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Resistance Levels Turn the Wheat Market Lower

Multiple attempts to take out resistance levels in the wheat market have failed. Barring any major support from the outside markets, wheat should spend a period of time trading sideways to lower. The dollar remains a key factor. The wheat market is also going to need to see some continued support in the wheat market to remain near these levels.

The sharp selloff experienced in the wheat market on Thursday confirms that the move to 508 ½ in Chicago July corn early in the session on Wednesday exhausted the recent buying in the market.

I expect to see more focus put on wheat fundamentals in the coming weeks. The fundamentals should provide more than enough resistance to keep the market in check. While the fundamentals merit a move to the April 5th lows of 460 ½ in Chicago July, 472 ¾ in KC July and 492 ½ in Mpls July, I do not expect to see the market race right back to these levels. I certainly cannot rule out a move to these levels. However, I expect a move of that nature to take some time. I credit the sharply lower move on Thursday to selling generated by the failure to settle above the 50 day moving average, of 494 in Chicago July wheat. The July contracts in KC and Mpls also failed to hold the 50 day moving average today. I cannot commit to multiple days of heavy fund selling at this point. That will depend on the dollar and the outside markets.

For the most part, the winter wheat crop is in good condition. Recent rains and bad weather have many key growing areas in need of warmer, drier weather. The situation does not appear to be dire as long as the southern plains experience the warmer temperatures expected early next week. Damp cool conditions have increased concerns over the potential for disease. The spring wheat planting pace had been limited by cool and more importantly damp conditions. Many producers have gotten a chance to plant this week and the forecast is for better conditions through the weekend.

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