March 9, 2010

Friends:

Jeff & others....great to hear from you. I am sorry you didn't get a copy of the plan from 2008. Hopefully, I can improve my fulfillment system this time around. Great question, you asked, "Just curious, are beans still inside Quigley's ellipse?"

As to your question, in my view, last Friday beans broke out of the ellipse to the downside. Because it comes off the weekly chart, it is always debatable on any given day to the exact price, but the thing is set up for a gap lower after the report Wednesday, which would be very destructive to the bean market. NOTE: I said "set-up"....that does not mean it has to happen, just that the market has walked this tightrope and cannot seem to get traction. This is one of those times when fundamentals help determine which energy level the market will trade at. Wheat and beans have no energy and much like a glider this often leads to markets settling back to a lower energy level.

Corn of course is a far different animal, but new crop corn will have massive acreage thrown at it if indeed bean prices slide much lower. On our farm, it is already $150 an acre better to plant c-c no-till, than it is to plant beans. And this is using a 180 corn yield and a 57 bu bean yield. So just imagine out in IA where the ratio is 200 corn to 50 beans. Point being that corn will have trouble defending high values IF beans implode.

So, all of that said, I cannot help but feel that the 1980 analog is in control for now. 1980 had a low in early June and then a weather driven rally supported by abundant flows of currency heading into an election (sound familiar).

CAVEAT: It is very wise to remember that we must follow the market. I will not be surprised in the least if the markets turn higher for the normal spring seasonal rally. I am just not willing to un-hedge great sales at this time because the odds of this seem low. We remain kind of in no mans land in the grain markets. IF nearby corn finally retreats back to its support at $3.15, Dec at 3.60, and beans get back to $8.15 (Cash with a $7 in front seems very likely), THEN we will strongly consider lifting hedges. OR if the time comes to fruition (remember I am a time guy) we will certainly plan to lift hedges in June if the market declines until then. We remain at 100% sold 2010 crops with a 4.97 corn avg and bean avg at 11.77. So, I am just very skeptical of being too smart by half at this moment in time.

Hope this clarifies things a little. For today, I must be quite bearish DESPITE the 60 year cycle that Gann Global is following. Going against the 60 year cycle is gutsy and maybe stupid. Also, being so sold I admit that I am emotionally invested in the hope that prices collapse. So, just know that I have a desired outcome which sometimes taints the view of things.

Grains feel to me EXACTLY like hogs did last June. Ready for a rally...This was right before the washout collapse. Of course, the meats have rallied much higher than they were last June at this point, but the collapse still happened. Beans/wheat seem to be in just such a place.

TACTICS: Sell beans and use a stop above last week's high. Simple and it forces my view to be proven wrong. I would love to be proven wrong....but have learned to be true to my thoughts regardless.

MARCH REPORT: Well, the grain markets just have to prove the report even matters at all. The comments above would be the same regardless of any report coming out. So, I will take the "show me you care attitude."

Good Luck,
Ken