

What Are We Doing Here?

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Market Structure

- Every market has a structure
 - Based on trend
 - Trend = Price direction over time
- Trend of the futures market
 - Flow of noncommercial money
- Trend of the futures spreads
 - Market's view of supply and demand

Trends: Three Main Time Lengths

- Minor (short-term): Daily charts
- Secondary (intermediate-term): Weekly charts
- Major (long-term): Monthly charts

- “Goldilocks and the Three Bears” Scenario
- Beware of social media

Trends: Three Directions

- Up: Bullish
 - Futures/cash price appreciating over time
 - Futures spreads
 - Decreasing carry
 - Increasing inverse
- Down: Bearish
 - Futures/cash price depreciating over time
 - Futures spreads
 - Increasing carry
 - Decreasing inverse
- Sideways: Neutral
 - Sideways is a direction

First Rule of Marketing

- **Don't get crossways with the trend.**
- **Keep in mind the old saying, “the trend is your friend”.**
- **Newton's First Law of Motion for markets:**
- **A trending market will stay in that trend until acted upon by an outside force.**

Second Law of Marketing

- **Let the market dictate your actions.**
- Your view of reality can be distorted
 - By the view out of your window
 - By government reports
- Market views of reality
 - Basis
 - Futures spreads
 - Futures market

Market Types

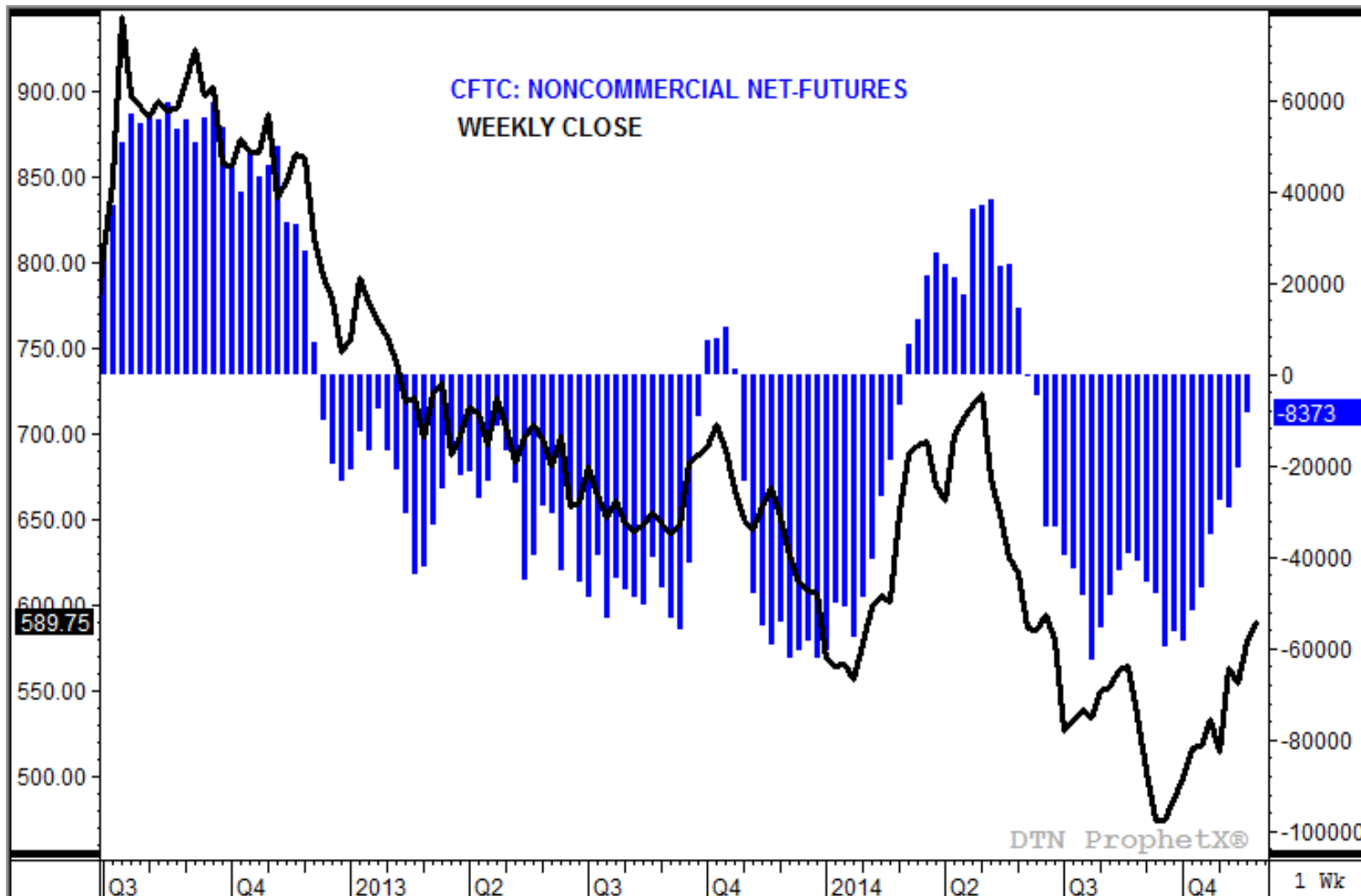
- Market types = market structures
- Combination of two main market trends
 - Futures (noncommercial)
 - Futures spreads (commercial)
- Q) Given what we know about structure, how many market types are there?
- A) 9

Market Types

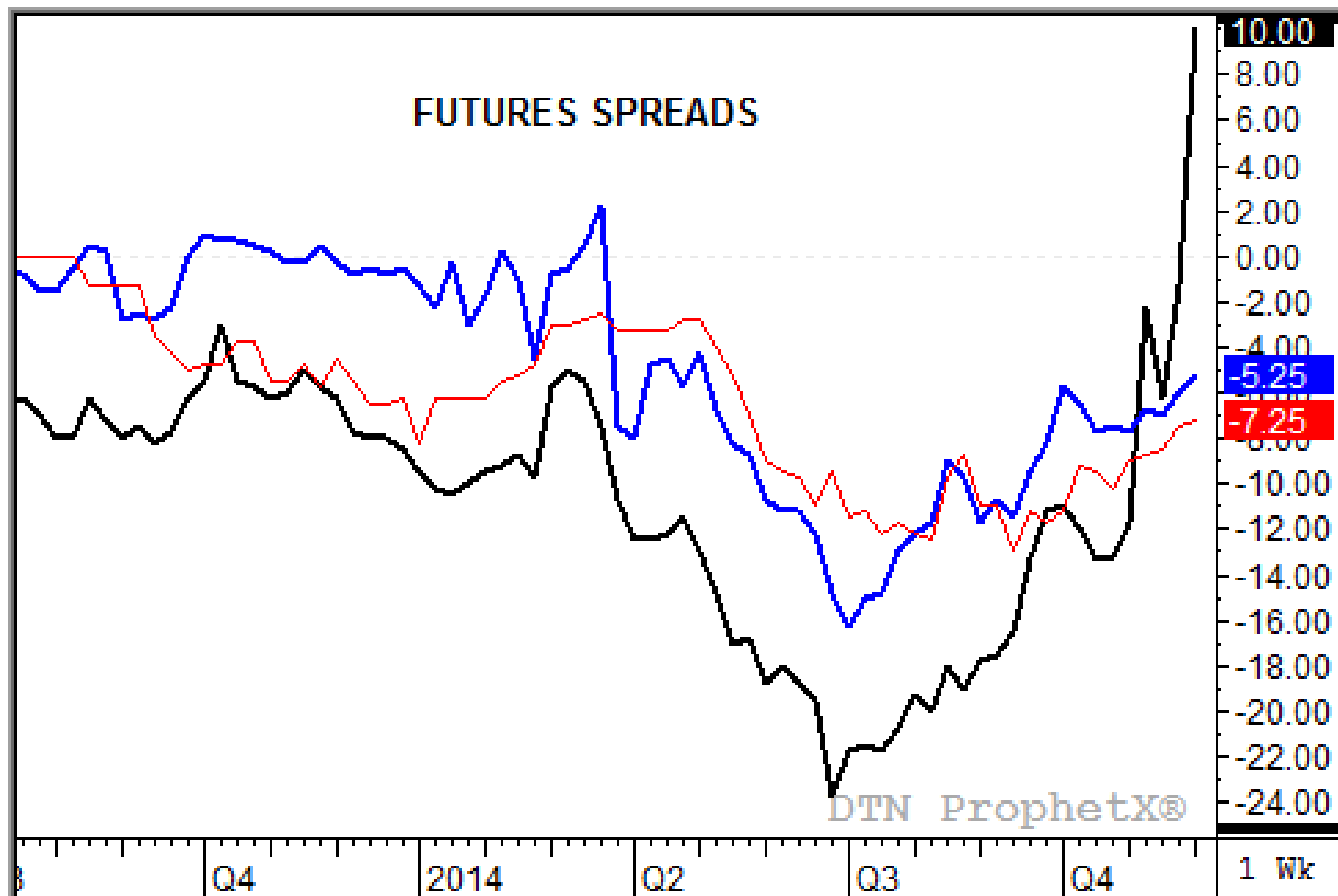
Market Type	NONCOMMERCIAL	COMMERCIAL	STRATEGY
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Type 1	Bullish	Bullish
Type 2	Bullish	Neutral
Type 3	Bullish	Bearish
Type 4	Neutral	Bullish
Type 5	Neutral	Neutral
Type 6	Neutral	Bearish
Type 7	Bearish	Bullish
Type 8	Bearish	Neutral
Type 9	Bearish	Bearish

Futures Trend w/Noncommercial Position



Trend: Futures Spread



Market Types

Market Type	NONCOMMERCIAL	COMMERCIAL	STRATEGY
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Type 1	Bullish	Bullish	
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Type 2	Bullish	Neutral	
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Type 3	Bullish	Bearish	
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Type 4	Neutral	Bullish	
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Type 5	Neutral	Neutral	
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Type 6	Neutral	Bearish	
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Type 7	Bearish	Bullish	
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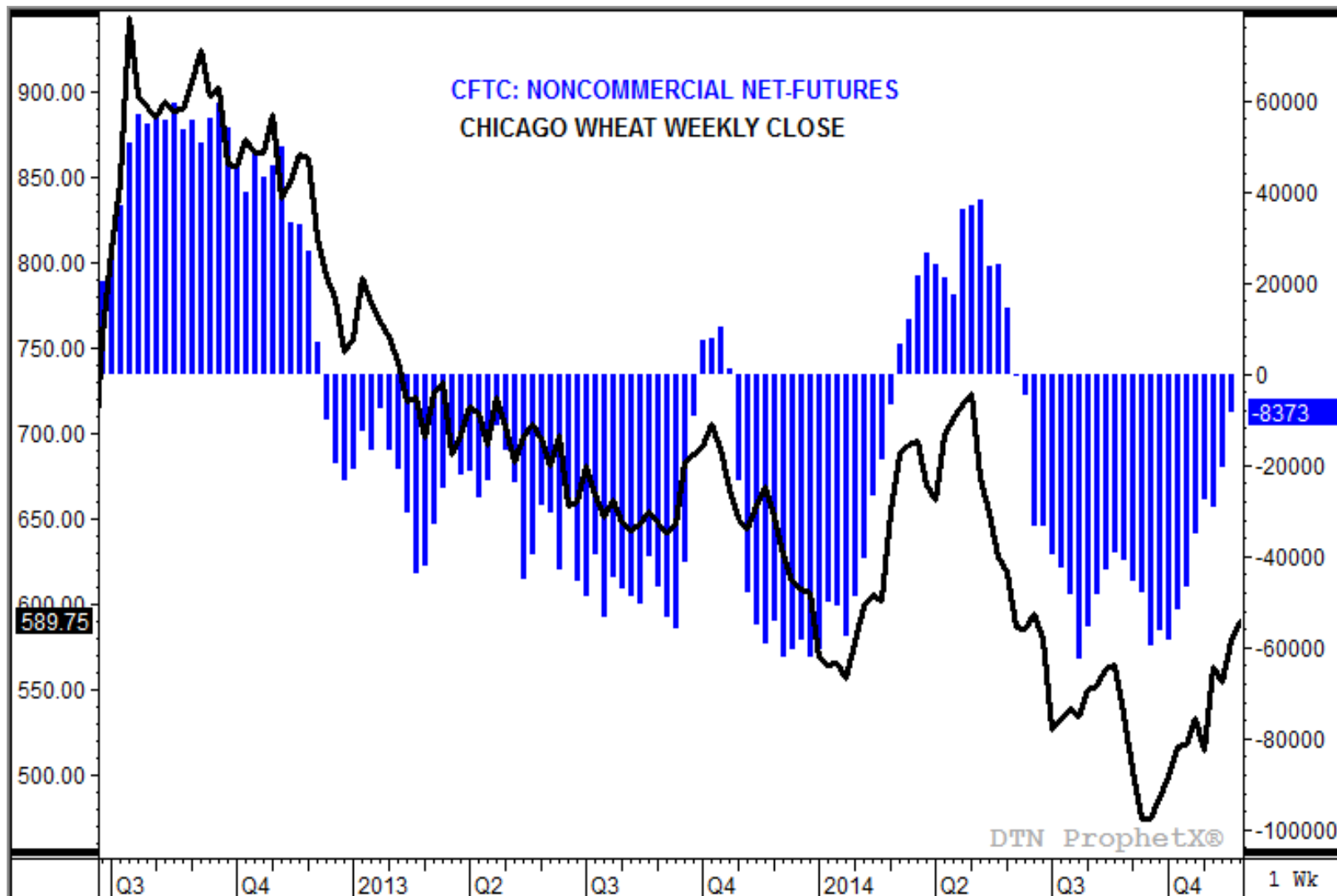
Type 8	Bearish	Neutral	
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Type 9	Bearish	Bearish	
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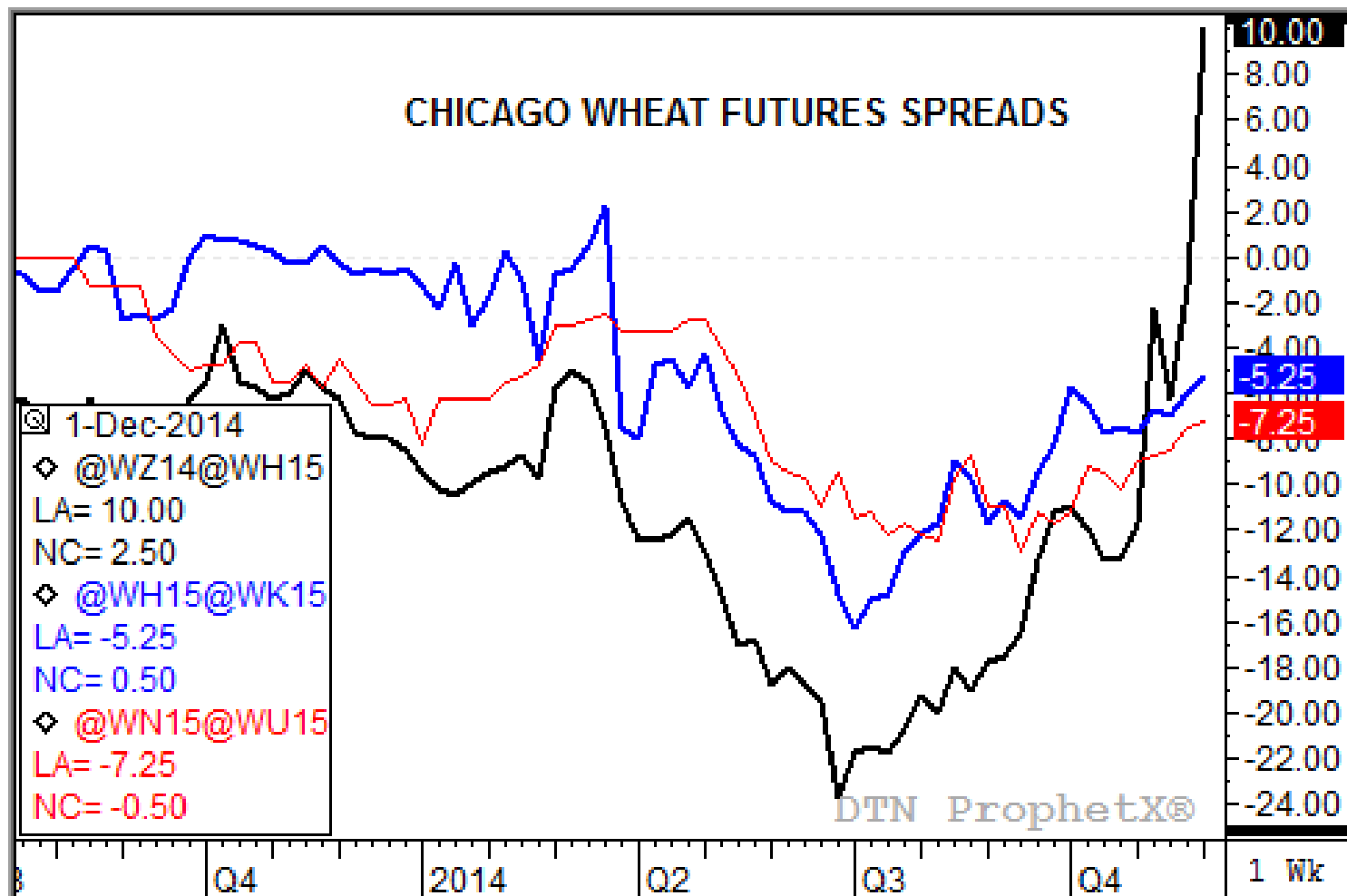
Market Types

Market Type	NONCOMMERCIAL	COMMERCIAL	STRATEGY
Type 1	Bullish	Bullish	Long cash
Type 2	Bullish	Neutral	
Type 3	Bullish	Bearish	
Type 4	Neutral	Bullish	
Type 5	Neutral	Neutral	
Type 6	Neutral	Bearish	
Type 7	Bearish	Bullish	
Type 8	Bearish	Neutral	
Type 9	Bearish	Bearish	

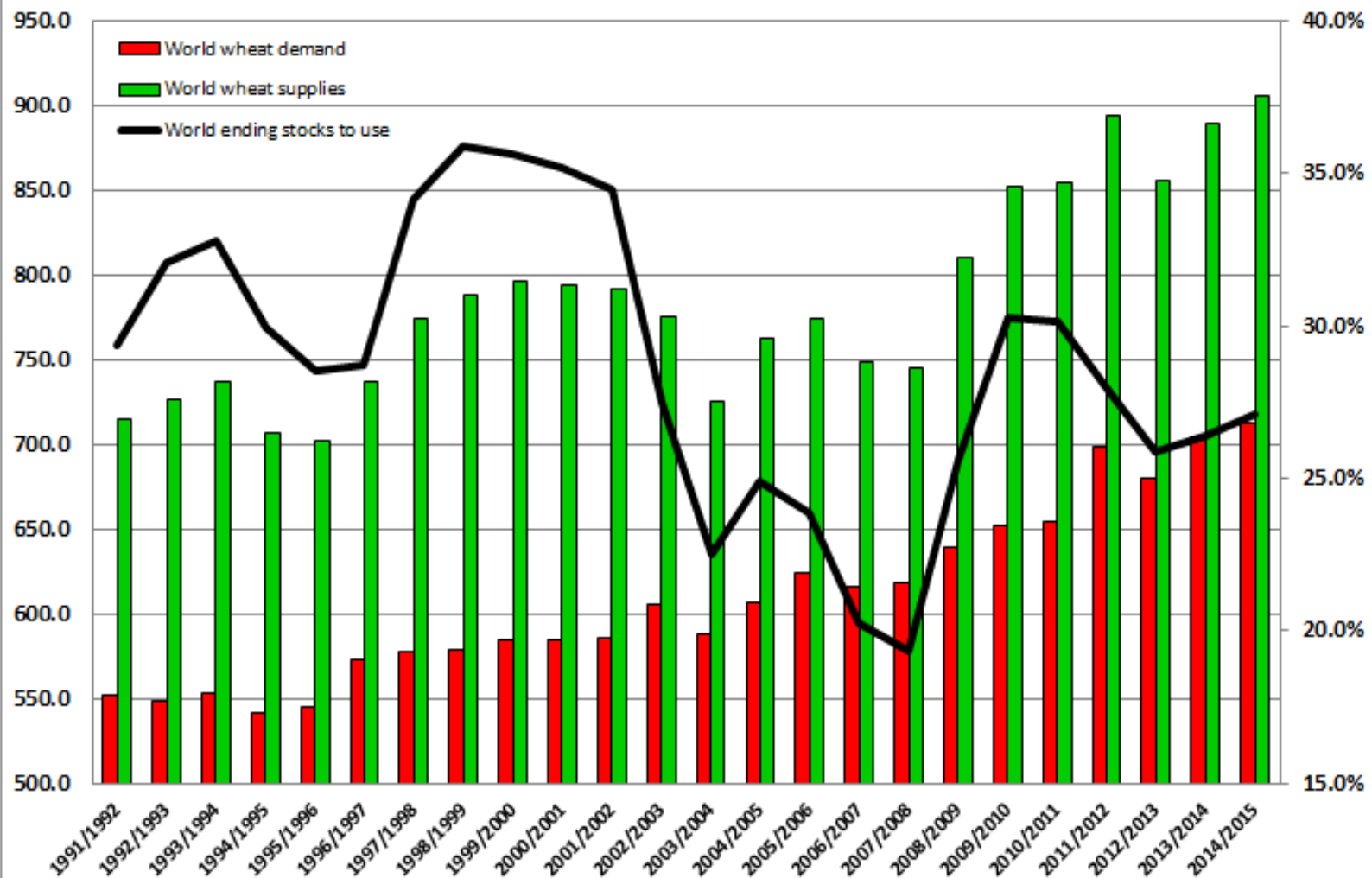
Futures Trend w/Noncommercial Position



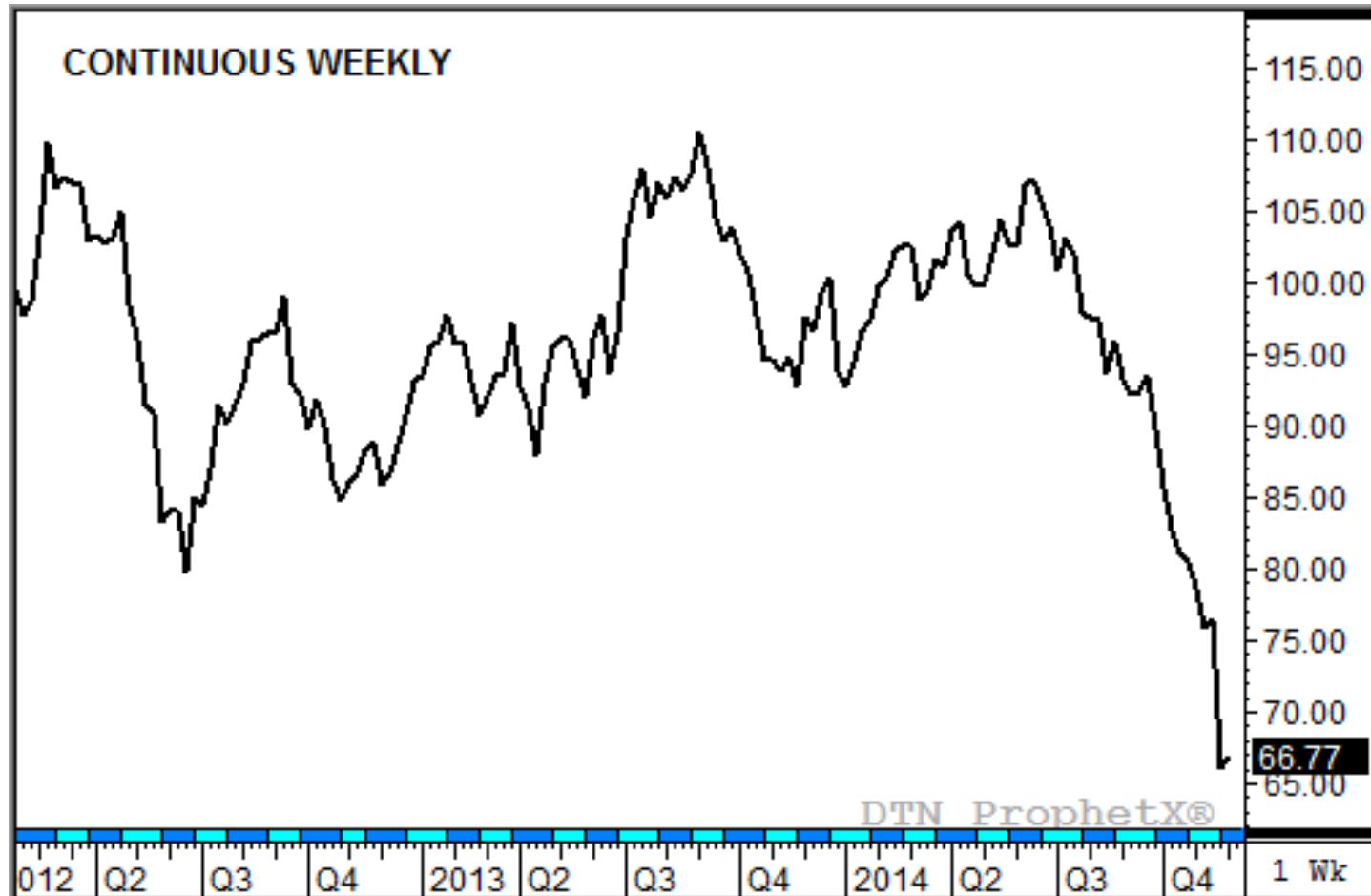
Trend: Futures Spread



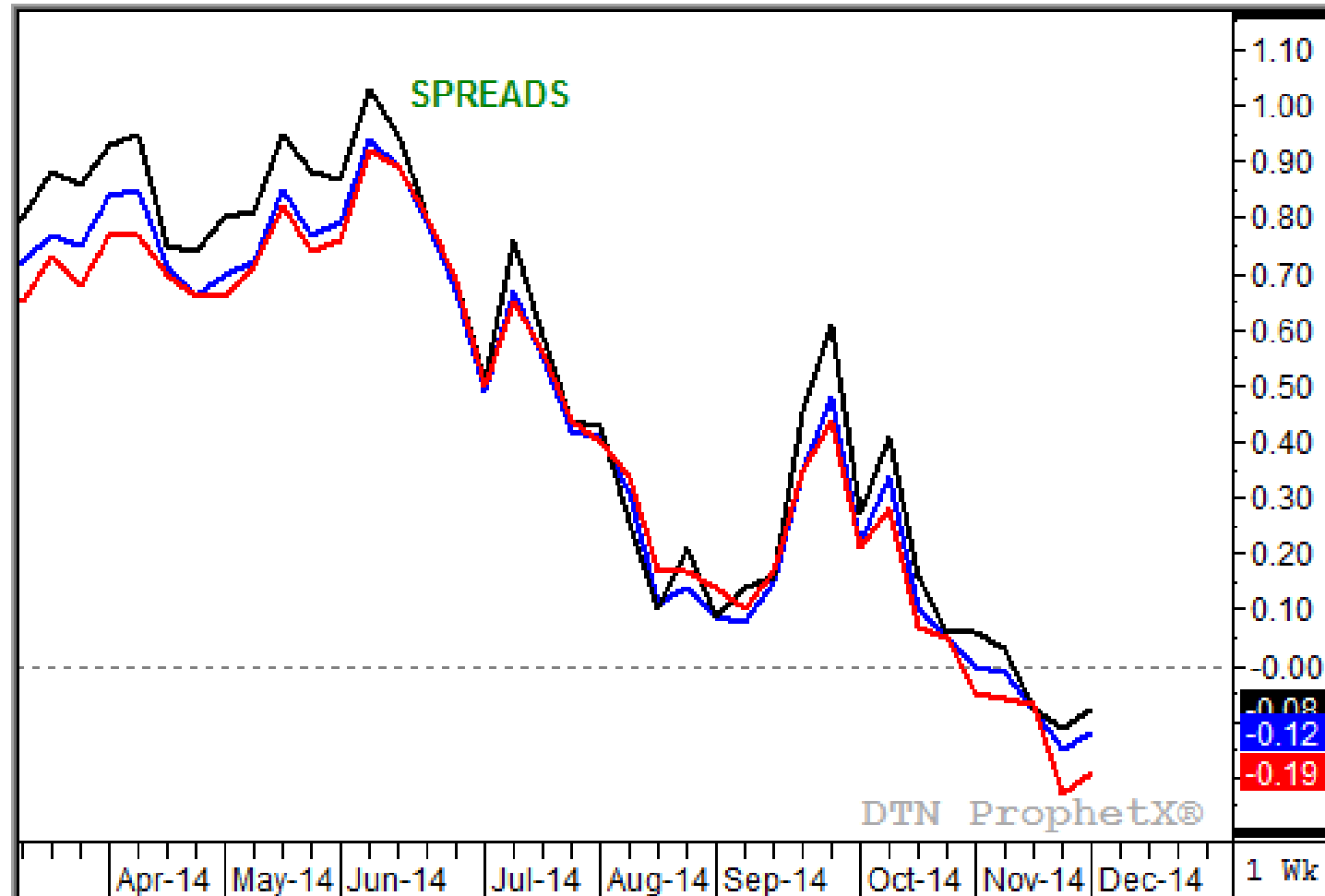
World Wheat Fundamentals



Futures Trend



Trend: Futures Spread



Market Types

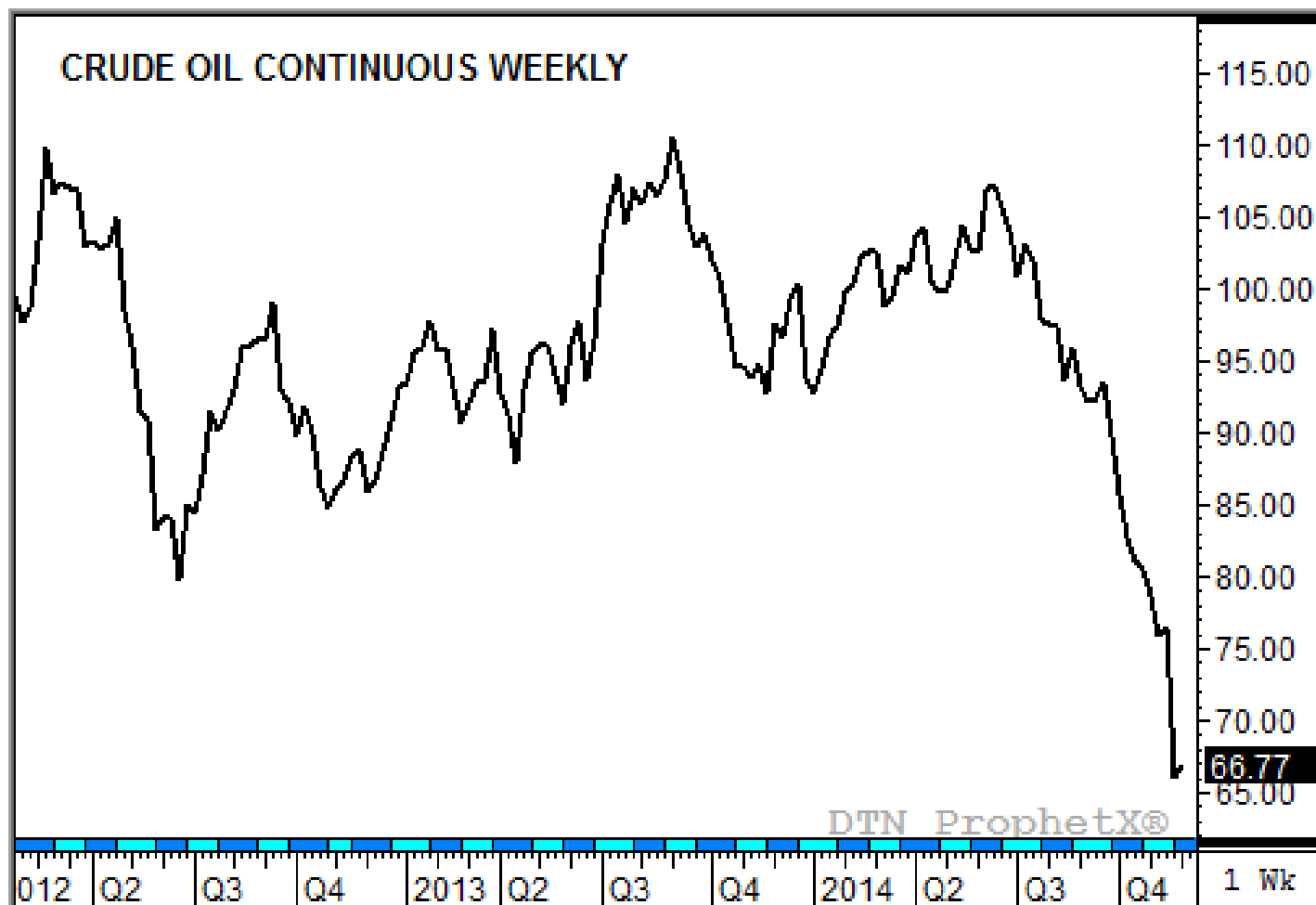
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Type 8	Bearish	Neutral	
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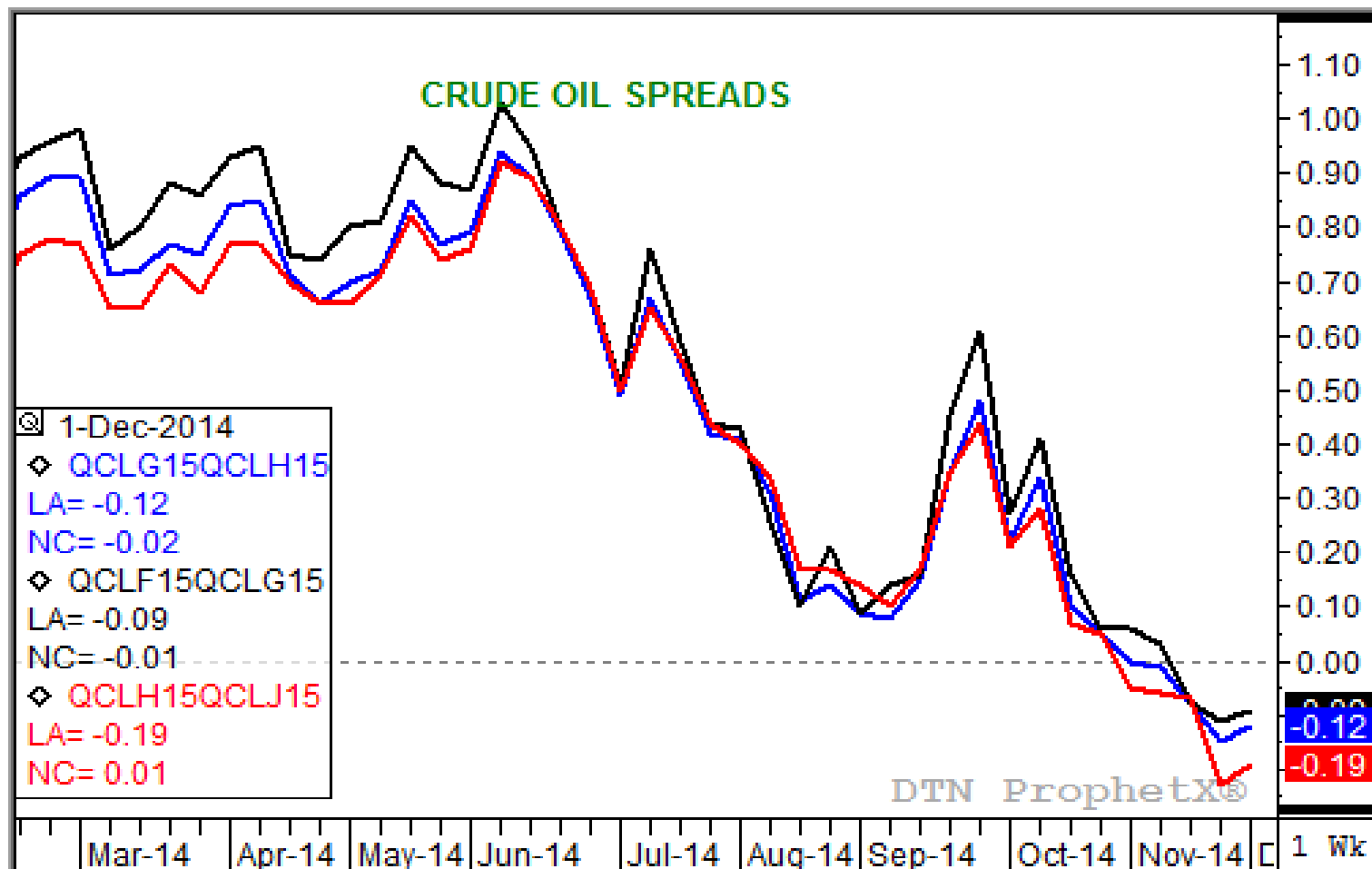
Market Types

Market Type	NONCOMMERCIAL	COMMERCIAL	STRATEGY
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Type 2	Bullish	Neutral	
Type 3	Bullish	Bearish	
Type 4	Neutral	Bullish	
Type 5	Neutral	Neutral	
Type 6	Neutral	Bearish	
Type 7	Bearish	Bullish	
Type 8	Bearish	Neutral	
Type 9	Bearish	Bearish	Short cash

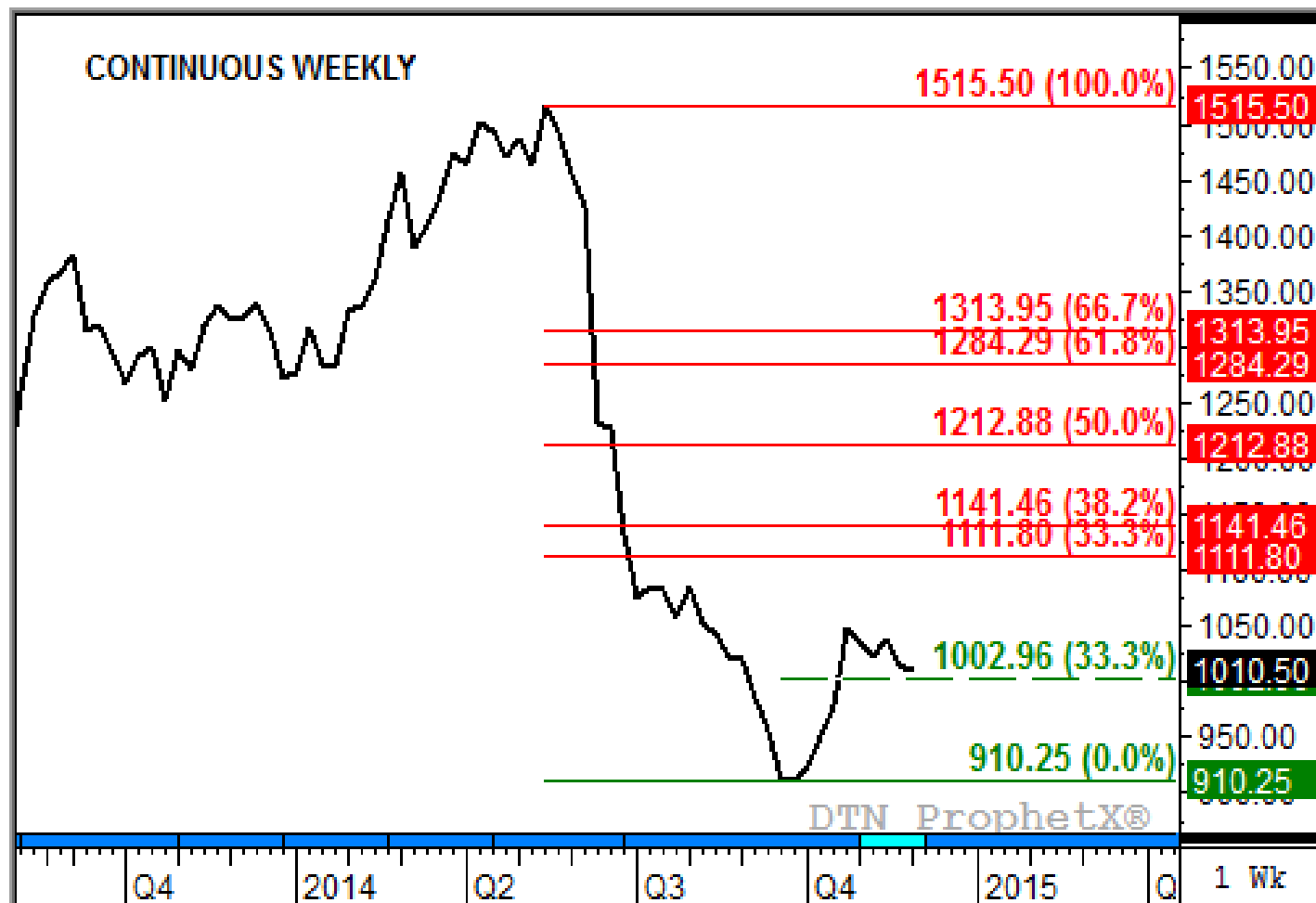
Futures Trend



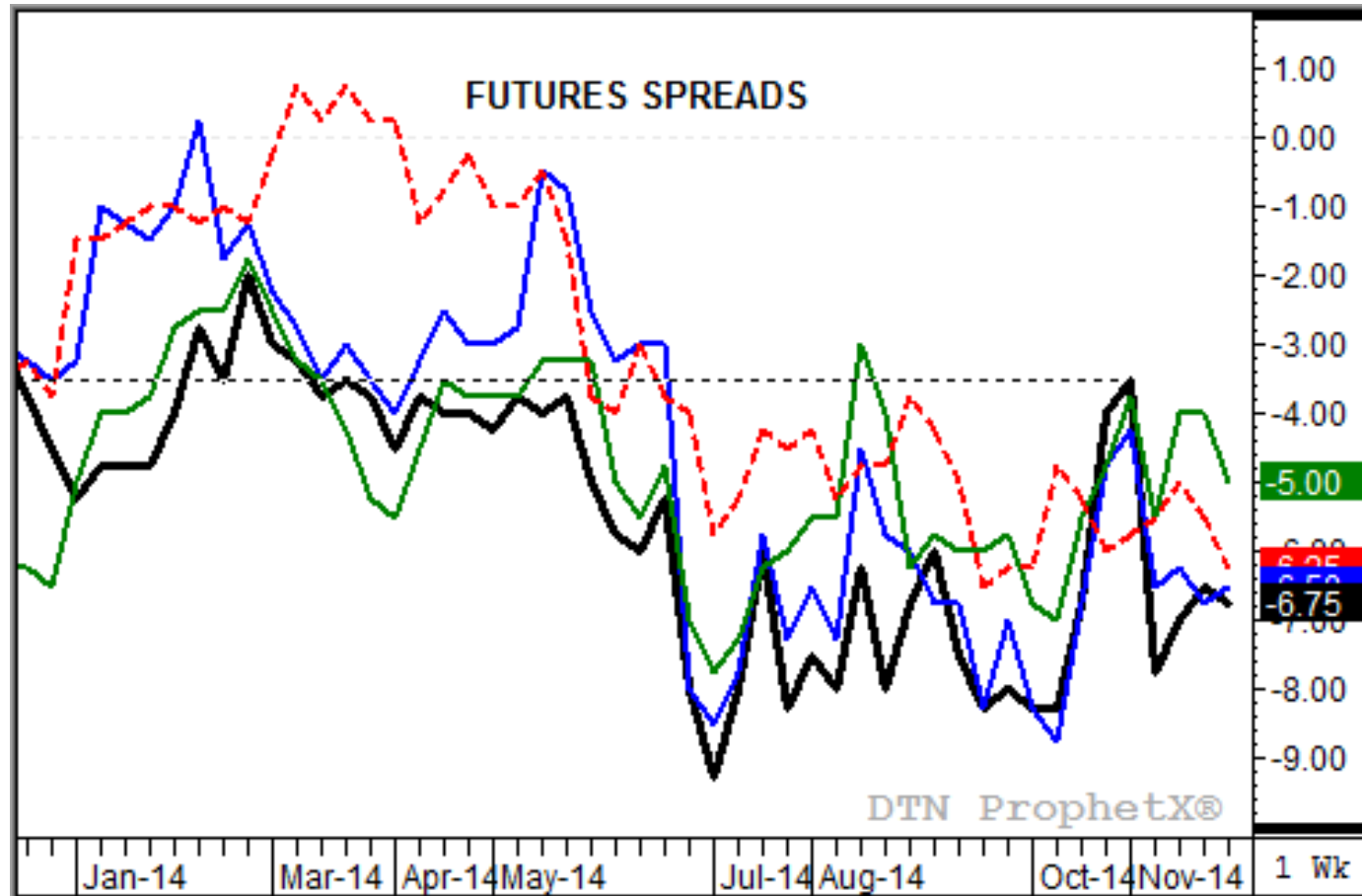
Trend: Futures Spread



Futures Trend



Trend: Futures Spread



Market Types

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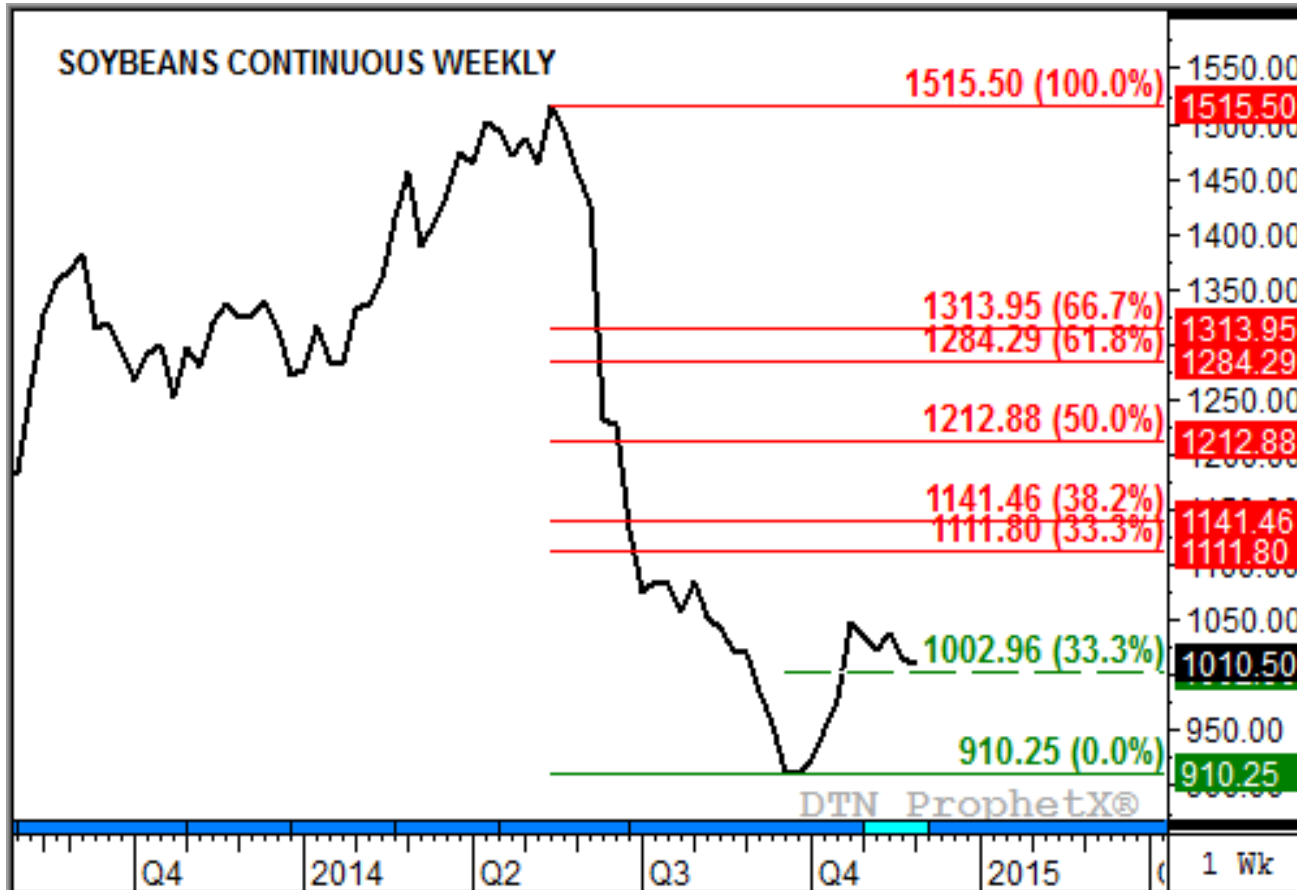
Market Types

Market Type	NONCOMMERCIAL	COMMERCIAL	STRATEGY
Type 1	Bullish	Bullish	
Type 2	Bullish	Neutral	
Type 3	Bullish	Bearish	
Type 4	Neutral	Bullish	
Type 5	Neutral	Neutral	A variety of option strategies
Type 6	Neutral	Bearish	
Type 7	Bearish	Bullish	
Type 8	Bearish	Neutral	
Type 9	Bearish	Bearish	

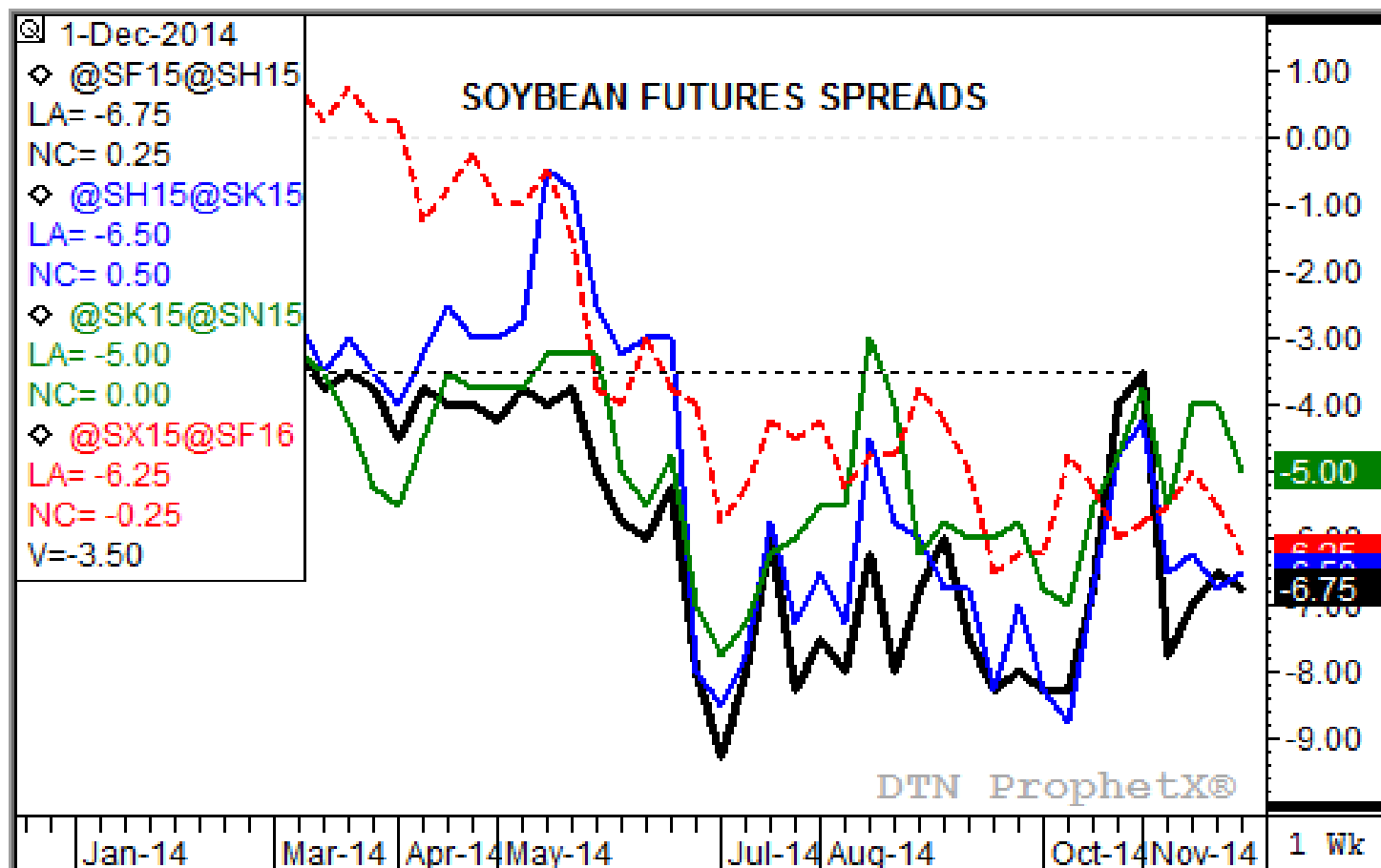
Third Law of Marketing

- **Manage margin risks.**
- Use market filters to keep you from getting in the wrong risk management position.
 - Price distribution
 - Seasonality
 - Market volatility

Futures Trend



Trend: Futures Spread



Summing Up

- Market structure shows us what the two sides are thinking.
- There are 9 different types of markets.
- There are 3 simple rules of marketing.

Market Types

Market Type	NONCOMMERCIAL	COMMERCIAL	STRATEGY
Type 1	Bullish	Bullish	Long cash
Type 2	Bullish	Neutral	Long put options/incremental cash sales
Type 3	Bullish	Bearish	Increased cash sales/long futures
Type 4	Neutral	Bullish	Long cash/long put options
Type 5	Neutral	Neutral	A variety of option strategies
Type 6	Neutral	Bearish	Increasing cash sales/long put options
Type 7	Bearish	Bullish	Rare. Short futures
Type 8	Bearish	Neutral	Short futures/long put options
Type 9	Bearish	Bearish	Short cash

For More Information

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THANK YOU