



"...Let us run with patience the race that is set before us." Hebrews 12:1

by Eric S. Hadik

Grains & Gann:

Bear Market Begins

Grains & Gann

Soybeans/Grains Analysis Recap

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3Q 2012 Cycle Peak Intact;

100% Moves on Way Down

Dec. 2012 - The Grain markets are powerfully confirming the potential for multi-year peaks in **3Q 2012**. That has already led to a sharp sell-off and should spur an overall decline into (at least) **late-2014**... before a new advance into **3Q 2016** (the next phase of an uncanny 4-Year Cycle in Soybeans that has governed them since 1988). This potential deflationary scenario coincides with related analysis in Gold & Silver and other commodities.

Various sell signals are emerging and Wheat is triggering a unique pattern that could have it - and the other Grains - drop in 100% proportions (of existing trading ranges and/or highs & lows). That topic is discussed in the 12/11/12 **Weekly Re-Lay Alert** included in this publication. First, the following December 2012 INSIIDE Track analysis is included to bring newer readers up to speed:

11/29/12 - "**Soybeans, Corn & Wheat** remain in consolidation with one new change: *Wheat has also turned its weekly trend to down, joining Soybeans in this negative trend. Wheat is also poised to turn its weekly 21 MAC down - most likely in the next 1-2 weeks - which could add negative pressure and potentially trigger an accelerated decline.*

*Soybeans recently bottomed - in line with a 24-week cycle - but are expected to see another wave down to ultimately test **1230.0/SH** - a key level of 6-12 month support. Corn's weekly trend has not (yet) turned down but its weekly 21 MAC is poised to turn down by **mid-December**."*

(End of excerpt from Dec. 2012 INSIIDE Track.)

That was followed by intermediate analysis in Dec. 2012 issues of the **Weekly Re-Lay**:

12/08/12 - "Soybeans, Corn & Wheat
- on an intermediate basis - remain mixed. Soybeans recently bottomed - in line with a 24-week cycle - and have since rallied. They are, however, expected to see another wave down to ultimately test **1230.0/SH**.

On a near-term basis, Wheat has a ~30-degree low-high-low-low-(low) Cycle Sequence that portends a drop into **Dec. 14/17th**. It also created a 19-day high-high-(low?) Cycle Progression that next comes into play on **Dec. 17th**. Looking out a little farther...

Over the past 7 months, Wheat has created a fairly symmetrical, 90-degree low (May 11th)--high (August 10th)--high (Nov. 9th) Cycle Progression - that could generate a decline into **January** and potentially all the way into the next 90-degree cycle on **February 8/11th, 2013**.

Corn's weekly trend has not (yet) turned down but Corn did just turn its daily 21 MAC and its intra-month trend down, initially validating the scenario for a drop into year-end.

Its weekly 21 MAC is poised to turn down now and corroborate this...Corn has a 7-week high-low-low-(low) Cycle Progression that next comes into play on **Dec. 31--Jan. 4, 2013** - when another low is probable.

1--4 week traders should have sold March Wheat futures at 871.5 up to 877.25 and be holding these short positions w/avg. open gains of about \$650/contract. Move buy stops to 887.25/WH. Exit ½ of these short positions if/ when 779.0/WH is hit." (End of excerpt from Dec. 08, 2012 *Weekly Re-Lay*.)

12/11/12 - "Wheat, Gann & 100.0 Point (& 100%) Moves"

"Wheat is currently (actually, this has been unfolding for over a year) giving a textbook illustration of one of Gann's simpler principles. It has to do with a market trading within a given range and then - when a break-

out occurs - doubling that range (a 100% move that is equivalent to the trading range).

To reiterate, this is a very simple - perhaps oversimplified - approach to trading, but it is interesting when a market adheres to it as closely as Wheat has, for the past 12+ months.

Notice - on the accompanying chart ...how Wheat (for all intents and purposes) traded between **650.0/WH** & **750.0/WH**, from Dec. 2011 through June 2012. When it broke out, it surged to **850.0/WH**, hesitated for a week, and then surged to **950.0/WH**.

Since testing **950.0/WH**, Wheat has traded in a range between **850.0/WH** & **950.0/WH** - from July 2012 until the present. And, it has been projected to see a quick, sharp drop into **Dec. 14/17th**.

Ideally, Wheat will see a quick drop back to **750.0/WH**... and then potentially enter a new trading range. **750.0/WH** is now a key level of 'resistance turned into support' - that should be significant in the coming weeks.

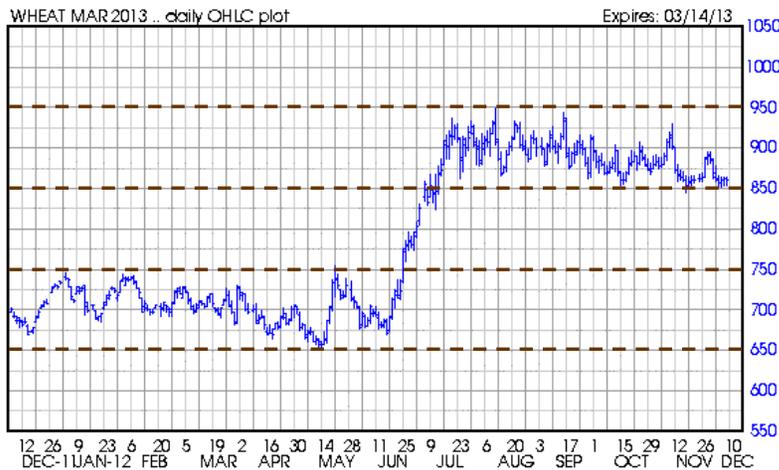
Conversely, **850.0/WH** could soon become a key level of 'support turned into resistance' that contains any subsequent rebounds.

Of course, this is where over-simplification can cause some problems. A trader could become tunnel-visioned, with focus on **750.0/WH** and only **750.0/WH**.

From a position standpoint, that could turn out to be an accurate focus. However, from a trading standpoint, it could usher in some challenges.

Take a look at the surge toward **950.0/WH**, as an illustration. Wheat spiked up to **936.75/WH** (July 19th) but then fell all the way back to **890.5/WH** before ultimately rallying to **950.0/WH**.

If a trader had went long on a breakout above **850.0/WH**, he/she would have had to watch more than half of the trade equity disappear (during the 45.0+ point drop in late-July)



and could have easily been stopped out if trailing stops had been moving higher through this sequence... if an oversimplified approach was employed.

Ultimately, Wheat made it to **950.0/WH**, but did not get there in a straight line.

The same could be true for a drop to **750.0/WH**. Several factors/indicators identify initial support - and an initial downside target - around **775--780.0/WH** (just as **935--940.0/WH** was initial resistance).

One of the more salient ones is the monthly HLS that comes into play at **776.5/WH**. Of course, the weekly HLS comes into play before that - at **807.0/WH**, so that level will have to be monitored closely.

This does not change - but rather reinforces - the outlook for Wheat and the prevailing trading strategy for existing short positions.

On a near-term basis, Wheat has a ~30-degree low-high-low-low-(low) Cycle Sequence that portends a drop into **Dec. 14/17th**. It also created a 19-day high-high-(low?) Cycle Progression that next comes into play on **Dec. 17th**.

On a 2-3 month basis, Wheat is still ex-

pected to drop into **January** and potentially all the way into **February 8/11th, 2013** - the next phase of a 90-degree low (May 11th)--high (August 10th) --high (Nov. 9th) Cycle Progression.

Corroborating this, Wheat turned its weekly 21 MAC down when it opened for trading this week. This was projected to add negative pressure and trigger an accelerated decline... which appears to be taking hold.

1--4 week traders should be short March Wheat futures at 871.5 up to 877.25 and holding these positions w/avg. open gains of about \$2,500/contract. Move buy stops to 852.75/WH. Exit ½ of these short positions if/when 779.0/WH is hit." (End of excerpt from Dec. 11, 2012 **Weekly Re-Lay Alert**.)

12/12/12 - "Soybeans, Corn & Wheat - on an intermediate basis - remain mixed. Soybeans are rebounding - after fulfilling an important 24-week cycle low - but could see a peak on **Dec. 14/17th**. This should lead to an ultimate drop to new lows and down toward **1230.0/SH**.

Corn's weekly trend has not (yet) turned down but Corn did turn its daily 21 MAC and its intra-month trend down, initially validating the scenario for a drop into year-end. On Monday, it also turned its weekly 21 MAC down, corroborating this scenario. Corn needs a daily close below **725.25/CH** to turn its daily trend down and confirm all of this.

Corn has a 7-week high-low-low-(low) Cycle Progression that next comes into play on **Dec. 31--Jan. 4, 2013** - when another low is probable.

Wheat continues to validate the topic of yesterday's **Alert** and should see additional

downside into a ~30-degree low-high-low-low-(low) Cycle Sequence on **Dec. 14/17th**. This is reinforced by a 19-day high-high-(low?) Cycle Progression that next comes into play on **Dec. 17th**.

It closed below **850.0/WH**, validating the potential for a breakout (to the downside) of its multi-month trading range.

Ideally, Wheat will see a quick drop back to **750.0/WH** - the high of the previous trading range and the downside target for this breakdown - and then potentially enter a new trading range. **750.0/WH** is now a key level of 'resistance turned into support' - that should be significant in the coming weeks.

Conversely, **850.0/WH** could soon become a key level of 'support turned into resistance' that contains any subsequent rebounds.

Several factors/indicators identify initial support - and an initial downside target - around **775--780.0/WH**. One of the more salient ones is the monthly HLS that comes into play at **776.5/WH**. Wheat is attacking its weekly HLS - at **807.0/WH** - so tomorrow's

price action needs to validate the potential for additional downside in the coming days.

On a 2-3 month basis, Wheat is still expected to drop into **January** and potentially all the way into **February 8/11th, 2013** - the next phase of a 90-degree low (May 11th)--high (August 10th)--high (Nov. 9th) Cycle Progression.

1--4 week traders should be short March Wheat futures at 871.5 up to 877.25 and holding these positions w/avg. open gains of about \$3,000/contract. Move buy stops to 839.25/WH. Exit 1/2 of these short positions if/when 779.0/WH is hit." (End of excerpt from Dec. 12, 2012 **Weekly Re-Lay Alert**.)

Soybeans, Corn & Wheat are all validating longer-term analysis for a MAJOR peak in **3Q 2012...** and an ensuing drop into **late-2014**. This is likely to occur in stages, as described in the previous Wheat analysis. This deflationary scenario corroborates other related analysis.

Please refer to current copies of INSIIDE Track and/or the **Weekly Re-Lay** for updated analysis. *IT*

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