

Weekly Market Report

Monday, 4 March 2024

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Weekly Overview

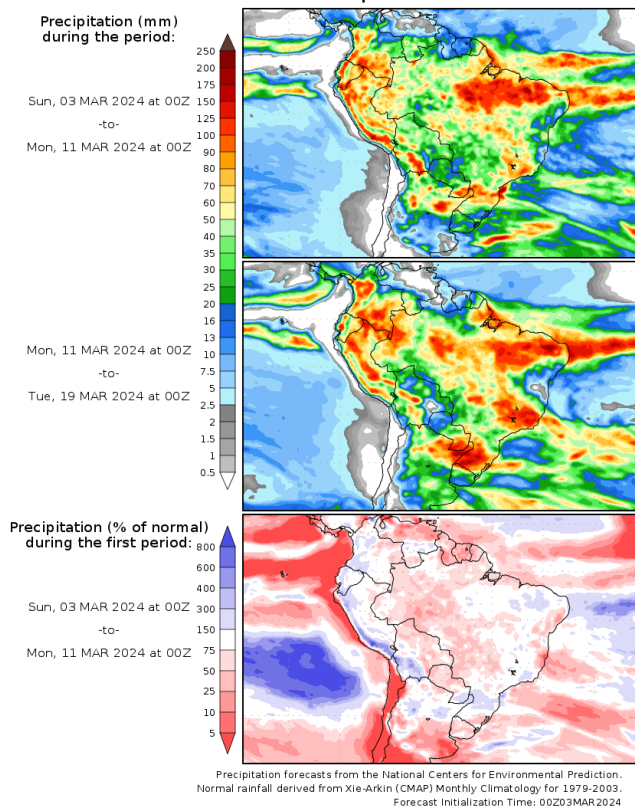
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	557.75	-11.25	-1.98%	618.50	553.50
Kansas Wheat	564.50	-1.00	-0.18%	633.00	556.75
Corn	424.75	11.25	2.72%	459.50	408.75
Soybeans	1151.25	9.50	0.83%	1218.25	1128.50
Soybean Meal	332.30	4.30	1.31%	360.80	323.20
Soybean Oil	45.16	0.56	1.26%	48.89	44.18
Crude Oil	79.09	3.01	3.96%	79.87	71.52
Palm Oil	789.25	23.50	3.07%	792.00	757.50

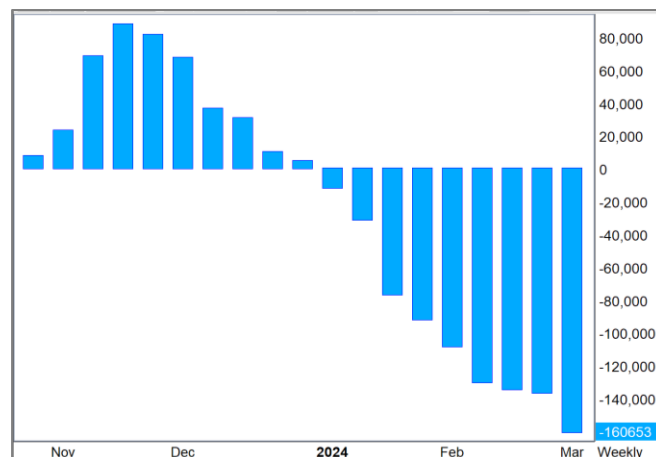
Over the past week, grain and oilseed prices observed a minor rebound following a period of decline. This resurgence is happening despite the uncertainty surrounding the United States crop planting acreage, which is still to be determined.

The U.S. corn market is facing a significant carryout, reducing the likelihood of a price rally in the event of minor crop issues. In contrast, the soybean and wheat markets are more sensitive to the performance of northern hemisphere crops, with little room for error given the tight balance sheets.

Precipitation Forecasts



GRADS/COLA



Soybeans Managed Money Fund Net Position (in contracts)

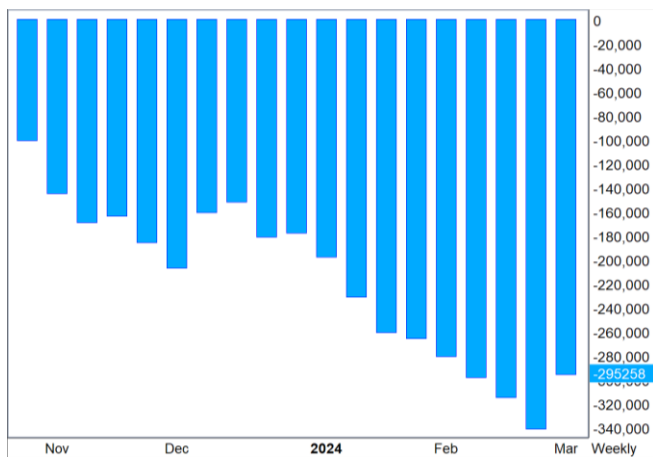
Managed money funds have continued their trend of net selling across almost all commodities, with a notable reduction in corn short positions to below 300,000 contracts.



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However, soybean shorts have expanded to over 160,000 contracts, raising the possibility of a short-covering rally should any crop loss risk materialize.

Traders are now keenly focused on the upcoming U.S. crop profitability and planting intentions reports, which will be critical in shaping market expectations.



Corn Managed Money Fund Net Position (in contracts).

Grains

U.S. wheat futures have shown mixed performance, with hard wheat futures expected to face more pressure compared to CBOT wheat due to higher anticipated HRW stocks.

The market is actively seeking SRW wheat, driven by increased shipments to China, affecting basis and spreads.

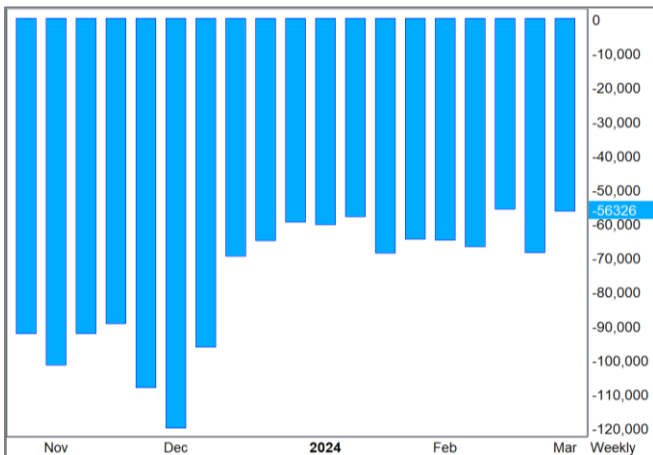
Despite adequate current supplies, volatility remains high due to forward supply risks and continued pressure from Black Sea region supplies.



The long-term outlook for wheat hinges on winter wheat acreage declines in the U.S., Western Europe, and Ukraine.

Russian exporters' aggressiveness is weighing on global markets, with significant EU/Black Sea inventories expected to cap rally efforts.

However, the U.S. SRW wheat is projected to outperform other classes into May, although challenges remain if Russia and the EU do experience production losses next year.



CBOT Wheat Managed Money Fund Net Position (in contracts)



Corn futures have rebounded, moving past the liquidation phase and focusing on the 2024 weather and supply risks.

Short covering by funds has provided some support to prices, aligning export sales with USDA forecasts.

The next price reset will depend on Brazilian safrinha corn yield performance, with subsoil moisture anomalies in key Brazilian regions hinting at potential yield losses.

The U.S. corn market faces a significant carryout, limiting short-term price rallies.

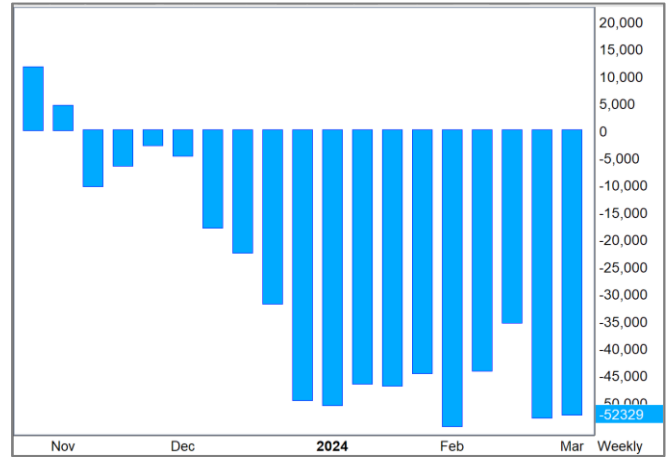
However, forward supply risks and the potential for yield loss in Brazil due to La Nina conditions could add a price premium.

The long-term value of corn will be influenced by South American production and its impact on global supply and demand balances.

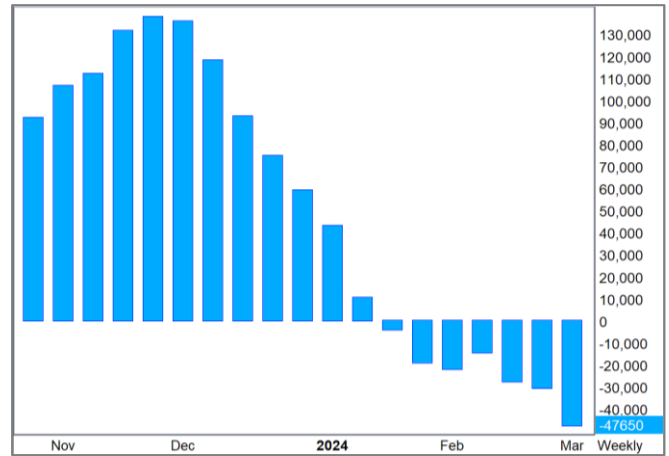
Oilseed complex

Soybean futures initially dipped to new lows before closing the week higher. Continued net selling by funds has applied downward pressure, while slow U.S. exports and accelerating Brazilian exports have been key market drivers.

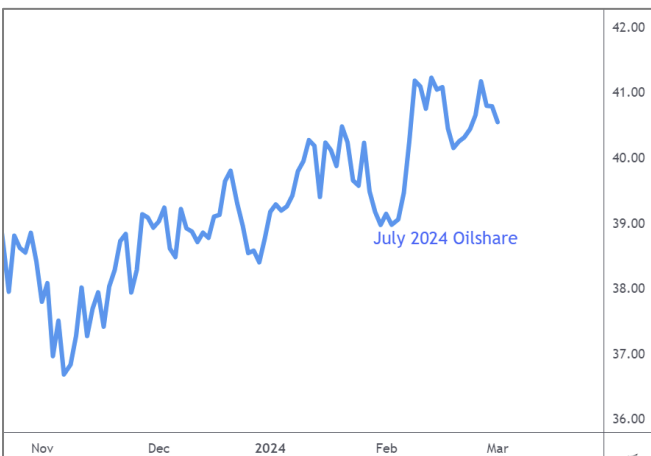
Brazilian soybean premiums have increased as the harvest progresses, impacting the cash premium structure differently from the previous year.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)





The focus remains on South American crop sizes, influenced by upcoming weather conditions and soybean planting acreage estimates.

Structural demand for oil is expected to push the oilshare higher, with the soybean market closely watching South American weather patterns and acreage decisions for future price direction.



Trade-Ideas:

Soybeans: hold long SX4 options

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

Food for Thought: Commodities vs Equity valuations

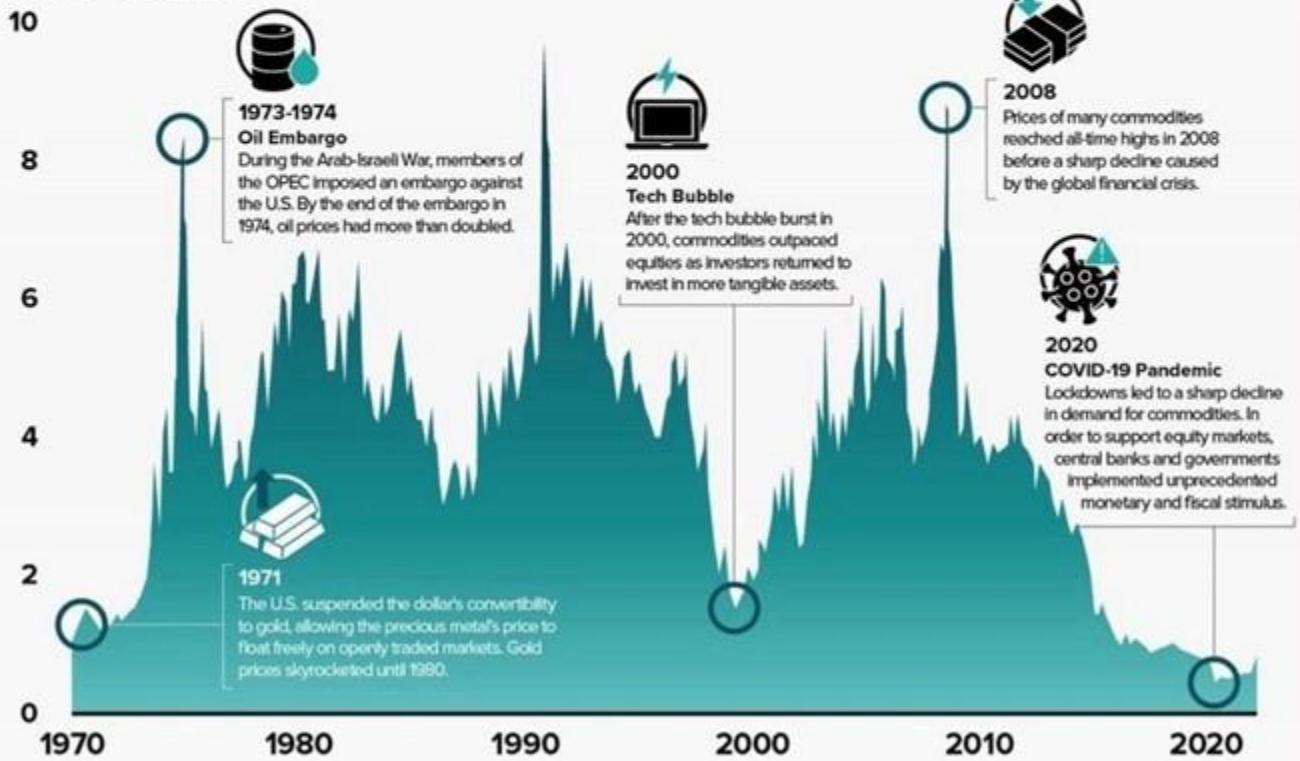
COMMODITIES vs EQUITY VALUATIONS

1970–2023

Recently, commodity prices reached a 50 year low relative to overall equity markets. In the past, when this ratio reached such levels, commodity supercycles began.

Commodity supercycle
 Extended periods during which commodity prices are well above their long-run trend.
 Source: Bank of Canada

Ratio: GSCI Commodity Index vs. S&P 500 Index



Source: Incrementum AG, Chescol Capital LLC, TSVI Coats, Bank of England



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