

Strategy of the Day – 11.25.2019

December Wheat Futures Bounce from Golden Cross

With Black Sea prices for wheat on the rise, coupled with wet conditions across European growing regions, the fundamental case for higher wheat prices is backing the technical rally over the last week of trading. Russian wheat exports are being reported as 19% lower from last years pace, which is helping US exports despite a strong US Dollar. On the other side of the planet, early harvest drought conditions in Australia have been abated by heavy rains over the last couple weeks, but as any farmer can tell you, could equally set back the harvest because of muddy conditions in the field.

From a technical perspective, and my main reason for calling attention to Chicago Wheat charts, December wheat futures have recovered their early November sell off. A key technical indicator which may have signaled this rally, is the crossover of the 50 day and 200 day moving averages, which converged and provided technical support at \$5.00. This crossover is referred to as “the golden cross” when the 50 day rises above the 200 day (called a “death cross” when the opposite occurs). December wheat futures are now trading to test the trendline resistance at \$5.20 and \$5.30 respectively shown below, and with the positive momentum of a “golden cross” behind them, the market looks primed to test October highs. Above there, there is not much in terms of resistance until the July highs at \$5.43, and above still the summer high of \$5.65. Prior contract highs are at \$634.50, but I would not expect a test of these levels without more confirmation of exports from the global market.

Daily Chart of December 2019 Chicago Wheat Futures



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