

High Probability Set-ups in Electronic Grain Markets

- 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: \$2,250.00
- Maintenance Margin on AGS
 - Corn \$1000
 - Wheat \$1150
 - Soybeans \$1000

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 contact, 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.

Intra-Day 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 are unsure what the front month is, just check the CBOT website:

The screenshot shows the Chicago Board of Trade website with the following content:

- Chicago Board of Trade** logo and **INTERNATIONAL** link.
- Navigation menu: Home, About CBOT, Market Data, **Products**, Clearing, Education, News, and a search bar.
- CBOT Side-by-Side Agricultural Trading** banner with an image of a trading floor.
- CBOT Ag Futures Go Side-by-Side** section:

Customers can now choose how to access the CBOT benchmark Agricultural futures contracts. Orders can be entered on the e-cbot electronic platform or in the open auction market creating greater opportunities for the entire marketplace and increased access to CBOT commodity products.
- Notice & Expiration Calendar** section:

Through this easy-to-use filter, you can select products or product complexes and easily see all delivery, intent, settle, position, last trade, and expiration dates for both futures and options. [Check it out!](#)
- Agricultural** section with sub-sections:
 - Ethanol**:
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 - 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
- Commodity News For Tomorrow** section:

FREE Daily Commodity News & Market Recaps

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:

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: 20 cents, Wheat: 30 cents and Soybeans: 50 cents
- These moves generally happen after grain sensitive reports are released. For report schedule, check:
 - www.cbot.com/cbot/calendar/month
 - 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.



Key Points for Trading

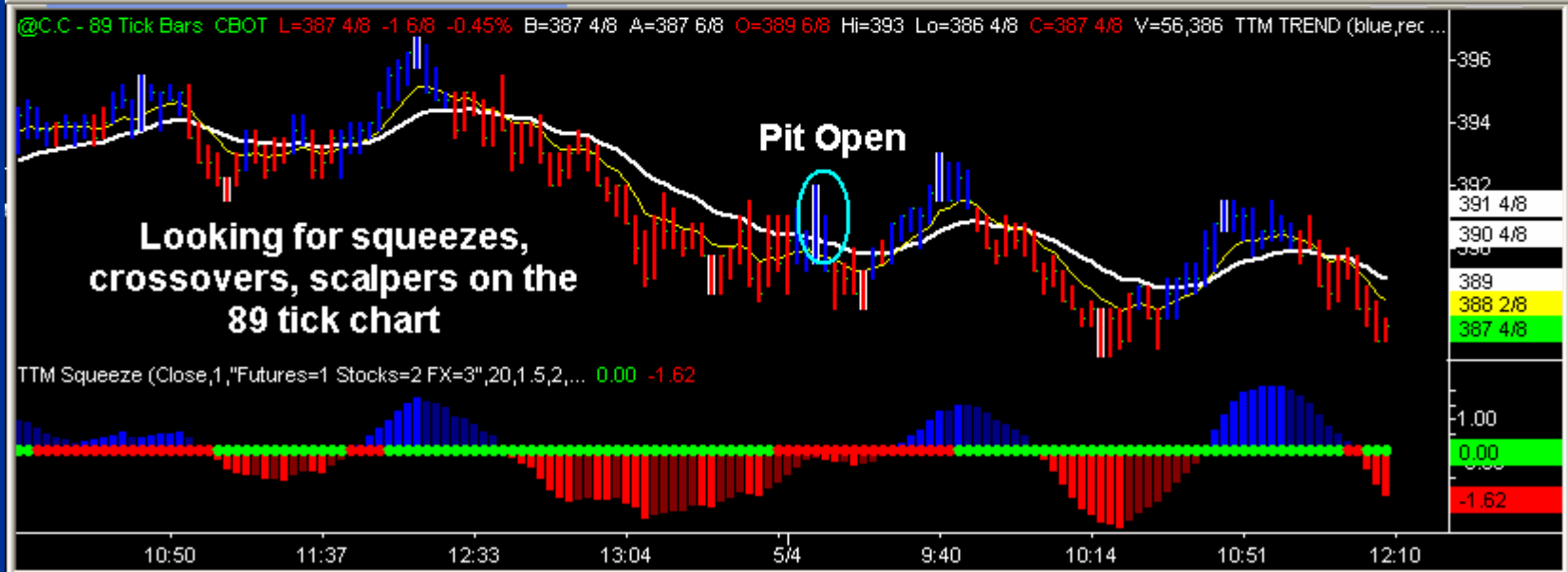
- There are times when AGS trade in a slow, narrow range.
- And there are times when they “go nuts.”
- When the AGS are quiet, they all generally move in about the same range.
- When the AGS “go nuts” Soybeans generally move 3 to 4 times as much as corn or wheat.



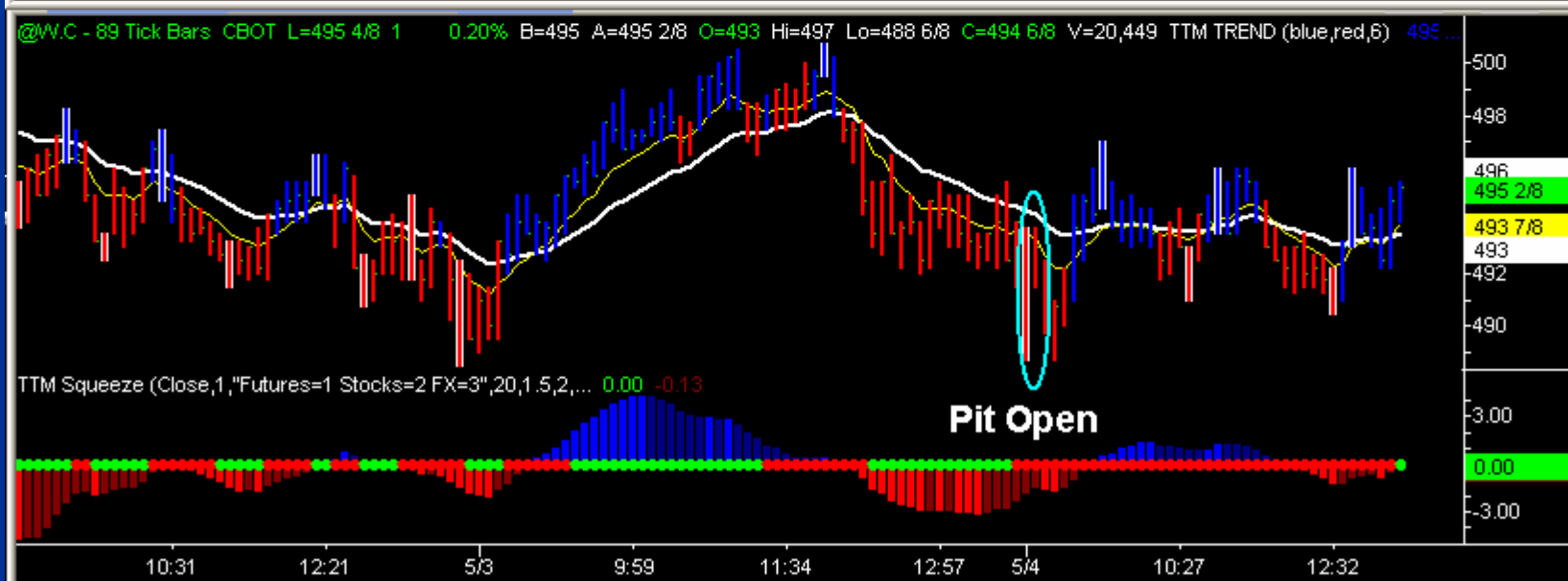
Key Points for Trading

- 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

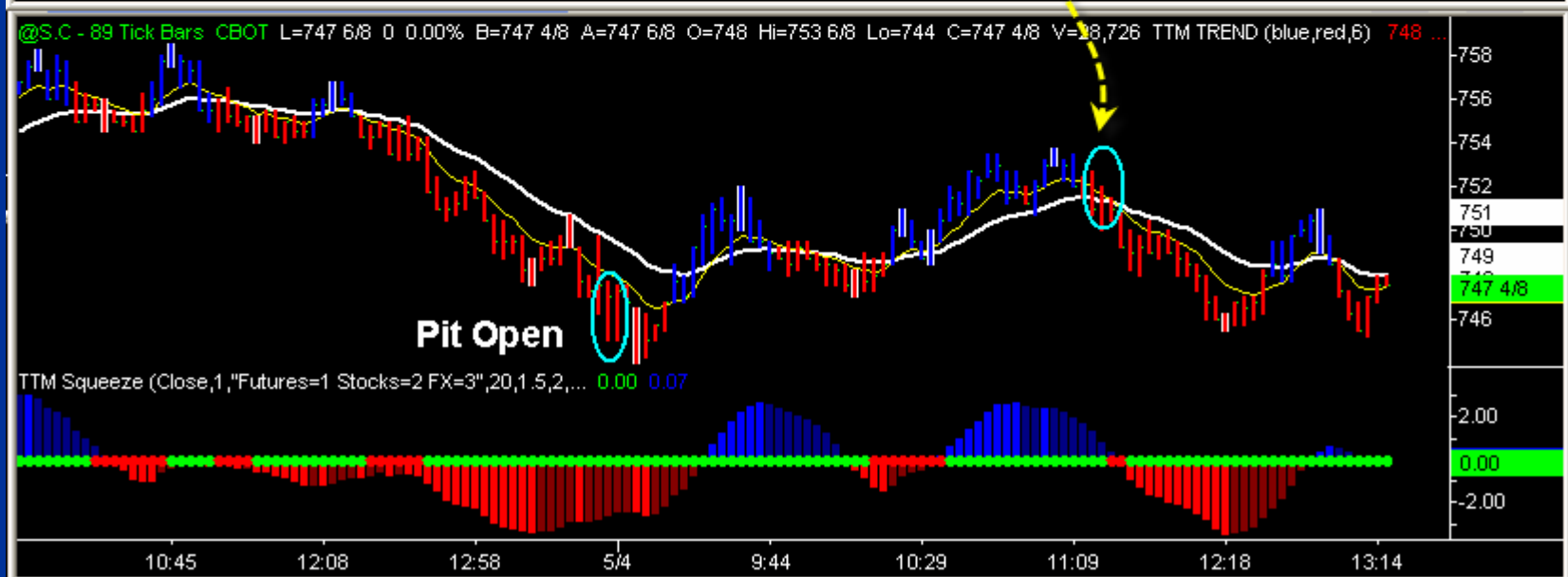
Corn Trading Setup



Wheat Trading Setup



Soybean 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?

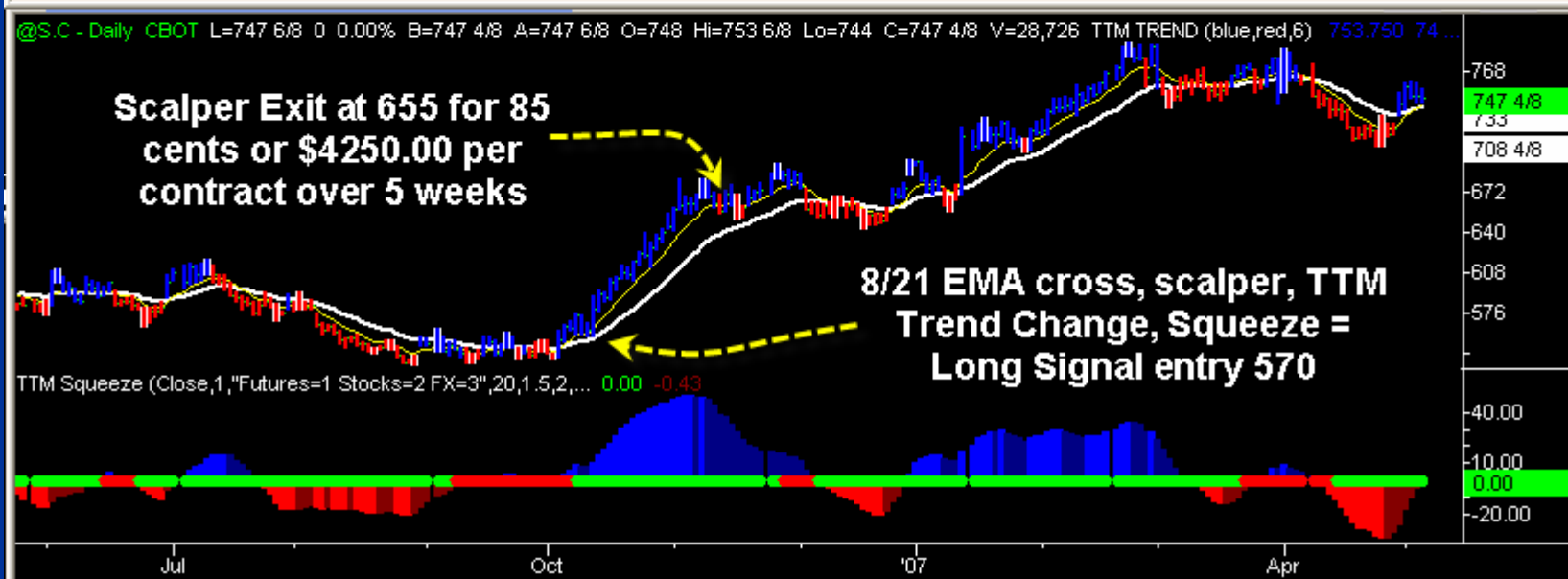
- The heikin-ashi candlestick technique uses modified open-high-low-close (OHLC) values and displays them as candlesticks but I had them converted to paint bar studies . The modified values are computed using these definitions:
- $haClose = (O+H+L+C)/4$
- $haOpen = (haOpen \text{ (previous bar)} + haClose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



Part III:

Swing and Position Trading Setups

Soybean Trading Setup



Corn Swing Trading Setup



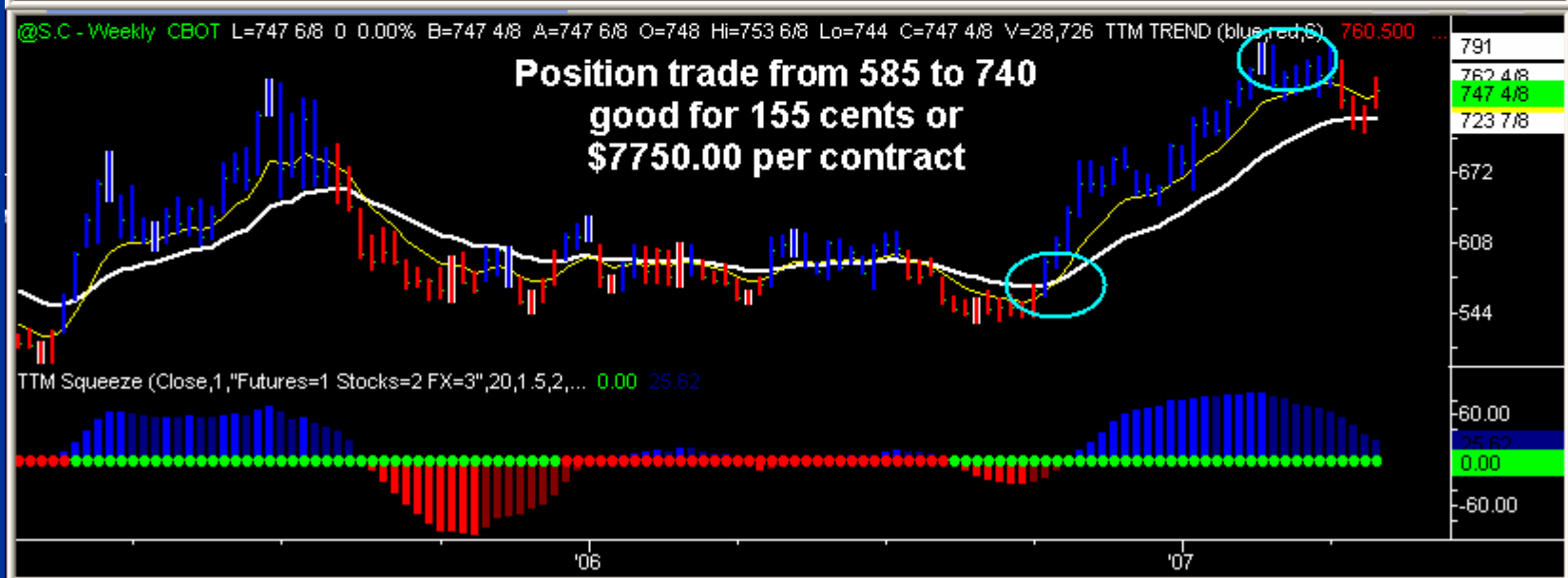
Wheat Swing Trading Setup



Weekly Charts



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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Trade the Markets

with John Carter, www.tradethemarkets.com

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[Section 3: Why I Prefer Trading the Mini-Sized Dow](#)

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JOHN'S VIDEO NEWSLETTER



Futures Trading in Gold and Platinum plus ASTI

In tonight's newsletter we are setting up a play to buy Platinum on a pullback and we continue to like Gold. New to the list is ASTI, Ascent Solar Technologies, which is a very speculative emerging stock . . . [Click Here](#)



Gold Futures, Aussie and Euro Currency Futures

In tonight's newsletter, I'm learning never to fight the DAX, and to jump on the trends setting up in the currency markets. I continue to like gold to the upside almost as much as soybeans to the down side . . . [Click Here](#)

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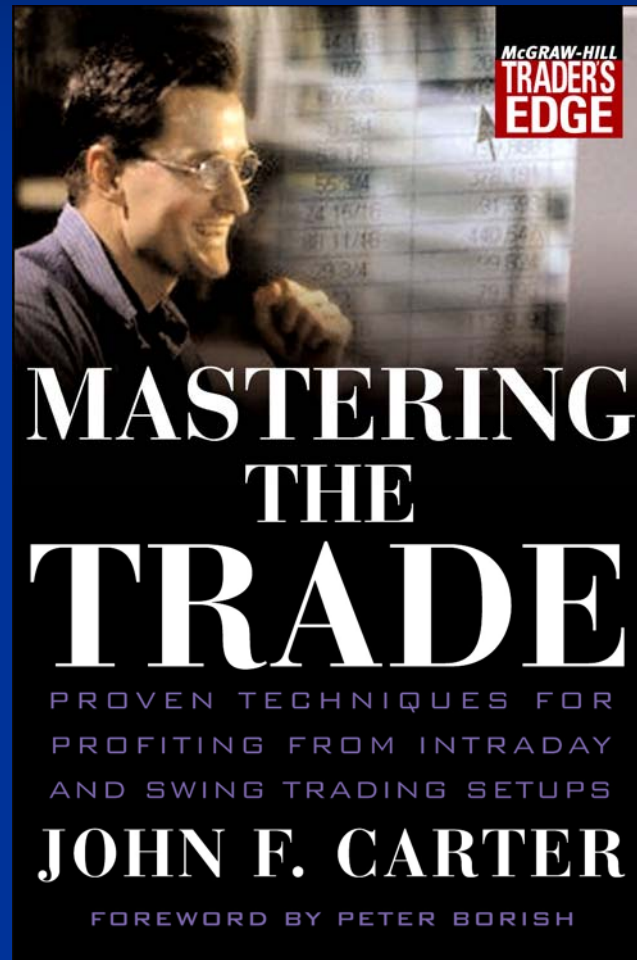


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