

Weekly Market Report

Monday, 29 May 2023

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Weekly Overview

Price changes over the week.

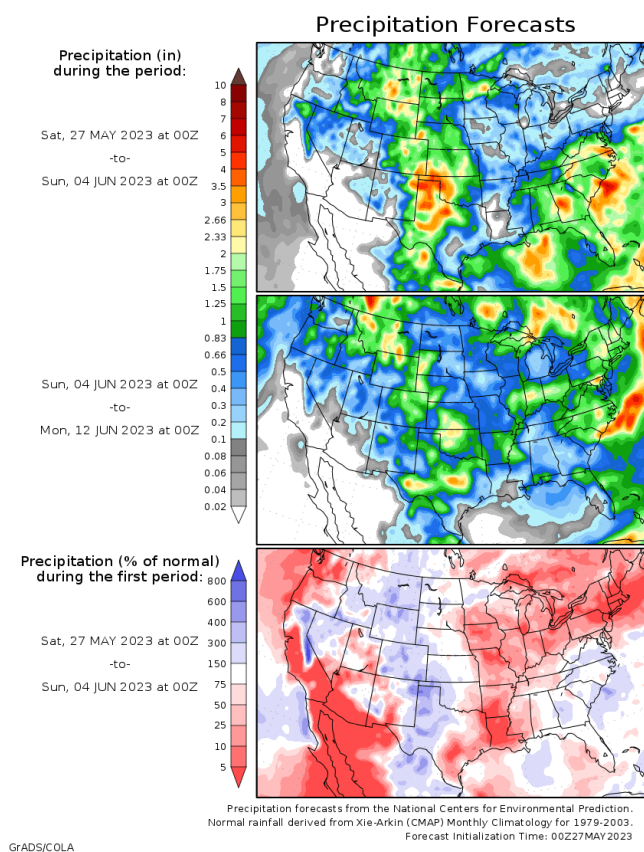
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	647.50	12.00	1.89%	695.75	624.75
Kansas Wheat	809.50	2.50	0.31%	890.25	736.00
Corn	534.50	34.75	6.95%	544.00	490.75
Soybeans	1189.50	14.00	1.19%	1285.75	1163.25
Soybean Meal	375.90	-1.50	-0.40%	410.10	370.70
Soybean Oil	48.53	1.48	3.15%	53.46	45.67
Crude Oil	71.44	1.27	1.81%	74.17	63.00
Palm Oil	779.50	11.25	1.46%	825.50	743.25

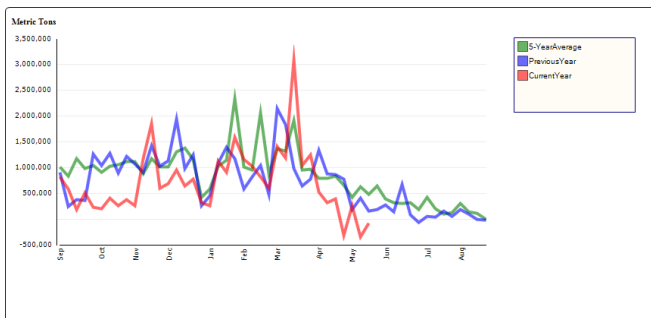
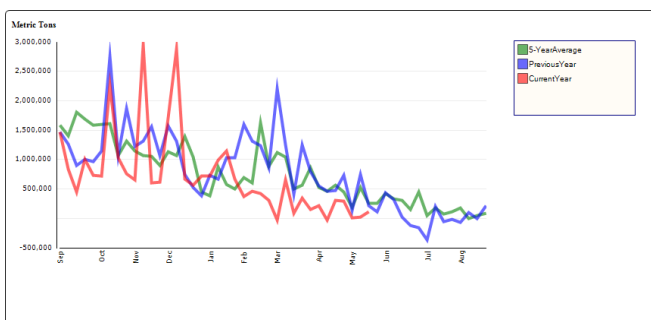
The grain and oilseeds market largely rebounded after the previous week's decline. Precipitation forecasts, indicating below-average levels, have created an encouraging environment for planting corn and soybean crops. However, the real risk to the crop is there if this dryness persists for longer after the planting is completed.

With corn carry-out estimates of over 2 billion bu and soybean end stocks estimated above 300 million bu, the market started trading as if these were final crop numbers. However, the critical yield number is yet to be established, which will only be determined by the weather in July and August.

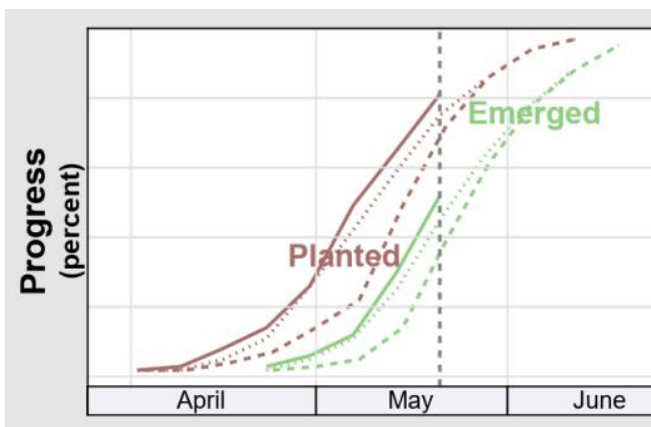
As we had anticipated in our preceding report, the market was ripe for a rally.

We highlighted the underestimation of the inherent risk tied to crop yields, which are yet to be solidly established. Over the next two months, weather forecasts for July and August will become instrumental in shaping the yield outcomes, thereby reinforcing the necessity to stay abreast of weather developments.

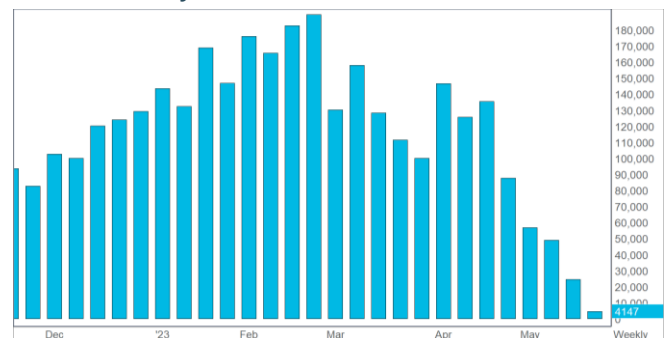
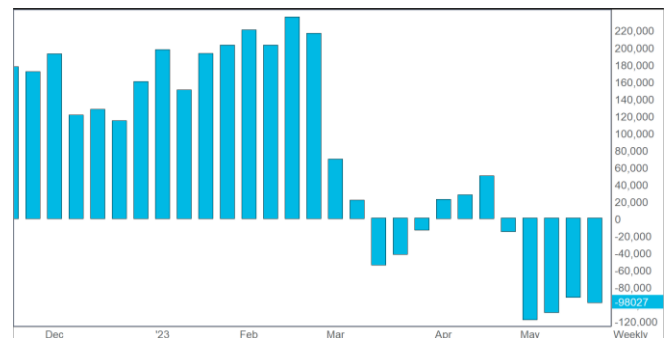


**Corn Weekly net sales****Soybeans Weekly net sales**

The critical factor driving prices in the coming months will be forecasted weather in the mid-west US. The planting of corn and soybeans is progressing well ahead of schedule.

**Corn Planting Progress**

The Commitments of Traders (COT) report showed negligible shifts in the positions held by Managed Money Funds. Despite this, it's noteworthy that these funds persistently demonstrated a selling stance towards soybean futures.

**Soybeans Managed Money Fund Net Position (in contracts)****Corn Managed Money Fund Net Position (in contracts)**

Grains

Money Funds continue to retain sizable, short positions in wheat. Global wheat carry-out stock will hinge mainly on the success of the northern hemisphere crop, which itself is weather-dependent. If the weather does not improve in major exporting countries like Canada, Europe, and Russia, we might witness a significant decline in supply, leading an increase in global wheat prices.

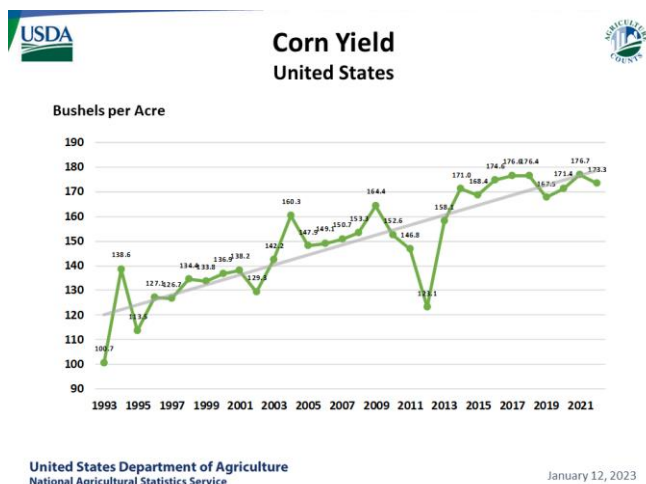
The strong El Nino forecast could also place the Australian southern hemisphere crop at considerable risk. Furthermore, the Kansas wheat spread over other markets might narrow if European wheat begins pricing into some parts of the US. Given these factors, the overall price risk appears to lean towards the upside.

Predictions about the corn market are intricately tied to the weather for the coming few months. In addition, the impact of the US corn carry-out on the global carry-out is significant and will shape the corn market trends. However, despite the price rebound, the corn market was marked by persistent weak net sales numbers, which might affect the market's resilience.

Current estimates place corn stocks above the 2 billion bushels mark. These estimates hinge on a yield of 181.5 bushels per acre, a figure that could face challenges during the growing season due to variable weather conditions.



The COT report illustrates that Managed Money Funds persist in their short position on corn, which might be a hint towards anticipated price trends.

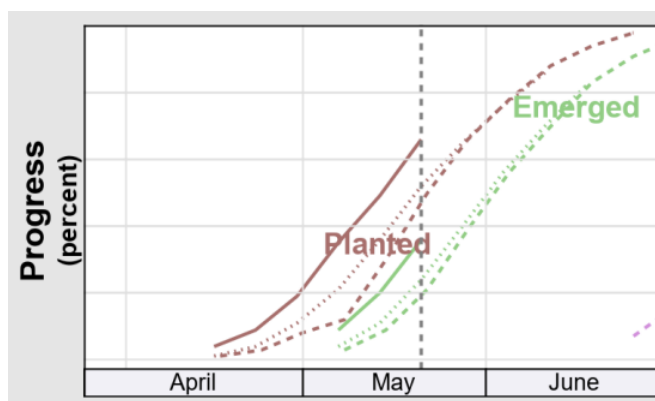


For corn, the market needs to see a clear and significant threat to the US new crop for a sustained price rally. However, if there is a weather threat to corn crop in the forecasts, prices could spike, mainly due to the unwinding of Managed Money fund short positions.

Oilseed complex

This week, soybean prices were traded sideways, with bearish pressure from above-average planting progress numbers.





Soybean Planting Progress



Interestingly, the NX spread witnessed a modest recovery, buoyed by improved net sales figures in the weekly sales report. Like corn, the pricing of soybeans over the next months will be significantly dictated by weather conditions, with August being a critical month.

Given the lack of flexibility in the supply-demand balance sheet to accommodate a yield decline, the price risk, akin to wheat, appears to be predominantly on the upside.

Trade-Ideas:

Wheat: Continue to hold long options calls or call spreads. Add long calls on the pause of price decline.

Soybeans: Add long call options on SX

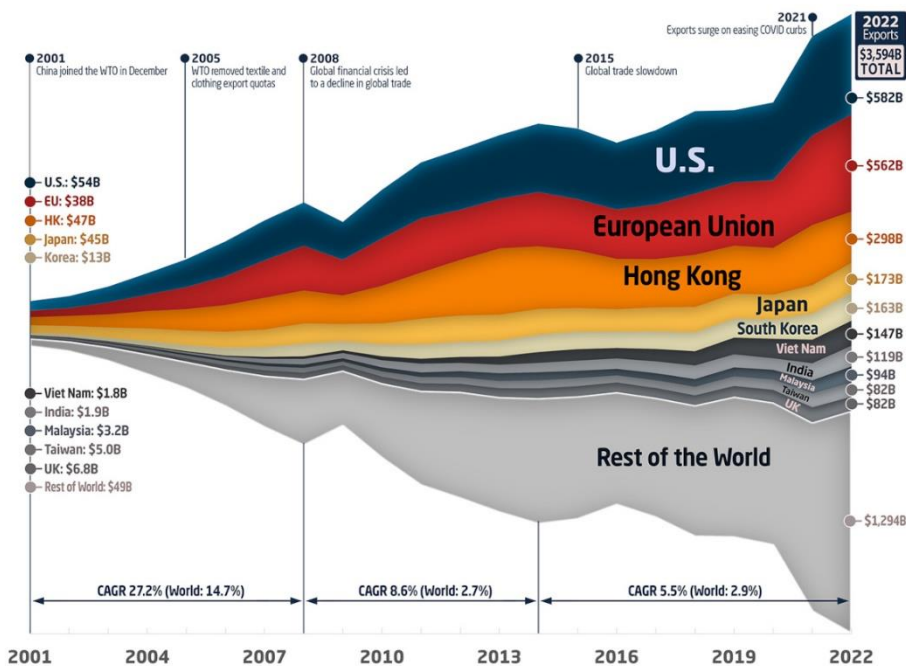
Corn: Invest in short dated call options to play the potential weather risk. Weekly ones via Quickstrike make sense.

Food for Thought: Chinese export changes in the 21st century

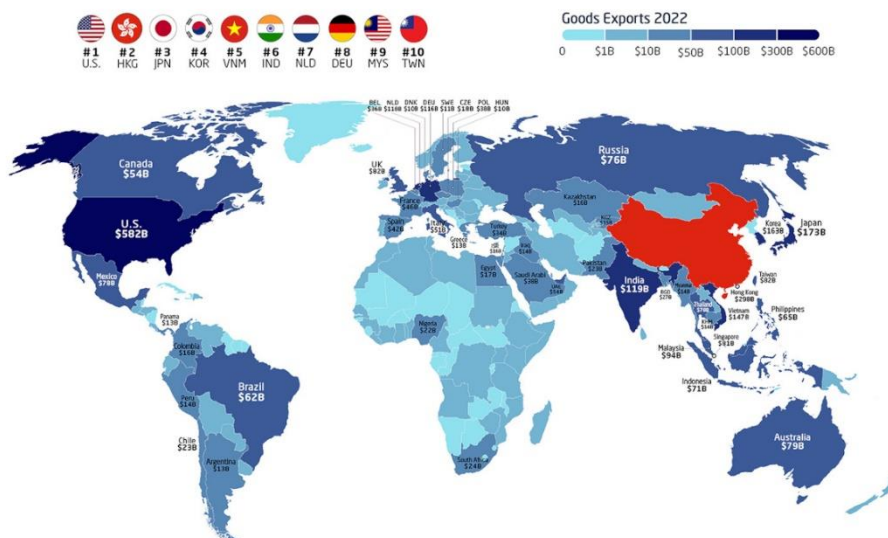
CHINA EXPORTS in the 21st CENTURY

Top 10 Merchandise Exports Markets

China's merchandise exports increased from **\$266B** to **\$3,594B** with a compound annual growth rate (CAGR) of 13.2% (compared to 6.6% for global exports) in the 21st Century. However, China's merchandise export growth rate has slowed significantly to 5.2% (CAGR) in the period of 2009-2019.



China Exports Markets 2022



Research and visualization by Ehsan Soltani | Sources of primary data: World Trade Organization and Customs of China

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