

Weekly Market Report

Monday, 2 Oct 2023

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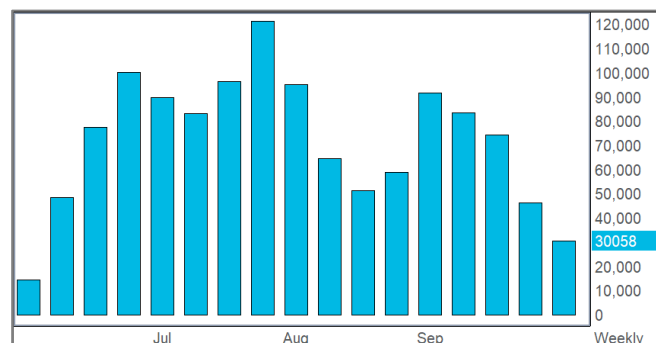
Weekly Overview

Price changes over the week.

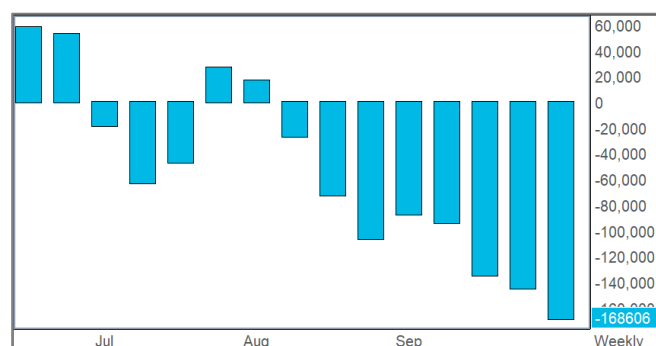
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	541.50	-38.00	-6.56%	615.50	540.00
Kansas Wheat	663.75	-47.50	-6.68%	754.25	662.00
Corn	476.75	-0.50	-0.10%	490.25	467.75
Soybeans	1275.00	-21.25	-1.64%	1385.00	1272.50
Soybean Meal	381.20	-4.60	-1.19%	409.70	380.80
Soybean Oil	55.83	-3.79	-6.36%	63.73	55.66
Crude Oil	88.80	0.45	0.51%	92.48	82.09
Palm Oil	808.25	17.00	2.15%	881.00	790.25

The September quarterly stocks outlook revealed tighter than expected corn reserves, albeit the figures for both soybeans and wheat were slightly above market predictions. Consequently, prices experienced pressure towards the end of the week, culminating in a drop for most products.

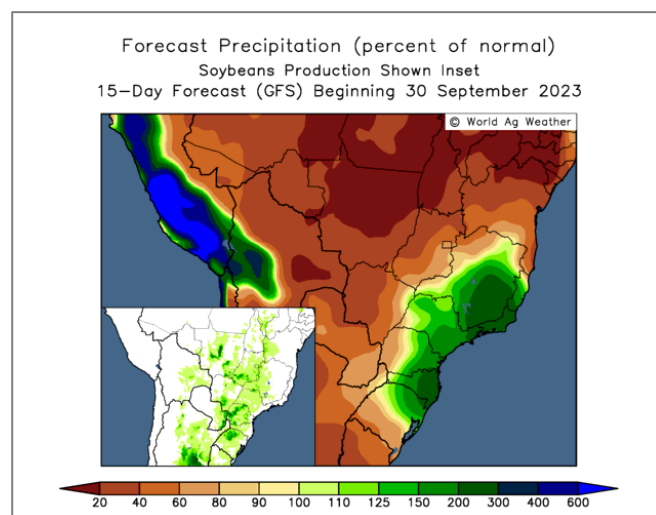
Harvesting has commenced for corn and soybeans, and the current pricing trend can be attributed largely to the regular harvest season pressure. Anecdotal evidence suggests disappointing yield figures, raising concerns about the USDA's previous estimations, especially for soybeans considering the existing supply-demand equilibrium. Geopolitical factors are at play with wheat supply from Ukraine facing constraints.

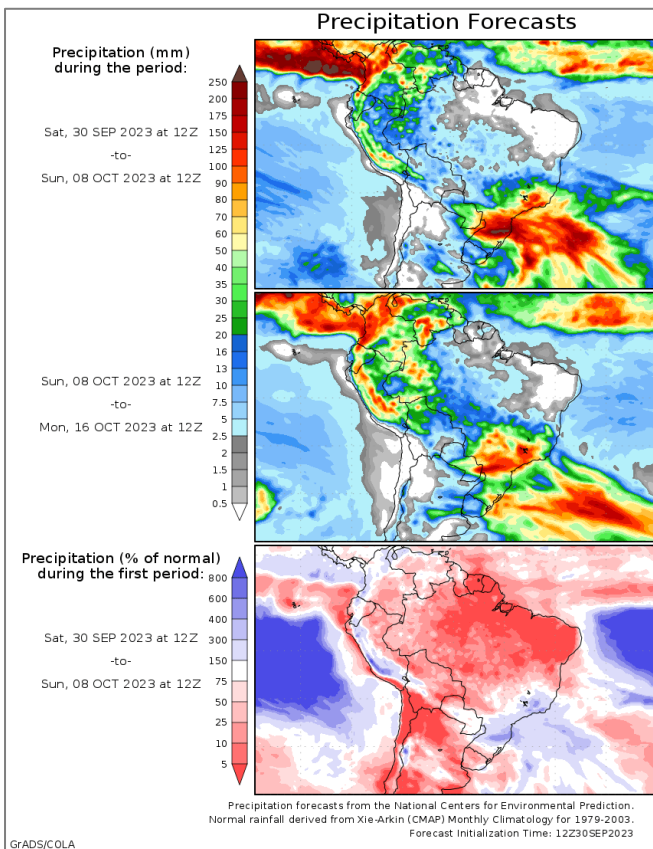
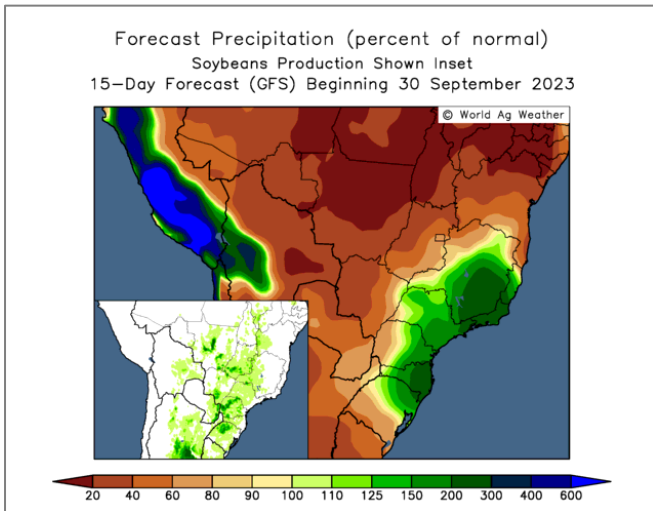


Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts).





However, smaller shipments have been observed from Ukraine, though substantial exports from this region seem improbable without a formal agreement.

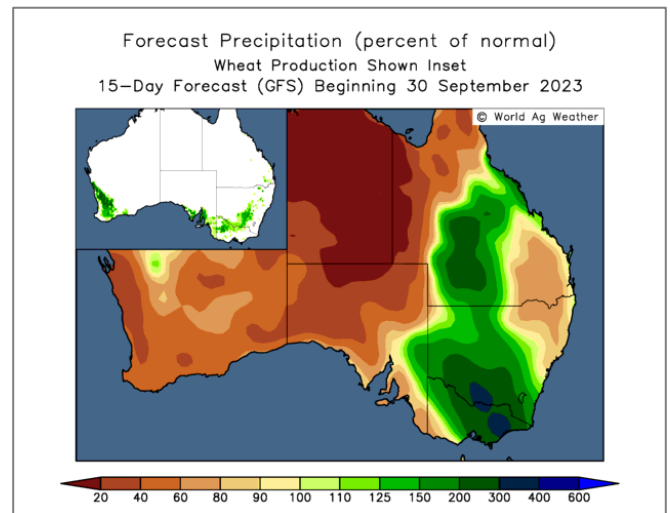
Meanwhile, the COT report indicates that managed money funds have continued their net selling streak in most commodities, which could be linked to the strengthening USD. As harvests for corn and soybeans kick off, prices are naturally under pressure. Looking forward, the spotlight will shift to the actual yields during the U.S. harvest, export sales, upcoming USDA report yields, and South American crop potential.

The absence of a concrete grain corridor deal with Russia is palpable, even as Russian exports continue undeterred.

Grains

This week saw wheat futures decline considerably. The market was caught off guard by NASS's revelation of a 78 Mil Bu spike in the final '23 US wheat production, a surprising move given the weak spring wheat evaluations earlier.

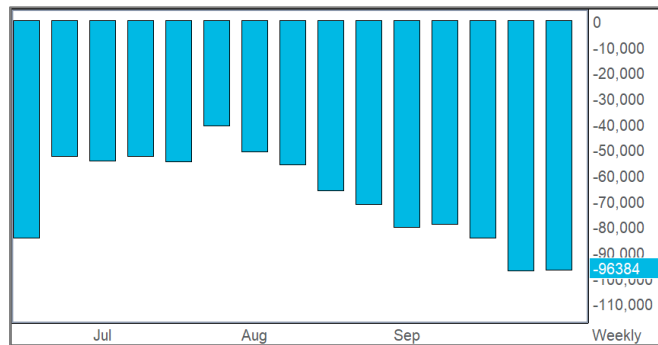
Ukrainian exports show resilience, managing smaller shipments through the Black Sea, even as Russia holds back on retaliatory moves.



As the US wheat balance sheet expands, increased feed/residue use is expected to balance out the burgeoning crop. There's growing concern over Australian weather impacting global markets, with Argentina also grappling with drought-induced stress. Persistent dry conditions could reduce Australia's export surplus, compelling importers to look beyond Russian supplies, however recent forecasts suggest some respite to Australian crop.

Although funds maintain their short stance on wheat, the seasonal trend suggests prices could rebound. Several factors including dry conditions in the Plains, disruptions in Ukraine, and reduced winter wheat seeding in the Northern Hemisphere might lead to tighter balance sheets in major wheat-producing nations, possibly reflecting in prices by mid-2024.

The outlook suggests fluctuating wheat prices with an upward bias due to anticipated seasonal price recuperation.



CBOT Wheat Managed Money Fund Net Position (in contracts)

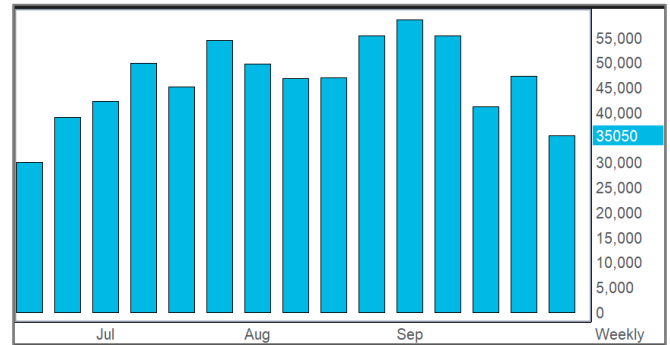
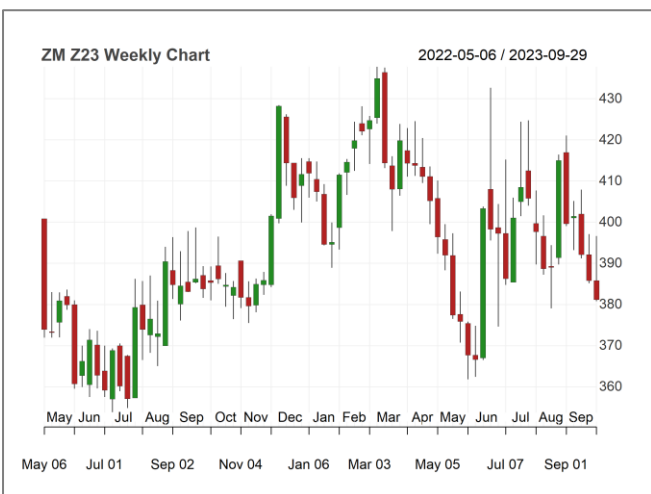


The Dec CBOT corn prices remained relatively stable over the last week, with pressure due to high US/global stocks and the impending rapid Central US harvest and support due to high demand. The marketplace continues to witness choppy trades until a definitive Midwest yield trend surfaces. Both cattle and ethanol prices are surging, incentivizing corn usage among feed users and ethanol producers.

Any prolonged dry spell in Argentina or Central Brazil mid-October onwards will spell trouble, with significant implications for the seeding of planting of the 2nd crop in Brazil. The corn prices usually witness a decline in the September/October period, and a fall below 170 bu/acre in final yields would serve to tighten the balance sheet and could bolster prices post the harvest pressure period.

Oilseed complex

Soybean futures were largely unchanged over the week, though the post-September Grains Stocks report period witnessed a sharp descent. With this report behind us, attention now returns to US yields and the upcoming South American crop. Uneven rainfall might propel the market towards a price hike.



Soybean Oil Managed Money Fund Net Position (in contracts)

Seasonal trends, however, aren't in soybeans' favor currently, suggesting a potential drop during September-October once yields stabilize.

The projected US soybean yield will likely fall under 50 bu per acre. Biofuel demand pushes soybean oil into the limelight, though a market slump has pressured prices.

Notwithstanding the harvest-induced pricing pressure, post-harvest figures are projected to show an uptick, primarily driven by the harvest yield reports.

Trade-Ideas:

Soybeans: Continue to hold long call options on SX. Hold long on Sn4/SX4. Add long call options on SH4.

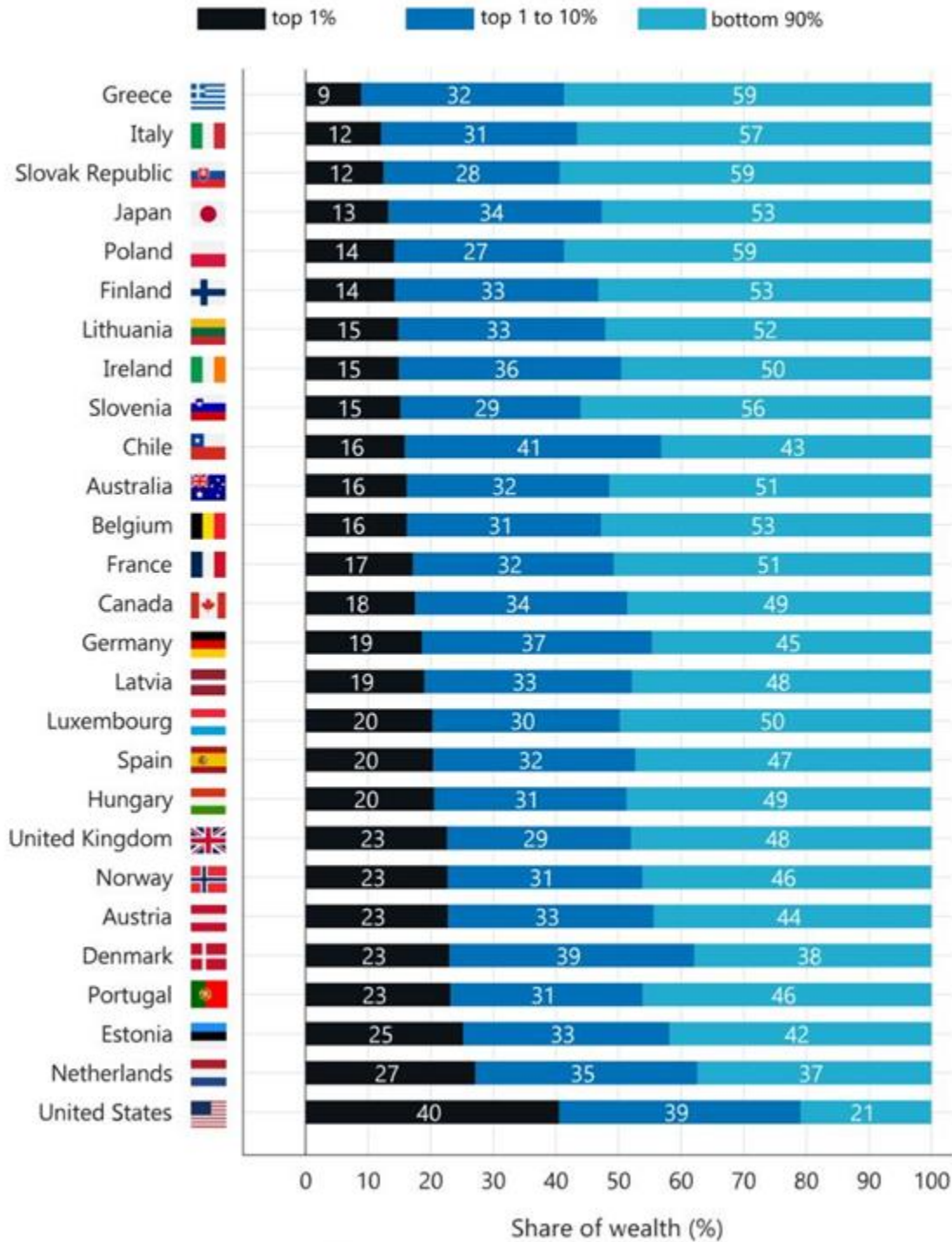
Wheat: Hold long WH4 call options

Corn: Continue to own optionality with a somewhat bearish outlook, price it via Quickstrike

Food for Thought: Wealth inequality by country

Wealth inequality by country (OECD Data)

Reminder : Wealth ≠ Revenue



Made by u/YakEvery4395 & u/FafaScinant



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