

Weekly Market Report

Monday, 21 November 2023

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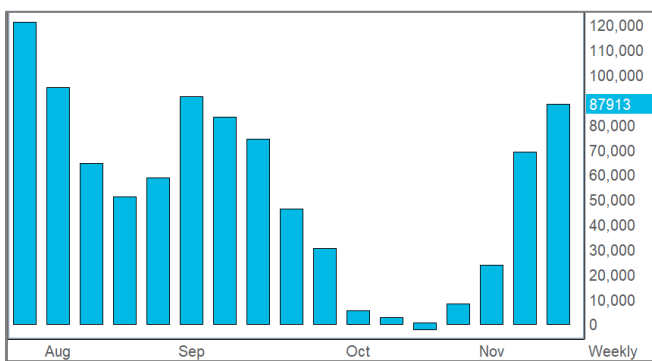


Weekly Overview

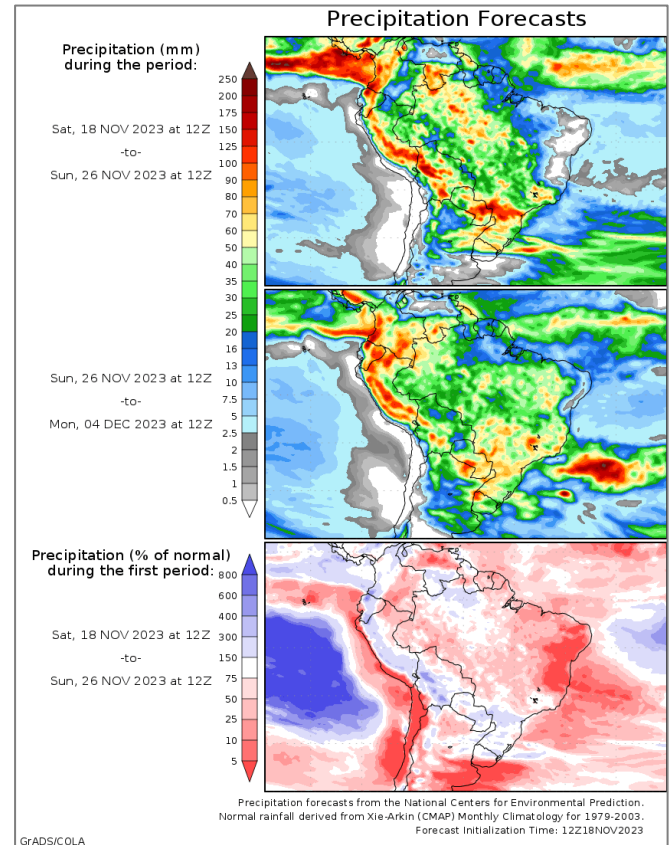
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	550.75	-24.50	-4.26%	604.50	547.00
Kansas Wheat	618.00	-22.00	-3.44%	687.75	613.75
Corn	467.00	3.00	0.65%	509.50	461.00
Soybeans	1340.25	-7.25	-0.54%	1398.50	1297.50
Soybean Meal	453.30	3.90	0.87%	479.00	413.40
Soybean Oil	52.01	0.81	1.58%	54.32	48.79
Crude Oil	75.89	-1.28	-1.66%	89.85	72.16
Palm Oil	844.25	24.50	2.99%	864.50	774.75

This week in the CBOT agricultural commodities market, traders observed a general trend of rangebound prices for grains and oilseeds, although soybean oil prices experienced a notable rally while wheat prices declined. Various global factors, including geopolitical and weather-related developments heavily influenced the pricing dynamics.



Soybeans Managed Money Fund Net Position (in contracts)



A primary concern for traders is the weather forecasts in South America, which are expected to impact global supply and demand balance sheets significantly. This region's crop size potential is under keen observation, with expectations that it will largely determine the direction of market prices.

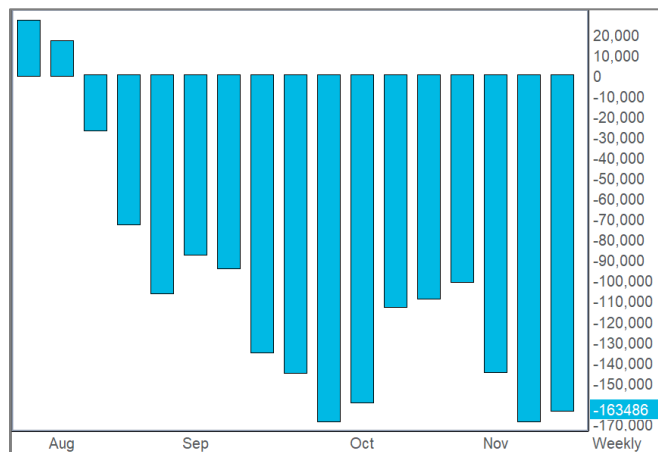
Russian wheat supply continues to play a pivotal role in the global market. As long as Russia maintains uninterrupted wheat supply, short-term wheat price rallies might be limited, given that importing countries are currently well supplied.



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Meanwhile, managed money funds have shown increased long positions in soybeans and soybean meal, while maintaining a short position in the wheat market.

The market remains focused on supply prices from the Black Sea region. The ongoing geopolitical tensions and their impact on supply chains are critical factors influencing commodity prices. In addition, south American crop size remains the key focus.



Corn Managed Money Fund Net Position (in contracts).

Grains

Wheat futures ended the week lower, impacted by the plentiful supply of cheap Russian wheat and stagnation in the Russian cash market. This abundance of Russian wheat has been a significant factor capping price rallies.

Conversely, reduced Australian exports and positive seasonal trends are providing some support to the market. Seasonal lows in wheat prices appear to have been established, with a gradual increase expected moving forward.

The combined drop in production estimates from Australia and Argentina suggests a decrease in Southern Hemisphere exports, which may increase demand for exports from Russia, Europe, and the US.





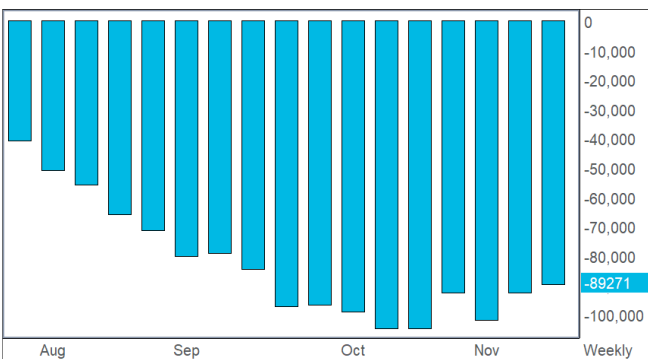
Wheat prices are anticipated to trade within a broad range but with a bias towards the upside. This is attributed to seasonal price recovery and potential shifts in Russian wheat export prices.



Corn prices have shown volatility, reflecting various global and regional factors impacting the market.

The week saw an initial rally in CBOT Dec corn, followed by a decline, indicating a rangebound market. This trend reflects the tug-of-war between abundant spot cash supplies and improving US export demand.

Ethanol margins and the competitiveness of US corn as a reliable feed grain have been key factors in this dynamic.



CBOT Wheat Managed Money Fund Net Position (in contracts)

Geopolitical tensions in the Black Sea region, including recent incidents involving vessels, have added complexity to the wheat trade. However, new agreements regarding insurance for vessels in Ukrainian ports may ease some concerns.

Funds continue to maintain a short position in wheat, suggesting that any significant rally would require a premium addition to the Russian cash market.

Brazil's potential yield loss has quickly triggered a corn supply premium. US export potential varies widely due to abnormal weather conditions in Brazil. A significant yield loss in Brazil could reignite a bullish phase for corn.

Both futures and cash corn markets are expected to follow a seasonal uptrend until confirmation of South American yields. In the long run, South American production will be a crucial determinant of the fair value of corn, especially impacting US export strength in late spring and summer.

A lack of improvement in Brazilian weather could lead to a rally in corn prices. However, the projected Brazilian corn production of 130 million metric tons is currently keeping spot CBOT corn prices rangebound. The global corn and feed supply build for 2024 hinges on trend yields in South America.

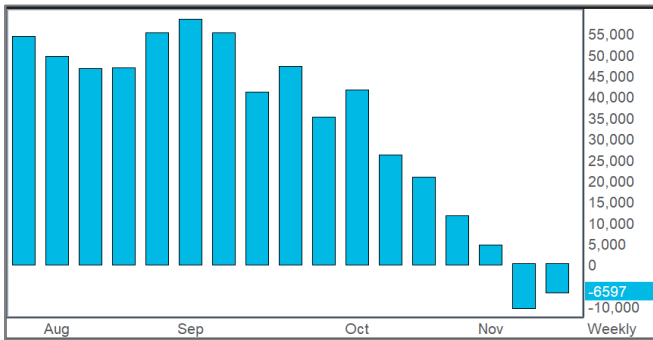
Oilseed complex

The oilseeds market has seen various developments, with soybean futures closing slightly higher due to fluctuating demand and weather impacts.

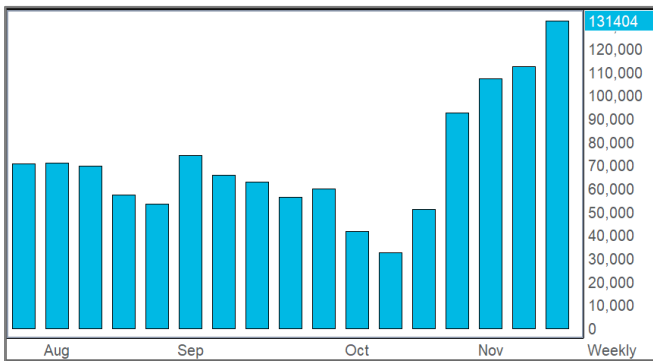
US meal export demand has cooled at current prices, while the focus shifts to the South American crop and its development. Weather in Brazil is a major factor, with concerns about dryness in the north and excessive rain in the south affecting crop planting and development.

Argentine meal exports remain low, but US meal export sales are approaching record highs, boosting US meal prices and crush margins. Additionally, the growing biofuel demand for soybean oil is expected to support a price recovery, despite the rally in soybean meal prices.





Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)



The limited room for additional US export demand, given historically low US soybean stocks, suggests that demand rationing may be required. The strength in US soy meal exports and high cash crush margins continue to support the market.

Going forward, the primary market focus will be on the size of the South American crop, with limited downside risk to prices until it's clear whether Brazil will harvest a record-large crop. Weather-based volatility is expected to continue to be seen for the foreseeable future.

Trade-Ideas:

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

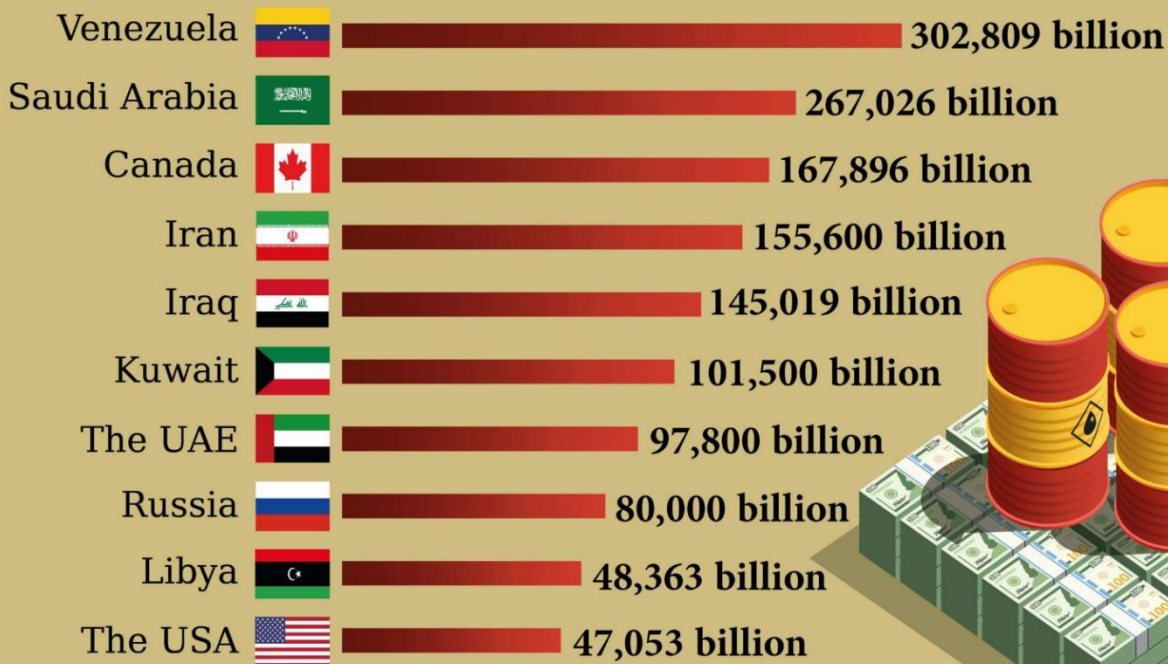
Wheat: Hold long WH4 call options

Oilshare: add long again on the oilshare at current levels.

Food for Thought: The top 10 largest crude oil reserves around the world

Top 10 countries with the largest reserves of crude oil in the world

* Numbers by barrel



Source: <https://www.worldatlas.com/articles/the-world-s-largest-oil-reserves-by-country.html>



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