HowardTyllas Daily Numbers & Hedge Ideas

9:50 pm Chicago time 12/11/17 **December 12, 2017**

March 2018 Corn

3.56	
3.52 ¾ FG	
--------------3.48 ¼	Pivotal new Contract Low
3.43 ¾	
5 day chart....	Down from last week same day
Daily chart	Down
Weekly chart...	Down
Monthly ct........ Down	3.83 is the 200 DMA
ATR 4 ¼	Ex. Oversold 6%

For 12/12/17: “Daily numbers support and resist”.

In my daily corn numbers on Monday, my pivot acted as resistance and was the **.00 ¼** from the actual high, my support was **.00 ½** from the actual low for the day.

Since September 2012 I continue to say: In 2010 $3.24 ($3.18 spot continuation chart) is now support and was the bear’s target that was accomplished already in August 2016 with “spot month 2016 September” posting a low of $3.01, with the next objective of $2.90. Now you know why I have kept this comment

March 2018 Wheat

4.25 ¾	
4.19 FG	
-----------4.10 ¾	Pivotal new Contract Low
4.02 ½	
5 day chart....	Down from last week same day
Daily chart	Down
Weekly chart ...	Down
Monthly chart ... Down	4.83 Is the 200 DMA
ATR 7 ½	Ex. Oversold 8%

For 12/12/17: I continue to say "Daily numbers support and resist. Downtrend line is resistance, new contract low supports".

Red downtrend line is resistance now.

In my daily wheat numbers on Monday; my pivot acted as resistance and was **.00 ¾** from actual high, my support was **.02 ¼** from the actual low for the day.

March 2018 Soybeans

10.08 ¾
10.01 ½ FG
------------- 9.92 Pivot
9.82 ½
9.78 ¾ FG
5 day chart... Down from last week same day
Daily chart ...... Sideways
Weekly chart ... Down
Monthly chart .. Sideways 9.83 is the 200 DMA
ATR 12 Ex. Oversold 2%

For 12/12/17: "Daily numbers support and resist. Gaps are resistance. 200 DMA is support". January chart is in the comments.

Bracket line resists, uptrend line supports.

March chart filled the gaps already, while the January did not. I always use the front month chart until after the first few days of delivery are past. I am using the March chart to make it easier to see the March contract, for the upcoming option roll.

My daily soybean numbers on Monday; my pivot acted as resistance and was .06 ¼ from the actual high, my support was **.03 ½** 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.

Commentary for Tuesday 12/12/17

12/12/17:

Grains: Funds sold 10,000 corn, 8,000 soybean, and 4,000 wheat contracts.

If the bulls want to remain in charge, they must hold the uptrend line support. If not, the gap at $9.78 ¾ basis the March contract would be the last strong support, below there the chart will test longer term significant supports. The funds are long less than 20,000 contracts now, and we will see how they play their cards. If they turn bearish soybeans too, I would expect before this week is out that they will be short some soybeans too. If they want to buy, they have plenty of contracts they could buy. The closer it would get to the bracket line resistance the more of a sell it will be, so let them buy and bring the price up to where you can take advantage of it.

Corn and wheat are making new contract lows which are what I continue to expect as time goes on, and SA has a decent crop.

Going into a report, I want to trade a market if it is at an extreme, that would mean buy corn and wheat, and beans are more of a buy than a sell. I would only trade with a known risk option strategy. If I was short I would be flat going into the report and take a profit. But I am not willing to buy to go long either, because in the long run I am still bearish. I would buy corn and wheat if they really sell off after the report for a day trade, or sell soybeans if sharply higher.

(January soybean chart on next page)

12/11/17:

Grains: Funds bought 3,000 corn, and sold 6,000 soybean, and 3,000 wheat contracts. With the updated COT report, as of today's close the funds are now short 162,061 corn, short 133,379 wheat, and long 27,885 soybean contracts.

January soybeans need to hold the $9.83 level to keep a friendly bias in place, a failure to hold will embolden the bears to press the downside. If it does hold, in time if it can get above the bracket line and stay there for a week, the chart would turn bullish because of the neckline being hurdled forming a head and shoulders bottom. Even then, I would expect the gaps to hold and see pullbacks to the bracket line (which would then be support), and unless the second gap gets filled and trading above there, the head and shoulders will prove to be a bear trap. If the gaps were not there, it would be a much mo0re bullish move to hurdle $10.10, and not much to stop the rally from there except highs of the previous months. I continue to sell rallies at resistance levels, and take profits at supports (which has been my mantra trading from the short side). Always remember, what you do as a hedger is for EXPIRATION, and to take advantage of price swings when cheap to improve your hedge.

At this stage of the game it would be pathetic to not have hedged corn and wheat this year, let alone to have some of last year's crop in the bin. "Think what you want but always have a hedge on". Since 2012 I have said and continue to say, "Make sure you clean out your bins" no later than June or as soon as the basis cannot improve to be worth keeping. Yes, I know it is worth doing 2 and 3 ways in order to have protection and the chance to make more income while you wait to cash market.

Reality is the last price traded, and those who thought this and that looking for higher prices, have been totally wrong and without a plan to control further losses. The unhedged are a perfect example of being the

99 in 100 to not be able to trade successfully. Just like the 99 out of 100 new members who could not keep their seat for more than a year or two depending how much money they were willing to lose.

Another year I am spot on saying "it will not be a Merry Christmas" for the unhedged.

It is not your fault the market is going down, but it is your fault if you do not have some kind of hedge on no matter how small it seems. "Not losing money is the same thing as making money".

I outlined 2018 corn and soybean hedges on Friday, use those as a reference when you price the strikes you select and price.

WADE report on Tuesday, so it probably will be slow on Monday.

12/8/17:

Grains: Funds sold 9000 soybean, 4,000 corn, and 4,000 wheat contracts. Soybeans are hanging in the middle of the bracket line resistance and uptrend line support, flip a coin from here. I call it "funds will sell rallies" now, and maybe get flat soybeans awaiting their next move. If they turn sellers it will be lights out for the bulls who will not know where to go once the funds leave. Or, they will find reason to get long once again. You need a plan to hedge no matter here, or if the market goes up or down, but you need a hedge.

The SX 2018 $10.00/$9.40 put spread settled at $.29 ¾ and the $10.40/$11.40 call spread settled at $.21 5/8, so it costs $.08 1/8, plus 4 commissions. You get $.48 of $.60 protection; you get $.28 of the $.40 upside, and long again unhedged above $11.40.

2017 January puts and calls are reasonable, get the $9.90 put for $.09, and can sell the $10.10 call for $.04, which makes unlimited protection cheap, going into the monthly WASDE report next week. If the market goes down to a price you want to get long again, just sell a put strike where you want to be long, and collect premium to help pay for the original cost of the put. If it goes up above $10.10 on expiration you will have captured $.13 free and clear, the protection was free, and you have a basis hedge until you sell cash or if it goes down to a price you want to be long, you will buy back the future and do a 2 or 3 way.

Corn and wheat are taking turns making new contract lows, nothing friendly let alone bullish about that.

The CZ 2018 $3.80/$3.40 put spread settled at $.17 ¾, and the $4.00/$5.00 call spread settled at $.15 ½, costs $.02 ¼ plus 4 commissions. You can buy a smaller put spread, or sell a different call spread, but at this stage of the game $4.00 looks pretty good. In time you can reduce the call spread, or lower the $3.80 put down to $3.50 and put $.27 in your pocket, and then be long above $3.50, just like what happened in 2017. In 2017 it rallied way too early for up to have captured more income raising the $3.80 put to $4.10 remember? It was too expensive because of the time value remaining and options move in tandem with each other. Corn has the carry, and just like 2017 when the December options almost ran out of protection.

Make sure you control your risk, and never be uncomfortable especially in the holiday season. Do not make your life more about the gamble, than all the joys around you.

I do think the markets will be quiet until the report, and not move too much one way or the other.

12/7/17:

Grains: Funds sold 12,000 soybean, 5,000 corn, and 4,000 wheat contracts.

Using March corn and wheat charts now. January soybean chart remains.

The November 2018 soybean $10.20/$9.80 put spread settled at $.22 ¾ (up $.00 ½ on Wednesday), and the $10.80/$11.80 call spread settled at $.18 1/8 (down $.00 ½ on Wednesday) so this 4 way settled at $.04 5/8.

Chart looks like a sideways range until the year end, with January soybean chart showing resistance at the bracket line and the gaps just above there, and the low in November of $9.67, so you and I should take advantage of the price swings when extreme resistance or support within the sideways range is in play.

Spot on numbers, and spot on long term forecast for continued sideways to lower prices as time and decent crops goes on. Look around you, the 99%, if they only knew the knowledge you know, they would not be victim to thinking they know what the market will do. I have been a member of the CBOT going on 42 years, and I say a few times every year "markets can and will do anything", and "you never know what the market will do, but you should always know what you do and why". What is out there is the complete opposite of what I say.

The longer you have been with me, the more you know for yourself, what I do starts with a solid foundation of charts and option knowledge, but what separates the winners from losers is the MINDSET. The half empty what you did not get will never win over the half full and glad to get what I got.

12/6/17:

Grains: Funds bought 9,000 soybean and 3,000 corn, and sold 3,000 wheat contracts.

If you look at the January soybean chart we are using, you see the 2 gaps left in August have not yet been filled. That also means we have not traded this close to those prices not seen since the gaps were made. We have spent plenty of time below these price levels, so initiating a hedge for 2018 is the prudent thing to do, and I recommend doing something here. Unless you are 100% hedged for 2017, no sense looking at 2018 which moves slowly, compared to the penny for penny risk/reward for what is in the bin now.

The November 2018 soybean $10.20/$9.80 put spread settled at $.22 ¼ (down $.00 ½ on Tuesday), and sell a call spread reflecting your want for the upside. I like the $10.60/$11.60 call spread that settled at $.21 5/8 (up $.01 3/8) making this 4 way cost $.00 5/8 plus commissions. $.40 up and $.40 down, with control over the call spread and the put spread which in time can be used to capture more income on rallies and extend the short put lower for more protection cheaply, or be able to buy back the call spread on breaks when cheap to do so. The $11.00/$12.00 call spread settled at $.16 5/8 (up $.01 1/8) making the 4 way cost $.05 5/8, you still get $.40 downside put protection, but now you have $.80 upside. $10.80/$11.80 call spread settled at $.18 7/8, reflect your desire for the upside with the call spread you sell. How does being unhedged have an advantage over the 4 way?

The only reason for not hedging is the fear of missing the upside and/or selling away $1 call spread (even though we have not seen $10.60 since the summer 2016 high). This is not a problem, this is a decision that you would like to see on expiration for the call spread to be in the money. What is a problem is watching the market going down and have done nothing and still is faced with the same problem of managing risk if the market keeps going down.

I have recommended 2018 hedges for a long time, and with the most recent using only $.30 put spreads. If SA has another decent crop, corn and soybean hedges will need twice the put protection, so if the market rallies from here, when cheap we want to roll down the short puts to a lower strike to get more protection that is too expensive for now.

12/5/17:

Grains: Funds bought 4,000 soybean, and sold 8,000 corn, and 3,000 wheat contracts.

You look around you and you hear and see the same stories coming from hedge, speculative brokerage trading firms, bulls, and producers. Every year whatever was held for marketing the following year has been a total disaster since 2012. What was lost, they probably will never get back. You are self directed and know to "think what you want but always have a hedge on". With the mindset being half full which the people who know what to do AFTER the fact (the old lady at the racetrack) will never have, and with the odds in your favor using our strategies, "they" will never compare let alone outperform what you do, otherwise the odds would be in their favor. Nobody beats the odds in the long run.

They think this and they think that and no matter 2012 or now the producers like to hear "pipedreams". You can think this and think that too, but your hedge protects you from being your own victim.

Look at corn and wheat charts, unhedged producers and the incompetent services cannot ignore the current price. How many times per year have I said when I recommended hedging, you might as well hedge here because if we do rally we might only get to where the price is today. Unhedged controls nothing, you might be able to take profits on the call spread on a breakdown, or raise your long put up on rallies to capture more income.

I have said many times since this service started to NEVER sell twice as many calls to pay for the puts, that is the worst strategy to use, and was proven to be true in 2012. Why the worst? When the market for whatever reason sees an extreme rally, you want to make money, not go broke. That is what happened to many in 2012 (and any year with a significant rally) that sold twice the calls. Disaster! I do not play any game with potential disasters.

You should be 100% hedged for 2017 and 2018, have a plan if the market goes up or down, or plan to fail, as witnessed looking at the unhedged the last 5 years.

12/4/17:

Grains: Funds bought 9,000 soybean, 8,000 corn, and 4,000 wheat contracts. With the updated COT report, as of today's close the funds are now short 154,020 corn, short 120,466 wheat, and long 33,045 soybean contracts.

On 11/27 I said "The December 2018 corn $4.10/$5.10 call spread settled at $.14, to help pay for the $3.90/$3.60 that settled at $.15 ¾. $.01 ¾ and 4 commissions gives odds in your favor. You need the put spread, the want of the upside is up to you to reflect your thoughts, and the strikes you chose are clearly priced for you to decide". One producer did some at $.01 and it settled at $.00 7/8.

Back in September in 4 days the corn sideways bracket lines were formed, and in November it finally broke the bracket line support and forged a new low which will be a bracket line support and a new sideways range.

March corn needs to start closing over $3.70 ½ to turn the tide on the bears, and break the string of lower highs made on rallies. $3.28 ½ was the September contract low, and for now it looks like the December contract low at $3.35 ½ will hold.

Funds have kept their small long soybean position for now, because everyone knows that if there is adverse weather in SA, soybeans will gain the most. Bulls need to hurdle the resistance gaps in order to bully their way to higher chart levels. The 200 DMA supports and if that goes the bears should become more aggressive.

Wheat is trying to mount a corrective rally, the bracket line and then the downtrend line resist, the contract low supports.

I am standing aside for now and waiting to see if the markets can rally, and look to sell higher levels.

12/1/17: Grains: Funds bought 9,000 corn, and sold 6,000 soybean and 3,000 wheat contracts.

I am flat grains covering my shorts in soybeans, and looking to sell again around the downtrend line. The main reason to cover shorts is the sideways market limits the ability to break out one way or the other, so when profits are there in this case near $9.83; it is prudent to take what the market gives you. Unlike you who always have a crop to defend, a trader can stand aside (without a position) and not have any risk or reward. A chart level to sell or buy is a sell or a buy no matter who you are, the timeframe and reasonable expectations for price movement is also seen in the chart, this past performance and future possibilities are what keeps you in reality.

With that said, soybeans should continue sideways, and are a sell when at resistances. The gaps about $.20 is major resistance that keeps the bears in control. With the relatively small long position, they are participating rather than controlling it, but all participants certainly keep their eye on what the funds are doing and could do.

As I have said since this service started, "I could care less what brings the market to a price/chart level I want to bet on will hold". As a hedger you should think the same, because no matter what you think it is all about price and making business decisions. Being self directed you reflect your own wants and needs in the strike prices selected, from bull to bear who might think completely different about what the future price will be, have and use the same strategy that fits all thoughts.

Year after year, you witness what not to do in marketing your grain, by listening to everyone around you. Looks like "another year of worry" for the holidays on tap for the unhedged. How much do you think it was worth to you to have hedged, and not have the stress, and loss of income, and still no protection going into the holidays and then the January Final report?

When you get long or short after the last hedge on (capturing or improving your hedge), it is cheap, very cheap, and a known risk for your idea. The unhedged never know their true risk.

Corn is in their corrective mode, look only to what the chart will give you. Bracket line resists, and then a few cents above there. With calls so cheap, I do not look for any more upside than that.

Wheat corrected and puked again. Bracket line resists, contract low supports.

My mantra since 2012 has been "sell rallies and take profits on breaks" continues to hold true. As does, as long as we produce decent crops here in SA, price will be sideways and erode to establish the next lower bracket lines. It would be nice to be in bull mode now, but my job is not to make you happy with what I say, but to be truthful as a trader and tell you what I know and can see.

11/30/17: Grains: Funds bought 23,000 corn, and 5,000 wheat contracts, were flat on the day in soybeans.