

August 9, 2010

Friends:

Below is my attempt at an answer to some good questions.

A lengthy email will follow tonight, but 8/10 is here, we have been rewarded amazingly for our decisions in June, time to bring the selling triggers in real tight for us, again more to follow.

Q & A Responses:

Question:

Ken,

Now I want to understand the sell signals to use to sell some puts and recoup a bit of this upside move. How do you figure a 10.5 day moving average of the close?

FIRST, I certainly hope you are not selling puts on a sell signal. You can sell calls, or buy puts, but selling puts is the wrong trigger. So, I'll assume you meant sell calls, or buy puts for my answers. EDITORIAL COMMENT: It is way too early in this game to sell corn or wheat calls in my view. Selling Oct bean calls is quite interesting but still has some risk of course.

Back to your question:

OK, in my charting package, I have a moving average choice that allows me to show a moving average of LOWS, HIGHS, OR a moving average of the CLOSES. Also, can choose, the lowest low of the last number of bars, etc, and I can vary the number. For selling as we enter a strong timing window, I PERSONALLY, (you must pick your own PERSONAL favorite), just happen to like the 10.5 day simple moving average of the closes. (In the past, the only thing you had was MA of the closes if that helps) So, it is a simple 10.5 day moving average. I PERSONALLY like the 10.5 trading days as it is 25% of 45 trading days.

Again, you can play around and maybe you personally will like 13 days which lets me get sold right before it turns around and rallies higher. Or maybe you like 5 days because you just want it sold so you can sleep....NO WRONG ANSWERS!

ALSO, as a market rallies into my timing points, like beans right now, I tend to modify and use faster and faster triggers. So, I might end up with a 10 bar moving average on a 10 minute bar chart on 8/10 for example. Again, just personal choices. No right or wrong answers....WELL actually using a price target is the wrong answer but that is for another time.

Question: I get free charts from ADMIS. The "Parabolic Time Price" indicator choice shows " Set: 50" I can change this number and assume the smaller the number the quicker the indicator. What number would you recommend I use?

WOW...getting pretty deep even for me. Here is how I have it set up in my computer. BUT FIRST, IF I was smart enough, I would have the computer do an optimization study. Not that smart. Sorry.

SO, I have a "Wilder Parabolic". For SX11, since I think a high is pretty close, I have modified the settings to the following, UpperLower=0; AF= .014 which makes it very parabolic, Max AF=.2; Shifted forward 1 day. So, for SX11 today, the stop is 1008, and at this moment in time if we closed as we are trading it would 10.14 tomorrow.

LASTLY, I have been called to a "Income Goal Review" by my partners for tomorrow. Since exiting the bean hedges in April and June, beans have rallied over a \$1, we have nice bean crop coming, and if we just take this, it will put the net selling price close well over \$13. HENCE, the "Goal" discussion! This, and I was already getting bearish beans, so we may just re-price and walk away from the table.

We always retain the right to just do something like sell regardless of the timing or price level. Again, just trying to communicate the realities.

Take care,
Ken