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 everyone is yelling, you should be selling.
When everyone is crying, you should be buying."
- Wall Street Anecdote

The Big Picture so far... - July 3, 2023

At the midway point of the year, there have been some big market movements already.

In agriculture, canola is lower by 10%, corn down 20%, wheat futures off between 5% and 15% and soybeans down a couple percent.

Full weight cattle futures are 13% higher with feeders up 22%, while hogs have dropped 15%.
Turning to energies, crude oil is down almost 15% and natural gas has plummeted 50%.
For the metals markets, an index of industrial metals like copper & aluminum is off 10%.
Overall, a broad-based basket of commodities has fallen 10%.

In foreign exchange markets, the US dollar Index is almost exactly unchanged. At the same time, our loonie is up only 2% versus the US dollar, and has been trading sideways all year.

Long term 10-year government bonds yields are essentially unchanged, but short-term central bank rates are up half a percentage point in both Canada and the US.

Finally, major North American stock market indices are up on average 8%, with the US S&P 500 rising 13% but the Canadian TSX is higher by only 3%.

Commodities

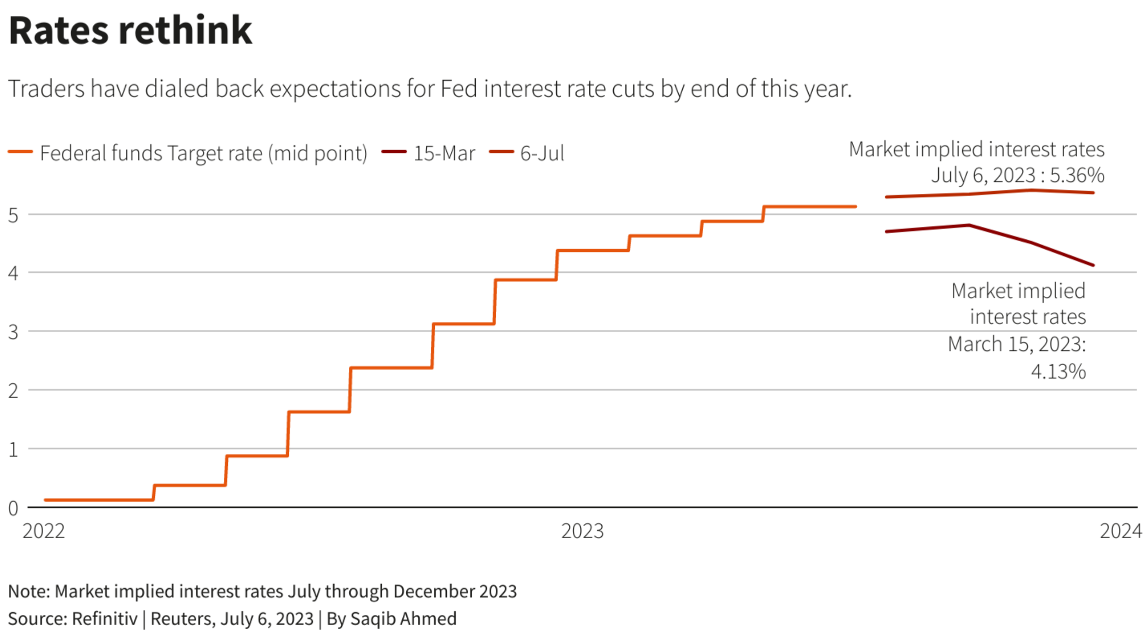
Commodity	Level	% MTD	% YTD
Index			
S&P GSCI Commodity Index (TR)	540.46	2.32	(11.41)
Bloomberg Commodity Index (TR)	226.74	4.04	(7.79)
Thomson CRB Commodity Index	291.36	3.66	(3.31)
Precious Metals			
Gold	1,916.00	(2.81)	5.53
Silver	22.76	(3.43)	(4.17)
Platinum	897.00	(10.57)	(13.00)
Palladium	1,254.00	(9.78)	(29.35)
Industrial Metals			
Copper	3.75	3.15	(1.54)
Aluminium	2,110.50	(7.70)	(10.17)
Nickel	20,346.13	(0.43)	(31.92)
Zinc	2,382.25	6.84	(20.68)
Tin	27,462.00	6.85	10.94
Lead	2,143.50	6.56	(8.26)
Iron Ore	1,380.04	11.05	9.64

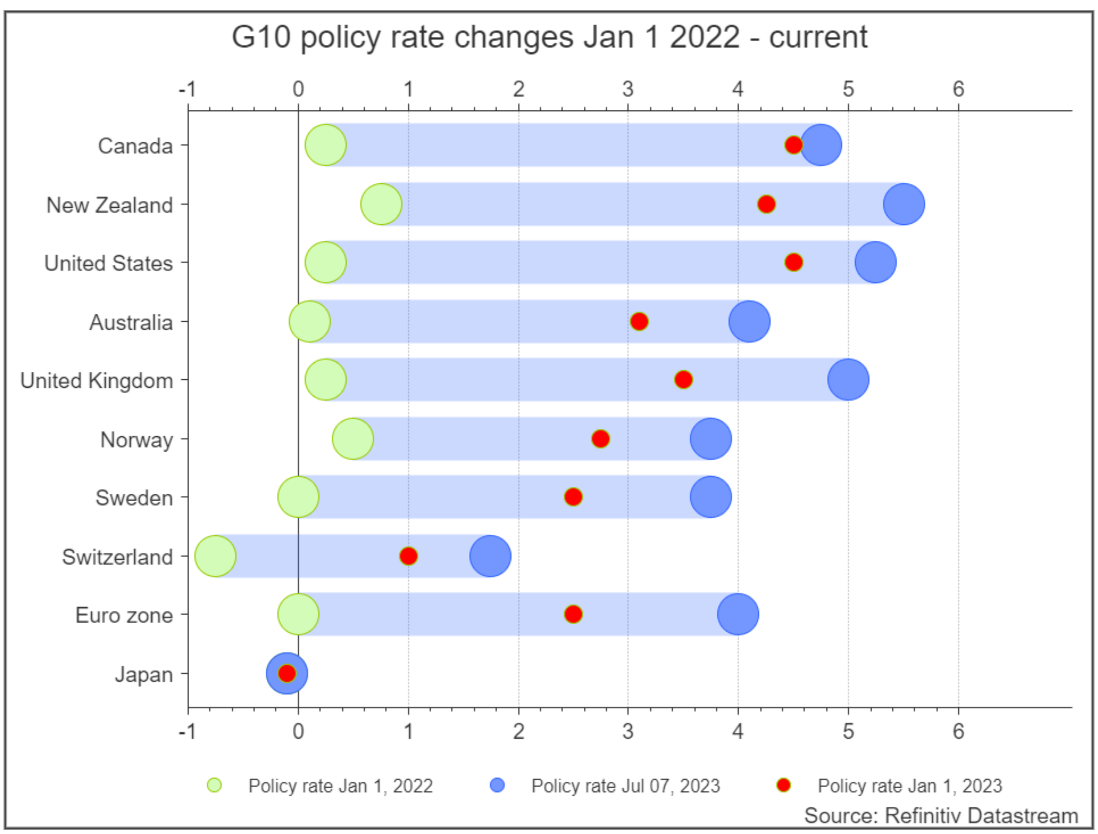
Commodity	Level	% MTD	% YTD
Energy			
Brent Crude	74.51	1.82	(12.26)
WTI Crude Oil	70.64	3.75	(11.95)
Natural Gas Henry Hub	2.77	22.42	(37.38)
Gasoline Unleaded	261.16	3.07	(0.12)
Heating Oil	2.33	11.02	(25.61)
Propane	54.13	(12.69)	(24.56)
Ethanol	2.50	(3.47)	2.04
Agriculture			
Wheat	6.35	7.17	(18.24)
Corn	5.31	(13.24)	(19.67)
Soyabeans	15.08	15.38	0.40
Cocoa	3,298.19	12.15	31.11
Sugar	22.86	(7.67)	20.89
Cotton	76.12	(4.31)	(7.54)
Livestock			
Live Cattle	181.50	7.24	17.23
Hogs	95.65	15.83	9.07

Higher for Longer Part 2 - July 10, 2023

As I said at the beginning of the year during the first week of January, it's going to be higher for longer.

Just as interest rates were lower for longer over the past ten years, we are now in a higher for longer era. The Federal Reserve, the Bank of Canada and all central banks are quasi-government administrative institutions that are cautious not to change policy direction too often. Currently, most major countries are still pursuing restrictive policy with rates moving sideways to higher.





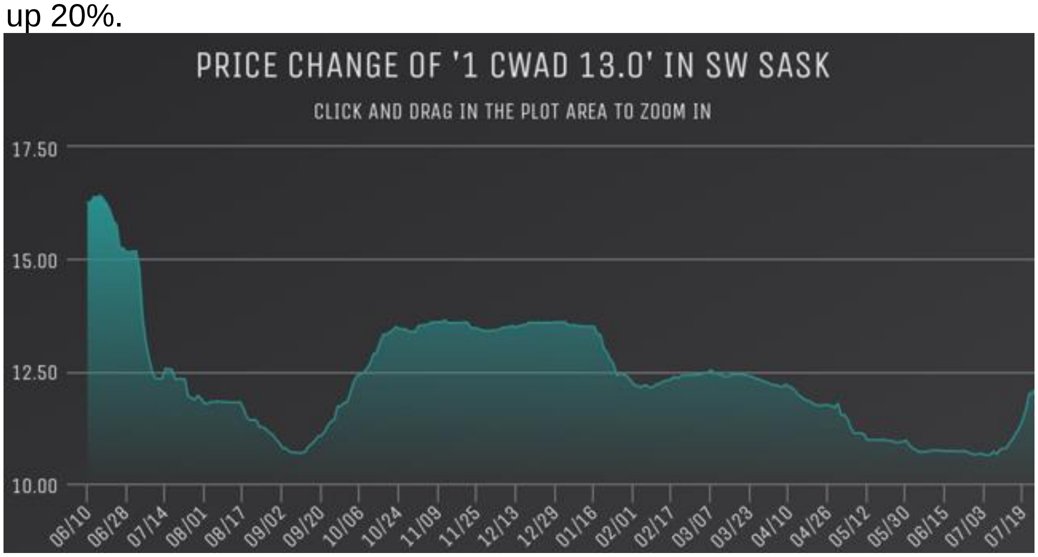
The really long-term average for interest rates is around this 5% level, but they reached up to 10% or more half a dozen times since the 1950s. While this doesn't mean the US central bank rate is going to go 10% or more this time around, by definition, rates could go higher and still be within this longer-term average range.

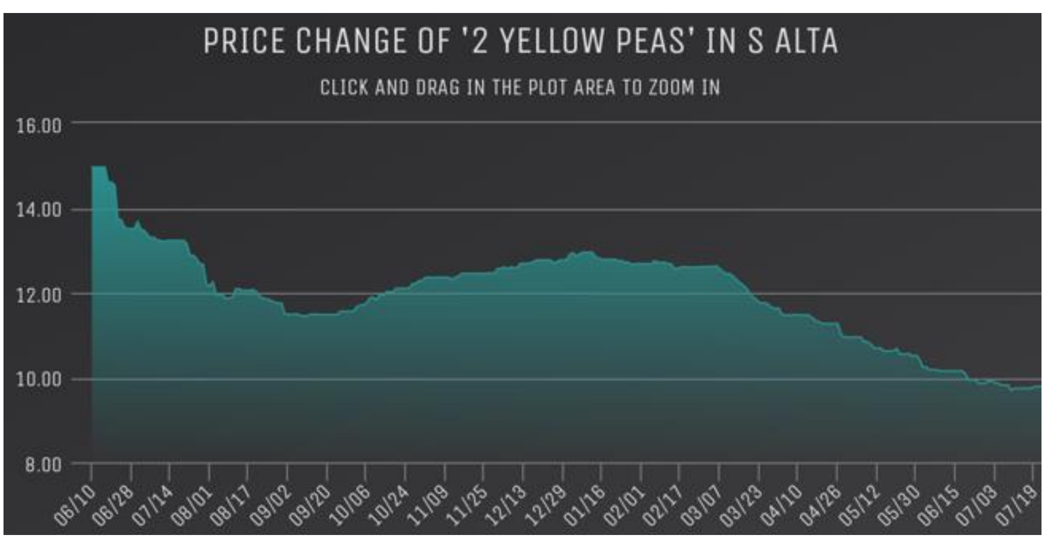
Bottom line, regardless of whether central banks move rates up or down 25 or 50 percentage points over the course of next several meetings, rates could easily stay near these elevated levels for a few years yet. For global market insights and financial strategies, connect with me at 204-982-0011 or commodity-options.ca.

Smaller Crops Can Have a Big Impact - July 17, 2023

While the large crops with associated futures markets like canola, wheat, soybeans and corn get most of the attention, the smaller crops are just as important to track. Specialty and smaller crops are an important part of many farmers rotation plan, representing about 1/3 of crop acres across Canada. Their price volatility and fluctuations over the past year have been similar to the grain futures price movements.

For example, North American cash barley prices are down 15% and durum is off 15% as well. Peas have fallen 25% with oats tumbling 35%. Lentils, depending on the type, range from being down 9% to up 20%.





With all this volatility, what can you do about it to protect your revenues? While corn futures and options can be used as a decent cross hedge for barley, what strategies are there for the other crops?

Bottom line, this is where creative hedging ideas come into play, especially if you grow a lot of durum, barley or specialty and pulse crops. To find out how, connect with me at 204-982-0011 or commodity-options.ca.

The Power of Diversification - July 24, 2023

We all know that diversification is a valuable concept in business and investment. The Purdue University Center for Commercial Agriculture showed it applies to grain marketing as well. They released a study recently on corn marketing strategies comparing just making cash sales, versus adding a basic storage hedging strategy once the crop was in the bin and finally adding a strategy that implements and roll hedges throughout the crop year.

The study concludes that, in general, producers that are interested in reducing downside risk would choose combinations of cash sales as well as hedging and rolling strategies over the course of the year. They work together overtime to contribute a net positive return per acre.

Furthermore, the most proactive approach of "a hedge and roll strategy throughout the crop year had the lowest downside risk level of any of the individual strategies."

Bottom line, no one size fits all and you shouldn't market too much grain at one time, at one price, with one strategy. It's better to diversify across time, strategy and price. Do you have enough flexible option hedging tools in your marketing toolbox? Connect with me at 204-982-0011 or commodity-options.ca.

The tail can also wag the dog – July 31, 2023

It is important to track crude oil to gain insights into where grain prices could move, given the interconnections between energy prices with renewable fuels and, then in turn, ethanol, corn, oilseeds, and cereals. But sometimes it can happen in reverse.

A recent CME Group study showed that "crude oil prices tend to take the lead from a market that is about 20 times smaller -- soybean oil. This unique relationship began in 2006 when soybean oil prices were rising even as crude oil was falling. Soybean oil prices peaked in 2008, with crude oil reversing course and reaching its own peak six months later. This pattern has been repeated over the years. One reason why could be due to the biofuel mandate in over 60 countries."

Interestingly, over the past 6 to 12 months, soyoil and crude oil had been drifting lower together, until a recent strong rally in both markets over the past two months.

Bottom line, all markets are connected in some way or another, playing an ever-changing game of tug of war and causing unexpected influences on prices. For market analysis and trading insights, connect with me at 204-982-0011 or commodity-options.ca.