



# CHS PRO ADVANTAGE



## CHS Pro Advantage Monthly Update as of August 8<sup>th</sup>, 2018

### Corn



**Recap and Outlook** - While prices are still sub-\$4.00 and certainly not where we would like them to be, we did get the counter-seasonal bounce that we were looking for. So far the bounce, and that is all that it is at this point, is a modest one. Since we have now posted a low that is identifiable at \$3.50 and a high at \$4.30 we can draw a Fibonacci retracement. These identify logical points where markets often revert to after big moves. The most important levels are the 38% mark (modest bounce) and the 62% mark (large bounce). We have exceeded but stuck near the 38% mark at \$3.80 ½ for 9 trading sessions. We have decided to defend the \$3.80 level with puts in case of a bearish USDA August report and a pending early US harvest. That would leave the up-side opportunity open for the remainder of our 5 weeks of marketing for the market to reach the upper level retracement at near \$4.00.

The export pace of old crop and new crop corn has been very good in the past month and we expect that is a direct result of the recent heat and dryness in Northern Europe, whom we expect to be a big corn customer this year, but probably not in the next few weeks.

The corn fundamentals are set up for higher prices in the long term, but with harvest around the corner, we have chosen a defensive strategy with a modest amount of upside potential open to our trading pools.

**2018 2 year Corn ending 9/21/2018.** We are 56% sold in futures plus at-the-money put options that add up to 85% protection. There are also a combination of sold puts and long calls that bring that percentage down slightly which is what opens up our position to further upside potential. This CHS Pro Advantage is currently valued at \$3.8833 on the close August 8th.

**2018 1 year Corn ending 9/21/2018-** We are 54% sold in futures plus at-the-money put options that add up to 89% protected. A slightly larger component of puts/calls that allow for upside movement in this contract. This CHS Pro Advantage is currently valued at \$3.8865 on the close August 8th.

**2019 2 year Corn ending 9/20/2019-** We are 43% sold in outright futures, with a very small straddle sold as well. This CHS Pro Advantage is currently valued at 4.1375 on the close August 8<sup>th</sup>.

## Soybeans



**Recap and Outlook - Soybeans** have made an identifiable bottom (along with corn) in July and that allows us to draw a Fibonacci retracement from the highs of \$10.62 to the lows of \$8.26. To date the beans have only managed to touch the 38% retracement and no more. That was no small feat to rally almost a dollar with the political anvil that hangs over this market in the form of tariff wars with our

trading partners. With no talks being held or scheduled, this is unlikely to change by the time our pools will settle in mid-September.

We have about a 30-cent lead on the market, but that only just reaches into the mid-\$9 range and while we hope to improve on that, we have decided to defend the \$9.00 level with puts on a good chunk of the bushels under management to get through the Aug 10 WASDE report. The potential for a drastic downgrade in new crop exports is too great to leave un-hedged.

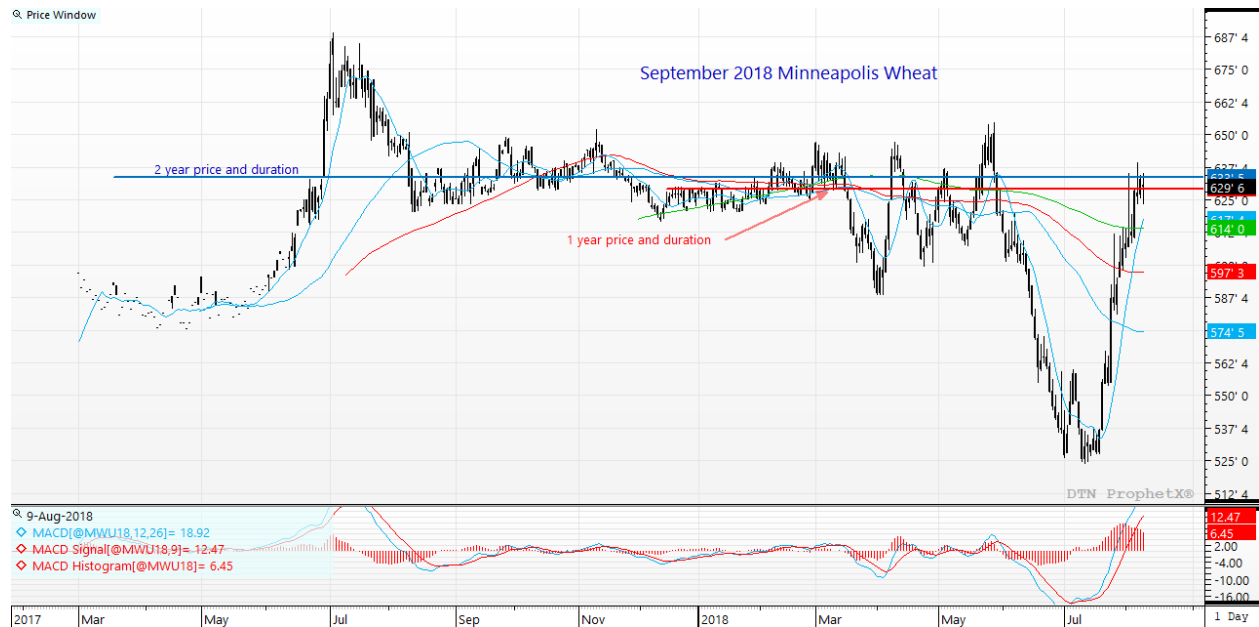
**Soybean marketing to date:**

**2018 2 year Soybeans ending 9/21/2018-** 42% sold in futures with another 32% at-the-money puts owned. A minor synthetic long position brings the net position to roughly 70% sold. This CHS Pro Advantage is currently valued at \$9.3728 on the close August 8th.

**2018 1 year Soybeans ending 9/21/2018-** 52% sold in futures with another 30% at-the-money puts owned. A minor short put position as well. We are protected at \$9 but we have a lot of opportunity if the market should rally. This CHS Pro Advantage is currently valued at \$9.3850 on the close August 8th.

**2019 2 year Soybeans ending 9/20/2019-** We had cashed out of a small futures short and we have a small lead on the market with only a short put on the books at this time. This CHS Pro Advantage is currently valued at \$9.5036 on the close August 8th.

**Wheat**



**Recap and Outlook** - Spring Wheat Pro Advantage expiration occurs over the next two weeks. The chart above is Minneapolis wheat for September. The blue line represents the timeline and price of the 2 year contract and the red horizontal line represents the duration and current price of the 1 year contract; both of which terminate next week. Two weeks ago, we had a 90-cent lead on the market, but the wheat rallied right up to our price again. The harvest rallies have been uncanny, but our prices are very respectable in any light you shine on them. New sign ups for Spring wheat are open now.

Winter wheat sign up for the July 2019 and July 2020 contracts are open now.

The recent rallies in all the wheat classes have been on the back of the drought in Europe and the Baltic states as well as some difficulties in the Black Sea and Australia. None of that has manifested into any more exports for the US. We anticipate a 20% rise in acres for both HRW and SRW here in the US as the farmer responds, correctly, to profitable price levels. We see this as very dangerous to new crop pricing. We will be selling hard as soon as our contracts open in mid-August.

**Wheat marketing to date:**

**2018 2 year Spring Wheat ending August 17, 2018-** We are 100% sold with roughly 10% in-the-money options. This CHS Pro Advantage is currently valued at \$6.3284 on the close August 8<sup>th</sup>.

**2018 1 year Spring Wheat ending August 24, 2018 –** We are 96% sold in futures. This CHS Pro Advantage is currently valued at \$6.2799 on the close August 8<sup>th</sup>.

**2012 2 year Spring Wheat ending August 23, 2019-** We are 100% sold at the moment – we expect to trade this more as the year goes on. This CHS Pro Advantage is currently valued at \$6.5196 on the close August 8<sup>th</sup>.

**2019 2 year Hard Red Winter wheat ending May 17, 2019-** We are 42% sold in futures with another 15% sold in call options. This CHS Pro Advantage is currently valued at \$5.6751 on the close August 8<sup>th</sup>.

**2019 2 year Soft Red Winter wheat ending May 17, 2019-** 91% sold in futures. This CHS Pro Advantage is currently valued at \$5.5577 on the close August 8<sup>th</sup>.



## CHS PRO ADVANTAGE



### Weekly Market Valuations

As of Aug 8th, 2018

<u>Contract</u>	<u>Pricing Period</u>	<u>Futures Month</u>	<u>Current Market Valuation</u>
Pro Advantage-2018 Corn (2 yr)	12-23-2016 - 9-21-2018	Dec. 2018	\$3.8833
Pro Advantage-2018 Corn (1 yr)	12-18-2017 - 9-21-2018	Dec. 2018	\$3.8865
Pro Advantage- 2019 Corn (2 yr)	12-18-2017 - 9-20-2019	Dec. 2019	\$4.1375
Pro Advantage-2018 Soybeans (2 yr)	12-23-2016 - 9-21-2018	Nov 2018	\$9.3728
Pro Advantage- 2018 Soybeans (1 yr)	12-18-2017 - 9-21-2018	Nov 2018	\$9.3850
Pro Advantage- 2019 Soybeans (2 yr)	12-18-2017 - 9-20-2019	Nov 2019	\$9.5036
Pro Advantage-2018 Spring Wheat (2 yr)	12-23-2016 - 8-17-2018	Sep 2018	\$6.3284
Pro Advantage- 2018 Spring Wheat (1 yr)	12-18-2017 - 8-24-2018	Sep 2018	\$6.2799
Pro Advantage- 2019 Spring Wheat (2 yr)	12-18-2017 - 8-23-2019	Sep 2019	\$6.5196
Pro Advantage-2019 HRW Wheat (2 yr)	8-15 -2017 - 5-17-2019	July 2019	\$5.6751
Pro Advantage-2019 SRW Wheat (2 yr)	8-15 -2017 - 5-17-2019	July 2019	\$5.5577



[chsproadvantage@chsinc.com](mailto:chsproadvantage@chsinc.com)

This material has been prepared by a sales or trading employee or agent of CHS Hedging, LLC and should be considered a solicitation. This communication may contain privileged and/or confidential information and is intended only for the use of the individual or entity to which it is addressed. If the reader of this message is not the intended recipient, you are hereby notified that any unauthorized dissemination, distribution, and/or use of this communication is strictly prohibited. CHS Hedging, LLC makes no representation or warranty regarding the correctness of any information contained herein, or the appropriateness of any transaction for any person. There is a risk of loss when trading commodity futures and options.