

Weekly Market Report

Monday, 18th December 2023

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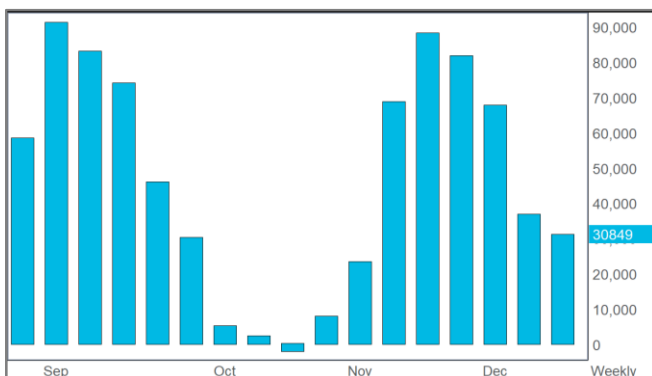


Weekly Overview

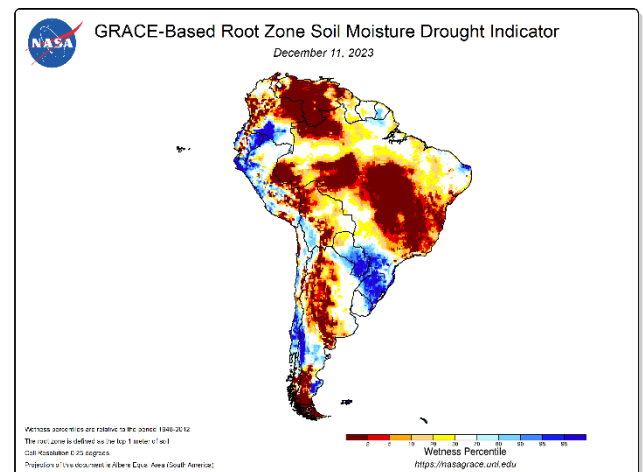
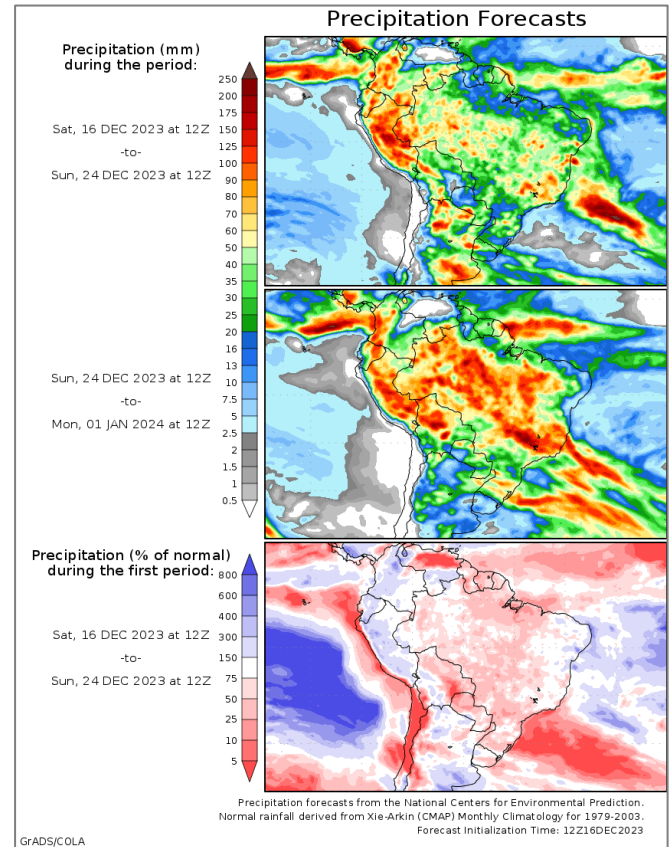
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	629.25	-2.50	-0.40%	649.50	556.25
Kansas Wheat	642.75	-18.25	-2.76%	677.50	595.00
Corn	483.00	-2.50	-0.51%	494.25	470.50
Soybeans	1331.50	8.50	0.64%	1404.00	1311.75
Soybean Meal	396.60	0.80	0.20%	438.50	390.20
Soybean Oil	50.15	-0.02	-0.04%	53.32	48.81
Crude Oil	72.05	0.47	0.66%	79.56	68.28
Palm Oil	796.25	-12.25	-1.52%	855.00	786.00

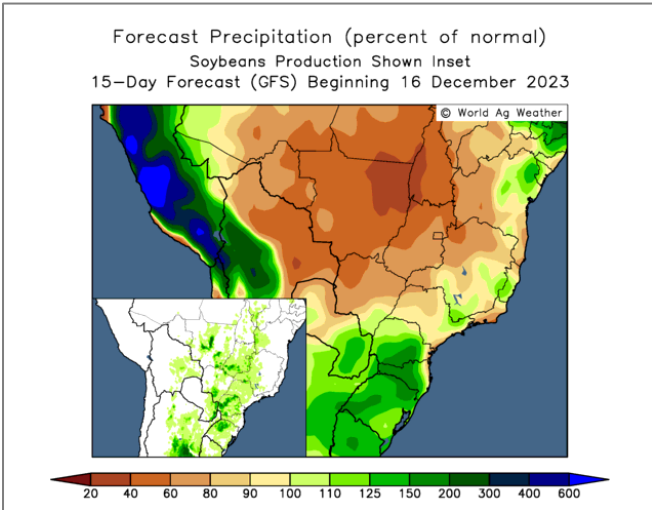
This week, grain and oilseed prices remained largely within a trading range, indicating a market equilibrium. The absence of new fundamental inputs meant there was little to significantly shift prices in either direction. In Brazil, planting progress is behind the usual pace, with corn at 95% and soybeans at 91% completion. Wheat demand from China has slowed down, following a recent surge in purchases. However, we maintain our outlook for a seasonal recovery in wheat prices.



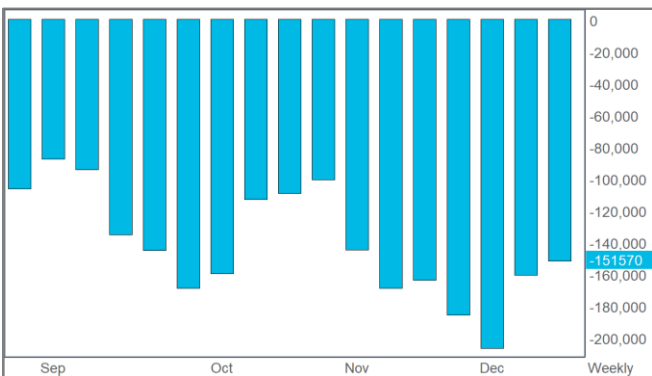
Soybeans Managed Money Fund Net Position (in contracts)



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In COT report, managed money funds were net sellers in soybeans and soybean meal, cutting back their long positions. Conversely, they were net buyers in corn and wheat but continue to maintain an overall net short position in these markets. Looking ahead, traders' attention will be focused on South American weather forecasts and crop size potentials, as these factors are expected to be the primary drivers of price movements in the upcoming months.



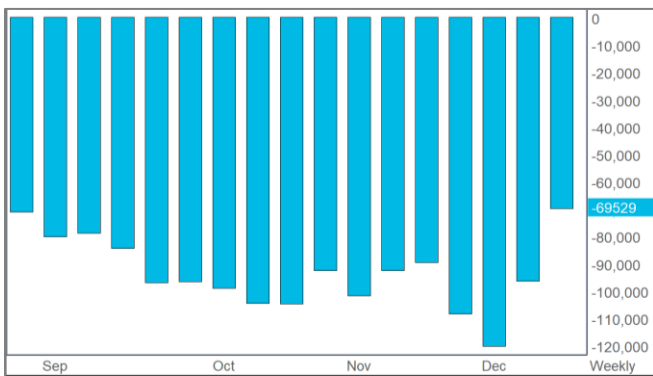
Corn Managed Money Fund Net Position (in contracts).

Grains

Wheat prices closed the week nearly unchanged. The U.S. export demand has seen a boost, particularly in the Soft Red Winter (SRW) wheat market, driven by strong demand from China. Funds have reduced their short position in wheat from 120k contracts to 70k.

The U.S. SRW market remains tight following substantial purchases by China, but future yield prospects won't be clear until next March.





CBOT Wheat Managed Money Fund Net Position (in contracts)

We continue to expect wheat to experience a seasonal price uptick in the coming months.

A potential reduction in U.S. winter wheat acreage and uncertainties about winter weather in Russia affecting export levels are current focal points. Additionally, export challenges from the Black Sea region and a reduction in EU wheat seeding add to the complex market dynamics.

Rumours of India considering wheat imports amidst high domestic prices are also circulating. Wheat prices are anticipated to fluctuate widely but with an upward bias due to expected seasonal recovery.



Corn prices have been stable for five consecutive weeks. With Brazilian corn prices high, a significant downside to U.S. corn prices seems unlikely.

The U.S. remains a competitive player in the global feed market, attracting increasing import demand.

New South American corn supplies won't hit the global market for another 6-7 months.

We believe a price floor has been established for corn, potentially supported by abnormal weather in Brazil and a shift in U.S. planting from corn to soybeans in Spring 2024.

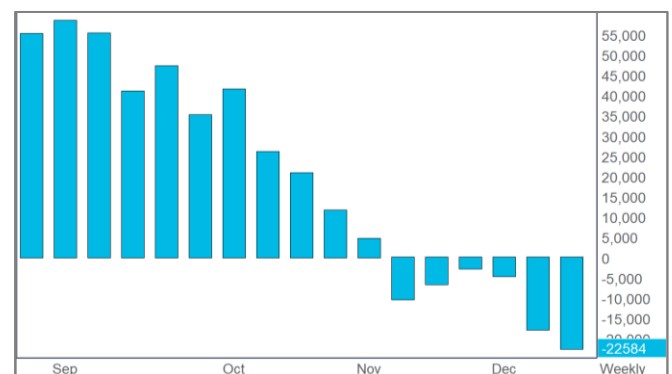
South American prices are not expected to drop until early to mid-April. Large U.S. inventories continue to weigh on the market, but there are significant risks to future supply.

Drought in key Brazilian states poses a risk to first-crop production. The limited downside risk will persist until South American yields are confirmed.

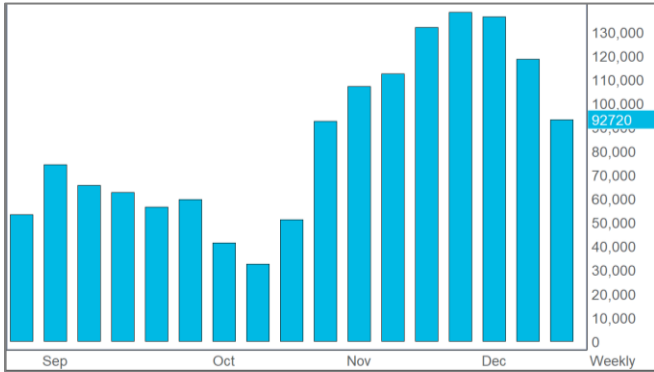
U.S. corn exports are expected to increase, contrasted with logistical challenges in Ukraine and delayed availability of Argentina's new crop. Long-term fair value will hinge on South American production, which will in turn influence U.S. export volumes in late spring and summer.

Oilseed complex

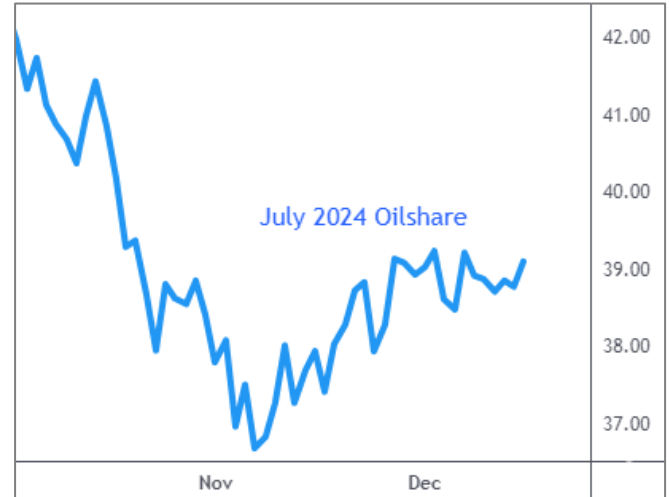
Soybean futures saw an uptick this week, though an early rally lost momentum with January soybeans encountering resistance above \$13.40. The Argentine harvest, expected in 4-5 months, could challenge meal rallies due to Argentina's efforts to regain market share after the 2023 drought. Fundamental support for prices comes from higher U.S. domestic crush usage and suboptimal growing conditions in Brazil



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)



Given the domestic use and improved export demand, the U.S. soybean balance sheet has little room for additional demand.

Early concerns about Brazilian crop conditions led to initial support, but forecasts offer a chance for rain.

The long-term price direction will depend heavily on December-January weather in Brazil. With U.S. soybean stocks historically low, there is minimal scope for additional export demand, necessitating demand rationing. Brazilian crop size, which needs to fall below 150 MMTs for a significant price increase, remains a critical factor.

The market will closely monitor South American crop sizes, determined by upcoming weather forecasts.

Trade-Ideas:

Soybeans: Continue to Hold long on Sn4/SX4. Hold long call options on SH4 (trading for a chance of delay on SAM crop shifting exports to the US and resulting in a tighter US carry-out)

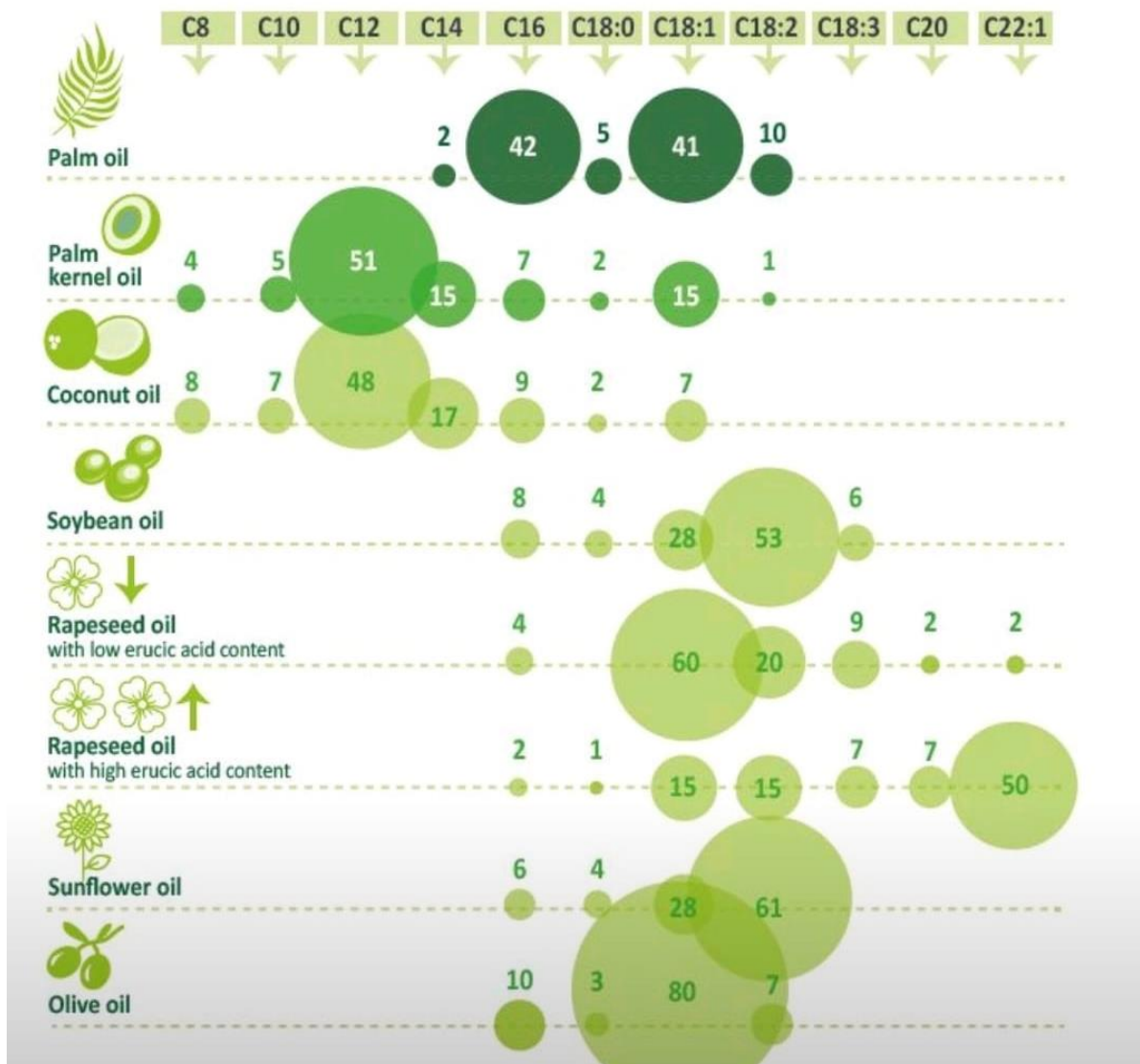
Wheat: Hold long WH4 call options (Seasonal recovery + risk or carry out deficit in Q1/ Q2)

Oilshare: continue to hold longs in oilshare. (once the meal market stabilises, backed by better weather in Argentina, the focus should move to drawdown and higher consumption of domestic soybean oil)

Food for Thought: the carbon FFA contents of different edible oils

Comparing vegetable oil fatty acid content

Figures show % of oil total fatty acid composition of different carbon chains (C)



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