
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.

"Everyone has a plan, until they get punched in the face." -Mike Tyson

Forecasting the Future? - March 6, 2023

"Preparing for challenging times rather than good times makes sense in an era of extreme volatility."

A recent article by Ed White of the Western Producer really got me thinking about what it means to manage risk.

His article starts off with a recap of a recent talk by former Bank of Canada governor Stephen Poloz stating that "it will no longer be useful to try to forecast the future. Instead, what we should be doing is identifying scenarios that we think have meaning. (That) there's a (possibility) that they will occur. And just ensure that your business is prepared for all of them."

Furthermore, White goes on to say that farmers should deal with the risks they can control. While it's difficult to plan for the vast array of potential economic outcomes, farm marketing plans that include flexible option hedging strategies using puts and calls can help you manage a wide range of commodity price swings.

Bottom line, while you can't control global markets, you can control, to some extent, the impact they have on your farming operation. For flexible farm marketing strategies, connect with me at 844-982-0011 or commodity-options.ca.

Winners & Losers - March 13, 2023

When interest rates have risen, potentially leading to recession, which investments tend to do better?

In an environment when short term rates are higher than long term rates, some investment sectors have historically done better than others.

In particular, steadier more defensive sectors like utilities, power & energy as well as health care outperform and can even produce positive returns. In addition, investments that payout dividends or interest income that increase as rates go up will do better under these conditions.

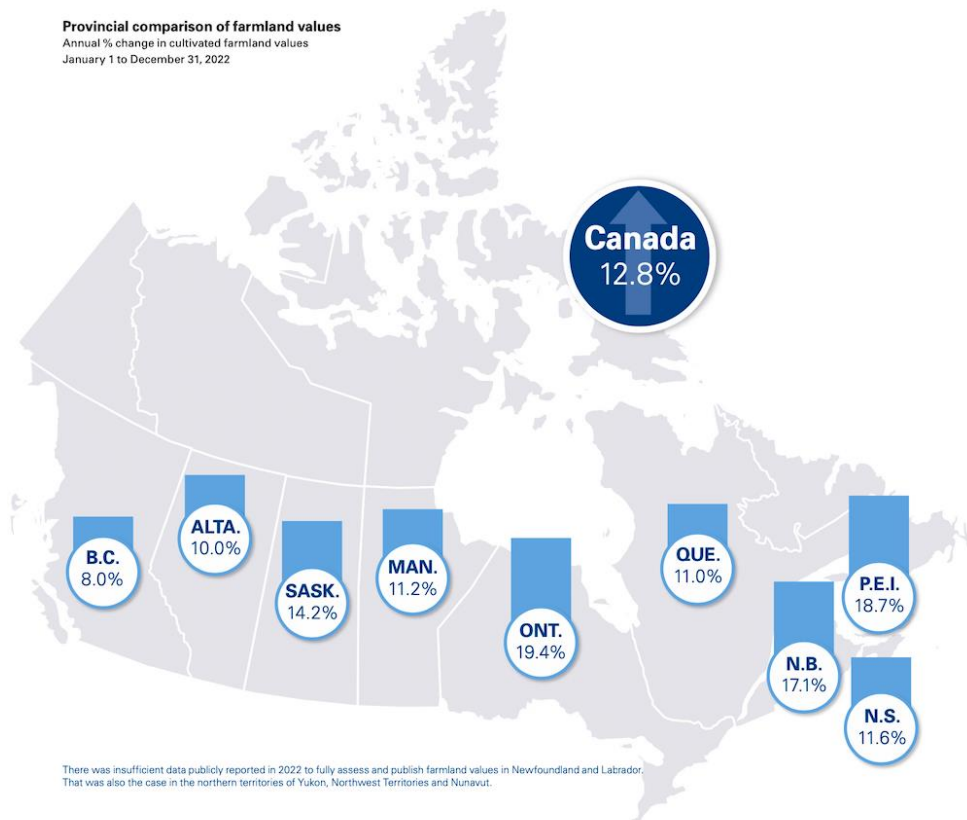
The US dollar is also usually a big winner. Even though the US has its own issues with large debt load and is subject to an economic slowdown as well, it is still the cleanest dirty shirt.

Meanwhile, the biggest losers are typically, high growth technology stocks and consumer discretionary companies that produce non-essential & luxury items and, of course, long-term bonds, since bond values go down when rates go up.

Bottom line, even when interest rates have risen and possibly leading to a recession, some investment sectors can still outperform to generate gains to help keep your overall portfolio on track for the long-term. For investment management and financial planning strategies, connect with me at 844-982-0011 or commodity-options.ca.

Farmland vs Interest Rates - March 20, 2023

Interest rates have been rising but so too have farmland values. A recent Farm Credit Canada's (FCC) report showed farmland value up almost 13% across the country last year, the biggest increase in seven years. Prices were 11% higher in Manitoba, 14% in Saskatchewan and 10% in Alberta.



So far, Bank of Canada interest rates going from near zero to 4.5% hasn't had an impact on land values. As a farmer's largest investments, it's good to see values still going up. But, grain prices and farm receipts will influence farmland values over time.

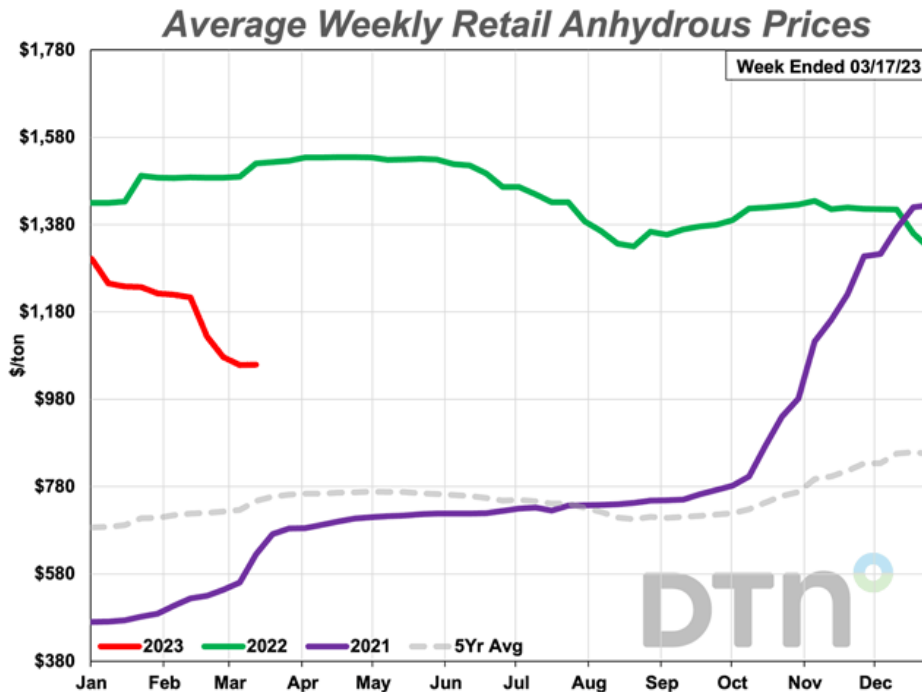
We've had grain prices rising over the past few years starting in 2020 with COVID induced food hoarding, drought across the Prairies in 2021 and then war breaking out in a major breadbasket in Ukraine last year. It would take one or two events with similar impact to push prices back up dramatically since grain prices have been drifting lower since last summer.

Bottom line, if crop prices continue to trend lower, what impact could that have on land prices and your farm profitability? For crop hedging strategies to capture revenue opportunities and manage price risk, connect with me at 844-982-0011 or commodity-options.ca.

Gross Profit Margins - March 27, 2023

Farming, like any other business, is a margin game affected by commodity price volatility on both the revenue and expense side of the income statement. Lately the revenue side has been drifting lower with an overall grain crop price index down around 25% since their highs last June. At the same time, input costs have fallen too.

Based on DTN fertilizer analysis, prices are down on average almost 25% compared to one year ago, ranging from 15% for DAP to 33% for urea.



Crude oil and diesel futures have fallen 40% since last year with diesel prices across the Prairies down about 20% from their highs of a year ago.

However, one key input expense that has stayed at their highs, so far, are borrowing costs. But of course, we know interest rates can change as well.

Bottom line, commodity prices will always fluctuate so for options and futures hedging strategies to capture higher revenues, reduce expenses and widen your gross profit margins, 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.