
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.

Cattle Price Protection – May 4, 2020

When it comes to insurance, we all know that the higher the perceived risk, the higher the premium. The same is true in the commodity options market.

The cattle market pricing programs have received a lot of attention lately. The WLPPI insurance premiums are extremely expensive right now because of the high volatility.

Likewise, since options protect against price fluctuations, puts & calls are much more expensive than they were a couple of months ago before all the coronavirus uncertainty.

Cattle futures had dropped over 30% from their levels in January and have since recovered about 15% from those lows in the past month. That's a lot of movement and as a result, volatility levels are near the highest levels in over 20 years.

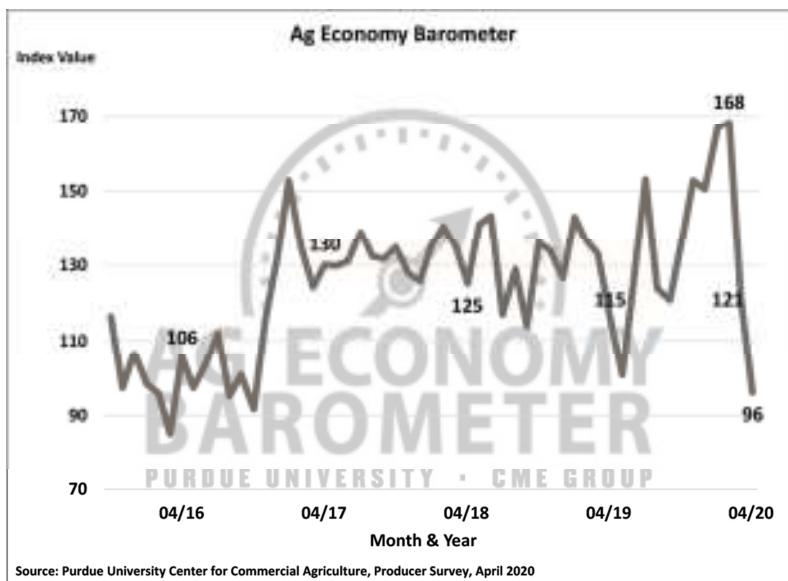
Bottom line, I've seen cattle producers use both the WLPPI and options or futures over the years depending on market conditions so it's good to have access to both. In this current environment, creating your own flexible options strategies with a customized range of price coverage that reduces the overall cost of protection is a great alternative. To develop your own personalized cattle hedging programs, connect with me at 844-982-0011 or commodity-options.ca.

Purdue University-CME Group Ag Economy Barometer – May 11, 2020

Based on the *Purdue University-CME Group survey*, their *Ag Economy Barometer* dropped sharply in the past couple of months, falling below 100 for the first time since October 2016. This has wiped out all of the improvement in US farmer sentiment that took place following the 2016 Presidential election.

Declines in both the *Index of Current Conditions* and the *Index of Future Expectations* drove the overall barometer lower with the largest decline occurring in producers' perceptions about their current situation.

The main concerns regarding their farm and COVID-19 were their farm's market access as well as financial concern. Underpinning the rise in pessimism among farmers was a decline in principal commodity prices over the last couple of months.



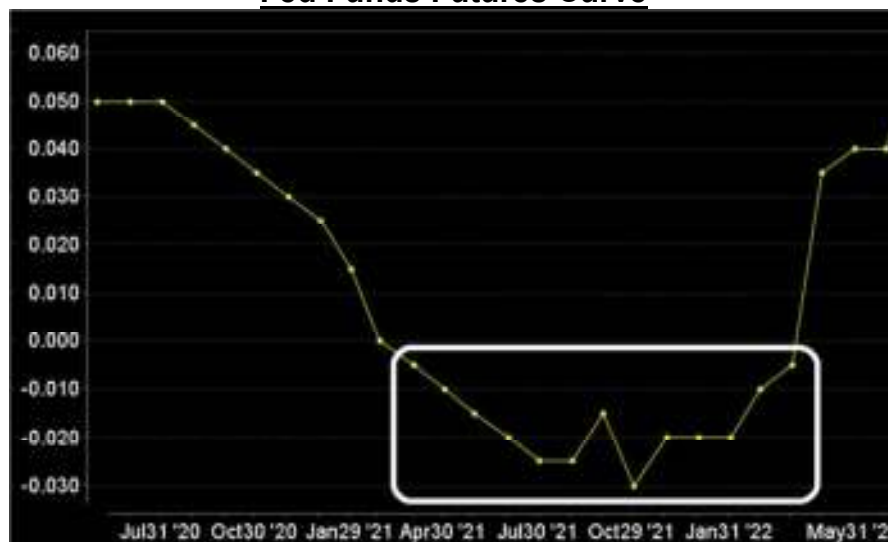
Since commodity prices and top line revenue decisions will have a big impact on bottom line profits, be prepared to capture any improvements in basis or increase in futures prices that develop over the course of the year. To help fine tune on your marketing with options & futures hedging strategies, connect with me at 844-982-0011 or commodity-options.ca.

Negative oil prices. Negative interest rates? – May 18, 2020

First we just had negative oil prices in the US, now we could have negative interest rates in the US. Whether its stocks, bonds, currency commodities or real estate, the cost of money affects all asset prices so when interest rates change in either direction, it affects all economic activity.

Negative rates are nothing new. There have been negative rates in Europe and Japan for years. Trump wants lower rates in the US like elsewhere in the world when he tweeted: "As long as other countries are receiving the benefits of Negative Rates, the USA should also accept the 'GIFT'." The markets seem to be anticipating negative central bank rates in the US too. Fed Fund rate futures are already pricing in a negative rates for all of next year. (SEE CHART) This is despite the Federal Reserve saying: "This is not something that we're looking at."

Fed Funds Futures Curve



Bottom line, Trump eventually got the zero rates he was wanting for the US economy, now he may get negative rates as well. The important question would then be: What would the Bank of Canada do in response? For market analysis and farm hedging programs, connect with me at [844-982-0011](tel:844-982-0011) or commodity-options.ca.

Summer Weather Outlook – May 25, 2020

The summer forecast from the Farmers' Almanac starts on a stormy note in most US regions. July runs hot for much of the northern and mid-west growing regions. Well-above-normal temperatures are predicted but with only near average precipitation. In the Texas and Oklahoma areas, the forecast is sweltering and showery.

On the Canadian Prairies, the story is essentially the same as across the border. Summer will arrive in full force by July with sweltering heat and above to much-above normal temperatures. However, we'll only see near-normal precipitation.



Based on Ag Canada data, abnormally dry conditions continue in northwestern Alberta, southern Saskatchewan as well as central Manitoba. While overall soil moisture is good, adequate precipitation is still required throughout the region for the growing season.

Bottom line, we all know that weather can create good pricing opportunities so be ready with options & futures strategies, which are ideally suited to weather driven markets. For commodity analysis and hedging programs, connect at 844-982-0011 or commodity-options.ca.

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