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How To Read Market Charts

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Technical Analysis:
Looking at past price movements to
project future movements.

Pros/ Cons

___ Commodity ___ Time Frame ___ Reading

___ Emotional

Why do we use it?

Technical Analysis with Cash Grain Sales

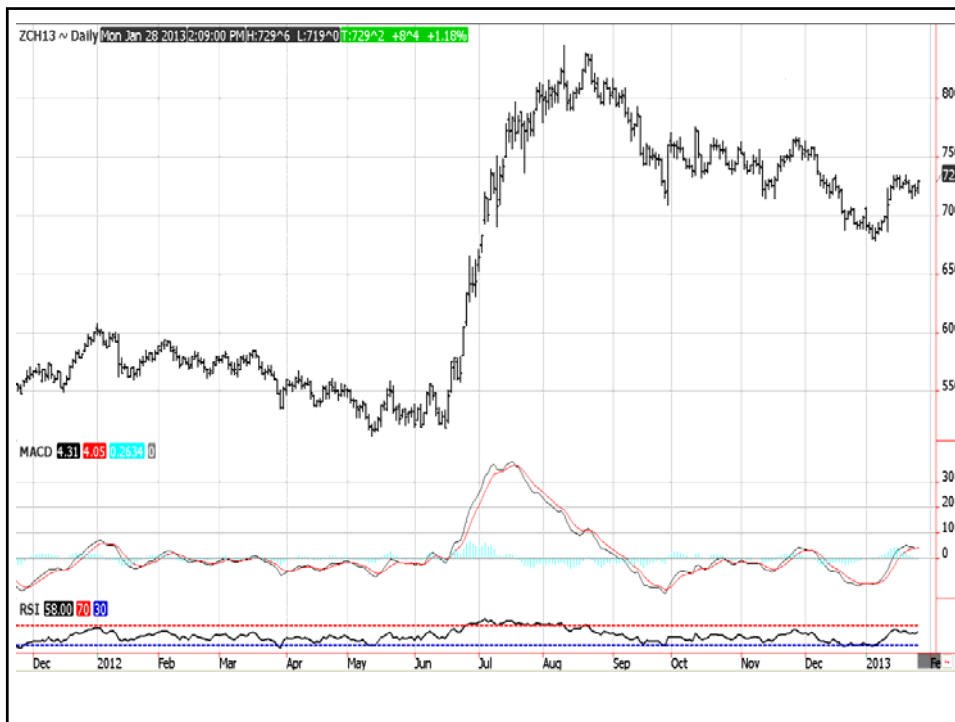
- **HTA: Lock in futures don't lock in basis**
 - You give up beneficial interest,
- **Futures Contract: Locks in price, not basis.**
 - You keep beneficial interest & flexibility
- **Cash Contract: locks in futures & basis**
 - No flexibility, no beneficial interest, no margin calls
- **Each method for marketing cash grain- requires a knowledge of futures price and an idea of where price is going.**



Finding Support and Resistance

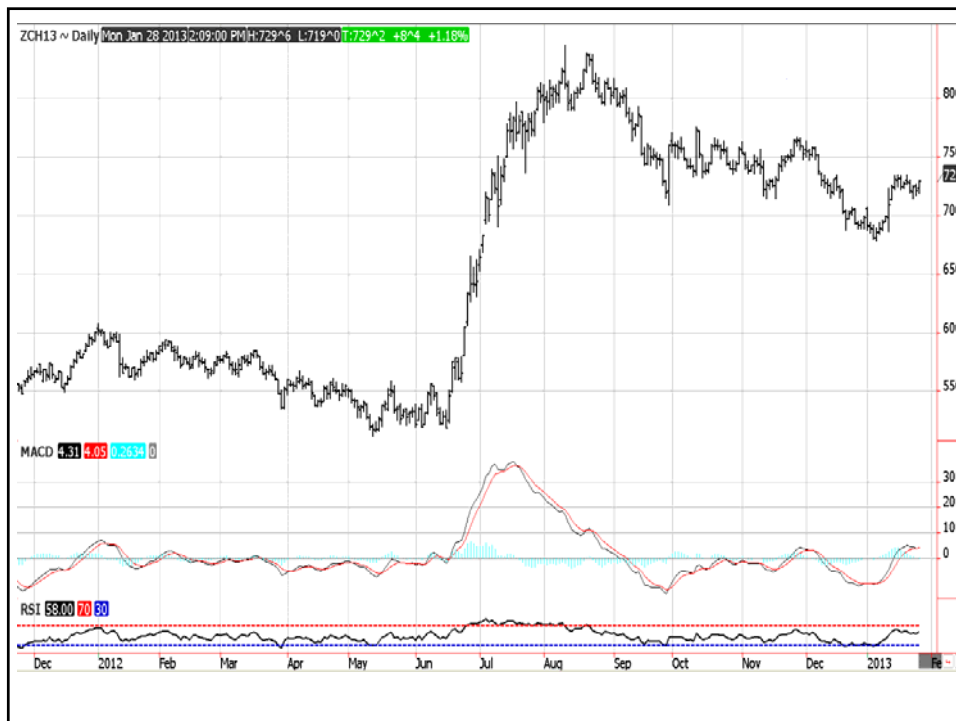
- **Try to spot Plateaus:**
 - A price level with flat tops where you can connect points with a horizontal line.
 - A place where price touches or passes through but does not close above (resistance) or below (support).
- **Resistance** (the ceiling) is drawn connecting highs.
- **Support** is drawn by connecting lows.
- **A Channel** is made by connecting lows to make a line and highs to make a parallel line—the area between these two lines is the trading channel.
- **Support and Resistance** are also found at arbitrary levels.
- Traders like round numbers and a line often be drawn horizontal at 4.50, 5.00, 100, 10 or 50.



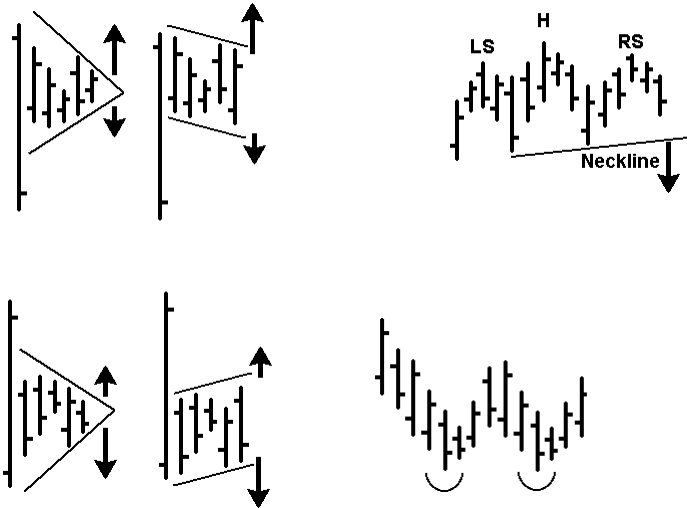


Drawing/ Using a Trend Line

1. Connect the highs for a down-trend.
2. Connect the lows for an up-trend
3. The more points that touch a line– the better it is.
4. Wait for two consecutive closes on the opposite side of the trend line to confirm a change in trend

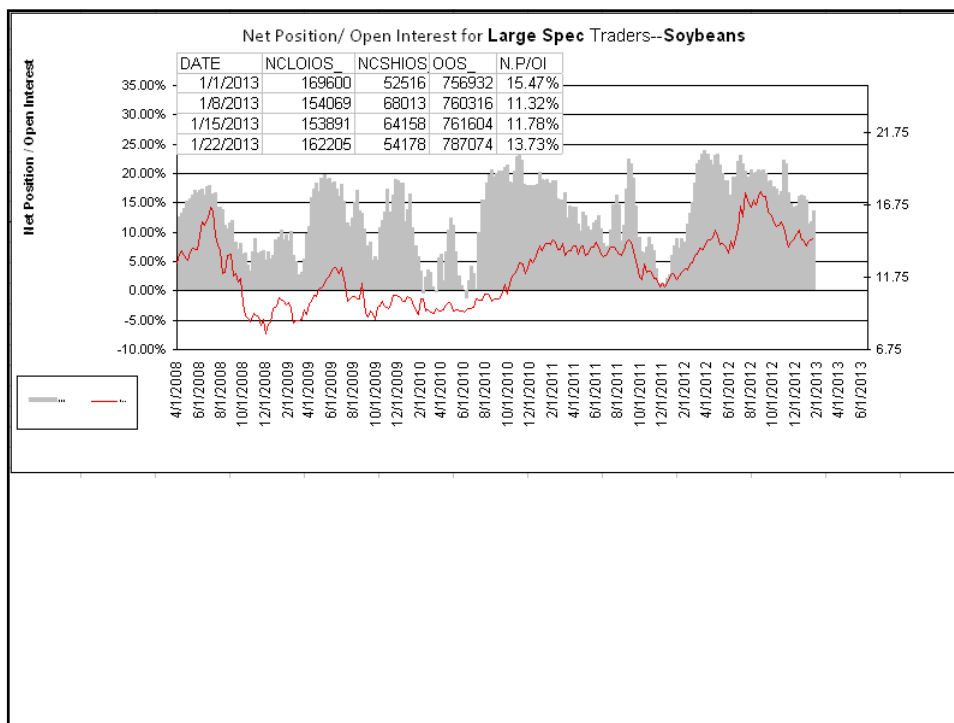
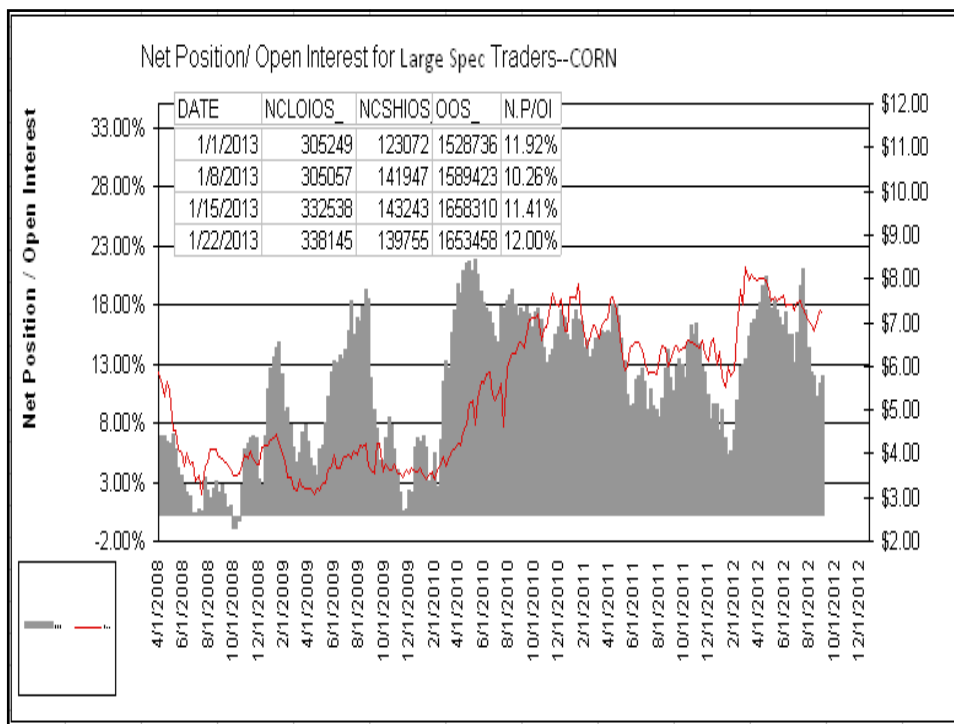


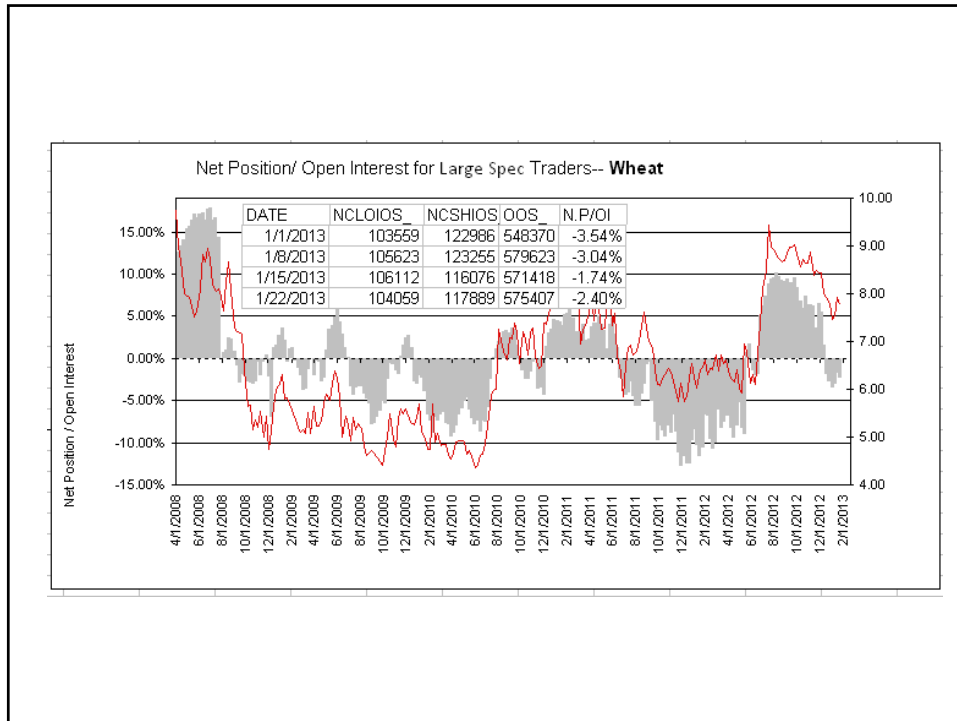
Flags and Pennants/ head and shoulders/ double tops/bottoms-
let's look and see if we see any on our chart?



The Large Speculator

- Who is he?
- Why do we watch him?
 - Because he is _____ and can't move _____ at _____
 - Like a big _____.
- Should we love him or hate him?
- How do we watch what he does





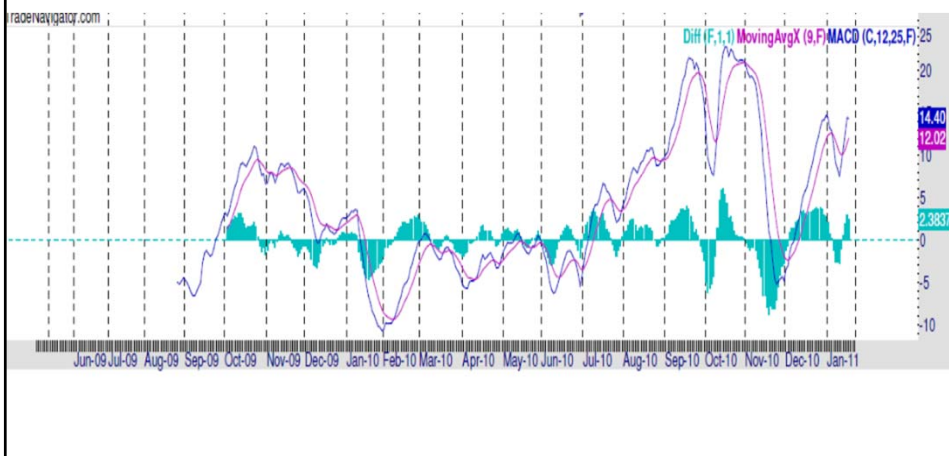
MACD

- Momentum (Moving Average Convergence Divergence)
- Acceleration
- Convergence
- Divergence
- At Gulke Group we use two different combinations: **25,12,9 and 17,9,5.**
- We call the (25,12,9) set the slow set—this means it is a slow acting MACD indicator and it takes its time giving changes in buy/sell signals.
- We call the (17,9,5) the fast MACD—it works more quickly changing signals.
- The fast moving MACD is often a precursor to what the slow will do. Sometimes the fast will turn and the slow acts as confirmation.

Red line is the Signal Line.

Blue Line is MACD Line.

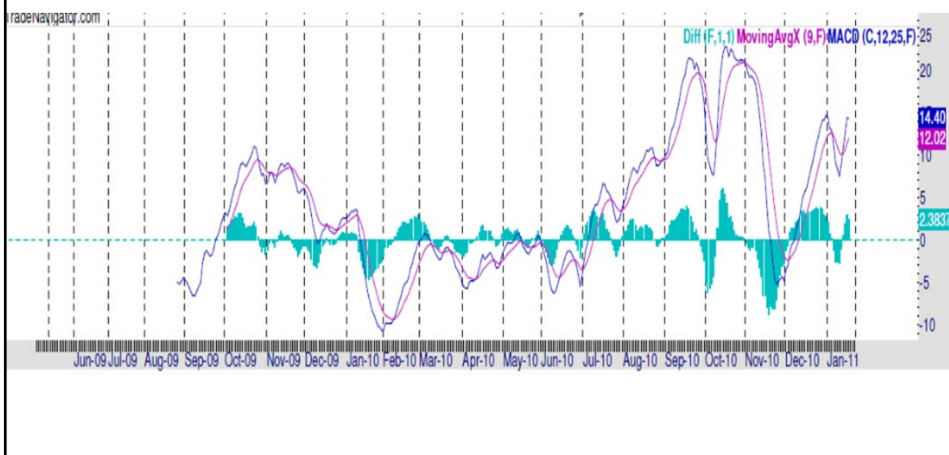
Teal Line is the Histogram



Red line is the Signal Line.

Blue Line is MACD Line.

Teal Line is the Histogram



Elements of Marketing

- Cash Flow- You've probably already done this?
- What is your projected break even?
 - By Production
 - By Price
 - By insurance
- What are your goals?
 - Your goal should not be to break even. You could break even with a lot less risk in another profession. We work hard to make a profit.
- What is your risk tolerance?
- Hedging risk with futures.
 - Technical analysis
 - Fundamental analysis
- Selling in the cash market.

Cash Flow Elements & Break Even

- Be realistic and lean towards conservatism.**
 - **(APH is Helpful)**
- Analyze your break even by production and price.**
- What is my production break even at today's price if locked in.**
- What price do I need to get at my insurance covered yield to break even***
 - i.e 75-80-85%*
 - depends on feb average of course*

Risk Tolerance

Question to ask yourself:

- What would happen to my cash flow if prices were to drop 25% in the next 6 - 18- or 24 months?

- is there a plan b?

- What would happen to my cash flow if prices were to increase 25% in the next 6 months?

Hedging is set in place to eliminate uncertainty of price volatility.

What is hedging?

- Locking in a futures price today on using futures.**

- If prices fall, the hedger (me and you) will be able to buy the contract back at a lower price realizing a profit that will offset the price we receive in the cash market.

- If prices rise, the hedger will lose money when he buys the contract back at a higher price- HOWEVER- the price of grain has increased and the value of your commodity has increased “in the field” or in the cash market—this offsets the loss in the futures market, subject to yield variation.

- A farmer can guarantee her income for a set number of bushels by using hedging strategies.**

An Example.....

- A farmer sells a number of corn futures contracts equivalent to her anticipated crop size, she effectively locks in the price of that crop at that time: the contract is an agreement to deliver a certain number of bushels of corn to a specified place on a certain date in the future for a certain fixed price.
- The farmer has hedged her exposure to corn prices; she no longer cares whether the current price rises or falls, because she is guaranteed a price by the contract. She no longer needs to worry about being ruined by a low corn price at harvest time, **but** she also gives up the chance at making extra money from a high crop price at harvest times.

Supply & Demand- The fundamentals.

- USDA Reports *really* help define the fundamentals a lot (next report– This Friday)
- This helps us get an idea of what the US crop supply will be and what will happen to demand

Monitoring Supply

- Every Monday afternoon, the USDA releases its crop progress reports during the N.American Growing months.
- http://www.nass.usda.gov/Publications/State_Crop_Progress_and_Condition/index.asp
- Sign up for email to be alerted of these reports findings.
- (We monitor this and synthesize the information)
- February Reports:
http://www.nass.usda.gov/Publications/Reports_By_Date/2013/February_2013.asp
- (email me and I will send you these links and directions on how to sign up for reports: ashley@gulkegroup.com).

Demand Destruction levels out supply problems

- Exports
- Ethanol plants shutting down

That is the function of the market place and it is all a psychology game.

INFLUENCIAL MARKET DRIVERS

- Revisiting 2008 –similar patterns--MFG
- Currency Valuations & Influences
- China the 800# Gorilla
 - demand? When? Or not?
- Supply/Demand
- Technical Price Action
 - Picture worth 1000 words
- Large Spec Activity---

Questions?