

Weekly Market Report

Monday, 9 Oct 2023

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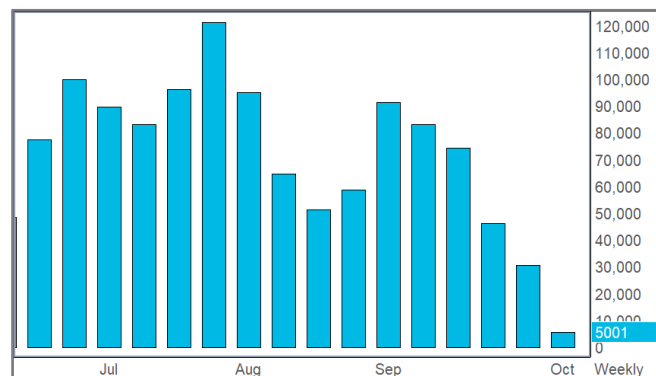
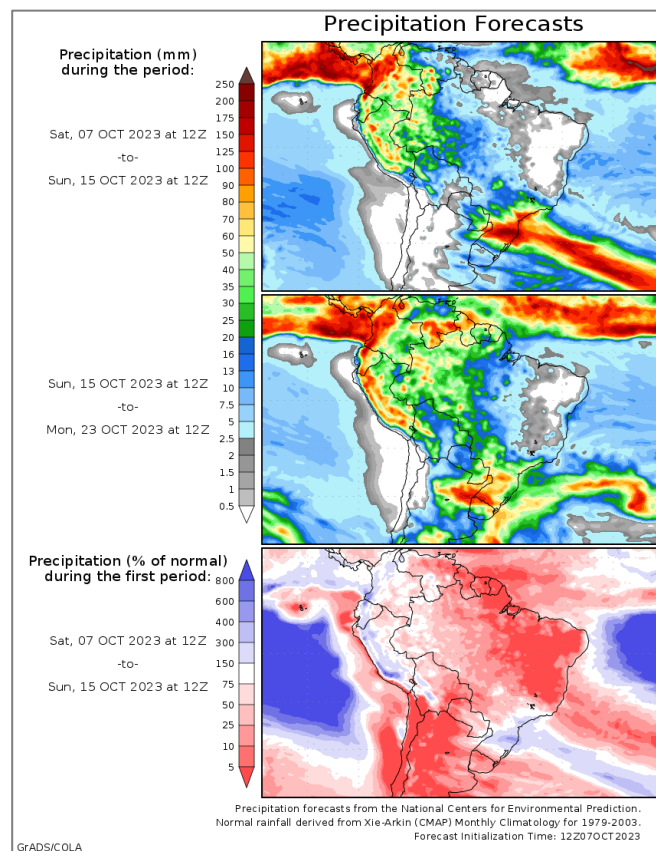
Weekly Overview

Price changes over the week.

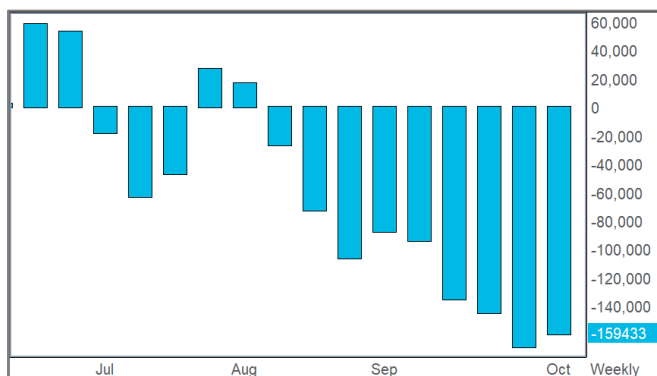
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	568.25	26.75	4.94%	613.75	540.00
Kansas Wheat	673.75	10.00	1.51%	754.25	662.00
Corn	492.00	15.25	3.20%	499.00	467.75
Soybeans	1266.00	-9.00	-0.71%	1378.00	1256.75
Soybean Meal	372.10	-9.10	-2.39%	407.90	366.50
Soybean Oil	55.35	-0.48	-0.86%	62.52	55.01
Crude Oil	81.28	-7.52	-8.47%	92.48	80.20
Palm Oil	785.25	-36.25	-4.41%	850.00	785.25

In the past week, the market lacked any major market-moving news. Corn and wheat showed early signs of their seasonal resurgence. In contrast, despite the absence of any noteworthy fundamental shifts, the soybean complex remained relatively stable.

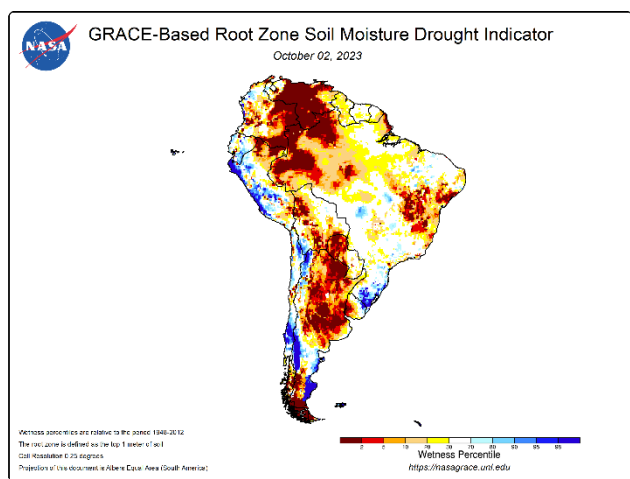
As the harvest for corn and soybeans commences, the present pricing dynamics primarily reflect usual harvest season pressures. Barring unexpected frost risks, this seasonality suggests an expected rise in prices. Record shipments of corn and beans from Brazil continued, though weather conditions in major South American farming regions, particularly Argentina and central Brazil, are far from ideal for planting. The deficient root zone soil moisture and forecasts of drier weather threaten crop delays.



Soybeans Managed Money Fund Net Position (in contracts)



Corn Managed Money Fund Net Position (in contracts).



Supply of wheat from Ukraine has significantly slowed down, with the grain corridor deal appearing unlikely in the near future.

Meanwhile, Russian exports persevere. Despite some Ukrainian port shipments, the pace is reduced due to potential risks in Ukrainian waters.

In last week's positioning, the Commitments of Traders (COT) report revealed a significant cutback in managed money funds for soybeans, drawing the net position near to zero. As we previously touched upon, the onset of the U.S. harvest will inevitably exert pressure on prices, thus shifting the market's attention to the U.S.'s realized yield, export sales, the October USDA report yields, and South American weather which impact the total crop size.

Grains

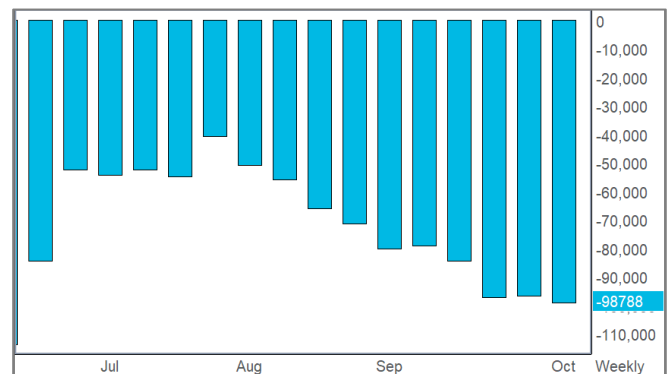
Wheat futures saw a rebound, with a pronounced short covering on CBOT contracts. Once more, worries are amplifying regarding attacks on Southern Ukrainian port facilities, especially with the recent damaging strikes in Odessa.

Although the U.S wheat balance sheet is set to expand, a feed/residue use surge will likely counterbalance a bigger crop's impact. Meanwhile, Australia's weather and production potential are casting shadows over global markets, with impending rains hoped to help with some of the yield concerns.

Persistent dryness in Argentina, however, adds to global worries. Deteriorating conditions in the Southern Hemisphere, especially during the Dec-Mar period, may compel importers to seek alternatives in Russian supplies.

Despite maintaining a short position in wheat, fund activities remained static throughout the week. The seasonal decline of wheat prices typically observed by August/September implies a potential upswing is expected in October. Additionally, Brazilian wheat export potential has been severely compromised due to poor weather, and global wheat valuations are expected to bottom out due to various factors, including US Plains dryness and continuous attacks on Ukraine's port infrastructure.

However, this might not be reflected in prices until 2024. In the near term, wheat prices look to be on an upward trajectory driven by the seasonal recovery trend.



CBOT Wheat Managed Money Fund Net Position (in contracts)



Dec CBOT corn experienced a notable rally, suggesting a seasonal market bottom. Opposing forces at play include the weight of US/global stock levels and the ongoing U.S harvest against supporting factors like rejuvenating global feed demand, record Brazilian exports, and prospective impacts on Brazil's second crop from first crop planting delays.

An increase in ethanol production margins signifies that corn has found support. Simultaneously, concerns persist around Russian hostilities in southern Ukraine and the prolonged dry conditions in Argentina and parts of Brazil. Extended dry spells, especially into mid-October, would be concerning.

Emphasis on trend yields in South America becomes critical, given their role in driving global corn/feed supplies in 2024. However, if yield outcomes disappoint, this could lend support to prices post the harvest period in the US.

Oilseed complex

This week, soybean both sides, but ultimately closed marginally lower, impacted by harvest pressures and lingering fund liquidation. With U.S yields and the new South American crop in focus, the U.S soybean harvest reportedly progressed to 23% completion last week.





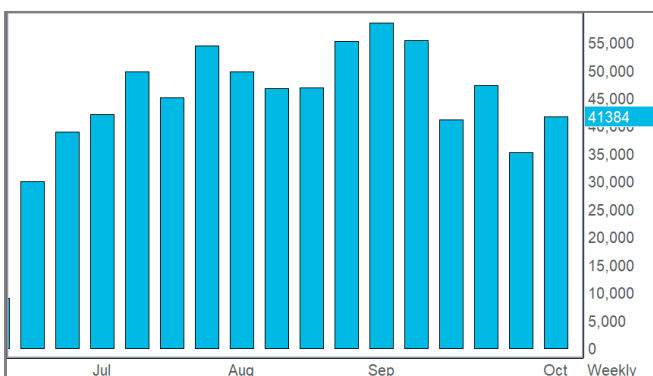
Current U.S export sales appear to be lagging, but rising domestic soyoil demand and near-record soybean meal export sales may drive U.S crush rates to new heights.

Price seasonality typically works against soybeans rally, but given the inconsistent rainfall, there exists potential for an upward price swing.



The growing demand for soybean oil in biofuels continues, yet prices faced pressure in light of the broader market downtrend.

Going forward, soybean prices will reflect the actual yield numbers reported, and though harvest pressures might initially weigh on prices, a post-harvest rally is anticipated.



Soybean Oil Managed Money Fund Net Position (in contracts)

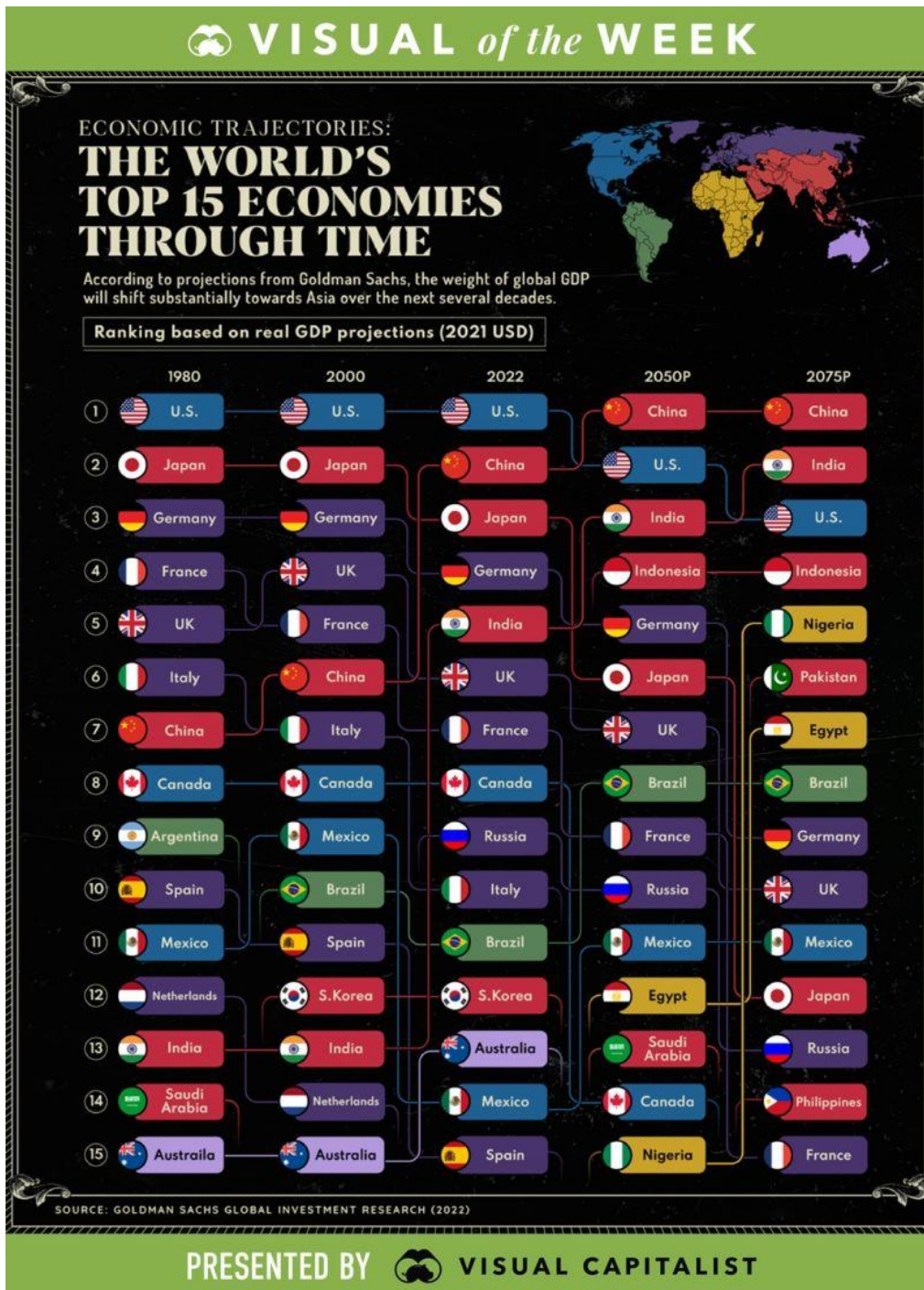
Trade-Ideas:

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: stay close to home, own optionality

Food for Thought: the world's 15 largest economies through time



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