

# YOUR PROFIT

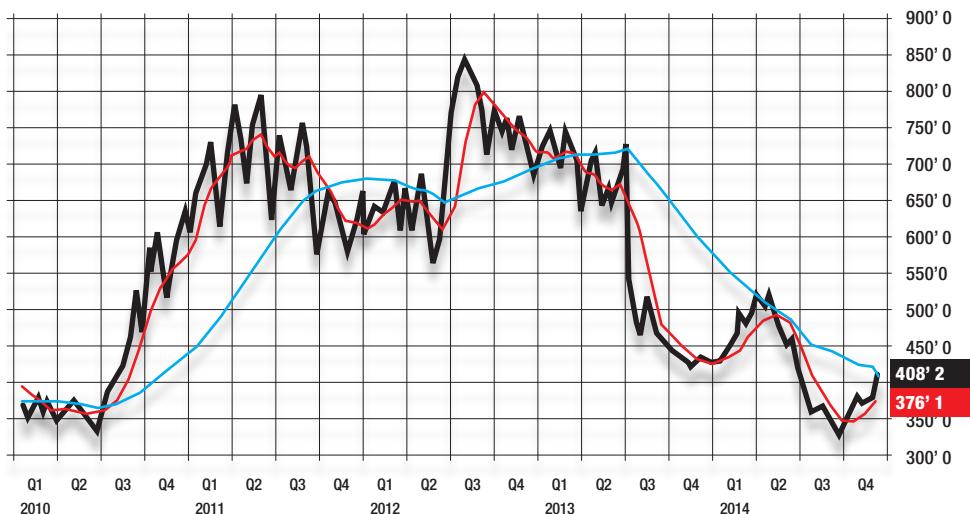
By Al Kluis

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## CBOT Corn Weekly

■ 10-Week MA ■ 55-Week MA



Al Kluis has worked to optimize the moving averages that work best. He watches when the 10-week moving average (red line) rallies above the 55-week moving average (blue line) for a sell signal to develop. When the 10-week moving average closes above the 55-week moving average, you get a buy signal. This simple method has done a great job helping farmers stay on the right side of the long-term trend in corn prices.

## CREATING RELIABLE CHART SIGNALS

TECHNICAL ANALYSIS TOOLS HELP YOU KNOW WHEN TO BUY AND SELL.

I enjoy teaching at my winter marketing school, the Lafayette Trading Academy. I teach farmers about the futures market and how to use it to make their farming operations more successful.

One of my favorite topics to teach is chart analysis. I have kept hand-drawn charts for over 40 years, and I don't do it just for fun. Charting is a powerful tool. In my classes, I have the students build their own hand-drawn charts. I also show them how to create charts on laptop computers using software.

A huge benefit I gain by teaching is the challenge of answering questions from the students.

### A LESSON ON MOVING AVERAGES

Last year, while we were discussing moving averages, a student asked, "What is the best analysis tool you have for knowing the trend in corn prices and, more importantly, for knowing when it changes?"

The basic concept of moving averages is simple. To find the 10-day moving average, you take the average price of the last 10 days, add it up, and divide by 10. That is the latest 10-day moving average.

Then step the dates

back a day so you have "yesterday's" 10-day moving average.

Keep doing this, going back for a few weeks and chart the numbers. That's a study of moving averages.

If you use a spreadsheet program (like Excel), it is very simple to create moving average studies. However, understanding how to use moving averages – and how to optimize them – is more complex.

Using moving averages on the long-term corn chart can be one of your best analysis tools.

For the long-term chart analysis, I compare two different moving averages: the 10-week moving average (where the price is weekly, instead of daily), and the 55-week moving average.

When the 10-week aver-

age closes above the 55-week average, you have a buy signal.

### TWO EXAMPLES OF WHEN TO BUY

Here are two examples of when buy signals happened.

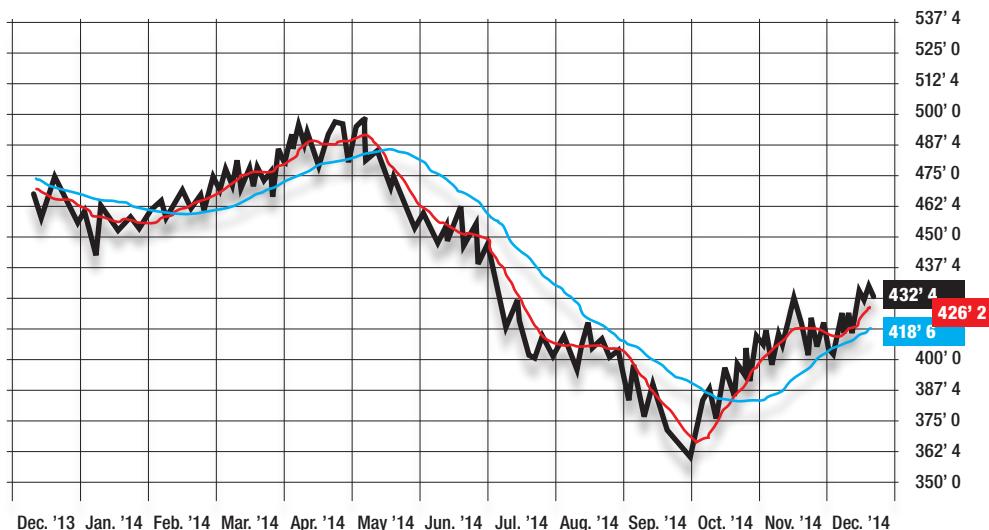
In July 2010, the 10-week average closed over the 55-week moving average. Prices went higher for 13 months until late August 2011. Then, in October 2011, the 10-week moving average fell below the 55-week average.

When you use the long-term weekly chart, it does not give you a buy signal at the bottom or a sell signal at the very top. Instead, it is useful in determining the long-term trend.

The next buy signal came in June 2012 and the next sell signal hit in March 2013.

Prices rallied up to test resistance in May 2014, but you did not have a crossover buy signal. Using this analysis method, nearby corn

2015 December CBOT Corn ■ 10-Day MA ■ 40-Day MA



The best combination Al Kluis has found is the 10-day and 40-day moving average studies for the daily corn charts. When the 10-day moving average (red line) closes above the 40-day moving average (blue line), you have a buy signal. When the red line closes below the blue line, you have a sell signal. This worked great in 2014 when you had a sell signal that developed in May and a buy signal in mid-October.

futures are still in a long-term down-trend.

To fine-tune the buy and sell signals, I also watch the 10-day and 40-day moving averages on my daily continuation charts and on the December 2015 daily corn chart.

The 10-day moving average fell below the 40-day moving average on May 16, 2014, when December 2015 corn was at \$4.93. This was 11¢ below the \$5.04 high that had been made on May 9, 2014. The sell signal was a good sell signal; prices eventually collapsed to \$3.66 per bushel during the harvest of 2014.

On October 16, 2014, the 10-day moving average crossed over the 40-day moving average. That day, December 2015 corn closed at \$3.94. Again, this shows you do not buy the extreme low, but the buy signal did allow you to pocket a gain of nearly \$1 per bushel.

*(Note: At the time of this writing in late December, the 10-day average was above the 40-day average, so 2015 corn prices were in an uptrend.)*

Using moving averages when trading works best when you are in trending markets. When you get into choppy markets where prices keep bouncing up and down, you can get chopped up, with buy

signals near the high and sell signals near the low.

I like to use the moving average studies along with my seasonal studies on price patterns.

For corn, the best sell signal usually develops when the corn markets have topped out between May and June. The best buy signal usually develops between the seasonal low in September and November.

I encourage you to use moving averages. It takes all the emotion out of the market, it's simple, it works, and it gives you very specific buy and sell signals.

### A FINAL WORD OF ADVICE

Since 2005, commodity funds have become huge traders in the futures markets. Many of the funds use moving average computer programs to trade.

This has created a lot more day-to-day and month-to-month price volatility, especially when prices fall

above or below certain critical price levels.

For farmers, this makes it really important that you do incremental sales and use all of the different market alternatives you have. **SIF**

**NOTE: Trading of futures and options has substantial financial risk of loss and is not for all investors.**

### AL KLUIS Commodity Trader

Al Kluis has been trading grain futures since 1974. Sign up for a free trial to his daily morning email and weekly "Al Kluis Report" by going to [alkluis.com](http://alkluis.com).

Join Kluis and his team for his free Second Tuesday webinar on Tuesday, February 10, at 8 p.m. CST. Register at [alkluis.com](http://alkluis.com). Kluis Commodities 901 - 12 Oaks Center Drive Suite 907 Wayzata, MN 55391 888/345-2855 [alkluis.com](http://alkluis.com) | [al@alkluis.com](mailto:al@alkluis.com)



**I encourage you to use moving averages. It takes all the emotion out of the market, it's simple, it works, and it gives you very specific buy and sell signals.**