Weekly Market Report

Monday, 5 June 2023

Weekly Overview

Price changes over the week.

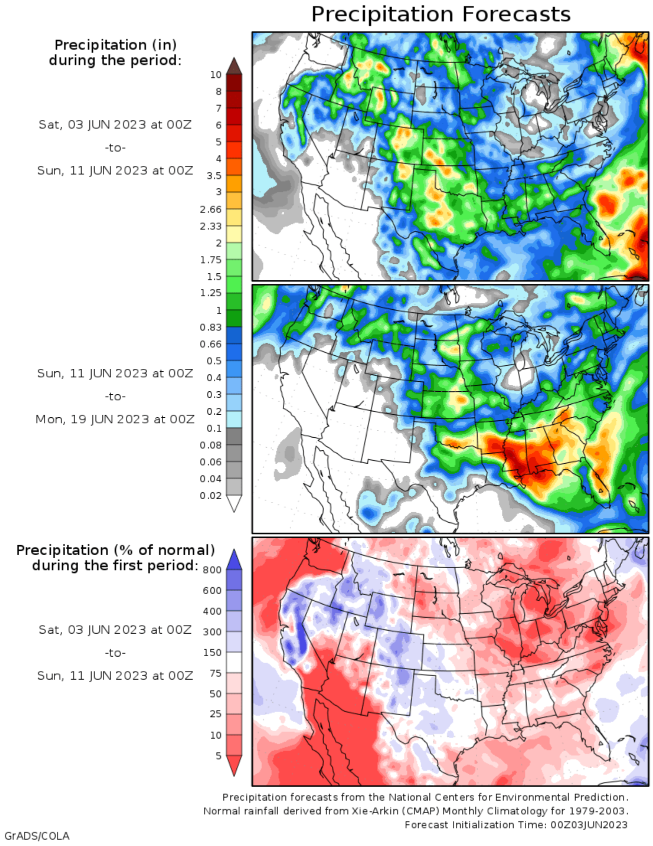
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	652.00	4.50	0.69%	695.75	608.25
Kansas Wheat	803.50	-6.00	-0.74%	890.25	760.75
Corn	541.25	6.75	1.26%	541.75	490.75
Soybeans	1183.75	-5.75	-0.48%	1285.75	1130.50
Soybean Meal	367.70	-8.20	-2.18%	399.80	361.80
Soybean Oil	48.77	0.24	0.49%	53.46	44.47
Crude Oil	70.61	-0.83	-1.16%	72.89	63.00
Palm Oil	746.75	-32.75	-4.20%	825.50	712.25

In the previous week, CBOT agricultural commodity prices initially declined but eventually closed the week, nearly unchanged to higher levels. The market was influenced by several key factors. Firstly, weather forecasts indicated below-normal precipitation in the US, while adverse weather conditions were predicted in Europe. These less-than-ideal forecasts supported prices, preventing further declines.

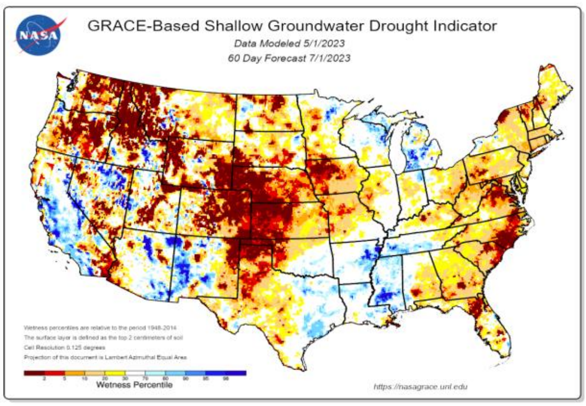
Additionally, the Commitment of Traders (COT) report showed a significant reduction in Managed Money Funds' corn short positions, although there were no significant changes in positions for other products.

As we had anticipated the market was primed for a rally, as the risk to crops remained underpriced, with crop yields yet to be established.

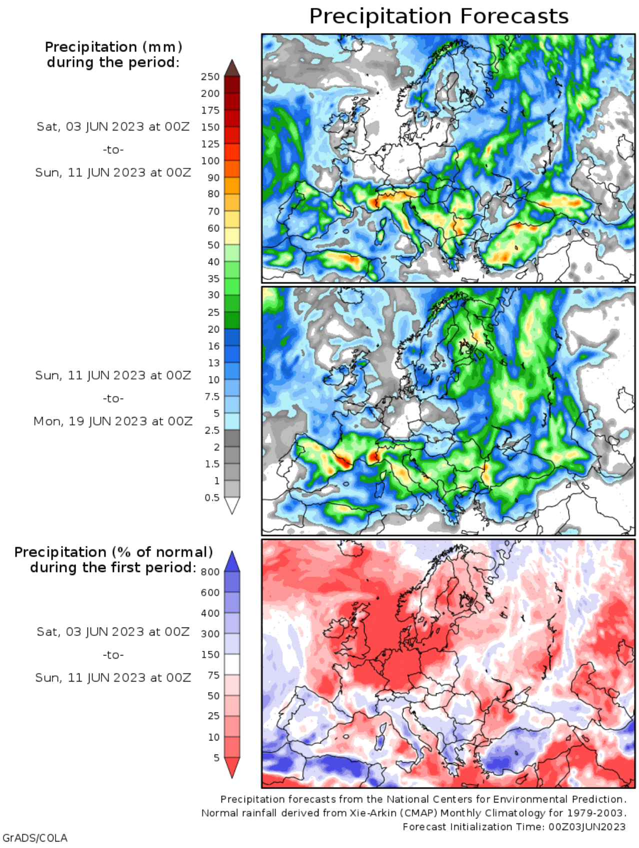
The price action in corn during the week reflected the market's underestimation of threats to yields. The ultimate determination of crop yields will depend on weather forecasts in July and August.

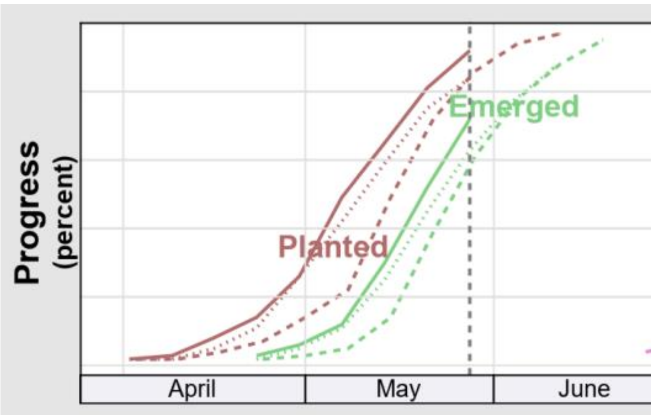


The critical factor driving prices in the coming months will be forecasted weather in the mid-west US.

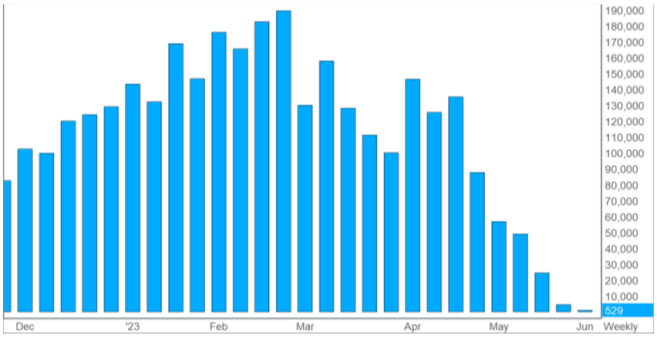


The planting of corn and soybeans is progressing well ahead of schedule.

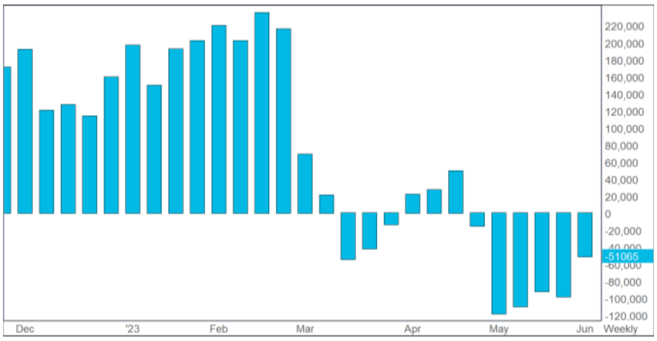




Corn Planting Progress



Soybeans Managed Money Fund Net Position (in contracts)

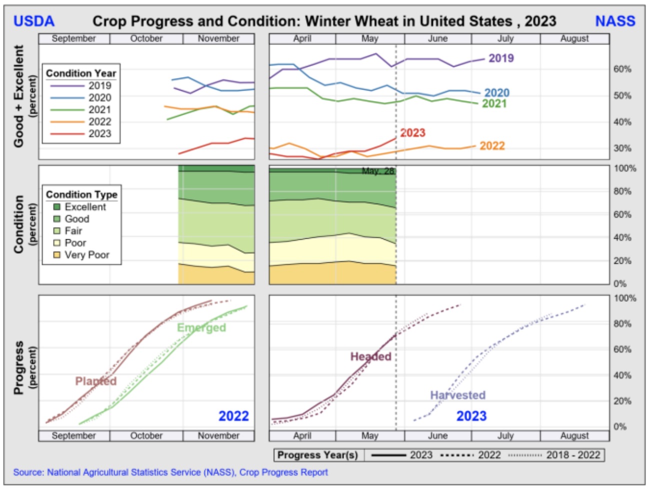


Corn Managed Money Fund Net Position (in contracts)

Grains

Managed Money Funds continued to maintain significant short positions in the wheat market. If a threat to the crop emerges, the unwinding of these short positions by Managed Money Funds will drive wheat prices higher.

Global wheat carry-out stocks will be heavily influenced by the performance of the northern hemisphere crop, which is contingent upon weather conditions. Concerns regarding adverse weather persist in the US, Canada, Northern Europe, Central Russia, and Australia, potentially impacting the exportable surplus in major wheat-exporting countries. Furthermore, the Australian southern hemisphere crop is at significant risk if the strong El Nino forecast proves correct.



Overall, the price risk for wheat is tilted to the upside. Uncertainty regarding the Grain

Corridor deal, with Russia potentially restricting the movement of bulk grain vessels to the Ukrainian port of Pivdennyi until a pipeline agreement is reached, further supports the market.

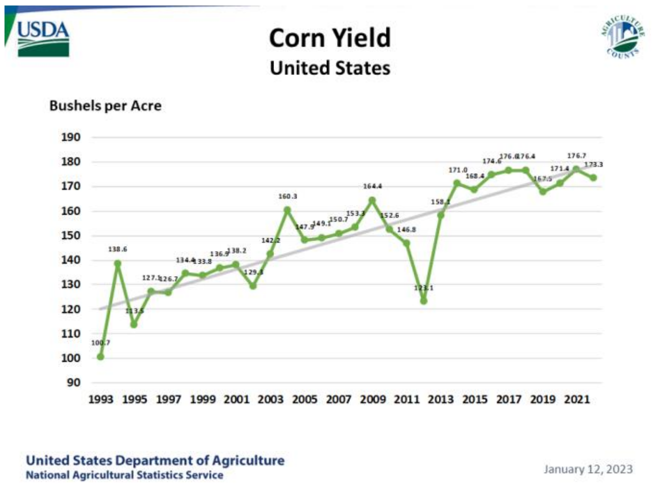
Moreover, heavy rains have caused delays in the US hard red winter (HRW) wheat harvest, with the crop development running 7-10 days behind average.
Overall, the price risk for wheat is tilted to the upside.

The price of corn will continue to be influenced by weather conditions in the coming months, as the US carry-out will significantly impact the global carry-out.

Mid-week, the market focus shifted rapidly from the ongoing erosion of US export demand to threatening weather and the potential expansion/intensification across the primary corn belt until late June.

Any threat to the crop could reduce yield estimates from the current projection of 181.5, leading to a lower carry-out and potentially driving corn prices higher.

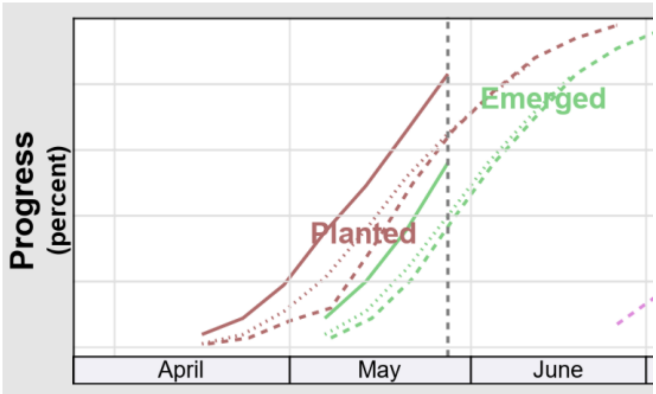
The normalization of world balance sheets depends on achieving trend yields in the US, Europe, and the Black Sea this autumn. As mentioned earlier, Managed Money Funds have reduced their net short position by 50% due to the potential threat to the corn crop.



For corn, the price will continue to be driven by weather forecasts focusing on July weather.

Oilseed complex

Soybean futures faced significant liquidation pressure at the beginning of the week but rebounded as demand emerged, resulting in a higher market close on Friday



Soybean Planting Progress

Planting progress reached 83% completion due to continuous dry weather conditions. The NX spread has shown recovery and is now back at previous highs from a few weeks ago. Long-range forecasts indicate the possibility of dryness in the Dakotas.

Ultimately, the price of soybeans will heavily depend on weather conditions in the coming months, with August being a critical month. Given the absence of room for a decline in yield in the supply and demand balance sheet, the price risk for soybeans remains tilted to the upside.

The market will continue closely monitoring weather forecasts, as they will play a crucial role in determining crop yields and global carry-out. Weather forecasts for July and August will be fundamental in shaping market sentiment.

Any threats to crops, such as adverse weather conditions or expansion/intensification across the corn and soybean belt, have the potential to impact yield estimates and subsequently drive prices higher.

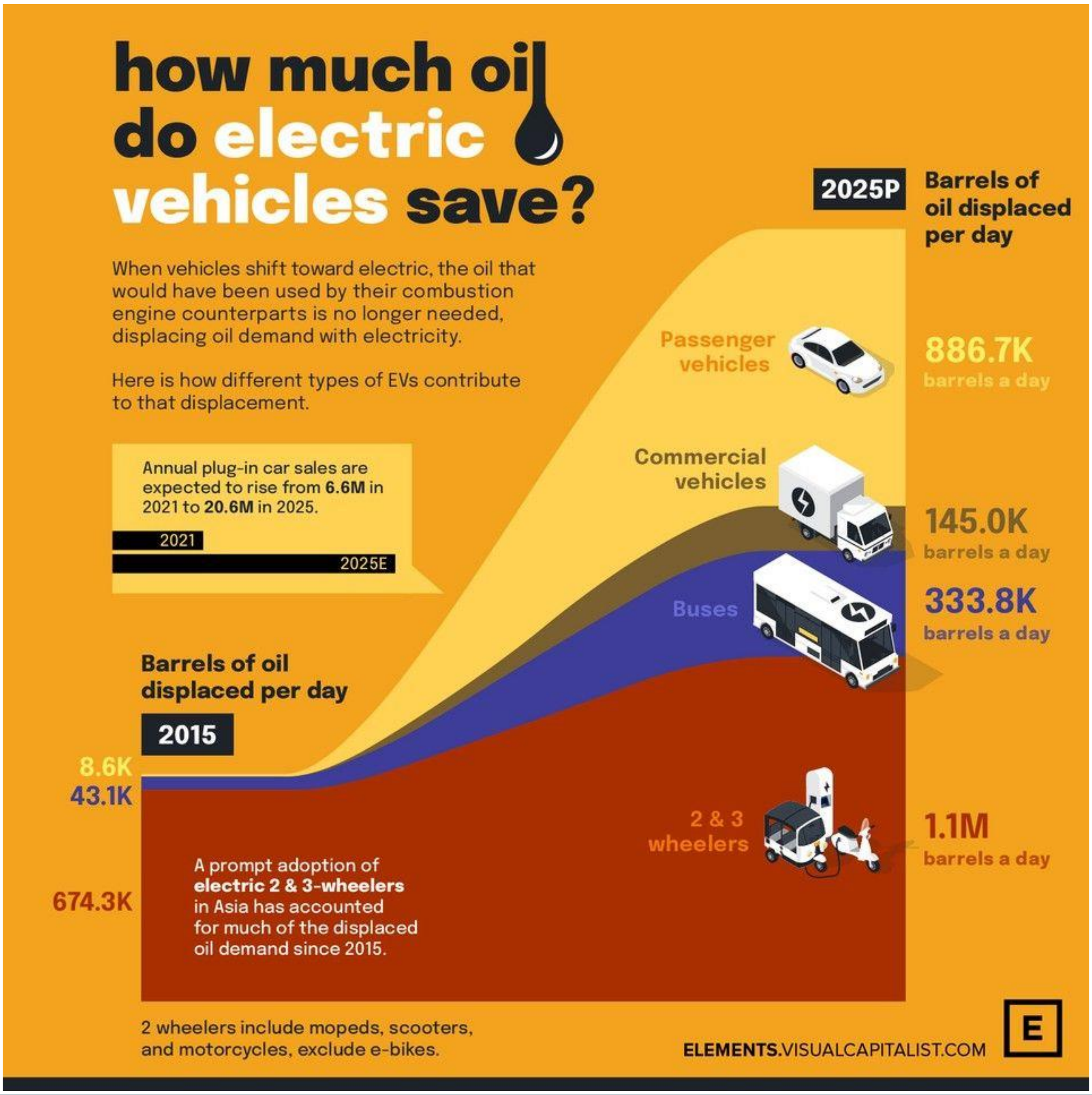
Trade-Ideas:

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

Soybeans: continue to hold long call options on SX

Corn: continue to play the weather market with short dated options

Food for Thought: how much do EV cars really save?



Disclaimer and Important Disclosures

The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many varied views over the past 12 months, including contrary views. A large number of views are being generated at all times, and these may change quickly. Any valuations or assumptions made are based solely on the author's market knowledge and experience. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. The given material is subject to change, and although based upon information that we consider reliable, it is not guaranteed as to accuracy or completeness. PRETB Pte Ltd believes that the information contained within this report is already in the public domain. The material is not intended to be used as a general guide to investing or as a source of any specific investment recommendations. Investors with any questions regarding the suitability of the products referred to in this presentation should consult their financial and tax advisors.

This material does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Persons into whose possession this document may come are required to inform themselves of and observe such restrictions.