

Weekly Market Report

Monday, 19 June 2023

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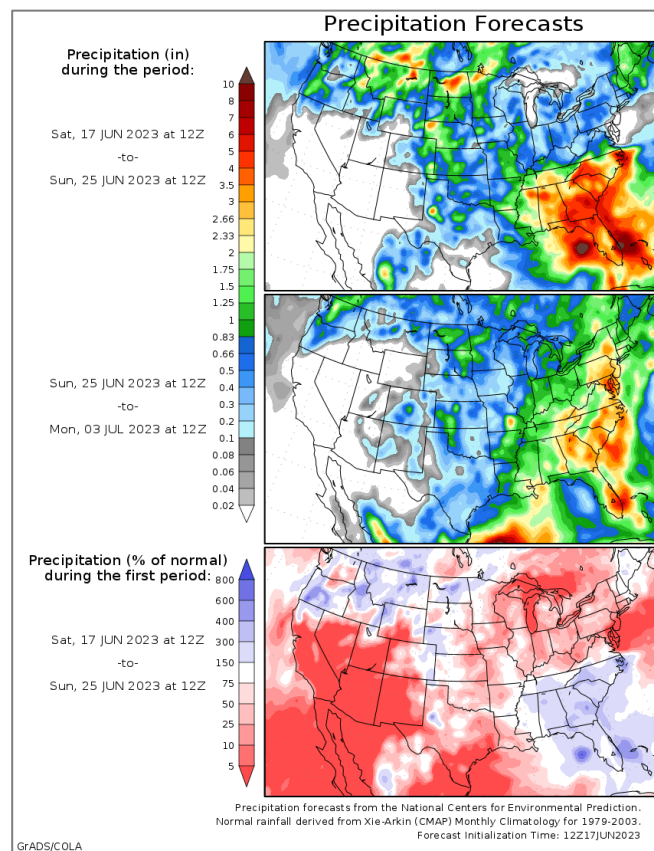
Weekly Overview

Price changes over the week.

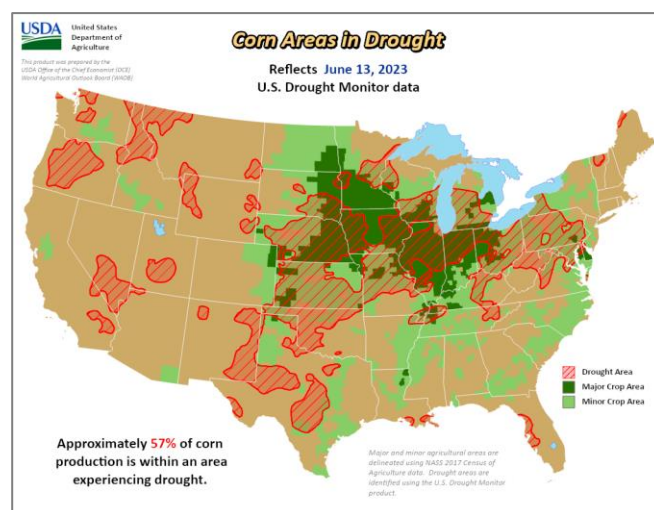
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	715.75	57.75	8.78%	722.50	608.25
Kansas Wheat	837.00	44.25	5.58%	847.00	760.75
Corn	597.50	67.00	12.63%	598.00	496.75
Soybeans	1342.25	138.00	11.46%	1347.25	1130.50
Soybean Meal	403.30	36.70	10.01%	403.80	361.80
Soybean Oil	57.87	5.91	11.37%	58.45	44.47
Crude Oil	71.23	1.85	2.67%	73.40	66.36
Palm Oil	816.00	74.00	9.97%	816.00	712.25

The previous week witnessed a sharp rally in prices across CBOT agricultural commodities. This surge can be attributed to several factors, including the prevalent dry conditions in over 50% of corn and soybean growing areas. The market had previously underestimated the risk of a weather event, leading to a significant increase in prices. The forecasted precipitation for the coming weeks remains below normal across most growing areas in the US. This continued dry spell has prompted the market to build in a risk premium for potential yield declines.

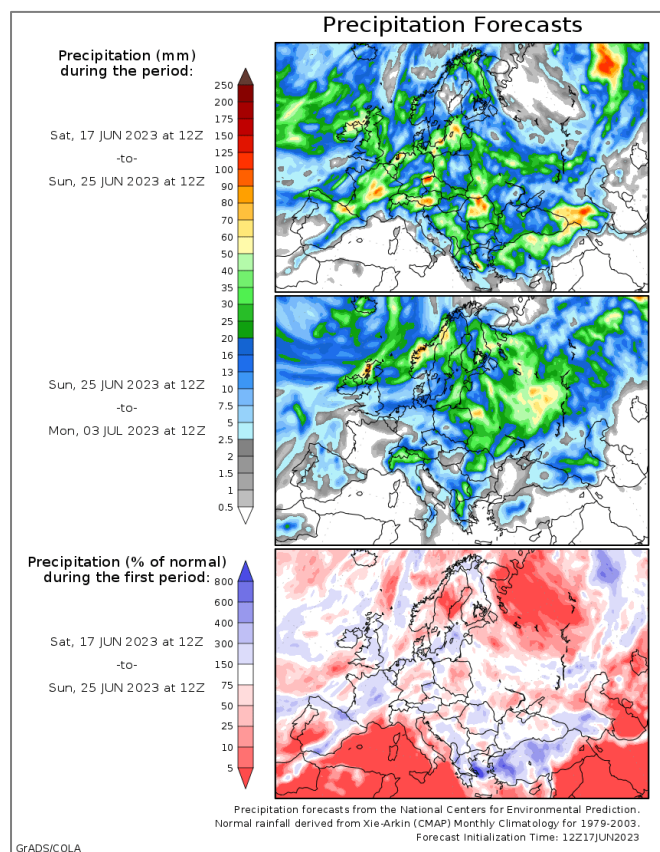
The current weather forecasts are unfavourable; there is still a risk of further price rallies if conditions do not improve. Ultimately, crop yields will heavily depend on the weather forecasts in July and August. Considering the less-than-ideal forecasts, the likelihood of achieving USDA's trendline forecasts is relatively low.



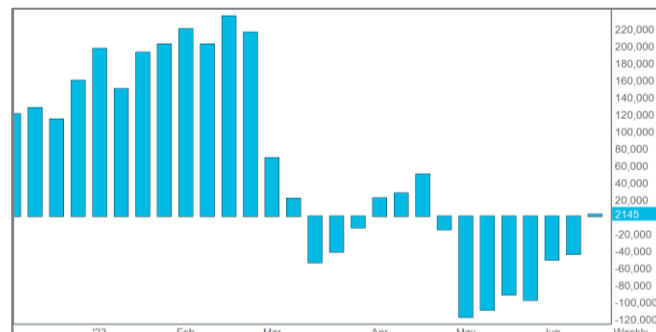
The critical factor driving prices in the coming months will be forecasted weather in the mid-west US.



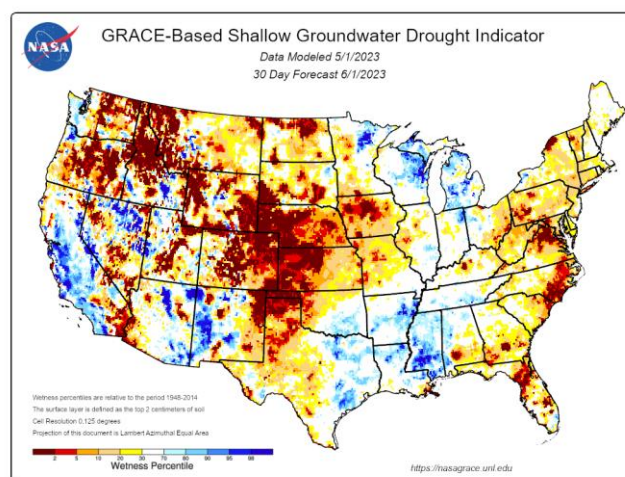
Managed money funds have made adjustments to their positions, shifting from short positions in corn to even, And going net long in soybeans. However, they still maintain sizable short positions in wheat.



Soybeans Managed Money Fund Net Position (in contracts)

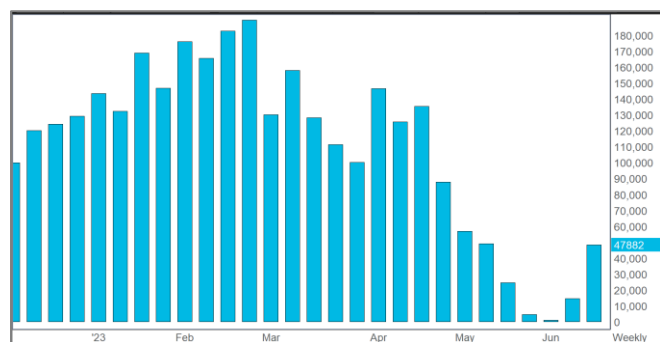


Corn Managed Money Fund Net Position (in contracts)



Grains

Several factors are influencing the wheat market. Uncertain US spring wheat yield potential, weather issues in Northern Europe, Central Russia, and Argentina, along with rising cash prices in India due to supply concerns, have prompted global prices to add a premium.





Sporadic rainfall across hard red winter growing areas has slowed down harvest progress. Additionally, French crop conditions have slightly deteriorated.

Russian supply remains competitive for the export market, keeping a lid on the prices. The global wheat carry-out stock will largely depend on the performance of the northern hemisphere crop, which, in turn, is dependent on the weather. A strong El Niño forecast could significantly impact

the Australian wheat supply for the Q4 export market. Furthermore, if the corn crop is smaller, there may be increased demand for wheat in the US as some of the corn demand for feed switches to soft red winter wheat.

Overall, the price risk for wheat remains to the upside.



CBOT corn futures rallied in response to the addition of weather premium in prices. The normalization of world balance sheets is contingent upon achieving trend yields in the US, Europe, and the Black Sea this autumn. However, yield numbers could decline significantly if dryness persists in certain growing areas over the next six weeks.

Weather forecasts indicate below-normal precipitation into July, reducing the likelihood of achieving USDA's trendline statistical yield estimates. However, if the weather forecasts become more favourable, prices could decline. Although the current estimated corn stand is over 2.2 billion bushels, there is room for lower yields as anything above 2 billion bushels carry out can still be considered neutral US prices. If the decline is sharp, carryout could drop below 1.5 billion bushels, resulting in a bullish price scenario.

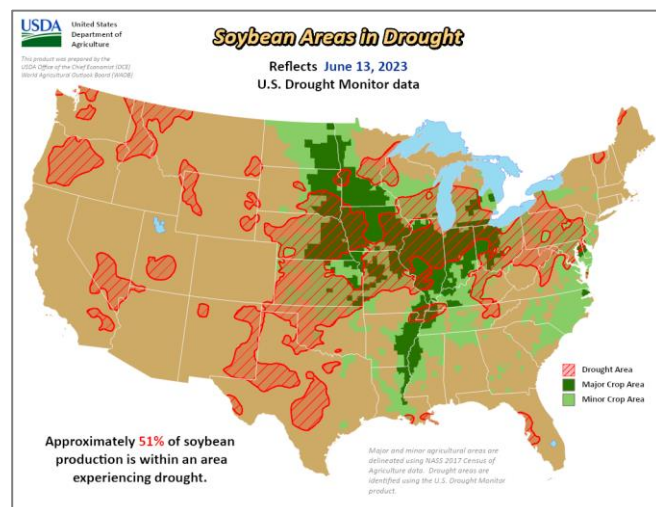
Oilseed complex

Soybean futures rallied higher due to concerns that the ongoing drought might persist until August, potentially leading to lower yield numbers compared to current USDA estimates. The price of soybeans will be primarily influenced by the weather in the coming months, with August being a crucial month.

The weekly Drought Monitor show that large area of Illinois crops were experiencing drought conditions comparable to the drought years of 2005 and 2012. If the dry spell continues, it could initiate a soybean price rally.

Until much-needed soaking rain arrives in the driest regions of soybean growing areas, the market will continue to add premium. The yield potential of US soybeans is in sharp decline until rain provides relief





Given the lack of room in the supply and demand balance sheet for a decline in yield, even a slight drop of 2 bushels would significantly tighten carryout, resulting in upward price risk.

Trade-Ideas: our recommendations of holding long on the hypothesis of market underpricing weather risk is proving to be right. We recommend holding till we see a respite in weather forecasts.

Wheat: continue to hold long options calls or call spreads.

Soybeans: continue to hold long call options on SX

Food for Thought: the best work-live balance cities in the world

The 25 Best Places for a Good Work-Life Balance

Work-life balance is crucial for personal happiness and professional success. Forbes Advisor analyzed 128 cities worldwide to determine the best cities for worker well-being, taking into account factors such as the World Happiness Index, working hours, and minimum annual leave.

📍 Europe 📍 Oceania 📍 Asia

Many U.S. states don't have statutory minimum paid vacation or paid public holidays.



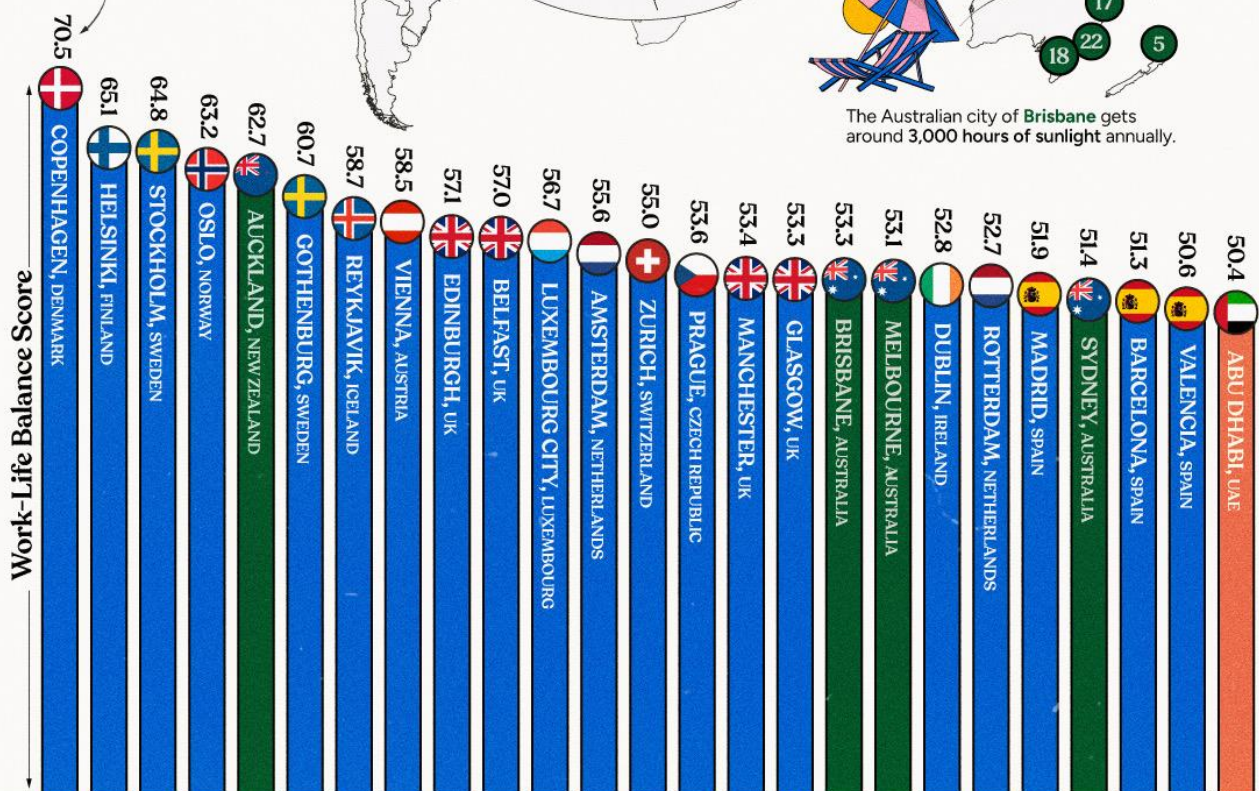
Copenhagen is the best city for work-life balance with its sustainable living, hygge lifestyle, and employee-friendly policies such as flexible working hours and generous leave.



Abu Dhabi is the only city in the top 25 not in Europe or Oceania.



The Australian city of **Brisbane** gets around 3,000 hours of sunlight annually.



Source: Forbes

visualcapitalist.com



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