

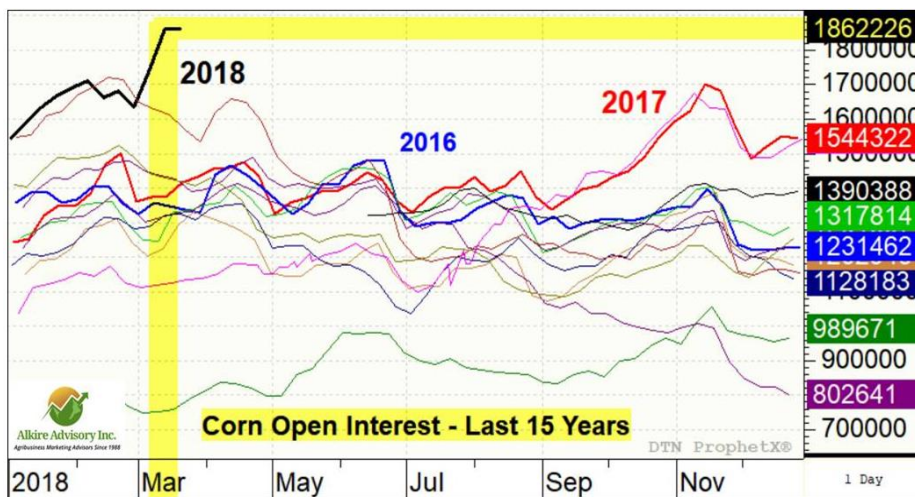
Alkire Advisory Inc.

Weekly Update

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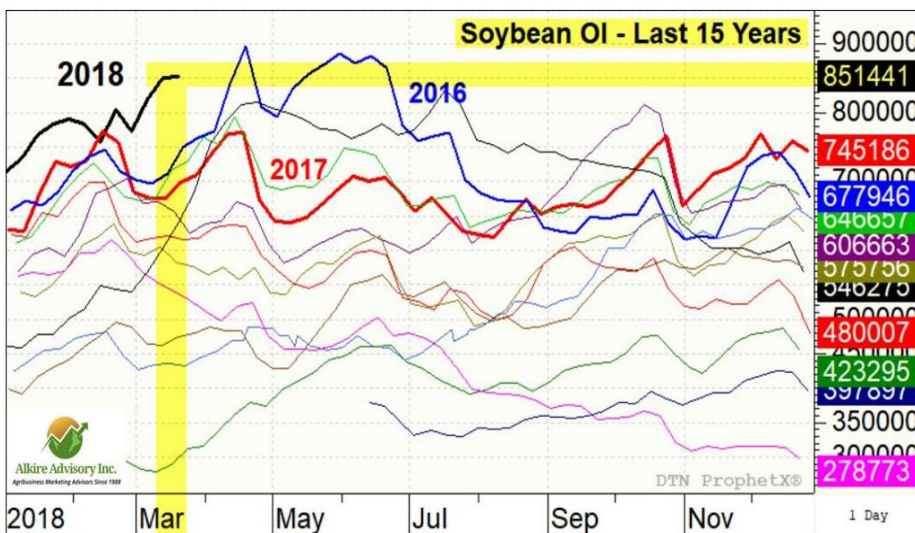
March 29, 2018

Corn open interest typically peaks during the summer. Why is it the highest in the last 15 years now?

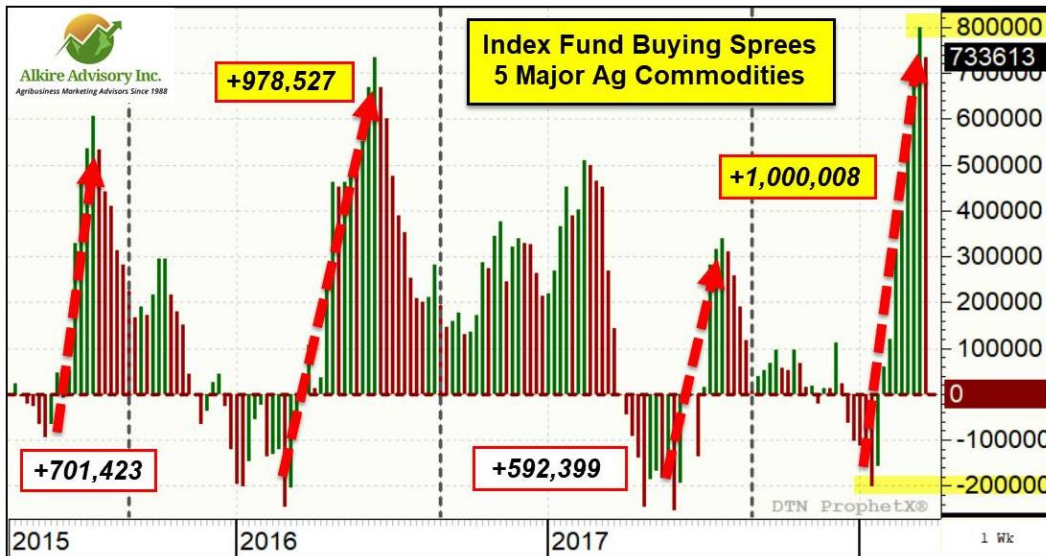


Answer: Farmers have sold – forcing buyers to sell futures to hedge, results in an increase in open interest. On the other side, the actively managed and index funds have bought the most corn since the winter lows in CFTC data history back to 2006. New buying equates to another increase in open interest. **Over the winter, there has been a major transfer of ownership of the 2017-18 corn crop from farmers to the commercials and commodity funds.**

Why have index funds purchased a record amount of corn the last 60 days (chart next page)?



This looks like a pure macro-economic play. Commodities are 'cheap' compared to all other asset classes. The Federal Reserve can say they are not worried about inflation, but that does not mean it will not happen. The federal government is on a glide path for a trillion-dollar budget deficit. Deficit spending, along with the tax cuts, is a short-term "sugar high" for the economy. **Real investors are putting real money at risk for the macro play.**



The CRB Index Thursday closed above a downtrend off the 2011 high. The **Bloomberg Commodity Index** rallied above a downtrend that has been in place since 2008, last fall. These are major long-term downtrends being broken - the smart fund money is looking smart.

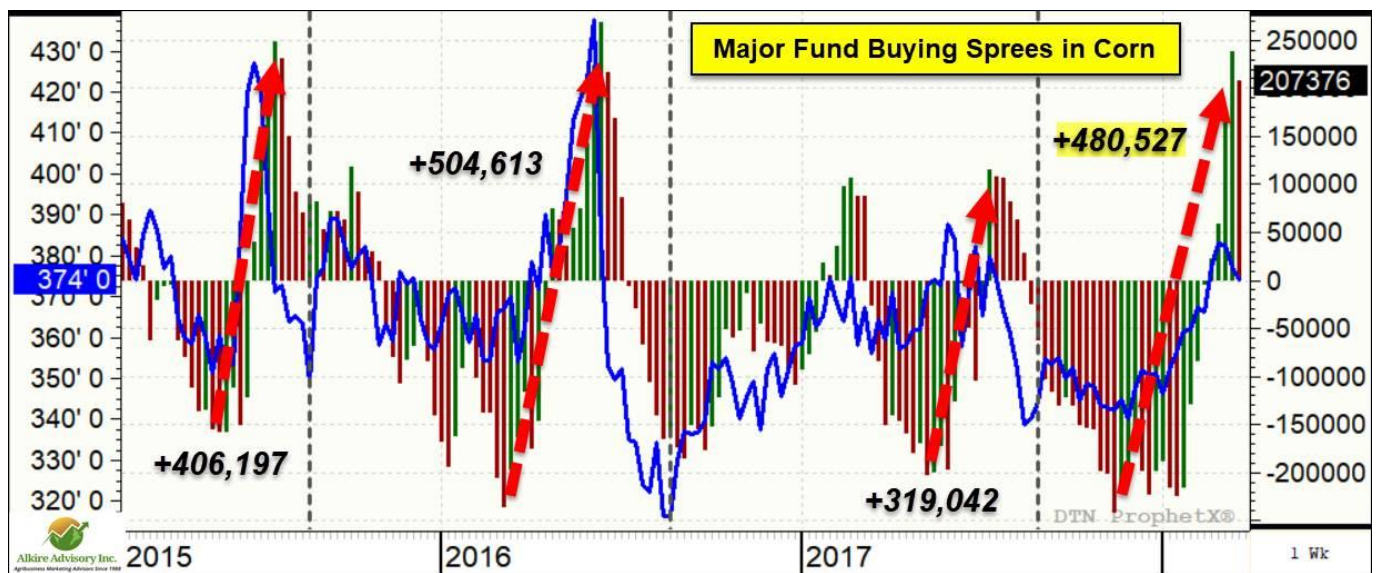
The actively managed funds have had an amazing buying spree in corn, soybeans,

meal and even wheat at times. The fund longs in corn and soybeans may be difficult for the market to shake out in April. Odds seem high for Midwest corn planting to run roughly a month behind last year. Along with a drought disaster in Argentina, the funds have two weather stories on which to focus.

Remember, index funds are typically long-only funds. The actively managed funds buy or sell and move mostly due to price action.



The chart below details major buying sprees (in 5,000-bushel contracts) by the actively managed funds in corn.



The recent buying spree by the funds in corn was not a new record. The buying began at a new record short position, but so far, this year's 480k contract buying is less than the record 504k contract buying spree in 2016.

This is only a portion of the **Alkire Advisory Weekly Update**. For the complete report that includes a review of USDA's March 29 reports, call or fill out the contact information on the website.



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