

# Weekly Market Report

Monday, 26 February 2024

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## Weekly Overview

Price changes over the week.

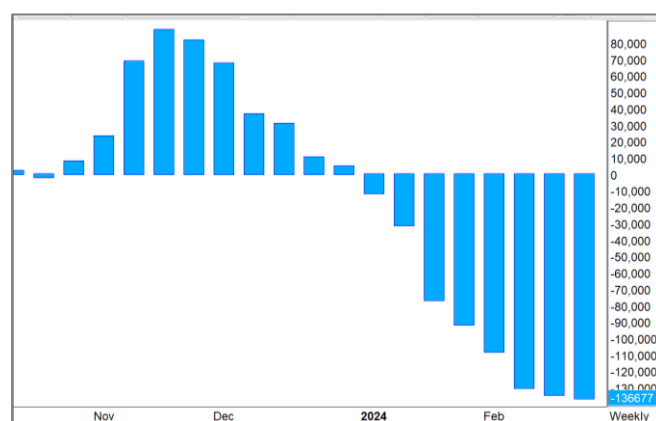
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	569.00	10.00	1.79%	623.75	553.50
Kansas Wheat	565.50	4.00	0.71%	638.50	556.75
Corn	413.50	-16.00	-3.73%	461.25	411.75
Soybeans	1141.75	-34.50	-2.93%	1237.75	1138.25
Soybean Meal	328.00	-10.90	-3.22%	365.60	325.60
Soybean Oil	44.60	-1.48	-3.21%	48.89	44.18
Crude Oil	76.08	-1.90	-2.44%	78.80	71.52
Palm Oil	765.75	8.25	1.09%	800.75	757.50

Last week grain and oilseed prices were lower, while wheat managed a slight recovery from the previous week's steep decline. The anticipation of a good crop yield in South America and a slowdown in demand have led to increased carryout estimates, contributing to the overall dip in prices.

The U.S. crop planting season is on the horizon, yet acreage expectations remain unclear. Sluggish demand and the potential for an increase in soybean acreage are diminishing the risk premium previously factored into prices.

Corn's carryout projections are notably high, indicating less room for a significant price rally. However, the performance of the northern hemisphere's crops will be crucial for wheat and soybean prices going forward.

Managed money funds have largely assumed net short positions across the board, as evidenced by the latest Commitment of Traders (COT) report. The substantial short positions in corn and soybeans signal the possibility of a short-covering rally if any crop risks materialize.



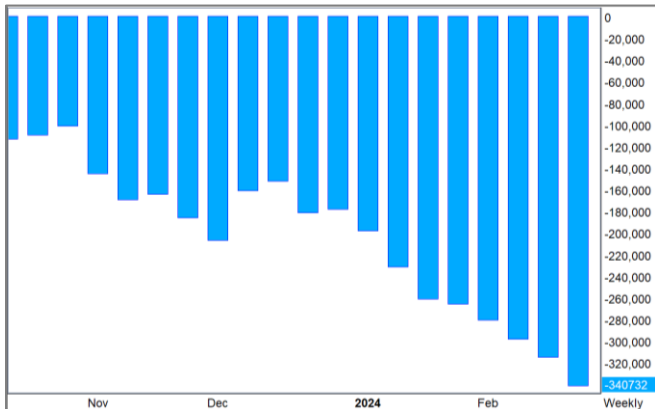
Soybeans Managed Money Fund Net Position (in contracts)

The geopolitical tensions affecting maritime routes through the Red Sea are escalating shipping costs due to the heightened difficulty in obtaining war risk insurance. This situation might compel more ships to reroute via the Cape of Good Hope.

Traders are now keenly observing crop profitability forecasts for the upcoming U.S. planting season, with significant reports on stocks and prospective planting expected in March.



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

## Grains

Wheat futures closed marginally higher, with Chicago Board of Trade (CBOT) wheat rallying over Kansas. The search for Soft Red Winter (SRW) wheat intensifies as shipments to China increase, impacting interior basis and spreads.

Despite adequate current supplies, the forward supply risks and continued pressure from Black Sea supplies have led to volatile price movements. The long-term outlook hinges on winter wheat acreage in key regions, including the U.S., Western Europe, and Ukraine.

Chicago wheat is poised to maintain its premium over Kansas, due to higher carryout expectation in Kansas wheat. A bullish narrative is developing due to robust global import demand and the

necessity for trend or above-trend yields in 2024. However, this theme is unlikely to unfold until the yield-sensitive phase of the Northern Hemisphere's growing season. The presence of large inventories in the EU and Black Sea region is capping rally efforts, despite the anticipation of a volatile market into May. The outcome of the next crop year for Russia and the EU will significantly influence U.S. Kansas wheat prices relative to CBOT wheat.



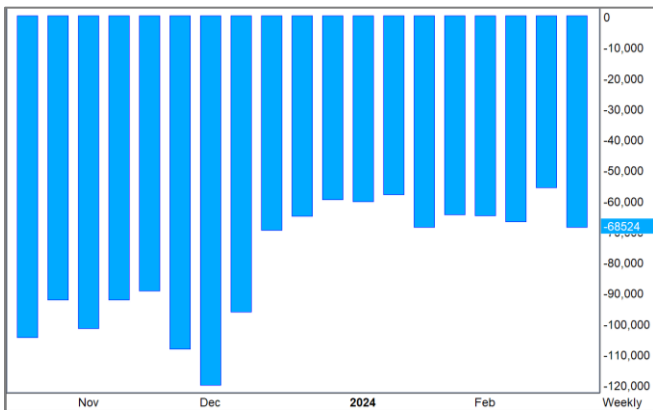
As the growing season approaches, weather-induced volatility is expected to surge in April, with major concerns focused on North Africa and the need for close monitoring of weather patterns in the U.S. Plains and Canada. The paramount importance of Northern Hemisphere growing weather from March onwards underscores the necessity for near-perfect conditions to sustain a bearish trend in the spring and early summer.



Fund selling has intensified, with short positions nearing record levels. The influence of aggressive Ukrainian offers and improved Argentine forecasts, alongside a comprehensive shedding of risk premium, has exerted downward pressure on prices.

Despite no immediate threats to U.S. or global feed inventories, corn prices are currently reflecting an ideal scenario regarding world supplies and stocks.

The USDA's projection of a significant increase in U.S. corn stocks for the 24/25 season, assuming optimal weather and a record yield, highlights the market's sensitivity to upcoming Brazilian safrinha crop yields.



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

The spot CBOT corn price dipped below \$4.00, primarily due to cash market liquidation.

Price dynamics in the short term are constrained by hefty U.S. carryout estimates, yet the potential for substantial forward supply risks looms large.

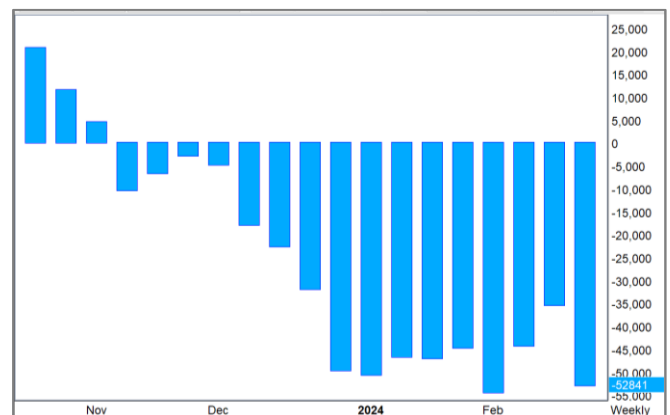
The focus on South American production, particularly Brazilian rainfall in April, will be crucial for assessing the global exportable surplus and the eventual recalibration of corn prices.

### Oilseed complex

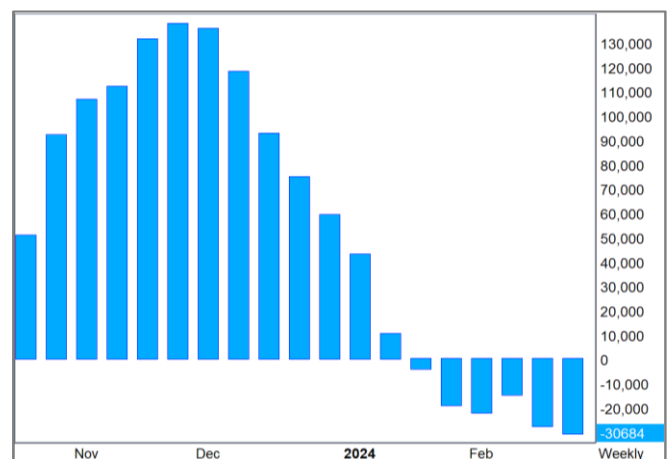
Soybean futures faced downward pressure, influenced by slow Chinese import demand and liquidation in March futures.

The USDA's projections for the new crop did not present significant surprises, anticipating an increase in soybean acreage for the 24/25 season.

Continued selling by funds has added to the bearish momentum, with market news remaining scant following the USDA Outlook Forum. The advancement of the Brazilian soybean harvest and mixed FOB premiums have further impacted price trends.



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



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



Private Brazilian crop estimates are being adjusted downward, but with the harvest progressing, the focus shifts to export availability in the upcoming months.

U.S. exports are expected to slow due to fresh Brazilian supplies, even as domestic crush operations proceed at record levels.

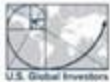
The primary market focus now shifts to South American crop sizes, which will be determined by weather patterns in the near term, and soybean planting acreage estimates, which are crucial for future price directions.

**Trade-Ideas:**

**Soybeans:** hold long SX4 options

**Oilshare:** continue to hold longs in oilshare. Potential target at 42

**Food for Thought:** the periodic table of commodity returns 2023



## THE PERIODIC TABLE OF COMMODITIES RETURNS 2023

Natural resources are vital for global progress and prosperity, but their prices can fluctuate significantly over time, as demonstrated in a table highlighting price movements over the past decade. This volatility aligns with the principle of mean reversion, where returns tend to revert to their average levels. The prices of commodities exhibit both seasonal and cyclical patterns historically. Therefore, investing in natural resources necessitates a diversified portfolio managed by professionals knowledgeable about these assets and their global trends. However, diversification doesn't eliminate market risks or ensure profits, and past performance doesn't predict future outcomes.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
↑	11.35% Pd	187.05% Li	103.67% Coal	56.25% Pd	18.59% Pd	54.20% Pd	47.89% Ag	442.80% Li	72.49% Li	13.10% Au
	6.91% Ni	-2.50% Pb	60.59% Zn	40.51% Li	17.86% Wheat	34.46% Crude Oil	26.02% Cu	160.61% Coal	43.13% Ni	1.19% Cu
	4.82% Li	-9.63% Corn	59.35% Natural Gas	32.39% Al	6.91% Corn	31.55% Ni	25.86% Pd	55.01% Crude Oil	19.97% Natural Gas	-0.17% Al
	3.91% Zn	-10.42% Au	45.03% Crude Oil	31.19% Coal	-0.44% Natural Gas	21.48% Pt	25.12% Au	46.91% Natural Gas	14.37% Corn	-0.66% Ag
	3.80% Al	-10.72% Coal	20.96% Pd	30.49% Cu	-1.58% Au	18.31% Au	24.82% Corn	42.18% Al	10.90% Pt	-7.67% Pt
	-1.72% Au	-11.75% Ag	17.37% Cu	30.49% Zn	-8.53% Ag	15.21% Ag	19.73% Zn	31.53% Zn	6.71% Crude Oil	-9.97% Coal
	-2.24% Wheat	-17.79% Al	14.86% Ag	27.51% Ni	-14.49% Pt	11.03% Wheat	18.66% Ni	26.14% Ni	2.77% Ag	-10.73% Crude Oil
	-5.52% Corn	-19.11% Natural Gas	13.58% Al	24.27% Pb	-16.54% Ni	3.40% Corn	15.99% Natural Gas	25.70% Cu	2.76% Wheat	-12.10% Zn
	-11.79% Pt	-20.31% Wheat	13.49% Ni	13.09% Au	-17.43% Al	3.36% Cu	14.63% Wheat	22.57% Corn	-0.05% Pb	-12.93% Pd
	-14.00% Cu	-26.07% Pt	11.27% Pb	12.47% Crude Oil	-17.46% Cu	-4.38% Al	13.15% Li	20.34% Wheat	-0.28% Au	-20.71% Wheat
	-15.51% Coal	-26.10% Cu	8.56% Au	6.42% Ag	-19.23% Pb	-4.66% Pb	10.92% Pt	18.32% Pb	-5.89% Pd	-30.55% Corn
	-16.00% Pb	-26.50% Zn	1.16% Pt	4.66% Wheat	-22.16% Coal	-9.49% Zn	10.80% Al	-3.64% Au	-14.13% Cu	-38.63% Pb
	-19.34% Ag	-29.43% Pd	-1.88% Corn	2.99% Pt	-24.54% Zn	-18.02% Coal	3.25% Pb	-9.64% Pt	-16.27% Al	-43.82% Natural Gas
	-31.21% Natural Gas	-30.47% Crude Oil	-8.63% Li	-0.63% Corn	-24.84% Crude Oil	-25.54% Natural Gas	-1.29% Coal	-11.72% Ag	-16.34% Zn	-45.21% Ni
↓	-45.58% Crude Oil	-41.75% Ni	-13.19% Wheat	-20.70% Natural Gas	-54.70% Li	-38.50% Li	-20.54% Crude Oil	-22.21% Pd	-48.34% Coal	-81.43% Li

Legend:									
Coal	Black	Copper	Orange	Crude Oil	Red	Natural Gas	Light Blue	Wheat	Yellow
Aluminum	Dark Green	Corn	Yellow	Gold	Yellow	Lithium	Light Green	Zinc	Grey
Lead	Grey	Palladium	Purple	Silver	Light Blue	Nickel	Light Green	Platinum	Dark Blue

Source: Bloomberg and U.S. Global Investors



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