

Grain M

Sent: Thursday, September 19, 2013 4:18 PM

To: Undisclosed recipients:

Subject: Advance Insight - 9/19/13

Corn

Heavy rains in Chicago overnight and early this morning, and more rain is forecasted across much of the corn belt through Friday. Temps expected to cool off into the weekend and remain on the cooler side for at least 10 days. Export sales of 17.2 mbu were below expectations of 18-26 but higher than the "needed per week" number of 14 mbu. Corn futures have not been significantly tied to outside market forces in recent months, but the Fed Reserve announcement that they will continue to print \$85 Billion per month and pump it into the system by buying government bonds got the attention of the precious metals market and to some degree corn was supported as well. Chairman Bernanke hinted several times in the past that the Fed would slow the printing of money, and just the hint of a slowdown sent mortgage rates higher the last several months. But at the end of the day, there are just too many "easy money" addicts out there and the Fed is their dealer. Yield reports continue to pour in and nearly all are equal to or better than expectations. Old crop basis in many cash markets is eroding and headed towards convergence with new crop values. Spread activity was very quiet with the Dec/Mar at a 12.25/12.5 bid/ask for most of the session. Keep an eye on Dec/July too - the widest it has been is 28 to 28.5. In late August it got in to 24, and now it is back out to 27+. Something to think about from a "return on space" viewpoint anyway: Z/N corn at 27; Z/N wheat at 11; and X/N beans at negative 46.

Phil Reginelli

Beans

November soybeans closed down $8 \frac{1}{4}$ cents to \$13.39 $\frac{1}{2}$ cents. Futures have had a difficult time balancing a harvest that is about a week away from going nationwide, and yield reports, so far, that don't sound disastrous. Spreads have even relaxed, with SX3/SF4 closing at a 2 cent carry - this spread has spent the last couple weeks inverted. CIF is attempting to relax on the front end with Oct bid +87SX/ offered +88SX, with offer side down 5 cents Thursday. Southern portions of the river have barge freight approaching 700% as bean harvest nears full gear, with corn harvest waiting in the wings. Currently, the gulf is living off of southern harvest, and if they get the predicted rains this weekend, soybean harvest could come to a halt pretty quickly. Processor basis is an east vs west game, as eastern basis is attempting to get to option price type values while western markets are still showing +35SX and up type premiums. Early in the trade session, 120,000 mt of sales were announced to Unknown destinations. In the export sales report, a total of 33.9 mbu of soybeans were sold last week, with 19.5 mbu to Unknown destinations, and, 4.9 mbu to China. With the lineup of soybean vessels picking up steam as we head into October, a fast harvest, combined with robust producer sales will be needed to cover the large commercial short at the gulf. Despite premiums taking a dip this week as we converge

the old crop marketing year with the new, there will be potential for quick ship pops in basis to raise their head at any time. DP shorting opportunities may present themselves, especially in the non-delivery months of Oct and Dec. At the moment, the country still does not have a large book of purchases on, so the logistics of this harvest will continue to provide opportunity.

Jack Fitzgerald

Wheat

With the exception of oats, Chicago wheat out-performed all other grain contracts on Thursday. WZ13 finished up $10\frac{1}{2}$ at 657, which is the contract's highest close since August 28th. Meanwhile, KWZ13 closed up $9\frac{1}{2}$ at 702, while MWZ13 closed up $8\frac{1}{4}$ at 708 $\frac{1}{2}$. Corn attempted to follow wheat higher, but the gains were limited as harvest activity continues to increase. The wheat rally was supported by strong export demand and technical buying. WZ13 broke through technical resistance at the 50-day moving average this morning. Funds still hold a massive net-short in wheat, and attempted to cover some of it as they bought an estimated 3,000 contracts. The Export Sales report this morning pegged wheat at 25.9 mbu. This came in above trade expectations, and nearly 25% above the 4-week average. Japan also bought 109K tons of wheat on a tender this morning, with 63K of it coming from the U.S. It was also noted that Brazil has been an active buyer of U.S. wheat over the past week, which is unusual business and something to keep an eye on. This is all on the heels of the Export Inspections report from Monday, which reported the highest weekly U.S. wheat shipments in over 20 years. CIF SRW was bid about a penny stronger, 65/70 Z for Sept. WZ/WH narrowed $\frac{1}{2}$ cent to close at a $10\frac{1}{2}$ cent carry, or 56% of full carry.

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