

Commodities Report

Feb 13, 2012

	Close Feb 13	Jan 31	2 week change
March Corn	6.32	6.39	-7
March Soybeans	12.55	11.99	+ .56
July Wheat	6.49	6.91	- .42
Apr Hogs	89.65	88.90	+ .75
Apr Cattle	129.25	128.60	+ .65
March Cdn \$	99.74	99.63	+ .11
US \$ Index	79.75	79.41	+ .34
Gold	1716	1736	-20
Crude Oil	100.81	98.43	+ 2.38
US 10 Yr Notes	131-16	132-07	-23
TSX Stocks	12302	12450	-148

There was huge divergence in grain prices over the past two weeks. Soybeans were the firmest, after southern Brazil missed more critical rains. It appears more and more certain that South America may have lost 10 mln mt of production compared to forecasts a couple of months ago.

This has important consequences for Chicago, as the US may need to plant more soy acres next spring. So far, traders expected corn acres would be up at least 2 mln from last year, while soys would be unchanged. It appears the soybean market is trying to buy some acres now.

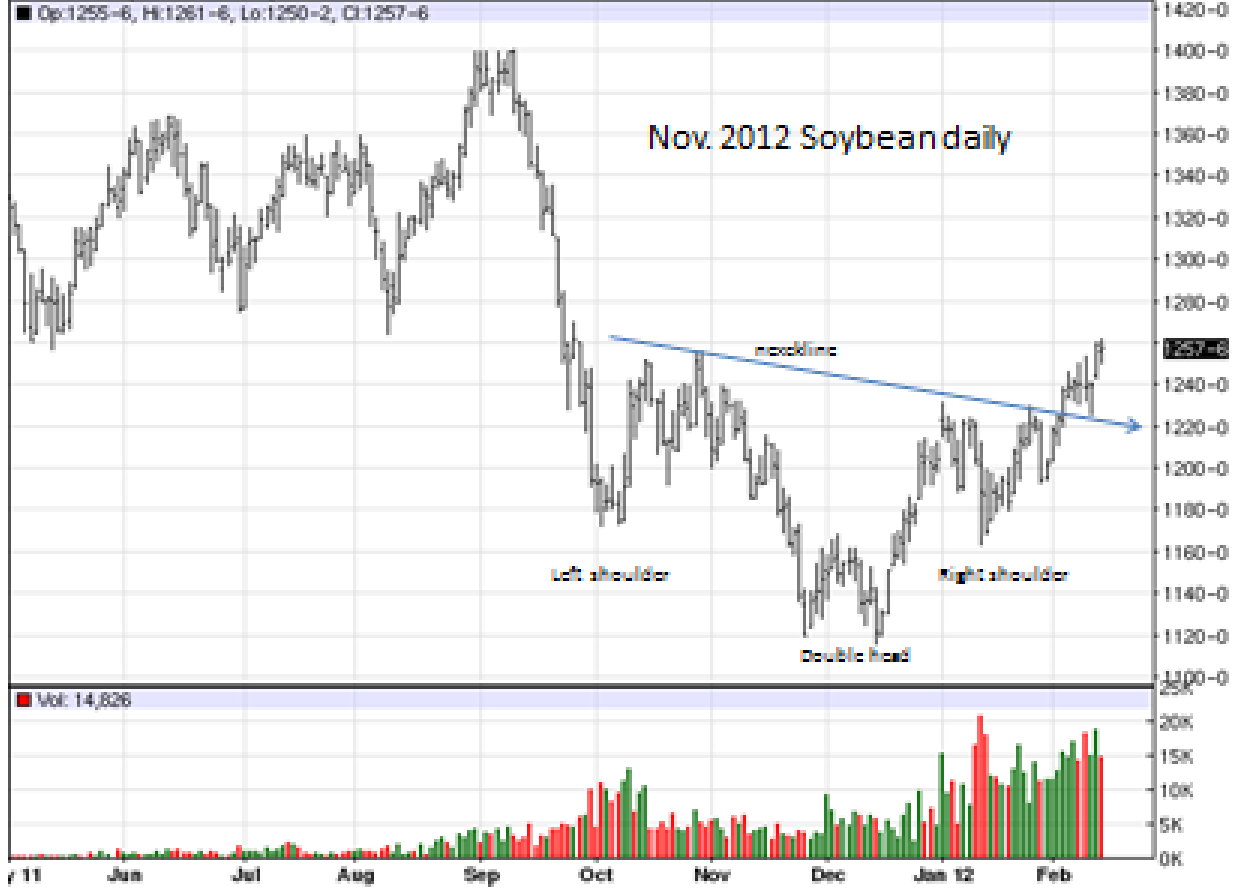
Wheat was the weakest link, still reacting to the USDA report of Feb. 9, which predicted some of the largest carry-outs for wheat in both the US and the world. There are, however, large crop losses in fall seeded crops in the Ukraine, so maybe the worst of the oversupply situation is now priced into the market.

I have included charts on new crop soybeans and corn. Nov soybeans have put in a classic head and shoulders reversal pattern, when it broke the critical neckline of the formation. In theory, the market should move \$1.20 now from the breakout point, projecting a move to the \$13.40 area, eventually.

The corn market has not broken the neckline, so the head and shoulders is not yet confirmed. If it does break up here, funds will be attracted to that market also, as moving averages begin turning up.

Most other AG and financial markets were very quiet. The European situation keeps hitting the news, with most of it on the negative side. However markets are stable, as most think there will be a concerted effort to prevent instability. The expectation that interest rates will remain low is also a price friendly factor for most markets.

ZSX12 - Soybeans - Daily OHLC Chart



ZCZ12 - Corn - Daily OHLC Chart

