

## Growing Financial Success

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Smart Money and Climatech indicators agree mostly on bullish coffee and wheat

Texas cotton prospects may continue to decline

A look at where Global droughts are located

Detailed report on Wheat

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Volume #1  
Issue # 3

Next Issue Cotton

## Climatelligence Report



## Wheat Market Focus



## Commodities Overview

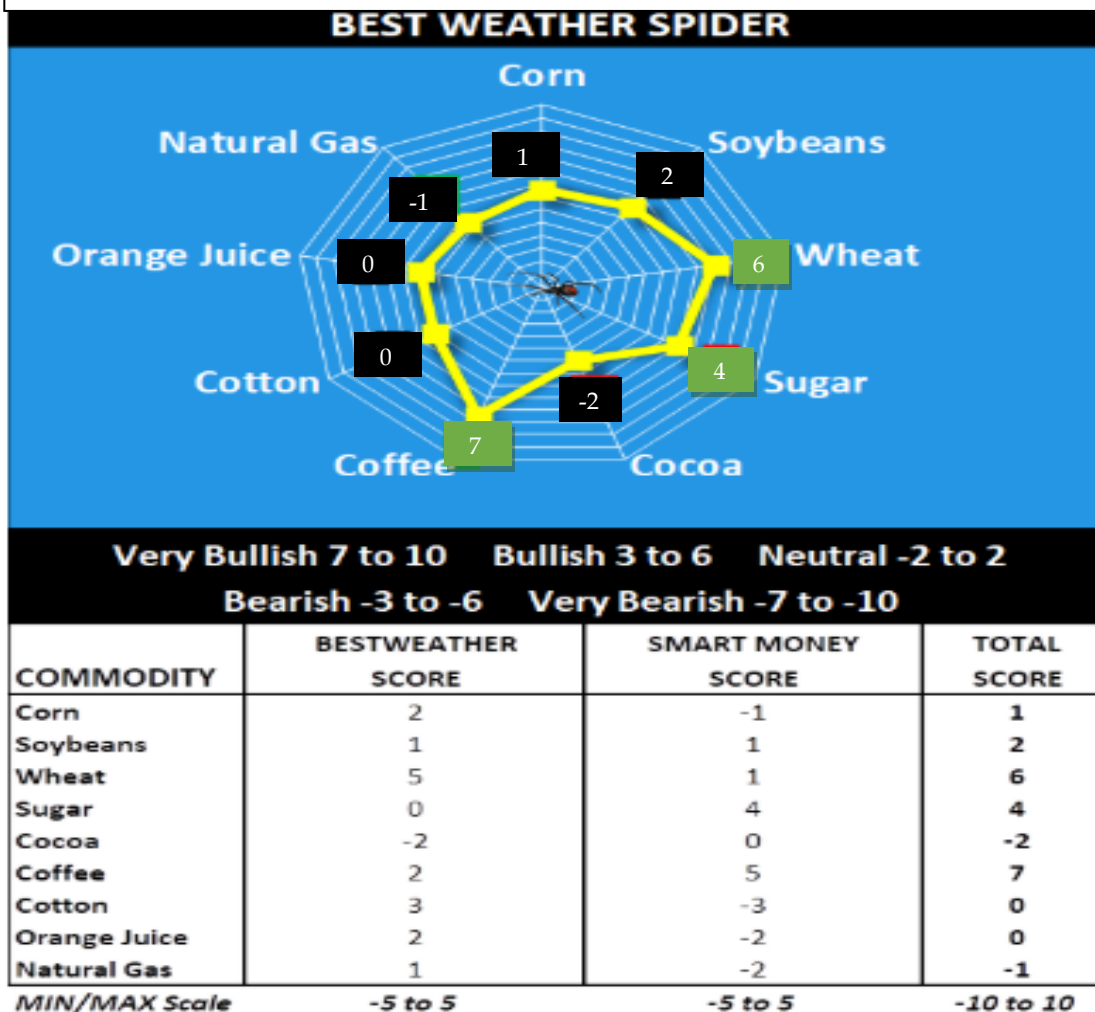
### Climate Intelligence Spider

The Climate Intelligence rankings tables were created by Jim Roemer and Shawn Hackett to help commodity traders, farmers and agribusinesses quantify the influence that U.S./global weather and capital flows have on Agricultural prices. The Climate Intelligence Spider *weight weather (Climatech/Best Weather) and capital flows (Informed Smart Money Algorithm) equally to formulate bullish and bearish readings.*

**Best weather score is a 0-day to 30-day time-frame signal.**

**Smart Money Score is a 1-month to 3-month time-frame signal.**

**The Total Score** offers a balanced combined mid-range time-frame



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**SOYBEANS (+2)** We were bearish most of the last two months and caught most of the down-move in prices. Now, the potential for some heat and dryness in the western and southern belt during August and ideas the Trade War bearish talk has been built into the market. **Both the Smart Money and Climatech scores put us in the neutral to slightly friendly camp in soybeans.** However, most of our research does NOT SUGGEST prolonged heat or widespread crop problems. Maybe only the SW soybean belt. Hence, with a U.S. crop >50 bushels per acre, **the weather is NOT necessarily a bullish aspect to soybeans in August vs a possible resolution of the Trade War, making for a confusing trade**

**CORN (+1)** Europe will be a big importer of corn and while a huge U.S. crop is expected and could possibly pressure corn prices prior to and during harvest, some August heat in both the U.S. and Europe will probably prevent any major break in corn prices. **Smart Money is in the slightly bearish camp, while Climatech is slightly bullish.**

**WHEAT (+6)** Our August detailed report below will shed more light on our expectation of further global weather problems and a reduction in wheat stocks. **Both Smart Money and Climatech are in the bullish range in this market.**

**COCOA (-2)** After a “fake out” rally late this winter and early this spring on over-zealous worries, about last winter’s hot-dry weather in west Africa, cocoa prices have fallen due to weak North American grind data and a return to excellent rains in west Africa the last 4 weeks. **Both our indicators are in the neutral to slightly bearish camp right now.** Cocoa prices have sold off a lot, but until we see the effects from a possible El Nino later this year, any rally will have to come from demand, not the weather, for now.

**COTTON (0)** **We have different signals for cotton. Smart Money is in the slightly bearish camp due to heavy long position in the market and seasonal factors, while Climatech and Jim Roemer are more bullish** and feel that the drought will persist longer than expected in Texas. The U.S. crop continues to decline in ratings and there are reports of Aphids and possibly lower crop potential in China

**COFFEE (+7)** **Both Smart Money and Climatech are in agreement that coffee prices have likely bottomed and a potential bullish move should occur,** especially later this fall due to a heavy short position in the market, cash to future differentials, and a possible dry spell to Brazil coffee come September-November.

**SUGAR (+4)** **Smart Money has a bullish signal in sugar, while Climatech is neutral.** Our forecasts are for a potential weaker monsoon in Indian the 2nd half of the summer. However, India is still expected to be a huge exporter of sugar, and there is a glut of sugar in the world. Nevertheless, the Brazil Real appears as if it has bottomed that could cause a floor in sugar prices in the weeks ahead.

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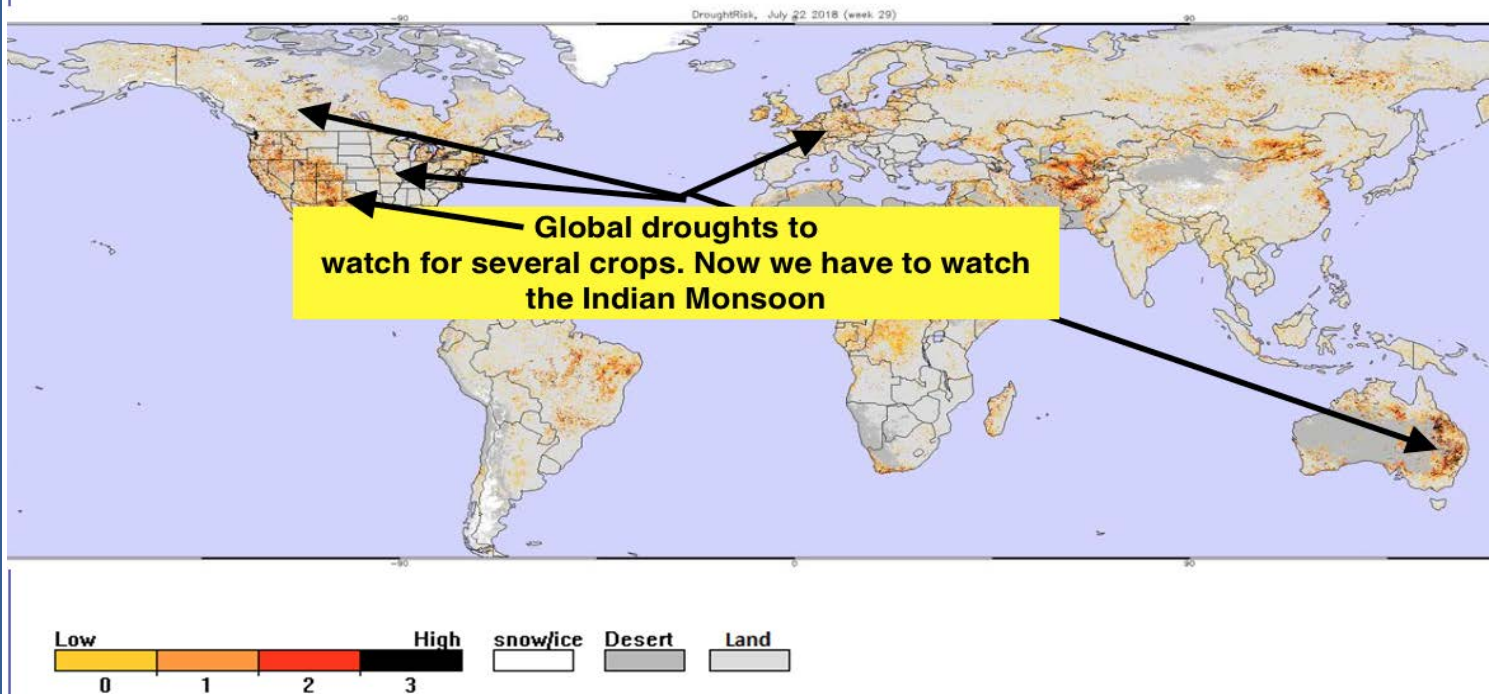
**NATURAL GAS (-1).** A return to hotter weather in parts of the Midwest, south and east during August has helped natural gas prices rally back off its lows. **Our Smart Money and Climatech indicators have mixed different results for now, so no high confidence recommendation at this moment.**

**ORANGE JUICE (0)** The hurricane season may be feeble and could be a bearish aspect to the market. Demand is terrible but continued Citrus Greening disease and the potential for a further reduction in the Brazilian give us **"mixed signals right now in this market."**

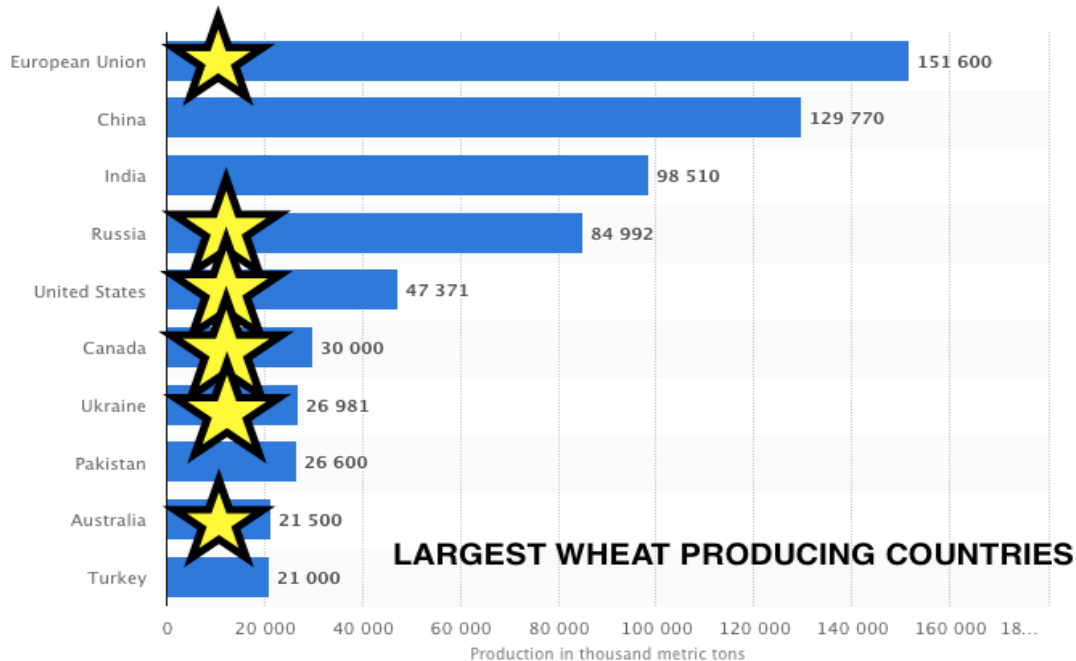
**WHEAT --From the U.S. to Australia, Europe and now Canada, global wheat problems continue to lower crops**

The map (below) show the present areas of world droughts in the red and black

## LOOK AT GLOBAL DROUGHTS



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The chart and the “stars” above, show regions where the wheat crops continue to come down.

Wheat futures are finally doing what we have expected for the last few months, breaking the long-term down-trend due to a variety of weather issues in at least 4 countries.

For more than five years, any attempt by wheat for an occasional “short term rally” was met by commercial selling as global wheat stocks swelled and Russia.

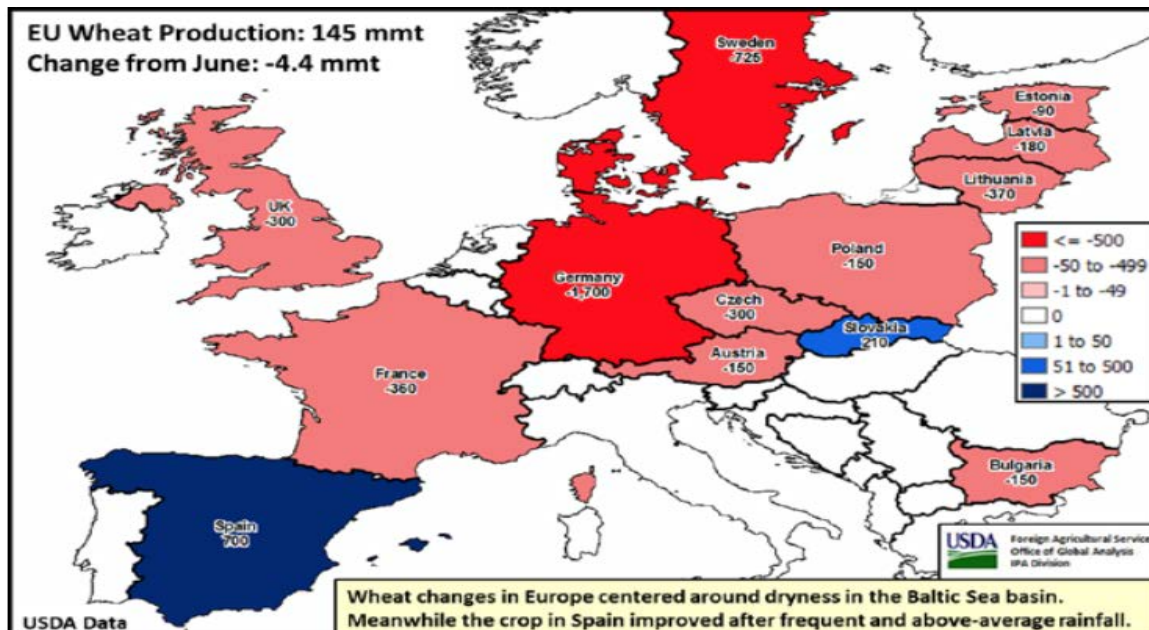
**Our research continues to suggest that crops in the countries marked by the “stars” below will see hot weather and more weather issues over the next few months.**

Nearly 3,000 record high temperatures have been reported in no less than 7 countries during July and forest-fires are raging from California to Yosemite National Park and throughout parts of Europe. The world is burning up right now and at the same time will continue to lower global wheat production. For a recent article about the European fires click here

(<https://www.express.co.uk/news/world/993346/Greece-fires-LIVE-tracker-Athens-Sweden-fire-map-wildfire-latest-news-death-toll>)

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The USDA chart below of EU wheat production was as of June. Our long-range in-house computer model CLIMATECH predicts that the crop will be even worse than this in much of Europe due to dry July and August weather and near record heat in some areas.



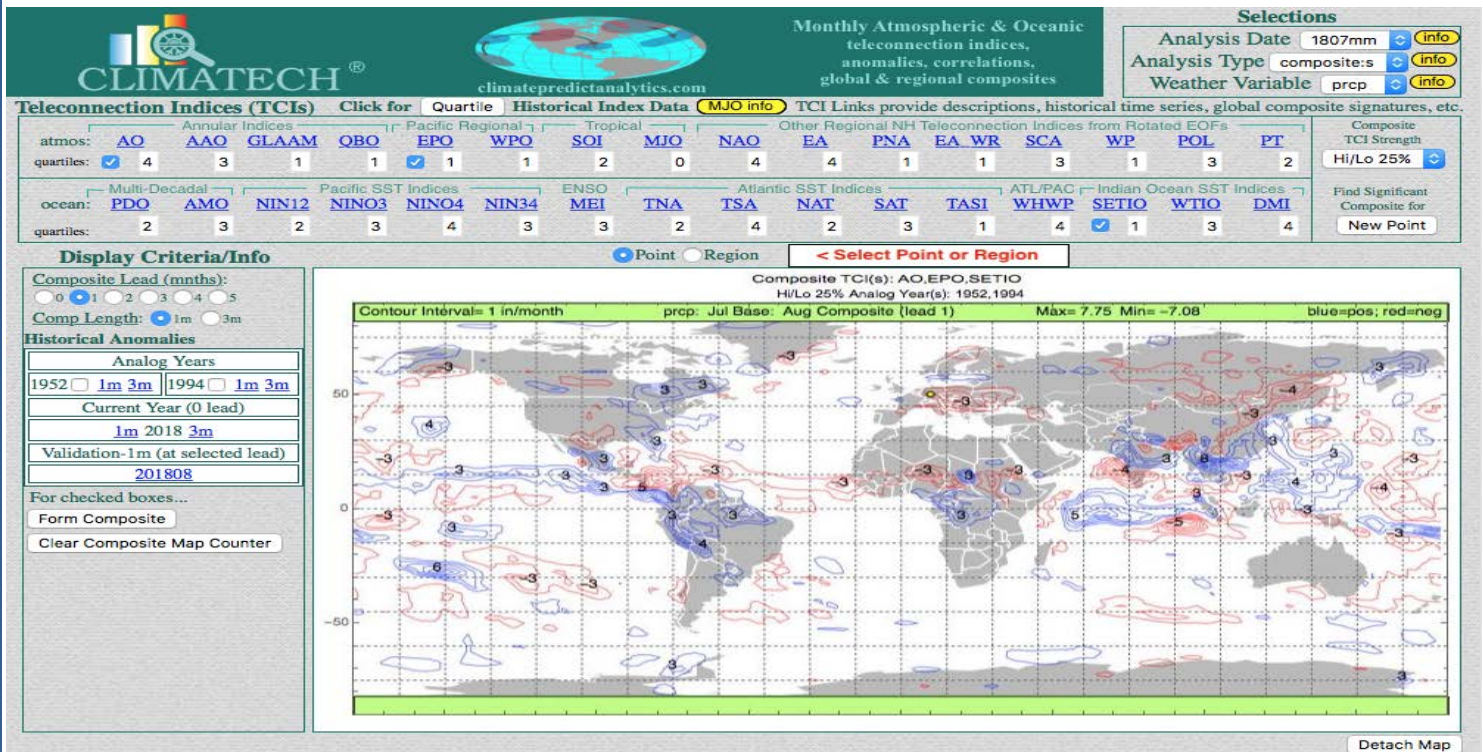
### Climatech August Forecast-More weather problems for European grains and west Texas cotton

Our proprietary program CLIMATECH (see next page) uses global teleconnections such as the Arctic Oscillation Index (a key variable that has a big impact on winter weather of the energy market), El Nino signals and much more. For August 2018, the checked boxes are centered on climatic variable over the Arctic (AO index); Alaska (EPO) and also ocean temperatures near India (SETIO). **The highest confidence forecast is located in the small red dot over Germany, where dry weather will continue to lower corn and wheat crops over Europe.**

**Other concerns remain for Texas cotton and possible dry weather over the North China Plain for corn and soybeans.** You can also see the prediction of as much as 4 inches below normal rainfall in parts of southern India. If this dryness extends further north into the key oilseed and sugar areas, this could have some effect later this summer in other markets.

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(above)-Climatech August Rainfall Projections (Red is below normal rainfall, and blue is above normal rainfall in inches).

**CONCLUSION WHEAT:** One should be mindful that all weather markets come to an end and the current wheat weather rally will end as well. While global weather has been and is expected to be bullish, spring wheat harvests will begin in most areas shortly providing some risk to harvest pressure while new plantings for winter wheat areas will also begin in September with the expectations that current higher prices will induce healthy winter wheat planting increases globally.

An El Nino Modoki will likely ease drought conditions in the Plains before or by fall that could result in a big recovery in U.S. wheat production in 2019.

To add insult to injury will be the harvesting of very large U.S. soybean and corn crops that will likely offer a moderation of the current bullish tone in the grain complex for a short while.

Our 2<sup>nd</sup> issue of Climatelligence, suggested a possible long wheat, short corn spread, which at this writing is profitable. We advise staying with this position, for now.

The last 12 months has seen dramatic reductions in both global wheat ending stocks and in global corn ending stocks (see chart at bottom of report). The buffer stocks have been taken off the top. In the short term, any additional weather problems will further tighten the supply/demand equation offering the potential for even more aggressive upside price action.

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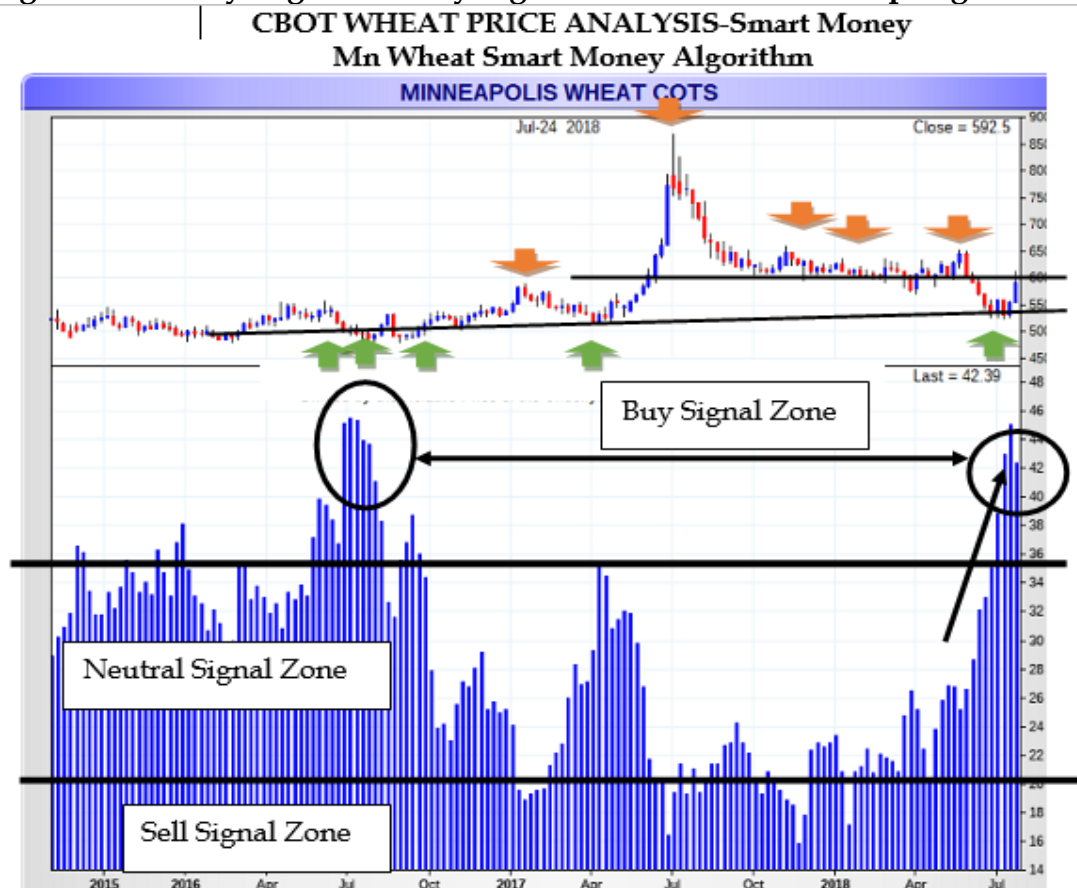
Our informed Smart Money Algorithm (below) is structured to provide early warning signs in potential market sentiment changes based upon a combination of seasonal factors, capital flows and relative value measures.

Right now, we still see our all wheat informed Smart Money Algorithm in neutral territory but Climatech and Jim Roemer's research remains bullish wheat, so our total is a +6 (see spider at beginning of report) that can still allow for more upside to prices so long as our weather spider remains bullish.

The MN Wheat market by far represents our most bullish looking smart money readings suggesting that the higher quality end of the wheat market could experience some outperformance as the year goes on.

The job of the U.S. futures market is to help manage U.S. wheat supplies. The U.S. wheat stocks to usage ratio is expected to fall to the lowest levels since the 2014/2015 marketing season (see chart on next page). Assuming, the U.S Dollar remains stable at current levels; cash prices could average close to \$6/bu for the upcoming marketing season assuming good global weather over the next growing season.

### A Strong Smart Money Algorithm Buy Signal Remains in the Mn Spring Wheat Market

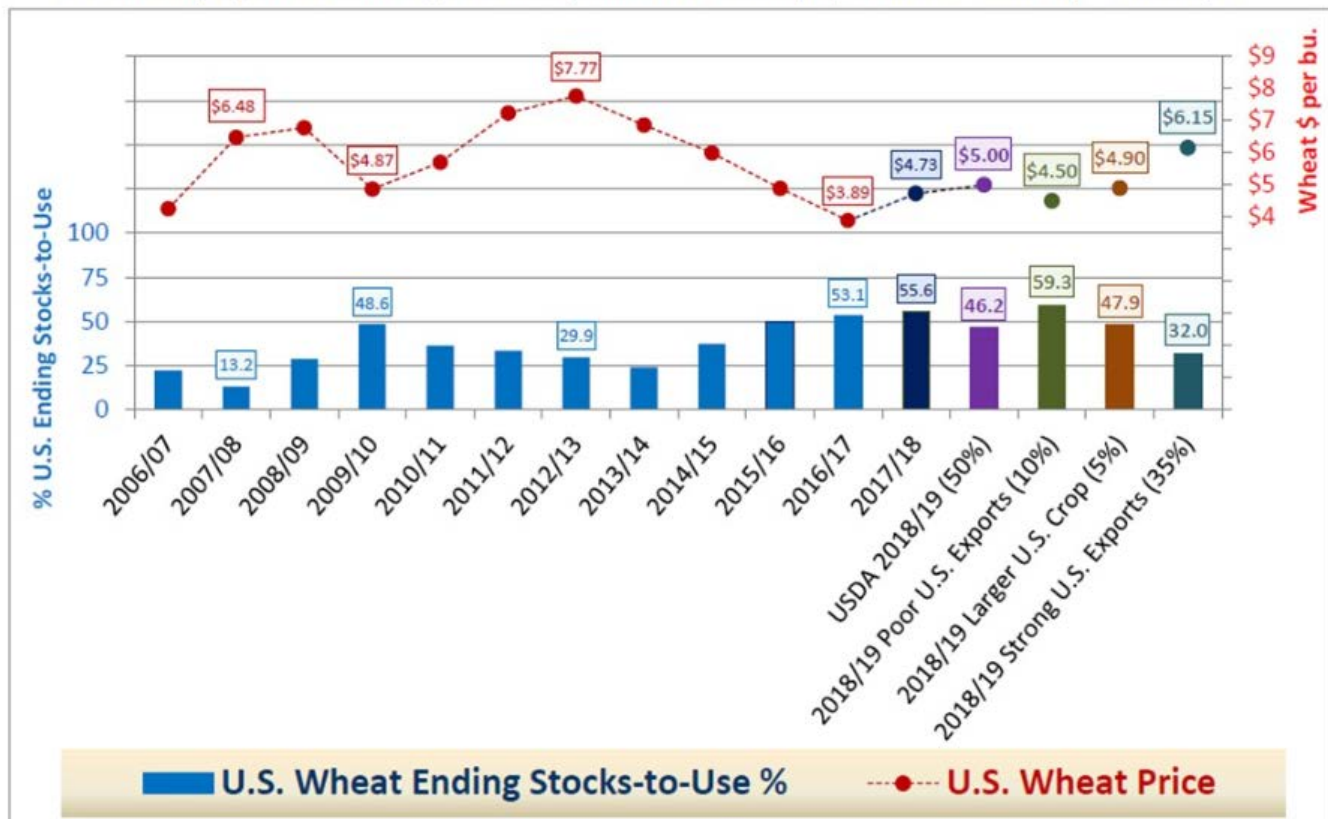


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## U.S wheat ending stocks to usage at their lowest levels since 2014/2015

**Figure 11. U.S. Wheat Ending Stocks vs U.S. Cash Prices: MY 2006/07 thru "New Crop" MY 2018/19**  
as of the July 12, 2018 WASDE report with Adjusted-USDA & KSU projections for "Next Crop" MY 2018/19



(KSU)

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The statements below also apply to **The Climatelligence Report, BestWeather, Inc. and Jim Roemer**

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