

# Weekly Market Report

Monday, 5 February 2024

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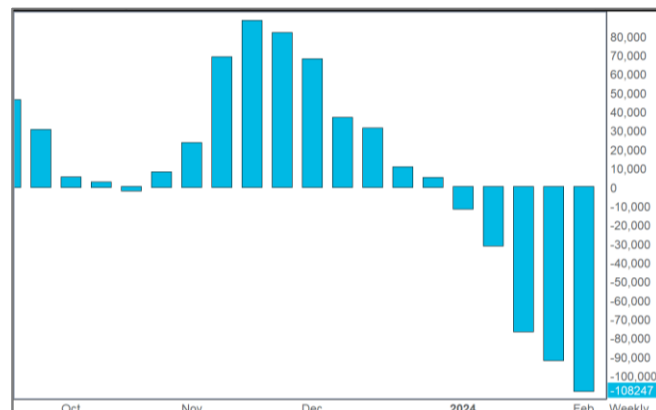
## Weekly Overview

Price changes over the week.

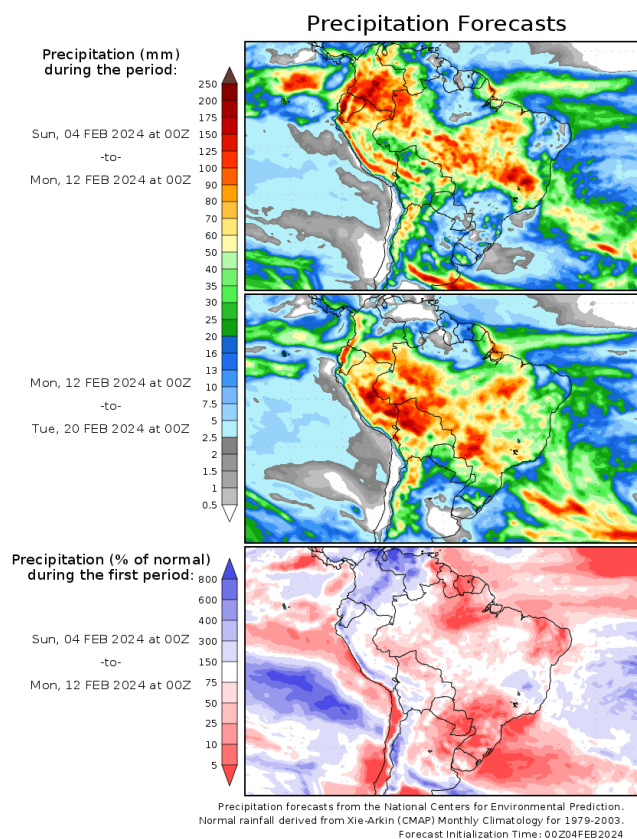
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	599.75	-0.50	-0.08%	621.50	573.25
Kansas Wheat	625.00	0.25	0.04%	641.00	586.75
Corn	442.75	-3.50	-0.78%	469.00	436.50
Soybeans	1188.50	-20.75	-1.72%	1280.75	1186.75
Soybean Meal	356.80	7.80	2.23%	381.10	346.20
Soybean Oil	44.73	-2.20	-4.69%	49.65	44.58
Crude Oil	72.28	-5.73	-7.35%	79.29	70.25
Palm Oil	771.75	-40.50	-4.99%	812.25	771.75

The past week saw grain prices remaining largely rangebound, while oilseed prices faced downward pressure, notably with a decline in soybean oil prices. The market's attention is firmly on South American weather forecasts, which show little sign of improvement in the coming weeks. The potential for Brazil's soybean production to hit the upper range of current estimates (145 to 155 million bushels), could shift demand away from the U.S., affecting market dynamics significantly

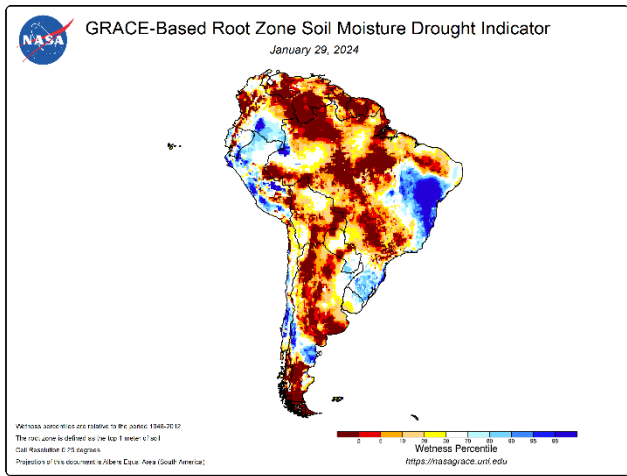
The latest Commitments of Traders (COT) report highlighted that managed money funds were net sellers, maintaining net short positions across almost all commodities covered in this report.



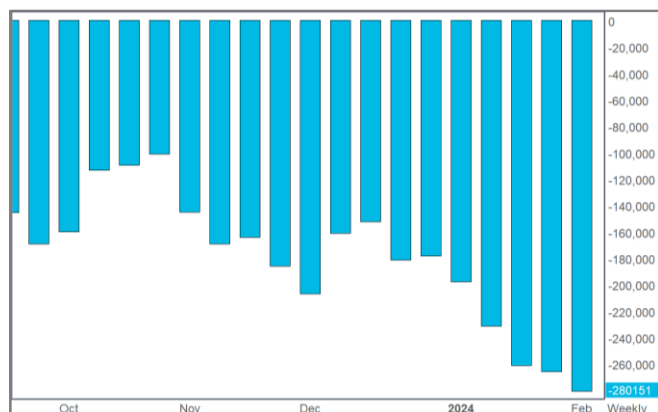
Soybeans Managed Money Fund Net Position (in contracts)



GRADS/COLA



As we look forward, traders are focusing on South American weather patterns and crop size potential, which are expected to be key price drivers in the upcoming months. Another critical factor will be crop profitability in the U.S., influencing planting intentions and the price levels for crop insurance, set to be determined soon, playing a vital role in future market movements.

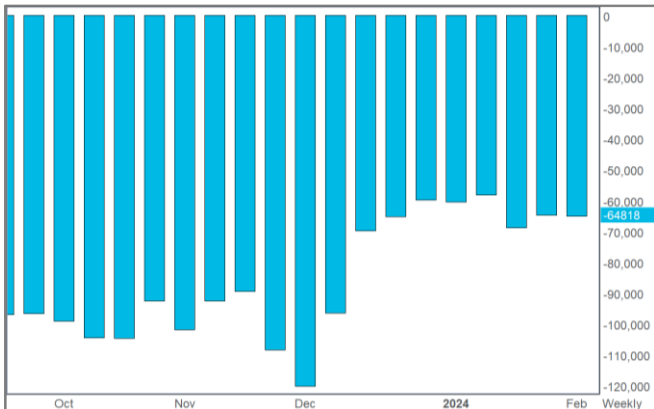


Corn Managed Money Fund Net Position (in contracts).

## Grains

U.S. wheat futures showed mixed results, continuing a trend of minimal change for the fourth consecutive week. The market is navigating through a period of high volatility, with current supplies being offset by forward supply risks. Large surpluses in Russia and Europe are challenging sustained price rallies, though a fundamentally bullish narrative is developing due to increasing global import demand and the necessity for trend or above-trend yields in 2024 to maintain stable exporter stocks to use ratios.





CBOT Wheat Managed Money Fund Net Position (in contracts)



Concerns over a drop in winter wheat acreage in major producing regions and the competition for old crop import demand are shaping the market outlook. Despite ongoing grain exports from the Black Sea region, the availability and cost of vessel insurance due to the war in Ukraine remain central issues.

The early 2024 market dynamics will likely be influenced by the balance between existing large supplies and elevated forward supply risks, with U.S. winter wheat acreage declines and potential modest yield losses becoming focal points for price direction.



CBOT corn futures ended the week slightly weaker, contained within a trading range. The market is feeling the weight of fund selling, with managed funds holding a substantial short position. The situation is further compounded by aggressive Ukrainian offers and forecasts suggesting wetter conditions in Argentina, pressuring late-week values.

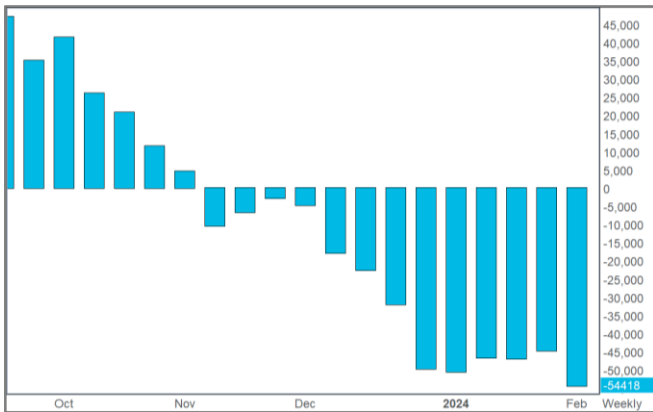
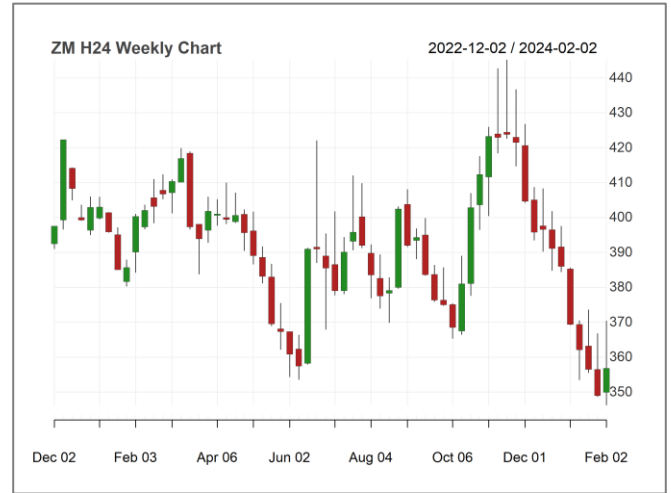
A critical factor for corn will be the confirmed South American crop losses, necessary to trigger speculative short covering in the coming months. Although forecasts for Brazil have worsened, the key period for the second corn crop remains ahead, with late March and April weather being crucial yet unpredictable. The U.S.'s competitive position in the global feed market continues to attract import demand.

Looking ahead, the market's pricing will hinge on Brazil's Safrinha corn yield performance, with large U.S. inventories and forward supply risks defining the short-term outlook. The long-term market valuation will depend on South American production and its impact on U.S. export demand, with the Northern Hemisphere's crop size playing a significant role in the global supply-demand balance.

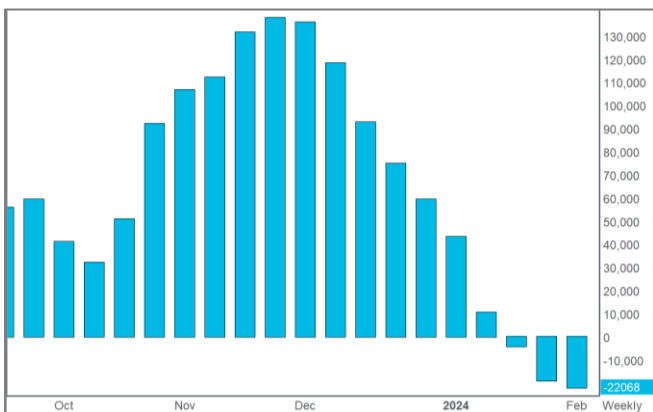
### **Oilseed complex**

Soybean futures experienced a rollercoaster week, initially rallying on short covering before relinquishing gains in the latter half. The focus is now on Brazilian harvest reports and private crop estimates, which will be critical in determining price direction in the coming weeks. With Chinese crush margins turning positive, there might be some short-term price support.

However, continuous selling by funds adds to the downward pressure, with harvest yield reports indicating that the Brazilian crop could be significantly lower than initial estimates. Despite some market estimates still hovering around 155 million metric tons, a crop size below 145 million metric tons could be bullish for nearby CBOT soybean prices.



*Soybean Oil Managed Money Fund Net Position (in contracts)*



*Soybean Meal Managed Money Fund Net Position (in contracts)*



The increase in Brazilian harvest supplies has impacted the nearby basis, but a short crop could lead to an early seasonal low and a subsequent recovery. Nevertheless, with U.S. soybean stocks at historically low levels, any additional export demand would require demand rationing. The market's future direction will largely

depend on South American crop sizes, influenced by upcoming weather conditions, with CBOT soybean prices playing a crucial role in any recovery for U.S. soybeans.

**Trade-Ideas:**

**Soybeans:** hold long SN4 call options

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

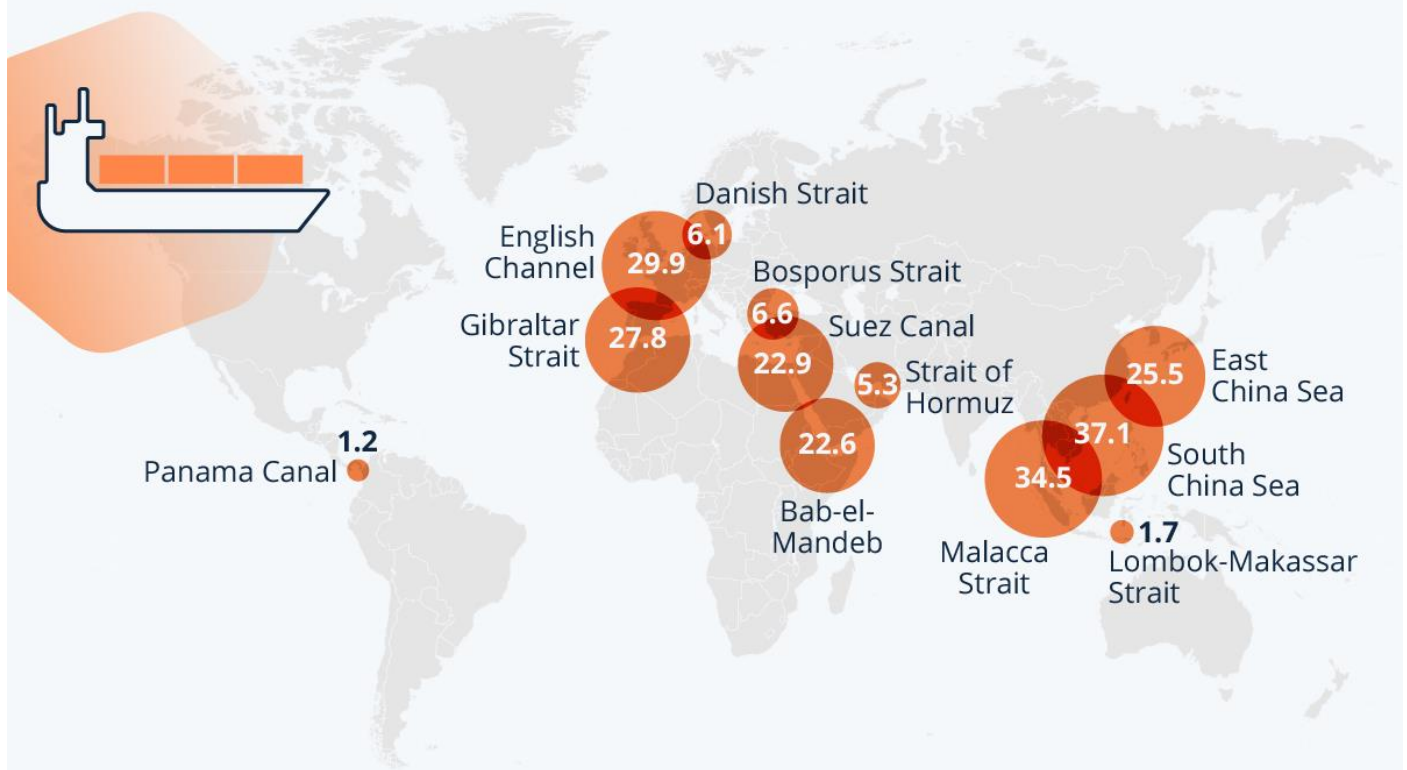
**Oilshare:** continue to hold longs in oilshare.

**Food for Thought:** the shipping choke points around the world



# Global Shipping's Chokepoints

Share of maritime-traded goods between non-neighboring nations passing through the following chokepoints (in %)



2019 data. Share by weight. Assuming shortest route trade using major ports

Source: Pratson. Assessing impacts to maritime shipping from marine chokepoint closures. Communications in Transportation Research (2023)



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