



## **Why are Grains Moving Higher as the U.S. Dollar Rallies?**

By Chris Lehner (May 2)

Up to two or three years ago, grain traders closely watched the U.S. Dollar. When the greenback was up, selling corn was the trade and if U.S. Dollar moved lower, buying corn was the trade. Of course, it didn't work all the time, but it was an important indicator and not to be ignored.

So, why is it being ignored now? The U.S. Dollar on February 16<sup>th</sup> moved off its low and for close to two months traded sideways, until April 19<sup>th</sup> with the U.S. Dollar trading higher seven out of the last 9 days, back to highs made on December 27, 2017. On December 27<sup>th</sup> July 2018 soybeans settled at \$9.89/bushel and July 2018 corn closed at \$3.705/bushel. As I write on May 1, 2018 at 10:45AM central time, July soybeans are near \$10.51/bushel and July corn is around \$4.05/bushel.

January 2018 was a significant month. Feed grains on January 11<sup>th</sup> made their lows so far for 2018, and oilseeds and soymeal bottomed. The U.S. Dollar bottomed. Cattle had dropped from the November 2017 high to January 11<sup>th</sup> almost \$14.00/cwt. On January 25<sup>th</sup> the Dow Jones Industrials topped. It wasn't a coincidence. Big money was about to change direction and began to liquidate long trades in stocks and short trades in several commodity markets. On January 30<sup>th</sup>, the Dow gapped lower and started its downward move and grains began to move higher in the first week of February.

When stocks bottomed in 2009, there was a move to commodity markets. Funds moved into grains in mid-2010 and through August 2012 corn skyrocketed from below \$3.00/bushel to over \$8.40/bushel. The drought of 2012 was icing on the cake, but not the reason for the rally. Cattle from December 2009 to November 2014 rallied from below \$80.00/cwt to over \$170.00/cwt. Naturally, there were several times when commodities traded down, taking a breather before moving higher.

Are we currently at the start of a bull market? In my opinion, the move off lows in January was a bottoming action and currently, commodities are at the infancy of a long term rally. But, before a major commodities rally moves into high speed, look for downturns, like a young child going from crawling to walking. There will be several times agricultural markets fall after standing up. The stock markets are nervous, but until interest rates are at levels money can be placed aside and grow on interest, I don't see a tumbling Dow. However, profit money is moving into commodities and over the next few years, along with demand driven markets, grains will eventually move to higher levels.

## DOW JONES INDUSTRIALS - WEEKLY

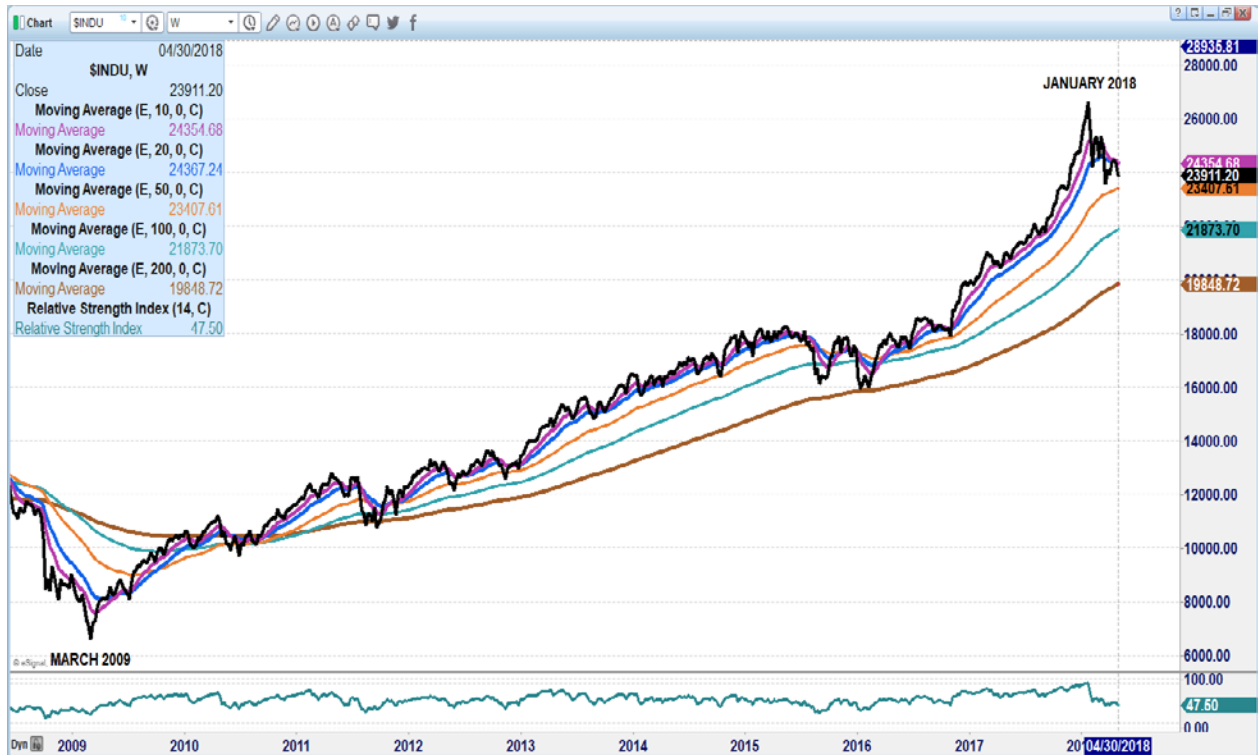


CHART AS OF MAY 1, 2018 10:45AM CENTRAL U.S. TIME FROM eSignal Interactive, Inc.

China will be a large user of corn over the next four plus years. How will it affect U.S. markets? What about tariffs? Look for future reports. Contact me at 913.787.6804 or [chris.lehner@archerfinancials.com](mailto:chris.lehner@archerfinancials.com).

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