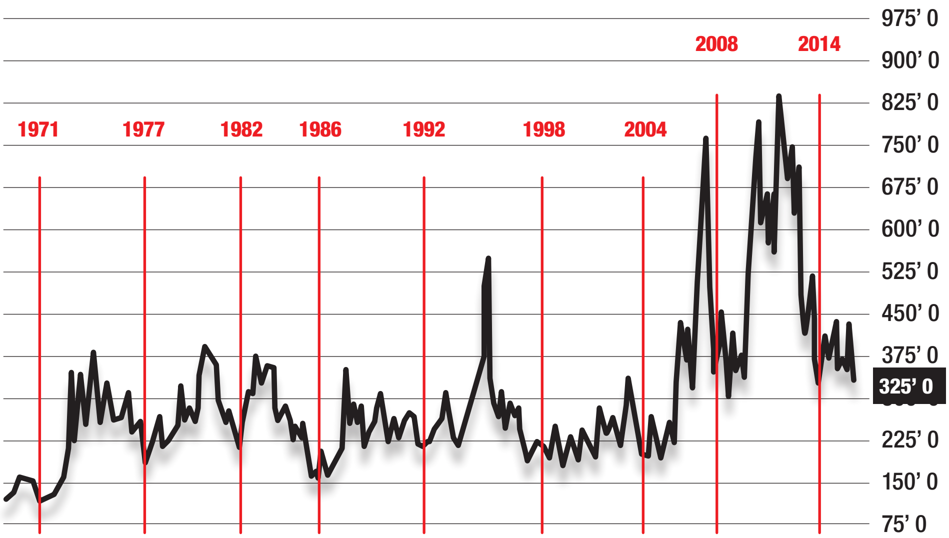
By Al Kluis

CBOT Corn Monthly 68-Month Cycle



This is the monthly chart of CBOT corn. You can see the dominant long-term 68-month low-to-low market cycle. I had pegged the low in December 2008. Then 68 months lower, the low was in September 2014 at $3.18. If the $3.18 low is taken out, then major support is down at $2.80. The intermediate-term weekly cycles project a high between June and August 2017.

RECORD SUPPLIES AND RECORD DEMAND WHAT IS THE LONG-TERM PRICE IMPACT?

After the late-June highs, the grain markets fell hard again through the month of August. This year, it was the combination of large crops, commodity fund sales, and lower energy prices that hammered U.S. grain futures. The much-feared El Niño weather pattern did not happen, and growing conditions in much of the U.S. were nearly ideal. Now, the trade is bracing for potential record corn and soybean yields and a huge – possibly record – supply of corn, soybeans, and wheat in the U.S. in 2016. That is the bad news for grain prices. However, there is good news, too.

THINK GLOBALLY

We are in a global market with growing and possibly record global demand. The U.S. is a major producer and exporter of corn and soybeans, and that record 2016 U.S. crop is going to be aggressively bought by overseas buyers. I see the potential for record demand.

At an August farm show I attended, one farmer asked, "If there are record supplies and record demand, then what are corn and soybean prices going to do?"

I told him that a record crop is not long-term bearish for prices if he uses it all up.

Today's global markets mean producers and end-users are all over the world. We are also in a global commodity market.

We are used to thinking just of the Chicago Board of Trade (CBOT) as the center of the grain-pricing universe. There are other futures exchanges open around the world and around the clock.

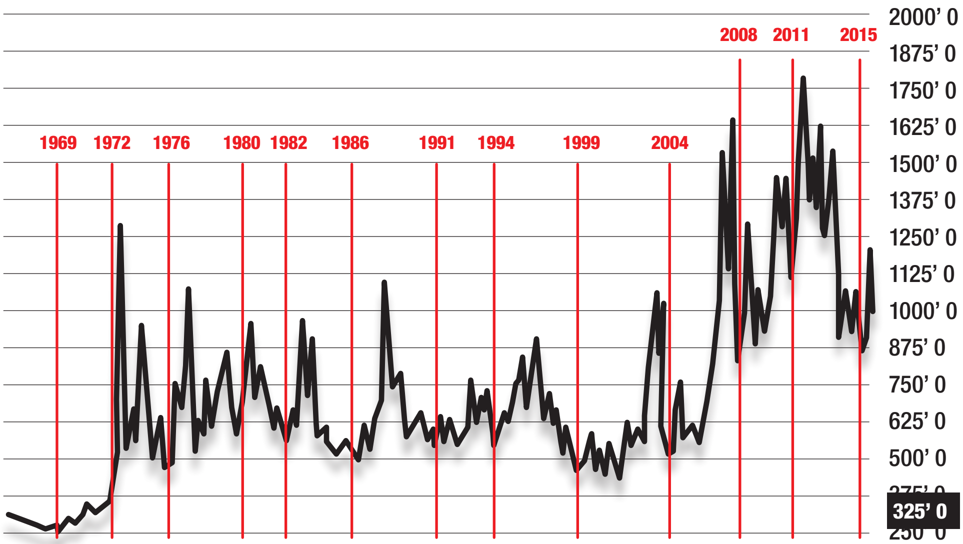
The first thing I check each day is the Chinese version of the CBOT, the Dalian exchange, in Dalian, China. This massive commodities exchange has its own futures contracts for corn and soybeans.

When I get up in the morning, its markets have just closed. That means I can see where the prices of corn and soybeans closed on the Dalian. This gives me some clue about what may happen during the coming day on the CBOT.

Next, I check what the live trade is doing on the Matif commodity exchange in France and the overnight Globex activity on the CBOT. All of this happens before sunrise in Minnesota. By mid- to late morning, I am watching corn and soybean futures on the CBOT and also the BM&F commodity exchange in São Paulo, Brazil.

I used to think the CBOT markets would lead the other commodity markets around the world. That's not always the case, though. Sometimes the CBOT follows the others.

CBOT Soybeans Monthly 39-Month Cycle



This is the monthly chart of CBOT soybeans. You can see the dominant long-term 39-month low-to-low market cycle. This is a key cycle I watch in the soybean market. The last major low was due in February 2016. It looks like that hit right on schedule. The next major low is due between March and June 2019. The intermediate-term weekly cycles project a high between May and June 2017.

For example, the grain markets in Brazil turned higher not long after the harvest completed (our early summer). The country's grain markets had a huge postharvest rally, and because of this, I anticipate the same in the U.S. over the next six months.

Q&A TIME

There are three big questions that came up at all my meetings late this summer. Because these topics seem to be top of mind to many of you, I'll address them here.

Question #1. What will signal that prices have hit the bottom and will turn higher?

> **I'm watching for the first month-to-month higher close for corn and soybeans. Once prices bottom, I expect a basing period to develop.**

On my charts, I'm watching for the first month-to-month higher close for corn and soybeans. Once prices bottom, I expect a basing period to develop, which means that futures will just bounce back and forth in a narrow trading range.

Question #2. What should I store and what should I sell?

The corn market is offering a large carrying charge. The spread from December 2016 to July 2017 is 23¢ per bushel. Add that carrying charge on to a 30¢ to 40¢ basis appreciation and you can see how storing your corn into next spring is a logical decision.

At the time I'm writing this article, the November 2016 to July 2017 soybean spread shows July 2017 trading 8¢ below the November 2016 futures. This makes the decisions to sell soybeans – and to store corn – the right merchandising and marketing decisions.

Question #3. When do you think prices will turn higher?

Here are some of the key weeks to watch for a potential change of trend.

• For corn, first look at the week of September 9. The second alternative is the week of October 7. The latest I can project a low is the week of December 16.

I have watched the corn market bottom prior to harvest in a lot of large crop years. That's when farmers sell old-crop corn to make room in their bins. Those sales bottom the corn market.

• For soybeans, look at the weeks of September 23, November 4, and November 23 for changes in the trend. SF

NOTE: Trading of futures and options has substantial financial risk of loss and is not for all investors.

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Al Kluis has been trading grain futures since 1974. Sign up for a free trial to his daily morning email and weekly "Al Kluis Report" by going to alkluis.com.

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