

Weekly Market Report

Tuesday, 15 January 2024

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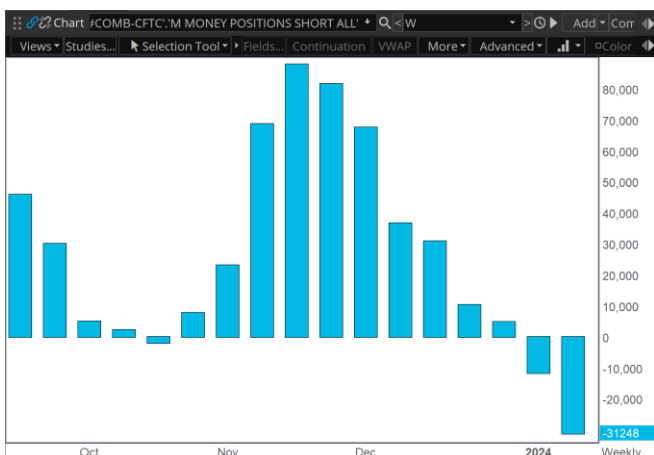


Weekly Overview

Price changes over the week.

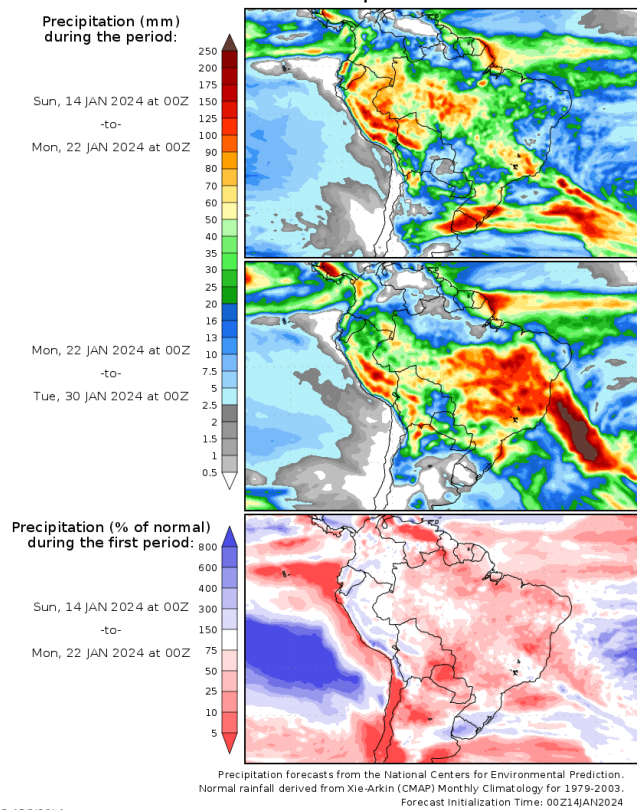
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	596.00	-20.00	-3.25%	639.75	587.25
Kansas Wheat	615.25	-12.75	-2.03%	648.50	607.00
Corn	447.00	-13.75	-2.98%	484.25	441.00
Soybeans	1224.25	-32.00	-2.55%	1340.75	1203.00
Soybean Meal	362.10	-7.30	-1.98%	401.80	353.40
Soybean Oil	48.25	0.62	1.30%	51.69	46.30
Crude Oil	72.79	-1.07	-1.45%	76.31	69.56
Palm Oil	796.00	20.25	2.61%	803.00	769.50

The past week grain and oilseed prices were under pressure, primarily due to improving weather conditions in Brazil. The USDA's bearish report, revealing increased yields in corn and soybeans, further exacerbated the price decline. Despite the initial positive outlook for Brazil, recent forecasts have deteriorated, with private forecaster estimates for Brazilian crop sizes aligning closer to 150 million metric tons, some even lower.



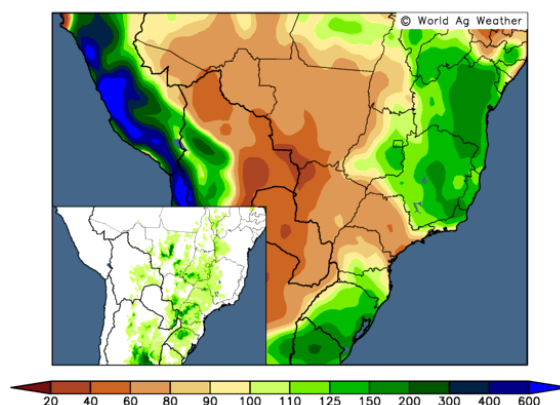
Soybeans Managed Money Fund Net Position (in contracts)

Precipitation Forecasts



GRADS/COLA

Forecast Precipitation (percent of normal) Soybeans Production Shown Inset 15-Day Forecast (GFS) Beginning 13 January 2024

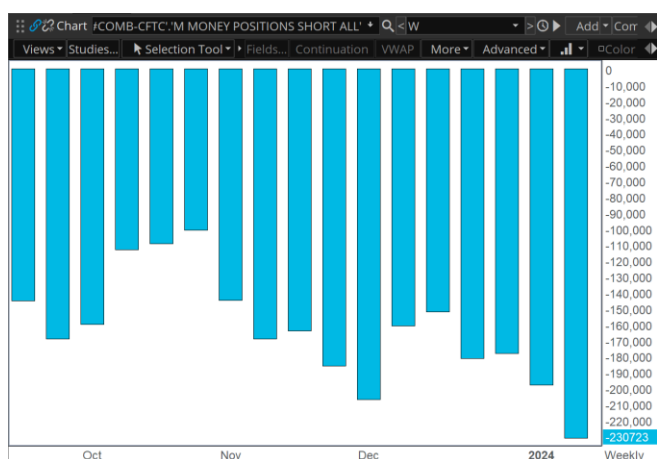


In the COT report, managed money funds exhibited a net selling trend in soybeans and soybean meal.

This continued selling has led to managed money funds holding a net short position in soybeans by 30,000 contracts, while maintaining significant short positions in corn and wheat.

Additionally, the slowing pace of export sales from the US could potentially lead to increased carryout, exerting additional pressure on prices.

Going forward, the primary focus for traders will hinge on the forecasted weather in South America and the total crop size potential of the region. These factors are poised to be key drivers of price movements in the upcoming months.

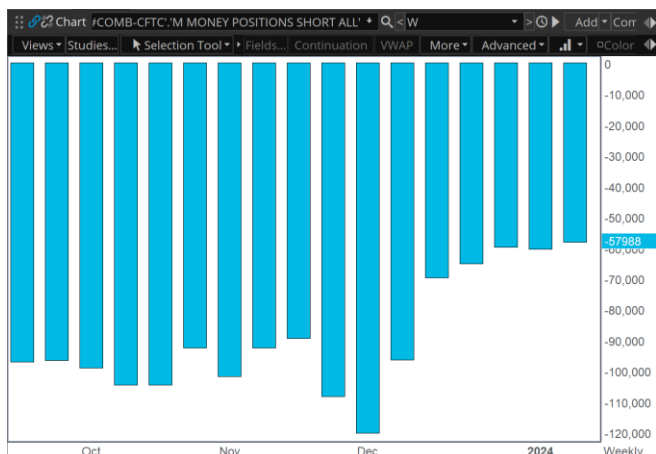


Corn Managed Money Fund Net Position (in contracts).

Grains

US wheat futures, while trading lower in tandem with row crops, received some support from fundamental inputs. The market is currently experiencing elevated volatility, balancing adequate current supplies against risks to future supply. A notable point of interest is the potential decline in winter wheat acreage in the US, Western Europe, and Ukraine. Estimates suggest a combined drop in winter wheat seedings of 4-6 million acres across the Northern Hemisphere, which could significantly challenge exporter production growth in 2024.

The decline in US winter wheat seedings by 2.3 million, with a similar reduction likely in Western Europe, poses a challenge to stock building in 2024. Despite ongoing grain exports from the Black Sea region, issues such as vessel insurance costs due to the ongoing war in Ukraine remain a primary concern. The market in early 2024 is likely to be influenced by the large existing supplies in Europe, Ukraine, and Russia, juxtaposed against elevated forward supply risks due to the decrease in planted acres.



CBOT Wheat Managed Money Fund Net Position (in contracts)

Furthermore, Indian wheat stocks are not expected to build, even assuming record production levels. The availability of Russian and EU wheat has so far prevented significant price rallies in the market.

A potential drop in US winter acreage, following the decline in revenue insurance guarantees, could further influence the market.

A bullish narrative could rapidly unfold if even modest yield losses occur in the US, Europe, or Russia in 2024. Overall, wheat prices are expected to trade within a large range, with a general bias towards the upside.



CBOT corn prices declined to new lows, following the USDA's unexpected increase in US production and minimal revisions to South American output prior to spring. Drier forecasts for Brazil might provide some market support in the coming week.

The US's record high yield in 2023, despite weak crop ratings and regional weather issues, coupled with harvesting an additional 8 million acres, ensures more than adequate supply, barring a drought in Brazil or significant acreage loss in the US in coming months.

The US's competitive position in the global feed market continues to attract import demand, with US corn export demand expanding as the US remains the cheapest reliable supplier for winter/spring delivery.

The market's price reset will largely depend on Brazilian Safrinha yield performance, which can't be predicted until later this year.

Currently, the market in the US, Europe, and Brazil is deeply oversold. Price rallies may be challenging to sustain short term, as US carryout estimates remain burdensome.

Large US inventories loom over the market, but there are significant forward supply risks, including first-crop Brazilian production being at risk due to drought.

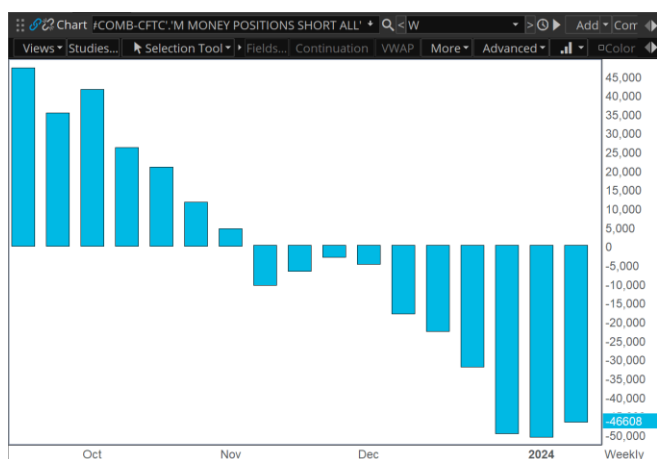
US exports are expected to increase leading into summer, with logistical and bureaucratic issues impacting Ukraine, and new South American supplies not arriving until May/June.

In the long run, fair value will hinge on South American production, which in turn determines US export strength in late spring and summer. Northern hemisphere crop sizes will play a more significant role in global supply and demand balance sheets.

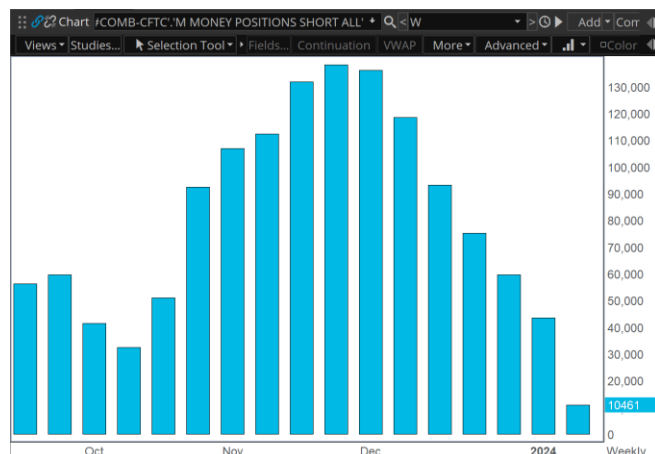
Oilseed complex

Soybean futures faced selling pressure most of the week and extended losses following Friday's USDA report, which held bearish surprises and confirmed better than expected 2023/24 US soy supplies.

The USDA report, which lowered harvested acres to 83.4 million and increased the soybean yield estimate, showed the yield gain more than offsetting the acreage decrease. December 1 soybean stocks were slightly above the average trade estimate, creating a complex scenario for the market.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)





Brazilian soybean harvest reports and private crop estimates will play a crucial

role in price direction in the weeks ahead, along with the lowest CIF price to China potentially spurring extra demand.

Continued net selling by funds adds downward pressure. Soil moisture concerns in northern Brazil highlight the importance of regular weekly rains for maintaining trend or above yields. The market's long-term direction will be primarily determined by January-March weather in South America. Disappointing early Brazilian soy harvest reports underscore this sensitivity.

The main focus moving forward will be the South American crop size, which is contingent on the weather in the coming weeks. This will be the key determinant in shaping the market's trajectory.

Trade-Ideas:

Soybeans: Roll SH4 long options in SN4. Liquidate Sn4/Sx4, as old crop may not be as tight given the lower than expected export sales.

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

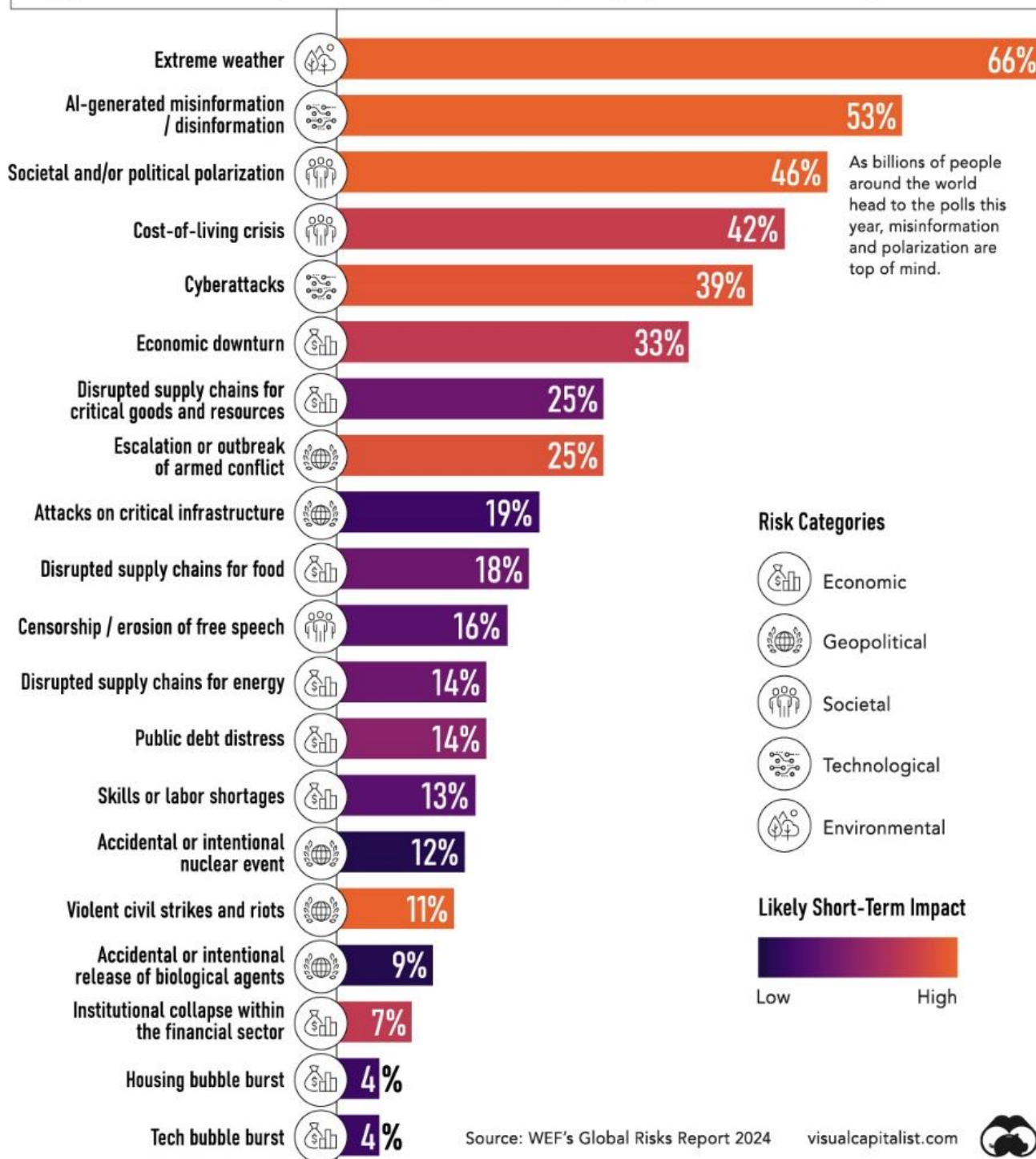
Oilshare: continue to hold longs in oilshare.

Food for Thought: 2024 top global risks

THE TOP GLOBAL RISKS IN 2024

The World Economic Forum surveyed 1,490 leaders on the top global risks in 2024 and their potential scale of impact.

Q Please select up to five risks that you believe are most likely to present a material crisis on a global scale in 2024.



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