

DEFINING "HAMMER TIME"

As we have quite a few members joining the group that are unfamiliar with some of my "words", it has become quite clear that some definition is required. To that end, I'll first tackle explaining the meaning of "HAMMER TIME" which is ALWAYS depicted with a **Purple Diamond** on the charts that I post.

A little background is required. It has been our experience that most, if not all, farmers (ourselves included) are rather poor commodity traders. If they were good traders, why farm in the first place. Typically, the farmer has limited capital for hedging and most banks are quite reluctant to grant more than minimal needs. And, lastly, hedging profits and losses must be reported to the IRS marked to market at the end of the calendar year. This makes the hedging account an profit center of record, meaning everyone knows how it did on its own. It also places all profits or losses for deferred sales in the wrong tax year. All of these factors combined place the farm hedger in a tough spot mentally. Since trading is a mental game, the odds of failure are quite high. For all these reasons, we are very reluctant to take hedge positions in a normal futures account.

The vast majority of our risk management program intentionally uses other methods or products from buyers. The new Cargill Daily Floor Plus is an excellent example of a way to shift price for 2012 without taking any hedging margin risk in this tax year. Pacer-Ultra's are another great tool if used at the right time.

Taken together, we will rarely have more than a 20% of one crop year position in the futures accounts. So, by definition, we only want to use the hedging account at very SELECTIVE MOMENTS IN TIME. Times when the risk of loss in inventory value is very high. And times when we have a great deal of confidence in our approach.

To this end, and to have a little fun, I have chosen to label this window in time that requires action, "**HAMMER TIME!**" You might remember the rap song. Point being it is time to "Bring the **HAMMER**" to the markets. These are moments when action must be taken to manage risk. They are also rare.

For example, I have not had a "Hammer Time" Purple Diamond on a corn chart in a very long time. This does not mean that I think nothing should be sold, quite the contrary, we are very sold corn using our tools and triggers, but have taken only very small and very short term short positions in corn.

Another example, as you longer-term friends know, we have had a "Hammer Time" Purple Diamond on the WN12 chart since March 20th when we placed it in on the chart for April 25th at 9.35. Here again though, note we did not place the Diamond on the WN11 chart, we used the WN12 because of the gross amount of carry built into the market. **"HAMMER TIME"** is designed to be a signal of extremely rare events that require farmers to think about their inventory position. I have attached the WN12 chart so you can see the purple diamond and resulting events.

This past week, I have removed the "Hammers" from nearby soybeans because they look ready to break out and put in their last leg higher that will end the grain market bull runs. **If we apply the same math ratios from wheat to soybeans**, the high will be **September 9th** @ either 16.40 or \$18 for example. Obviously that would be weather driven and the weather is not very predictable, so for right now, we have to respect the upside. We are using the July 8th gap higher as our indicator and it is holding very well. We still are heavily sold the 11 crop since the highs in February. That was and is a good position to take, locking in huge profits. The point of **"HAMMER TIME"** is get **MENTALLY** ready to **BRING THE HAMMER**.

If soybeans do indeed rally vertically into Sept 9th, will you be ready mentally and FINANCIALLY to **BRING THE HAMMER**? IF not, GET READY.

I reprint this portion of the last update:

To that end, I have attached some new soybean charts and new meal charts. Much like wheat earlier this year, the picture becomes very clear just in time to capitalize. IT IS IMPERATIVE to note, that we must ALLOW for the weather market to continue (UNTIL July8th lows are broken). As such, **the 144 weekly count**, (yes that is WEEKLY for recently joined peers), that **clearly projected a low for Sept/Oct, (AND in 9 out of 10 years WOULD BE a LOW)** must now be shifted to a possible high. IF it plays out this way, it will be a HUGE HAMMER TIME opportunity, multi-year in nature.

SHIFTING "HAMMER TIME". To this end, the **"Hammer Time Purple Diamonds"** that I had placed on the soybean charts for **JULY 29th must be shifted back to the Sept dates** shown on the charts. September 9th to be precise, probably with a test on October 4th.



W2-201207: Wheat CBT (Comb) Jul 2012 (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved





S2-20111: Soybeans CBT (Comb) Nov 11 (Daily bars)

www.TradeNavigator.com © 1999-2011 All rights reserved

