

Weekly Market Report

Monday, 11th December 2023

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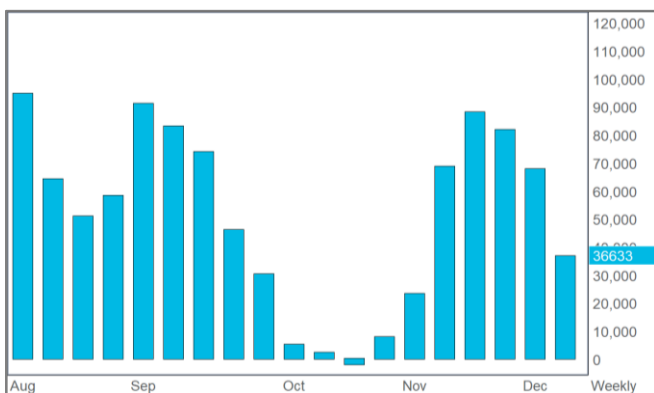


Weekly Overview

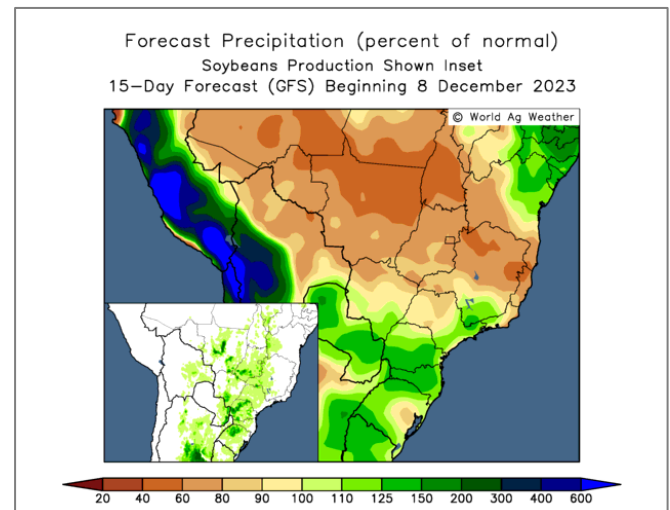
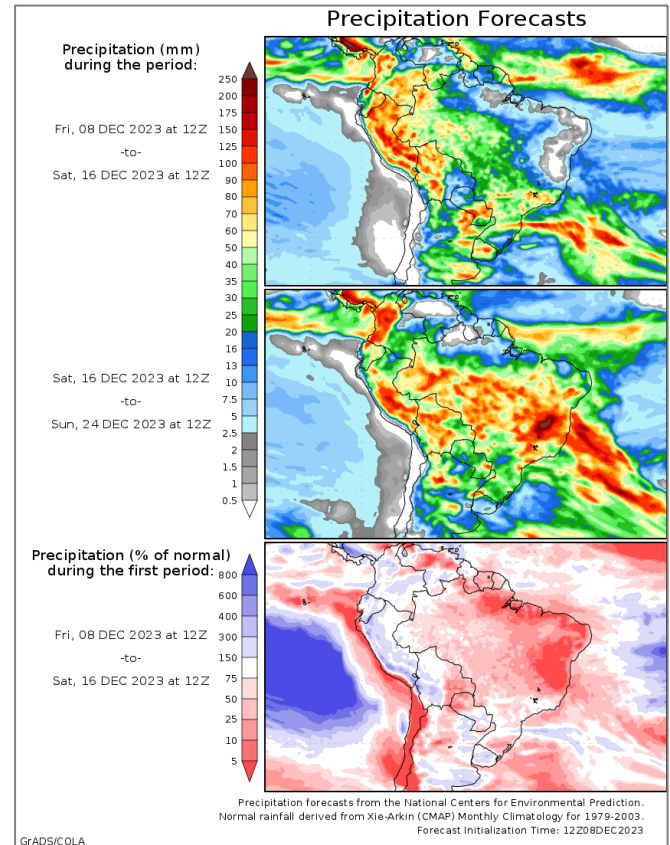
Price changes over the week.

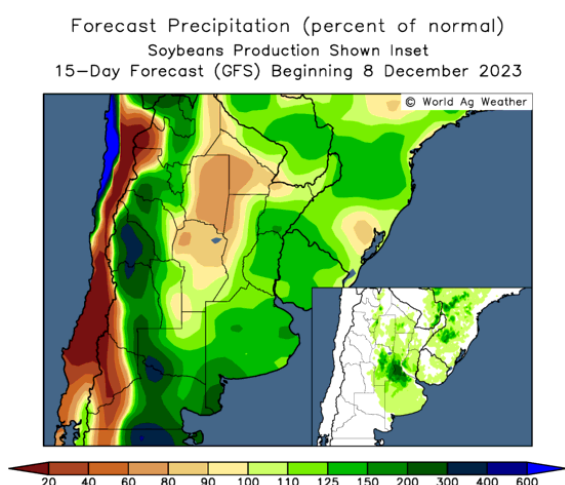
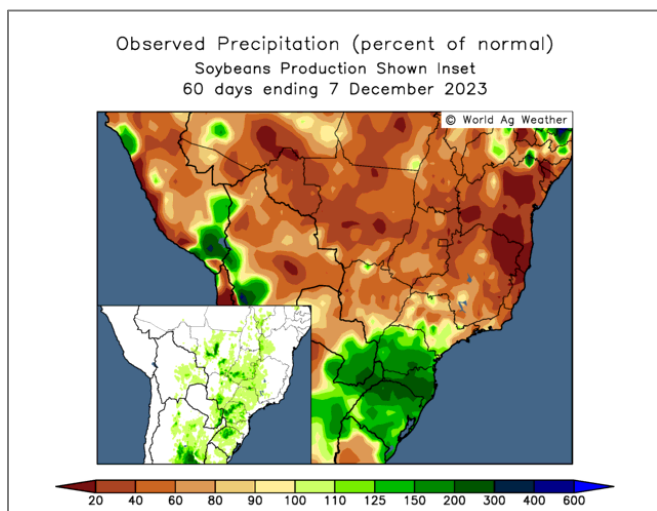
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	631.75	29.00	4.81%	649.50	556.25
Kansas Wheat	661.00	14.25	2.20%	677.50	595.00
Corn	485.50	0.75	0.15%	496.50	470.50
Soybeans	1304.00	-21.00	-1.58%	1398.50	1292.00
Soybean Meal	395.80	-8.80	-2.17%	445.10	393.40
Soybean Oil	50.17	-1.17	-2.28%	53.32	48.96
Crude Oil	71.58	-2.73	-3.67%	79.56	69.35
Palm Oil	808.50	-24.75	-2.97%	861.50	798.25

Wheat prices were higher this week. In contrast, soybean meal prices witnessed the most decline. weather forecasts in South America have shown improvement, but northern regions of Brazil's growing areas continue to face dry conditions, offering little relief to areas with low soil moisture. This situation is crucial as the weather forecast and crop size potential in South America will be pivotal in driving prices in the upcoming months.

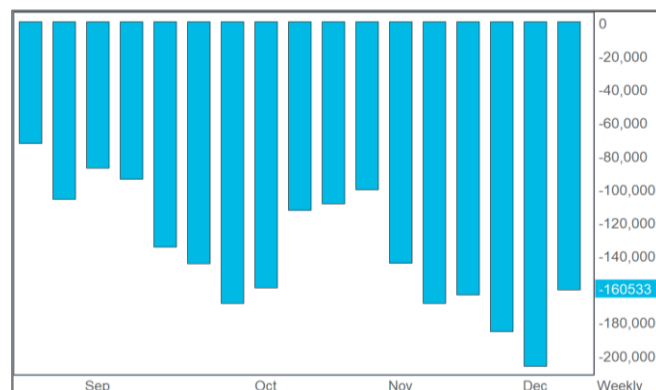


Soybeans Managed Money Fund Net Position (in contracts)





While Russia continues to supply wheat uninterrupted, the short-term outlook for wheat prices appears constrained, as importing countries remain well-supplied. In our view, wheat prices have begun a seasonal recovery. Meanwhile, managed money funds were net seller in the oilseed complex while buying in grains. Their positions remain long in soybeans and soybean meal, and short in wheat, corn, and soybean oil.



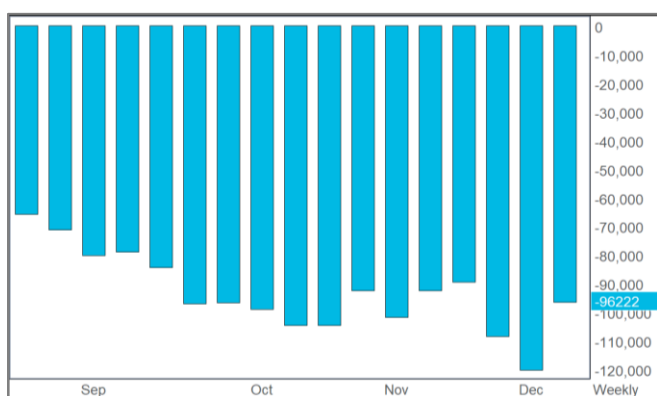
Corn Managed Money Fund Net Position (in contracts).

Grains

The USDA WASDE report aligned with market expectations, estimating wheat carryout at 659 million bushels, close to the market's average guess of 684 million bushels. Wheat futures climbed over the week, driven by funds covering their extensive short positions. The purchase of 41 million bushels of US SRW by China tightened the SRW balance sheet, highlighting the need for exceptional US yields next summer.

Reduced winter acreage in the US, following a drop in revenue insurance guarantees, could impact future supplies. Attention is now shifting to lower exportable supplies from the Southern Hemisphere and the necessity for favourable winter weather in Russia to maintain high export levels.

Russian logistics have already been impacted by adverse weather conditions, and severe cold and snowfall are expected to challenge grain movement in Ukraine and Central Russia. Early seeding termination in Western Europe due to excessive rain and snow adds to the complexities.



CBOT Wheat Managed Money Fund Net Position (in contracts)



The potential reduction in Brazil's corn crop might shift global feed demand towards wheat, potentially elevating prices. However, this impact will only become clear later in the crop year. Wheat prices have remained largely range-bound with upwards bias. The consensus is that CBOT wheat has reached its seasonal lows, with expectations of a gradual price increase.

Funds maintain a short position in wheat, but the upside potential is intact, especially if a premium is added to the Russian cash market to trigger short covering. The ongoing risk of war escalation in Ukraine adds uncertainty, suggesting that the upside outweighs the downside pending further clarity on Northern Hemisphere production in 2024. Wheat prices are anticipated to trade within a broad range, with an upward bias due to seasonal recovery.



The USDA report presented no major surprises, with corn carryout estimates at 2.131 billion bushels, slightly below the market average guess. CBOT corn futures ended the week firmly, as the US continues to attract import demand due to its competitive position in the global feed market. Corn prices are believed to have bottomed out, supported by abnormal weather in Brazil, potential loss of safrinha acreage, and a likely shift from corn to soybean seeding in the US in spring 2024.

Despite the burden of large US carryout estimates, price rallies could be challenging. The delayed Brazilian first crop harvest and the risk of a sharp decline in safrinha production if the wet season ends prematurely add to the supply risks.

Large US inventories overshadow the market, but the downside risk remains limited until South American yields are confirmed. US exports are expected to increase, facing logistical challenges in Ukraine and delayed availability of the new Argentine crop.

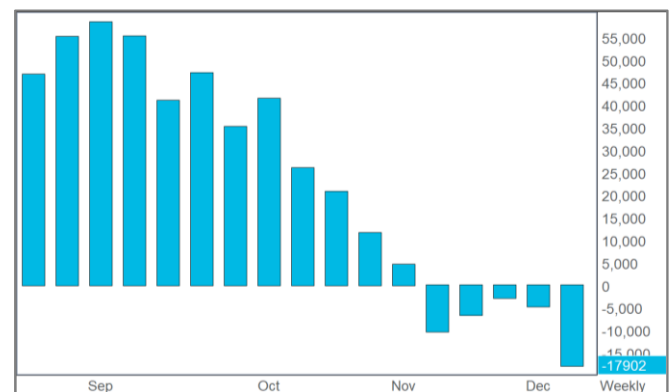
In the long run, the fair value of corn will hinge on South American production, which will influence US export strength in late spring and summer. US Gulf corn is projected to be the world's cheapest origin into early summer.

Oilseed complex

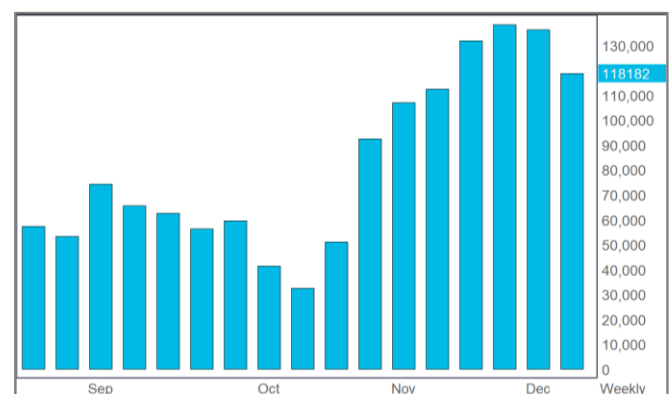
The USDA report showed soybean carryout at 245 million bushels, almost aligning with the market average of 243 million bushels. However, soybeans and the oilseed complex closed lower over the week. The Argentine harvest, still several months away, poses a challenge to meal rallies due to Argentina's efforts to regain market share after the 2023 drought.

Fundamental support for prices arises from higher US domestic crush usage and less-than-ideal growing conditions in Brazil.

Despite current carryout estimates, there's little room for additional demand in the US soybean balance sheet. Record domestic use and improved export demand support soybeans in the short term.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)



Market focus will be on export sales and the developing South American crop, with weather-based volatility expected as Brazilian conditions begin to impact yields. Long-term direction will hinge on December-January weather in Brazil. Argentine meal exports remain low, but US meal export sales are approaching record

highs, lifting US meal prices and crush margins. Soybean meal remains a highlight in US exports, with recent exports setting a marketing year high.

The potential for significant price increases in soybeans hinges on the Brazilian crop falling below 150-155 million metric tons. Biofuel demand continues to bolster soybean oil prices, expected to recover as underlying demand persists. The market will closely monitor South American crop size, dictated by upcoming weather, which will be crucial given the minimal tolerance for additional demand in the US balance sheet and the record size of global soy trade.

Trade-Ideas:

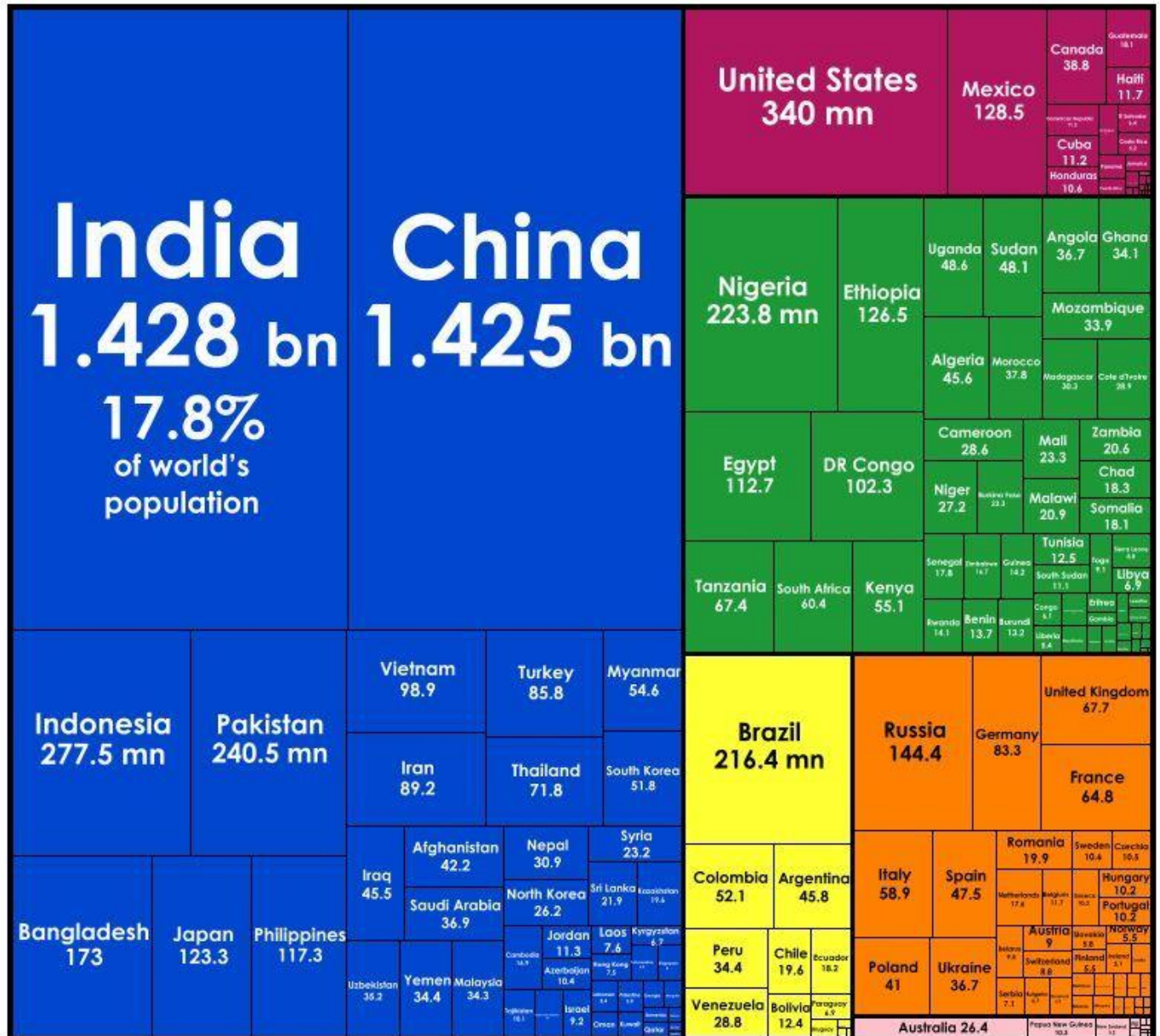
Soybeans: Continue to Hold long on Sn4/SX4. Hold long call options on SH4

Wheat: Hold long WH4 call options

Oilshare: continue to hold longs in oilshare.

Food for Thought: where do 8bln people live?

Where do 8 billion people live?



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