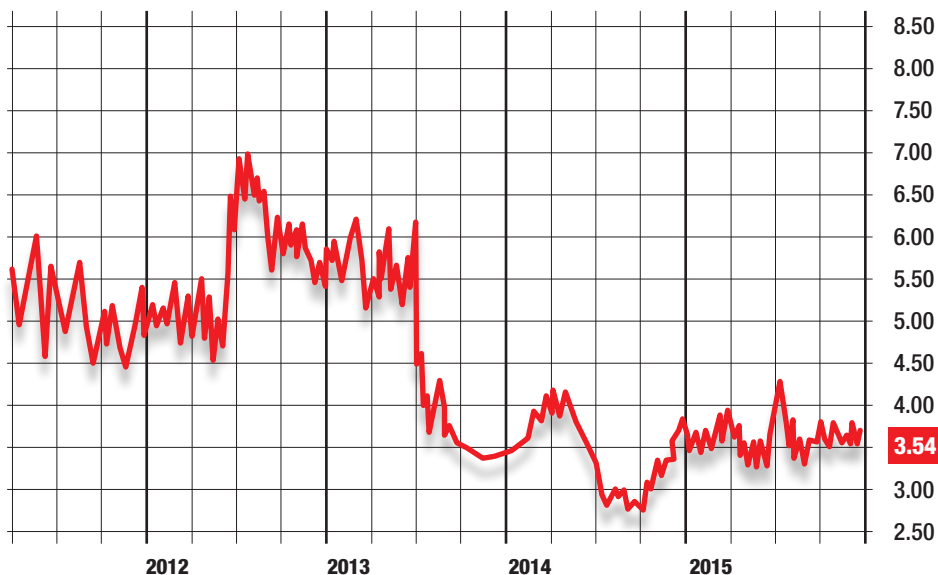


# YOUR PROFIT

By Al Kluis

Weekly International Perceived Price of Corn (in U.S. \$)



This is the weekly corn chart that factors in the price of the U.S. dollar index. The chart is built by taking nearby corn futures and multiplying that by the current value of the U.S. dollar. When U.S. corn futures rallied to \$8.50 in 2012, the lower U.S. dollar kept the price down to just over \$7. The international price of corn bottomed at \$2.75 in September 2014. The market currently has support at \$3.50 with resistance at \$4.

## FIVE MAIN MARKET FACTORS TO WATCH

PAY PARTICULAR ATTENTION TO WEATHER AND CROP SIZE.

This winter, I conducted seminars in Illinois, Tennessee, Kentucky, Iowa, North Dakota, South Dakota, Wisconsin, and Minnesota. In Illinois, I got two very interesting questions just as one seminar was winding down. A longtime customer in the audience asked, “Do the funds that trade grain even pay attention to the grain fundamentals anymore? As a corn farmer, what should I be watching?”

To address his first question, I explained that all of the funds that trade grain futures operate differently. I believe

most are technical traders, and a technical trader doesn't pay attention to grain fundamentals.

His second question was more difficult to answer. It used to be simple: watch the grain fundamentals. Today, many market shifts are only about the flow of money.

When I check the markets every morning before I write my “A.M. Update,” I zero in on these five factors.

**1 The U.S. Dollar.** What is it doing? I learned how important the U.S. dollar was initially when the U.S. dollar index rallied above 164 in the fourth quarter of 1985. This tanked U.S. exports and grain prices. As a result, farm profits and land values fell sharply. In contrast, from 2011 to 2013, the U.S. dollar was trading between 78 and 85. This very low dollar was helpful for U.S. grain exports and prices. However,

in the last two years, the U.S. dollar has rallied 18%. The dollar index now has support at 92 and resistance at 100.30. A close above 100.30 will open the door for a test of 108 to 110. This would be negative for U.S. exports and would put additional pressure on the entire commodity complex.

**2 Crude Oil.** What are crude oil prices doing? Since 2014, the crude oil market has dropped about 70%, falling from just over \$100 to the recent low at \$30. This puts pressure on ethanol prices and corn prices. Many of the widely traded commodity indexes are now down at the lowest level since 2009.

Crude oil is trading at the lowest level since 2004. Look for support in the crude oil market between \$25 and \$28 per barrel. A monthly reversal in crude oil will be a positive signal for the entire commodity market.

The key price level to watch that would signal that reversal is at \$38.40 on the nearby futures. A monthly close above that resistance level would signal the much-anticipated low.

**SUCCESSFUL MARKETING**  
WITH AL KLUIS  
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## Weekly International Perceived Price of Soybeans (in U.S. \$)



This is the weekly soybean chart that factors in the price of the U.S. dollar index. The chart is built by taking nearby soybean futures and multiplying that by the current value of the U.S. dollar. When U.S. soybean futures rallied to \$17.90 in 2012, the international price peaked at \$14.90. From that high, prices dropped to the low in September 2014 at \$7.65. The market currently has support at \$8.50 with resistance at \$9.

**3 Global Stock Markets.** What are the Chinese and international stock markets doing? The crude oil and global stock markets got off to a rocky start in 2016. In the first three weeks of the year, the Chinese stock market dropped 15%, the U.S. stock market fell by 6%, and crude oil prices fell by 18%. The grain markets held very well in January considering the hard down move in these related markets. The Shanghai Stock Index should have initial support at 2,850 with resistance at 3,750. To see the grain markets rebound, there doesn't have to be a huge gain in the U.S. or Chinese stock markets. Simply having stability would help bring some confidence back to global equity, energy, and grain traders.

**4 The Big Funds.** How are the commodity funds positioned? Since Wall Street started viewing commodities as an asset class in 2005, futures trading has really changed. I used to study and analyze grain supply and demand reports, and analyze different supply scenarios and what the impact would be on grain prices. I still do that, but I have added another element: the big funds. I watch the supply and flow of money into the grain markets by commodity funds.

Funds are mainly technical traders, meaning they use computer algorithms to make buy-and-sell decisions. They are also momentum traders, meaning they buy on strength and sell on weakness. This does not seem logical, and it isn't. The funds have a terrible track record trading grain futures.



As I write this, the funds are holding a record short position in the grain futures market. This sets up a tear-your-head-off rally when they are forced to cover. The question is not *if* this will happen; the question is *when*.

**5 The Weather.** What is in the short-term and long-term weather forecasts? This winter, I have been watching the weather in Brazil and Argentina. Now, my attention will switch to the extended weather forecasts for North America. My very early 60- and 90-day forecasts call for a cold, wet spring in the Delta as well as the southern and eastern Corn Belt. If these forecasts hold and are still present in late February, these forecasts will become a positive factor – especially for the corn market.

### GRAIN FUNDAMENTALS

Weather still has a potential impact on corn acres and planting dates. The key weeks to watch are the last two weeks of June through the first week of July. Grain prices have put in a major high or

low in that three-week time period in seven of the last eight years. January 2016 was the third year of consecutively lower corn and soybean prices. This has happened three times since 1960 – but not four.

If the U.S. and global stock markets stabilize and crude oil turns higher, don't be surprised at the rally in the grain market later this year.  

**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).



Kluis Commodities  
901 - 12 Oaks Center Drive  
Suite 907  
Wayzata, MN 55391  
888/345-2855  
[alkluis.com](mailto:alkluis.com) | [al@alkluis.com](mailto:al@alkluis.com)