

Weekly Market Report

Tuesday, 8 January 2024

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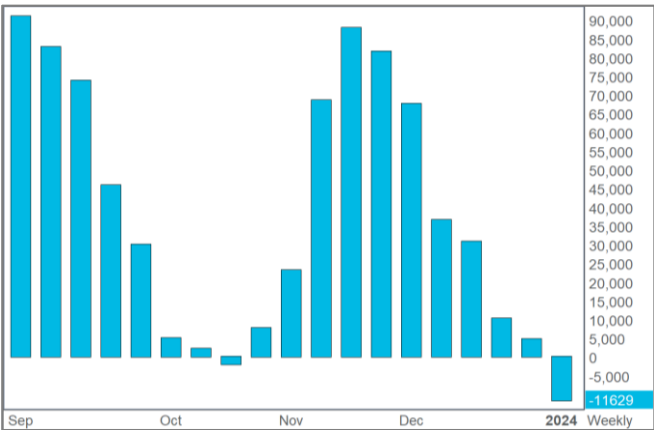
Weekly Overview

Price changes over the week.

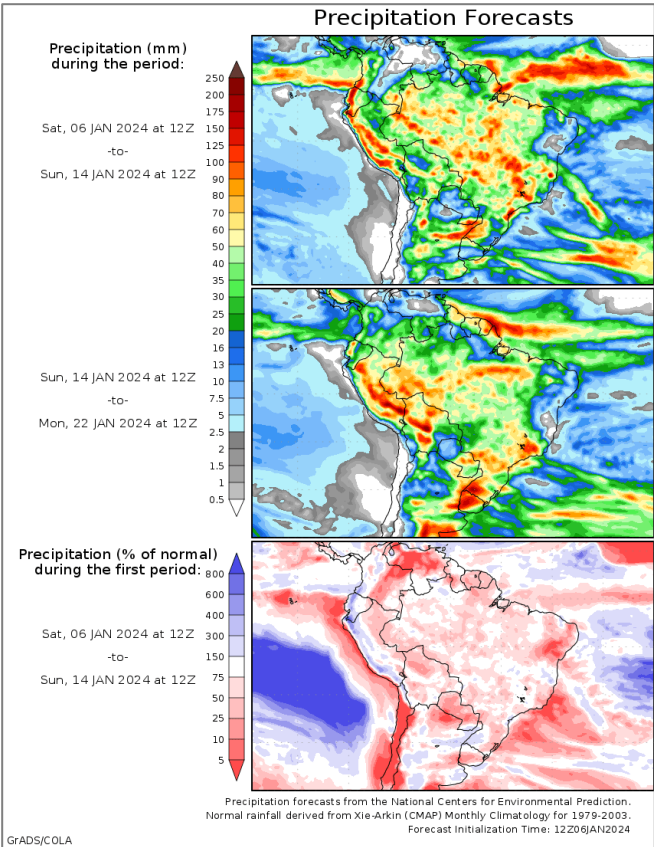
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	616.00	-12.00	-1.91%	645.00	591.25
Kansas Wheat	628.00	-14.00	-2.18%	675.50	611.50
Corn	460.75	-10.50	-2.23%	492.00	460.00
Soybeans	1256.25	-41.75	-3.22%	1360.00	1255.00
Soybean Meal	369.40	-16.60	-4.30%	408.30	369.10
Soybean Oil	47.63	-0.55	-1.14%	51.69	47.03
Crude Oil	73.86	2.02	2.81%	76.31	68.28
Palm Oil	775.75	-27.25	-3.39%	803.00	769.50

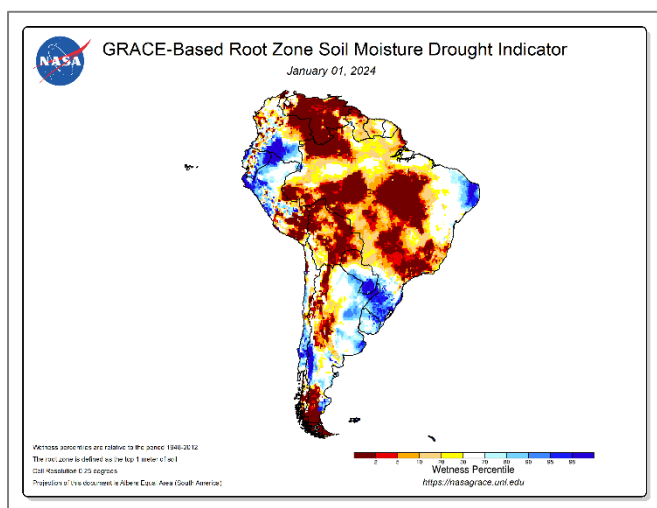
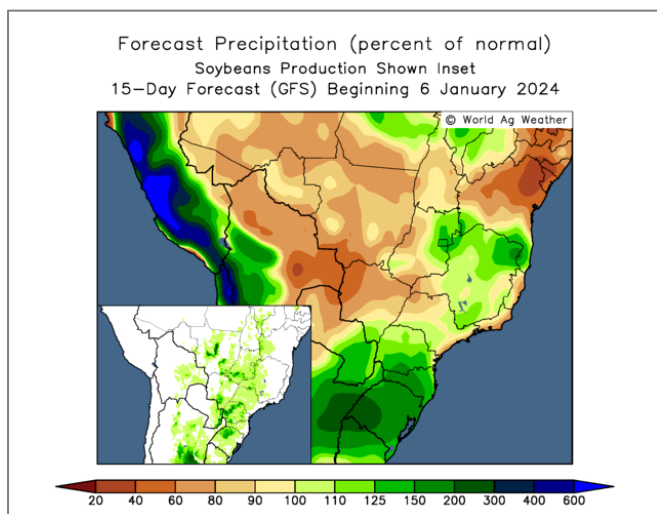
The past week in the CBOT agricultural commodities market closed lower in grain and oilseed following the New Year holiday. This decline was mainly attributed to favourable weather forecasts in Brazil, which alleviated some concerns about crop production.

However, traders remained cautious due to the persistent low soil moisture levels in Brazil. Despite recent rains, significant precipitation is still needed to bolster production estimates, with private forecasters now suggesting Brazilian crop sizes closer to 150 million metric tons compared to the last USDA report's 160 million



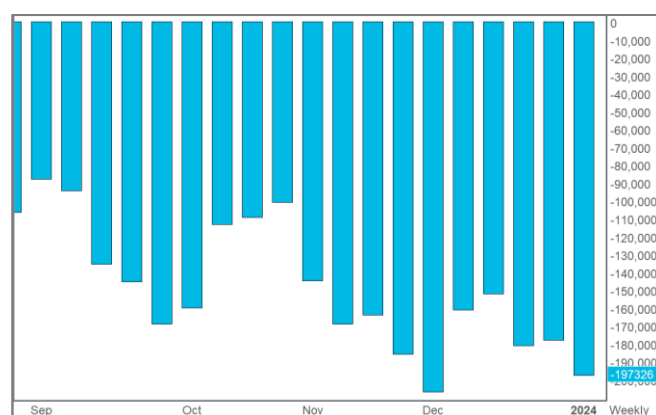
Soybeans Managed Money Fund Net Position (in contracts)





In the COT report, managed money funds were net sellers in grains and oilseeds, continuing a trend that has led to net short positions in soybeans, corn, and wheat.

As the market anticipates the upcoming January USDA report, traders are particularly focused on South American weather forecasts and crop size potentials, which are expected to be key price drivers in the coming months.

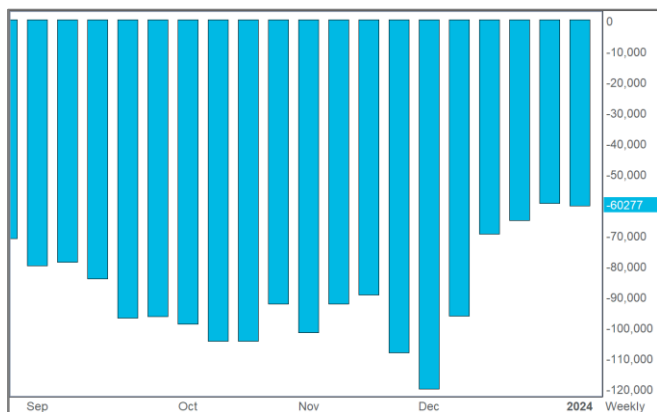


Corn Managed Money Fund Net Position (in contracts).

Grains

Wheat prices experienced a decline in the holiday-shortened week. The long-term focus for wheat revolves around the anticipated decrease in winter wheat acreage in the US, Western Europe, and Ukraine. A projected combined drop of 4-6 million acres in the Northern Hemisphere poses significant challenges for exporter production growth in 2024.

Despite ongoing grain exports from the Black Sea region, uncertainties regarding vessel insurance due to the war in Ukraine persist.



CBOT Wheat Managed Money Fund Net Position (in contracts)



The wheat market in early 2024 faces a juxtaposition of large existing supplies from Europe, Ukraine, and Russia against heightened forward supply risks due to reduced planting.

Funds continue to maintain a short position in wheat, with approximately 60,000 contract shorts. While a seasonal price recovery is expected in the coming months, the ongoing supply from Russia into the export market keeps prices under pressure.

Any modest yield loss in major producing regions like the US, Europe, or Russia could quickly turn the market bullish in 2024.



March CBOT corn ended lower, breaking out of its previous price range, influenced by much-needed rainfall in Northern Brazil.

The Brazilian climate pattern shows improvement, but the pivotal period for rainfall will be February to April, which is crucial for determining the global exporter balance sheet.

The upcoming USDA report is expected to show largely unchanged yields, with a slight possibility of an increase.

The US continues to attract import demand due to its competitive position in the global feed market, expanding US

corn export demand. Despite current ample supplies, risks loom with the USDA's potentially overestimated Brazilian production number and projected lower US acreage in 2024.

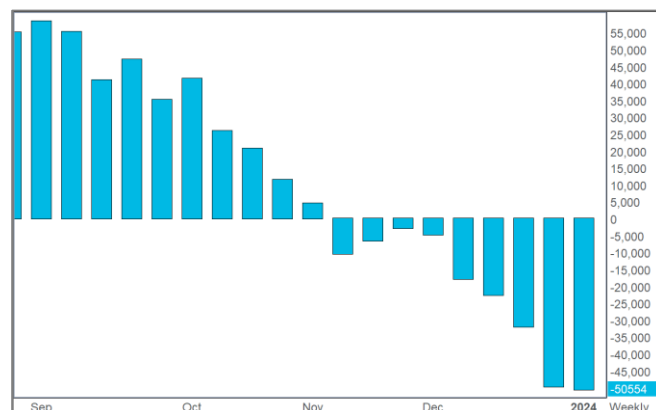
The market's price adjustments will largely depend on Brazilian Safrinha yield performance, which cannot be assessed until spring. Large US inventories continue to overshadow the market, but forward supply risks remain significant, especially considering the drought in several Brazilian states.

US corn is poised to dominate the world market due to logistical challenges in Ukraine and delayed South American supplies.

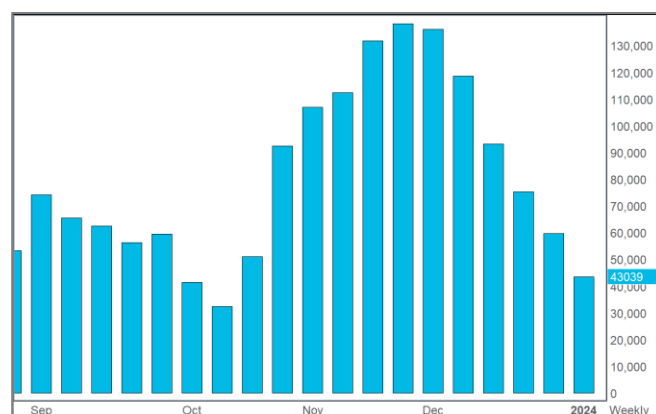
Oilseed complex

Soybean futures fell below their late September lows, influenced by forecasts of improved rainfall in Brazilian soybean growing areas and continuous selling by funds. The Argentine harvest, still months away, poses a challenge to meal rallies due to Argentina's efforts to regain market share after a crippling drought in 2023.

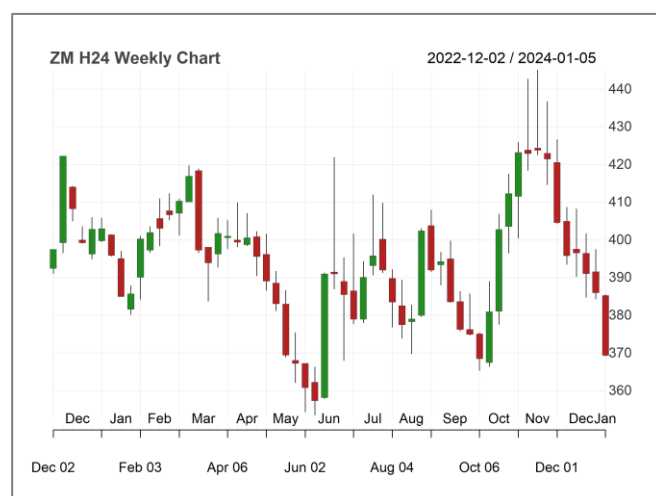
Domestic use and export demand in the US provide short-term support for soybeans, yet the Brazilian weather forecast remains critical, with uncertainties about early season crop losses.

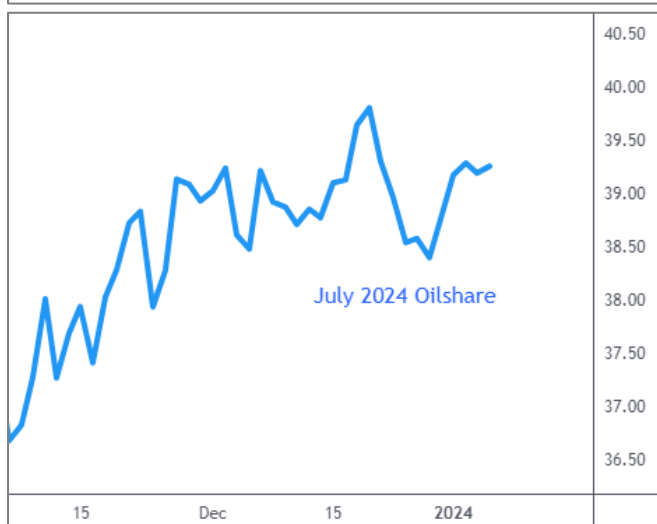


Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)





Soil moisture in Northern Brazil continues to be a concern, and the absence of forecasted rains could lead to significant production cuts.

Private forecasts now align Brazilian soybean crop estimates closer to 150 million metric tons, contrasting with the USDA's last figure of 160 million.

The long-term market direction hinges on the January-March weather in South America. With little room for additional US export demand due to historically low US soybean stocks, any significant Brazilian crop would limit downside price risks.

The upcoming South American weather patterns will be crucial in determining global soybean trade dynamics.

Trade-Ideas:

Soybeans: Continue to Hold long on Sn4/SX4. Hold long call options on SH4 (Market continue to trade lower , despite the decline in Brazilian crop estimates. If the rains are disappointing here on , demand could shift to US for Mar-Apr, adding support on prices)

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

Oilshare: continue to hold longs in oilshare.

Food for Thought: how long does it take for your money to double?

HOW LONG DOES IT TAKE For Your Money to Double?

The rule of 72 is a classic shortcut that estimates how long it takes to double your investment.



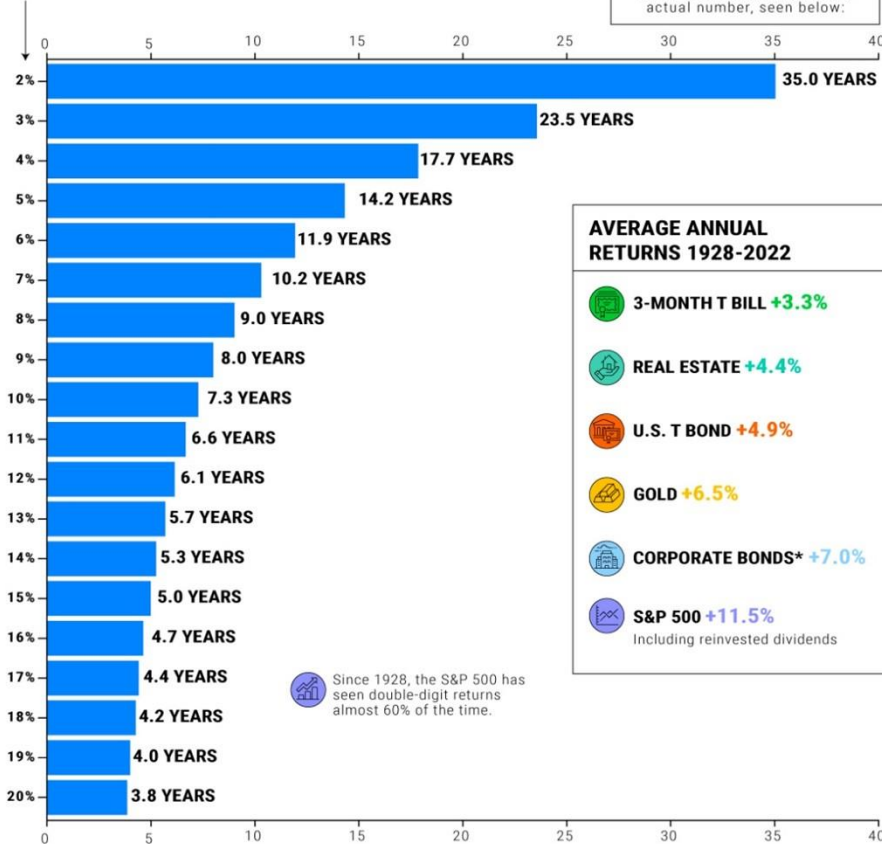
RULE OF 72

$72 / \text{Annual Rate of Return} =$
Number of Years to Double Money
 $72 / 10 = 7.2$

This is a quick way to approximate the number. A more precise formula is used to calculate the actual number, seen below:

Time it Takes to Double Money

Rate of Return



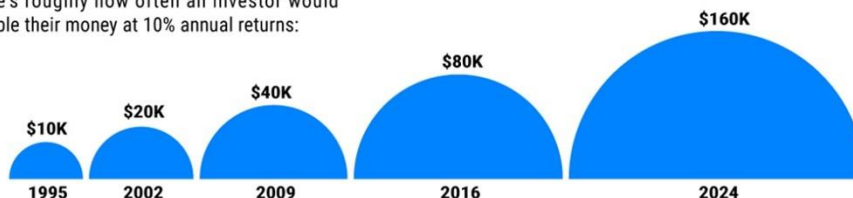
AVERAGE ANNUAL RETURNS 1928-2022

- 3-MONTH T BILL +3.3%
- REAL ESTATE +4.4%
- U.S. T BOND +4.9%
- GOLD +6.5%
- CORPORATE BONDS* +7.0%
- S&P 500 +11.5%
Including reinvested dividends

Since 1928, the S&P 500 has seen double-digit returns almost 60% of the time.

The Speed of Doubling Your Money

Here's roughly how often an investor would double their money at 10% annual returns:



Over the last seven decades, the S&P 500 has doubled in value about 10 times.

Source: NYU Stern. *Represented by Baa corporate bonds, which are considered investment grade.



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