

## Using Sell Signals

The volatility for both corn and soybean futures prices this summer has been high. Large price swings make it difficult to trigger new crop sales on potential August or September rallies.

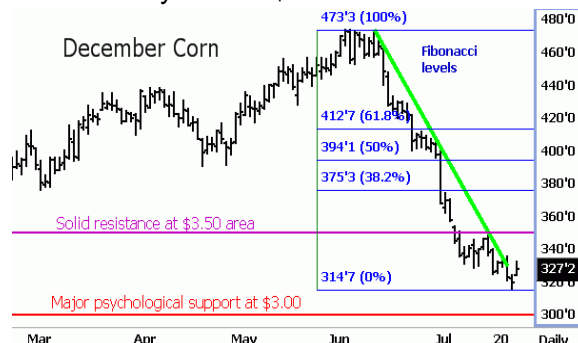
With the late July rally, producers could find that corn and soybean prices may not be as heavily influenced by supply/demand as they have been in the past. Commodity traders had to short cover or “buy back” their short futures hedges as the market turned higher. In addition, outside market factors such as crude oil, the dollar value index and the U.S. stock market will influence market investments.

### Use of Technical Chart Indicators

Fibonacci retracement is a very popular tool among technical traders and is based on the key numbers identified by mathematician Leonardo Fibonacci in the thirteenth century. Fibonacci found a sequence of numbers is not as important as the mathematical relationships between the numbers in the series. He used specific ratios to conduct technical analysis. These so called Fibonacci retracements are created by taking two extreme points (usually a major peak and trough) on a chart and dividing the vertical distance by the key Fibonacci ratios of 38.2%, 50%, 61.8% and 100%. Once these levels are identified, horizontal lines are drawn and used to identify possible support and resistance levels.

Let's use the 2009 December corn chart to make such calculations. New crop December corn reached its spring high the

week of June 8<sup>th</sup> at \$4.73 and its low the week of July 20<sup>th</sup> at \$3.15.



Source: [www.jimwyckoff.com](http://www.jimwyckoff.com)

The retracement levels and corresponding futures prices found on this chart are as follows:

- 38.2% = \$3.75/bushel
- 50% = \$3.94/bushel
- 61.8% = \$4.13/bushel
- 100% = \$4.73/bushel

These four different levels serve as good indicators of where the December 2009 corn chart may find technical resistance. Placing sell orders, buying puts or forward pricing when the market reaches these levels can help with market discipline.

Below is the November 2009 soybean chart. The high was June 11<sup>th</sup> at \$10.99 and the low was \$8.80. Calculate the Fibonacci retracements and draw horizontal lines.



Source: [www.jimwyckoff.com](http://www.jimwyckoff.com)

In calculating the retracement levels and corresponding prices on this chart the results were:

38.2% = \$9.63/bushel

50% = \$9.89/bushel

61.8% = \$10.16/bushel

100% = \$10.99/bushel

## Other Technical Signals

Some market analysts use tools such as moving averages and slow stochastics to identify market trends and sell signals. In the 2009 November soybean chart below, updated on July 31<sup>st</sup>, the green line imbedded with the daily high, low and close is the 20-day moving average.



Source: [www.roachag.com](http://www.roachag.com)

Note when the market closes above this line, a rapid rise in futures price occurs. When the market closes below this line, the market tends to “sell off” very quickly. This line is simply the moving average of futures

price closes for a 20-day period. Simple market indicators are often used by commodity traders to determine when to “buy” or “sell” futures contracts.

## Slow Stochastics

On the bottom of this same November soybean chart is an example of a “slow stochastic.” This is another technical indicator used by other analysts. Note that when the two lines cross over 75%, this is deemed a sell signal. On this chart, the soybean sell signal was just triggered. These signals typically only last a few trading days, but soybeans have defied this rule in recent years. In some cases, the sell signal can last several weeks.

## Conclusion

With the market price volatility witnessed in June and July, many producers might find it difficult to have the discipline to sell additional new crop corn and soybeans. Technical chart indicators such as Fibonacci retracements, moving averages and slow stochastics can help trigger sales and reduce emotion that leads to poor execution of marketing plans.

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