MARKET WATCH

David Derwin – Portfolio Manager & Investment Advisor
PI Financial Corp.
Connect at www.Commodity-Options.ca or 1-844-982-0011

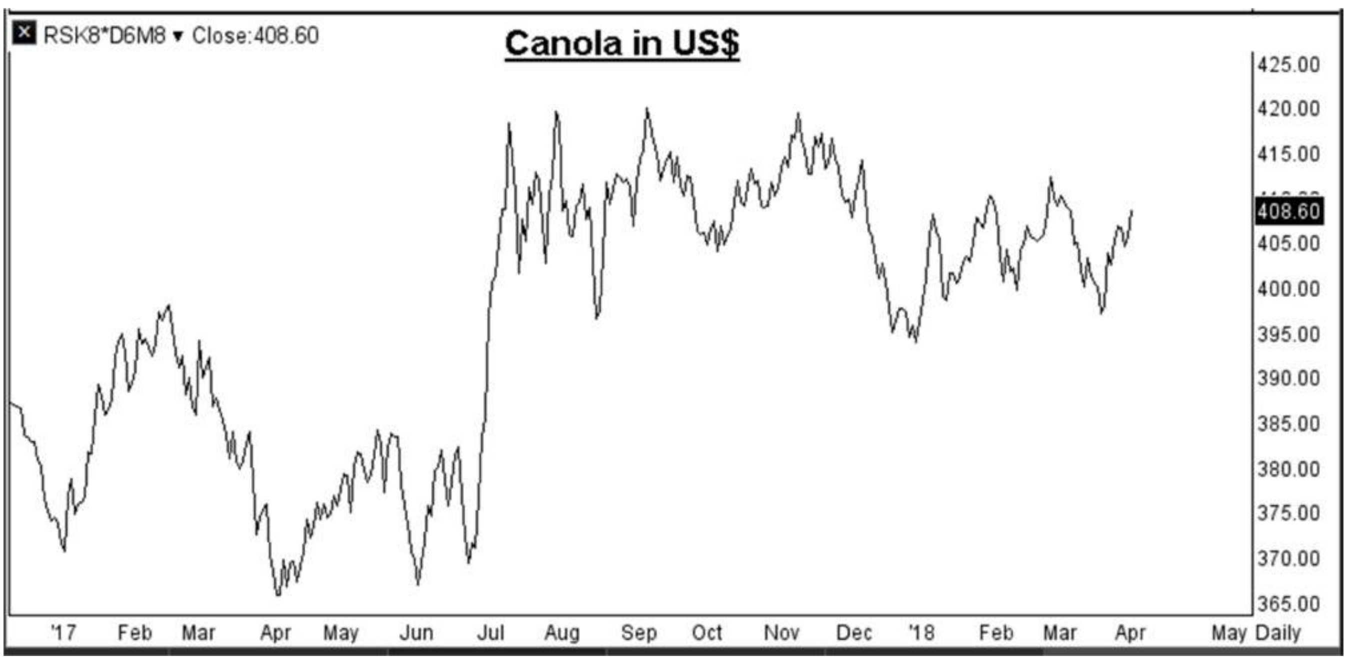
Below are excerpts from my weekly Market Watch radio spots.
Market Watch is broadcast on over two dozen radio stations across Western Canada.

Canola in US$ - April 2, 2018

Recently, I've discussed canola crush margin prices as well as Vancouver export prices. Today, we'll look at another important canola price.

While we mostly think of our canola as valued around $500/tonne or $11.30/bu, buyers in America or around the world who trade in US$ would see it as only about $400/tonne or around $9.00/bushel. So it important to follow the canola price in US$ as well.

When priced in US$, canola has actually been very steady in the past 6-9 months and less volatile than soybeans.



Canola in US$ has fluctuated 6% while soybeans have moved about twice as much, around 14% from high to low. The connection, or correlation, between the two has been lower lately, only about 50%.

The C$ has also had less impact in these past 6 months, with a correlation of only 30% with canola. So other factors and domestic issues specific to canola have been the main price drivers.

Bottom line, the factors influencing canola prices change on a regular basis so it is a good idea to keep an eye on all these items whether it's crush margins, port basis, soybean and global oil seed commodity prices as well as currency levels.

Will China-US Trade War Impact Grain & Meat Markets? – April 9, 2018

With China threatening to retaliate against U.S. agricultural producers after the White House announced $50 billion in tariffs, it's a good time to evaluate how China influences agricultural prices.

The CME Group futures exchange recently released economic research that said: "China is primarily a buyer of U.S. soybeans – imports it could replace with supplies from Argentina and Brazil. It is also an importer of U.S. wheat, which it could find in Russia and Ukraine. The U.S. does export a great deal of pork and, increasingly, beef to China."

"Agricultural goods are to a large extent fungible, or interchangeable. If China reduces imports from the U.S., it will have to increase imports from elsewhere. If other countries increase their exports to China, they won't be able to export as much to other markets, which, in turn, creates an opportunity for U.S. farmers to send their goods elsewhere."

Bottom line, they say that " the overall impact on prices may not be as dramatic as many fear – although it likely won't be positive either." I believe that there will be more price fluctuations in the ag markets. Options and futures are flexible marketing tools ideally suited to volatile market conditions.

Economic Ricochet – April 16, 2018

The problem with trade tariffs is that it's kind of like playing pool; while you might be aiming for a particular billiard ball, it's very hard to predict how they will all ricochet around the table.

A recent article from Reuters analyzed how "the impact of rising steel prices on agriculture illustrates the unintended and unpredictable consequences of aggressive protectionism in a global economy."

Throughout the U.S., tariffs on steel and aluminum imports are boosting costs for equipment, causing some farmers to scrap purchases and expansion plans, according to Reuters' interviews with farmers.

Even if that metal comes from Canada or Mexico, both countries the president has exempted from the levies, it doesn't matter. In our interconnected world, commodities are interchangeable, so the price of one impacts the others as they rattle around the economic billiard table.

Bottom line, collateral damage of this trade war talk could be the C$ and it's hard predict whether it would cause the loonie rise or fall. Either way, to review and assess your currency hedging strategies, connect with me at commodity-options.ca or call 844-982-0011 .

2018 Summer Forecast: Hot, Hot, Hot! – April 23, 2018

Based on the Farmers Almanac analysis, "summer 2018 will be warmer than normal for most of the US with much of the middle and western states seeing the hottest temperatures, especially in July." They're calling for "above-average precipitation" with "quite a few bouts of heavy precipitation across a swath covering parts of the Rockies, Plains, and Midwest."

For Canada, they a forecasting "typical seasonal heat and rainfall" across the Canadian Prairies.

While this isn't an extreme forecast, the fact that we're already starting the growing season with abnormally dry and moderate or severe drought across our Prairies. The same is true of the US with some abnormally day and moderate drought in North & South Dakota as well as moderate, severe, extreme & exceptional drought in Nebraska, Kansas, Oklahoma, Iowa, Missouri & Texas.

Bottom line, weather risk is higher this year than most given the current conditions and forecasts. Who knows, we may even see a replay of the hard red spring wheat scenario that occurred last June when priced jumped 50% in a month. Regardless, it's good to be prepared to manage weather related volatility with very flexible future & options hedging strategies.

Planted Acreage & Seeding Intentions – April 30, 2018

Another Statscan seeding intention report has come and gone, so what. The main issue I have with Statscan seeding intentions reports is they are only that; intentions. We all have intentions but for many reasons don't necessarily follow through on all of them.

Another concern is the survey was conducted the last two weeks in March. More recent weather issues forced some late cropping decision changes causing some acres to move from wheat to canola. On top of that, Statscan reports that 20% of respondents never fully complete the survey including almost 10% that refuse or simply don't respond at all.

It's not that Statscan reports aren't important it's just that growers shouldn't put too much faith in those figures.

Instead, make sure you follow canola and soybean charts and patterns which are a direct measure of prices. Planting intentions are simply an estimate of expectations of supply which only indirectly indicate price.

Bottom line, let your profit margins & market prices guide your marketing decisions. Connect with me at commodity-options.ca or call 844-982-0011 for futures & options hedging strategies you can implement today for the upcoming crop year.