

# Weekly Market Report

Tuesday, 26<sup>th</sup> December 2023

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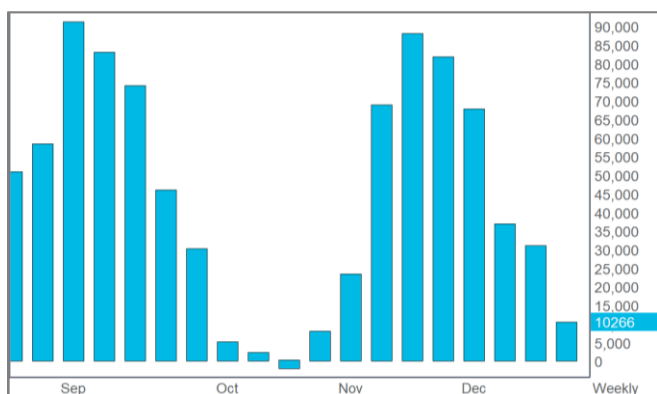


## Weekly Overview

Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	616.25	-13.00	-2.07%	649.50	556.25
Kansas Wheat	623.00	-19.75	-3.07%	677.50	595.00
Corn	473.00	-10.00	-2.07%	493.75	468.25
Soybeans	1306.25	-25.25	-1.90%	1372.25	1298.25
Soybean Meal	391.10	-5.50	-1.39%	427.10	384.70
Soybean Oil	49.02	-1.13	-2.25%	53.10	48.81
Crude Oil	73.73	1.68	2.33%	79.56	68.28
Palm Oil	791.50	4.00	0.51%	833.50	779.25

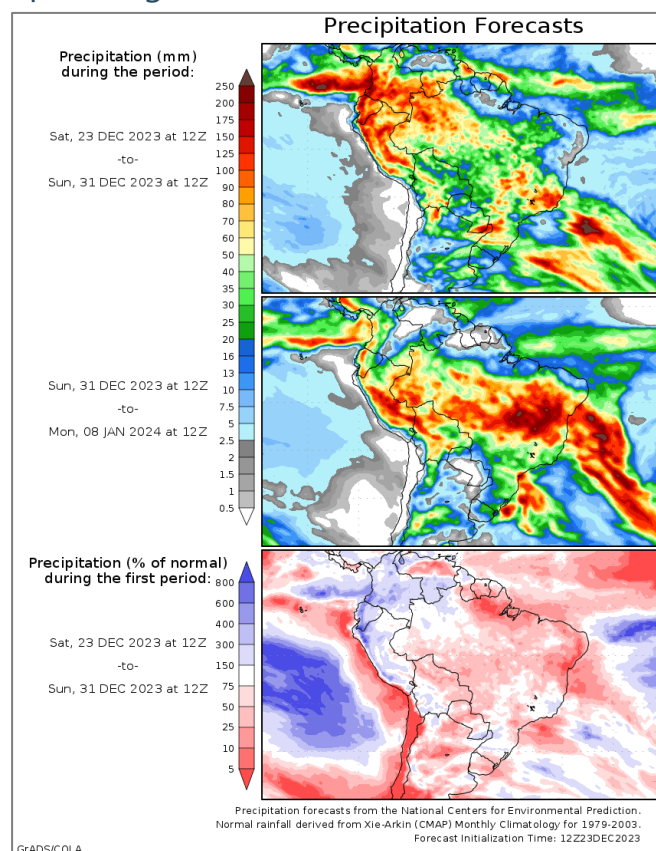
This week, grain and oilseed prices general declined. Absence of fresh fundamental inputs prevented significant directional shifts in prices. Brazil's planting completion, coupled with recent rains in northern Brazil, exerted downward pressure on prices, although concerns remain due to low soil moisture levels and the need for more precipitation to boost production estimates.

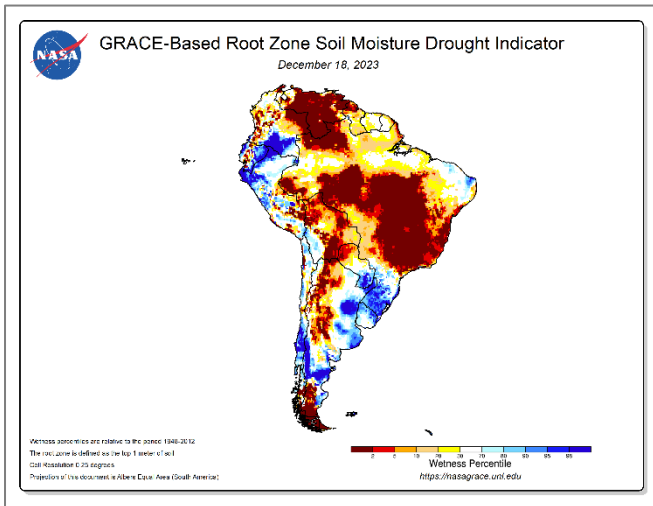


Soybeans Managed Money Fund Net Position (in contracts)

The COT report highlighted managed money funds' net selling in soybeans and soybean meal, along with increased short positions in soybean oil and corn. This has resulted in a net short position in soybean oil and a long position in soybean meal.

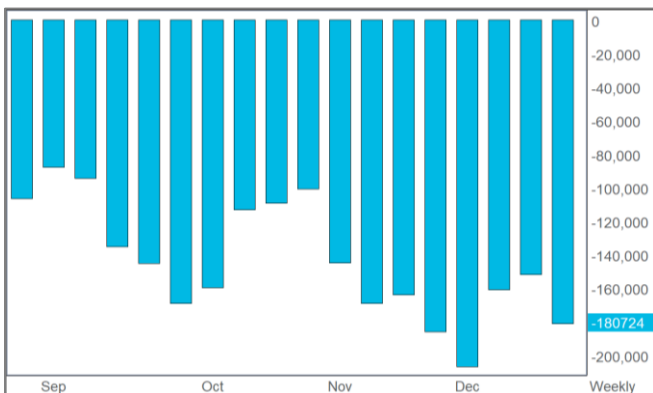
Looking forward, traders are focusing on South American weather forecasts and the potential crop sizes in the region, which will be crucial in driving prices in the upcoming months.





The U.S. export demand has recently centered on SRW wheat, driven by Chinese demand, though this demand has slowed, casting uncertainty on future of this demand flow in the short term.

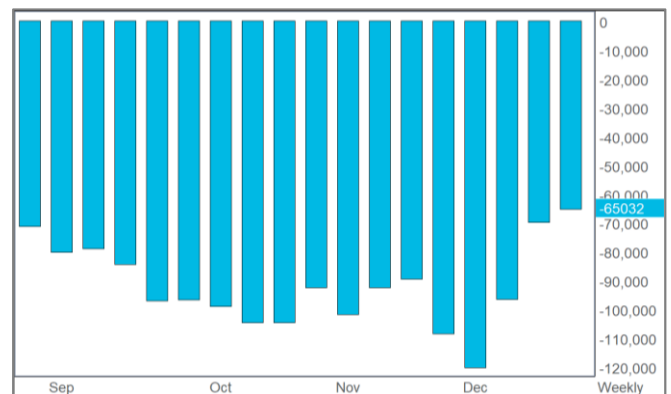
The wheat market in early 2024 is anticipated to be influenced by the large existing supplies in Europe, Ukraine, and Russia, contrasted against heightened forward supply risks. Funds continue to maintain a short position in wheat, currently at 65k contracts, which is significantly less than the over 100k contracts short observed a few weeks ago.



*Corn Managed Money Fund Net Position (in contracts).*

## Grains

Both Kansas wheat and CBOT wheat ended the week lower. The absence of breaking news and the ongoing dominance of Russian wheat in the global market, which continues to meet most of the importer demand, played a role in this trend.



*CBOT Wheat Managed Money Fund Net Position (in contracts)*



Wheat prices are expected to experience seasonal recovery in the coming months, though Russian supply in the export market continues to apply downward pressure. A potential drop in U.S. winter acreage, following a decline in revenue insurance guarantees, and a 10% reduction in European acreage estimates from last year, are additional factors to consider.

Poor weather affecting Black Sea exports, along with the possibility of increased

global feed demand shifting towards wheat due to a potential decline in Brazil's corn crop, are also in important factor.

A bullish scenario for wheat could quickly develop if modest yield losses are recorded in the U.S., Europe, or Russia in 2024. Expect wheat prices to trade within a large range but with an upward bias due to anticipated seasonal price recovery.



Corn prices closed at the lower end of the trading range observed over the last 5-6 weeks, influenced by rains in Northern Brazil, which are expected to alleviate dry conditions.

The critical buildup of subsoil moisture in Mato Grosso ahead of the safrinha corn planting season is essential, with substantial rainfall needed before March 1.

The U.S. continues to attract import demand due to its competitive position in the world feed market, expanding U.S. corn export demand. The market has been largely static since harvest, with fundamental inputs fluctuating between large U.S. supplies and potential sizable losses in Brazil.

A decline of 2-4 million acres in U.S. plantings next spring is also a potential factor. Corn prices are believed to have formed a bottom, supported by abnormal weather in Brazil, probable loss of safrinha acreage, and a shift from corn to soy plantings in the U.S. in spring 2024.

While South American prices are not expected to break until early/mid-April, U.S. carry-out estimates remain burdensome, making sustained price rallies difficult. However, the downside risk is limited until South American yields are confirmed.

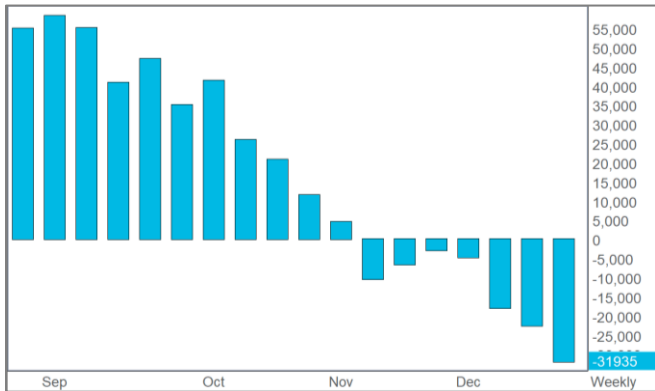
U.S. exports are expected to increase, with logistical issues affecting Ukraine and Argentina's new crop not available until May/June.

Long-term, fair value in corn will be influenced by South American production, which will determine the strength of U.S. export demand in late spring and summer. A gradual increase in prices is anticipated

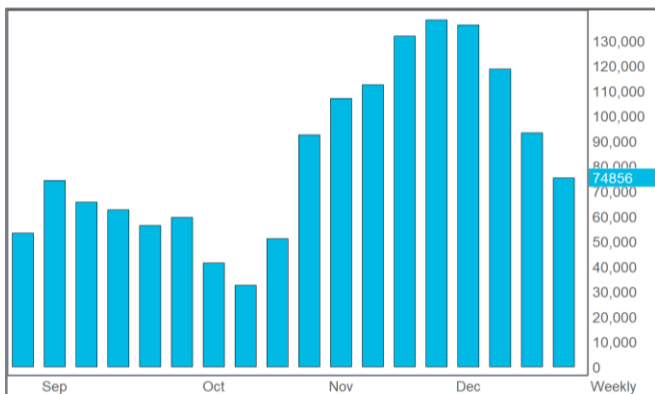
### **Oilseed complex**

Soybean futures were lower this week, trading at the lower end of recent ranges. The Argentine harvest, still 3-4 months away, could challenge meal rallies due to Argentina's efforts to regain market share following the 2023 drought.

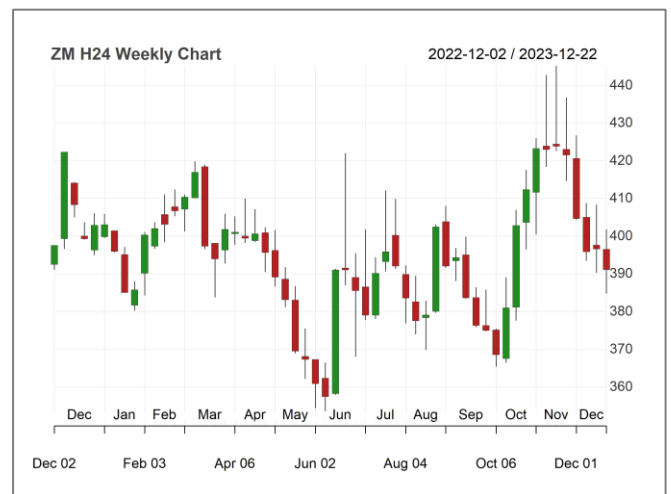
Limited market news was observed, except for some light export announcements. Fundamental support for soybean prices comes from higher U.S. domestic crush usage and less-than-ideal growing conditions in Brazil. However, the U.S. soybean balance sheet currently has little room for additional demand.

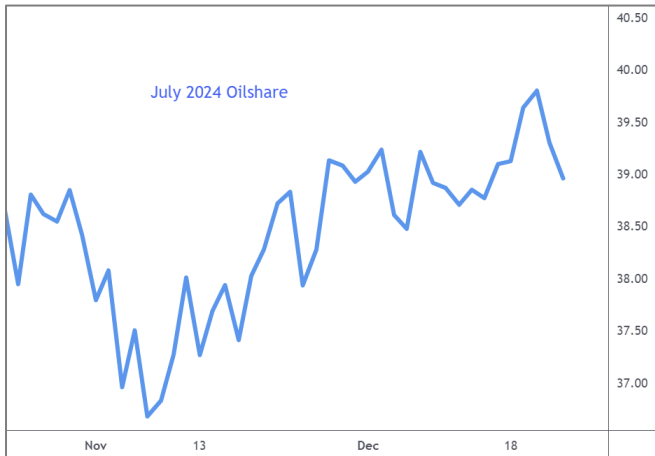


Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)





Record domestic use and improved export demand are supporting soybeans in the short term.

Soil moisture levels in northern Brazil remain a concern, with potential significant cuts in production estimates if forecasts do not improve. The long-term direction of soybean prices will heavily

depend on January weather in South America.

With historically low U.S. soybean stocks, any additional U.S. export demand would require demand rationing. The Brazilian crop size will significantly impact prices, with some private forecasters already reducing crop estimates down to 153 million mts.

Prices will find limited downside risk until it's clear that Brazil harvests a record large crop. The market's primary focus going forward will be the South American crop size, which will be determined by the upcoming weather.

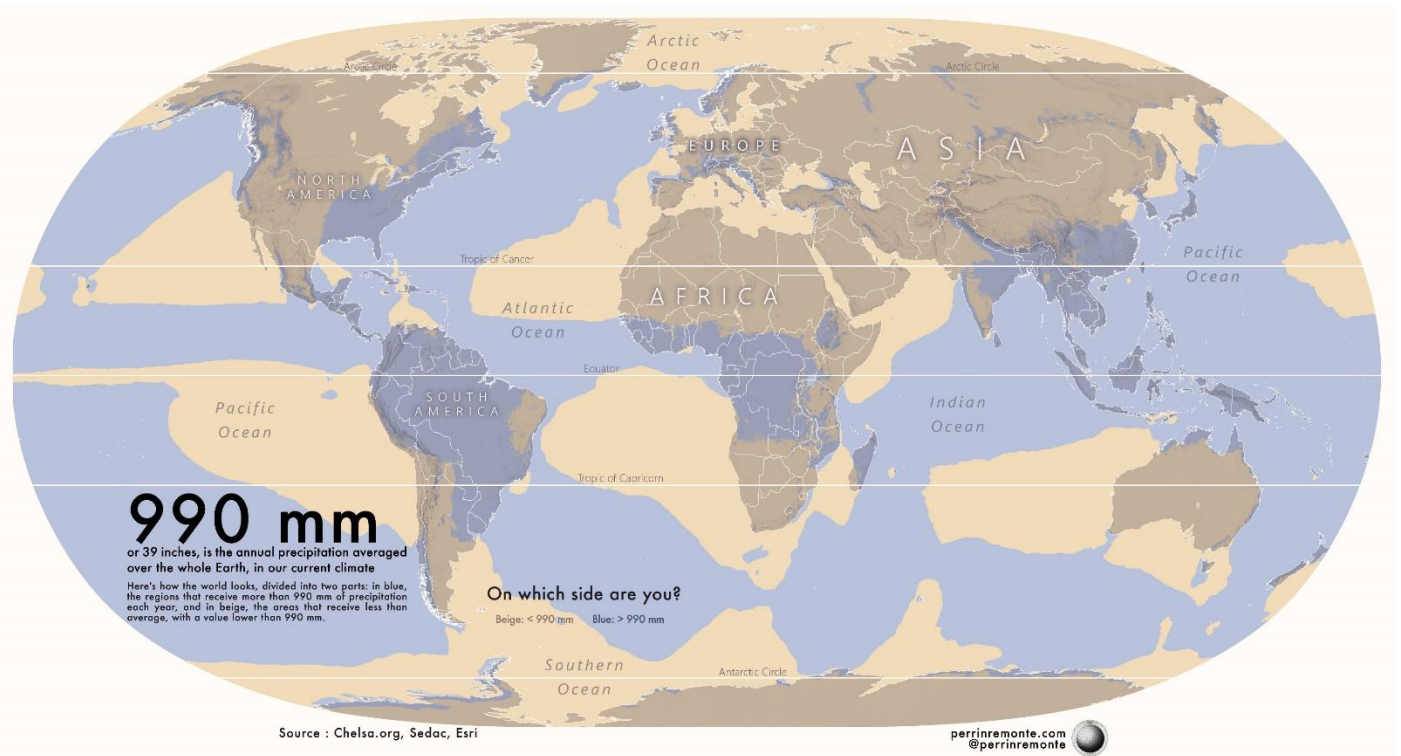
### Trade-Ideas:

**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:** Global precipitation mapped





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