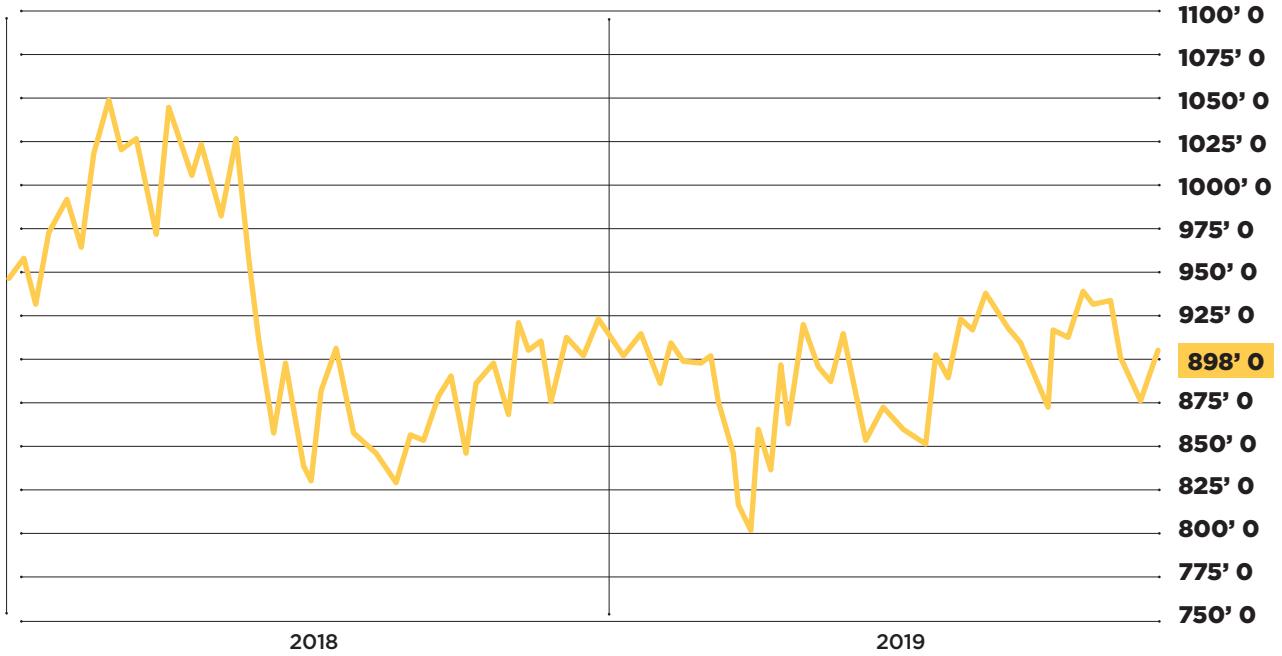


WEEKLY CBOT SOYBEANS



KEY SUPPLY/DEMAND FACTORS TO WATCH IN 2020

Here's what to watch in April.

This is the weekly CBOT soybean continuation chart. You can see the major high at \$10.72 in the first quarter of 2018. Once the U.S.-China trade war started, soybean prices plunged sharply into late 2018, when price bottomed out at \$8.12. Prices rallied back to the January 2019 high (\$9.25), then fell to the major 39-month low in May 2019 (\$7.80). Prices rallied to put in a double top at \$9.45 and then \$9.49 in October and December 2019. Over the last several months, soybeans have been in a trading channel between \$8.80 and \$9.40. This long-term chart now shows a series of higher highs and higher lows.

What About Demand?

Here are four indicators you should be watching in 2020.

1. U.S. and global stock market performance. The coronavirus may slow economic growth in China, but, overall, strong global economic growth is

At a winter marketing seminar in Wisconsin, a farmer asked me this question: “When will the grain markets become concerned with the super-saturated soil throughout the northern Corn Belt?” He said he still had to finish harvesting corn before he could even start preparing the field for planting.

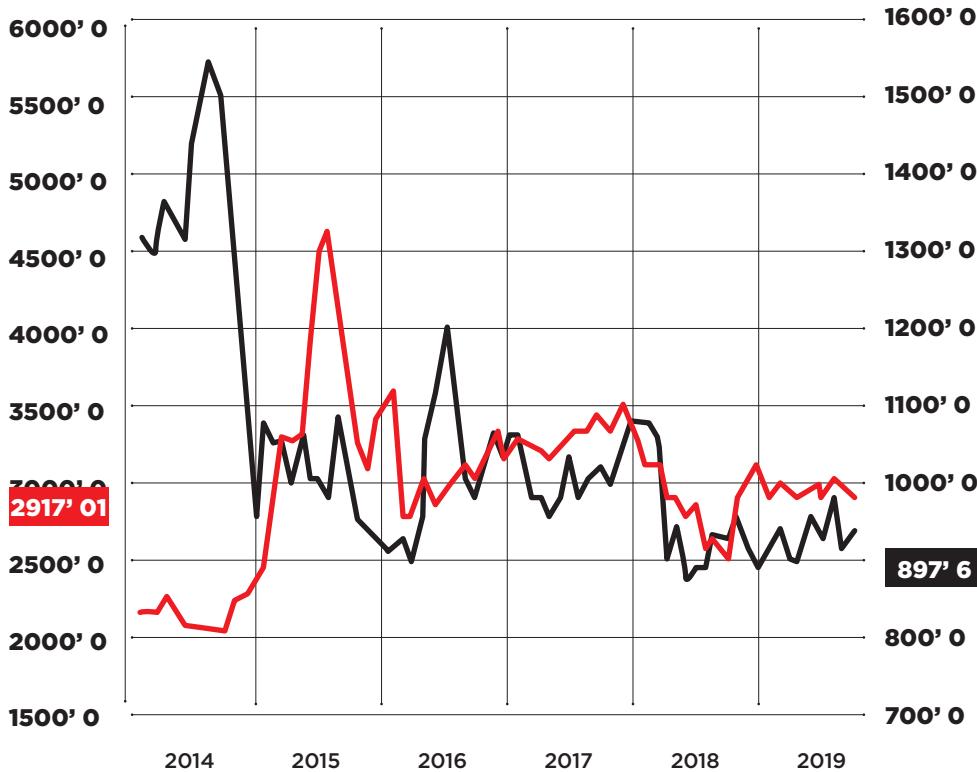
My initial answer was that after last year, the grain markets will be very slow to react to any wet weather planting delays. However, my seasonal studies and analysis of long-term cycles suggest grain prices will turn higher sometime during this growing season.

What You Should Watch

Here are three big factors about supply in 2020 you should pay attention to.

- 1. How many acres will get planted? With what crops?** My initial projection is for 94 million acres of corn, 85 million acres of soybeans, and 45 million acres of wheat. The trade is building in 10 million more planted acres in 2020 than 2019. However, with a lot of acres going into the CRP – and odds increasing of wet weather planting delays again in 2020 – the early projections for a lot more corn and soybeans acres may be wrong again in 2020.
- 2. U.S. spring and summer weather and forecasts.**
- 3. Yield potential for the 2020 crop.** This year, everyone in the trade seems to be very optimistic about yield and total crop potential early in the year. However, when I look at the extended weather forecasts, I am not so optimistic.

MONTHLY SHANGHAI INDEX VS. MONTHLY CBOT SOYBEANS



This is the monthly continuation chart of Shanghai and CBOT soybean futures. You can see how closely these markets are correlated. The last major high for soybeans was in 2014; the last major high for the Shanghai index was in 2015. Since then, prices for the soybean market and the Chinese stock market have gone sharply lower into the last quarter of 2018. Prices for each rallied to the high made in late January, before the coronavirus scare dropped each by over 3% in mid-February. Both the Shanghai stock market and soybean prices were under pressure over the last two years because of the U.S.-China trade war. Then the virus problem bombed the Chinese stock market.

Note: The risk of loss in trading futures and/or options is substantial, and each investor and/or trader must consider whether this is a suitable investment. Past performance – whether actual or indicated by simulated historical tests of strategies – is not indicative of future results. Trading advice reflects good-faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice given will result in profitable trades. •

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



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always positive for commodity demand.
2. Crude oil and energy prices. The hard down move in crude oil, ethanol, and natural gas prices was initially negative for the grain markets. However, long term many nations that import energy also import food. The less they spend on energy, the more they can spend on food. In the U.S., lower gasoline prices and lower home heating expenses have been very positive for meat demand.

3. U.S. meat and grain exports. With the trade war continuing into late 2019, U.S. exports were less than expected. This year, I am optimistic that future supply/demand reports will show better-than-expected demand and a reduction in ending stocks.

4. Volatility. April is always a month when price volatility (and usually prices) turns higher. How will you know when it happens?

First, watch the July/December corn

and the July/November soybean spreads. If the bull spreads start to improve, then odds are good that prices are (or will be) moving higher.

Second, watch for the first week that prices close above the two previous weeks' high. This will signal an acceleration of the uptrend.

Third, watch not only if prices can move higher, but also how many days the rally lasts.

Final Thoughts

Over the last 20 years and in the last four election-year rallies, grain prices have posted some impressive rallies. However, with the huge amount of fund and algorithm trading in the futures market now, it is difficult to get the long rallies that used to last several months. In the last few years, the rallies have been between 12 and 29 trading days. If prices turn higher, make incremental sales starting on day 12.