

# Weekly Market Report

Monday, 21 Aug 2023

Proudly  
Sponsored by



## Weekly Overview

Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	639.00	-14.75	-2.26%	796.25	612.00
Kansas Wheat	760.75	-5.25	-0.69%	936.00	739.00
Corn	493.00	5.75	1.18%	572.25	473.50
Soybeans	1353.25	45.75	3.50%	1435.00	1282.25
Soybean Meal	389.00	0.30	0.08%	424.70	379.00
Soybean Oil	64.09	3.87	6.43%	65.58	57.86
Crude Oil	79.75	-1.76	-2.16%	82.85	73.92
Palm Oil	839.75	9.25	1.11%	920.25	816.75

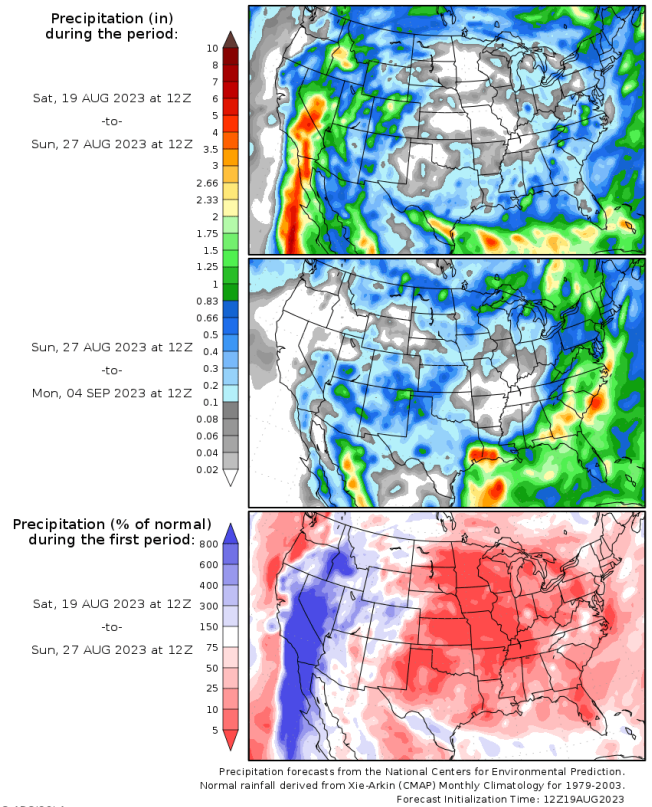
Grain prices remained fairly steady throughout the week, albeit with a noticeable uptick in both soybean and soybean oil prices.

The Midwest's weather outlook seems increasingly concerning, though the accumulated rainfall will likely cushion the impact on the final yield. Still, certain dry patches could pull down yield predictions.

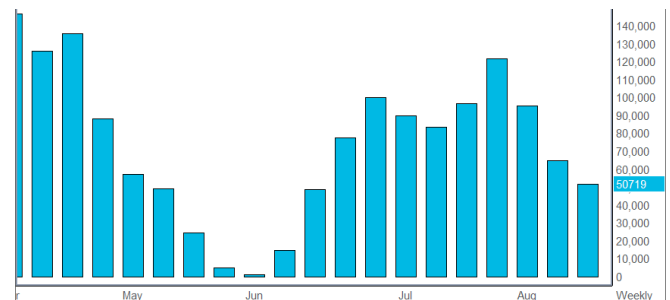
Following the release of the August WASDE report, yield projections will now be driven by private estimates until the September report is out. The Black Sea conflict continues to exacerbate, rendering the price landscape volatile.

In the absence of Black Sea's contribution, the global supply and demand balance for corn and wheat becomes significantly constrained.

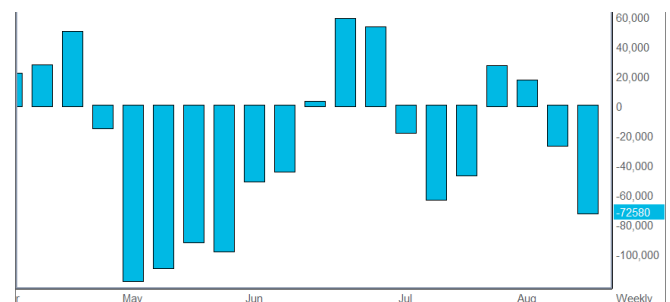
## Precipitation Forecasts



GRADS/COLA



Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts).



PRETB PTE LTD

Wheat, in particular, may see price surges due to tighter global carryout predictions, emphasizing Russia's role in global supply. Our analysis proved correct in predicting that grains would still be exported from the Black Sea, with Russia dominating exports.

The recent COT report indicated that managed money funds took a net selling stance, diminishing their long stances on soybeans and increasing their short positions in corn.

In the upcoming week, pivotal market influencers remain consistent: weather projections defining final yield figures and the Black Sea conflict's bearing on grain exports

## Grains

Wheat futures witnessed a downtrend but recovered some of their initial weekly losses. Boosting Friday's rally were global demand enhancements and drought conditions in Australia and Argentina. The funds persisted in their short stance on wheat, with a slight increase over the week.

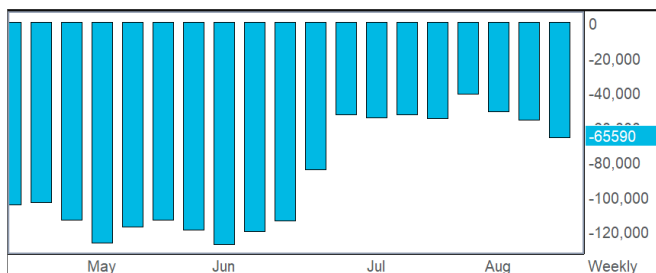
The Ukrainian export situation remains opaque, as does the clarity regarding their crop size. The current global wheat pricing dynamics are heavily influenced by Russian and Ukrainian supplies.

Our analysis indicates that despite the Black Sea Grain Corridor Deal's conclusion slowing Ukrainian exports, wheat will still be exported from the region, albeit at a decelerated pace. However, there's increasing hesitancy from banks to finance this flow.

Potential threats include possible attacks on grain ships, which, if realized, could impede war risk insurance acquisition and critically slash exports.

Concurrently, Russian wheat prices have been on an upward trajectory recently. While there's market chatter about India potentially green-lighting wheat imports, official confirmations remain elusive.

Overall, geopolitical uncertainties and growing season weather complications in the northern hemisphere will perpetuate price volatilities for wheat.



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

Additionally, the Australian wheat supply may be disrupted in Q4 if El Nino conditions persist and reduce yields. Historically, wheat prices tend to stabilize by August, a trend that may continue this year.

CBOT corn futures displayed a rebound, potentially marking the annual low last week. Sub-optimal weather conditions are anticipated in the forthcoming week, which may expedite crop maturity.

While the final corn yields remain a mystery, the erratic precipitation patterns over the past month might prolong their establishment. A drastic yield drop would still ensure adequate US ending stocks, capping any significant price rallies, provided Black Sea exports remain consistent.

China's corn regions have struggled with extreme temperatures, causing private crop projections to dwindle, thus potentially setting a sturdier price foundation. Historically, corn prices undergo a descent into the September/October window.

To summarize, corn still has wiggle room in its balance sheet for yield reductions, but a yield drop below 170 would severely compress margins. Current price projections expect considerable fluctuations, largely steered by the Black Sea's export capacity

### Oilseed complex

Soybean futures experienced a resurgence in the latter part of the week. Recent Crop Progress reports unveiled a substantial 5% leap in national GD/EX ratings, placing them above both last year's figures and the 5-year average at 59% GD/EX.

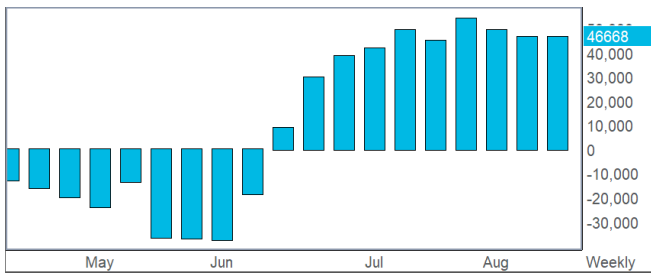
The inconsistent rainfall combined with the impending dry spell suggests the possibility of a price hike. However, typical seasonal price trends tend to be unfavorable for soybeans.

Any considerable yield drop, given the tight supply-demand balance, could trigger substantial price hikes. The August Crop Report's potential yield disappointments, especially with the declining market prices, make it a focal market influence.





As extreme heat sweeps the Plains and Midwest, soybean yields, particularly seed sizes, may suffer. The immediate market influencers for soybeans will be the imminent weather and the Pro Farmer crop tour's daily updates. Ultimately, the fate of soybean prices hinges on upcoming weather patterns, emphasizing August's significance for soybeans.



Soybean Oil Managed Money Fund Net Position (in contracts)

**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

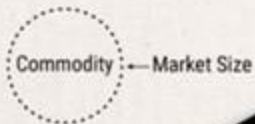
**Food for Thought:** How big is the oil market really?

E

# HOW BIG IS THE OIL MARKET?

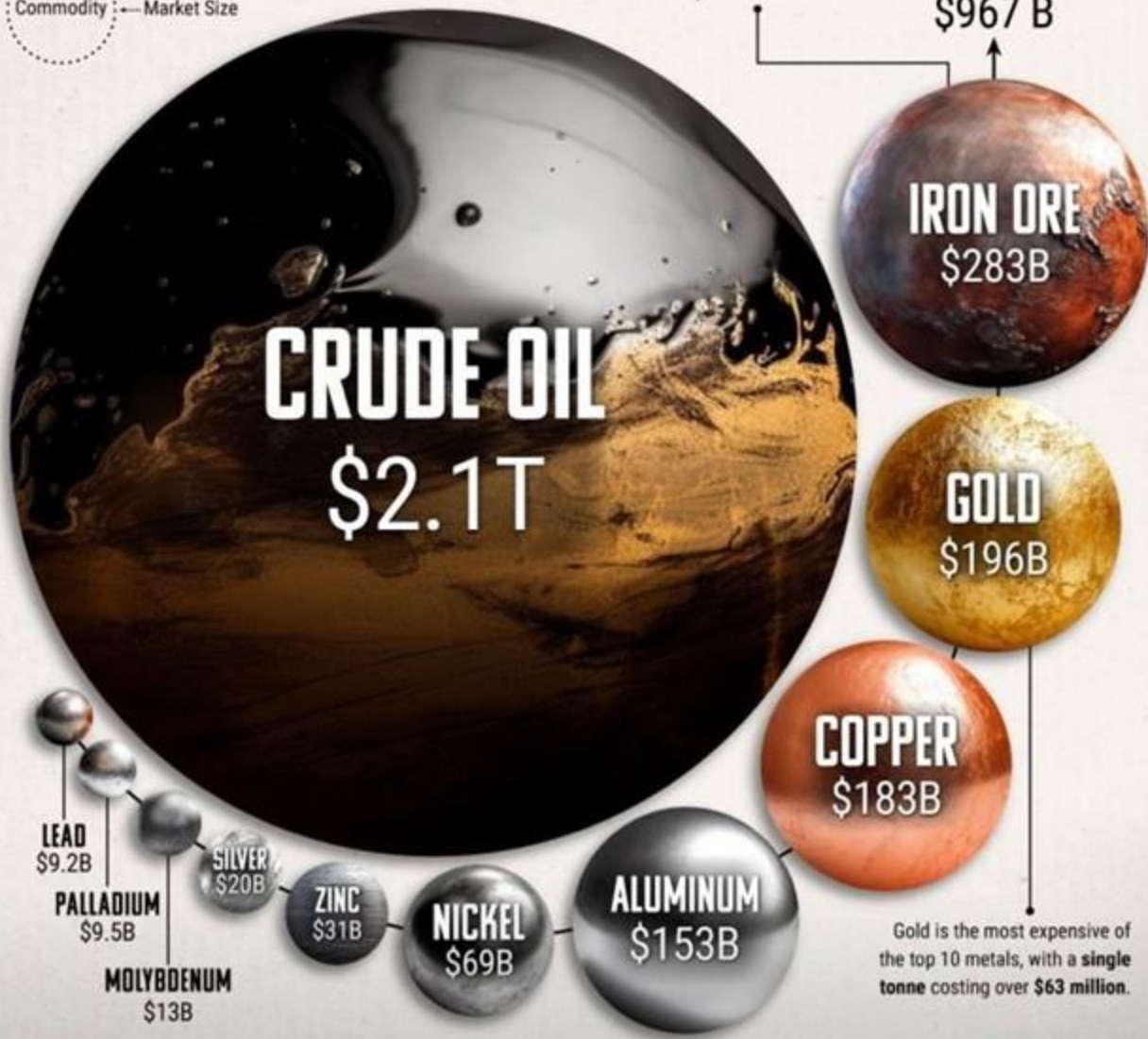
The oil market is bigger than the top 10 metal markets combined in terms of production value, surpassing \$2 trillion in 2022.

## CRUDE OIL MARKET SIZE VS TOP 10 METAL MARKETS



Iron ore is the largest metal market by tonnage and dollar value, with 2.6 billion tonnes produced in 2022.

TOP 10 METAL MARKETS TOTAL  
\$967 B



Gold is the most expensive of the top 10 metals, with a single tonne costing over \$63 million.

Source: USGS Mineral Commodity Summaries 2023, TradingEconomics, Cameco, FastMarkets  
Market sizes are calculated by multiplying annual production in 2022 with spot prices as of June 7, 2023.

ELEMENTS

ELEMENTS.VISUALCAPITALIST.COM

## **Disclaimer and Important Disclosures**

The information in this report is provided solely for informational purposes and should not be regarded as a recommendation to buy, sell or otherwise deal in any particular investment. Please be aware that, where any views have been expressed in this report, the author of this report may have had many varied views over the past 12 months, including contrary views. A large number of views are being generated at all times, and these may change quickly. Any valuations or assumptions made are based solely on the author's market knowledge and experience. Furthermore, the information in this report has not been prepared in accordance with legal requirements designed to promote the independence of investment research. The given material is subject to change, and although based upon information that we consider reliable, it is not guaranteed as to accuracy or completeness. PRETB Pte Ltd believes that the information contained within this report is already in the public domain. The material is not intended to be used as a general guide to investing or as a source of any specific investment recommendations. Investors with any questions regarding the suitability of the products referred to in this presentation should consult their financial and tax advisors.

This material does not constitute an offer or solicitation to any person in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Persons into whose possession this document may come are required to inform themselves of and observe such restrictions.

This document is confidential. It may not be reproduced, distributed, or transmitted without the express written consent of PRETB Pte Ltd, which reserves all rights.