

August 25, 2010

Friends:

Just back from a great week water skiing at Lake Cumberland with the family. Great time, plus the KY guys should pay me to visit more often, 5" of rain versus 3" since May 15th before that! I can still get up on one ski, but barely (need a bigger engine) :-)

Titled this note: **No Man's Land**. Because...

Well the markets have achieved major objectives, and in the immediate future, there is a lot of anti-harmony going on. By this I mean that corn charts indicate a normal high around 9/5, while the wheat chart and all the energies indicate a pretty important low around 8/31 to 9/4. Quite a cross-current.

All the while the bean chart has been marching in PERFECT HARMONY all by itself. MEAL as well, extremely as expected. High for the year is likely in for the meal...I know hard for me to believe, just reporting the harmonics.

A few have asked what I do when a turn date like August 10th fails to work like this one failed. FAILED?! Cripe, we thought there was an extremely high probability of a low in early June followed by a high around 8/10. Look at the charts, is that failure? IF the Russians would have delayed their announcement by a couple of days everything would have been too perfect. It is very seldom that things are perfect. Yes, we get those chances once in a while, but not often.

TO BE FAIR, I completely missed the 27.8 tday count for the wheat high. This is pretty normal in a pure emotion situation to get a .618 of the 45 IMPULSE wave. We still sold, but could have sold at exactly 27.8 days which was the night of the high.

So, where are we now? Frankly, in no man's land.

THIS IS IMPORTANT, the next high probability events are a pretty strong decline from 9/10ish into 10/10ish for corn and beans, see the attached charts. THEN, there is a extremely high probability event of a strong rally from 10/10ish to 12/08ish in all grains. NOTE: wheat should probably top on election day at 11/07.

What to do? IF you have to ship at harvest, PROTECT yourself. If you can store and wait to 12/10 patiently, then be careful AND do very little. The odds of making a mistake, or a chaotic chop, while we are in no man's land is pretty high. Learning when to take the money from the boys in Chicago and New York is less important than learning WHEN NOT TO TRY TO TAKE THEIR MONEY. Right now is a tough time to try for my approach.

A WEAKNESS....I have been sending daily charts. This is probably BAD for all of us. The weekly charts offer far more perspective, and are far more controlling of the market. I think this caused us, me included, to get too wrapped up in the 8/10 swing high. The weekly's indicate it is not the important high that we should see in early December.

I think the velocity, and bizarre, emotion of the wheat rally aided in this short-term distraction from focus.

The question has also been asked quite fairly, what did we end up doing through all this:

WHEAT: We would be 50% sold on the 2010 and just let it go. Last half we are holding until December regardless of price action. 2011 Wheat we are only 25% since the low came on day 45, and the test last week did not break it. I'd expect it to be broken in the next few weeks just to trap the weak longs. Since it played out this way, I'd wait to sell on the post corn harvest rally to get wheat acres planted. BUT, please look at the Rosetta Stone chart, Wheat is STILL ABOVE where it should have gotten too, and at very high profit levels, so being 50% sold on 2011 wheat is ok too. Up to you.

CORN / BEANS: We played the 8/10 date to be the center of a double-top which is how it worked out PERFECTLY in the beans. So, we are back to 75% sold 2010 beans, with the trigger squeezed to get back to 100% sold. Our yields are going to be very good, probably a new record on beans, so being 100% sold average will still leave 15% unsold.

For corn, we only got back to 50% sold, and half of that was just weakness and wanting to lock in extremely high margins. Plus, no way we will be above average on yield, so have to be more careful on how much is sold.

PLAN: We will look to be 100% sold for the decline from 9/10 into 10/10 if given an easy way to hedge with tight stops. We will go back to 100% unpriced in October IF we can do so after a nice decline. IF the market does not decline into October, we will just live with the sales and worry about 2011.

FROM now till 9/10 looks fraught with opportunity to make mistakes.

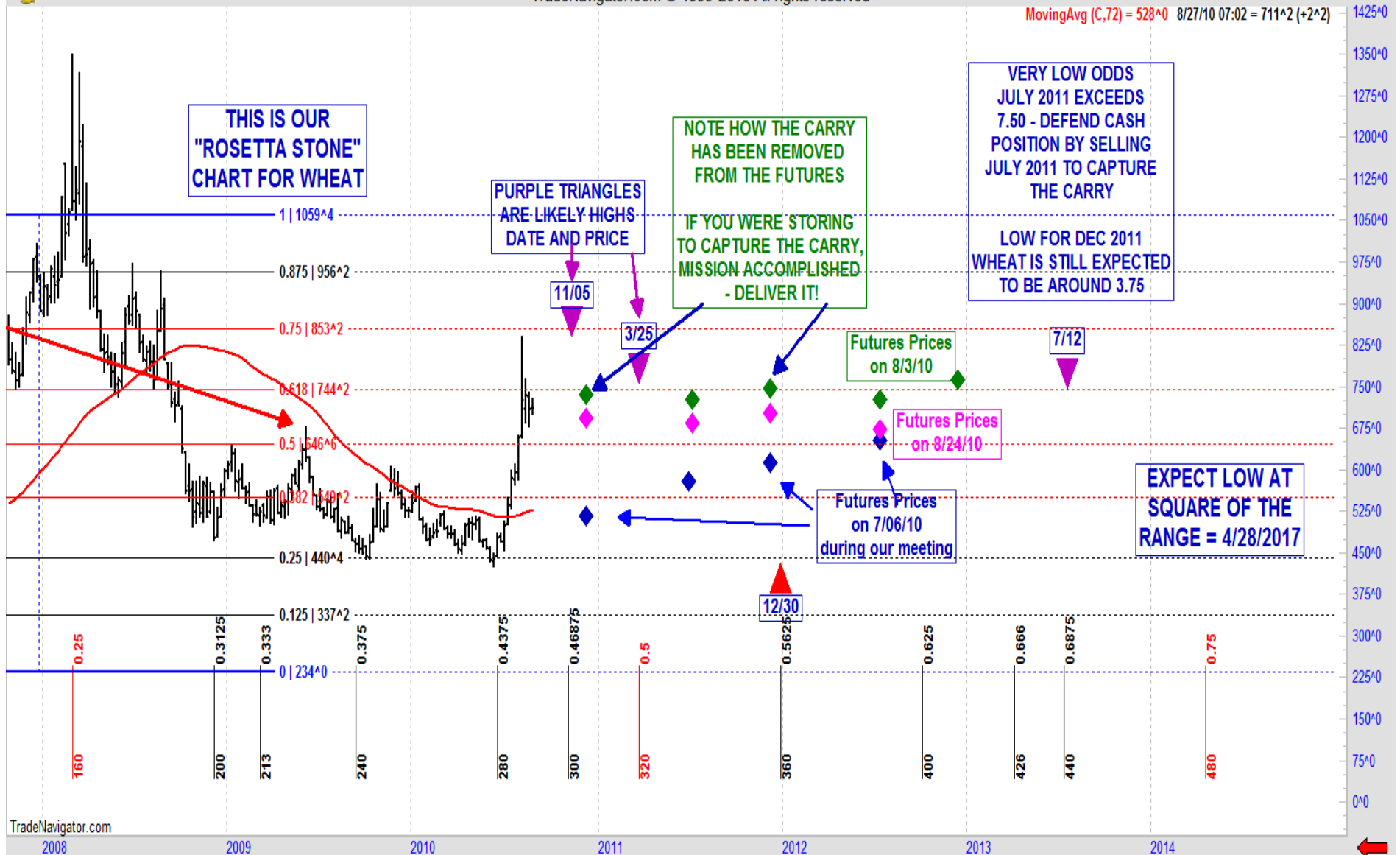
Hope this is helpful.

Questions, fire away.
Ken



W2-057: Wheat CBT (Comb) Cont Liq (Weekly bars)

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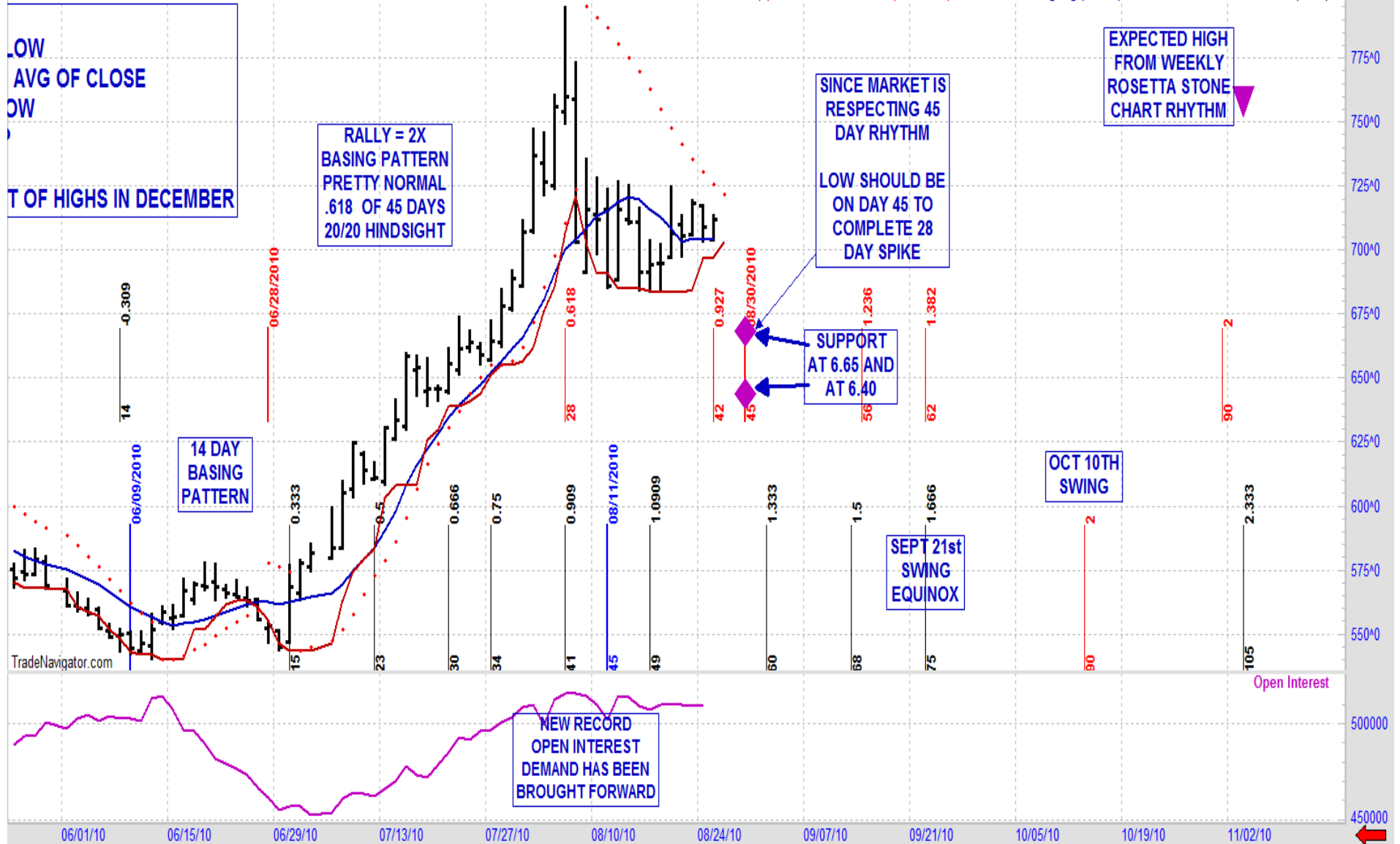




W2-201107: Wheat CBT (Comb) Jul 2011 (Daily bars)

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Lowest Low (3),1 = 697^0 - Parabolic (0,0.02,0.2),1 = 725^6 - MovingAvg (C,10.5) = 704^2 - 8/25/10 07:13 = 712^0 (+3^2)

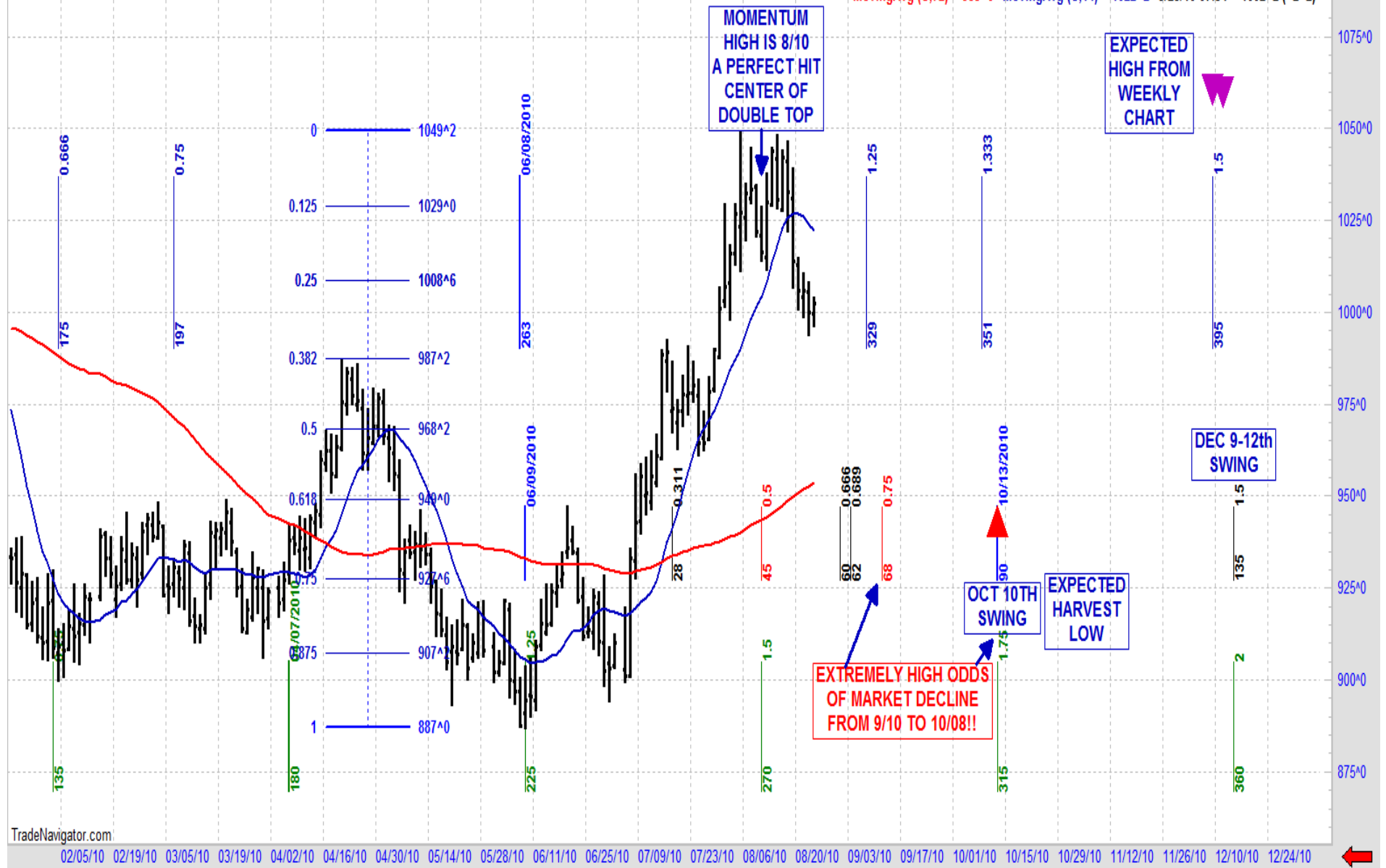




S2-201011: Soybeans CBT (Comb) Nov 2010 (Daily bars)

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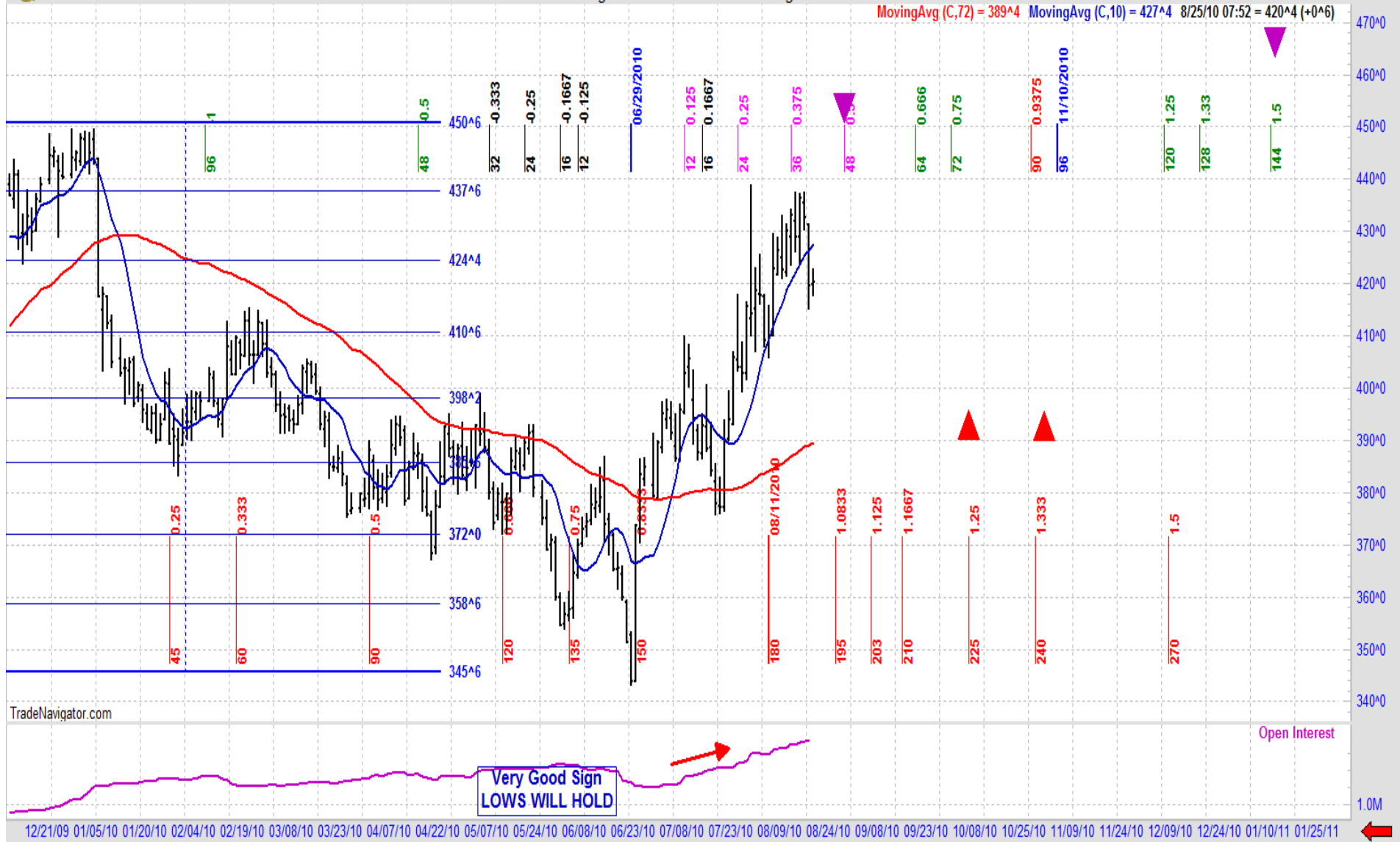
MovingAvg (C,72) = 953^6 MovingAvg (C,14) = 1022^2 8/25/10 07:34 = 1002^2 (+2^2)





C2-201012: Corn CBT (Comb) Dec 2010 (Daily bars)

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HO2-201010: Heating Oil NY (Comb) Oct 2010 (Daily bars)

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