MARKET WATCH

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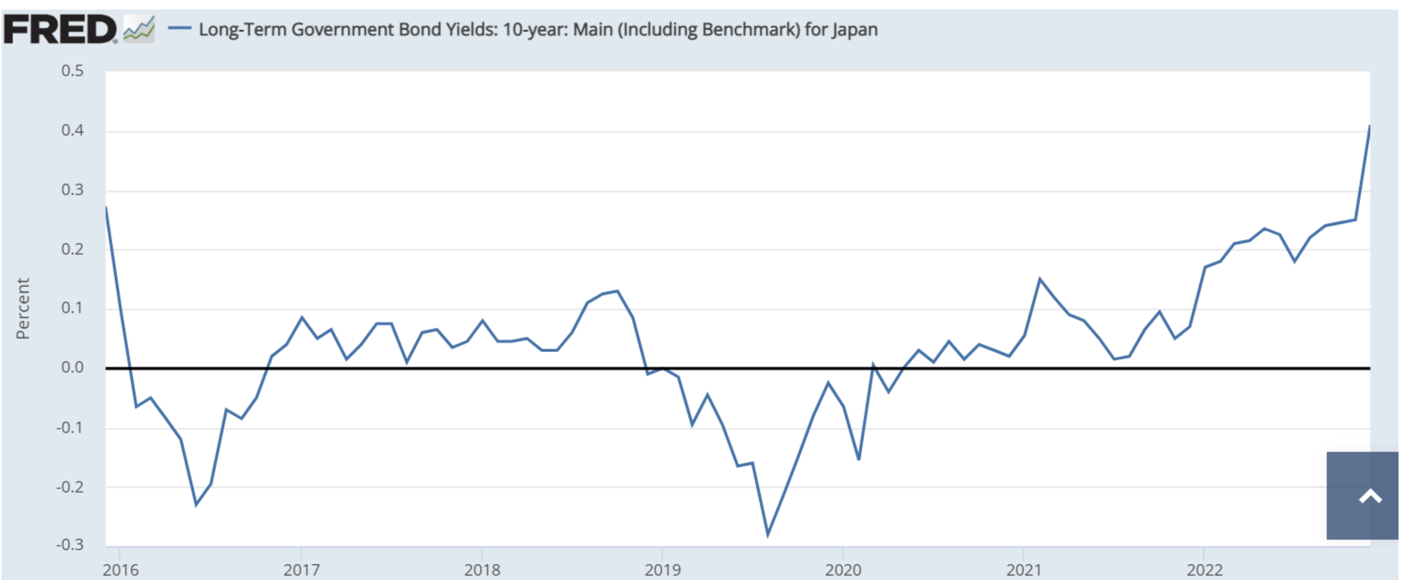
Below are excerpts from my weekly Market Watch radio spots.
Market Watch is broadcast on over two dozen radio stations across Western Canada.

"When you're thirsty, it's too late to be thinking about digging a well."
- Japanese proverb

Higher for Longer – January 2, 2023

Just as interest rates were lower for longer over the past ten years, we could now be higher for longer. The Federal Reserve, the Bank of Canada and all central banks are quasi-government administrative institutions that move at near glacial pace. History suggests that inertia will keep Fed rate policy in a status quo pattern with direction typically slow to change. And the Fed may not want to change their rates dramatically when other major countries are still leaning toward restrictive policy.

Case in point, Japan, the last major financial center keeping rates pegged near zero, is finally letting bond rates fluctuate in a higher, wider range. Ten-year Japanese government bond yields have moved from 0.23% to 0.43%. And while half a percent on a ten-year government bond may not seem like much, yields were more or less negative for many years up until the beginning of 2022.

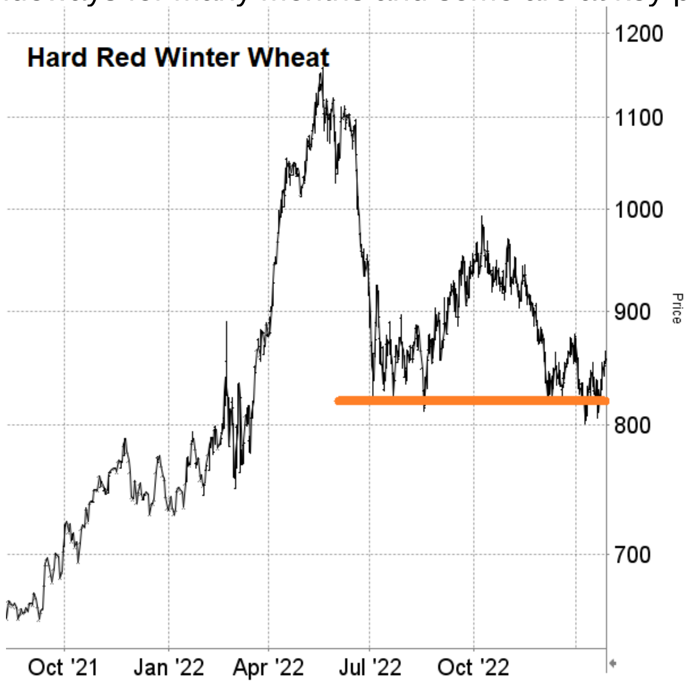


At the same, Europe has some catching up as well given their central bank rate is 2%, yet inflation across Europe is around 10%.

Bottom line, we could be in for another year filled with big interest rate fluctuations and market opportunities. For investment management and financial planning strategies for the New Year, connect with me at 844-982-0011 or commodity-options.ca.

New Crop Marketing – January 9, 2023

It's never too early to plan your marketing strategies for next year, especially with these good prices. Grain prices are still high with new crop canola futures around C$18/bu, spring wheat near US$9, corn US$6 and soybeans US$14/bu. But, many grain markets have been trading sideways for many months and some are at key price support levels.



At the same time, initial gross margin comparisons show some good profit levels, particularly for canola. That's why a lot of growers are hedging enough canola to cover some of their input costs, like expensive fertilizer or fuel. New crop option hedging strategies provide a wide range of favorable prices, without having to commit your grain for delivery. These strategies work in conjunction with your cash sales to reduce risk and capture marketing opportunities as the crop year evolves.

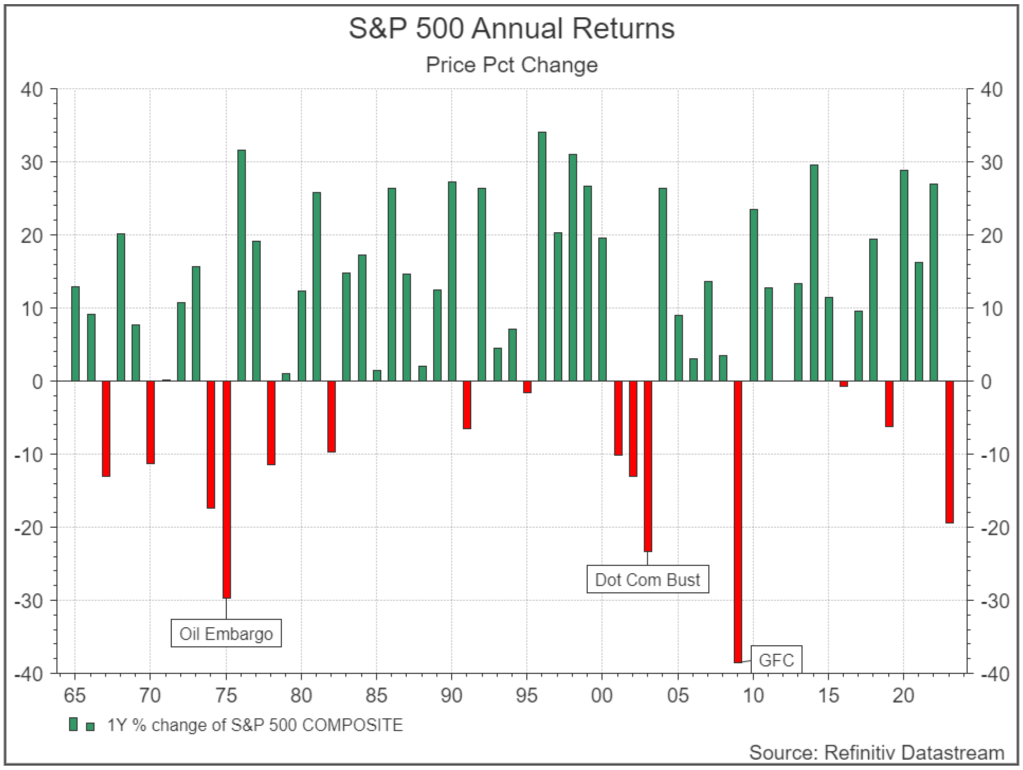
Bottom line, as you consider new crop sales, use option strategies to include valuable flexibility to your canola, wheat, soybean and corn & barley marketing. To get a leg up on the new crop year and find out how these valuable option hedging strategies can work for you too, connect with me at 844-982-0011 or commodity-options.ca.

Odds of another down year for stock markets very low – January 16, 2023

Last year was a weak year for global equity markets, so what will equity markets do in 2023?

This week we'll look back at history as a guide to see how many times markets have fallen for two consecutive years and also what typically happens to prices the year after a big drop.

Going back to the 1960s, the S&P 500 has fallen two years in a row only three times; once during the 1973 oil embargo and then a couple times following the 2000 dot com bust. Meanwhile, going back to the 1950s, the Toronto Stock Exchange Composite has recorded two consecutive years of negative returns four times.



Furthermore, in years the S&P 500 declined -20% or more, the next calendar year it gained every time, with an average of 27%. Likewise, when the Canadian market had a big drop, it was up on average 12% in the following year.

Bottom line, it is very rare for markets to fall for two years in a row so history suggests a positive 2023. But, which sectors will do better, connect with me for investment management and financial planning at 844-982-0011 or commodity-options.ca.

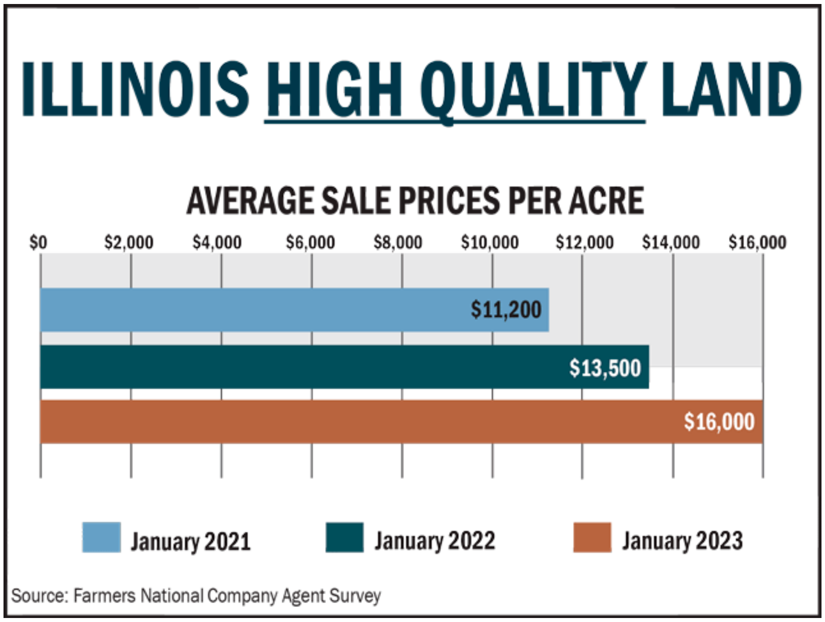
When do farmland prices become too high? - January 23, 2023

When do farmland prices become too high? Maybe not for a while...

Farmland prices continue to rise with farm operators still the highest bidders at 75% of land auctions in the US last year, according to Farmers National Company. However, it is now interesting to read that pro NBA and NFL athlete money is starting to come into the market as well, alongside already established buyers like pension plans, endowments and investment funds.

Furthermore, a Kansas City Federal Reserve bank report showed farmland rising anywhere from 20% to over 30% in the US Corn Belt from last year. High quality land in Illinois averaged US$16,000 per acre compared to around US$11,000 two years ago.

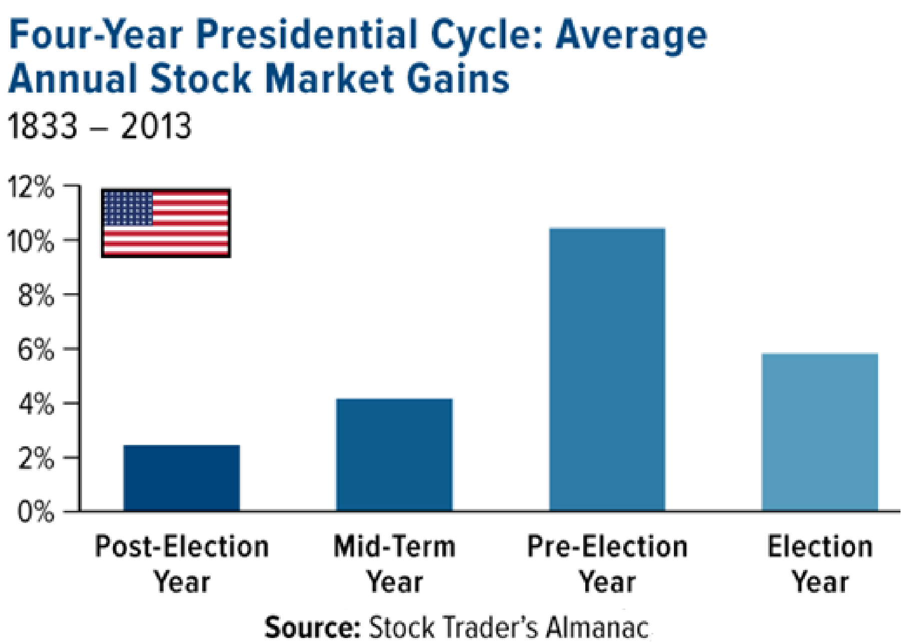
Bottom line, these trends could change depending on where interest rates rate and grain prices go. If rates continue to rise and grain prices continue to drift lower after the price spike of the past three years, it could change farmland economics. But given how steady the uptrend has been for the past several years, perhaps it will take more than that for it to change direction. For commodity analysis and farm marketing strategies, connect with me at 844-982-0011 or commodity-options.ca.



Are stock markets set for a positive 2023? Political history suggests yes. – January 30, 2023

A couple weeks ago we learned that in years following a big stock market decline of 20% or more like we had in 2022, the US S&P 500 index has rebounded every time, with an average return of over 25%. Similar trading patterns occurred in Canada.

Turning to politics, in year three of the four year presidential election cycle, like we are entering in 2023, the S&P 500 has increased about 80% of the time with an average return of over 10%. This makes sense since Presidents will focus on boosting the economy to help them get re-elected so as a result, stocks tend to do well.



Bottom line, each year equities will be affected by different things that have little to do with presidential politics but combined with the fact that markets tend to rebound after a big down year, 2023 could be a good year for stocks. Remember though, history is a guide, not a guarantee, and certain stocks and sectors will do better than others. For investment management and financial planning strategies, connect with me at 844-982-0011 or commodity-options.ca.

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