ITTC

INSIIDE Track

Tech Tips: Soybeans, 21 MACs & 8/16-Year Cycles

Weekly MAC Signal

08-15-20 - *"Soybeans, Corn & Wheat surged this past week after correcting from their early-July surges with Soybeans bottoming right at monthly support. Soybeans triggered a new multi-week buy signal on Aug. 7 and have entered what is expected to be a second intermediate rally...*

Based on the movement of the weekly 21 MARC, the weekly 21 MAC has begun to turn up with the March '21 Soybean contract providing a textbook example of a bullish weekly 21 MAC pattern (as well as a bullish weekly trend pattern).

If Nov. Soybeans can give a daily close above 902.5/SX, they would confirm a new intermediate advance..."

Soybeans are beginning to validate the myriad of bullish cycles converging in 3Q '20 and projecting a major (parabolic?) rally. They triggered a multi-month buy signal in June and are now adding powerful confirmation to that signal - in the form of a textbook weekly *21 MAC* reversal higher (and a multi-week buy signal).

The following describes the setup and ultimate signaling of this bullish scenario and provides a glimpse of what could now unfold (please refer to current publications for the most updated analysis and/or trading strategies):

The Setup

05/28/20 - "*Soybeans need to signal a much larger and stronger rally... If a serious disruption occurred in this growing season (anything appears possible in this new norm), or a sudden unexpected demand (livestock? China?), Soybeans could rally as high as [see current publications for updated analysis, targets and trading strategies]...*

1 - 3 month and 3 - 6 month traders can enter long positions in Nov. Soybeans futures at current levels and average into these down to 830.0/SX. The risk on these (where to exit if they head lower instead of higher) is [see current publications for updated trading strategies]. (The SOYB ETF is often used as a substitute for those that avoid futures.)

1 - 3 month and 3 - 6 month traders can enter long positions in Dec. Wheat futures at current levels and average into these down to 510.0/WZ. The risk on these [see current publications for updated trading strategies]" [End June 2020 *INSIIDE Track* excerpt.]

06/29/20 - *"***Soybeans***,* **Corn** *&* **Wheat** *remain in a base-building phase that has been projected to lead to sizeable rallies... On June 22 - 29, Soybeans and Corn triggered intermediate buy signals (see Weekly ReLay) in preparation for a July surge...*

Before examining the intermediate (1 - 3 month) outlook, it is important to spend a little more time on the longer-term outlook... ~8-year cycle that has governed Soybeans throughout this entire 40-Year Cycle (since 1980).

That ~8-year cycle timed peaks in Nov. '80, June '88, July - Sept. '96, May '04 and Aug./Sept. '12. The current phase could stretch all the way into ***4Q 2020****...*

There is even an overlapping ~16-year cycle that incorporates the 1972/73 parabolic surge in Soybeans, when they went from ~300 to ~1290 - more than quadrupling their value before setting a peak that would hold until 2008.

That bull market presaged another surge that peaked in 1988 - 16 years later.

16 years after 1988, in 2004, Soybeans set a multi-year peak that would ultimately represent a wave 'I' peak in a 5-wave advance leading into the Aug./Sept. '12 peak, the highest level Soybeans have attained...

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Weekly cycles have been corroborating this, projecting an initial surge into ***July****... Leading into those peaks, Soybeans were/are expected to signal a much larger and stronger rally. Ideally, an initial rally would take them to* [see current publications for updated analysis, targets and trading strategies].

The intriguing aspect of this potential is how one giant (potential) fundamental has been shaping up to validate these cycles and technicals.

Since the beginning of 2020, part of the agricultural focus has been on Phase 1 of the trade deal between the U.S. and China - involving China's commitment to purchase an additional $32 billion of agricultural products (above 2017 levels) in 2020/2021.

Much of that focus has been on Soybeans (and pork). As of late-June, China is significantly behind on fulfilling that commitment so one of two alternatives could occur - either China fails to fulfill their commitment or they seriously ramp up purchases in the coming months.

Based on cycles & technicals in Soybeans, my 'bet' is on the latter alternative.

Of course, Soybeans could surge for any number of additional reasons - not just potential Chinese purchases - but that appears to be the most obvious from the current vantagepoint.

So, in keeping with Occam's Razor, the simplest answer or explanation is often the correct one.

(The good news is that technical trading does not warrant a correct assumption of the driving fundamental. I could be completely wrong on what drives a rally in Soybeans, but that doesn't matter if the rally materializes as anticipated.)

Other fundamentals corroborating this potential include Brazil's falling Soybean stocks and rising currency.

Both factors are likely timing the culmination of Chinese purchases of Brazilian soybeans (which normally occur in Feb. - July) and China has already been increasing purchases of US Soybeans in recent weeks.

Since they still have a lot of ground to make up (with respect to the Phase 1 Trade Deal), and their other main source of Soybean purchases is rapidly diminishing, the potential for a Chinese surge in Soybean purchases - and resulting surge in prices - is growing as the markets enter the time when an accelerated advance (or multiple ones) is likely...

1 - 3 month and 3 - 6 month traders could have entered long positions in Nov. Soybeans futures at 854 down to 846 and be holding these. The risk on these [see current publications for updated analysis, targets and trading strategies]

1 - 3 month and 3 - 6 month traders could have entered long positions in Dec. Wheat futures…" [End July 2020 *INSIIDE Track* excerpt.]

The (21 MAC) Signal

07-29-20 - *"Soybeans are recovering and, based on their daily trend pattern, should rally to new multi-month highs in the coming week(s).*

*Soybeans are again pulling back to their weekly 21 High MAC (~****880/SX****) and are likely to see that channel reverse higher in the next 1 - 2 weeks."*

08-01-20 - *"Soybeans, Corn & Wheat remain mixed, having consolidated since surging into the first half of July. That fulfilled the first phase of expectations with Soybeans being projected to first surge into early-July and then ultimately embark on another rally into Sept. '20...*

An overlapping ~16-year cycle connects the 1972/73 parabolic surge in Soybeans (from ~300 to ~1290) to the culmination of subsequent surges into 1988 and

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then 2004 - 16 & 32 years later. They all project a subsequent surge...

From a price perspective, Soybeans pulled back to test and hold the weekly 21 MAC twice.

Based on the movement of the weekly 21 MARC, the weekly 21 MAC is likely to turn up in the coming week (s) - setting the stage for a new and larger surge to take hold in August. Their daily trend pattern concurs and projects a rally to new highs."

08-08-20 - *"Soybeans, Corn & Wheat are trending lower to begin August, having corrected since surging into the first half of July. That fulfilled the first phase of expectations with Soybeans being projected to first surge into early-July and then ultimately embark on another rally into Sept. '20...*

Based on the movement of the weekly 21 MARC, the weekly 21 MAC has begun to turn up (despite declining prices in Soybeans) and pinpoints ~857.0/SX as pivotal 21 MAC support for this decline. (1370/SOYB is related support.) Weekly support could spur a spike a little lower.

If Soybeans can test and hold that support range early in the week, they would be in the best position to set a secondary low and embark on a new intermediate advance.

1 - 4 week traders can enter long positions in Nov. Soybean futures at [refer to latest publications for updated trading strategies]*"*

08-12-20 - *"Soybeans, Corn & Wheat are reversing higher after correcting from their early-July surge. That fulfilled the first phase of expectations with Soybeans being projected to first surge into early-July and then ultimately embark on another rally into Sept. '20...*

On an intervening basis, Soybeans dropped to monthly support last week and were expected to reverse higher this week and begin a new advance.

Based on the movement of the weekly 21 MARC, the weekly 21 MAC has begun to turn up with the March '21 Soybean contract providing a textbook example of a bullish weekly 21 MAC pattern (as well as a bullish weekly trend pattern).

If Nov. Soybeans can give a daily close above 888.0/SX, they would be in the ideal position to embark on a new intermediate advance..."

This publication compiles previous analysis leading to this past week's bullish breakout signal in Soybeans (based on weekly trend and weekly *21 MAC*) just as they enter a *16-Year Cycle* of parabolic advances - dating back to 1972/73.

Combined with developing fundamental factors, this provides the most bullish potential Soybeans have seen in at least 4 years and probably in ~8 years. As discussed in recent publications, this is likely to take the form of multiple rallies - each with ascending targets and expectations.

This is also in lockstep with what has been discussed in Silver, Oil and most other commodity markets - the projection for a major inflationary surge from late-March '20 into 2Q '21.

The following pages include the description of this prescient *21 MAC* indicator, taken directly from *Eric Hadik's Tech Tip Reference Library*.

The ***Weekly Re-Lay*** & *INSIIDE Track* will continue to monitor this evolving uptrend and the corresponding trading strategy(s).

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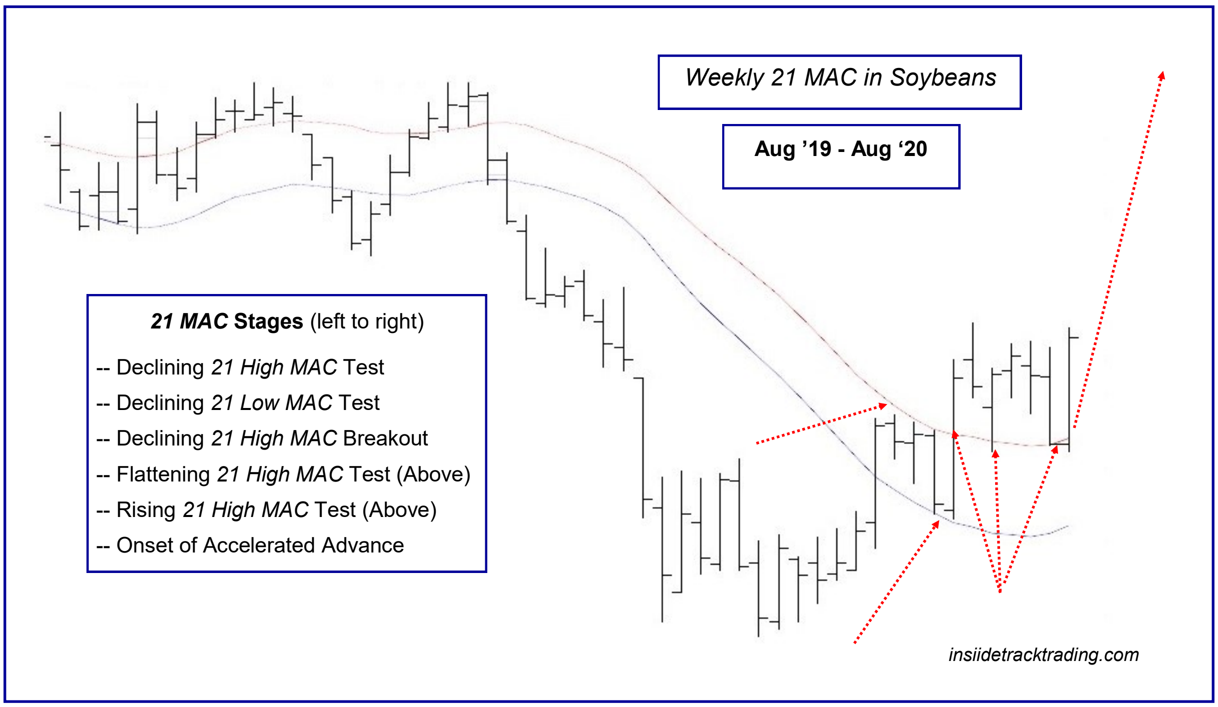

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Moving Averages

A moving average is an averaging of past data. A 10 -day (close) moving average is calculated by taking the most recent 10 days' closes, adding them together, and dividing this sum by 10.

There are many variations to this theme, but this is the most basic.

I have one problem with this formula. I prefer to trade off intra-day levels and attempt to build a profitable position BEFORE the close of the day. There are many reasons for this but the primary one has to do with risk control and money management: I would prefer to have some gains, however small, leading into the close of the first day.

When you are following a daily-close moving average, the only time to tell whether it is generating a signal is on the close.

A market could spend all day trading below a key moving average calculation - only to rally above it at the close of the day, confounding traders who were selling the market throughout the trading day.

The other, corresponding problem is that the close-only moving average gives support or resistance which is actually only valid for a 2-3 minute period during the day... *the closing range*.

Advocates may argue it is important all day long, but then they will tell you it is only violated if it is closed beyond.

So, which is it? Is it support during the day or is it support at the close?

This struggle led to frustration in my early-trading.

The *MAC*, *AMAC* & *MARC*

As a result, I resorted to three variations of the moving average -- which address this dilemma. The first is *MAC*, the second is *AMAC* and the third is *MARC*.

As in many cases, I do not claim to have reinvented the wheel. The value (and proprietary nature) is in HOW an indicator is used as well as WHEN and WHERE. Anyone can develop an indicator. Few can use one successfully.

These variations work hand in hand as *MARC* helps to identify when best to use *MAC*... while *AMAC* filters *MAC* and will often provide a 1-day leading indicator that provides critical data for a potential trade-entry or trade-exit day.

So, now that I have you wondering -- I will discuss these indicators.

The *MAC*

MAC is a *Moving Average Channel*.

Since traders are more interested in ascertaining where the high and low are most likely, it makes sense to calculate an average of recent *highs* and *lows*... instead of recent *closes*.

I use two amplitudes -- the *8 MAC* and the *21 MAC*. The average of the last 8 days' highs and 8 days' lows gives me the *8 MAC*. The average of the last 21 days' highs and 21 days' lows gives me the *21 MAC*. [The *21 MAC*, *AMAC* & *MARC* is all that will usually be cited in our publications.]

The *8 MAC* is the most effective for the minor trend and the *21 MAC* is utilized for the intermediate trend.

To further distinguish this indicator, I break it down to the *8 High MAC* and *8 Low MAC*, as well as the *21 High MAC* and *21 Low MAC* (to distinguish whether it is the *8 High* or *8 Low Channel* which is being used). These can be applied to any time frame as long as proportional trends and moves are expected.

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This indicator should only be used at specific times and for specific purposes. It is not an all-purpose indicator that should be forced into every day's (or week's) analysis.

The *AMAC*

The second application is the *AMAC* ... the *Adjusted Moving Average Channel*. This is not much different from *MAC*, but is a way to fine tune the channel levels for the upcoming period. The *Adjusted Moving Average Channel* is calculated by using the same calculations as for *MAC*, but with one less period.

For example, if you are attempting to calculate the daily *21 High Moving Average Channel*, you would take the last 21 days highs, add them together, and divide by 21. For the *21 High Adjusted Moving Average Channel*, you would take the last 20 days' highs, add them together, and divide by 20.

Why this minute difference?

Because the *AMAC* is really the number you should be calculating for use in the upcoming period's trading (in other words, forget the *MAC* and substitute the *AMAC*), because...

If you are interested in where the market should turn (believing that the channel is going to repel the market), you need to set up the channel so that it will incorporate the current days' high or low as well… even before that high or low is established.

When the day is complete, and you update your charts with the daily *21 Moving Average Channel*, it will incorporate that day's high and low, so you need to anticipate this in advance (IF you want to be able to use it when it is most practical).

By dropping the 21st day prior, and averaging only the last 20 days highs and lows, a trader is determining the number that will be the exact daily *21 Moving Average Channel* IF the market also turns at that same level.

(If you have a 20-day average and you add the exact same number and divide by 21, you will come up with the same quotient.)

So... after the day is done, you should be interested in the daily *21 High Moving Average Channel* and the daily *21 Low Moving Average Channel*. However, at the start of the next day it is more important to know the 20-day average high and 20-day average low.

The *MARC*

Before delving into an example of this, I want to also reveal the *MARC*, since it is the filter which determines when and how to use the other two calculations. This is the answer to the question of what to do with that 21st day prior high and low.

MARC is the *Moving Average Replacement Calculator*.

MARC tells you what to expect from the channel, and therefore what to expect from the market.

In the case of the daily *21 High Moving Average Channel* and the daily *21 Low Moving Average Channel*, the *21 day MARC* is the 21st day prior high and low.

Why is this important?

If you want to know whether the channel is going to be heading higher or lower in the upcoming period, you NEED to know what data today's high and low will be replacing.

This is the only data that changes so today's high and low need to be higher than that of 21 days ago if the channel is to head/turn higher OR today's high and low need to be lower than that of 21 days ago if the channel is to head/turn lower.

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If you are wanting to confirm that the daily *21 Moving Average Channel* heads higher, and the current day's high has exceeded that of 21 days prior, you are guaranteed that at least the daily *21 High Moving Average Channel* can not turn down on this day (since there is no way for a market to make a lower high for the trading day, other than the correction of a bad tick).

By knowing what the high and low were 21 days prior, you already know what levels could provide resistance or support during the upcoming day.

More importantly, if your trading strategy is partially built on the idea that this channel will remain in the same direction, the *21 MARC* gives a good place for stop placement or at least identifies when your strategy has begun to go awry (since a drop below that level, during a prevailing uptrend, would turn the level of the corresponding *21 MAC* down).

I should reiterate the important factors here…

The important point is NOT what average you use, but HOW you use it.

Too many traders attempt to utilize moving averages without really understanding how they are compiled and what aspects of them are most important. As I stated previously, this is an indicator that should only be used at specific times, and for specific purposes.

This technique is most important when a market:

-- Is near a significant top or bottom;

-- Has consolidated for a period of time;

-- Is awaiting a clear signal of direction.

More details and applications of this effective tool can be found in *Eric Hadik's Tech Tip Reference Library*. IT

Eric S. Hadik -- Editor

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