

Technical Analysis for Your Grain Marketing

USING PRICE CHARTS TO
BETTER TIME SALES & TRADES

TOM DOSDALL



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About the Author

TOM DOSDALL

Tom Dosedall attended Colgate University in the early 2000's, where he developed a passion for the commodity markets. To this day, he marvels at the genius and vision of the financial tools founded by farmers and merchants (in the 1800's) to help manage the price risk and opportunity associated with the commodities they produce or consume.

Tom joined Daniels Ag Marketing in 2007 and has serviced customers spanning the United States, South America, Europe, and Asia. The majority of Tom's current customers are comprised of American farmers scattered throughout the US Corn Belt. His daily contact with producers from Indiana to Iowa and reaching north into Minnesota and south into Texas, allows him to "see the whole forest" of US production and acre management trends, as opposed to being focused on one specific area only.

He is also a featured speaker for audiences on the benefits of properly using futures and options to develop a marketing strategy and is VP of Daniels Ag Marketing's Business Development team. Tom is the editor and publisher of Technical Ag Knowledge, an email advisory aimed at helping farmers to better understand technical analysis, as well as the positioning and movement of large index funds in the markets. The levels provided in these updates often help producers with identifying potential "buy" and "sell" areas based off of the CBOT price charts.

Tom resides on the North Side of Chicago with his wife, Anne and son Robert. Depending on the season, when he is away from the markets, he enjoys taking in an ice hockey game, golfing, or discovering a new spot for camping in IL, WI, or IN.

Call or email directly to discuss how you can establish a relationship.

Daniels Ag Marketing supports self-directed or full service account arrangements.

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Introduction

Do you ever look at the price of a commodity you produce and wish you had a clearer handle on why it is what it is and what it might be in the future?

Can you be better at identifying when your market is “overbought” or “oversold” so that you are not selling on the lows or buying on the highs?

Do you know the global dynamics have changed the last decade but the way you market your grain has remained the same?

If you answered “yes” to any of these, this guide is for you. My goal is to educate you on three basic pillars of technical analysis which I believe will help you to better time your sales & trades.

What is technical analysis? In this guide, we are talking about looking at a price chart for a specific commodity and looking for three things:

1. Trend Lines, Channels, and other Price Patterns
2. Relative Strength Index & Major Moving Averages
3. TAS Market Profile

This guide is written based upon my personal preferences and is not intended to replace any other skills you may already have when it comes to technical analysis. Perhaps you can take some concepts and blend with what you are already doing. Or, perhaps what you were using was not delivering results and you’re looking for a fresh start. I know there are many more out there who have no basis of technical analysis whatsoever. If you are in that camp this can serve as a blueprint to help you get started.

Our bottom line here at Daniels Ag Marketing is about giving producers the tools, confidence, and guidance to pull the trigger on marketing decisions when opportunities develop.

Thank you for considering our services.

I hope you’ll enjoy the guide.

Part 1: Trend Lines & Channels

Trend lines are one of the most basic yet most important things to be aware of when looking at a market.

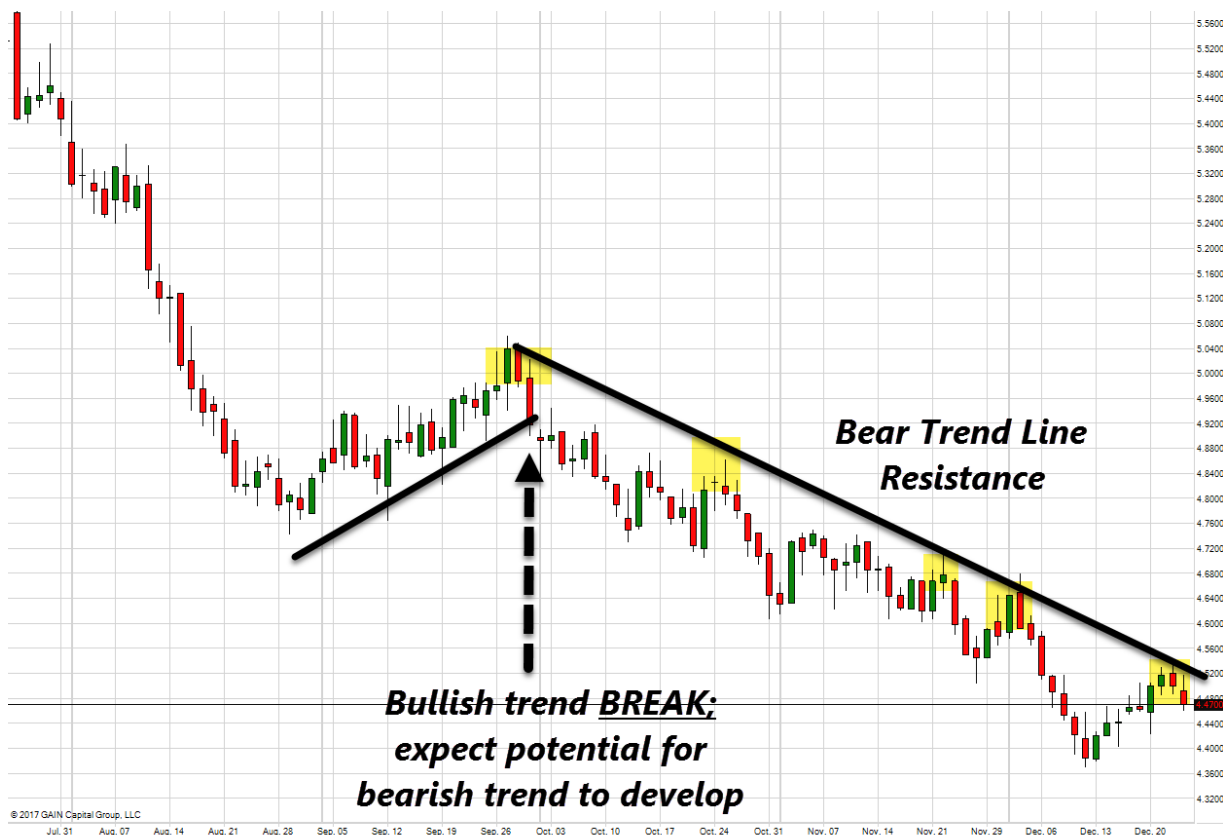
A “bull” trend line is drawn by connecting the long term lows via a straight line from the bottom left toward upper right. In this study, we are looking at declines toward this price as buying opportunities. A close below the trend line could indicate a longer term shift away from the increasing price trend.

Let’s look at an example:



A “bear” trend line is the same, but instead of connecting lows, it is drawn by connecting highs. When the market price approaches the line, it is watched carefully for a selling opportunity.

A close above the trend line could indicate a longer term shift away from the declining price trend.



We often talk about “channels” as well. A channel can be bullish, bearish or sideways. The main point is there is a noticeable price pattern seen to be containing the market. The upper end of the channel is viewed as a potential selling opportunity. The lower end of the channel is viewed as a potential buying opportunity. A close above or below the lines defining the channel has the potential to set market trend more bullish or bearish, respectively.

BULLISH CHANNEL EXAMPLE:



BEARISH CHANNEL EXAMPLE:



SIDEWAYS CHANNEL EXAMPLE:



Once you get comfortable recognizing trend lines, channels, and how to incorporate your marketing decisions around them, you might consider taking the next step in your technical trading education. My colleague Brian Cullen did a thorough job explaining "[12+ Candlestick Formations Every Trader Should Know](#)"; I encourage you to read it!

Part 2: Relative Strength Index & Major Moving Averages

A) ONE OF MY FAVORITE indicators to use is the Relative Strength Index (RSI). I use RSI because it gives me a reading on how overbought or oversold the technical conditions in any given market may be.

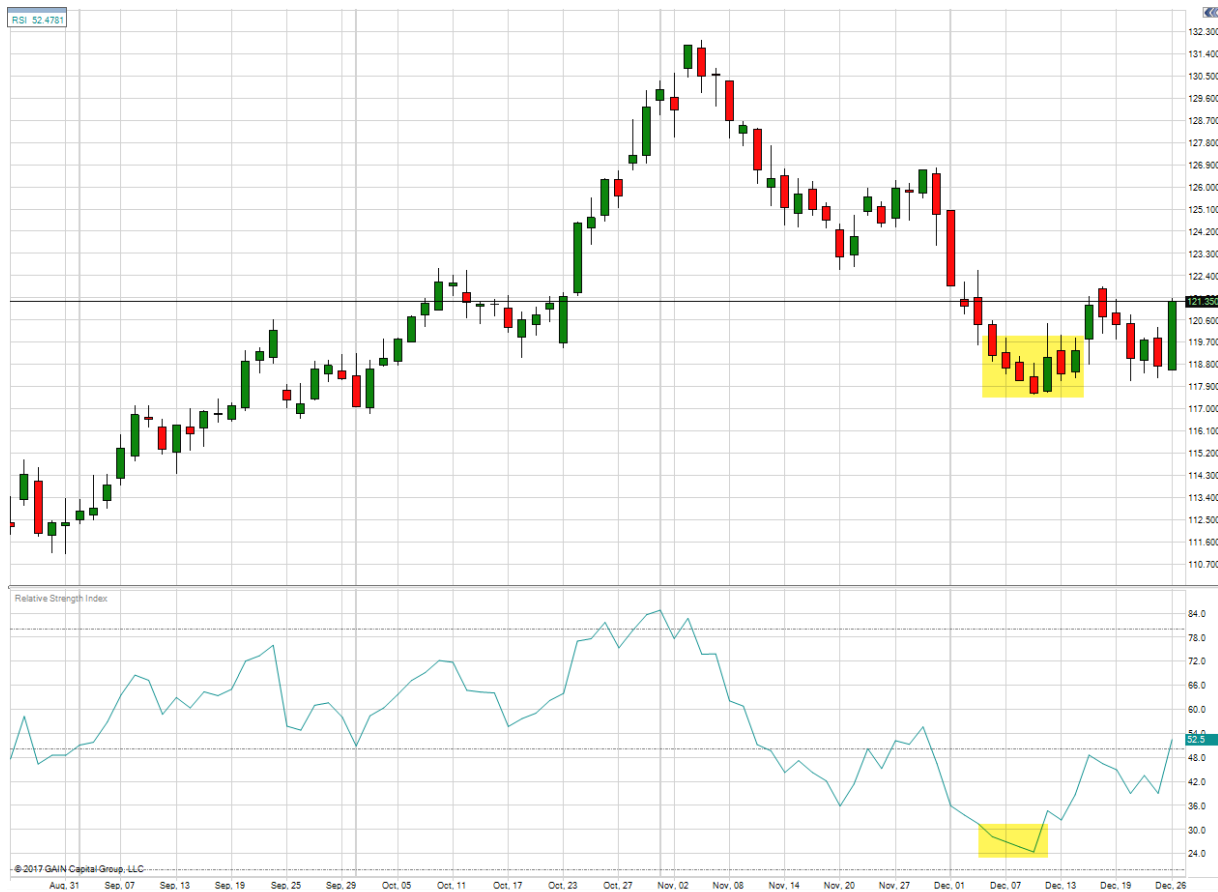
As a general rule, I like to sell or own put options against a market that is overbought. If I want to own back any of my previously sold bushels with futures or call options, I like to do it when the market is oversold.

- A reading of 70 or higher on RSI suggests the market is overbought.
- A reading of 30 or below on RSI suggests the market is oversold.

OVERBOUGHT EXAMPLE:



OVERSOLD EXAMPLE:



B) MAJOR MOVING AVERAGES can help a trader identify when a market trend may be shifting bullish or bearish.

- A bullish signal is received when a shorter term moving average (such as a 50 day) crosses from below to above a longer term moving average (such as a 200 day).
- A bearish signal is received when the shorter term crosses from above to below the longer term moving average.

Moving averages can also be a level of price resistance or support.

EXAMPLE:



It is important to note relative strength index and moving averages are not static indicators.

They are constantly changing based on the underlying price movement of the commodity.

In my video newsletter Technical Ag Knowledge, I will keep you aware of these important updates in real time as they happen. If you are not already a subscriber, you can [sign up here](#).

Part 3: TAS Market Profile, Navigator & Boxes

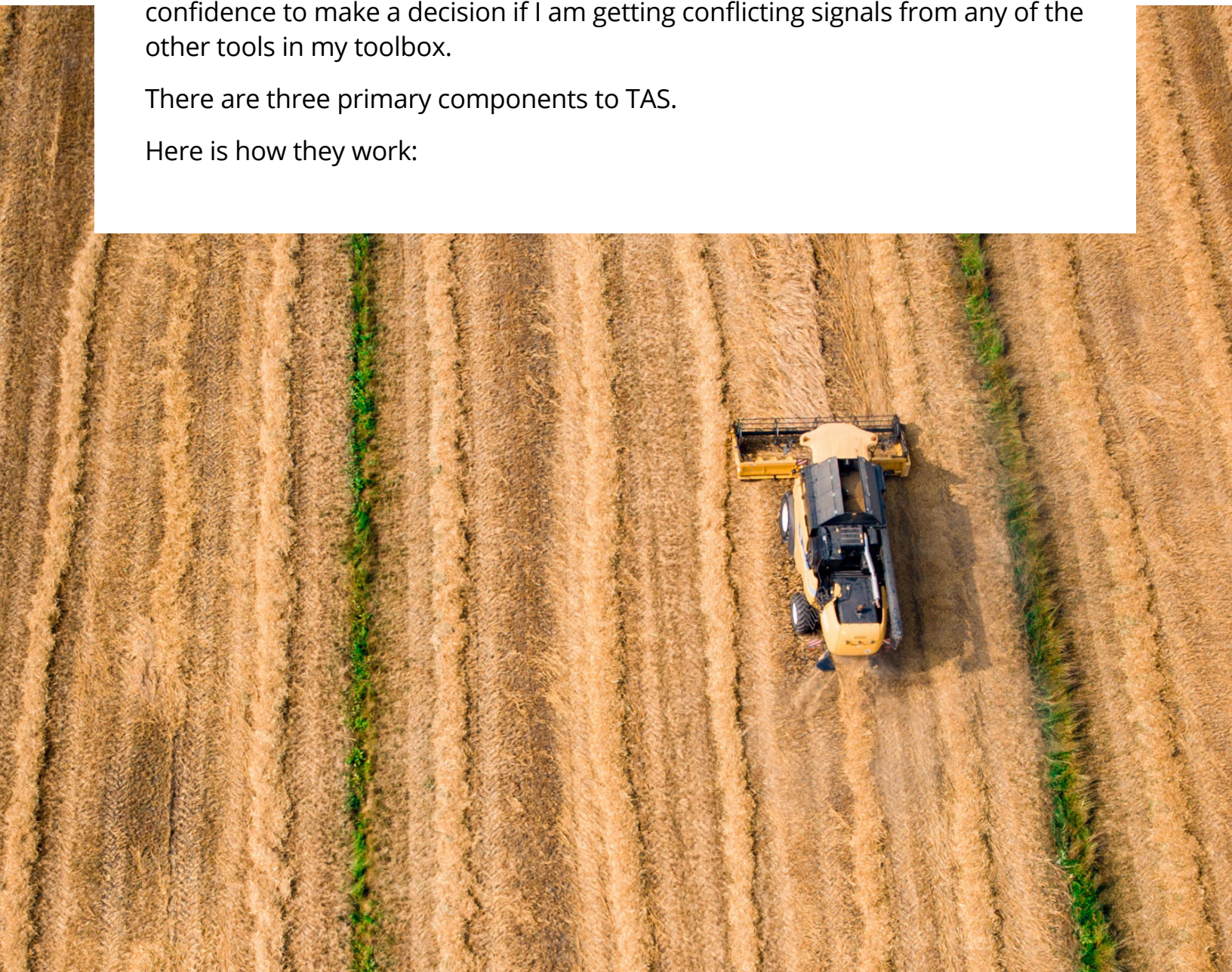
Now that you have a handful of basics as part of your arsenal, it's time to add an edge to your toolbox.

Whereas trend lines, channels, RSI, and moving averages are available to anyone and everyone with a trading platform, "TAS Market Profile" are subscription based private indicators used by professional and retail traders alike.

I use TAS on behalf of my clients because it gives me that extra bit of confidence to make a decision if I am getting conflicting signals from any of the other tools in my toolbox.

There are three primary components to TAS.

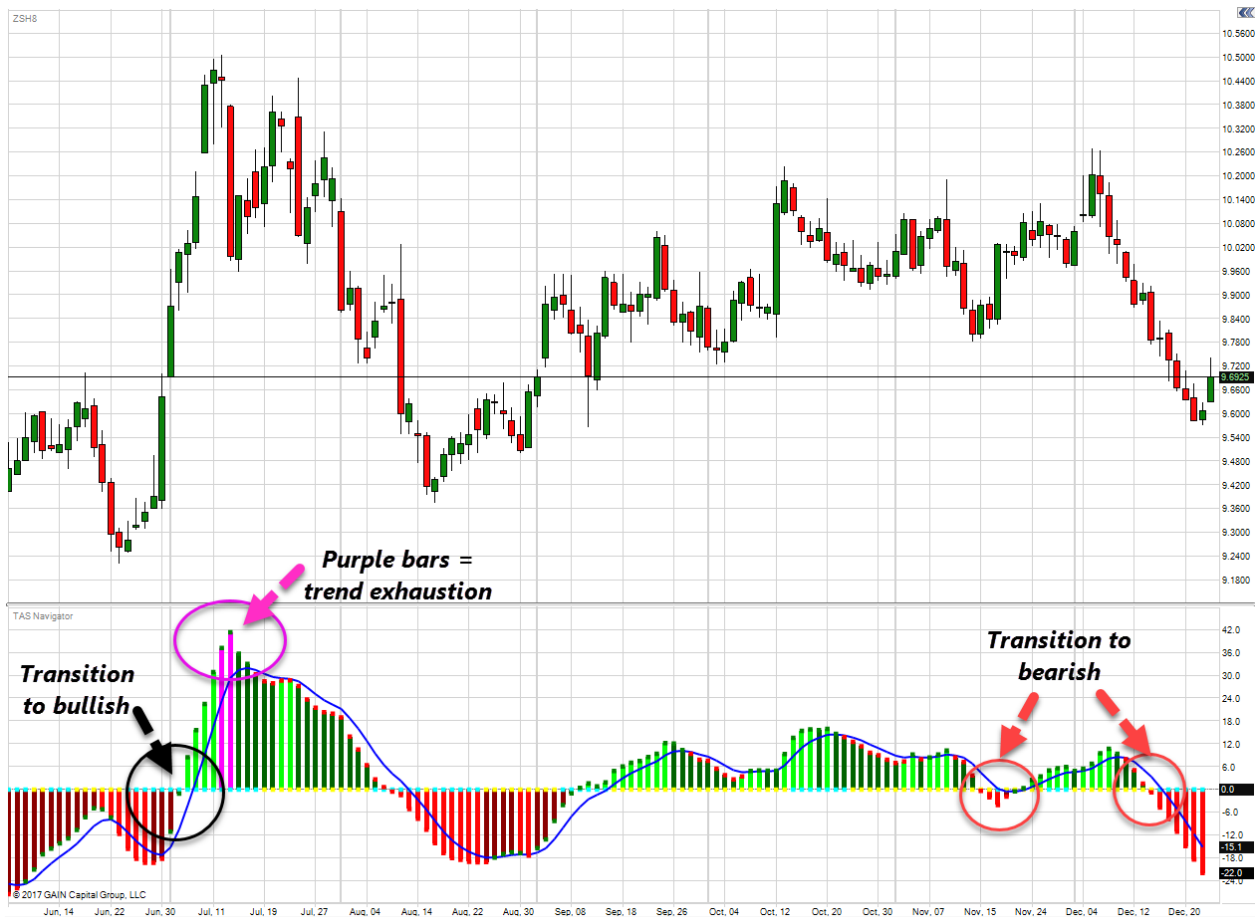
Here is how they work:



1) TAS NAVIGATOR

Resides on the bottom of the chart, usually just above the RSI. I use TAS Navigator to measure the buying or selling momentum in a given market and for re-enforcement of the strength behind a trend.

EXAMPLE:



2) TAS MARKET MAP

Is a take on “market profile” analysis. Instead of looking at volume of trades that take place on a given day, “Market Map” looks at volume of trades that take place at a given price level. By analyzing this, we can get a feel for where the most buying and selling takes place.

In other words, I look for the market to potentially chop around sideways if it is near the center of the highest volume at price area.

On the other hand, I would be prepared for volatility if it begins to move substantially away from that level for it could be an early sign of new trend beginning to take hold.

Here is how Market Map looks on our charts:

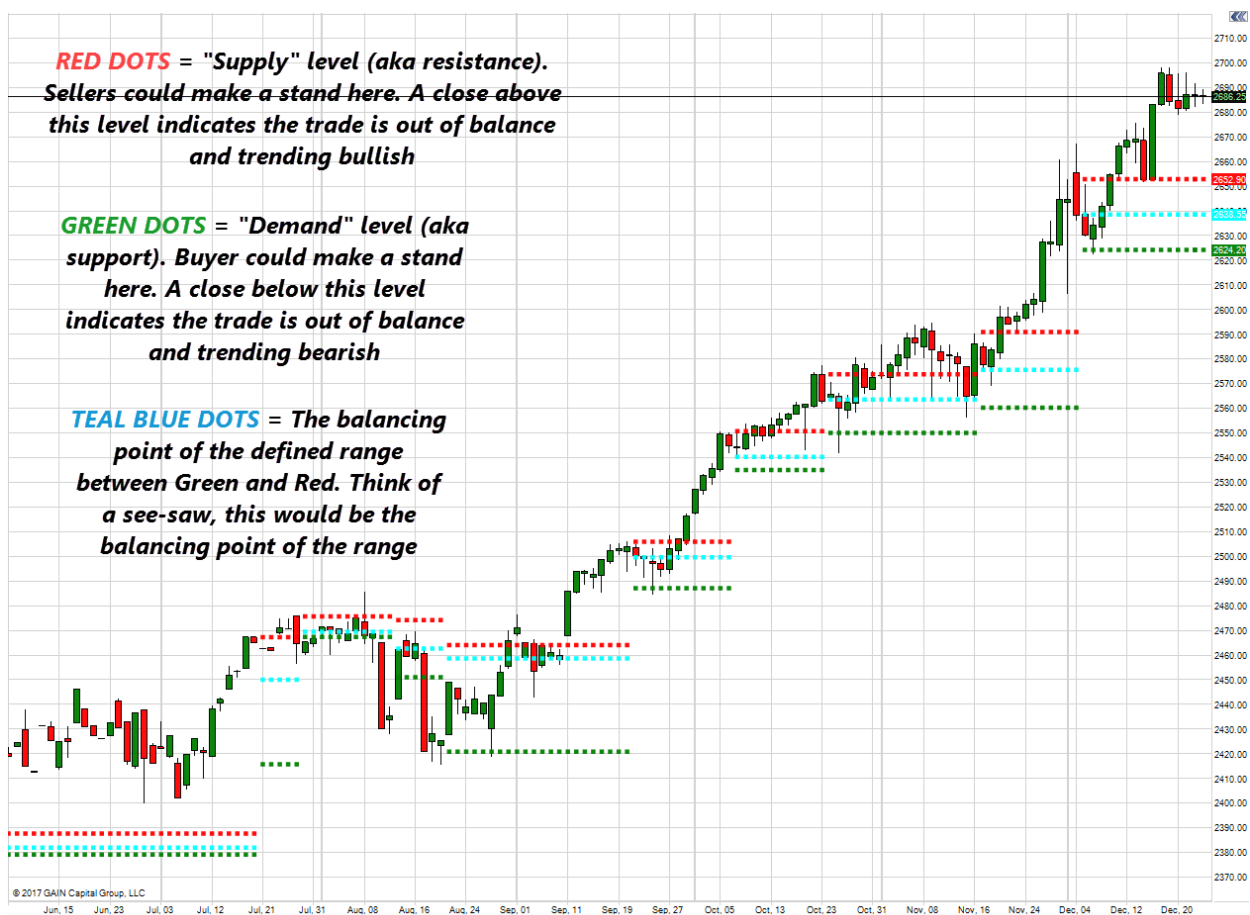


3) TAS BOXES

Take a lot of the guesswork out of where the supply and demand price levels are when they aren't obvious just by looking at a traditional chart.

TAS uses its proprietary formula to calculate these levels and output the prices daily for us.

Here is what you need to know:



Part 4: Putting It All Together

Just for good measure, let's look at an example that ties in everything we've talked about in Parts 1-3:



Congratulations!

You are now armed with what I call the Three Pillars of technical analysis.

The art of technical chart study and decision making is a skill honed from disciplined chart watching over a meaningful period of time. When you are able to use price charts to better time sales and trades, I expect you to declare that you are better at knowing:

- When to sell physical bushels,
- When to “hedge” your downside risk
- When to re-own bushels with either futures or options after making a physical sale.

You may need a co-pilot to help you keep aware of these developments as they happen. Here at Daniels Ag Marketing, we will keep you current and help paint the whole picture, so when you go to sell your next bushel you know you are equipped with sound technical analysis.

Let this guide be the stepping off point to your future as a better marketer who understands the power of technical analysis. Before you go on with your day, make sure to take the following action steps toward achieving this goal:

1. **[Subscribe to video chart updates](#)** from my newsletter, Technical Ag Knowledge
2. **[Download the “DanielsAg” app](#)** for your smartphone or tablet and get CBOT prices, news, and analysis.
3. **[Become a Daniels Daniels Trading client](#)** and receive complimentary access to all our resources indefinitely.

Wishing you great success in Marketing!

Tom Dossdall

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