

February 11, 2008

Friends:

Have you guys looked at the wheat charts after today?

There is absolutely nothing that is not screaming FEAR. We now have divergence on RSI, MACD, Open Interest, COT positions, and that is all on the weekly and monthly charts as well as the dailies. Nearby wheat just traded over 15% of its annual PRICE RANGE in one day. It traded 10% of its ALL TIME HIGH PRICE in ONE DAY. ONE DAY. This is what happens at tops.

At least as farmers, it is time to leave the playing field, take the money, and run. For those who have ignored conservative rational risk management, claim victory...tell all your friends how you were smarter than the gurus. Take the money and your wife and go to Grand Cayman for the weekend.

I have done quite a bit of research on this. The rules of the game and the rules of physics require only one outcome in wheat. See soybeans from June 2004 until Oct 2005 for example.

Some smart people are currently saying that wheat will not come down until after this crop is in the bin. I could not disagree more strongly. The money flows and rules of the game force that not to happen. Once MN starts trading tomorrow and allows commercials to sell cash and then lift their hedges, the end-user will be covered until new crop. At that point there is simply no one on the planet left to buy wheat and it will adjust accordingly.

Be safe,  
Ken