

September 26, 2007

Friends:

Hopefully, you will accept this idea as something that you might find of value. If not, discard. Remember, this would have to be reported as a spec position for taxes, but that doesn't mean it isn't a good or bad idea.

I just wanted to bring this forward as a way of reviewing what happened and what to do about it. Some on this board have accused me of defamation for similar posts about their work. Obviously, if you discuss a failed analysis it is hardly a personal assault but I strongly feel that reviewing the outcomes of things is the only way to learn anything of value. I am certainly fair game for myself.

So, the Bear-elephant was put to sleep with a neutron bomb called Wheat it would seem. The new crop markets obliterated the topping patterns with major gaps higher. So, what is next?

Well, at the risk of returning to the scene of the last failed analysis. These gaps up have got to hold. And more specifically, the highs on Friday or Monday need to be exceeded pretty quickly. The rally in cz8 & 9 lasted 27/28 days, for example. This is a place with an extremely valid topping pattern and with stops that we can use with a very high degree of confidence. Sell it and use Monday's high for a stop.

The posts above about WN have been exceedingly accurate and now that the market has tested the high and actually ran the stops getting to 641, the market presents us with decision point of tremendous value and exceedingly small risks.

A bold and daring plan..... or the Iraqi air force???? Well, at least I submit this plan for your consideration. It is simple and brilliant or possibly stupid. All great marketing moves BY DEFINITION will either look Brilliant or Stupid in hindsight. If not, it wasn't a great marketing move, merely a good move.

Hedge the 08 corn in the WN8 option. And because we are at such a critical moment in time in the wheat, with simply amazingly small risks that seem valid, it can be done with less risk than selling cz8. Simply, sell 20% of the 08 corn in the WN8 using a stop below the previous day's low. Then cover these on buy stop above contract highs after you are filled. Do another 20% the next using the same rule, previous day's low and contract highs. Do this till you get to your sales goal. For us, we'll go 60% because it just seems like such a great idea.

Why? Well, the wn8-cz8 spread is just extremely likely to narrow. SO, we have the near perfect timing in wheat and then historic spread relationships working in our favor on this.

And if we are wrong and WN keeps going higher, we are likely not hedged and even if we get hedged we are risking 10 to 20 cents on a strategy that is easily a 90 cent to 1.50 reward with it.

Thoughts?

By the way...if all can see inflation coming, is it already here and bid into the current price?

Be safe,  
Ken