

Trading Grains For a Living

- Part I: Contract Specifications
- Part II: Day Trading Setups
- Part III: Swing and Position Trading Setups
- Part IV: Additional Resources

Part I:

Contract Specifications, for Corn, Wheat
and Soybeans, or, “How much money do
I need to trade these things?”

How do the AGS work?

- Contract specification for all AGS is just like the emini S&P futures.
- In the emini S&Ps, 1 quarter point tick = \$12.50 and 1 full point = \$50.
- \$50 also equals the equivalent 10 point YM move.
- In the AGS, 1 quarter cent tick = \$12.50 and a full 1 cent move = \$50.
- So 1 full cent in the AGS is like catching 1 ES point or 10 YM points.
- The AGS have a similar “cent” movement each day that lines up with the S&P “point” movement.

How do the AGS work?

- Corn is typically the least volatile of the grains, though that has changed recently with the high interest in ethanol.
- Soybeans are typically the most volatile of the grains. Wheat can vary depending on weather conditions but is often in the middle of the 2.
- Maintenance Margin on ES and YM

Market Price Range of corn, wheat, soybeans and S&P futures from April 12 – May 3, 2007

Corn Range:

349 – 394 (45 points)

\$2250 per contract

Wheat Range:

448 – 520 (72 points)

\$3600 per contract

Soybean Range:

708 – 760 (52 points)

\$2600 per contract

S&P Futures Range:

1442 – 1509 (67 points)

\$3350 per contract



How do the AGS work?

- Catching a 20 cent move in AGS is like catching 20 points in the ES or 200 points in the YM. This move in all cases equals \$1,000 per contract.
- A full \$1.00 move in the AGS equals \$5,000 per contract, or the same as 100 ES points or 1,000 YM points.
- If you are comfortable with the emini S&P and the mini-sized Dow, then there is no reason to trade the “mini-AGS.”
- This would be like trading a “mini of the emini” on the stock index futures.

Day Trade Comparison of Grains vs. Stock Index Futures



How do the AGS work?

- Pit traded hours are 9:30 a.m. to 1:15 p.m. central. This is where the volume is. Pit and electronic trade side by side during this time.
- You can trade during the non-pit hours from 6:32 p.m. to 6:00 a.m. central. This session is electronic trading only.
- Electronic Symbols are ZS, ZW, and ZC
- Quotes: If C, W or S is trading at:
 - \$2.38 $\frac{1}{2}$ it is quoted as **2384** (238 $\frac{4}{8}$)
 - \$2.38 $\frac{3}{4}$ it is quoted as **2386** (238 $\frac{6}{8}$)

What About Mini Ags?

- These are $1/5$ the size of the full sized AGS and trade in $1/8$ cent tick increments, with each tick measuring \$1.25
- A $1/4$ cent tick = \$2.50 and 1 full cent = \$10.00
- Margin is \$200
- I personally don't trade these as I like the full sized contracts, but they are great for getting a feel of how the AGS work with $1/5$ the exposure

Contract months are different than ES and YM, which trades each quarter. AGS have more trading months each year.

- Corn: Jul, Sep, Dec, Mar, May
- Wheat: Jul, Sep, Dec, Mar, May
- Soybeans: Jul, Aug, Sep, Nov, Jan, Mar, May

If you aren't sure of the front month, just check the CME Group website:

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Agricultural

Ethanol

- Will ethanol produce a bull market in corn?
- CBOT Ethanol Chartbook
- U.S. Daily Ethanol Output Jumps Sharply As MTBEs Drop

Corn

- Strong Demand and Reduce Plantings Support Corn
- Heat Cuts Wheat Crop, But Corn & Bean Plantings Jump
- Corn Plantings Stay Ahead, but Beans Slip Behind Normal

Soybeans, Meal, Oil, Crush

- Heat Cuts Wheat Crop, But Corn

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Product	Month	Price	Change
Corn	06Dec	255'0	2'0 ^
Soybeans	06Nov	579'0	2'6 ^
Soybean Oil	06Dec	27'14	0'30 ^
Soybean Meal	06Dec	162'9	0'2 v
SA Soybeans			
Wheat	06Dec	406'4	1'2 ^
Oats	06Dec	188'0	0'4 v
Ethanol	06Nov	2'500	0'020 ^
Rough Rice	06Nov	978'0	24'0 ^
mini Corn	06Dec	255'2	2'2 ^
mini Soybeans	06Nov	579'0	2'6 ^
mini Wheat	07Jul	439'0	

Part II:

Day Trading Setups

Grains Provide Opportunities for Position, Swing and Day Trading



What About “Limit” Moves?

- Limit moves prevent trading outside of a pre-specified interval from the settlement price of the previous day.
- Limits for Grains:
- Corn: was 20 cents now 30 cents, Wheat: was 30 cents now 45 cents and Soybeans: was 50 cents now 70 cents
- These moves generally happen after grain sensitive reports are released. For report schedule, check:
 - www.cmegroup.com then search for “grain reports”
 - www.nass.usda.gov
- Swing Trades can be hedged with options (go long futures, then buy puts to protect against a limit down move)

What About “Limit” Moves?

- For day trading, limit moves provide trading opportunities.
- Example, if corn goes “limit up” and wheat and soybeans are not “limit up” then these other grains will generally rally (or vice versa if corn is “limit down.”)
- This also provides a hedging opportunity—if you are short corn and it goes limit up, then buy wheat or soybeans as a potential hedge.

@C.C - 5 min CBOT L=378 2/8 7 1.89% B=378 A=378 6/8 O=373 4/8 Hi=378 6/8 Lo=372 2/8 C=378 2/8 V=3,077

3. Corn was already close to limit up when wheat went limit up, so it quickly moves the last few cents.



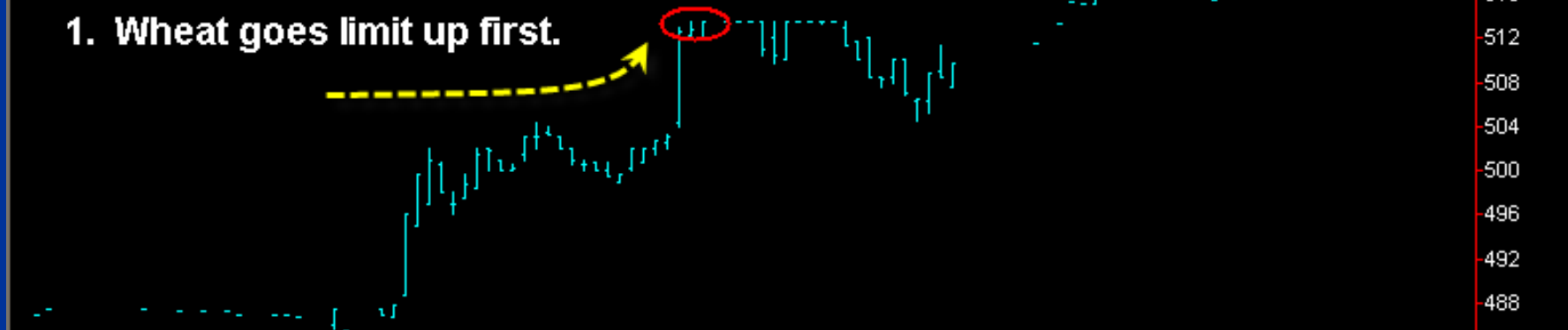
@S.C - 5 min CBOT L=726 4/8 5 0.69% B=725 4/8 A=726 O=721 2/8 Hi=726 4/8 Lo=720 2/8 C=726 4/8 V=121

2. Once wheat goes limit up, Soybeans take off, moving 14 cents in about 10 minutes (\$700.00 per contract)



@W.C - 5 min CBOT L=517 4/8 11 2/8 2.22% B=517 A=518 O=509 Hi=519 6/8 Lo=507 4/8 C=517 4/8 V=1,568

1. Wheat goes limit up first.



2:00 3:00 4:00 5:00 9:00 10:00 11:00 12:00 13:00 19:00 20:00 21:00 22:00

Key Points for Day Trades

- There are times when AGS trade in a slow, narrow range.
- And there are times when they “go nuts.”
- When the AGS are quiet, they all generally move in about the same range.
- When the AGS “go nuts” Soybeans generally move 3 to 4 times as much as corn or wheat.



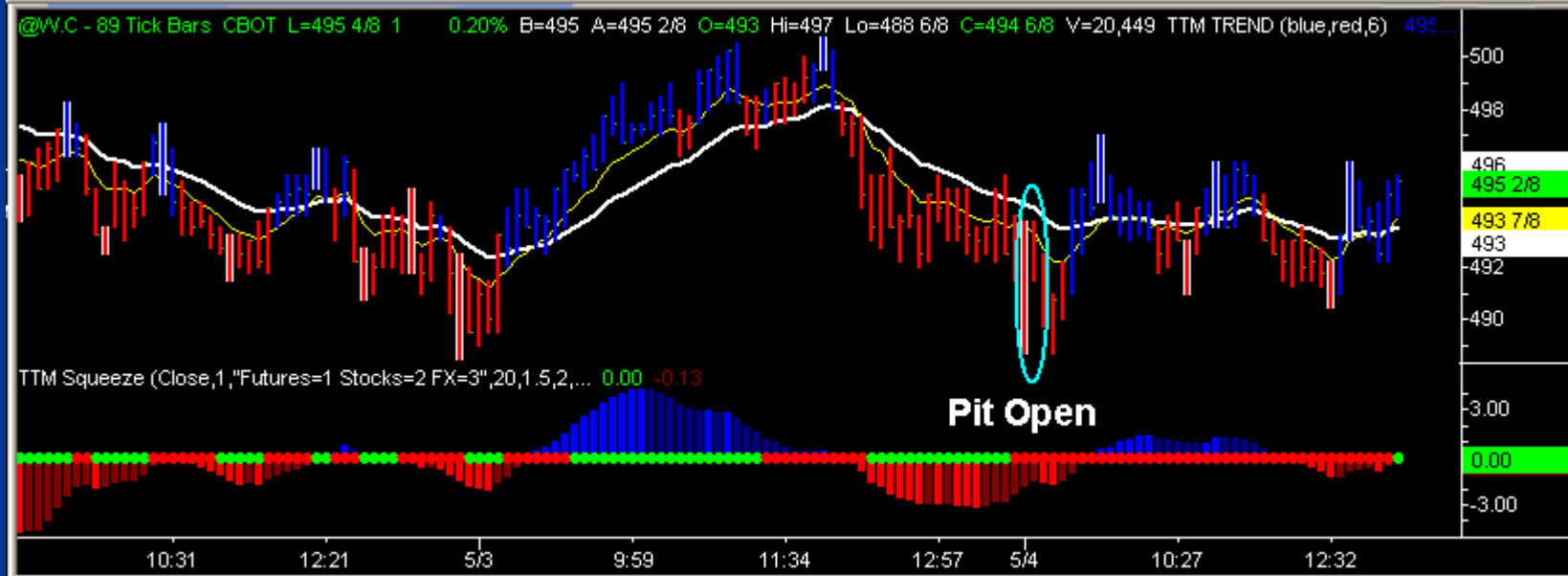
Key Points for Day Trades

- I like to watch both pit and electronic sessions on charts.
- For the pit session, I'll look at a 3 minute chart, let the markets trade for 30 minutes, then start taking the breaks of the highs and lows of the pit session.
- For the electronic session, I'll look at an 89 tick chart, and look for 8/21 MA crossovers, TTM Trend Changes, Squeezes, and Scalpers

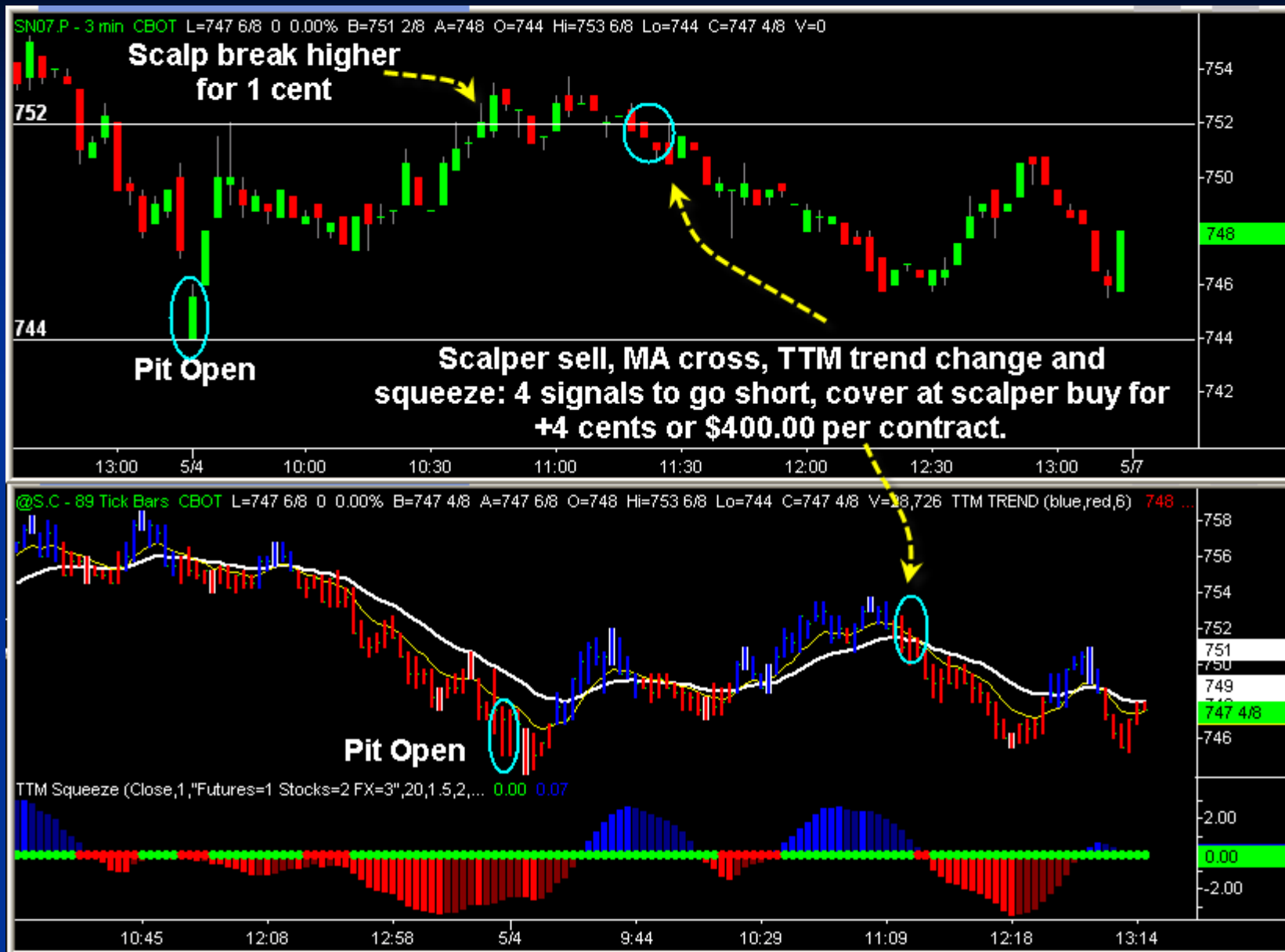
Corn Day Trading Setup



Wheat Day Trading Setup



Soybean Day Trading Setup



Trade The Markets (TTM) Trend

What is it ?

- We use this indicator a lot, so we want to explain it early in the seminar as it comes up on many charts.
- Modified Version Of the Heikin-Ashi Technique.
- It's just a easier way to look at candle sticks.
- The heikin-ashi method (heikin means "average" or "balance" in Japanese, while ashi means "foot" or "bar") is a visual technique that eliminates irregularities from a normal chart, offering a better picture of trends and consolidations.

Trade The Markets Trend

how is it calculated?

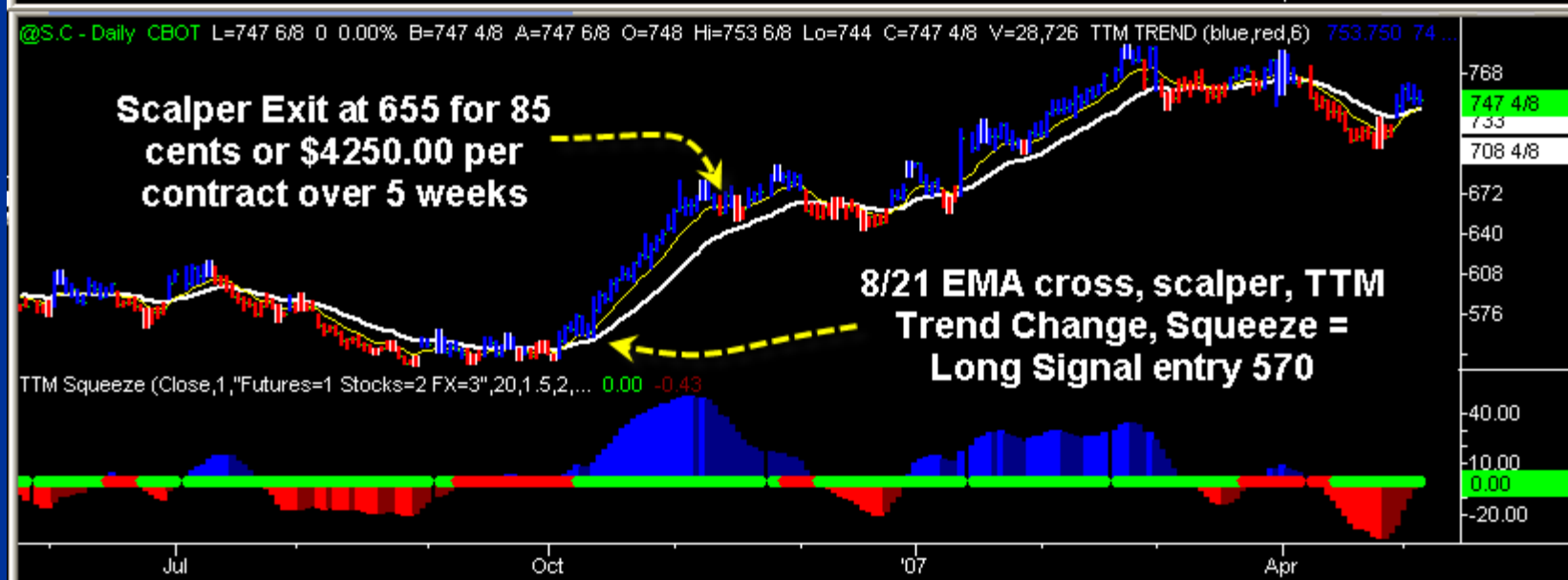
- The heikin-ashi candlestick technique uses modified open-high-low-close (OHLC) values and displays them as candlesticks but I had them converted to paint bar studies . The modified values are computed using these definitions:
- $haClose = (O+H+L+C)/4$
- $haOpen = (haOpen \text{ (previous bar)} + haClose \text{ (previous bar)})/2$
- $haHigh = \text{Maximum}(H, haOpen, haClose)$
- $haLow = \text{Minimum}(L, haOpen, haClose)$



Part III:

Swing and Position Trading Setups

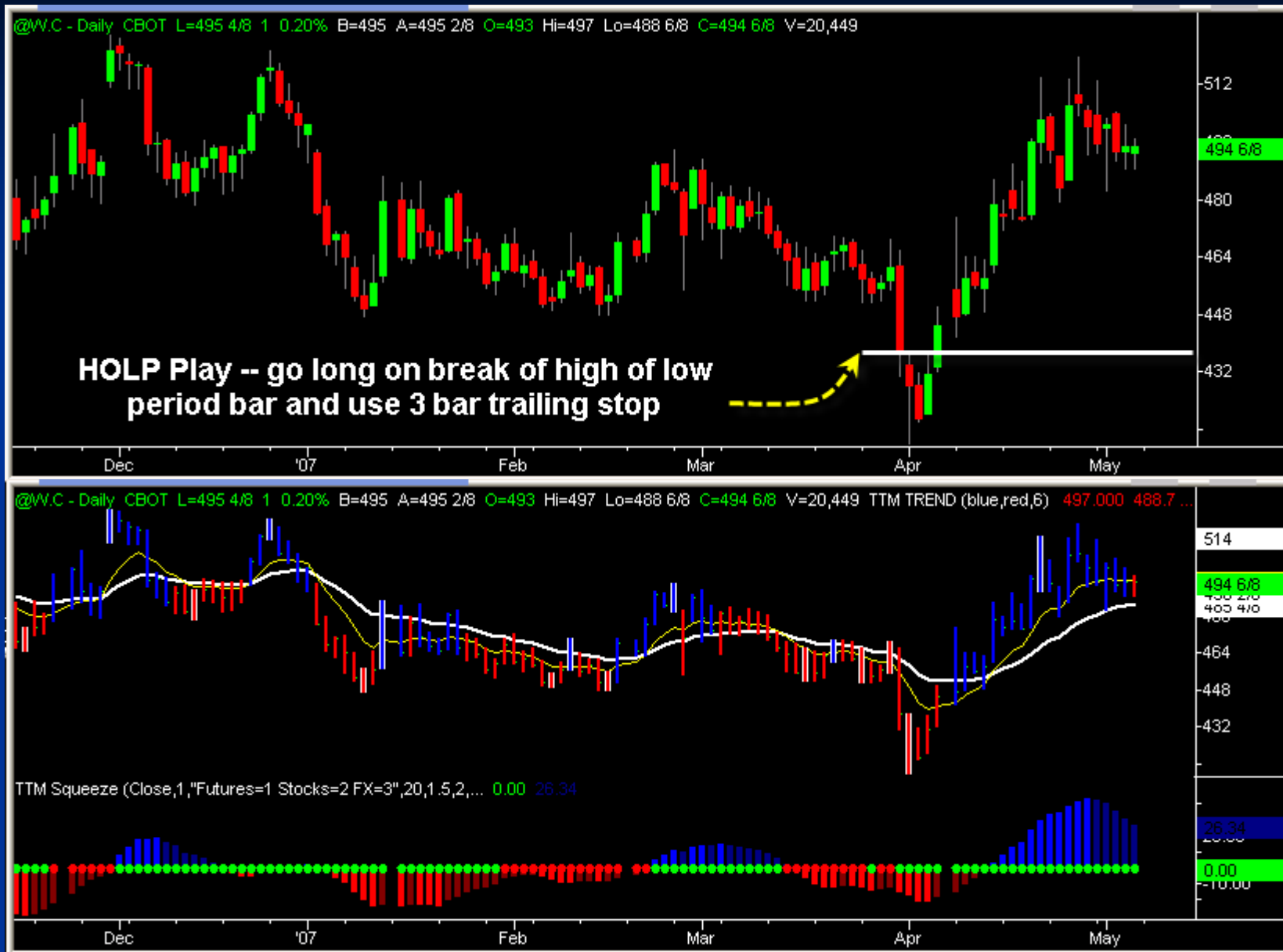
Soybean Trading Setup



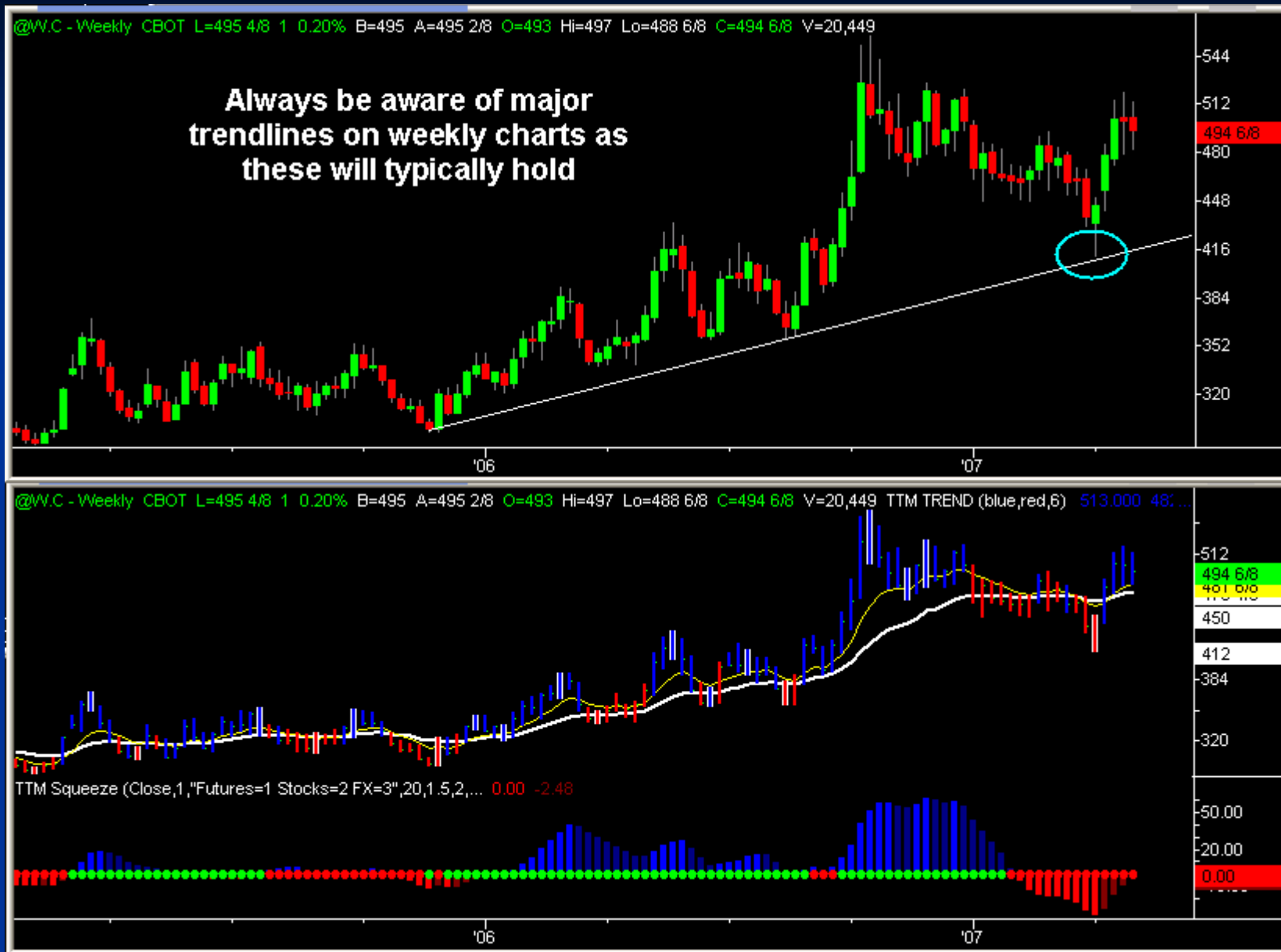
Corn Swing Trading Setup



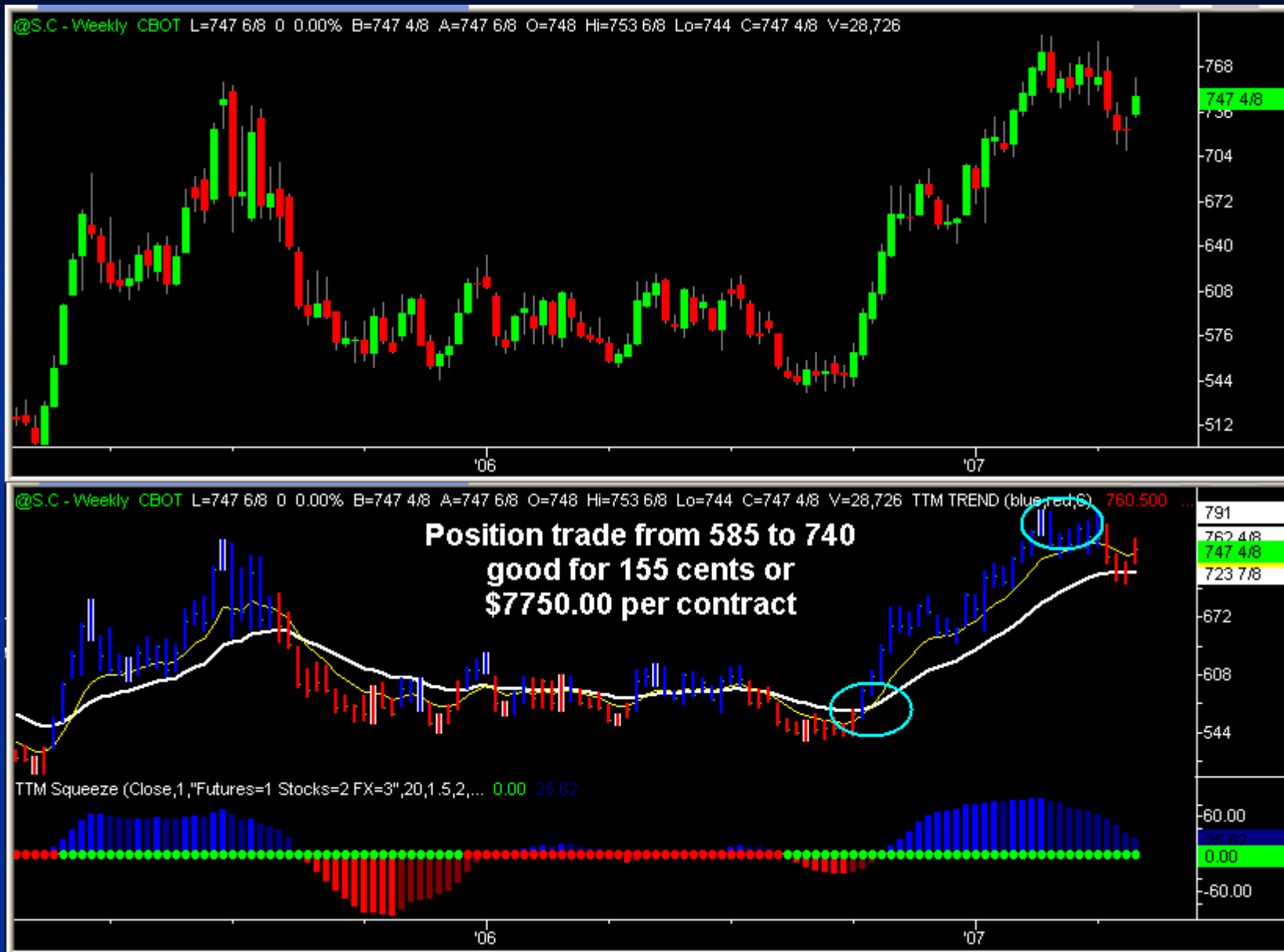
Wheat Swing Trading Setup



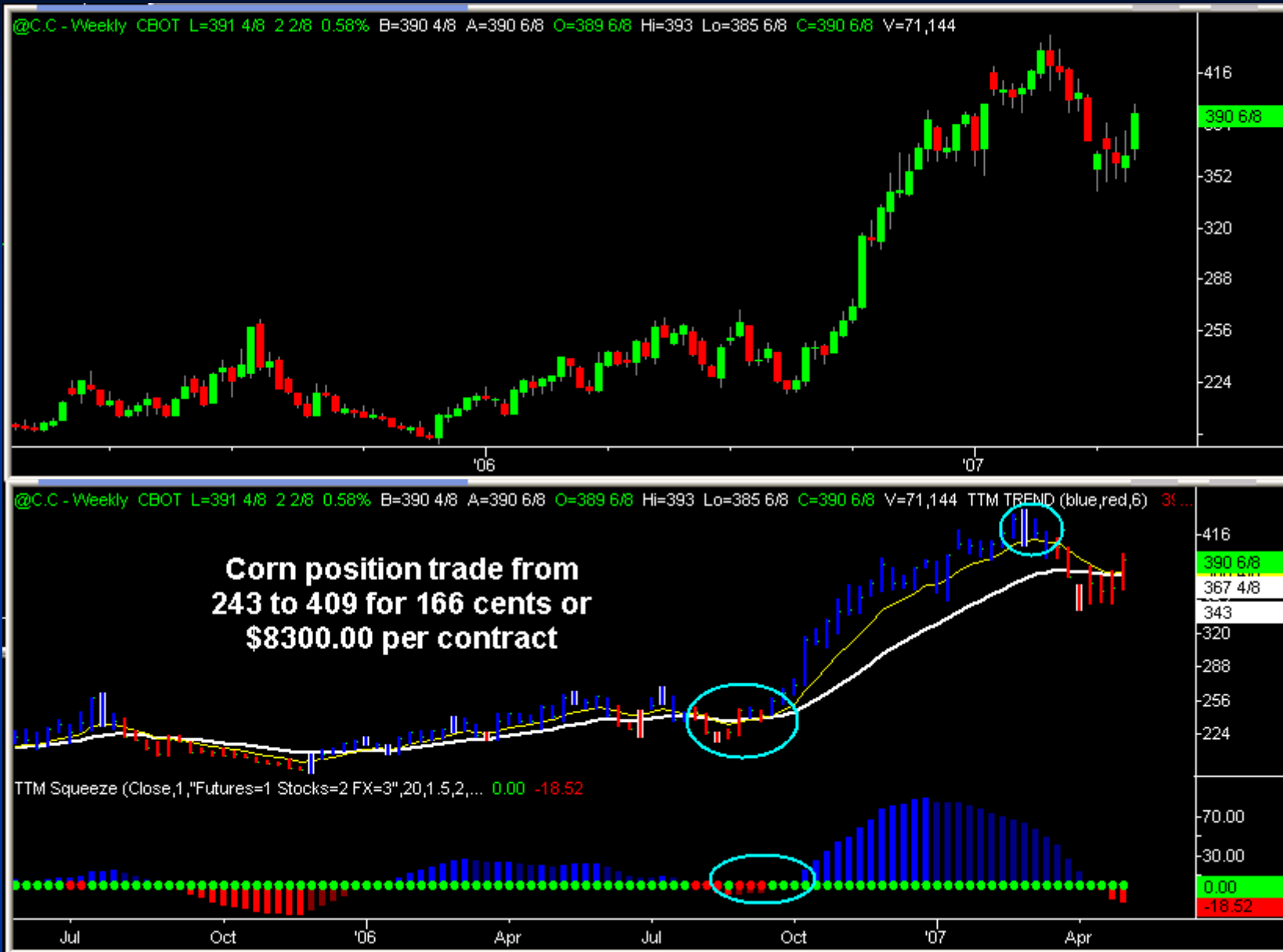
Weekly Charts – Even if Your Just Day Trading



Soy Position Trading Setup



Corn Position Trading Setup



Part IV:




Additional Resources

Attitude of a Trader



- Right attitude will make or break a trader
- Biggest obstacles are **Greed** and **Euphoria**
- Greed Kills
- Greed takes over and mistakes kick in:
overtrading, not sticking to parameters, yelling at screen
- All you can eat buffet: no reason to overload your plate on 1 trip; you can keep going back

Attitude of a Trader (cont.)

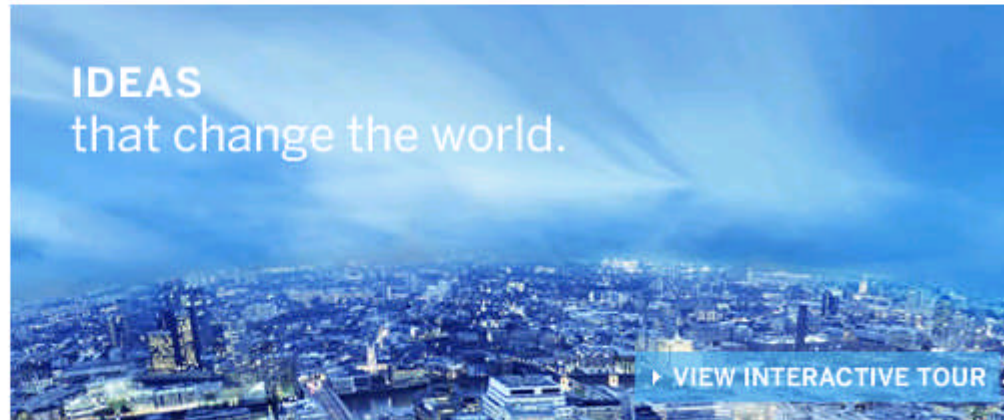
- Euphoria is worse than Greed
- Things are going great – so double up!
- This is like eating a great dinner. It tastes really great.
- So, to make your life even better you order a second plate
- This will only end in one way:
- **Badly:** Develop a business plan and stick to it!

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Asset Class	Product	Price	Change	Est. Vol	Updated	Chart
Commodities	May 2008 Corn	618'6	0'0	7797	02:30:01 pm 05/08/2008	
Equities	June 2008 E-mini S&P 500	1392.75	-2.50	1694082	03:14:17 pm 05/08/2008	
FX	June 2008 Euro FX	1.5367	-0.0004	286649	03:14:17 pm 05/08/2008	
Interest Rates	May 2008 30 Day Fed Funds	98.015	0.005	6669	03:14:02 pm 05/08/2008	
Energy & Metals	May 2008 100 Oz Gold	878.1	+8.5	134	08:38:40 am 05/08/2008	

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Senters are the main chat room moderators. We also have grains expert Pat Barham providing commentary throughout the day in the day trading chat room. . . . [Day Trading Online](#)

DAY TRADING ONLINE NEWSLETTER BY JOHN



The Highest Probability Trade Ever

There are some setups that you can't take every day-- even though its a day trading setup--simply because this situation does not happen all the time. But when it does, be prepared to reap the benefits. Let's take a look . . . [Day](#)

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- audio alert for ttm ddf value chart
- YM OBSERVATIONS - THURSDAY - 05/08/08
- JC, why so bearish all of a sudden?
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- radar screen /squeeze defect

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Although the stock index futures have been both John Carter and Hubert Senters' market of choice to trade for a long time, ever since the grain markets went electronic in August, 2006 they have started trading these (the "Ags") actively. The best Ags session to trade is when the pit is open from 9:30 a.m. to 1:15 p.m. CST. The electronic contracts trade side by side with the pit contracts during this time. Because of the small time window, there are many strong breakout and breakdown moves for a trader to take advantage of. While the first 30 minutes provides a great "break" trade of the sessions highs or lows, the 1:15 p.m. close also creates a lot of trading opportunities as traders are forced to cover their positions and go flat. "If there were only 2 markets I could trade," John said recently, "It would be stock index futures and Ags."

For IB Clients Today Only

The Ag markets provide additional trading opportunities when the stock indexes are choppy and quiet. In addition, some traders naturally do better in markets that are momentum markets--buying new highs and selling new lows. This strategy will hurt you in the stock index futures, which is more of a fading market. (Fading meaning that new lows are bought and not shorted, etc.)



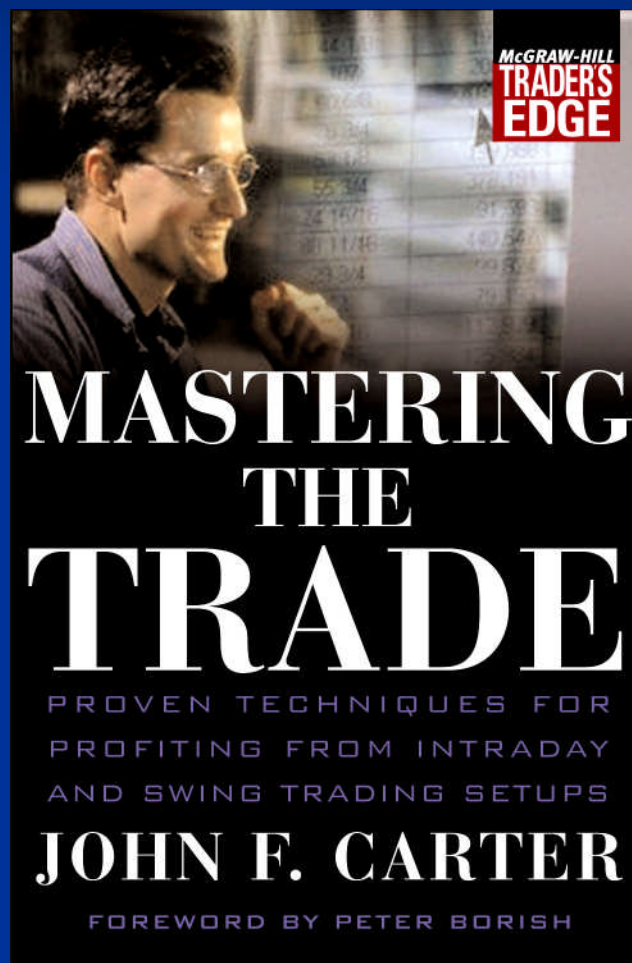
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