

Weekly Market Report

Monday, 28 Aug 2023

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Weekly Overview

Price changes over the week.

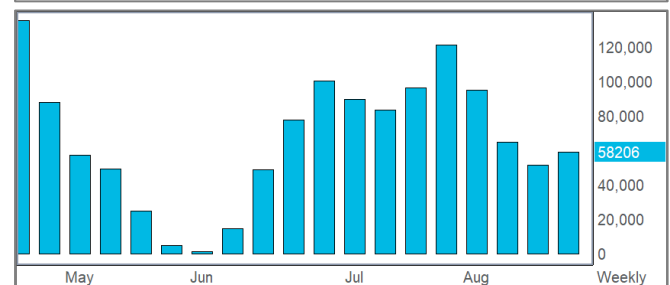
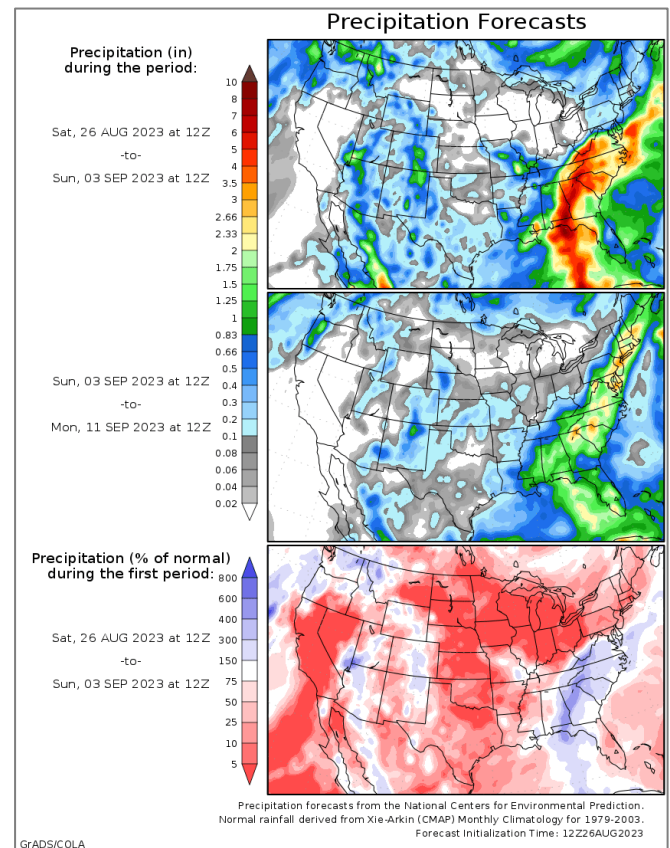
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	621.75	-17.25	-2.70%	743.25	612.00
Kansas Wheat	764.50	3.75	0.49%	879.75	739.00
Corn	488.00	-5.00	-1.01%	547.50	473.50
Soybeans	1387.75	34.50	2.55%	1401.50	1282.25
Soybean Meal	415.00	26.00	6.68%	416.40	379.00
Soybean Oil	63.36	-0.73	-1.14%	65.39	57.86
Crude Oil	79.09	-0.66	-0.83%	82.85	77.03
Palm Oil	864.50	24.75	2.95%	891.50	816.75

Throughout the past week, the grains had little to no changes in price, while the oilseed complex experienced an upward price momentum primarily due to the relentless dryness in the Midwest.

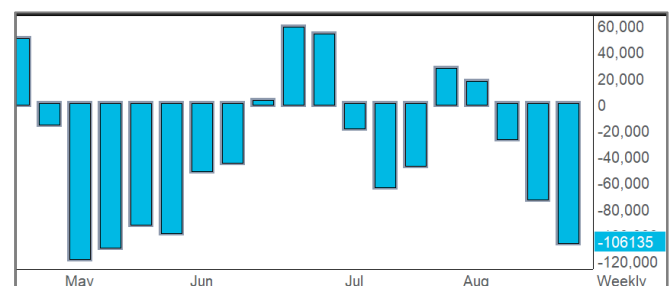
This continuous dry spell could pose genuine threats to the yield, given that the early-season precipitation is already accounted for. In the face of this dryness, the market heavily relies on private yield estimates until the forthcoming WASDE crop report.

Many of these private predictions indicate possible downward revisions in yield numbers.

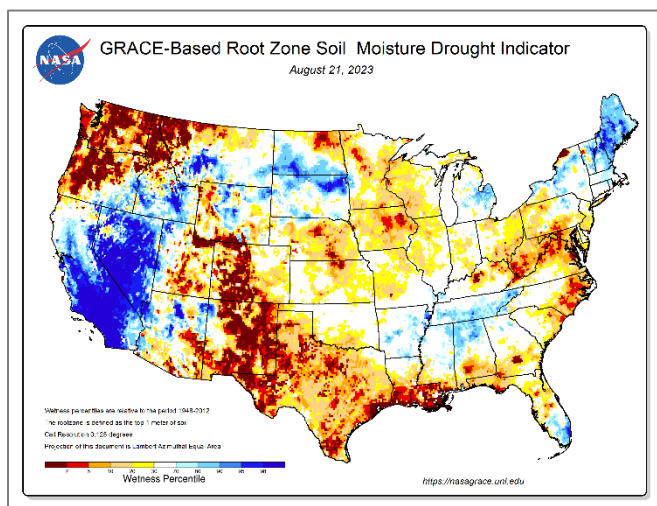
The persisting geopolitical uncertainty in the Black Sea region adds another layer of complexity to the price volatility, especially concerning wheat.



Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts).



Although grain exports continue, particularly from Russia, Ukrainian supplies face constraints in their export channels.

The COT report revealed that managed money funds leaned more towards selling, increasing short positions in corn and wheat while adding to long positions in soybeans and soybean oil.

Going into the next week, the primary market determinants remain consistent: the influence of weather forecasts on final yield numbers and the Black Sea conflict's effect on grain exports.

Grains

Wheat futures were lower over the week, with spring wheat bearing the brunt of this decline due to ongoing harvest.

Fund managers maintained their short position in wheat, with a slight increase observed over the week.

The uncertainty surrounding Ukraine's potential to amplify its current exports remains unresolved. In our view, The market is potentially underestimating both geopolitical and global weather-related risks.

Rumblings about India's impending decision to greenlight wheat imports remain unconfirmed, but domestic wheat prices in India have been on an uptrend.



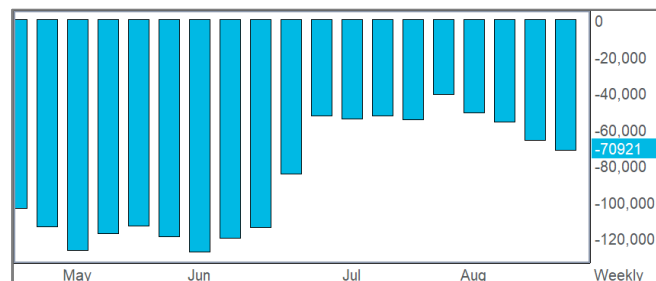


The wheat market faces numerous global challenges, with declining crop estimates in Canada, deteriorating spring wheat quality in Germany and Russia due to rains, and potential drought stress impacting Australian and Argentine wheat.

The inherent risks associated with grain ships potentially facing attacks in the black sea conflict region further complicate matters. Such an event could complicate the acquisition of war risk insurance, leading to plummeting exports. Concurrently, Russian wheat prices have observed an incremental rise over the last few weeks.

Seasonally, wheat prices hit their lowest in August, suggesting a possible upward price trend.

Due to uncertainties primarily in the Black Sea region, wheat prices are projected to fluctuate considerably with bias to the upside.



CBOT Wheat Managed Money Fund Net Position (in contracts)



Corn futures experienced a rebound this past week, marking potential yearly lows.

The incoming week poses significant challenges as extreme heat might expedite crop maturity.

Yield predictions indicate a possible decline if the heatwave continues, with figures potentially dropping below 170 bu/acre.

China's considerable acquisition of Brazilian corn, prompted by rising domestic corn prices, remains a market highlight.

The typical seasonal trend for corn prices is a downturn into September/October, and the current year seems to be mirroring this trend. Given the competitive price of US corn to the global export market, a surge in exports and a reduction in stock estimates is foreseeable.

Initial assessments indicated sufficient slack in the corn balance sheet; however, the unexpected dry conditions could make the balance sheet less burdensome if yields drop below the projected 170 bu/acre. This potential tightening may offer short-term price support.

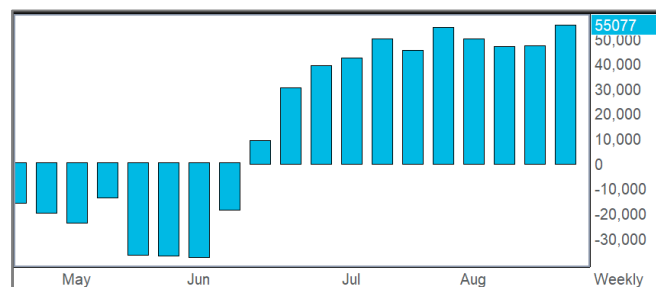
Oilseed complex

Soybean futures displayed a positive trend last week. November futures increased by 35 cents.

A resurgence of drought in Central US could significantly recalibrate corn, soybean, and sorghum crop predictions. Despite potential price upswings due to inconsistent rainfall and forecasted dryness, soybean prices usually decrease during September/October once yield uncertainties are dispelled.

Recent reports suggest a concerning trend of Midwest soybeans exhibiting signs of stress due to the past week's extreme temperatures.





Soybean Oil Managed Money Fund Net Position (in contracts)

Predictions for the upcoming week are unfavorable, with minimal rainfall and escalating heat, reducing the yield potential. The Pro Farmer crop tour's yield estimate for US soybean stood at 49.7 BPA, a decrease of 1.2 bushels compared to the USDA's August projection.

With weather continuing to play a pivotal role, the soybean price trajectory is poised to rally given the recent climate forecasts.

Trade-Ideas:

Soybeans: Continue to hold long call options on SX. Hold long on Sn4/SX4.

Wheat: Hold long WH4 call options

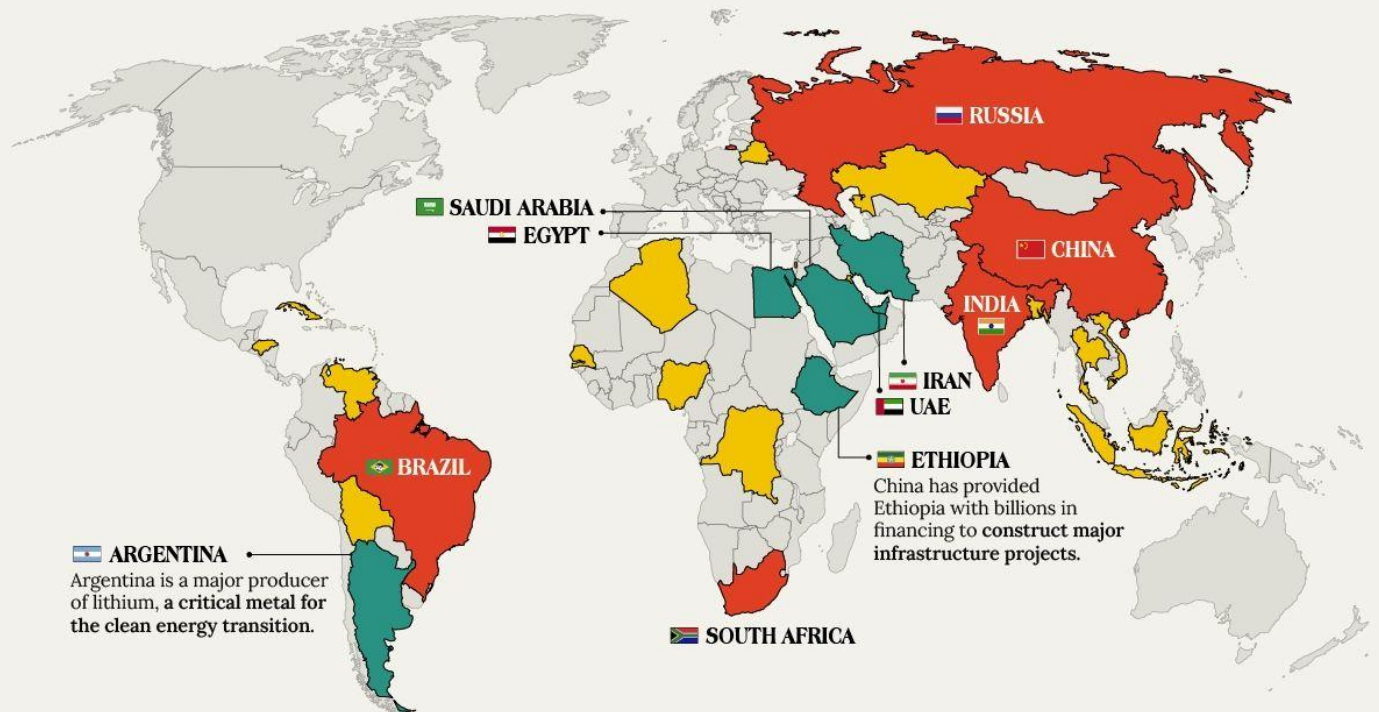
Corn: Making yearly lows over selling pressure. Weakness continues, own volatility

Food for Thought: The impact of the new and enlarged BRICS with 6 additional members, and what the balance vs the G7 was before the increase.

VISUALIZING THE 2023 BRICS EXPANSION

BRICS, a bloc of developing countries formed in 2010, is set to welcome six new members at the beginning of 2024.

▲ Members ▲ New Members ▲ Applied for membership



SHARE OF GLOBAL

GDP 2023 EoY PROJECTION

BRICS total with new members



29%

Saudi Arabia is the only trillion-dollar economy being added to BRICS.

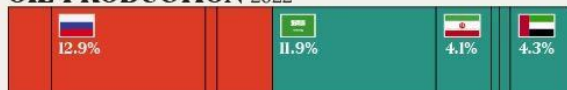
POPULATION 2023



46%

Adding high-population-growth countries like Ethiopia means BRICS could soon represent over half the world's population.

OIL PRODUCTION 2022



43%

The addition of Saudi Arabia, Iran, and the UAE will more than double BRICS' share of global oil production.

EXPORTS OF GOODS* 2022



25%

BRICS' share of global exports will increase slightly, continuing to be led by China.

*Merchandise trade only.

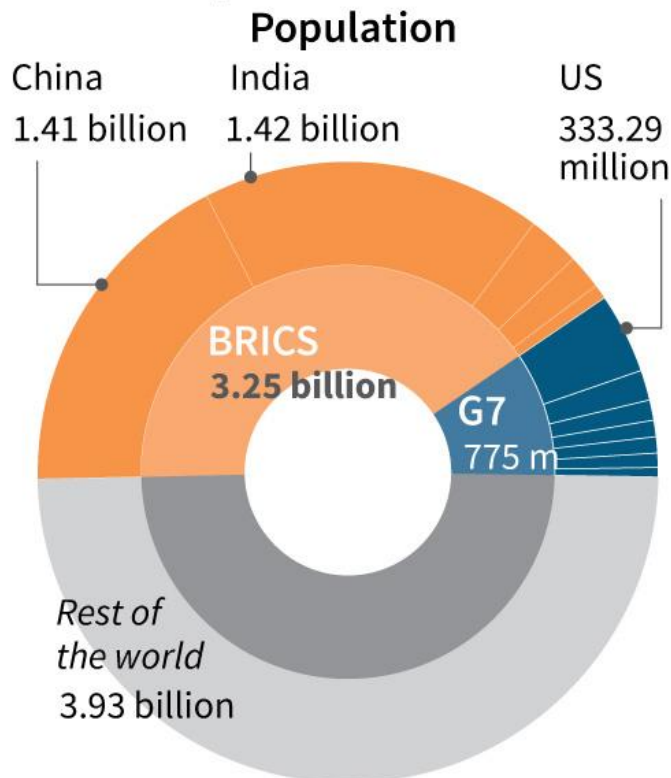
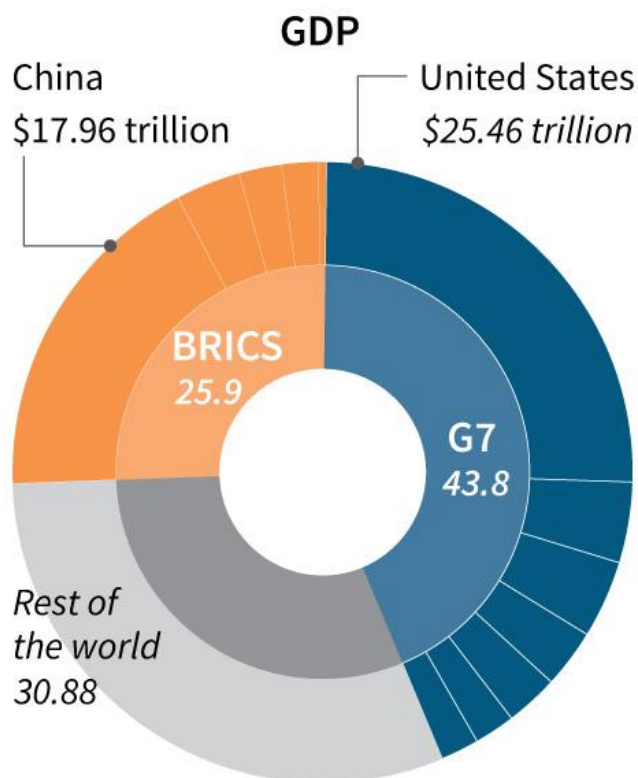
Sources: IMF, World Population Review, EI Statistical Review of World Energy, World Trade Organization

visualcapitalist.com



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BRICS* and G7** compared



*Brazil, Russia, India, China, South Africa

**US, Japan, Germany, UK, France, Italy, Canada

Source: World Bank

AFP 

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