

Weekly Market Report

Monday, 20 May 2024

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Weekly Overview

Price changes over the week.

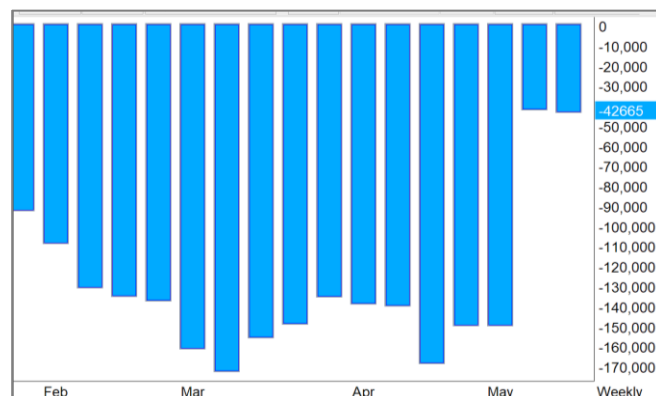
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	696.50	-8.75	-1.24%	739.00	594.75
Kansas Wheat	696.75	-8.25	-1.17%	741.00	603.50
Corn	476.50	-15.50	-3.15%	496.75	459.50
Soybeans	1203.25	-2.50	-0.21%	1230.50	1146.75
Soybean Meal	366.30	-4.90	-1.32%	382.30	340.10
Soybean Oil	46.24	1.05	2.32%	46.62	43.56
Crude Oil	79.12	1.71	2.21%	84.00	75.97
Palm Oil	839.75	27.25	3.35%	839.75	808.50

The prices for wheat and corn declined over the week, while soybeans remained mostly stable. Soybean oil, however, found renewed support, leading to a recovery in oilshare values.

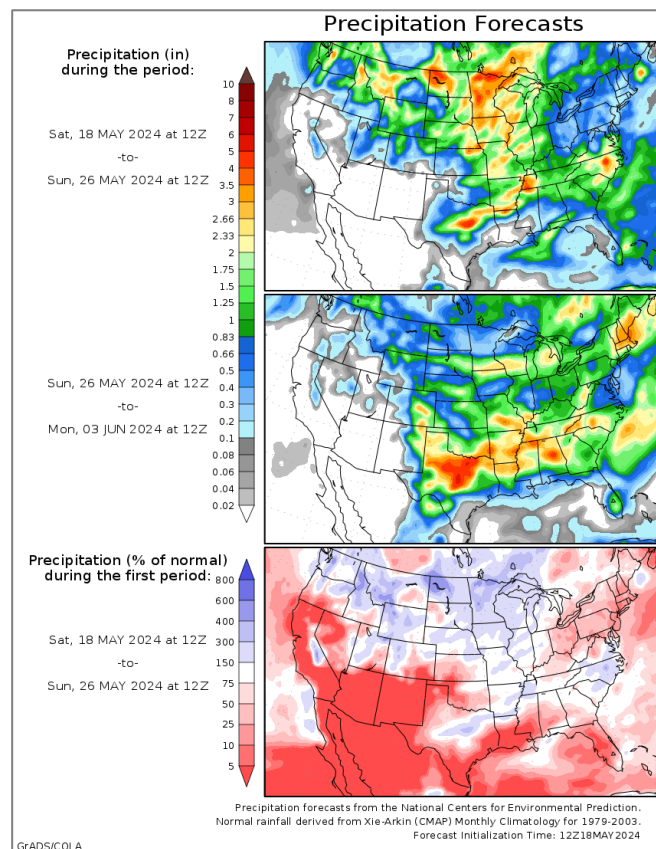
With planting underway, the market's attention is shifting towards weather forecasts, as these will significantly impact crop sizes in the coming months. The severity of any adverse weather and the supply-demand balance will dictate price volatility.

The latest CoT report revealed a trend of funds reducing short positions and increasing longs in soybean meal.

Weather remains a critical factor, adding volatility to prices. Wheat is particularly affected by weather conditions in Kansas and the Black Sea region, while the prices of soybeans and corn will depend on the weather during their planting phases.



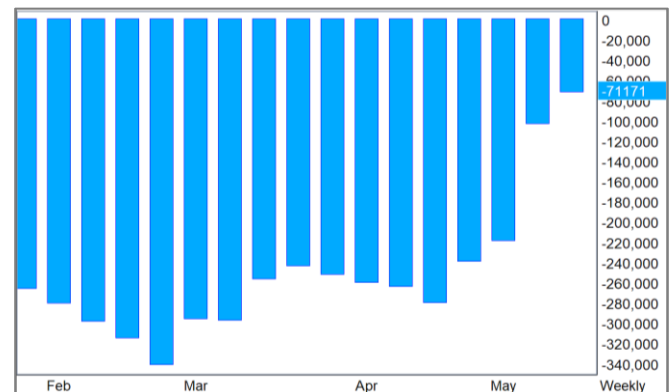
Soybeans Managed Money Fund Net Position (in contracts)



The market's focus is on planting progress, weather conditions during planting, and the realization of expected planting acreage.

Subsequently, attention will shift to the weather conditions in July and August, which are crucial for determining crop yields.

Overall, weather will continue to play a pivotal role in price movements and market expectations.

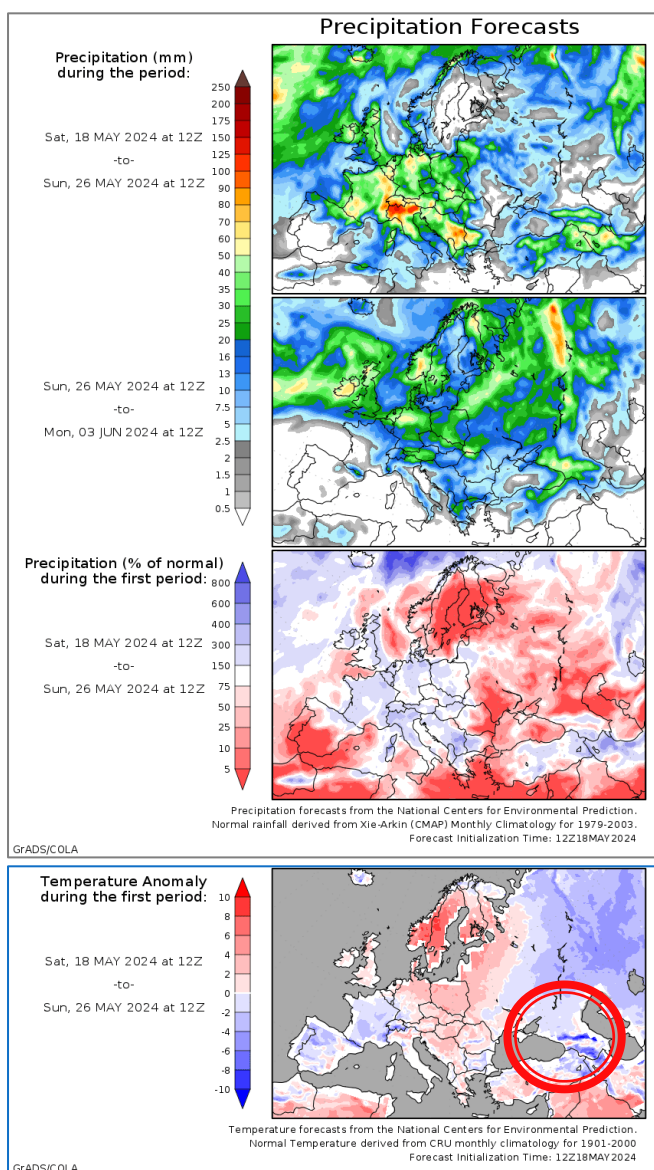


Corn Managed Money Fund Net Position (in contracts).

Grains

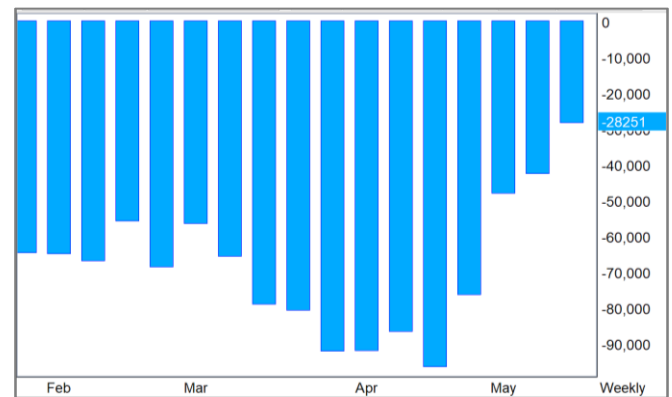
Wheat prices initially rallied earlier in the week but eventually closed back lower to unchanged. Volatility in wheat prices can be attributed to the ongoing risk of frost and winterkill in Russia, along with dryness in parts of Kansas.

Crop tours in Kansas have suggested that final yields might be higher than the USDA's May report indicated, but risks remain if heat and dryness affect the HRW crop towards the end of the growing season.



Global wheat futures saw a significant increase due to the addition of a supply risk premium. There is currently no indication of the needed rainfall in key areas of Ukraine and Russia before June 1st, and model guidance is hinting at abnormal warmth in southern Russia towards the end of May.

The USDA's world and exporter balance sheets suggest tightening supplies in 2024, even assuming normal weather. There is also a risk that combined EU/Black Sea production could be trimmed by another 7-10 MMTs, leading to a record low in exporter stocks-to-use ratios.



CBOT Wheat Managed Money Fund Net Position (in contracts)



Kansas prices could see further rallies if Russian weather forecasts do not improve.

Typically, seasonal tops for U.S. domestic crops should be established in the next few weeks, as yields will be determined during this period.



Some analysts forecast that India might import 3-5 MMTs in 2025/26, but this seems unlikely as Indian production is expected to sustain domestic consumption until the new crop harvest.

Seasonally, wheat prices tend to peak in the next few weeks and decline as winter wheat harvest pressure builds. Ultimately, Northern Hemisphere growing weather will be the top priority from now onwards, requiring near-perfect conditions to maintain stable wheat prices.



CBOT corn futures corrected over the week as weather forecasts for planting improved. U.S. planting progress is expected to advance by 12-15% this week, with warmth and dryness in most areas contributing to this progress.

Weather's impact increasingly influences daily price discovery, and traders should be prepared for wide market swings between late May and August.

The July forecast will be a key factor, as weather conditions during this month are crucial for the corn market.

While it is not yet considered a late planting year in the U.S., close attention will be paid to weather forecasts over the next few weeks. Even a small window of dry weather could lead to significant gains in planting progress.

The burdensome 2.0 billion bushels of old crop U.S. stocks limits the upside on price

A U.S. corn yield of 178-182 BPA is possible if weather conditions are favourable during July and August. The market remains heavily dependent on weather, with some bullish factors building up.

Managed money funds again trimmed short positions last week, reducing shorts to 71,000 contracts. Planting progress in the Eastern Midwest will be closely monitored, with an open window needed to get the crop planted on time.

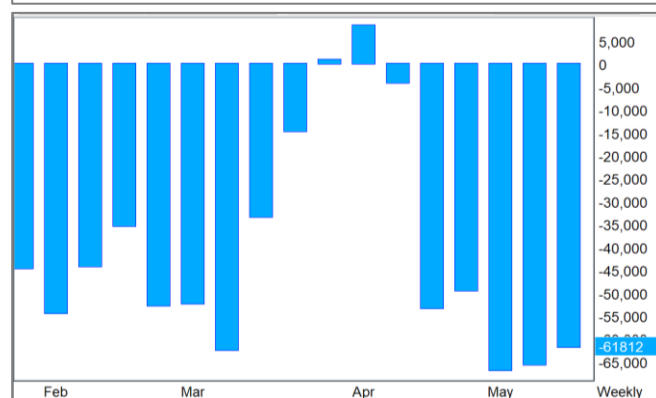
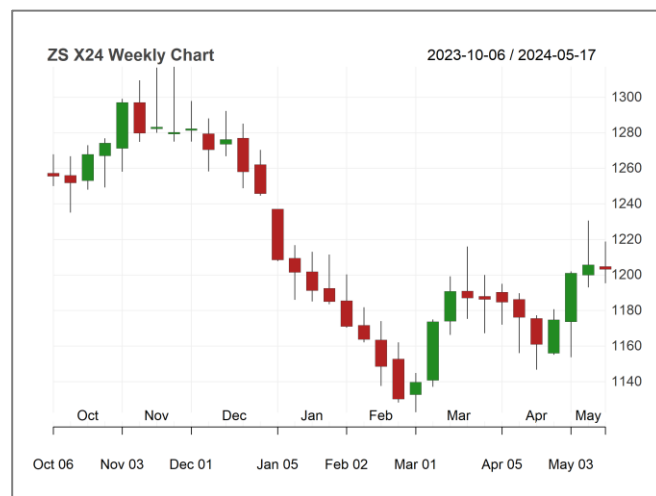
In the long run, fair value will be determined by summer weather in the U.S. and the current planting conditions.

Oilseed complex

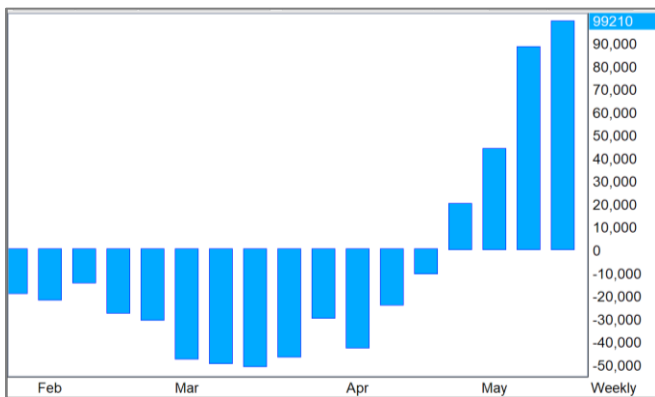
Soybean futures traded within a relatively narrow range over the week. July soybean futures fluctuated around unchanged but finished with a rally on Friday.

Market news was limited, with planting progress advancing to just 35% complete. Rains are still forecasted for Rio Grande do Sul, where there is crop damage estimated between 1 to 4 million metric tons, but the exact damage will not be determined in the short term.

Support in the meal market comes from a delayed Argentine harvest and a slow new crop crush rate. U.S. meal exports remain at record levels, and global end-users may be forced to take more meal from the U.S. due to the delayed Argentine harvest. Soybean planting progress is slightly behind the average pace.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)



The Brazilian soybean basis continues to rally, though the export pace has recently slowed. There was speculation that the U.S. might impose tariffs affecting the import of used cooking oil, which pushed soybean oil prices higher as renewable diesel is expected to increase soybean oil usage if tariffs are implemented. China has yet to book any U.S. new crop soybeans, but purchases are expected to grow during the summer.

The risk of weather scares pushing the market higher remains as planting progresses.

The main themes in the oilseeds market continue to be planting progress and weather during the growing months, with demand from China potentially acting as a swing factor.

Trade-Ideas:

Soybeans: We recommend keeping long implied volatility till July, with the bias to the long side. (Long calls or long futures with short puts)

Oilshare: continue to stay long on oilshare

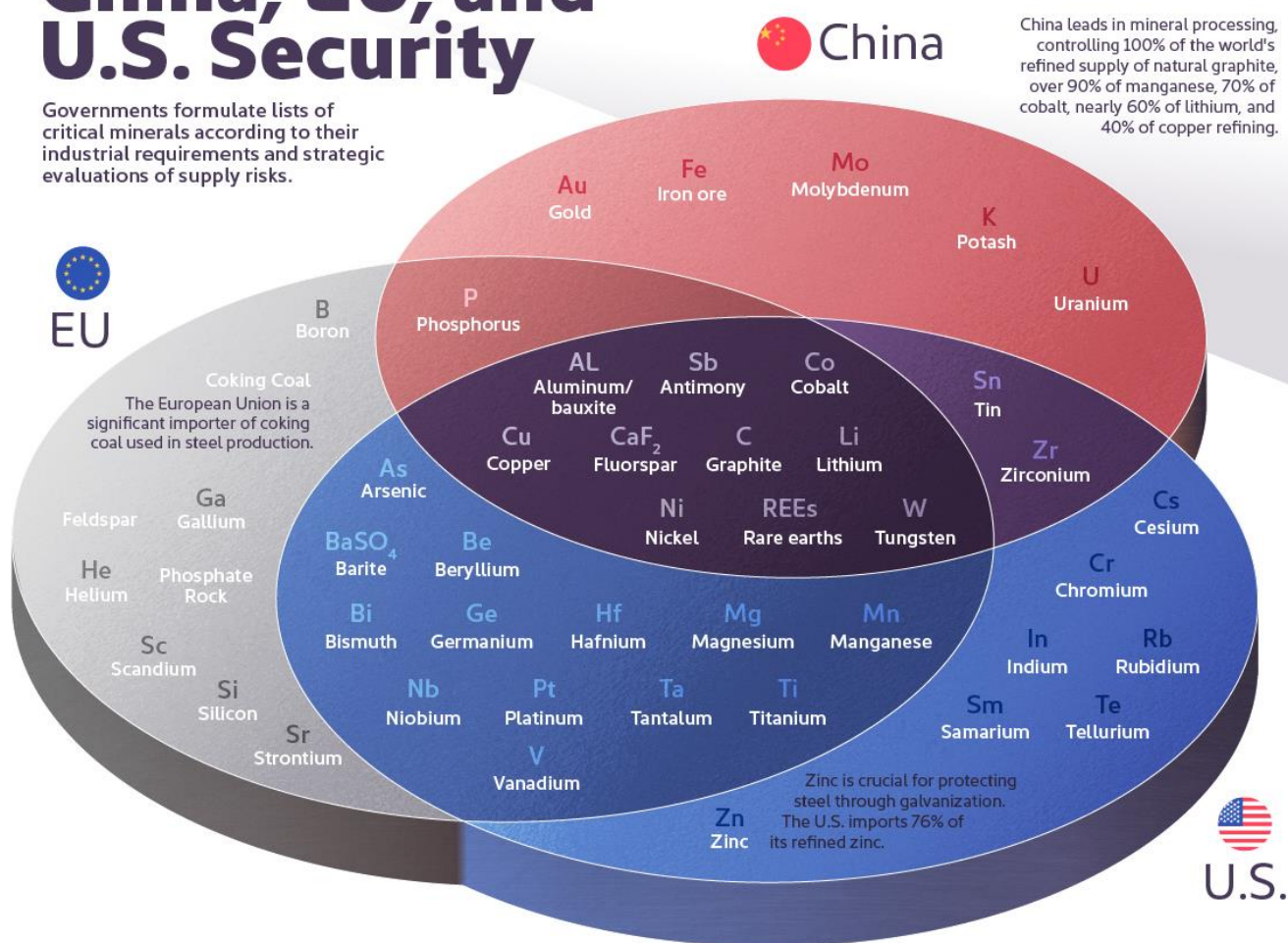
Wheat : Continue to hold long puts , as Kansas corp continues to look good , and HRW uncompetitive in export markets. HRW price as current levels is unsustainable as long as Russian and European crops hold on to current crop size estimates.

Food for Thought: critical minerals for major power blocks

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The Critical Minerals to China, EU, and U.S. Security

Governments formulate lists of critical minerals according to their industrial requirements and strategic evaluations of supply risks.



Source: IRENA, The U.S. Department of Energy

Note: Data as of September 2023

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