

# Weekly Market Report

Monday, 26 June 2023

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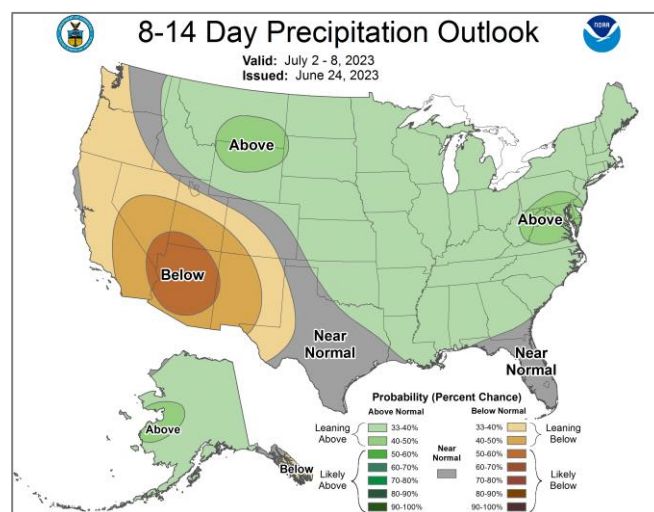
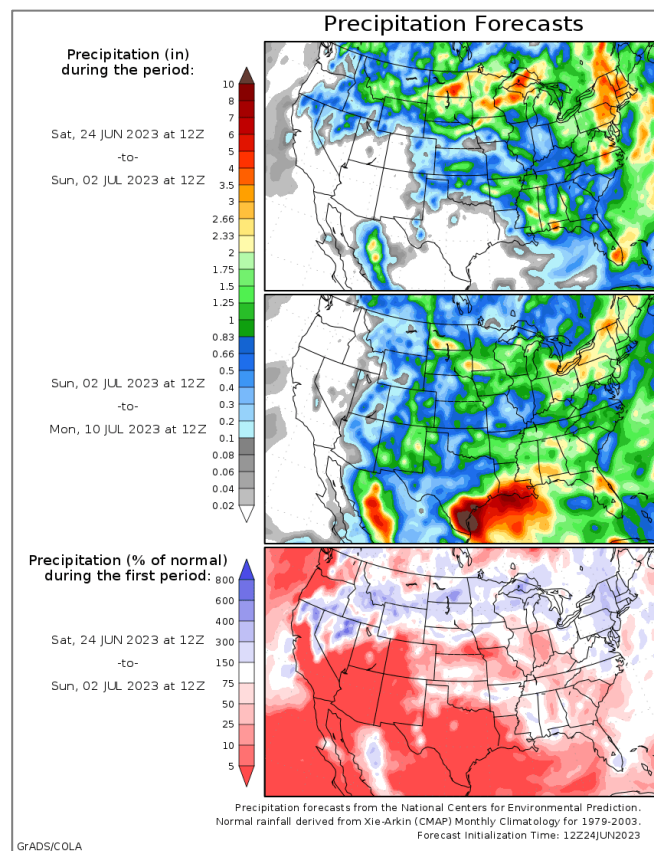
## Weekly Overview

Price changes over the week.

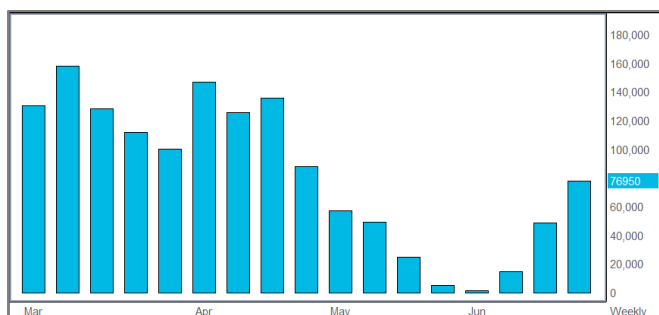
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	761.75	46.00	6.43%	777.25	608.25
Kansas Wheat	863.00	26.00	3.11%	889.00	760.75
Corn	588.00	-9.50	-1.59%	629.75	511.25
Soybeans	1310.00	-32.25	-2.40%	1378.00	1130.50
Soybean Meal	398.30	-5.00	-1.24%	432.60	361.80
Soybean Oil	54.96	-2.91	-5.03%	58.45	44.47
Crude Oil	69.10	-2.13	-2.99%	73.40	66.36
Palm Oil	780.50	-35.50	-4.35%	816.00	712.25

The preceding week saw corn and oilseed complex prices escalating midweek, only to close lower due to improved weather forecasts. Simultaneously, wheat prices showed an uptick, propelled by shrinking production estimates in major exporting countries. Over half of the areas where corn and soybeans grow were under drought-like conditions, keeping the weather risk premium of yield decline relevant. Forecasts for precipitation persist in being subnormal in most US growing areas according to certain weather models, but the GFS model suggests a higher chance of rainfall in an 8-14 day outlook.

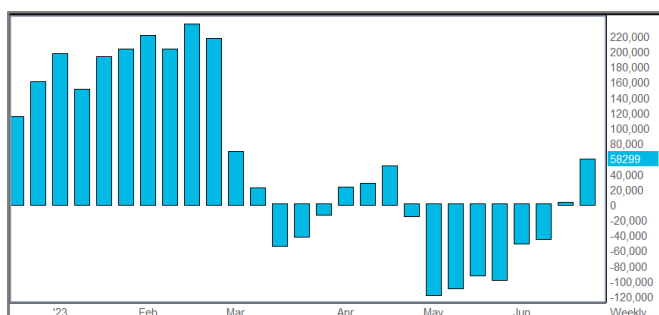
A noteworthy shift was seen in managed money funds that now hold long positions in soybeans and corn, and have reduced their wheat short position from 110k contracts to 80k contracts. Despite improved forecasts, the potential of a price rally, should forecasts deteriorate, remains.



Lastly, the global supply-demand balance sheet cannot withstand significantly lower yields in the US. A yield significantly below the trend will greatly reduce ending stock estimates, pushing the price floor upwards compared to current levels.



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



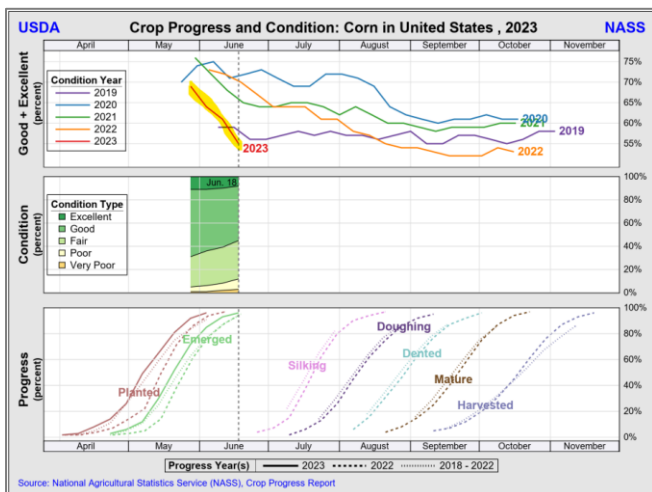
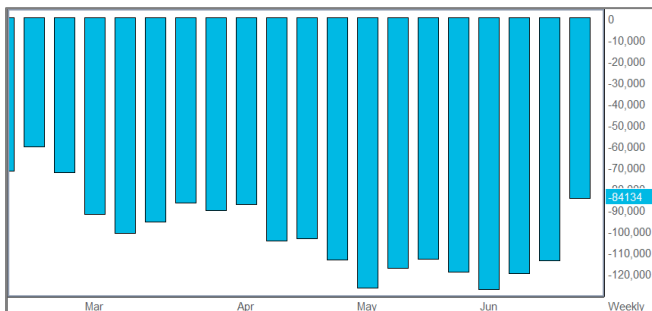
**Corn Managed Money Fund Net Position (in contracts)**

## Grains

While French crop conditions experienced a slight downturn in the week, they remain at a decent 83%. Given its competitive export prices, Russian supply continues to keep a lid on the market. However, geopolitical unrest over the weekend could increase global wheat market anxiety, bringing supply uncertainty.



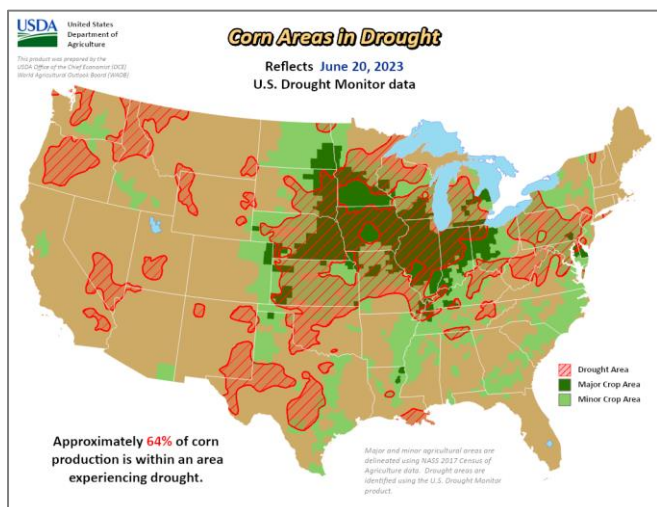
Though Russian FOB offers continued to decline, CBOT wheat prices trended higher, spurred by concerns over falling global wheat production estimates. The EU crop is not projected to surpass last year's harvest. Winter wheat harvest is progressing slower than expected, but the calendar spread implies minimal concern over this delay.



Future global wheat carry-out stock will depend on northern hemisphere crop performance, which is weather-dependent. The forecasted strengthening El Nino could drastically affect Australian wheat supply into the world export market in Q4. Another bullish factor for wheat is the potential for some of the corn demand to shift to SRW if the corn crop shrinks, thus boosting wheat demand in the US.

A fund short covering-led rally could significantly inflate prices due to continued adverse weather in the northern hemisphere. Unsettled geopolitical factors coupled with the ongoing northern hemisphere growing season will continue stirring wheat price volatility.





Corn futures on CBOT saw an impressive surge midweek due to adverse weather forecasts, but reduced drought concerns owing to new forecasts of increasing rainfall in the northern Corn Belt caused prices to taper off by the week's end. The normalization of world balance sheets is contingent upon achieving trend yields in the US, Europe, and Black Sea this autumn. If dryness persists over the next six weeks, yield numbers could see a significant drop.

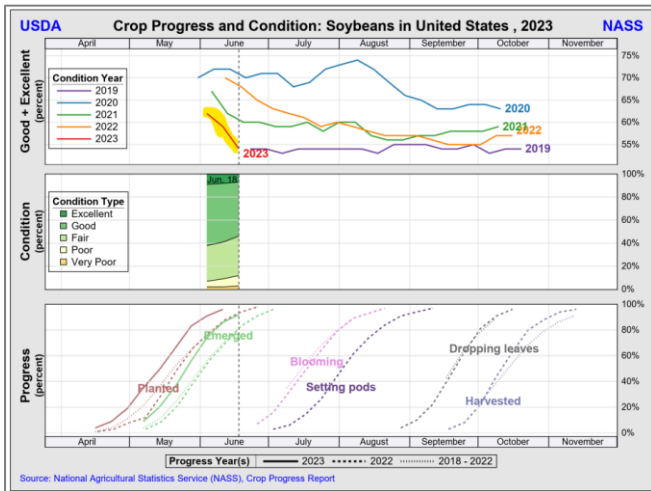
The probability of US corn yield falling below 170 bushels per acre is increasing, potentially triggering a decline in global stocks by over 10 MMTs year-over-year, and forcing the US market to ration available supply. While the GFS model shows improved weather forecasts, the possibility of reaching an above-trend yield is now unlikely.

Conversely, should weather forecasts turn favourably, we could see a decline in corn prices. While the corn balance sheet has some room for a lower yield, a sub-170 yield will eliminate this margin of error, as carry-out estimates could substantially drop, leading to a further price rally.

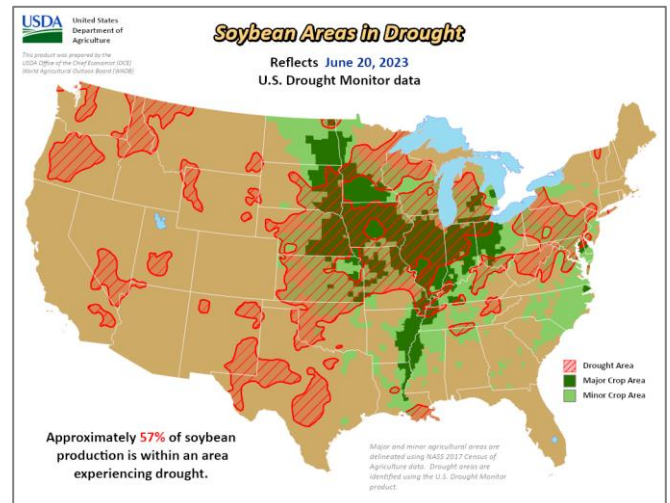
## Oilseed complex

The previous week began with a rally in oilseed complex prices, supported by drought conditions in key growing regions. However, the week ended with lower prices, with weather forecasts showing signs of improvement. More than 55% of soybean-growing regions were dealing with drought-like conditions, maintaining a weather risk premium.





Managed money funds added long positions in soybeans, signalling investor optimism. However, the possibility of a price rally persists if weather forecasts worsen. The global supply and demand balance sheet leaves little room for reduced yields in the US.



A yield significantly below the trend would notably reduce ending stock estimates, causing a higher price floor. Given the current weather conditions, the likelihood of soybeans meeting the USDA trend yield is low.

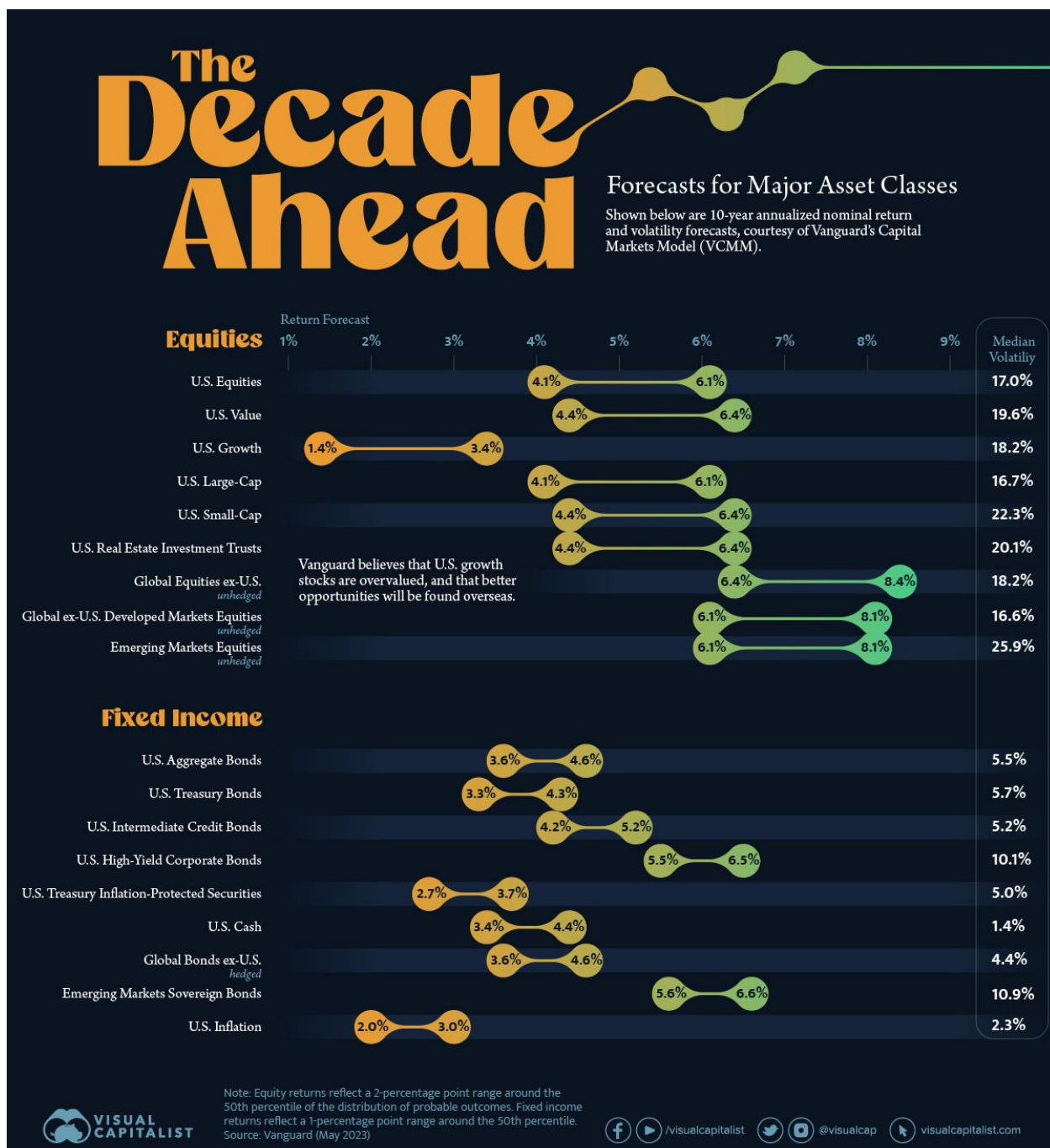


**Trade-Ideas:** even though the price declined by the end of the week, the yield is yet to be established. We continue to be bullish prices as the chance of an above-trend yield now is low.

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

**Soybeans:** continue to hold long call options on SX

**Food for Thought:** where to make money in the next decade



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