
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.

Hedging Your Commodity Input Costs – August 12, 2019

Did you know you can use hedging strategies to manage your costs as well as your revenues? Find out how right after this...

Most of the time, I discuss market ideas from the viewpoint of the farmer growing and selling a crop who wants to protect revenues by establishing a selling price. There is also the other side of the income statement to think about: using hedging tools to manage input costs and hedge against higher prices. For example, maybe you buy grain for feed as a livestock producer. Perhaps, you're an oil seed processor crushing soybeans to produce oil and meal. Or, you could be running a feed mill operation.

Fortunately you can use similar grain options & futures strategies that producer use except you need to manage against rising prices, not falling prices. The idea is the same and so are the benefits: put more money in your pocket at the end of the day.

Bottom line, hedging your input costs can be as straightforward as buying grain futures contracts or option protection strategy to offset higher prices. For access to a series of short online videos on how to hedge your input costs, connect with me at 844-982-0011 or commodity-options.ca.

The currency wars continue... – August 19, 2019

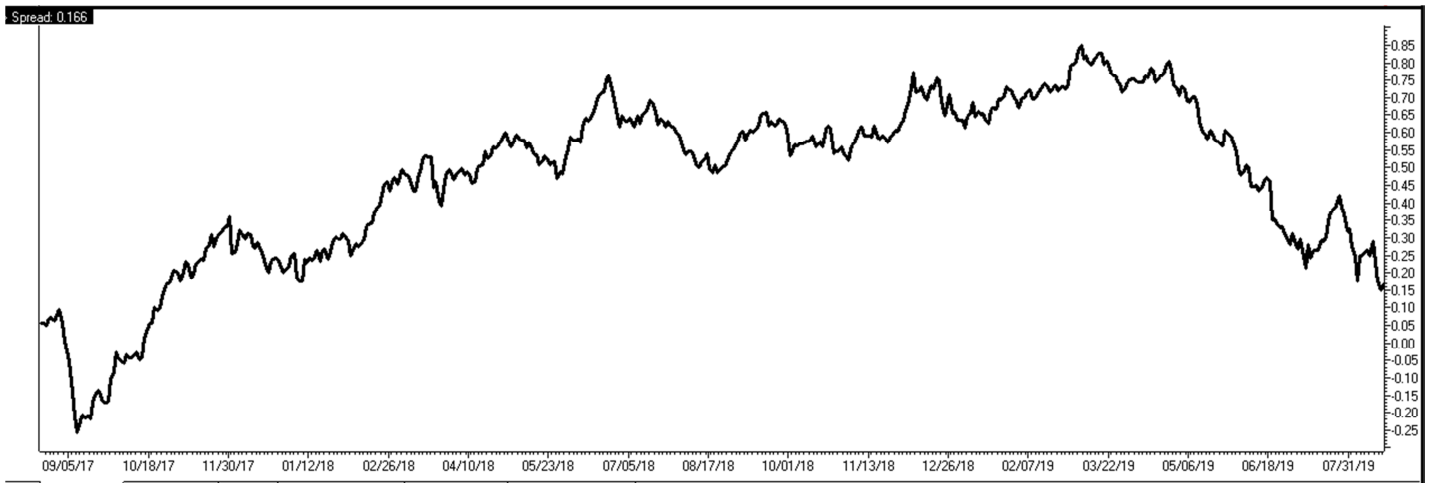
According to recent Reuters articles, the U.S. Treasury declared China a currency manipulator after China's central bank let the yuan drop below the psychologically important level of seven yuan to the dollar, for the first time in over a decade.

The Treasury said China's actions violate its commitment to refrain from competitive devaluation as part of the Group of 20 industrialized countries.

President Trump followed up with this tweet saying: "China dropped the price of their currency to an almost historic low. It's called 'currency manipulation.' Are you listening Federal Reserve?"

With the US President encouraging their central bank to reduce interest rates, where does that leave the Bank of Canada? Will we follow US rates lower? And if so, at what pace? Cutting rates more or less than the US Federal Reserve? Faster or slower?

The US 2-year government bond interest rate spread over Canada has been falling since the beginning of the year. Historically, this would help support the C\$:



Bottom line, in a currency war, it's a race to the bottom for interest rates and how the Bank of Canada responds is yet to be seen. Regardless, it will likely mean more volatility with both risks and opportunities in the loonie. To find out how to proactively manage your farm's currency exposure, connect with me at 844-982-0011 or commodity-options.ca.

Currency Wars (Part III) – August 26, 2019

There are more and more comments from the Executive branch of the US government about lowering interest rates and the US dollar. First, Secretary of Commerce Wilbur Ross said, "We're very upset about the portion of the strength of the dollar that's due to monetary policy by the Fed."

Then President Trump tweeted "The Fed Rate, over a fairly short period of time, should be reduced by at least 100 basis points, with perhaps some quantitative easing as well."

These are some fairly strong comments coming from very high up in the US administration. And given the power in the Presidency and his cabinet, they often get what they want; although, the US central bank is supposed to be independent from the government.

Bottom line, while the strong US dollar isn't just a function of Federal Reserve interest rate policy, it certainly is receiving the focus of the Presidency. Political influence on interest rates isn't a good thing since rates should be driven by economic and financial issues. This will likely lead to more fluctuations in our loonie. To find out how to proactively manage your farm's currency risks and opportunities, connect with me at 844-982-0011 or commodity-options.ca.

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