

Weekly Market Report

Monday, 16 Oct 2023

Proudly
Sponsored by



Weekly Overview

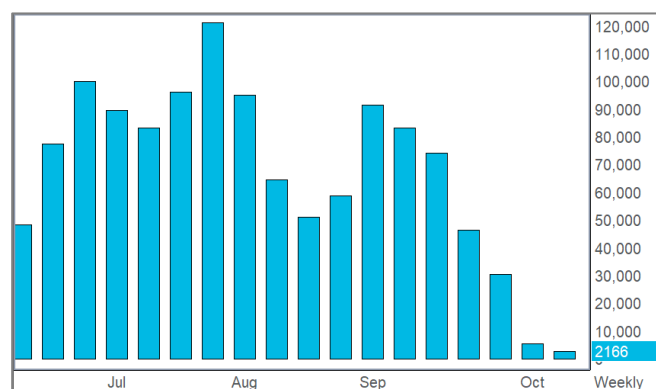
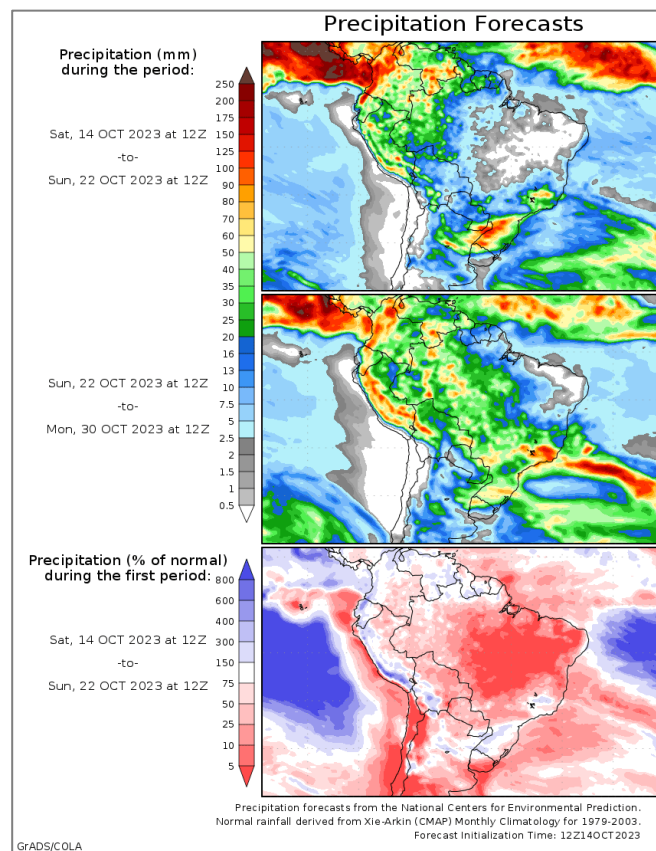
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	579.75	11.50	2.02%	607.50	540.00
Kansas Wheat	669.00	-4.75	-0.71%	748.50	655.25
Corn	493.25	1.25	0.25%	499.00	467.75
Soybeans	1280.25	14.25	1.13%	1367.75	1250.50
Soybean Meal	390.00	17.90	4.81%	402.10	366.50
Soybean Oil	54.38	-0.97	-1.75%	62.49	52.08
Crude Oil	86.35	5.07	6.24%	92.48	80.20
Palm Oil	803.00	17.75	2.26%	843.00	766.75

Throughout the majority of last week, grain and oilseed complex prices were under pressure. However, the release of the USDA report towards the week's end led to a recovery in prices, rendering them almost unchanged compared to the week's start.

Despite anticipated harvest pressure on both corn and soybeans, prices were bolstered by lower yield revisions, which diverged from market expectations. Historically, when October's WASDE report reflects a decrease in yield numbers, the final figures typically lean even lower.

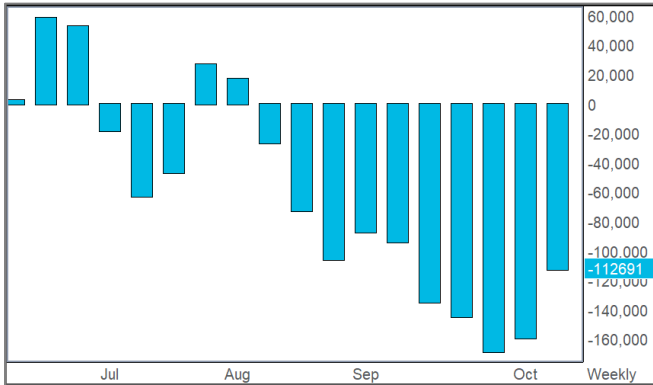
Brazil's planting stands at a mere 10% completion. The majority of South American planting regions are witnessing suboptimal weather conditions, with dry forecasts and low root zone soil moisture threatening to postpone crops, especially in Argentina and central Brazil.



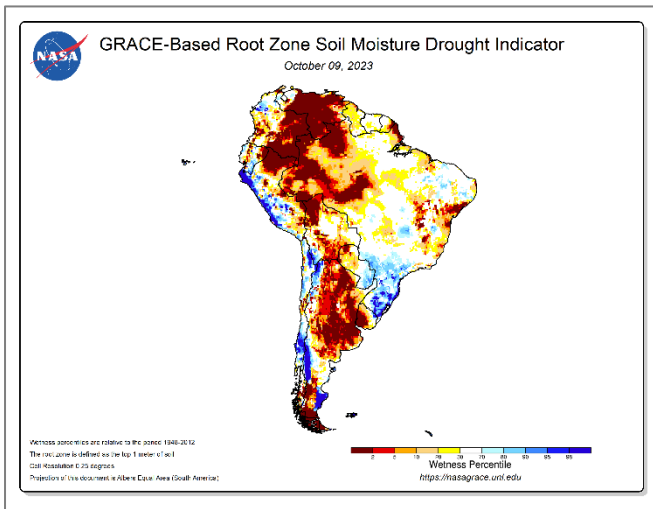
Soybeans Managed Money Fund Net Position (in contracts)



PRETB PTE LTD



Corn Managed Money Fund Net Position (in contracts).



Wheat prices will likely face challenges rallying in the short term if Russia maintains steady wheat supply, ensuring that most importing countries are amply stocked. The dynamics could however change in Q2/Q3 2024 due to depleting carryover stocks from many exporting countries.

The COT report revealed mixed bag of fund activities, with a decrease in long positions for soybeans and soybean oil, while corn saw reduced short positions.

Meanwhile, funds increased their short positions in wheat. As harvest for corn and soybeans commences in the US, the spotlight shifts to factors like the US harvest's actual yield, South American planting conditions, and export sales.

Grains

Wheat futures displayed strength in Chicago and Paris but slightly diminished in KC and Minneapolis during the past week. USDA's tweaks to the US supply and demand remained unsurprising. Still, a reduction in production in Australia, coupled with China's growing demand for US SRW, leans towards support.

Globally, ending stock estimates were in line with market anticipations at 258 million mts. Disquietude around attacks on Southern. With Australian crops past their most yield-sensitive phase, weather and production concerns remain prominent, impacting global trade flows starting in early winter.

The dire dry weather might further curtail Argentine and Australian crops as it continues.

With Black Sea shipments potentially hindered, importers might pivot towards non-Russian supplies.

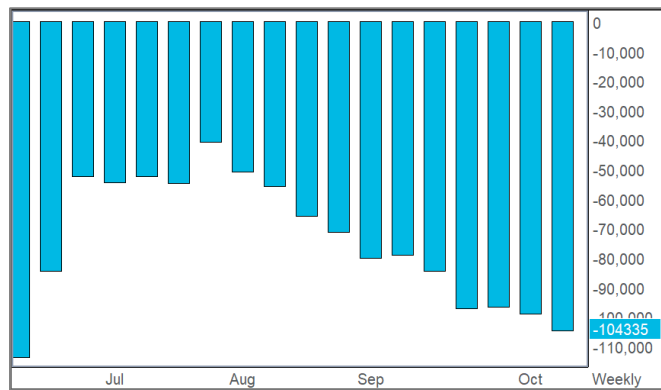


Fund maintained short positions in wheat and augmented short positions throughout the week.

Prices generally touch their lowest around August/September, and this year could follow suit, with prices expected to rise from their current levels.

The pressing low prices combined with potential increased Chinese demand or Black Sea trade threats might lead to a short-covering rally.

The balance sheets for major wheat-exporting countries are anticipated to be tight, but this might only impact prices by Q1/Q2 2024. The forecast for wheat prices inclines towards a broad trading range, with an upward bias underpinned by seasonal price rejuvenation.



CBOT Wheat Managed Money Fund Net Position (in contracts)



The USDA reported yields for corn slightly beneath market predictions, standing at 173 million bu per acre as compared to the anticipated 173.5.

Despite ongoing US harvest contributing to a bearish sentiment, factors like the upsurge in global feed demand, record Brazilian exports, favourable end-user margins, and possible impacts on Brazil's second crop due to initial crop planting delays provide price support.

Ethanol production margins remain lofty, indicating corn's sustained support. The increase in US export demand is pivotal for a bullish short-term outlook.

The persistence of unusual dryness, especially in Argentina and parts of Brazil, raises concerns.

By late spring/summer, South American production will significantly influence long-term fair values, with an expected El Nino possibly bringing rain to Argentina. Should dryness continue into late-October in vital growing regions, it would spell trouble.

Sustaining global corn supplies in 2024 is contingent on trend yields in South America. While prices typically dip during the September/October phase, a rally is expected as the new year dawns.

An underwhelming final yield would render the balance sheet less oppressive than previously thought, possibly supporting prices after harvest and aligning with the price seasonality trend.

Oilseed complex

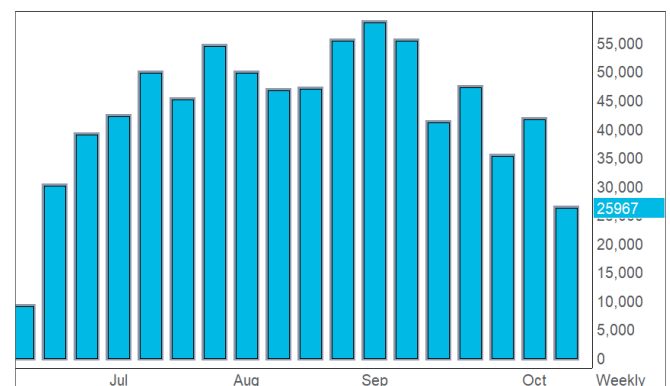
Earlier last week, soybean futures were on a downtrend due to persisting harvest pressures. However, the USDA's yield report, which was below the market forecast at 49.6 bu/acre, spurred a price rally towards week's end.

The USDA also scaled down the export projections while keeping the carryout number slightly over 200 million bu. With

the USDA's report now published, the market's attention pivots back to US yields and the emerging South American crop.

The USDA's unexpected reduction in the soybean yield estimate, combined with the increase in the 2023/24 soy crush forecast, took many by surprise. The strong export demand for meal and the robust domestic demand for soybean oil underscore this shift.

With uneven rainfall patterns, price spikes might be on the horizon. However, as yield uncertainties wane, the seasonality of prices typically works against soybeans, drifting them lower around the September/October period.



Soybean Oil Managed Money Fund Net Position (in contracts)



A post-harvest price resurgence is projected. Demand for soybean oil as a biofuel continues its upward trajectory, and despite a general market downturn, a revival in soybean oil prices is anticipated due to this sustained demand.

The probability of a further decrease in the US soy yield by the January report is high.

Actual yield numbers reported during harvest will be the driving force behind soybean prices. Even with expected harvest-induced price pressures, a post-harvest rally is foreseen.

The spotlight will also now shift to the colossal South American crop.

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: Own volatility with a minor downside basis

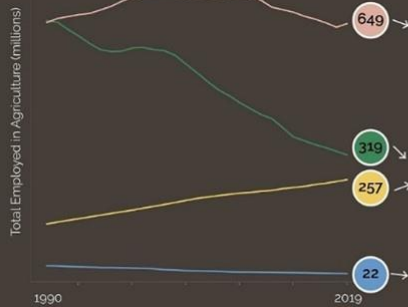
Food for Thought: The number of working people per country in the agricultural sector



Ranked

Number of Agricultural Workers by Country

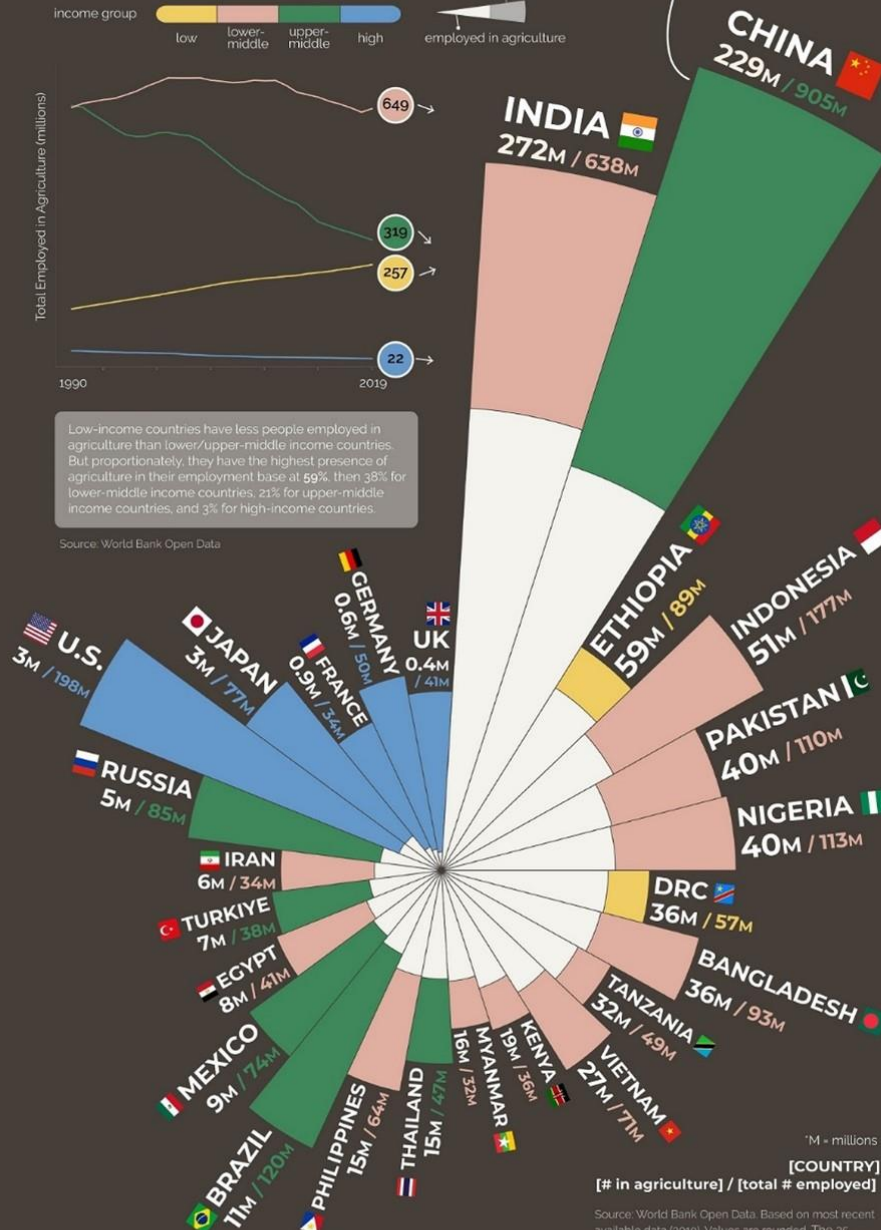
Which countries have the most people employed in agriculture?



Low-income countries have less people employed in agriculture than lower/upper-middle income countries. But proportionately, they have the highest presence of agriculture in their employment base at 59%, then 38% for lower-middle income countries, 21% for upper-middle income countries, and 3% for high-income countries.

Source: World Bank Open Data

China accounts for 72% of all agricultural employment in upper-middle income countries. Since 1991, China has continued to decrease its share of people working in agriculture by -3% per year.



*M - millions

[# in agriculture] / [total # employed]

Source: World Bank Open Data. Based on most recent available data (2019). Values are rounded. The 25 countries with the highest population were considered in this analysis.

Top 5 by:

% Employed in Agriculture

The proportion of people who are employed that work in agriculture



Proportion of Females Working in Agriculture

Out of the total people employed in agriculture



Proportion of Males Working in Agriculture

Out of the total people employed in agriculture



Employment: persons of working age who were engaged in any activity to produce goods or services for pay or profit.
Agriculture sector: includes activities in agriculture, hunting, forestry and fishing.

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.