

Weekly Market Report

Monday, 6 May 2024

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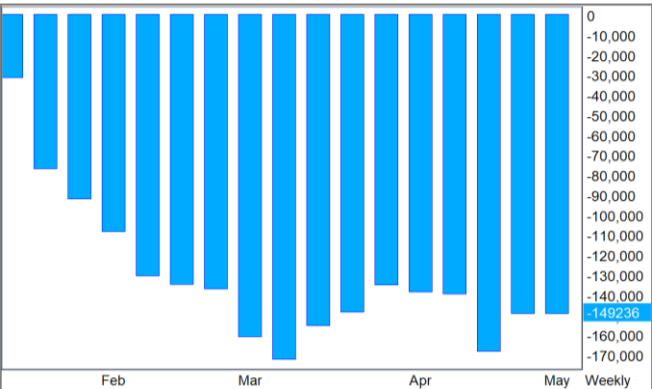


Weekly Overview

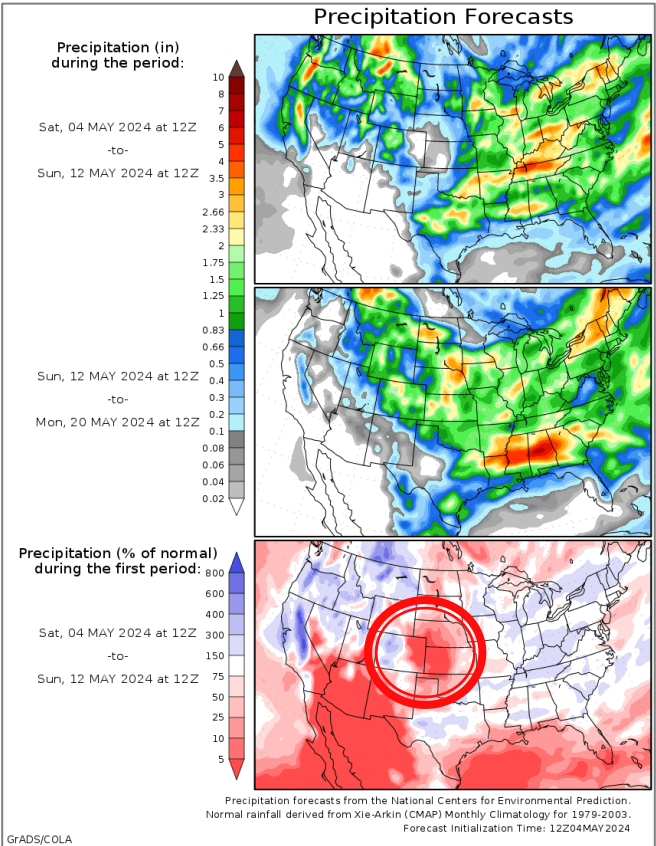
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	668.50	2.75	0.41%	675.75	592.00
Kansas Wheat	683.00	-1.50	-0.22%	694.00	598.75
Corn	482.75	9.25	1.95%	486.25	459.50
Soybeans	1201.00	26.25	2.23%	1202.00	1146.75
Soybean Meal	373.40	23.50	6.72%	374.70	337.60
Soybean Oil	44.07	-2.13	-4.61%	49.52	43.71
Crude Oil	77.35	-5.00	-6.07%	85.27	77.20
Palm Oil	816.75	-5.50	-0.67%	865.50	808.50

As planting gets underway, the dynamics of weather forecasts are increasingly influencing market prices, reflecting the potential impacts on crop sizes over the next few months. In particular, volatility in the market is closely tied to the severity of weather conditions and the corresponding adjustments in the supply-demand balances for wheat, corn, and oilseeds.

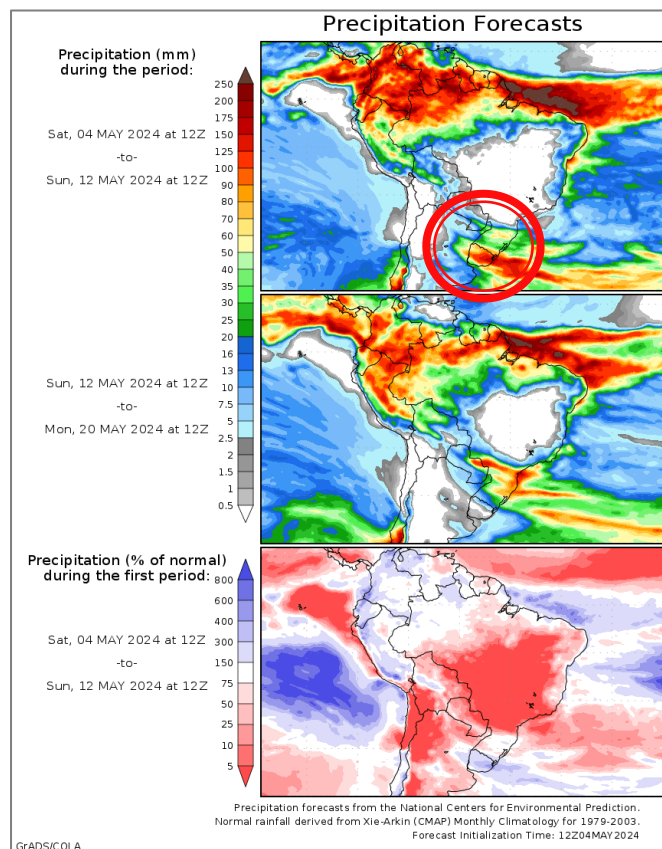


Soybeans Managed Money Fund Net Position (in contracts)



Soybeans and soybean meal prices closed higher for the week, bolstered by concerns over crop losses in Rio Grande due to excessive rainfall and flooding. Initially, crop loss estimates soared as high as 7 million metric tons, but have since been adjusted to a range of 1-3 million metric tons. The final extent of these losses remains to be determined over the coming weeks. Meanwhile, soybean oil prices diverged, experiencing a downward trend.

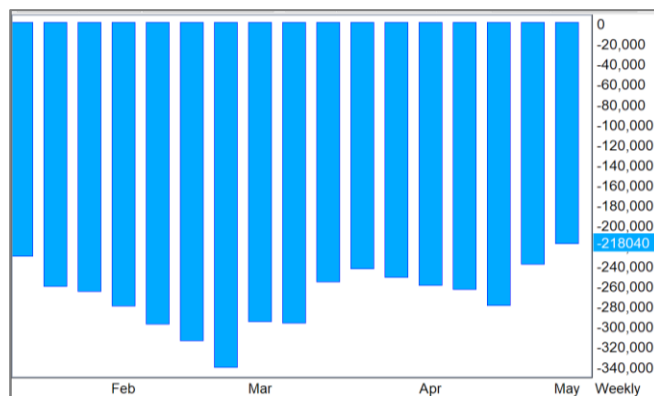
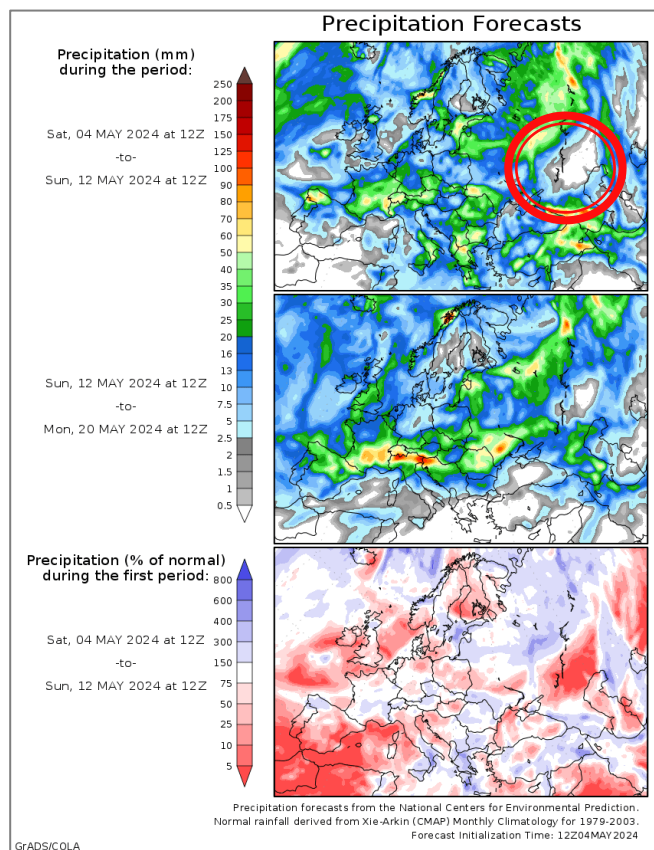
Weather also played a critical role in price adjustments, particularly affecting wheat in Kansas and the Black Sea region and soybeans in Rio Grande.



Managed money funds showed a strategic shift in their positions, reducing short positions in wheat while increasing net long positions in soybean meal. Overall, funds maintained short positions across wheat, soybeans, corn, and soybean oil, with soybean meal being the sole commodity attracting long positions.

As we move forward, the focus of the market is expected to shift towards

planting progress and weather conditions during this critical period before attention turns to the weather in July and August, which are crucial for determining crop yields.



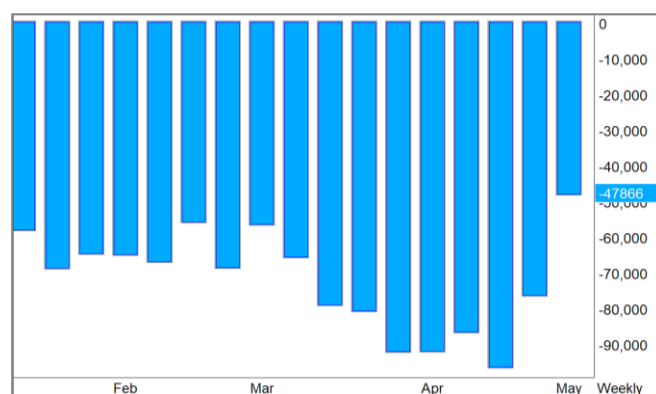
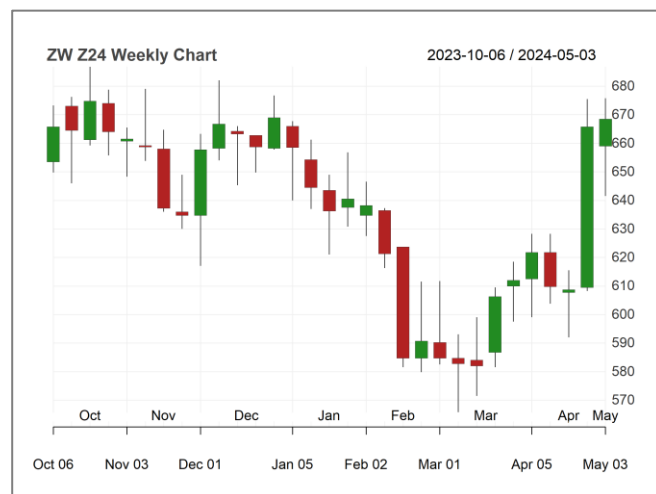
Corn Managed Money Fund Net Position (in contracts).

Grains

US wheat markets concluded the week on a higher note, driven by persistent dryness in the Black Sea region and downward adjustments in production forecasts for the EU and Russia. The tightening of the exporter balance sheet, particularly with potential significant reductions in EU/Black Sea production, supports a bullish outlook for wheat prices. However, better weather forecasts for Russian growing areas could temper these concerns.

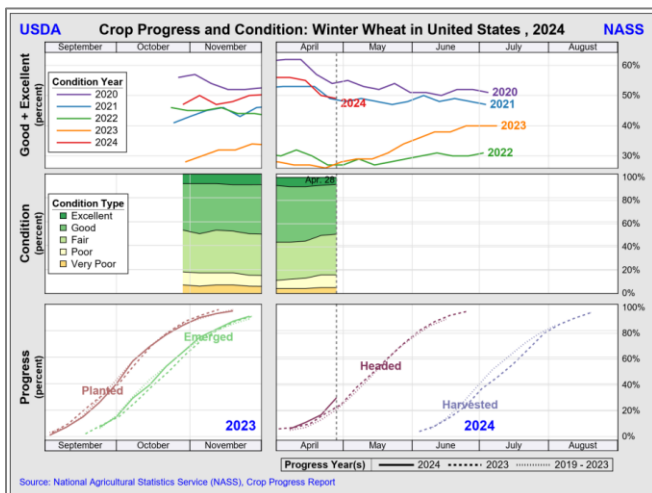
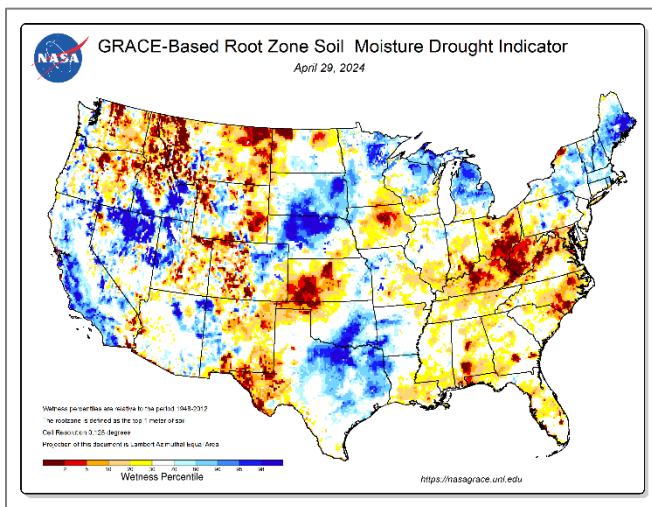
Wheat prices are under additional pressure as critical weather conditions persist in Russian and Kansas growing areas. If these conditions do not improve, prices for Hard Red Winter (HRW) wheat could climb even further.

However, Kansas is experiencing better soil moisture levels than in past dry years, which helps sustain wheat yields better than previously when similar dry conditions occurred.



CBOT Wheat Managed Money Fund Net Position (in contracts)

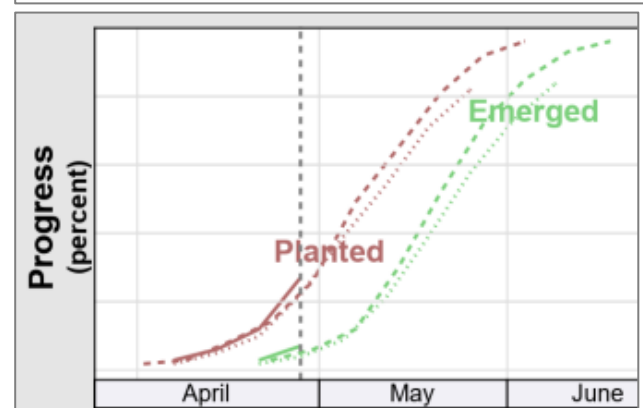




Global wheat dynamics continue to be dominated by large old crop supplies from the EU and Russia, but as the new growing season progresses, weather will become the main driver of price movements.

The focus is particularly acute on EU/Black Sea weather as we move into late May, with the Northern Hemisphere's growing conditions being a top priority.

Optimal weather will be crucial to prevent price escalations during spring and early summer.



CBOT corn futures rallied significantly, influenced by a confluence of factors including rising global wheat prices, uncertainties in South American production, and a slowdown in US and French planting due to weather conditions.

The Argentine corn crop has seen downgrades, while the Brazilian safrinha crop faces a dry season with above-normal temperatures, adding a price premium due to supply concerns.

The record-large short position held by funds at this time of year introduces substantial upside risk should weather concerns materialize.

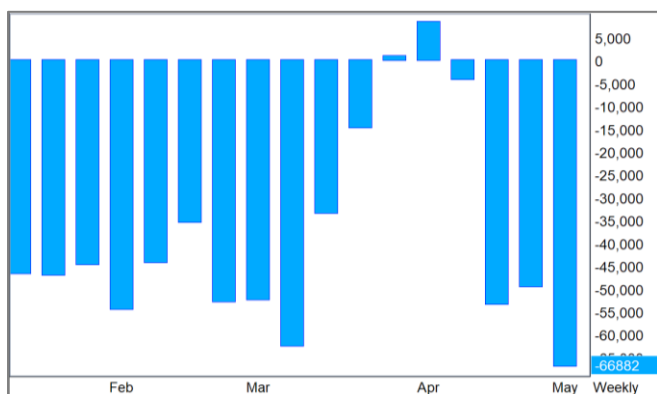
Over the long term, the fair value of corn will be closely tied to summer weather conditions in the US and potential production shortfalls in South America.

Oilseed complex

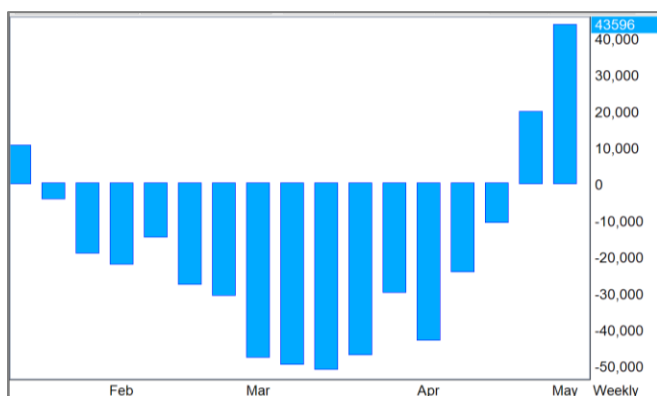
Soybean markets experienced a robust rally last week, marking the strongest weekly advance since June. Nearby soybean futures rose by 42 cents, and soybean meal led the rally with significant gains, driven by severe weather impacts in Rio Grande do Sul and delayed harvesting in Argentina. This has led to speculation about short-term supply constraints in the soybean meal market.

Despite a decrease in anticipated losses to 1-3 million metric tons from initial estimates of 7 million metric tons due to rain damage in Rio Grande, the actual impact on crop quality and yield will require several weeks to ascertain fully.

Meanwhile, the US meal market is seeing strong exports, and with the delayed Argentine harvest, global end-users might increasingly rely on US supplies in the short term.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)



Soybean oil prices have weakened, reflecting the broader market adjustments. However, with ongoing robust demand for renewable diesel and stable soybean meal markets, there are opportunities for going long Oilshare.

Moving forward, weather concerns during the planting and growth phases will likely be a critical factor driving market volatility, alongside fluctuating demand from key markets like China.

Trade-Ideas:

Soybeans: Seasonally, Soybeans rally from here on, building risk premium due to weather risk. We recommend going long implied volatility till July, with the bias to the long side. (Long calls or long futures with short puts)

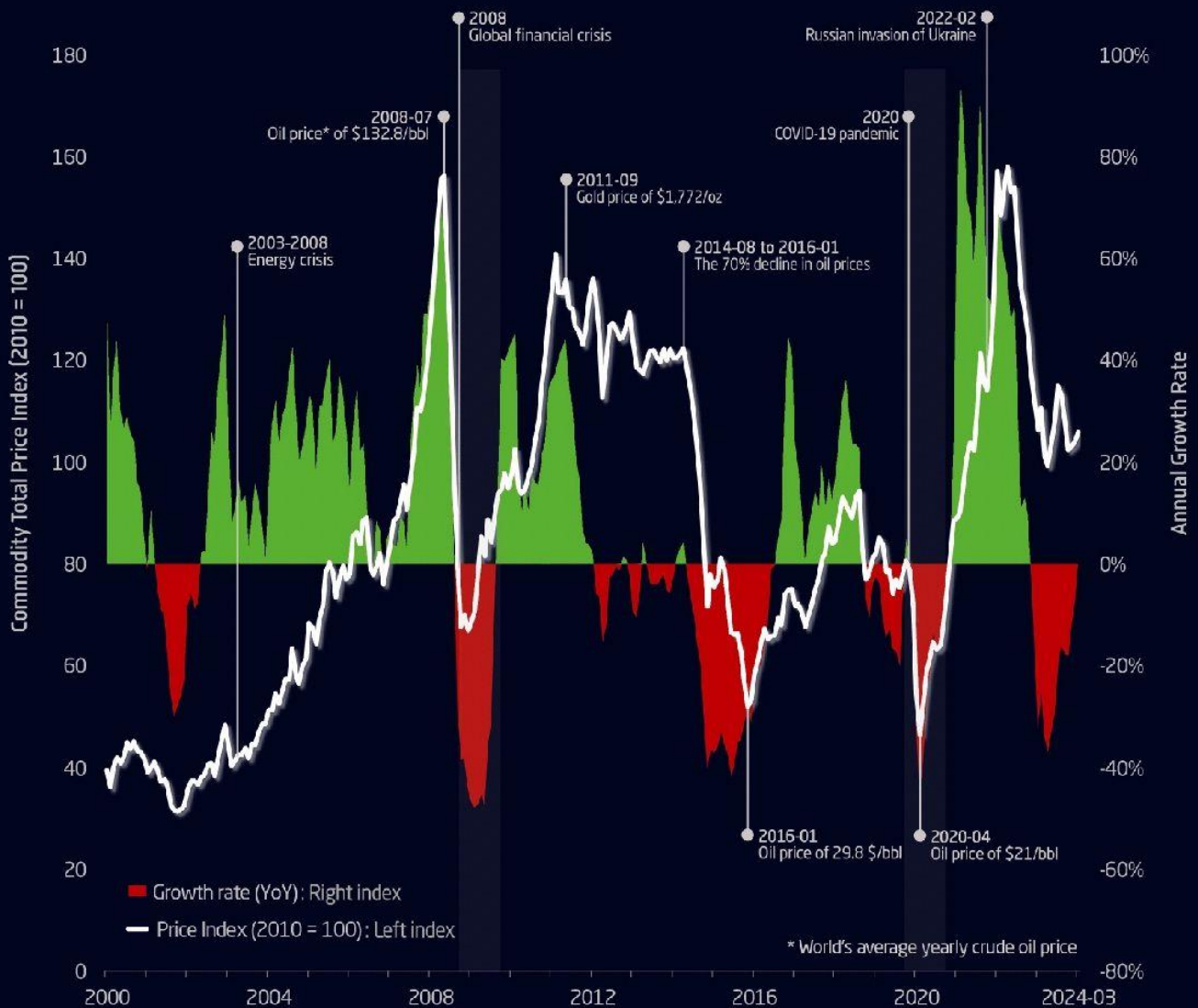
Oilshare: continue to add long on oilshare at current levels

Wheat : buy puts on Kansas wheat as HRW is not competitive in export markets and the good soil moisture will limit yield loss.

Food for Thought: Q1 commodity price indexes 2000-2024/3

Commodity **Bull** and **Bear** Markets (2000–2024/03)

Commodity total price index climbed by 3.5% in Q1 2024 compared to December 2023



Source: World Bank

Research and visualization: Ehsan Soltani

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