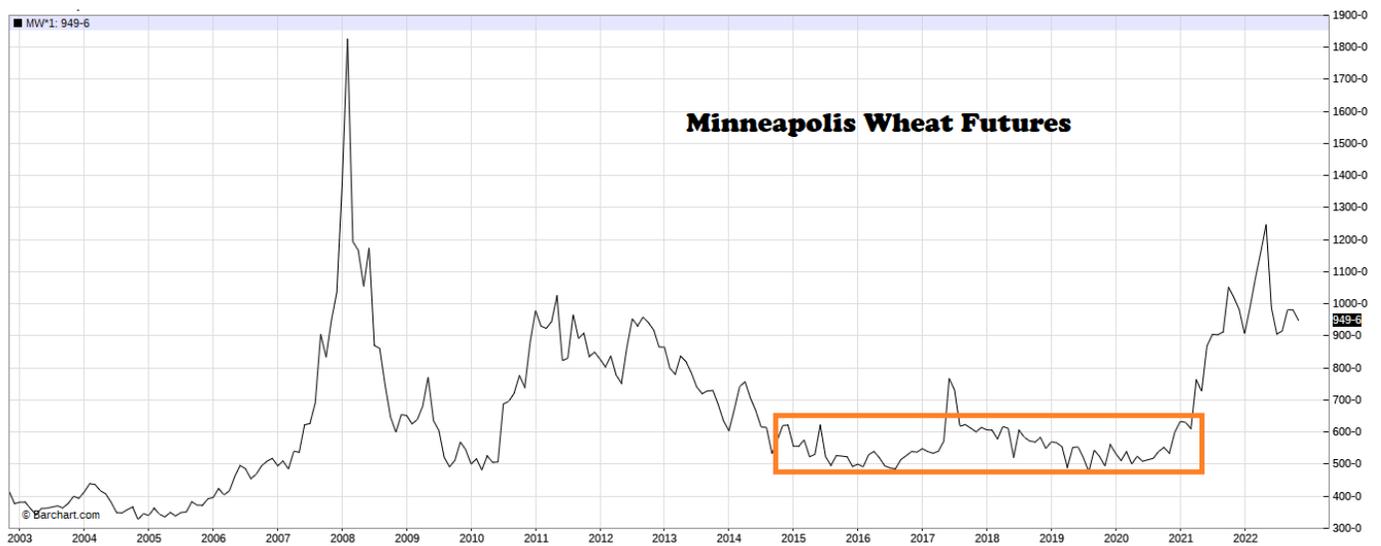
Last week we saw how commodities often react during and after short-term price spikes. This week we'll take a closer look at price behavior over 3 to 5 year periods.

Over medium-term periods, commodities can often stay in a wide range for many years during which prices typically won't go below or above. This can be because of minimum demand requirements, consumer behavior, available supply capacity, productive infrastructure constraints and government policies.

Canola, corn, wheat & soybean prices essentially traded in a tight range for 5 years until the drought last year and then the Russian invasion this year. For example, canola traded between \$400 and \$550/mt from 2015 until 2020. During that same time, spring wheat futures traded narrowly above US\$5/bushel but rarely more than US\$6 during that time. In fact, we've seen this similar sideways pattern numerous times over the past few decades.



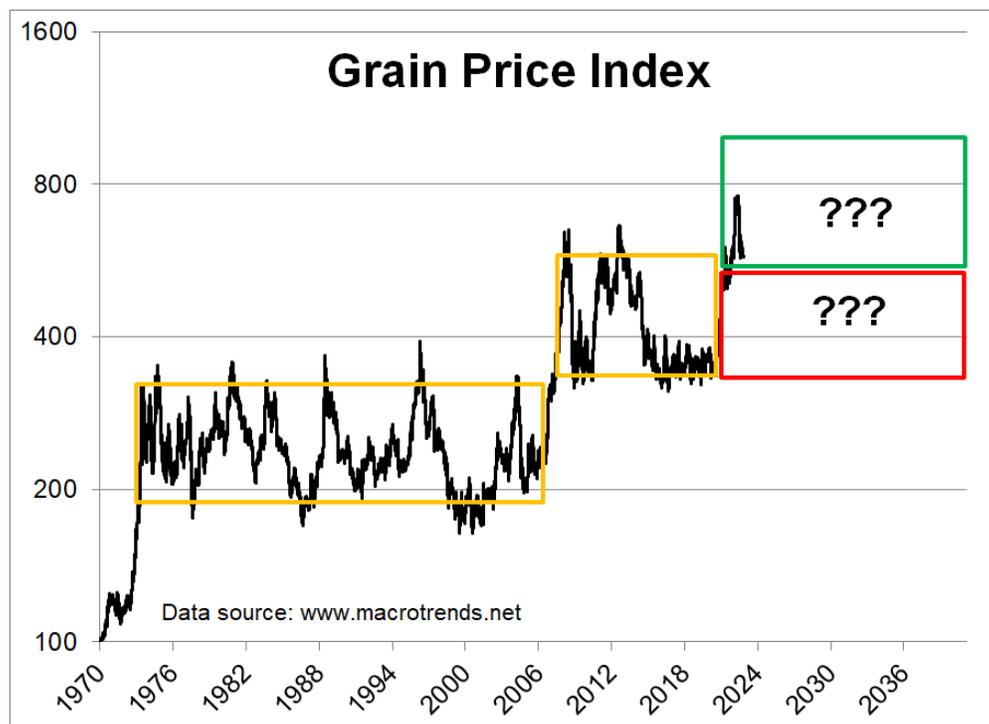
Bottom line, will we be entering a new sideways range for grain prices over the next several years? History suggests yes, but history doesn't always repeat itself so for farm commodity hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.



Long-Term Grain Prices – November 14, 2022

We've already looked at short and medium grain price patterns and trends. So what's the potential for long-term crop prices?

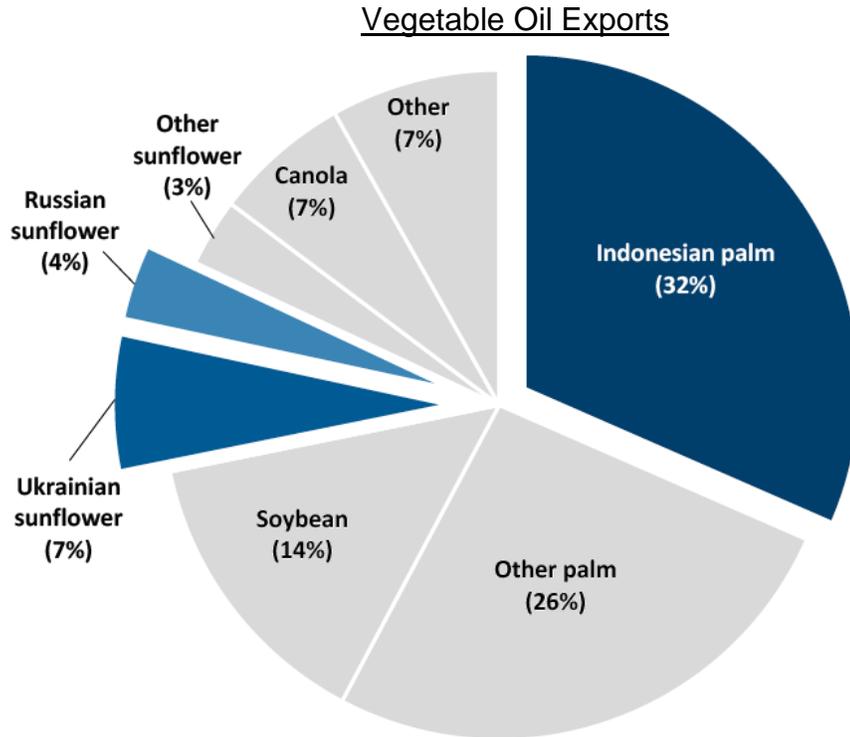
Technological innovations, consumer spending habits, social preferences, scientific breakthroughs, build up of excess production capacity, environmental and energy policies, can all combine to sustain a defined range of commodity prices that can last years or even decades. It happened following the inflationary and geopolitical triggers of the 1970s that gave way to a new range of prices that lasted 25 years. Have grain prices established their next level given the recent droughts around the world, war, low grain inventories and global inflation factors? Has the world changed enough that we have established a new, and possibly, higher range of potential prices?



Bottom line, will we be entering a new long-term pricing environment where the highs of the previous 15 years now become price support going forward? It's possible, but history doesn't always repeat itself so for farm commodity hedging strategies to manage market volatility, connect with me at 844-982-0011 or commodity-options.ca.

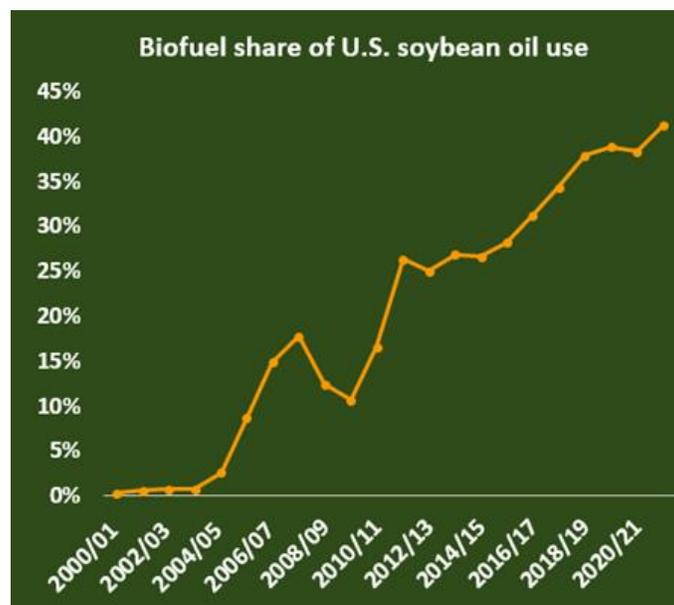
Food & Energy: Oil Prices Revisited – November 21, 2022

Canola has many of its own unique supply and demand dynamics, but it's just a small component in the global oilseed market. Canola is estimated to be around 7% of the global vegetable oil export market with palm oil number one at 58% and soybean oil second at 14%. And, given the substitutability with and proximity to large soybean production in the US, soybeans have always had a big influence on canola prices. But, with over 40% of US soybean oil now being used for biofuel, crude oil has the potential to become an even bigger driver of soybean oil, and therefore canola prices.



Source: FCC

So, with crude oil futures having had trouble staying above US\$90/barrel and now struggling to stay above US\$80, further energy weakness could have a knock-on effect for global oilseeds.



Bottom line, it's not new that the direction of crude oil is a key variable for canola prices, but it is a very important one, and seemingly becoming even more so. For global oilseed market analysis and local farm marketing strategies, connect with me at 844-982-0011 or commodity-options.ca.

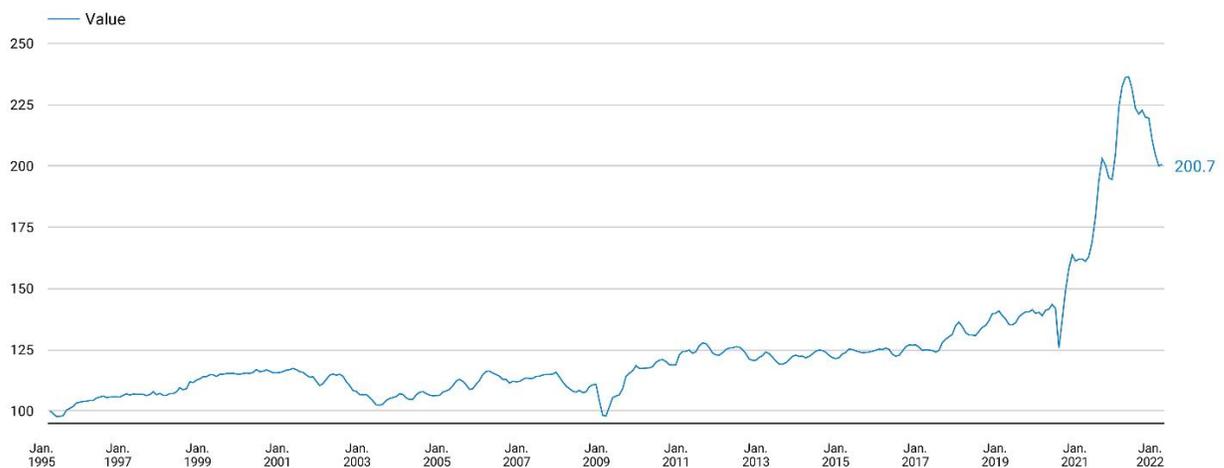
Inflation or Deflation? – November 28, 2022

Vehicles and particularly used cars got a lot of attention as inflation numbers climbed over the past year. Inflation numbers have continued to surprise, and none more perhaps than used cars, which traded at a premium to used cars because of classic supply and demand dynamics. You had to wait months to buy a new car because of the logistics issues getting the microchips and other parts. Or, you could pay a premium for a used car and drive it off the lot. Just another example of why you should never say never!

Now however, the Manheim Used Vehicle Index shows a different story. While it did increase 70% from the onset of COVID to its peak, used cars in general are down 15% from their highs.

MANHEIM USED VEHICLE VALUE INDEX

Mid-November 2022



Cox
AUTOMOTIVE[®]  Manheim

Bottom line, has inflation topped out and is it ready to head down? Hard to say for certain but many indicators, like used car prices, as well as freight & shipping rates and commodity prices, have been dropping for the past several months. For global market analysis and financial market strategies, connect with me at 844-982-0011 or commodity-options.ca.

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