

# Weekly Market Report

Monday, 14 Aug 2023

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## Weekly Overview

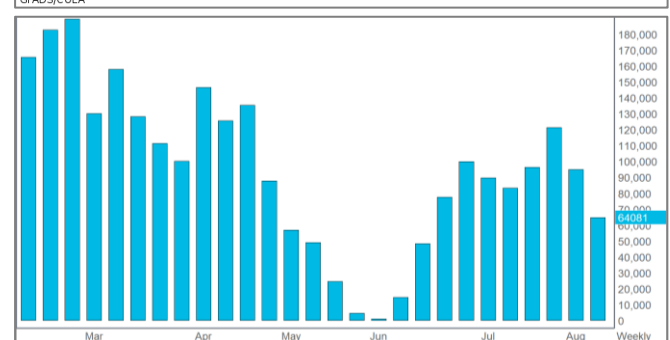
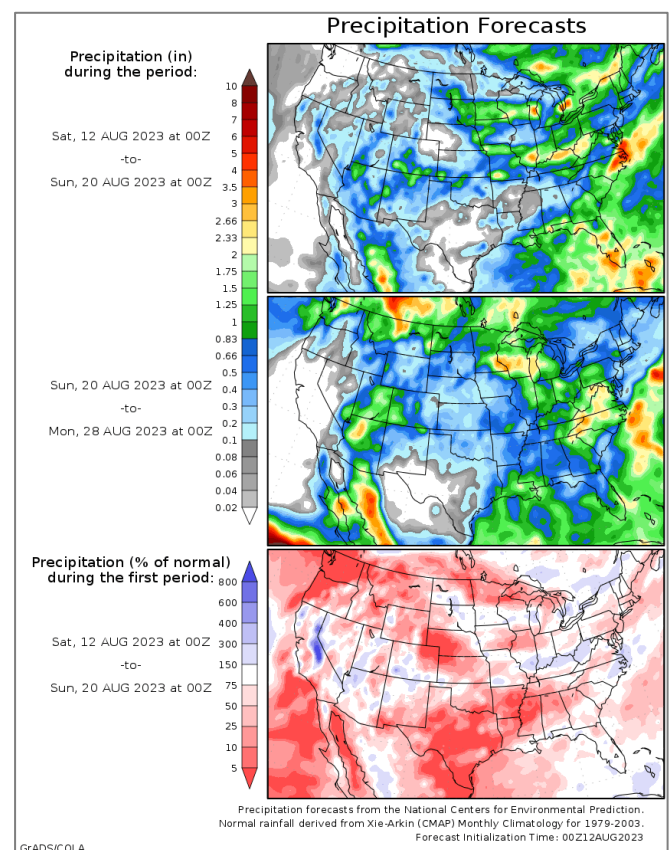
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	663.75	8.75	1.34%	796.25	641.50
Kansas Wheat	779.25	-2.75	-0.35%	936.00	763.50
Corn	496.25	2.75	0.56%	572.25	481.00
Soybeans	1318.25	-7.00	-0.53%	1435.00	1282.25
Soybean Meal	393.70	-4.80	-1.20%	424.70	387.20
Soybean Oil	60.48	0.44	0.73%	65.58	57.86
Crude Oil	81.33	1.21	1.51%	82.85	73.12
Palm Oil	831.00	-24.25	-2.84%	920.25	822.25

Over the past week, the landscape for grain and oilseed prices remained fairly static. This is primarily because the USDA WASDE report, which traders eagerly awaited, did not unveil any major surprises versus the market's expectations, which led to a neutral price reaction. The precipitation has been close to normal in various areas, and in some pockets, it's even above the standard levels. However, these rainfall patterns haven't been consistent across vital growing areas. As a result, the non-uniform rainfall distribution could see some surprises in yield, especially from drier areas that might pull down overall yield projections. We could potentially see a wider range of yield predictions from private forecasts due to this reason.

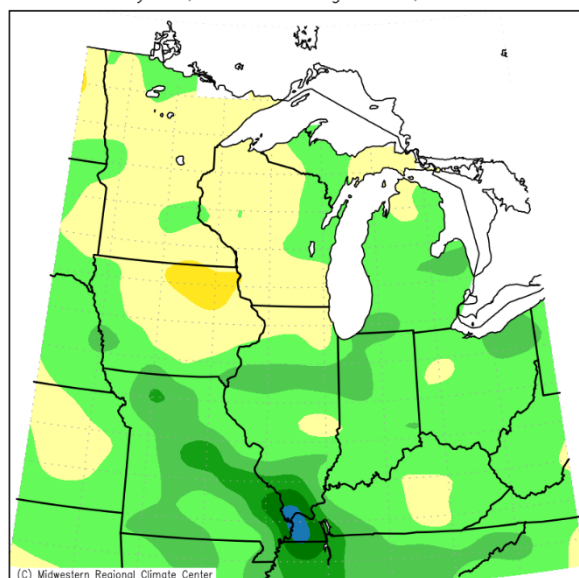
With the August WASDE report now behind us, future yield predictions will be majorly driven by private estimates until the September crop report releases.

The escalating conflict in the Black Sea area has injected a dose of uncertainty into the market. The war has taken a more advanced dimension, with an increased utilization of drones. Without Black Sea's supply, the balance sheet for both corn and wheat is tighter.



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

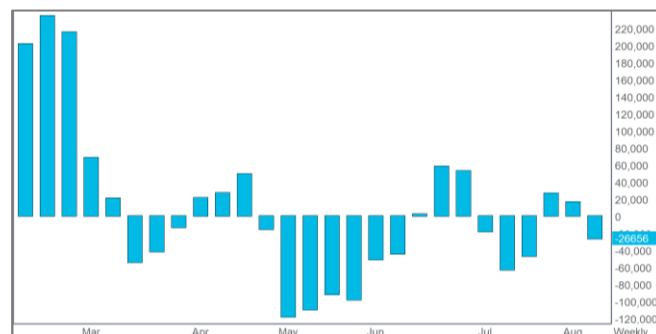
Accumulated Precipitation (in): Departure from Mean  
July 15, 2023 to August 12, 2023



–4 –2 0 2 4 6 8 10

Midwestern Regional Climate Center  
cli-MATE: MRCC Application Tools Environment  
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Wheat is more susceptible to a rally due to the global expectations of a tighter carry out, especially if the Black Sea supply stops. Despite this, the anticipation is that grain exports will continue from this region, but with Russia dominating a larger portion of it. Ukraine's export capability seems under threat due to consistent attacks on its export infrastructure by Russia.



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

The past week saw no significant changes in managed money positions. Moving ahead, weather forecast impacts and the ongoing conflict in the Black Sea region are poised to be the major factors impacting the market.

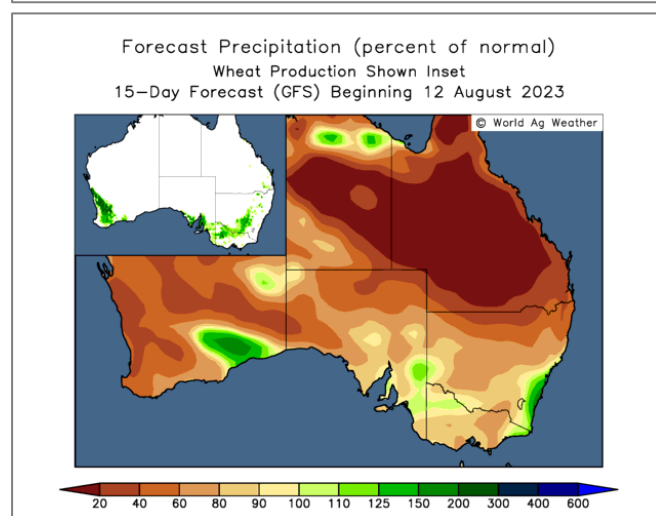
## Grains

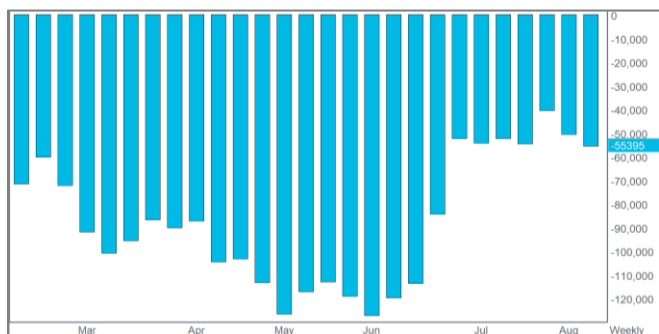
After the significant downward move from the previous week, wheat futures remained relatively stable. The USDA report pegged the carryout number at 598 million bushels, in contrast to a market estimate of 615 million bushels.

Meanwhile, funds maintained a short position in wheat, amounting to approximately 50k contracts.

The ongoing situation in Ukraine leaves questions about its export capability and also its current crop size. Despite the prevailing challenges, wheat is still expected to be exported from the region, although at a reduced pace.

However, there are financial challenges emerging with declining bank willingness to finance this flow. A major concern is the potential risk to grain ships in the region. Should any such eventuality occur, securing war risk insurance would become challenging, causing a significant dip in exports.





**CBOT Wheat Managed Money Fund Net Position (in contracts)**

There's a notable price increase in Russian wheat over the past few weeks. Adding to the mix, rumours suggest that India might soon permit wheat imports, but there's no confirmation yet.

The potential El Nino could affect Australian wheat yield, especially between August 15 and September 15. Dry weather forecasts hint at a reduced crop potential.

Historically, wheat prices see their lowest in August. This year might follow suit with prices anticipated to ascend from current positions.

Geopolitical uncertainties, coupled with unideal weather for the growing season in the Northern Hemisphere, are expected to introduce volatility in wheat prices. The direction for wheat prices remains uncertain due to the unpredictability in the Black Sea region.



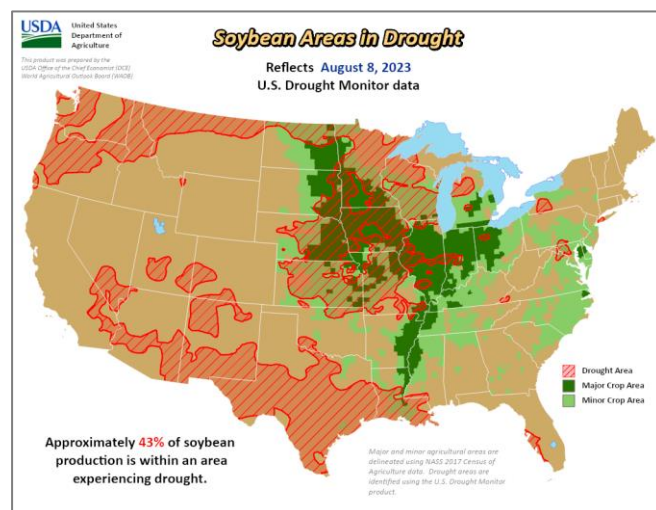
Corn prices, much like wheat, displayed minimal change over the week. The USDA's corn yield figures were posted at 171.1 bu/acre, contrasting the market's projection of 175.5. Even though the yield for corn seems largely set, the inconsistent rainfall over the past month means final numbers will require more time to ascertain. However, even a significant dip in yield would still leave the US with sufficient ending stocks.

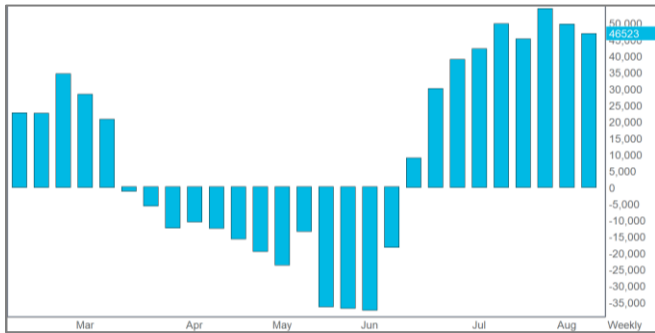
Seasonally, corn prices see a decline during the September/October timeframe, and this year seems to be following that trend. On the balance sheet, room remains for lower yield figures, but anything below 170 would significantly decrease margin for error, potentially triggering a price rally. The driving force behind the corn market's volatility is the Black Sea's export capacity.

## Oilseed complex

The week concluded with soybean prices largely unchanged. The USDA's report presented no big surprises, with yield projections at 50.9 bu/acre versus market anticipations of 51.3. The inconsistent rainfall might not be factored into current prices.

Seasonally, soybean prices tend to drop around September/October. If benign weather conditions persist, prices can gradually grind lower. However, balance sheet continues to be tight and risk of rally persists.





Soybean Oil Managed Money Fund Net Position (in contracts)

The August Crop Report's potential to influence the market is particularly relevant now that market prices have shown a dip. In the forthcoming weeks, weather patterns in the Central US and Chinese demand will be crucial determinants for prices. As we move ahead, weather in the upcoming months, especially August, will play a pivotal role in shaping the soybean market.

### Trade-Ideas:

**Soybeans:** continue to hold long call options on SX. Look to buy SN4/SX4 calendar spread at current levels.

**Wheat:** look to buy long WH4 call options

**Corn:** seasonally and with hedge funds moving out, play it from a small short notice

**Food for Thought:** Where does Africa's exports go?

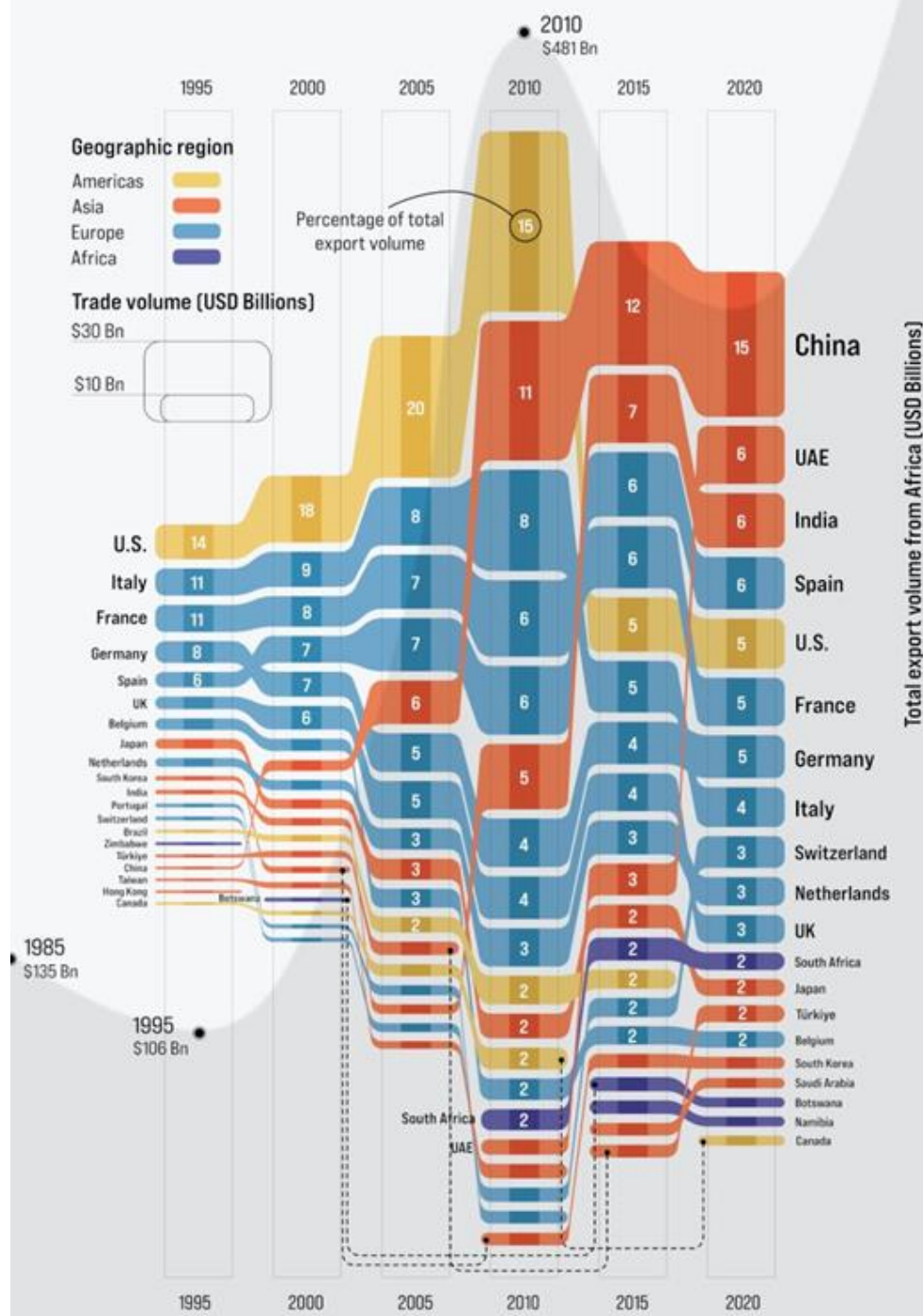


# Out of Africa

In 2020, China, the UAE, and India emerged as top export destinations for African countries, while trade with the US and Europe declined. Intra-African trade also rose, highlighting Africa's focus on regional economic cooperation and reducing reliance on external markets.  
(Atlas of Economic Complexity, Bloomberg, World Bank)

2030  
\$540 Bn

African export destinations which constitute more than 1% of trade volume



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