
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.

“Farming looks mighty easy when your plow is a pencil and you’re a thousand miles from the corn field.” – Dwight D. Eisenhower

Minneapolis Wheat: A case study in option hedging - July 10, 2017

The current rise in Minneapolis hard red spring wheat futures provides a case study for option hedging. In the past two months, Minneapolis hard red spring wheat futures are up 50%, rising almost \$3 per bushel from US\$5.50 to \$8.30 due to hot dry weather.

A weather rally like this shows why hedging with options is an ideal marketing tool.

Flexible put strategies provide the downside protection you need with the upside potential you want without having to commit any grain for delivery. They help manage many of the production, financial as well as emotional issues running through your mind like:

- It's too hot and dry so yields will be very uncertain.
- I've already priced 50%, but don't want to commit any more grain.
- I want downside floor price protection but some upside as well.
- I just want to say "I sold some hard red for \$8/bushel..."
- And, of course, how high can this go!!!

All of these are good reasons to use option based strategies to buy you some protection, time and flexibility until production is more certain.

Bottom line, when a weather market hits, it's always a good idea to have various option hedging strategies in your marketing toolbox.

C\$ Trend Update – July 17, 2017

For the first time since 2010, the Bank of Canada raised interest rates.

While the short-term 3-month as well as medium term 6-9 month C\$ downtrends have already been broken, the 1-year chart is sideways with the longer term trend back to 2007 still down, for now.

Historically, the C\$ tends to move up or down in 5 to 10 year blocks. Given we are about 7 years into the current weakening cycle; this downtrend is getting a bit lengthy.

A lot will depend on what the US Federal Reserve does compared to the Bank of Canada. While Bank of Canada policy going forward is still "highly data-dependent", the US Fed "continues to expect that the evolution of the economy will warrant gradual increases in the federal funds rate over time".

This may not sound like it means much, but in central bank-speak, it still represents a significant difference in outlooks. This policy difference will be a major factor in the direction of the C\$.

Bottom line, with both bullish and bearish technical factors, regardless of what central bank say or do, the C\$ charts will be the most interesting story to follow.

The New Canadian Agricultural Partnership – July 24, 2017

An overview of the new and updated Growing Forward Program:

Agriculture ministers recently signed a 5-year, \$3-billion Canadian Agricultural Partnership with Ottawa aimed at strengthening the \$100 billion agriculture industry. This new partnership replaces Growing Forward 2 with the same level of funding. It is intended to help the sector come up with innovations to boost productivity, develop new trading partners and mitigate environmental issues.

There are six key components including:

- science & research,
- market development,
- environmental sustainability and
- risk management.

There will also be a review of risk management programs. I believe this focus on risk management is very important. I've been involved in numerous courses, conferences and workshops over the years that were supported by Growing Forward. The feedback from producers is often the same: they are great outlets for farmers to learn more about marketing plans, hedging strategies and market tool like options and futures to better manage revenues.

Bottom line, become aware of the various events during the winter months that are specifically designed to help farm businesses learn more about hedging risk and managing revenues. You can also contact me directly for resources on marketing plans, hedging guides and options & futures strategies at 844-982-0011 or commodity-options.ca.

"DuPont revenues and profits beat estimates on strong demand in agriculture business" **July 31, 2017**

Sales in the agriculture sector, including soybeans, corn and sunflower seeds as well as insecticides and fungicides, rose 7% in the first half of the year and account for more than half of DuPont's total revenue, according to a recent Reuters article.

This type of strong performance in the agriculture sector is being reflected in farm related stocks. For instance, the VanEck Vectors Agribusiness exchange traded fund, which holds a basket of ag company stocks like Deere, Monsanto and Potash Corp, is up 15% in the past year and almost 40% since its lows at the beginning of 2016. (SEE CHART)



This coincides with the fact that grain prices have started to move up a bit. Following four straight years of favourable weather, bumper crops and declining grain prices, farm commodity futures charts are looking like they may have seen their bottom.

Bottom line, market based indicators like farm related stocks and commodity futures prices have been improving. We'll see if this pattern continues higher or if the longer term downtrend continues. To access my agriculture & hedging research, connect with me 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.