

THE ROSE REPORT

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Daily Wheat Brief – CME Contract

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Overview

The following analyses pertain to the CME wheat contract and are based on proprietary technical procedures developed by our firm. Many of these technical procedures involve the use of a multi-decade series of rolling front month futures data.

Executive Summary:

Dec wheat picked up $\frac{1}{4}$ cent today to settle at 474 $\frac{1}{4}$. Volume slowed dramatically while OI expanded D/D. For the week, the Dec contract finished very near unchanged W/W.

Fundamentally, the analysis for wheat remains bearish ahead of expected record world production. Weather remains favorable for both harvesting of spring wheat and sowing of winter wheat across most major US producing regions. The average trade estimate for the Sept 30 quarterly stocks report is 1.88B bu.

Demand has recently surfaced in commercial purchasing and in tender to Egypt. Wheat is believed to offer significant economic value near its current futures price level.

For the week ending Sept 23, the aggregate non-commercial sector increased its net short futures position 10K contracts W/W to approximately 74K. Managed money firms increased their net short position approximately 12K contracts to 63K, but may be considerably shorter when accounting for the likely distribution of spreading activity.

The standard technical analysis remains bearish, although momentum indicators continue to register oversold. Money flow into the front month remains bearish, as well, with relative money flow indicators remaining in much oversold condition. The latest settlement is below all most referenced SMA periods. Continued strength in US currency will likely keep the Dec contract under pressure.

Our proprietary analysis suggests that further medium- to longer-term downside movement is likely, although the market's oversold condition could spark either a rally or consolidation over the near-term. Odds favor breaks vs rallies over a 5-day outlook period. Further, per our daily analysis:

- Prob. Higher Settle D/D: 50%
- Risk Downside > Risk Upside
- Volatility: Near unchanged

We see an opportunity for Dec to trade lower to near 465 and upward to near 483 without fresh fundamental news being made know to the market or in the absence the development/flaring of political unrest.

The following table provides the conditional probabilities and odds ratios for 50 and 100 cent moves over a 5-day period forward.

Wheat Conditional Odds of Breaks/Rallies - 5-D Outlook			
Magnitude of Move	Prob	Odds Break	Odds Rally
50 Cents	63%	1.5:1	-
100 Cents	17%	3:1	-

Buy/Sell Recommendation:

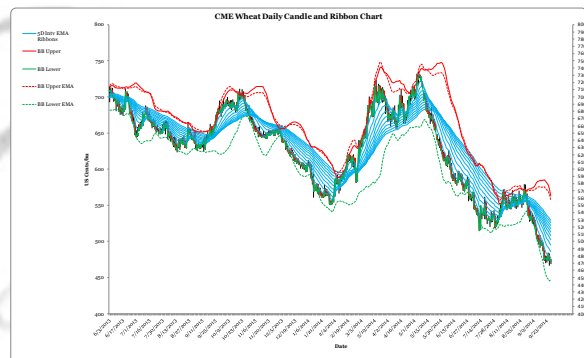
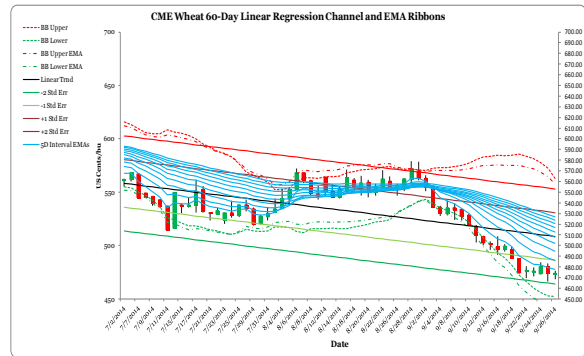
Day trades:

- Short: 480 – 490
- Long: None

Producer selling:

Any rallies near 500 should be considered selling opportunities, especially if strength in US currency persists

Charts:



Moving Averages and Pivot Points:

CME Wheat Simple and Exponential Moving		
Period	SMA	EMA
5D	476 1/4	477 1/2
10D	484	486
20D	507 3/4	502
50D	531	529 1/2
100D	570	559 1/2
200D	602 1/4	593 3/4

CME Wheat Daily and Weekly Pivot Points			
Daily		Weekly	
Pivot Point(D):	473	Pivot Point(W):	473 3/4
PPD-S1:	469 3/4	PPD-R1:	477 1/2
PPD-S2:	465 1/4	PPD-R2:	480 3/4
PPD-S3:	462	PPD-R3:	485 1/4
		PPW-S1:	466 3/4
		PPW-S2:	459 1/4
		PPW-S3:	452 1/4
		PPW-R1:	481 1/4
		PPW-R2:	488 1/4
		PPW-R3:	493 3/4

S = Support Level, R = Resistance Level

Support and Resistance:

The table below shows levels of support and resistance ($S_1 - S_6$, $R_1 - R_6$) per levels of recent historic daily high and low values, as well as the latest settlement and subsequent session limits in relation to these values.

CME Wheat Recent Historical Hi-Lo Support and Resistance	
Hi-Lo R2	735
Hi-Lo R1	711
Hi-Lo S4	662 1/2
Hi-Lo S5	656 1/4
Hi-Lo S6	581 1/2
Hi-Lo R6	579 1/4
Hi-Lo S3	576 3/4
Hi-Lo R4	572
Hi-Lo R5	571
Hi-Lo R3	561 3/4
Lmt. Up	519 1/4
Hi-Lo S1	518 1/2
Hi-Lo S2	516 1/4
Settlement	474 1/4
Lmt. Down	429 1/4

The following table provides a linear series of shorter-term through longer-term support and resistance levels as well as major trading points for the most recent trading day and week for the front month.

CME Wheat Comprehensive Linear Support-Resistance Levels	
Support/Resistance Metric	Market Level
Hi-Lo R2	735
Hi-Lo R1	711
Hi-Lo S4	662 1/2
Hi-Lo S5	656 1/4
200D SMA	602 1/4
200D EMA	593 3/4
Hi-Lo S6	581 1/2
Hi-Lo R6	579 1/4
Hi-Lo S3	576 3/4
Hi-Lo R4	572
Hi-Lo R5	571
100D SMA	570
Bol Band Upper	563
Hi-Lo R3	561 3/4
100D EMA	559 1/2
50D SMA	531
50D EMA	529 1/2
Lmt. Up	519 1/4
Hi-Lo S1	518 1/2
Hi-Lo S2	516 1/4
20D SMA	507 3/4
20D EMA	502
Weekly Pivot Point-R3	493 3/4
Weekly Pivot Point-R2	488 1/4
10D EMA	486
Pivot Point-R3	485 1/4
10D SMA	484
Weekly Pivot Point-R1	481 1/4
Pivot Point-R2	480 3/4
Previous Weekly Low	480 3/4
Pivot Point-R1	477 1/2
5D EMA	477 1/2
Daily High	476 1/4
5D SMA	476 1/4
Settlement	474 1/4
Previous Weekly Settlement	474 1/4
Weekly Pivot Point	473 3/4
Pivot Point	473
Pivot Point -S1	469 3/4
Daily Low	468 1/2
Weekly Pivot Point-S1	466 3/4
Previous Weekly High	466 1/4
Pivot Point -S2	465 1/4
Pivot Point -S3	462
Weekly Pivot Point-S2	459 1/4
Weekly Pivot Point-S3	452 1/4
Bol Band Lower	452 1/4
Lmt. Down	429 1/4

Directional and Range Distribution Analysis:

The table below shows the conditional probability of realizing either a close higher or lower than the latest settlement, as well as the conditional probabilities associated with varying magnitudes of D/D gains or losses. The table further shows the conditional probability of realizing intraday high and low values of varying magnitudes.

CME Wheat Conditional Probabilities for Daily Hi - Lo - Settle							
Close Down		Close Up		Lo		Hi	
Level	Prob.	Level	Prob.	Level	Prob.	Level	Prob.
Clse. Dn	50.00%	Clse. Up	50.00%	<0, > (6)	100.00%	>0, < 6	100.00%
<= (6)	33.33%	>= 6	25.00%	<= (6)	50.00%	>= 6	58.33%
<= (11)	20.83%	>= 11	8.33%	<= (11)	29.17%	>= 11	37.50%
<= (17)	12.50%	>= 17	8.33%	<= (17)	16.67%	>= 17	8.33%
<= (22.5)	8.33%	>= 22.5	4.17%	<= (22.5)	8.33%	>= 22.5	4.17%
<= (28)	4.17%	>= 28	4.17%	<= (28)	8.33%	>= 28	4.17%
<= (34)	4.17%	>= 34	4.17%	<= (34)	8.33%	>= 34	4.17%
<= (39)	0.00%	>= 39	4.17%	<= (39)	0.00%	>= 39	4.17%
= (45)	0.00%	= 45	4.17%	= (45)	0.00%	= 45	4.17%

The following table contains average, median, minimum and maximum gains, losses, and expected daily high, low and settlement values from the most recent settlement based on our proprietary analysis of current market structure.

CME Wheat Adjusted Historical Price Movement Based on Conditional Probability				
Parameter/Scenario	Average	Median	Min	Max
Range	15 1/2	14	4 3/4	33 1/2
Settlement	-1	1/2	-33 3/4	45
Low	-8 3/4	-5 1/2	-38 3/4	0
High	9	7 1/2	0	45
Settlement (if lower)	-12 1/4	-10 3/4	-33 3/4	-1 1/4
Settlement (if higher)	9 1/4	5 3/4	1 1/4	45

Price movements are in relation to latest settlement value

The following table provides the conditional probabilities of surpassing minimum low and maximum high values for a 5-day look back period with a 5-day period forward.

CME Wheat Conditional Probability of Surpassing Recent Highs and Lows			
Period	Price	Period	Prob
Min Low 5-D Lookback	466 1/4	5-D Forward Below	63%
Max High 5-D Lookback	484 1/2	5-D Forward Above	13%

The following table provides probabilities from our proprietary analyses for the 1-through 5-day period beyond the current day, in which the conditional probabilities of realizing daily high, low and settlement values, relative to the most recent settlement (greater than or less than) are assayed.

CME Wheat Conditional Probability for High - Low - Settlement 1 - 5 Days Forward						
Days Forward	Prob S < CS	Prob S > CS	Prob L < CL	Prob L > CL	Prob H < CH	Prob H > CH
Day 1	50.00%	50.00%	50.00%	50.00%	33.33%	66.67%
Day 2	50.00%	50.00%	45.83%	54.17%	45.83%	54.17%
Day 3	66.67%	33.33%	66.67%	33.33%	54.17%	45.83%
Day 4	58.33%	41.67%	66.67%	33.33%	50.00%	50.00%
Day 5	50.00%	50.00%	54.17%	45.83%	45.83%	54.17%

S = settle, L = low, H = high, CS = current settle, CL = current low, CH = current high

The following tables relay conditional probabilities for a 5-day forward period in which daily high, low and settlement values are either lower or higher D/D as the 5-day period progresses.

CME Wheat Conditional Probability New Trend Establishment - Down					
Days Forward	Prob S	Days Forward	Prob L	Days Forward	Prob H
1<CS	50.00%	1<CL	50.00%	1<CH	33.33%
2D<1D, CS	33.33%	2D<1D, CL	58.33%	2D<1D, CH	87.50%
3D<2D, 1D, CS	33.33%	3D<2D, 1D, CL	33.33%	3D<2D, 1D, CH	37.50%
4D<3D, 2D, 1D, CS	0.00%	4D<3D, 2D, 1D, CL	8.33%	4D<3D, 2D, 1D, CH	12.50%
5D<4D, 3D, 2D, 1D, CS	0.00%	5D<4D, 3D, 2D, 1D, CL	8.33%	5D<4D, 3D, 2D, 1D, CH	12.50%

S = settle, L = low, H = high, CS = current settle, CL = current low, CH = current high

CME Wheat Conditional Probability New Trend Establishment - Up					
Days Forward	Prob S	Days Forward	Prob L	Days Forward	Prob H
1>CS	50.00%	1>CL	50.00%	1>CH	66.67%
2D>2D, CS	25.00%	2D>2D, CL	58.33%	2D>2D, CH	43.75%
3D>2D, 1D, CS	25.00%	3D>2D, 1D, CL	16.67%	3D>2D, 1D, CH	18.75%
4D>3D, 2D, 1D, CS	0.00%	4D>3D, 2D, 1D, CL	8.33%	4D>3D, 2D, 1D, CH	6.25%
5D>4D, 3D, 2D, 1D, CS	0.00%	5D>4D, 3D, 2D, 1D, CL	8.33%	5D>4D, 3D, 2D, 1D, CH	6.25%

S = settle, L = low, H = high, CS = current settle, CL = current low, CH = current high

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