

# CROP MARKETING STRATEGIES

## The Influence of Outside Markets

A powerful axis--the U.S. Dollar Index, Crude Oil and Gold futures markets--has combined to significantly impact the agricultural markets. A respected market and veteran commodity trader, Louis Mendelsohn, has suggested the interrelationship between markets for many decades.

Arguably, this axis, or "outside markets" consisting of the dollar, oil and gold are exerting more influence over near-term price direction for corn, soybeans and wheat than perhaps those markets' own fundamentals. This is an important factor for traders to keep in mind, especially as abnormally large speculative investments continue to build in the commodity markets.

The combination of a weaker U.S. dollar versus the other major currencies, helped crude oil prices reach their all-time high of \$99.31 per barrel. Gold prices in November were at 27-year highs and approached the all-time record of \$873.00 an ounce reached in January of 1980, basis the nearby futures. The axis has been a bearish influence on the U.S. stock market, which in turn has been bullish for the U.S. Treasury market.

According to futures market analyst, Jim Wyckoff, the value of the U.S. dollar is the most important component of this axis. The steep downtrend in the value of the dollar versus most other world currencies may have put in a bottom in late November 2007.

**U.S. Dollar Index:** The weekly continuation chart featured for the nearby U.S. dollar index futures saw prices since September accelerate downtrend. A bottom of \$74.65 was reached in late November and should provide technical support. Solid longer-term technical resistance appears at the \$78.50 level and above that at the \$80 level. A move above this level would be a bullish technical signal and suggest that a market low is finally in place.



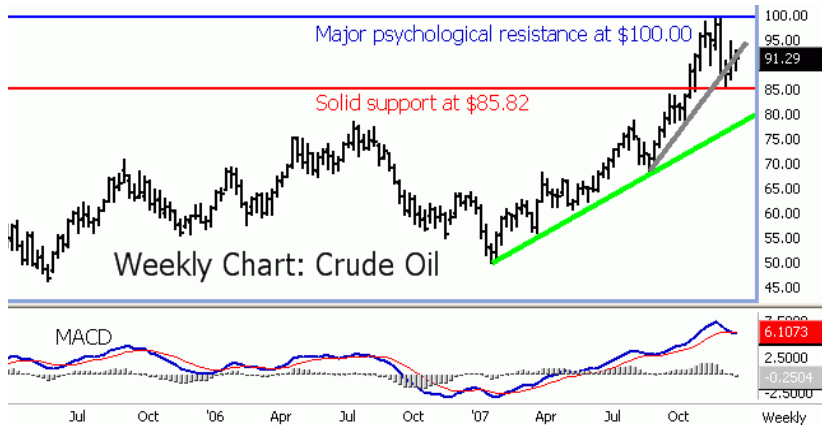
Source: [www.jimwyckoff.com](http://www.jimwyckoff.com)

**Crude Oil:** The weekly continuation chart for the nearby NYMEX crude oil futures also shows that a steep and accelerating uptrend was in place. A major psychological resistance level of \$100 a barrel was nearly reached as prices

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approached that mark in late November. Wyckoff had forecast this \$100 level may be reached, but prices above \$100 a barrel would not likely last any length of time. Expect crude oil futures to establish a trading range between the \$86 to \$100 a barrel in the near term. A breakout on either side of this range would be a good indicator as to the next market price move.



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

**Gold:** The weekly continuation chart for nearby gold futures also shows the accelerating uptrend similar to the crude oil chart and nearly the same time frame. Volatility has been high in the gold futures market in recent weeks. Note the potential technical chart formation of a descending triangle that has formed. A breakout below this level would be a good indicator of a nearby market top. A move higher could move the market to retest the resistance level of \$841 an ounce.



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

## Conclusion

The “outside markets” consisting of the U.S. dollar index, crude oil and gold futures markets appear to have large impact on other commodities. Having witnessed the rapid upside price moves in nearby corn, soybeans and wheat futures, makes one wonder if the grain and oilseed markets are being influenced by more than just their own supply and demand fundamentals.

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Both commodity traders and farmers holding cash grain should watch the “outside markets” closely. With the abnormally large speculative dollars that trade in the many futures commodity markets, a rebalancing of investment portfolios could occur in these “outside market” first. This could be critical as investors shift their profits, reported taxable income, into 2007 or hold positions into 2008.

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