Weekly Market Report

Monday, 10 July 2023

Weekly Overview

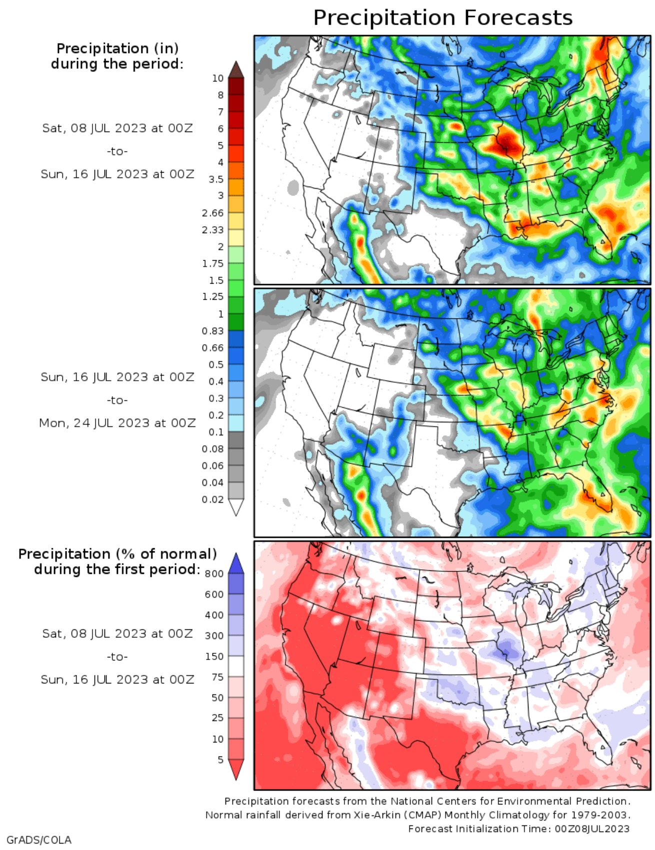
Price changes over the week.

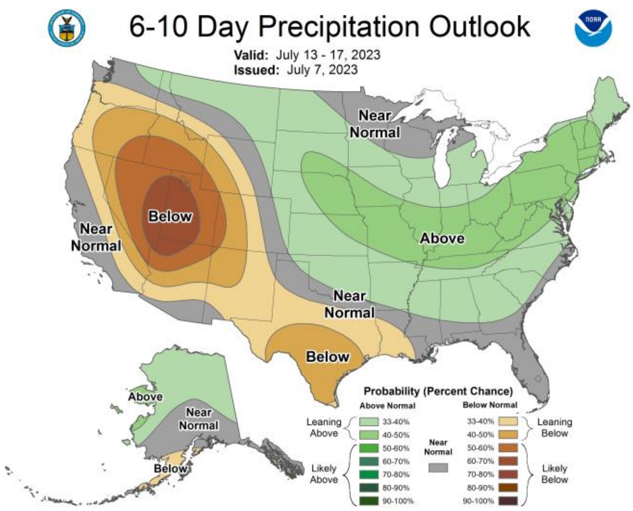
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	666.50	-2.75	-0.41%	784.25	647.25
Kansas Wheat	819.50	19.25	2.41%	889.00	776.75
Corn	494.50	-0.25	-0.05%	629.75	485.50
Soybeans	1317.75	-25.50	-1.90%	1391.75	1182.25
Soybean Meal	386.30	-11.00	-2.77%	432.60	363.60
Soybean Oil	58.33	-0.64	-1.09%	62.41	49.91
Crude Oil	72.66	2.26	3.21%	72.70	66.36
Palm Oil	831.25	16.25	1.99%	853.25	740.00

The past week saw a rally across most markets due to weather concerns, although prices receded to previous levels as forecasts improved.

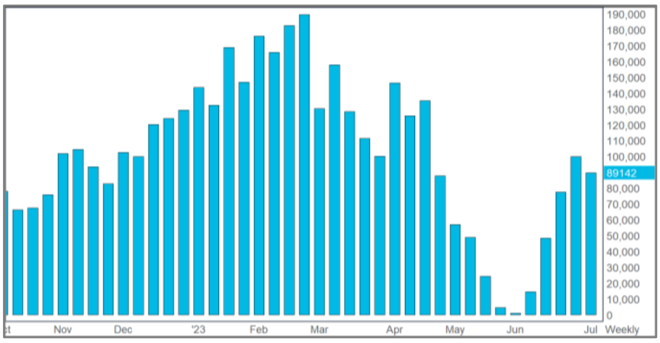
The weather forecast will continue to be a focal point for market participants, with the yield number to be published in the July World Agricultural Supply and Demand Estimates (WASDE) report also being a significant driver of prices for next week.

Precipitation forecasts have markedly improved, resulting in slight enhancements in crop conditions, which, albeit lower than previous years, have recovered from the prior week. Despite this, estimated yield numbers from the USDA are expected to decline next week due to difficulties in achieving trend line yield following a suboptimal start to key yield sensitive growth phases.

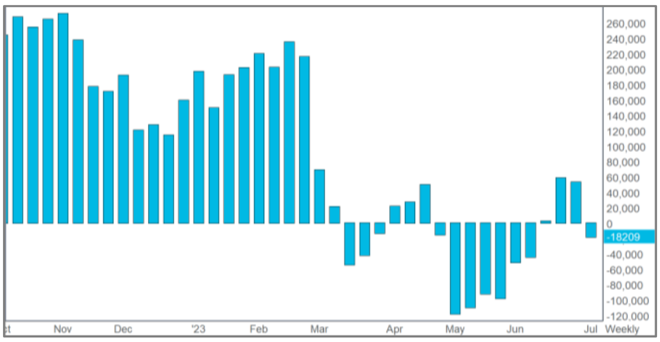




Notable activity from managed money funds was observed, with long positions being held in soybeans, while a shift to short positions in corn occurred after a substantial increase in planted acreage compared to market expectations. Weather predictions remain a looming factor, with the potential to trigger a price rally if they take a turn for the worse, particularly for soybeans, as reduced acreage has left no room in the balance sheet for lower yields. The market's focus this week will be on June WASDE carry-out estimates, specifically yield numbers.



Soybeans Managed Money Fund Net Position (in contracts)



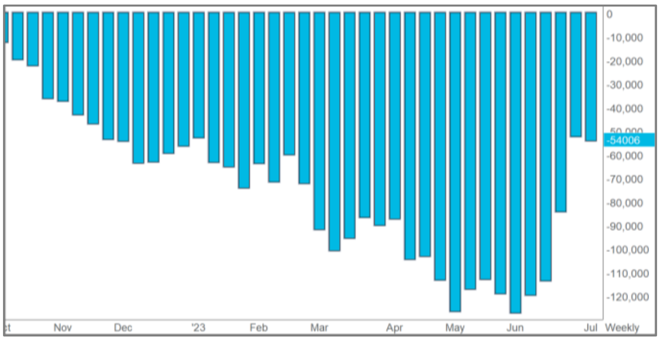
Corn Managed Money Fund Net Position (in contracts)

Grains

In the wheat market, prices initially rallied but remained mostly rangebound throughout the week.

High protein contracts saw an uptick due to ongoing weather threats in Canada, China, and Russia. Despite below-normal precipitation in the EU, the overall crop size is anticipated to remain large as French soft wheat conditions remained steady at 81% good to very good.

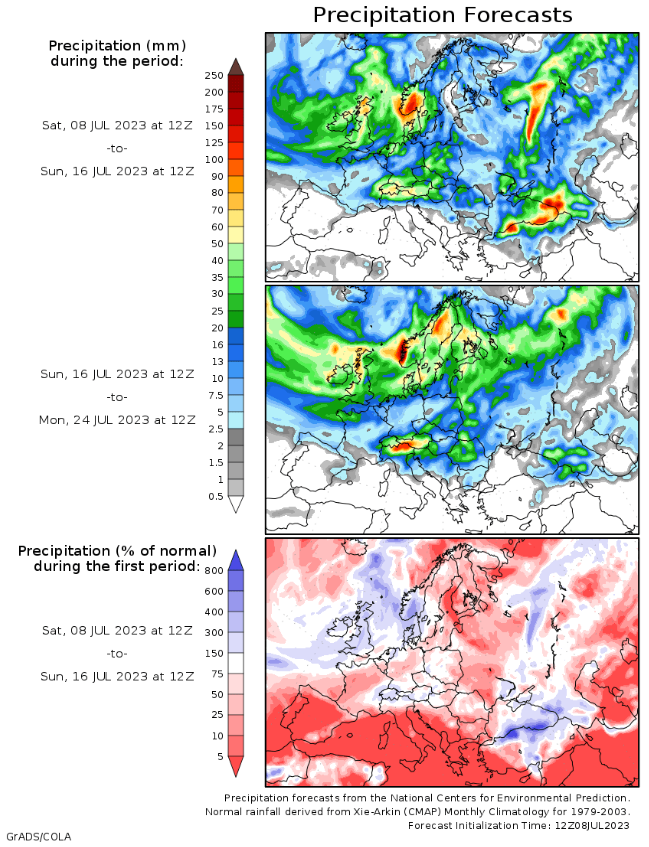
Notably, Russia's competitive export market prices continue to influence global dynamics, despite uncertainties around the grain corridor extension.



The global wheat carry-out stock depends on the progress of the northern hemisphere crop, the size of which is yet to be fully established. By early August, more accurate estimates are expected.

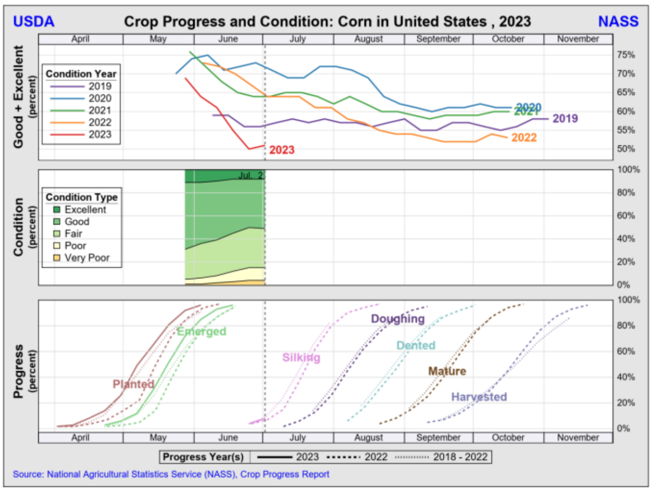
The persistence of El Nino, combined with the lack of soil moisture in Canada and heat in Russia and Kazakhstan, remains a major concern. These climatic conditions, combined with geopolitical uncertainties, will continue to instigate volatility in wheat prices.

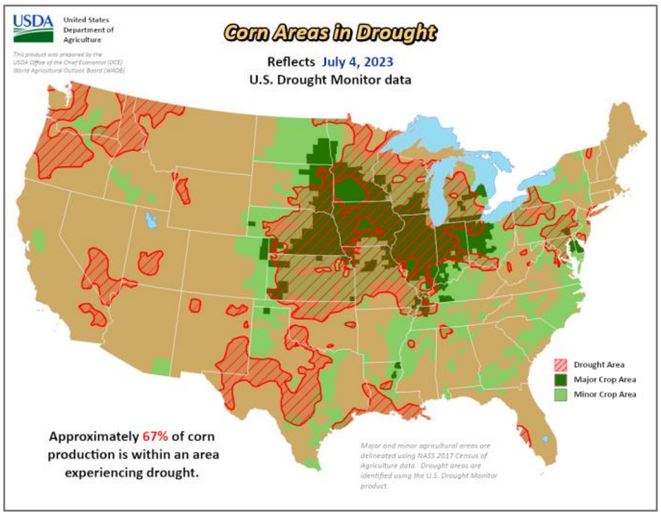
Funds remain short on the Chicago wheat contract, although they have reduced the size of the short position. If adverse weather conditions persist in the northern hemisphere, this could provoke fund short covering to support the prices.



The previous saw rangebound prices in corn. The upside on corn price is limited now due to increase in acres, which create room for yield to decline, while still keeping comfortable ending stocks.

Despite this, a sharp decline in yield would still leave the US with adequate ending stocks, limiting potential price rallies. The USDA's July WASDE will heavily influence the market's next move, especially if the USDA opts for a significant cut in US corn yield due to record dryness and weak NASS crop ratings.





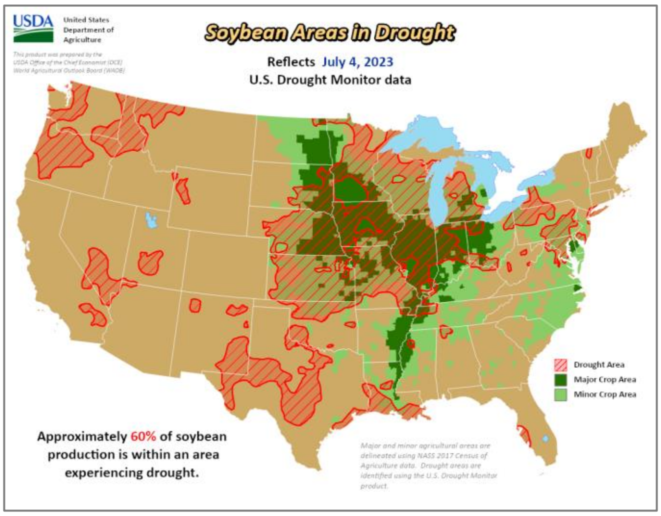
After the USDA report, the market will shift its attention towards the Midwest weather, the elevated Chinese corn price, and the increasing fob basis levels in South America.

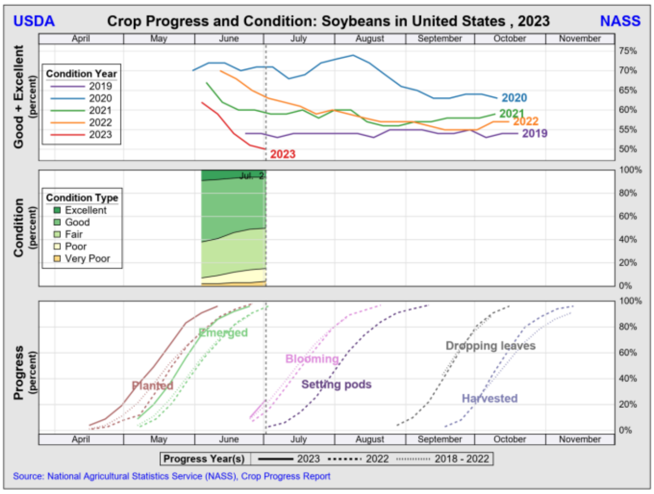
While weather forecasts predict better precipitation, the likelihood of reaching above trend yield is low due to the current crop condition ratings and a poor start to the crop.

There is still room in the balance sheet for a lower yield, but a yield below 170 would erase that buffer. This could result in a substantial drop in carry-out estimates and potentially cause a price rally.

Oilseed complex

Soybean futures fluctuated throughout the past week. The markedly lower acreage number published should provide a support base for prices until the yield numbers are established in August. The NASS reported that US soy crop ratings declined by 1% to 50% GD/EX last week, mirroring lows seen in 2012. Despite this, there was some respite as rain fell across the Central Midwest, especially in some of the driest parts. This is expected to aid in the recovery of crop conditions in the upcoming report.





The drastic reduction in soybean acreage leaves no room for flexibility in the supply and demand balance sheet. Even a slight dip in yield could push ending stock estimates into the negative, necessitating a significant price rally to discourage demand. Until a soaking rain arrives in the driest regions of the Central Midwest, the market will continue to add a premium, given the plummeting US soybean yield potential.

Since there's no margin for a yield decline, a drop by even 3 or 4 bushels could not only tighten carry-out, but push it below zero, hence the price risk remains to the upside. To estimate a carry out above 140 million bu next week, the USDA may need to consider factoring in demand destruction.

Trade-Ideas:

Soybeans: continue to hold long call options on SX , as the risk of higher price has only increased post the June 30 stocks report.

Corn: keep track of the weather and USDA report, consider owning calls or callspreads

Wheat: own volatility by trading short dated options

Food for Thought: Human Evolution from cells to people


Human Evolution
From Protocells to People
Discover the major milestones and key adaptations that have shaped the course of human evolution. The following graphic illustrates how humans have emerged from 4 billion years of change.
KEY
Ga - Giga annum Billion years ago
Ma - Mega annum Million years ago
Gain of function/body part
Loss of function/body part
Self-replicating RNA molecules
RNA stabilizes into double helix structure of DNA
Organelles (nuclei, mitochondria, cytoskeleton, etc.) and sexual reproduction evolve
Epithelia, mouth, muscles, connective tissue, nerves, photoreceptive eye-spots, and bilateral symmetry
Protocells 4.3 Ga
Prokaryote 4.0 Ga
Cyanobacteria 3.5 Ga
Eukaryote 2.2 Ga
Choanoflagellate 1.2 Ga
Unicellular Life
Single-celled Organisms
Dickinsonia 800 Ma
Urbilaterian 650 Ma
Deuterostome 600 Ma
Platyhelminthes 550 Ma
A single layered tube arises as a single-chambered heart
Animalia
Multicellular Life
Pharyngeal slits (gills) evolve
Early spine, notochord, post-anal tail
Brains, blood, branched blood vessels, pharynxes, and the ability to smell
Ears, camera eyes, pineal gland (third eye), skin layers, a two-chambered heart, and the ability to taste
Pharyngeal slits become gills
Pikaia 540 Ma
Haikouichthys 525 Ma
Agnatha 520 Ma
Placodermi 460 Ma
Cephalaspis 430 Ma
Coelacanth 420 Ma
Jaws, scales, teeth, stomachs, spleens, hemoglobin, adaptive immunity
Lungs, preliminary ribs, and other bones
Chordata
Animals with Backbones
Protolimbs in the following species eventually evolve into legs
Panderichthys 415 Ma
Tiktaalik 375 Ma
Thought to be the first animal to walk on land
Acanthostega 365 Ma
Ichthyostega 360 Ma
Pederpes 358 Ma
Westlothiana 338 Ma
Hylonomus 330 Ma
Eyelids, tear glands, stronger bones, complete rib cage and first recognizable legs
Tongue, salivary glands, three-chambered heart, glottis, and bladder
Dorsal, anal, and tail fins
Keratin, shelled eggs, adrenal glands, cranial nerves for sensory information
Gills
Tetrapoda
Four-legged Organisms
Early diaphragm, specialized teeth, secondary palate
Scales
Milk glands, sweat glands, hairy skin, internal penises, specialized teeth, four-chambered hearts, constant body temperature, and nocturnality
Loss of cervical ribs (only thoracic remain), tetrochromatic vision drops to dichromatic
Phthinosuchus 300 Ma
Cynognathus 260 Ma
Repenomamus 230 Ma
Juramaia 170 Ma
Live (eggless) births, marsupial pouches, nipples, placenta, external penises, anal and urogenital openings
Warm blood, thicker skin, advancements to lungs/lymphatic system, and erect hindlimbs
Pineal gland (third eye) and lumbar ribs
Mammalia
Milk-producing Animals
Menstrual cycle, diurnality, paranasal sinuses
Claws become nails, mammaries reduce to a single pair on the chest
Trichomatic vision, larger brain
Tails
Plesiadapis 90 Ma
Carpolestes 65 Ma
Aegyptopithecus 50 Ma
Proconsul 35 Ma
Forward-facing eyes, grasping digits
Vitamin C metabolism (now must be introduced in diet)
Primates
An Order of Mammals
Likely bipedal (but still had grasping feet), brain size begins to enlarge, tool construction begins
Completely bipedal
Introduced clothing, fire, and constructed the wheel
Flat and widened rib cage, stiff lower spine, flexible wrists, shoulder blades
Pierolapithecus 15 Ma
Ouranopithecus 9 Ma
Orrorin 6 Ma
Ardipithecus 5.7 Ma
Australopithecus 4 Ma
Hominidae
Great Apes
Homo erectus 2 Ma
Homo neanderthalensis 300 ka
Homo sapiens 160 ka
Brain size stabilizes, trunk and extremities elongate
Reduction in body hair
Protruding nose
Brow ridges, snout, decrease size in jaws and teeth
Genus Homo
Contemporary humans
?
Evolving into the Future
Humans are still evolving. Thousands of years from now, we may experience a 'Great Averaging' where continuous, international mixing will create an average of all current physical differences.
Other hypotheses suggest humans may become taller, more lightly built, and less aggressive with smaller brains.
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