BOCKEN TRADING

LLC

November 2019 Monthly Commentary

Pretty much straight down with the exception of Chgo and KC wheat. Funds added to their shorts in corn and went from long to short in beans. Producers didn't sell much as they received another gov't payment and basis firmed in the interior. The big piece that I was aware of but didn't give enough weight to over the last few months has been the weakness in the Brazilian Real. I have expected beans to move higher due to tightening fundamentals but they have lost nearly a dollar since mid-Oct. Beans in Reals have actually moved higher. The other thing is there has been a significant amount of selling out of Argentina ahead of the new gov't taking power. They are selling now while the Macri gov't is still in charge ahead of a potential increase in export taxes, which is expected to take place Dec 10. I had viewed the election results as friendly as producers should go back to hoarding as a currency hedge. I still think it will be in the longer term, but it has been short term bearish with this wave of selling. Corn lost 17 cents with beans down 54 in November. Meal lost $14 with oil down 33 points. Chgo wheat was in its own world gaining 27 cents for the month on a tight domestic situation. Chgo wheat is now premium to Mpls wheat. KC followed on short covering and was up 15 for the month with Mpls down 26 cents.

The currency situation, on top of no progress being made with the China trade deal (as well as some setbacks) weighed on beans and products all month. However, China was buying US beans (and some from Brazil) throughout the month. Monthly shipments were quite strong. First quarter exports are going to be 90-100 milbus higher than last year. Crush has also been much stronger than expected – in line with last year's strong pace. I thought these items were friendly – in addition to the slow harvest pace and firming basis levels. I maintain that there will be another yield and possibly area reduction, but it likely won't be known until the January report at the earliest. January futures are 30+ cents below where Jan futures were trading a year ago. A year ago, we were facing a carryout over 1000 milbus and this year's stocks will be in the 300-400 milbus range with stocks to use forecast to be a third to a half of year ago levels. It seems the market isn't as forward thinking as it once was and fundamentals don't seem to matter as much. It's all headlines and momentum. Futures are very undervalued at current levels. Someday all of the above will matter. I am going to keep the powder dry in this holiday thinned out trade and wait for the turn.

Corn has also just gone down while supplies are tightening. We lost 300 milbus in the Sep stocks report and then lost another 118 milbus due to a yield reduction in Nov and the market could not find support. In addition, there is still 1500 milbus yet to harvest as of Dec 1 with 800 milbus in the northern, snow covered areas. Brazil had been undercutting US and aggressively exporting but that has now come to an end. They have possibly oversold. The US has its export window and there will likely be further yield reductions. Stocks to use forecasts are down 25% from year ago and futures sit at the same levels as a year ago. I feel like a dinosaur talking about stocks to use ratios. Maybe it is due to the BRL. If that is the case, the BRL has firmed a bit recently and may be turning a corner. In addition, US exports are picking up, ethanol is profitable again, producer selling is shut off, there were zero deliveries against the Dec, and funds are already carrying a massive short, all of which are leading me to believe we have done enough on the downside.

There are supportive factors in wheat as well but relationships are strung out. Trying to short Chgo vs KC has a been a widow maker and wheat futures are sufficiently erratic to steer clear of for a while. There may be an opportunity ahead of the winter wheat seedings report in January, as we could be facing the lowest winter wheat area ever.

Regards,

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