MARKET WATCH

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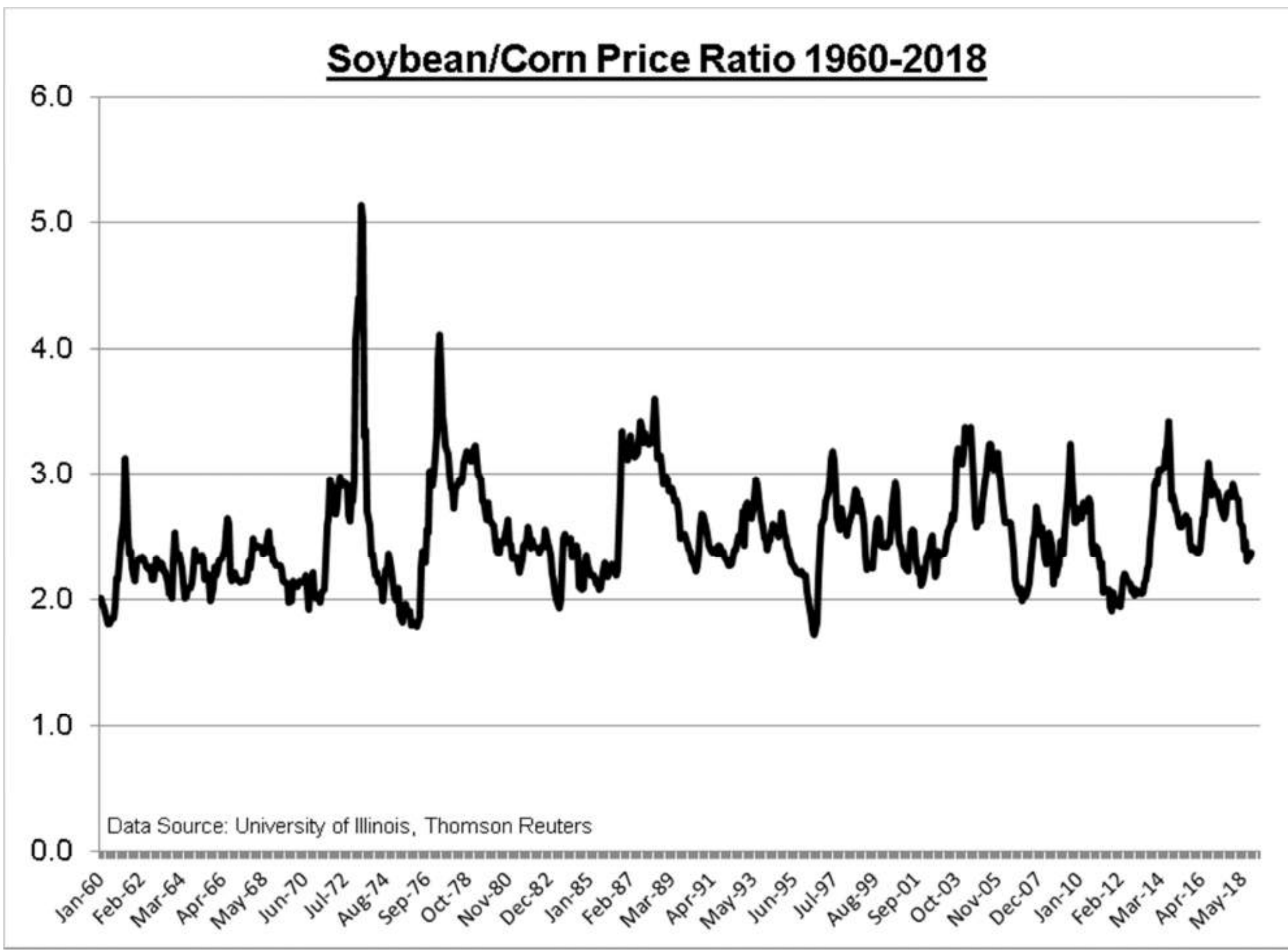
Below are excerpts from my weekly Market Watch radio spots.
Market Watch is broadcast on over two dozen radio stations across Western Canada.

USDA sees fewer soybean acres over the next decade – November 5, 2018

U.S. farmers planted more soybeans this year than corn for the first time in 35 years and are harvesting the largest soybean crop ever.

Meanwhile, China, which typically buys 60 percent of U.S. soybean exports, has bought almost none for months due to the trade war, pushing prices to a decade low.

As a results of these low prices, the USDA projects soybean acres to decline to 82.5 million in 2019, from 89.1 million in 2018 before the tariffs were imposed. Going forward, the USDA forecasts 82 million to 85 million acres over the next decade.



Bottom line, it's hard to project one year in to the future let alone ten years but a long term chart over the past sixty years shows that soybean prices have moved lower compared to corn. This alone will influence where acres go, at least for the next year or two. So, instead of trying to predict soybean or corn prices, use option strategies to provide the downside protection you need, with the upside potential you want.

What do the results of the recent US mid-term elections mean for the stock markets? – November 12, 2018

The US mid-term elections happen every four years in between the presidential election when members of the House of Representative and Senate are voted in. History has shown that the year after these mid-term elections is the strongest for US stocks of any of the four years.

Perhaps it’s because some of the uncertainty is out of the way, or because the President can now implement his polices or maybe its because it creates gridlock in the White House so no one can mess anything up.

Either way, in the six month periods following these mid-term elections, US S&P 500 stocks have been up on average over 15% in the past 70 years.

$SPX from Sep - Mar , during 2nd presidential cycle , since 1950

Month	Close	Month	May %	Gains %
Sep-2018	2913.98	Mar-2019	??	??
Sep-2014	1972.29	Mar-2015	2067.89	4.85
Sep-2010	1141.20	Mar-2011	1325.83	16.18
Sep-2006	1335.85	Mar-2007	1420.86	6.36
Sep-2002	815.28	Mar-2003	848.18	4.04
Sep-1998	1017.01	Mar-1999	1286.37	26.49
Sep-1994	462.71	Mar-1995	500.71	8.21
Sep-1990	306.05	Mar-1991	375.22	22.60
Sep-1986	231.32	Mar-1987	291.70	26.10
Sep-1982	120.42	Mar-1983	152.96	27.02
Sep-1978	102.54	Mar-1979	101.59	-0.93
Sep-1974	63.54	Mar-1975	83.36	31.19
Sep-1970	84.30	Mar-1971	100.31	18.99
Sep-1966	76.56	Mar-1967	90.20	17.82
Sep-1962	56.27	Mar-1963	66.57	18.30
Sep-1958	50.06	Mar-1959	55.44	10.75
Sep-1954	32.31	Mar-1955	36.58	13.22
Sep-1950	19.45	Mar-1951	21.40	10.03
			avg	15.37
			med	16.18
@paststat			wins %	94.00

Bottom line, this historical tendency should help stocks for six to twelve months but with a couple of 10% corrections already in the books for 2018, we'll see if stocks stay in their sideways consolidation pattern or move to new highs. For in-depth stock market analysis and investment management strategies, connect with me at 844-982-0011 or commodity-options.ca.

Grain World 2018 – November 19, 2018

At the Grain World conference this past week, there was a lot of talk amongst farmers comparing our land prices, interest rates and currency to the US. So, according to reports by the Kansas City and St. Louis Federal Reserve Banks, lower ag incomes are pressuring US farm finances.

For instance, Missouri and Nebraska, both high soybean producing states, reported lower incomes due to the U.S.-China trade war. Furthermore, nearly 85% of bankers reported that farm borrowers plan to sell mid- to long-term assets before year's end to improve working capital or make loan payments. This increasing stress in the farm sector could also put downward pressure on farm real estate values moving forward.

Bottom line, while Canada still has a 30% weaker currency and interest rates lower by 50 basis points lower, the future for Canadian farmers may be seen through the window of US farmers. Fortunately, a stronger Canadian dollar, higher interest rates and falling commodity prices can all be managed using options and futures to mitigate some of the risk experienced by US farmers.

Canola under C$200/MT!?!? – November 26, 2018

In a recent article in the Western Producer by Ed White called **Oil trouble shows risk of grain bottlenecks,** he talks about North American oil and grain markets, logistics and transportation capacity. He points out that Canadian oil recently traded at $14 per barrel with restricted pipeline capacity the main reason for these lows prices.

Even when adjusting for the grade differences, it can be estimated that Canadian oil is trading at a near 60% discount to US oil futures.

This brings us to grain markets. While the US has a lot of oil, they also have a lot of grain. Imagine if Canadian crops also traded at a 60% discount. Take our most Canadian of crops: canola. That would translate to a canola price under C$200mt.

Bottom line, while this is a very simplified thought experiment, rail and transportation have caused issues in Canadian grain markets before. You can never say never when it comes to the markets and commodity options & futures can provide disaster price protection. Interested in talking about this more? Connect with me at 844-982-0011 or commodity-options.ca.