

Tuesday, July 02, 2019 – Post Close

- **4th of July Holiday**
 - **Markets closing early on Wednesday and remain closed until Friday morning at 830am CST.**
- **Market comments will be “as needed” until Monday**
- **I am available by phone while markets are trading.**

Personal Market Bias (-5 Bear to +5 Bull)	Session of	End	End	Harvest
	7/3/2019	July	Aug	
Corn	2	3	2	4
Soybean	-1	2	1	-2
SoyMeal	0	0	0	-2
Chicago Wheat	1	1	1	-1
Kansas Wheat	0	0	0	-1
Minneapolis Wheat	-1	0	0	-2
Cotton	1	1	1	1

Corn:

Corn Calendar Spreads		Change	Weekly Change
		Tuesday 7/2/2019	
ZCN19	ZCU19	(2.00)	(1.00)
ZCN19	ZCZ19	(2.00)	(1.25)
ZCU19	ZCZ19	0.00	(0.25)
ZCZ19	ZCH20	0.50	(0.75)
ZCZ19	ZCK20	0.75	(1.25)
ZCZ19	ZCN20	1.00	(2.00)
ZCZ19	ZCU20	(1.50)	(10.50)
ZCZ19	ZCZ20	(0.75)	(6.75)
ZCH20	ZCK20	0.25	(0.50)
ZCH20	ZCN20	0.50	(1.25)
ZCH20	ZCU20	(2.00)	(9.75)
ZCH20	ZCZ20	(1.25)	(6.00)
ZCN20	ZCU20	(2.50)	(8.50)
ZCN20	ZCZ20	(1.75)	(4.75)

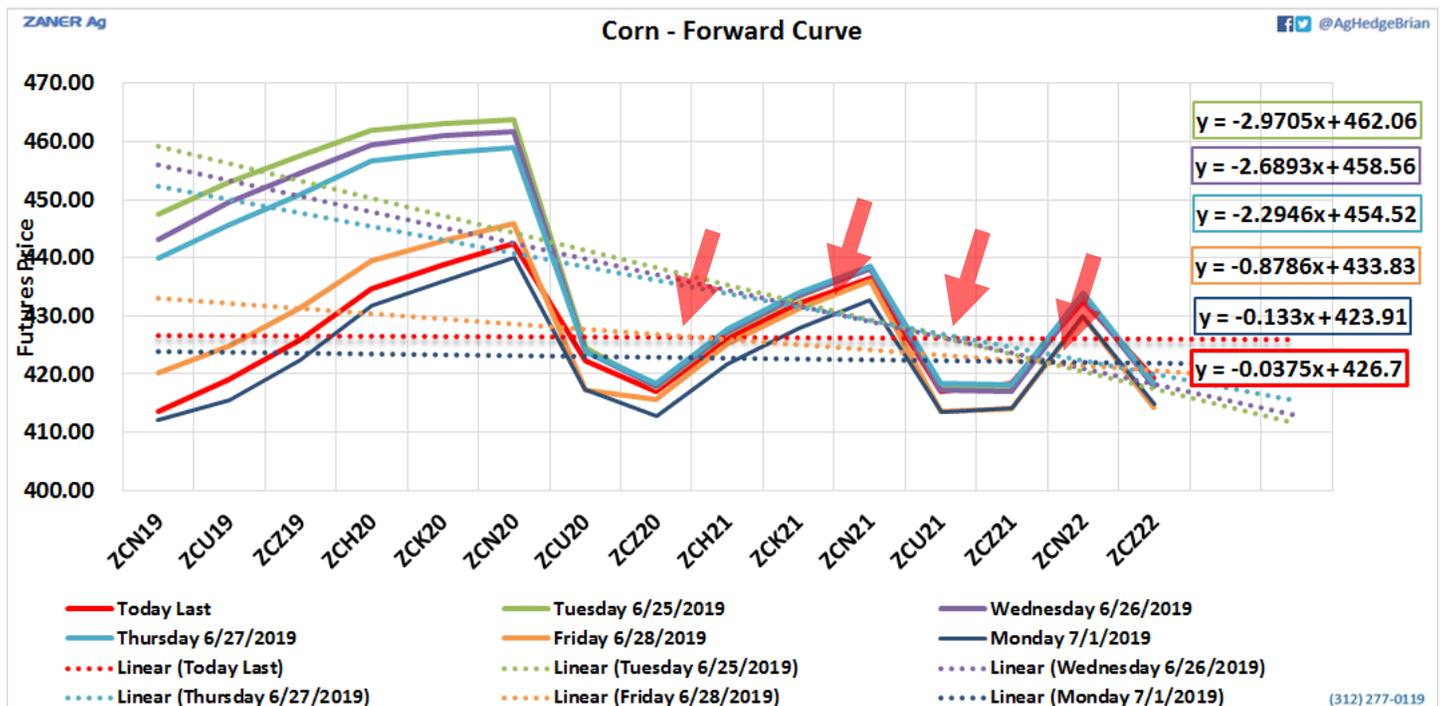
December spent the first 40 minutes of the day session testing its gap support and pushed into it by 0'2 cent; however, the Dec was unable to fill it – leaving 0'6 cents still open. Was this a relief day or a change in the short-term down trend? Open interest, tomorrow morning will be a “tell”. But I am thinking today was a turning point.

The July19 old crop spreads finished the session lower and now lower on the week is not encouraging and could be an indication of producer selling into the bearish seasonal corn often experiences. With the pipeline already on the “fuller” side, commercials will still have little reason to “bid-it-up” nation-wide; a more localized impact is strengthening basis – especially in the eastern Corn Belt shows that the market wants the corn, it just takes time to move it through.

However, the large volume of old crop grain that is holding back the July spreads will be felt well into the 2020 contracts with four major points of adjustment happening on the long-term outlook on corn (see red arrows – forward curve).

Commercials play the “long-game” and are doing so in the

deferred contracts which is another strong indication that they are not concerned about running low on available corn – long-term. Not yet, at least. Look no further then the extremely tight-ranged December 2020 contract for proof. If this contract fails to move along with the (next) rally, the rally will be limited.



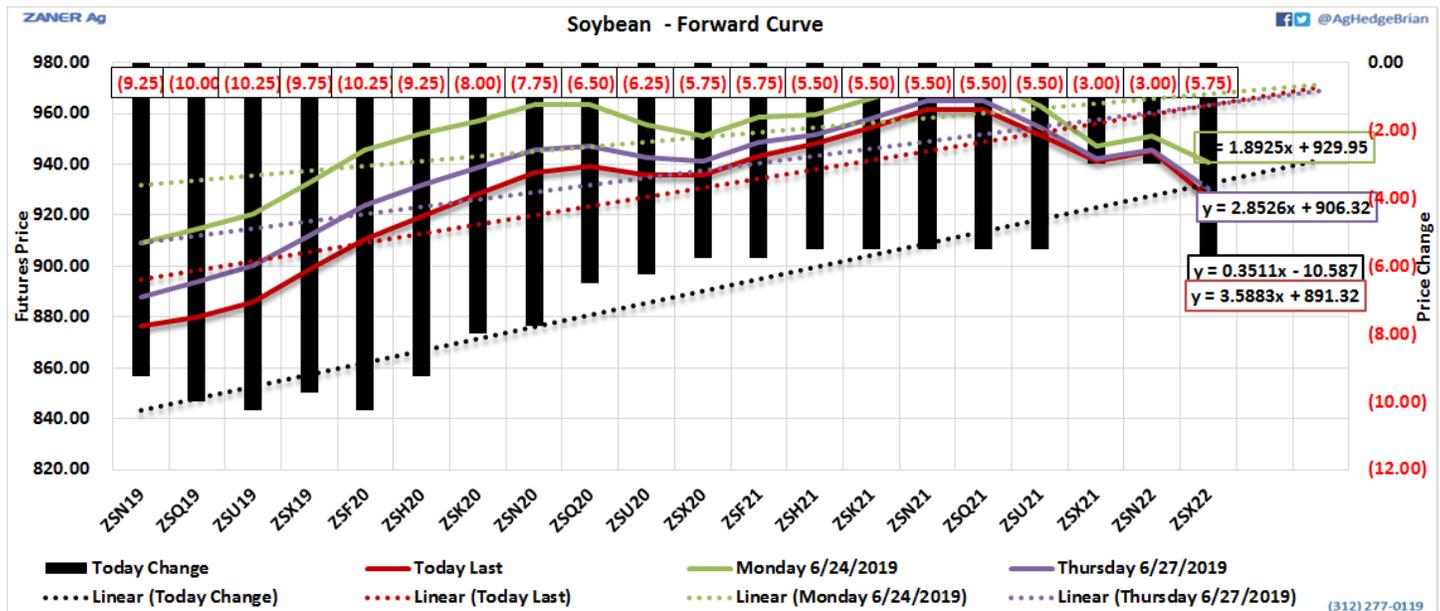
Soy-Complex:

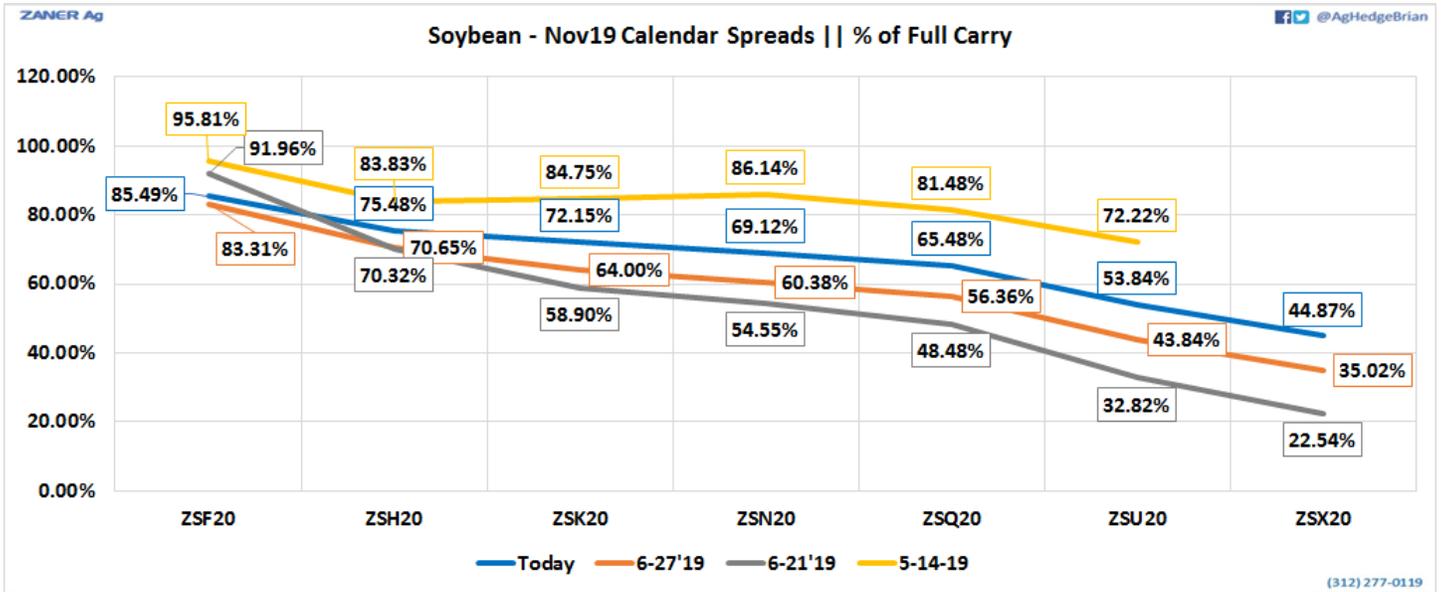
- **Advance cash sales by 15-20% of expected production, not exceeding 75% of expected production**
 - **purchase Short-Dated-New-Crop 890 puts, make cash sale/HTA and, if on the fence, purchase the August Short-Dated-New-Crop 950 call for under 5'0 cents**

The 50-day SMA at 887'4 seems to be the next target for the November contract – the market has nothing but air down to that level and even air again until gap support at 856'2. Further weakness in soybeans may allow the soybean-crush to spread to catch a break after finding some stability today, following yesterday's sharp break across the board.

The forward curve continues to compress, and the market has reacted significantly in recent days as the Nov19/July20 has moved from 54.55% of full carry on June-21 to today's 69.12% - yet still below the May-14th (day after the contract low) which closed at 86.14% of full carry.

The "wave" of recently sold grain moves through the pipeline and could still swing the market carry near the May highs as it continues to adjust to the perceived production that is yet to come. With the current supplies, the market seems to be far from any stage of panic.





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Wheat-Complex:

The Chicago spreads have finally reached a key region of support and may be looking for stability in the region, however, the momentum is down which could allow this market to overshoot support before gaining any traction. This should in turn, stabilize futures which are also nearing key support levels.

The greater question will now be harvest pressure, and of what quality – the market could get overwhelmed with weather damaged wheat, while high quality runs at a premium on local markets.

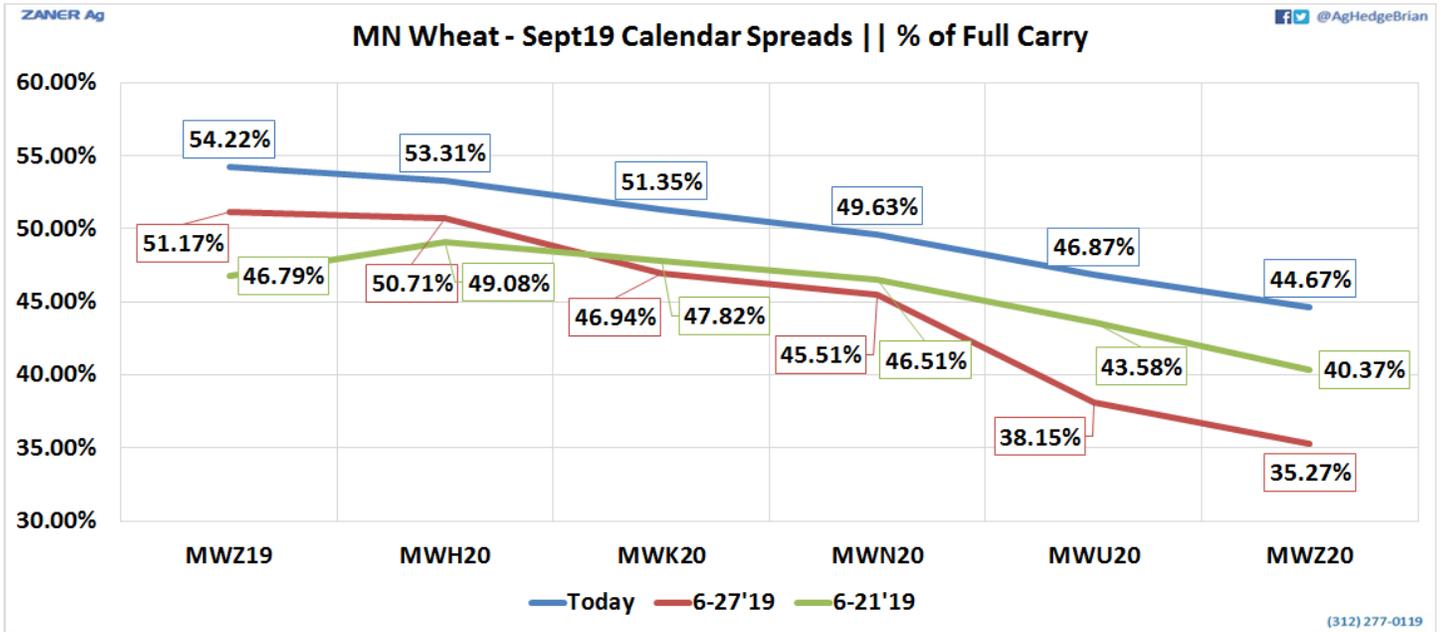
Cost of Carry and Percent of Carry Calculator (CHICAGO WHEAT)											
Monthly Storage Rat	0.00265	0.0795	ZWN19	ZWU19	ZWZ19	ZWH20	ZWK20	ZWN20	ZWU20	ZWZ20	ZWH21
Interest Rate	2.50%										
		7/2/19	7/14/19	9/14/19	12/14/19	3/14/20	5/14/20	7/14/20	9/14/20	12/14/20	3/14/21
			503.50	503.25	515.50	528.75	535.50	538.50	546.00	557.50	565.75
ZWN19	7/14/19	503.50	Market Carry	-0.25	12.00	25.25	32.00	35.00	42.50	54.00	62.25
			Cost of Carry	18.00	44.99	71.99	89.99	107.99	125.99	152.98	179.98
			Percent Full Carry	-1.39%	26.67%	35.07%	35.56%	32.41%	33.73%	35.30%	34.59%
ZWU19	9/14/19	503.25	Market Carry		12.25	25.50	32.25	35.25	42.75	54.25	62.50
			Cost of Carry		27.00	53.99	71.99	89.98	107.98	134.98	161.97
			Percent Full Carry		45.38%	47.23%	44.80%	39.17%	39.59%	40.19%	38.59%

Cost of Carry and Percent of Carry Calculator (CHICAGO WHEAT)											
Monthly Storage Rat	0.00265	0.0795	ZWN19	ZWU19	ZWZ19	ZWH20	ZWK20	ZWN20	ZWU20	ZWZ20	ZWH21
Interest Rate	2.50%										
		6/27/19	7/14/19	9/14/19	12/14/19	3/14/20	5/14/20	7/14/20	9/14/20	12/14/20	3/14/21
			547.50	546.75	556.75	565.75	567.00	560.75	565.75	576.50	583.00
ZWN19	7/14/19	547.50	Market Carry	-0.75	9.25	18.25	19.50	13.25	18.25	29.00	35.50
			Cost of Carry	18.18	45.45	72.73	90.91	109.09	127.27	154.54	181.81
			Percent Full Carry	-4.13%	20.35%	25.09%	21.45%	12.15%	14.34%	18.77%	19.53%
ZWU19	9/14/19	546.75	Market Carry		10.00	19.00	20.25	14.00	19.00	29.75	36.25
			Cost of Carry		27.27	54.53	72.71	90.89	109.07	136.34	163.60
			Percent Full Carry		36.67%	34.84%	27.85%	15.40%	17.42%	21.82%	22.16%

Weakness in Chicago seems to be allowing KC to feel the greater impact of harvest pressure – which is now picking up to full speed in regions far behind normal, adding to the problem. With the KC spreads heading back towards lows, this will be a good test of the market’s fundamentals in the opinion of the Commercials of which have been willing buyers in the lower ranges.

Minneapolis’s break and a close near the session low seems to leave little doubt that this market will be posting contract lows in the coming sessions. North Dakota is expected to see near ideal conditions with well received rains already covering much of spring wheat country at the same time conditions are improving in Canada.

The market has raised the incentive to store until harvest of 2020 from 38.15% to today’s 49.63% of full carry – this is how the market “tries” to delay grain until then.



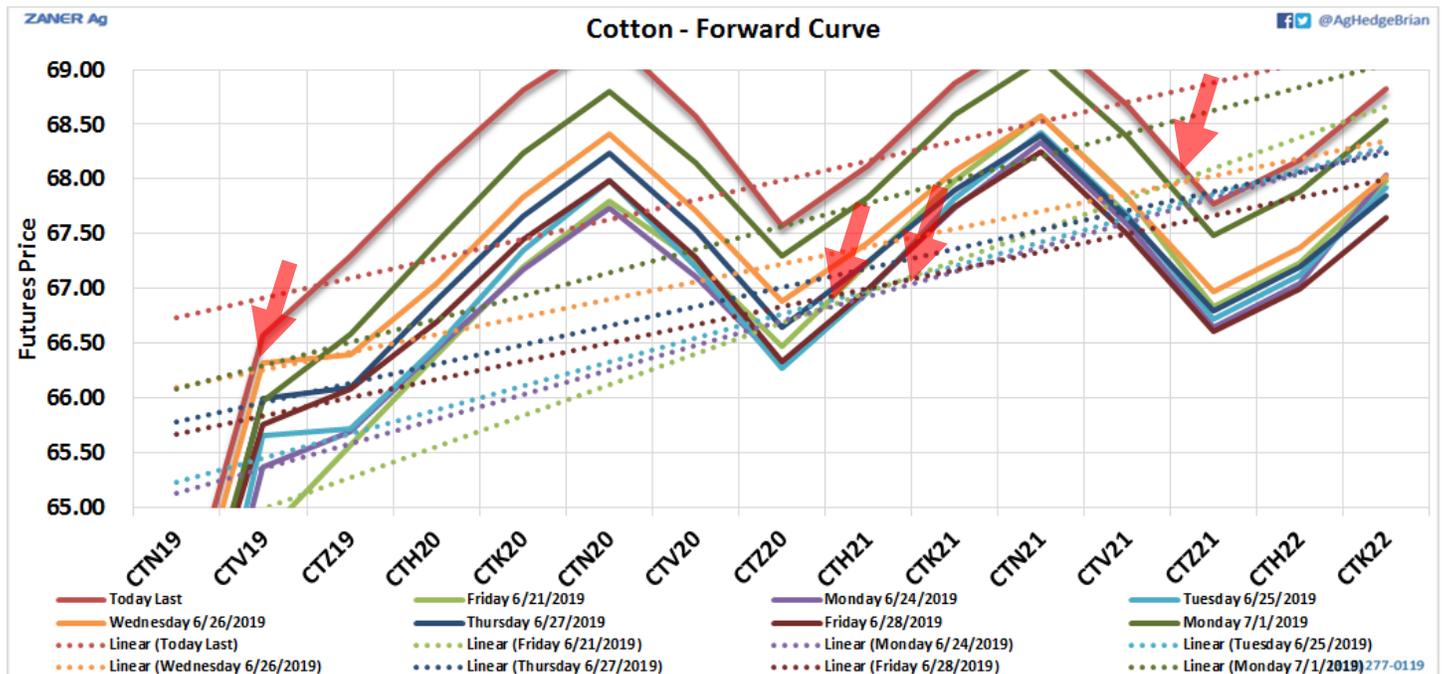
Cotton:

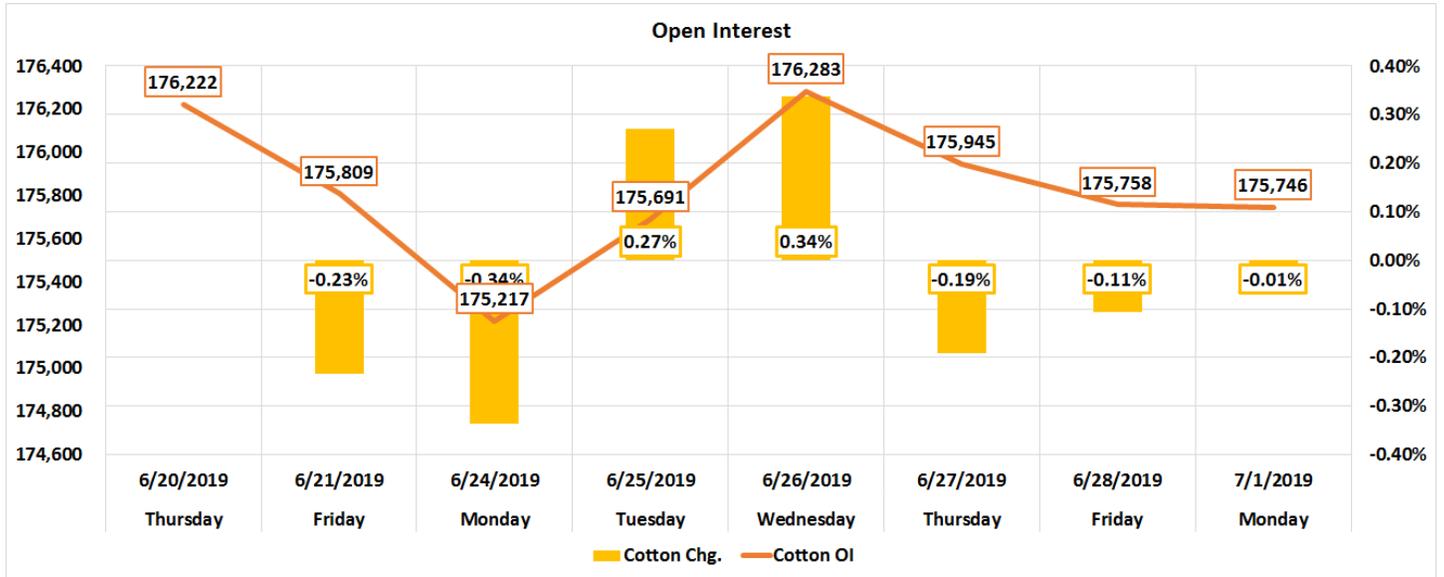
December finished on a strong tone – significantly stronger after my Mid-Day. However, the market was unable to get over its trendline and could have been speculative liquidation of their short position prior to the 4th of July holiday. Speculative liquidation has been present in many of the markets and likely in this case as well.

The cotton curve has been very in active in recent sessions with very little activity today. The trendline of today’s curve moved higher fairly unformed, but with a bit of a bullish bias over yesterday’s close – largely coming off the strength in the December contract with posted gains across the board within its (Dec19) calendar spreads.

Commercials are pushing the largest long position of futures & options for this calendar year and at some point, will be forced to sell – with exports being sluggish and accounting for nearly 75% of total US demand, end users may “wait it out”.

Open interest on the slide is another indication that the speculative crowd has been taking profits recently – as buyers, they are doing so to exit a position and may not be interested in chasing a market higher.





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Risk Disclaimer

Trading Commodity Futures and Options Involves Substantial Risk of Loss and May Not Be Suitable for All Investors. You Should Carefully Consider Whether Trading Is Suitable for You in Light of Your Circumstances, Knowledge and Financial Resources.

Abbreviations & Conversions:

MT	= Metric Ton
TMT	= Thousand Metric Ton
MMT	= Million Metric Ton
MACM	= Most Active Contract Month
SMA	= Simple Moving Average
FND	= First Notice Day
1 MT of Wheat/Soybean	= 36.74 bushels
1 MT of Corn	= 39.36 bushels

Jan – “F” | Feb – “G” | Mar – “H” | April – “J” | May “K” | June – “M”

July – “N” | Aug – “Q” | Sept – “U” | Oct “V” | Nov “X” | Dec – “Z”

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