HowardTyllas Daily Numbers & Hedge Ideas

8:35 pm Chicago time 11/6/19 **November 7, 2019**

December 2019 Corn

3.85	
3.83 ¼	
-------------3.79 Pivot	
3.74 ¾	
371 ½	
5 day chart	Down from last week same day
Daily chart	Sideway
Weekly chart...	Sideway
Monthly ct........	Sideway 4.00 ½ is the 200 DMA
ATR 6 ¼	Ex. Oversold 1%

For 11/7/19: Red bracket line and red downtrend line resists, blue bracket line is pivotal support now.

In my daily corn numbers on Wednesday; my resistance was **.00 ¼** from the actual high, my support was **.00 ¾** from the actual low.

December 2019 Wheat

Use the same numbers as used on 11/6/19	
5.27	
5.23 ¼	
-----------5.16 Pivot	
5.09	
5.05 ¾	
5 day chart... Up from last week same day	
Daily chart .... Up (turns down below $5.03)	
Weekly chart ... Sideway	
Monthly chart... Sideway	5.01 ½ is the 200 DMA
ATR 9 ¼	Balanced 75%

For 11/7/19: Bracket lines are support and resistance, daily numbers support and resist today.

In my daily wheat numbers on Wednesday; my resistance was **.01 ½** from the actual high, my pivot acted as support and was **.02 ½** (**.00 ¾** in open outcry) from the actual low.

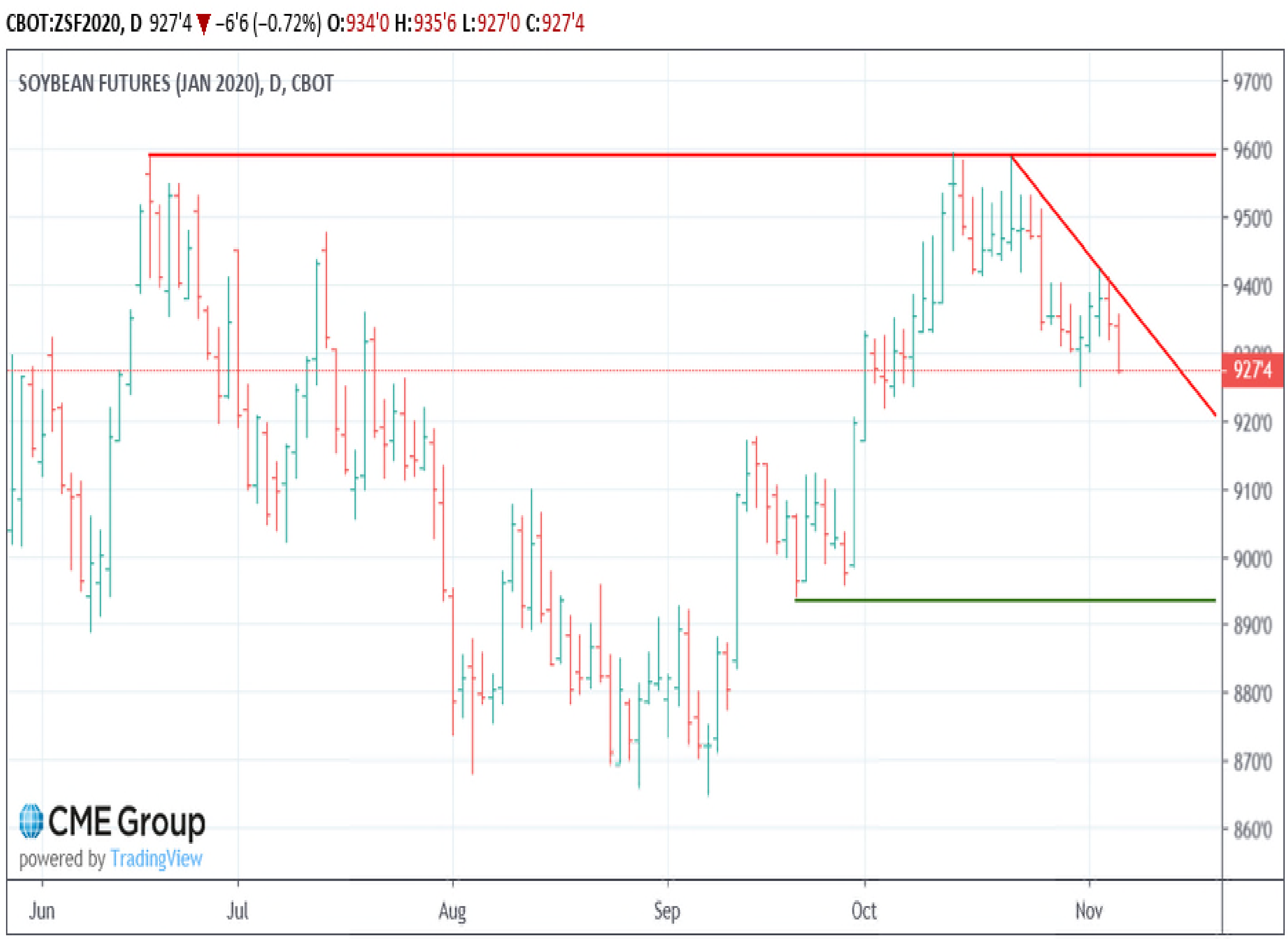
January 2020 Soybeans

9.37 ¾	
9.33	
-------------9.27 ½	Pivot
9.22	near the 200 DMA
9.17	
5 day chart... Down from last week same day	
Daily Chart.. Sideway	
Weekly chart ... Sideway	
Monthly chart... Sideway	9.20 ½ is the 200 DMA
ATR 10	Ex. Oversold 9%

For 11/7/19: "Bracket line and downtrend line are resistances, 200 DMA and the daily numbers supports".

Low for the May 2019 contract is $7.80 ½.

In my daily soybean numbers on Wednesday; my pivot acted as resistance and was **.01 ¾** (**.00 ½** in open outcry) from the actual high, my support was **.02** from the actual low.



Farmers and speculators should never assume that they can just do what they want and then just hope that it all works out for the best; if they have failed to plan, then they have planned to fail.

My approach is not to buy the low and sell the high even though I attempt to do so when possible, but rather to take what the market has to offer me and risk a minimum to go for a good reward when my numbers hold.

When a gap is filled the market then has a 50/50 chance to move in either direction. Until the gap is filled it acts as resistance if it is above the market (last trade price), support if the gap is below the market.

Gambling means risking money you cannot afford to lose, but making a “bet” on something is just that, a bet, and I try to get odds in my favor before I place a “bet”. When you are unhedged I have been saying you are gambling with your income, and certainly that means money you cannot afford to lose.

In my opinion, only 1 out of 100 speculators will trade successfully the first year, and those who do have a 50% chance of repeating the success the second year.

The numbers do not tell you what to do; they just tell you the possible location for the days actual high and low.

Futures trading involve the substantial risk of loss and may not be suitable for all investors. Past performance does not mean future results

Commentary for Thursday 11/7/19

11/7/19: Funds sold 16,000 corn and 5,000 soybean, and bought 3,000 wheat contracts on Wednesday.

Soybeans have backed off from lofty levels, trying to be in the middle of value going into the report, instead of going into it at an extreme. The 200 DMA is good support and bulls need to defend it to remain in control.

Corn has backed off its high and is at a bracket line that is pivotal support now.

Wheat has the strongest chart and is in the high side of it now. As long as it stays above its 200 DMA at $5.01 ½ the bulls are in control longer term.

No matter what the market does now could be reversed on report day. Corn and soybeans seen resistance levels the last 2 weeks that gave opportunity to hedge or improve your hedge, and now is a place to adjust to get some cheap upside back. It is never too late to take risk off the table, but when at supports it is more like dammed if you do, and dammed if you don’t. It is always easier to make a decision to sell/hedge/improve when at a resistance (even if it goes higher from there), then now at a support you should be getting upside back instead.

December 2020 corn settled at $4.01, and the high since 8/13/19 was $4.12 ¼ and the low for 2019 was made on 9/9/19 at $3.94 ½ so I guess this is as good a place to get started or the last hedges done. The $3.80/$3.40 put spread settled at $.11 ¾ and the $4.40/$5.50 call spread settled at $.11 3/8. Pay $.00 3/8 now. The last 2 days the pit and electronics are bidding fair value and want to add $.01 ¼ to their offer. Many a year at this time we were paying $.01 ½ above fair value to get it done, but the last few months we were spoiled able to do almost all at fair value or give a tick or 2 to get it done. Maybe it was because they were willing to go long or trade from the long side, not lately though. You could buy the $3.70/$3.30 put spread for $.09 1/8, or the $3.80/$3.50 put spread for $.09 7/8 making the put side cheaper if you are friendly 2020, and if you are not and do not mind to sell more upside you can sell the $4.30/$5.40 call spread settled at $.13 1/8, or the spread we sold last year the $4.20/$5.50 that settled at $.17. If you are happy now and will be if above at expiration, do the $4.20/$5.20 call spread for $.15 5/8 and buy the $3.70/$3.30 put spread for $.09 1/8 and collect $.06 ½. You also must be happy with $3.70 if below there. With a long $3.70 put and short a $4.20 call you will have wiggle room to take advantage of any rally or breakdown. Reflect your wants and needs, but keeping it cheap it is "you give me the put spread I need and I will give you the call spread you want".

November 2020 soybeans settled at $9.67 ¼, and the $9.20/$8.60 put spread settled at $.17 ¼, and the $10.20/$11.20 call spread settled at $.19 1/8 so you collect $.01 7/8 on this 4 way. Adjust the strikes to reflect your wants and needs.

11/6/19: Funds sold 8,000 corn and 3,000 soybean, and bought 3,000 wheat contracts on Tuesday.

Corn bracket line and gap was tested and it held, but the downtrend line is keeping the correction in check. It might take the report to bust the support, or correct past the downtrend line and try to test major resistance at $4.02 ¾. The market is giving participants at support now to adjust their position and risk going into the report.

Soybeans backed off of its resistance by $.25 and have been in a tight range holding recent supports. Bulls are still in control as long as the market is above the 200 DMA.

Wheat tested and held major supports of the bracket line and 200 DMA.

I do not know what the report will say, and I do not know how the market will react to it, but you and I need a plan before to adjust our risk, and a plan for after the report comes out, no matter what the market does before or after, you must have a plan or stand aside and wait for a trade idea betting on a chart/price level will hold or take profits at, or both. I continue to recommend getting some upside back and many did on Tuesday, because they are cheap and we have 2 weeks from Friday until expiration. I am not bullish or bearish, I just want to take trades based on what the chart will give me risking little to see if it will hold, and rewarded nicely when it does.

11/5/19: Funds sold 10,000 corn and 7,000 wheat, and bought 6,000 soybean contracts on Monday.

As like all years, I remind you about having the right mindset, not only for trading but in life itself. It starts with the half empty half full; you should not live in the half empty because your focus is on what you do not have rather than what you do have. The half full is happy and will make the most of what they have and can look to improve in the future, the half empty needs more than what they have and think what is missing in the half full will make them happy. Until then, they are never satisfied. In trading, when you are making money you are happy, but if you find it hard to take profits especially at your objective, the reason will be that you are more worried about what the market will do after you get out, and more profits will not be obtained. The half full follows his plans and decisions and is happy that the objective was accomplished, the half empty does not like making decisions except after the fact (the old lady at the racetrack that knows what to do after the race, and complains she only bet $10 when she normally bets $50 because her horse won. She could have bet more since she was winning, "she knew he was going to win, I bet on it" But her decision was to bet $10. If the horse lost she would have said she only bet $10 because she was unsure of his chances.) If she was in the half full she would have been happy her horse won. The racetrack lady always knows who and how much to bet after the race is over. But reality does not work that way. Same goes for trading or betting on any gamble, you think something will happen that you want to bet on, and you risk money to make money. In time will tell if you win or lose. It must be a good bet or why gamble. Options will always give odds in your favor if you understand what you are doing, without knowledge you could be right the market and wrong the way you used the options and lose money instead. With option knowledge you can make money and be wrong the market, and a 4 way hedge in place and you are bearish (or bullish and right) and the market expires above your short call. You were wrong the market but made money above your long put (where you started) until the call spread sold. If bullish you were right and get paid the same unless you reflected a higher call strike sold.

When you do not hedge you are long, and gamble penny for penny, and no way of capturing any money when the price swings up and/or down greatly over months, but with a 4 way you have control over the put spread and the call spread. Most important is you know exactly the risk protection you have and the cost, and then the decision of what upside you want to sell away to help pay for it. If it costs $.02 all in and it goes down the entire $.40 put spread you lose only $.02, and if it goes up $.40 you make $.38 of it, the odds are greatly in your favor. Gamblers look for the best odds in their favor. The only reason I can think of for not hedging, is you are more worried the market will rally greatly than worried the market will go down instead. My 2020 hedge example/recommendation is selling the $4.40/$5.50 call spread, how often in the last 2 years have we sustained trading above $4.40, and would you be happy if you can sell 2020 and get a board price of $4.40 now. December 2020 corn is about $.23 above the December 2019 price, and that is due to one factor only, the carry charge. 1 Year from today that will be gone.

We hedge last year and initiated $3.80 and $3.90 put spreads, ask yourself with a shortfall this year, and an average normal crop in SA now and our 2020 crop, should we be at the current price or higher or lower? What would the price be without a shortfall? When you take away whatever demand was lost to swine flu and greatly reduced herds to feed, should we be higher or lower in the future? Yields are going up every year, FCS is predicting 170 BPA for corn and 47.5 BPA for soybeans, what happened to the disaster the market was "talking" when we were planting? I do not know anything and do not want to know, because I do not bet on guesstimates, I bet on charts.

Producers, who have 2019 crops to hedge, should hedge and take some risk off the table. I have been recommending for months to hedge 2020 and still do, some have 100% and some on my book are putting their head in the sand and probably hope for the best. In 10 years I have never used the word hope when trading or hedging in this service, saying that already means whatever you are doing that needs hope, is not worth betting on.

December 2020 corn $3.80/$3.40 put spread settled at $.10 ¾ and the $4.40/$5.50 call spread settled at $.11 ½ so it collects $.00 ¾. These strikes and idea started at pay $.01 ½, and the best we got was collect $.04 ¼, December 2020 settled at $4.03 ¾.

I recommend buying back some short 2019 calls before the report and I would start today. I would start with the lower strike calls first (to get courage to remain short). Then do the cheaper ones next, and if lower still then the lower strikes again. Have a plan to reduce on this break before the report. Also remember to look at the cost of a call or put and that tells you the odds, what it costs to be long or short from that strike. When cheap, it tells you the market should not move greatly, but with December options that can change quickly with less than 3 weeks to go. We did see a limit move down a couple of months ago.

"You will never know what the market will do, but you must always know what you are doing and why" If you do not hedge 2020 or if you still have 2019, you have no odds in your favor except maybe the location on the chart, and your risk is penny for penny your reward…. Flip a coin with your income unless hedged.

11/4/19: Funds sold 10,000 corn, and bought 6,000 soybean, 7,000 wheat contracts on Friday. As of Oct. 29th FCS underestimated corn selling by 9,000 contracts, underestimated wheat selling by 12,000, and underestimated soybean buying by 13,000 contracts. As of the close today with the COT update, the funds are now short 92,118 corn contracts, long 67,849 soybeans, and long 12,769 wheat contracts.

WASDE comes out on the 8th, and could signal the next direction out of this sideway trend. The charts show the potential for price in the future, and show the risk you have to obtain the profit you seek. Today's price might show what you did a month ago was profitable or not, but that does mean that what you did then was right or wrong. It must have been the right thing for you to have done at the time, or why did you do it? Of course we know what would have been ideal a month ago to have done, because it is after the fact and was unknown then and known now. It is easy to say I know to bet Washington to win the World Series now, but not easy to say before the season began. Not easy to say when they were losing 2 games ago. The reality is nobody knows for sure the future, but we know the past. Gambling involves betting an outcome in the future, cannot gamble once the outcome is known.

It is easy for me to stand aside as a trader, and only bet when I see the price at a level that I want to bet will hold, and the risk is worth the reward. Every trade idea does not warrant the same bet, and you want to lose the little bets and win the big ones you had a conviction. As a producer you do not have the luxury of standing aside, and can only be that way when hedged well. Even when hedged this year, you have next year and ever year thereafter. You are always long what is not hedged. I never have recommended hedging more than the current crop and the next year crop in all these years of my service. Control and risk control is the biggest factor for hedging.

Markets gapped a little lower and are quiet now. The week starts off with more rotation and no conviction before the report, and participants will adjust their position to be comfortable going into it. I continue to recommend hedging 2020 crops, December 2020 corn \$3.80/\$3.40 put spread settled at \$.10 3/8 and the \$4.40/\$5.50 call spread settled at \$.11 7/8 so it still collects \$.01 ½. Now there is 3 weeks to expiry, December 2019 options will move quickly, and just as prices are fleeting, so are the opportunities. Capture 66% if you can roll up your long put on rallies, and buy back cheap calls on breaks.

11/1/19: Funds sold 5,000 corn and sold 1,000 wheat, and bought 5,000 soybeans on Thursday.

Soybeans opened higher in open outcry and worked its way lower the next 2 hours until it hit my support which was the exact low and a target to get some upside back. Now it should rotate back up which it is doing, until the next rotation down. The direction has been and is sideway, so I do not look for the next trend up or down will begin. Rotations might get larger as time goes on, but my premise of uncertainty will limit price swings.

Corn has gone nowhere the last 4 weeks, stuck in a tight sideway range. This market is not giving what the bull or bear wants, a breakout of this sideway trend, and both have had opportunities to take advantage of what the market gives them, or both camps are spinning their wheels. Once again it is at a pivot place on the current chart with a \$.10 parameter up or down from here.

Wheat is also at a pivotal moment on the chart, parameters are \$.25 up or down from here.

I do not know where we will be trading next month or after, but I do know what I want to do to take advantage of the price swings no matter what I think. As soon as I can raise a long put to a higher strike and capture at least 66% I know that is all the reason I need to do that. When I can buy back a call I sold and have little value remaining to be gained, and still enough time remaining until expiration, it is the reason I want to take it off my book. Little to gain and much to risk, means that the call has done its job.

Having 2020 hedged takes much risk off the table, and I gain control.