

Weekly Market Report

Monday, 24 July 2023

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Weekly Overview

Price changes over the week.

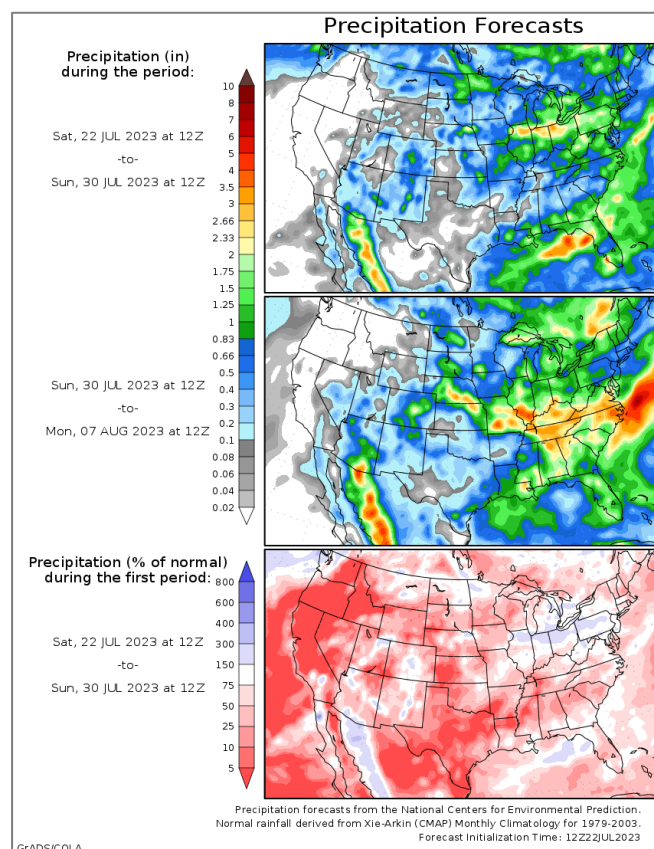
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	717.75	37.00	5.44%	784.25	641.50
Kansas Wheat	866.75	33.25	3.99%	896.75	789.50
Corn	536.25	22.50	4.38%	626.50	481.00
Soybeans	1401.75	31.00	2.26%	1428.75	1256.75
Soybean Meal	408.50	7.50	1.87%	432.00	374.60
Soybean Oil	62.80	2.04	3.36%	63.37	51.36
Crude Oil	76.07	1.65	2.22%	76.25	67.40
Palm Oil	889.25	24.00	2.77%	893.75	771.00

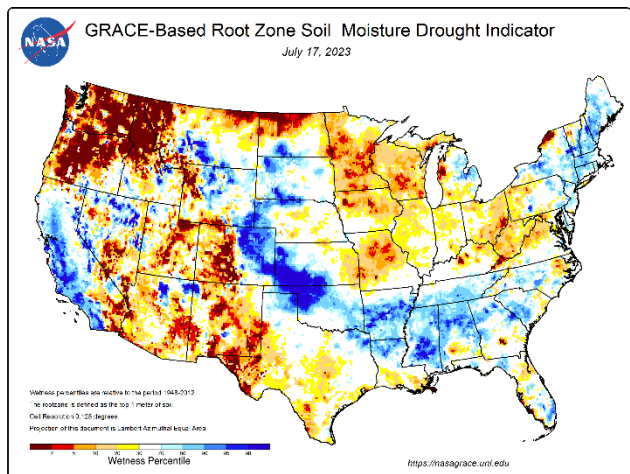
The past week witnessed an upswing in grain and oilseed complex prices, prompted by the termination of the grain corridor deal that injected uncertainty into global supply.

Aided by improved precipitation, crop conditions have seen a rebound. Nevertheless, we know that excellent crop ratings do not always translate into final yield numbers. This recovery may be curtailed by subnormal rainfall, potentially limiting the overall yield potential for both soybeans and corn.

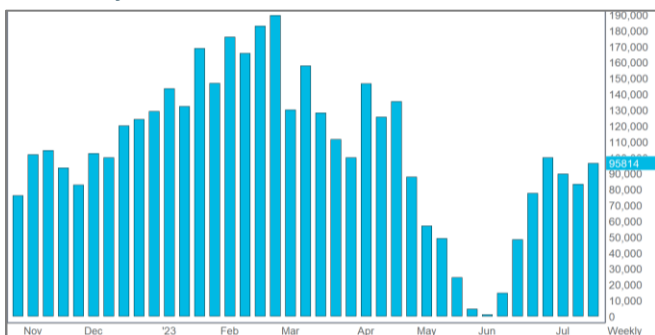
Despite the dissolution of the grain corridor, we expect grain exports to continue, given the mutual benefits for all involved countries. However, the ongoing conflict for over a year now injects uncertainty into supply and demand balance sheet.

In addition, we've seen a cessation in the decline of Russian export prices, and some exporters continue to offer Russian origin cargoes, signalling a possible eventual resolution. Managed money funds remain long on soybeans and short on corn.

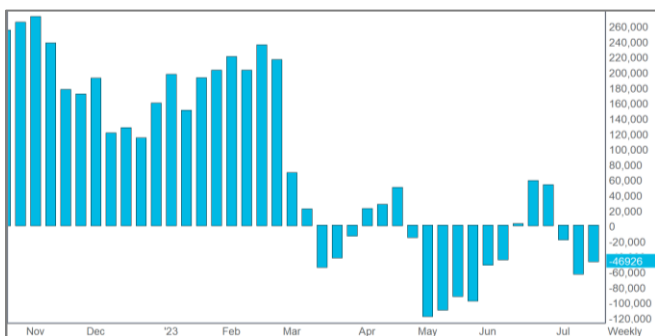




In the coming week, the market will keep a watchful eye on weather forecasts for potential impacts on final yield numbers. News related to the Russia/Ukraine grain corridor may also contribute to price volatility.



Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts)

Grains

Despite a slight downtick on Friday, wheat futures ended the week in a stronger position. However, funds continue to hold short positions. Though the HRW harvest remains behind schedule, it is now over halfway done, applying pressure to the calendar spreads which have shifted from an inverse to a carry curve.



The main threat to world wheat prices remains the uncertainty surrounding the Russian and Ukrainian supply, but we anticipate some resolution that allows continued grain exports.

External factors, such as India banning rice exports and potentially importing wheat later in the year, contribute to global food inflation. Failure of rain in Canada could see a reduction of another 4-6 MMTs in production.

The future of global wheat carry-out stock hinges on the northern hemisphere crop development, the size of which is still uncertain. By late August, the market should have a clearer picture of potential crop size.

Meanwhile, the threat of El Nino conditions affecting Australian wheat yield could impact Q4 supply to the world export market. Until these factors solidify, expect wheat prices to continue fluctuating due to geopolitical uncertainty and less than ideal weather for the growing season in most of the northern hemisphere.



CBOT corn were higher due to addition of war and weather premiums. With 55% of US corn acreage still covered by drought, it will be challenging to adjust yield estimates before mid-August crop tours. Despite this, current high acreage estimates predict a carry-out estimate for the new crop above 1.5 billion bushels as long as yields are above 170 bu/acre USDA estimated yield at 177.5 bu/acre.

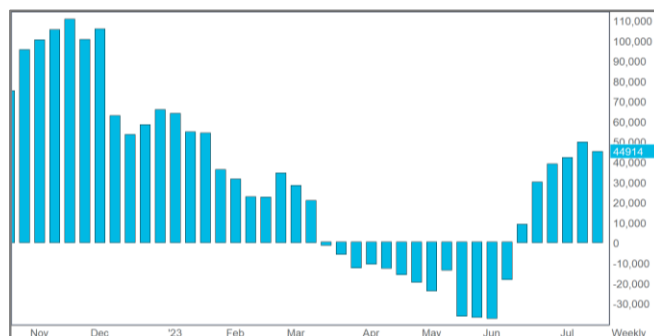
Concerns lie in the Black Sea conflict potentially leading to reduced or restricted exports, pushing global prices up. US prices rallies may be limited in upside potential unless the black sea supply flow is interrupted. Despite a possible yield decline, US ending stocks are anticipated to be sufficient.

Next week, the market will focus on the Midwest weather, elevated Chinese corn price, and increasing fob basis levels in South America. Particularly, the abnormally high temperatures over China's corn area may lead to higher imports. Currently, we predict corn prices to trade in a broad range, but a sub 170 yield could trigger a price rally due to drastically reduced carry-out estimates.

Oilseed complex

Soybean prices enjoyed an uptick for the majority of the week, backed by physical soyoil cash tightness in the US domestic market. Crop conditions continue to improve, but enough rain in August is needed to stave off a potential price rally due to decreased yield potential.

The heatwave in the Southwestern US, expected to extend into the Plains/Midwest this week, could potentially pose a threat to crops. As a result, soybean prices will be heavily influenced by weather conditions in the coming months, with August being a pivotal month.



Soybean Oil Managed Money Fund Net Position (in contracts)





Soybean basis has started to weaken, while cash meal and oil basis are well above their 10-year averages due to demand. Given the limited room for a larger yield decline in the supply and demand balance sheet, any threat to the crop could cause a disproportionate price reaction. The USDA will likely need to reduce the estimated yield in their next report and adjust demand side due to tight carryout.

Trade-Ideas:

Soybeans: continue to hold long call options on SX.

Corn: while bearish, is still in the middle of the weather market. Own short term volatility

Wheat: with potential crop reductions globally, trade with a long bias and now with the Russian grains deal out, focus on securing your supply chains first

Food for Thought: This year's fastest rising asset classes

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