

Weekly Market Report

Monday, 22 January 2024

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Weekly Overview

Price changes over the week.

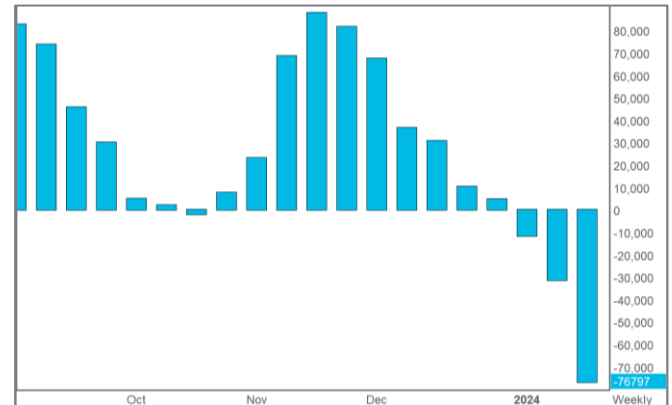
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	593.25	-2.75	-0.46%	639.75	573.25
Kansas Wheat	608.00	-7.25	-1.18%	648.50	586.75
Corn	445.50	-1.50	-0.34%	481.00	436.75
Soybeans	1213.25	-11.00	-0.90%	1327.50	1201.00
Soybean Meal	356.50	-5.60	-1.55%	397.50	353.40
Soybean Oil	46.90	-1.35	-2.80%	49.74	46.30
Crude Oil	73.25	0.46	0.63%	76.31	69.56
Palm Oil	797.50	1.50	0.19%	803.00	769.50

This past week, the grain and oilseed markets declines after initially trading higher.

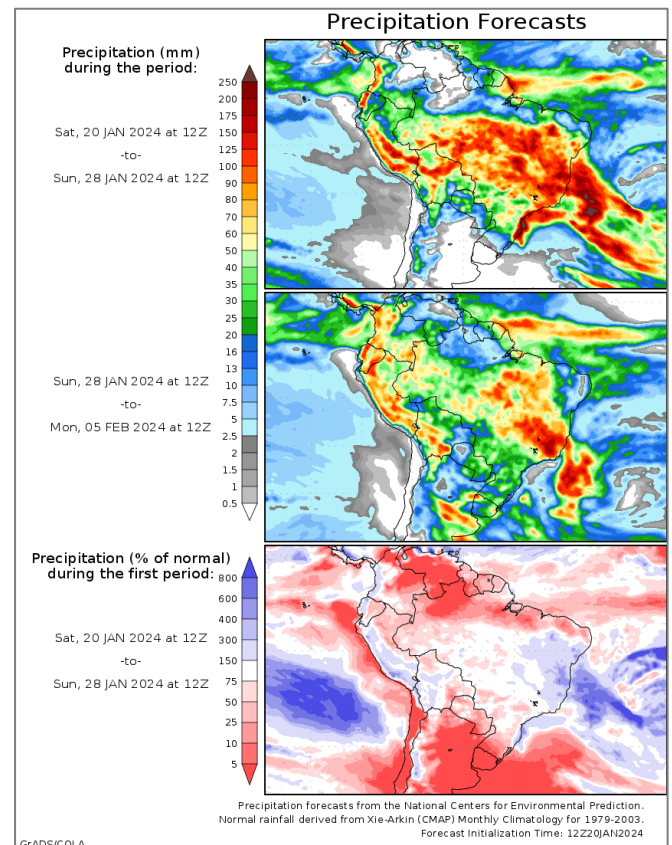
A key factor influencing this trend was the weather in South America, particularly the forecasted rains in Brazil which are expected to provide short-term relief to the low soil moisture levels. This development is significant as it could support crop estimates in the near future.

In the Commitment of Traders (COT) report, managed money funds continued their trend of selling, particularly in soybeans and soybean meal.

This selling spree has led managed money funds to a net short position in soybeans of 80,000 contracts, while maintaining sizable shorts in both corn and wheat.



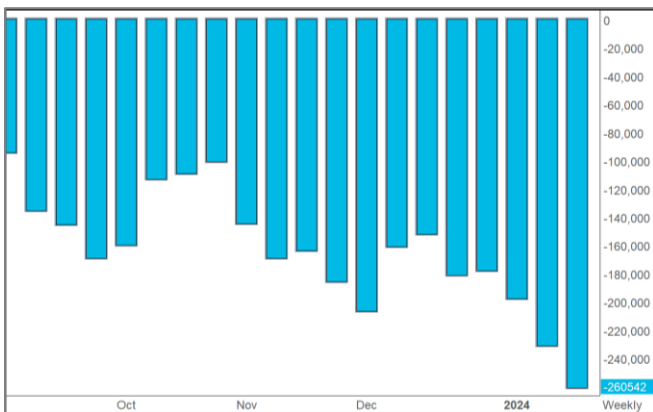
Soybeans Managed Money Fund Net Position (in contracts)



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Another critical factor affecting the market is the slowing of export sales from the United States, potentially leading to increased carryout and added pressure on U.S. prices. Additionally, the flow from the Red Sea is becoming increasingly challenged due to the difficulties in obtaining war risk insurance amid escalating attacks.

The current market focus is on South American weather conditions and the potential total crop size, which are expected to be key price drivers in the coming months. Traders are also keenly observing the crop profitability to the farmer for the upcoming U.S. crops, as this will influence planting intentions, a crucial piece of information due in a couple of months.



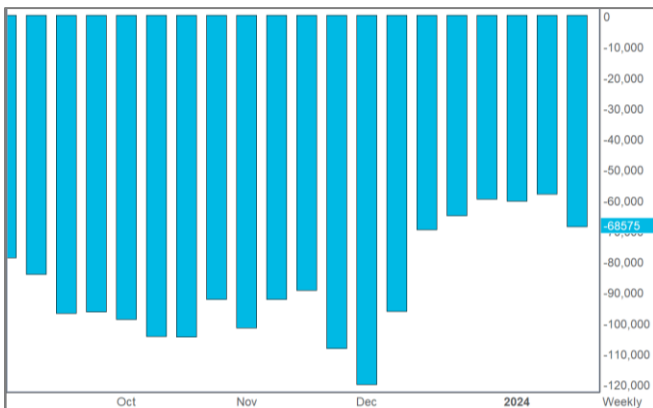
Corn Managed Money Fund Net Position (in contracts).

Grains

U.S. wheat futures closed the week slightly weaker, with the market anticipating a neutral to wide-swinging trend into spring. The current volatility in the wheat market is attributed to a balance between adequate current supplies and future supply risks.

A significant concern is the reduction in winter wheat acreage in the U.S., Western Europe, and Ukraine, which poses a challenge to stock building in 2024. This situation is compounded by the decline in U.S. winter wheat seedings by 2.3 million acres and a probable similar trend in Western Europe.





CBOT Wheat Managed Money Fund Net Position (in contracts)

Despite ongoing grain exports from the Black Sea region, the primary issue remains the availability and cost of vessel insurance due to the ongoing war in Ukraine, which is unlikely to conclude in 2024. The availability of Russian and EU wheat in the market has so far prevented large price rallies.

A bullish scenario is emerging, driven by global import demand and the need for trend or above-average yields in 2024 to maintain stable exporter stocks to use ratios in the 2024/25 period. However, Indian wheat stocks are not expected to increase, even with record production.

In the early part of 2024, the market is anticipated to be a battleground between large existing supplies in Europe, Ukraine, and Russia, and elevated forward supply risks due to the decrease in planted acres. Wheat prices are expected to trade within a large range but with an upward bias, especially if modest yield losses occur in the U.S., Europe, or Russia.



CBOT corn prices continued their gradual decline, with no significant fundamental news to drive prices substantially. However, export demand for U.S. corn has recovered strongly post the holiday season, and robust demand is expected to continue into early summer.

The market is closely monitoring Brazil's weather forecasts, as the key yield-sensitive period for Brazil's second corn crop begins in mid-March. Currently, managed funds hold one of the largest net short positions on record, indicating a crowded short side of the market.

The U.S. maintains a competitive position in the global feed market, attracting increasing import demand and positioning the U.S. as a reliable and affordable supplier for winter and spring deliveries.

Market prices are expected to reset based on the yield performance of the Brazilian safrinha crop, which will only become clear in the spring. Despite large U.S. inventories, forward supply risks remain

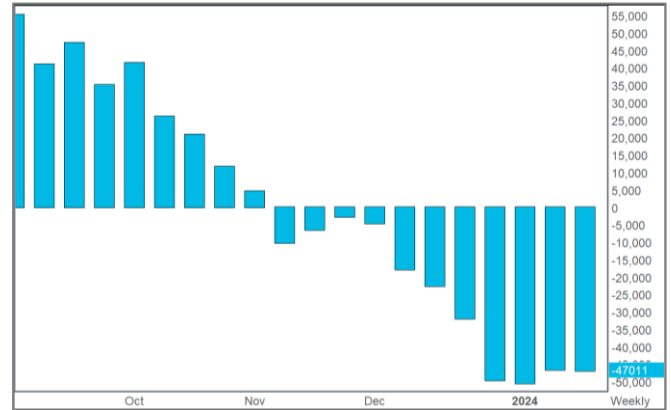
significant, with the U.S. poised to dominate the world market due to logistical issues in Ukraine and delayed new South American supplies.

In the longer term, fair value in the corn market will be determined by South American production, which will significantly impact the strength of U.S. export disappearance in late spring and summer. The Northern Hemisphere crop size will play a crucial role in the global supply and demand balance.

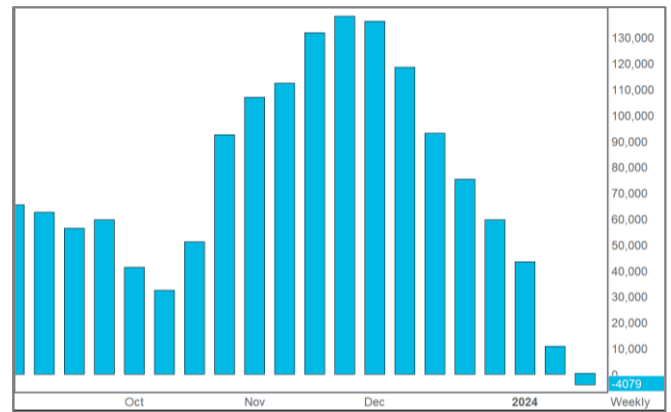
Oilseed complex

The oilseeds market saw an initial rally during the week, but soybean futures closed slightly lower. Early support was derived from the National Oilseed Processors Association (NOPA) soybean crush report, which revealed a record high December crush rate, indicating a cumulative crush rate up 6% from the previous year.

The focus in the oilseeds market is heavily on Brazilian soybean harvest reports and private crop estimates, which will significantly influence price direction in the coming weeks. Soil moisture levels in Northern Brazil remain a concern, with regular weekly rains needed to support trend or above-average yields.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)





Traders are particularly attentive to the weather in South America from January to

March, as it will exclusively determine the long-term direction of the market. Early Brazilian soy harvest reports have been disappointing, and several private estimates for the Brazilian crop have fallen below 150 million metric tons (MMTs).

Funds continue to be net sellers, adding downward pressure on prices.

We continue to recommend holding on to the profitable long oilshare trade as structural demand for soybean oil will continue to grow.

In conclusion, the CBOT agricultural commodities market remains sensitive to a variety of factors, including weather patterns in key producing regions, geopolitical tensions affecting trade routes, and market positions held by managed money funds. The interplay of these factors will continue to shape price movements in the weeks ahead.

Trade-Ideas:

Soybeans: hold long SN4 call options

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

Oilshare: continue to hold longs in oilshare.

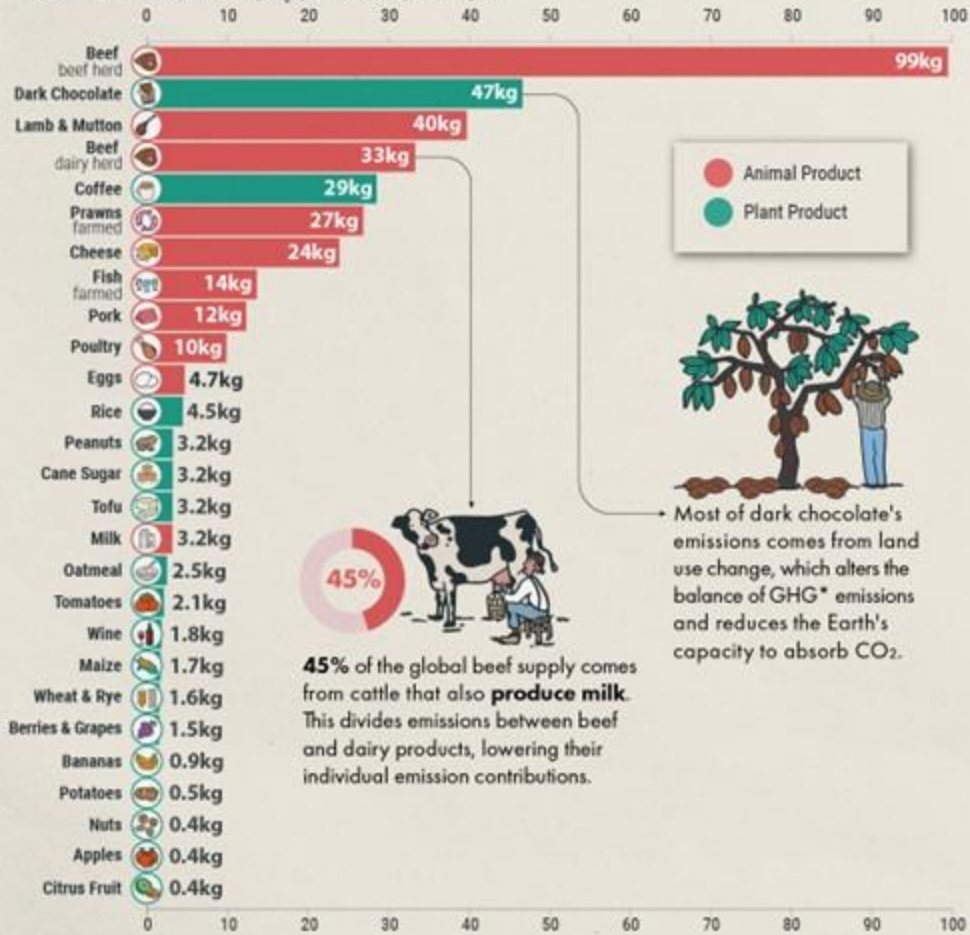
Food for Thought: the environmental impact of our food

The Environmental Impact of Foods

Food production is responsible for 26% of global greenhouse gas emissions. How do different food items contribute to this figure?



Carbon Dioxide Equivalent (CO₂e) Emissions per Kilogram



● Animal Product
● Plant Product



Most of dark chocolate's emissions comes from land use change, which alters the balance of GHG* emissions and reduces the Earth's capacity to absorb CO₂.



45% of the global beef supply comes from cattle that also produce milk. This divides emissions between beef and dairy products, lowering their individual emission contributions.

The Top 5 Most Water-Intensive Foods

Water withdrawal per kilogram (liters)



*Greenhouse gas. Data shows global averages across 119 countries. Source: Our World in Data, Poore & Nemecek (2018)



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