

Weekly Market Report

Monday, 27 May 2024

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Weekly Overview

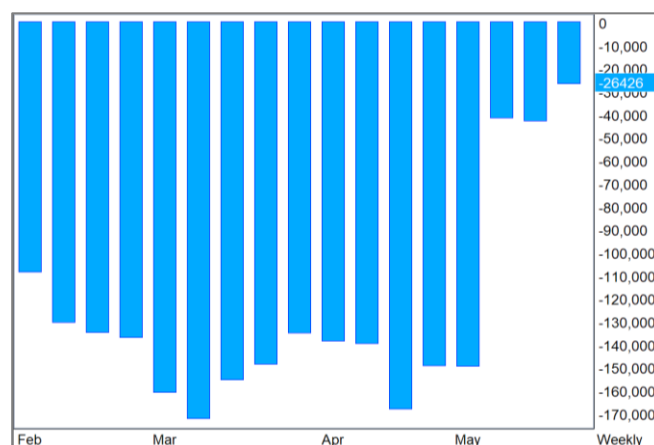
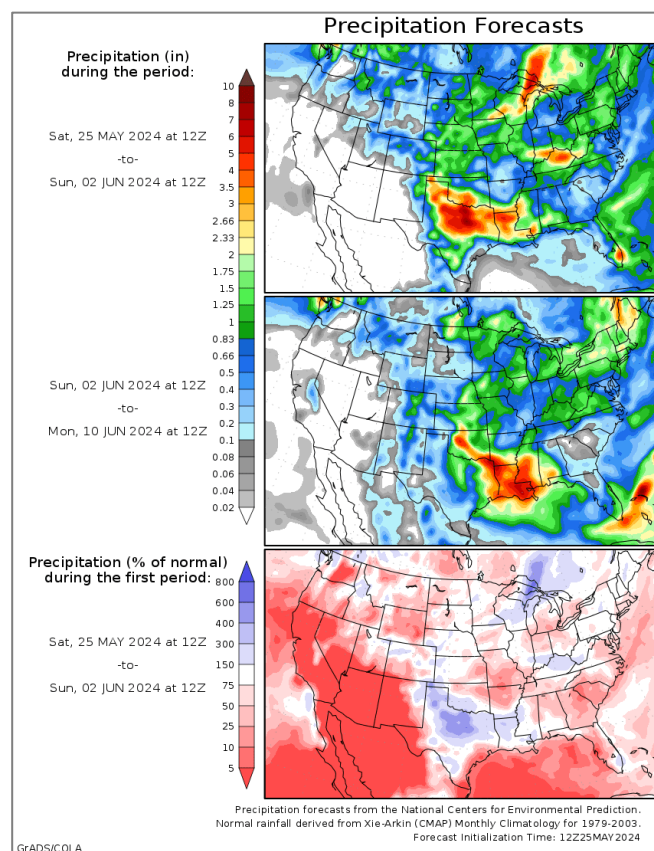
Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	739.25	42.75	6.14%	755.75	641.50
Kansas Wheat	753.25	56.50	8.11%	756.25	657.75
Corn	488.25	11.75	2.47%	496.75	466.00
Soybeans	1219.50	16.25	1.35%	1230.50	1153.75
Soybean Meal	378.70	12.40	3.39%	382.30	347.10
Soybean Oil	45.72	-0.52	-1.12%	47.46	43.56
Crude Oil	77.23	-1.89	-2.39%	82.80	75.75
Palm Oil	838.75	-1.00	-0.12%	848.25	808.50

The past week saw mixed movements in prices, with wheat and corn closing lower due to weather concerns in Russia, while the oilseed complex ended higher, driven by pre-planting risk premiums and uncertainties around final yields.

As planting continues, weather forecasts will significantly influence price trends. The degree of adverse weather impacts over the next few months will introduce price fluctuations. This volatility will hinge on the severity of weather effects and the flexibility within the supply and demand balance sheets of each commodity.

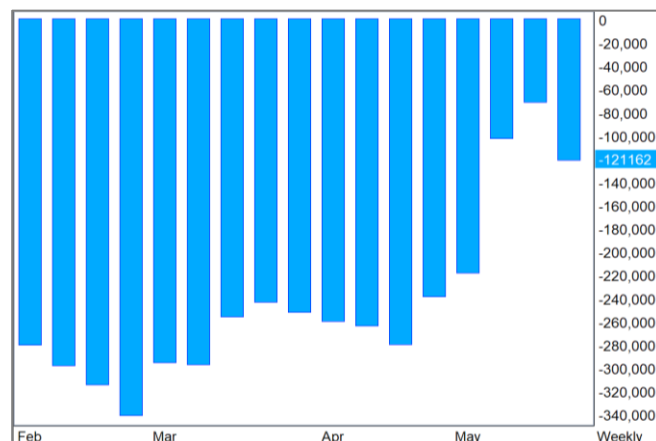
The latest CoT (Commitments of Traders) report highlighted varied fund positions, with a notable increase in short positions on corn and additions to long positions in other commodities. The extended long positions in soybean meal could be due to the market being in an inverse state.



Soybeans Managed Money Fund Net Position (in contracts)

Weather remains a critical factor in price volatility. Wheat prices are sensitive to weather patterns in Kansas and the Black Sea region, while corn and soybean prices are influenced by weather during the crucial planting phase.

The market's focus is now on planting progress and weather conditions during this period. After confirming the planting acreage, attention will shift to weather conditions in July and August, which are critical for determining yield outcomes.

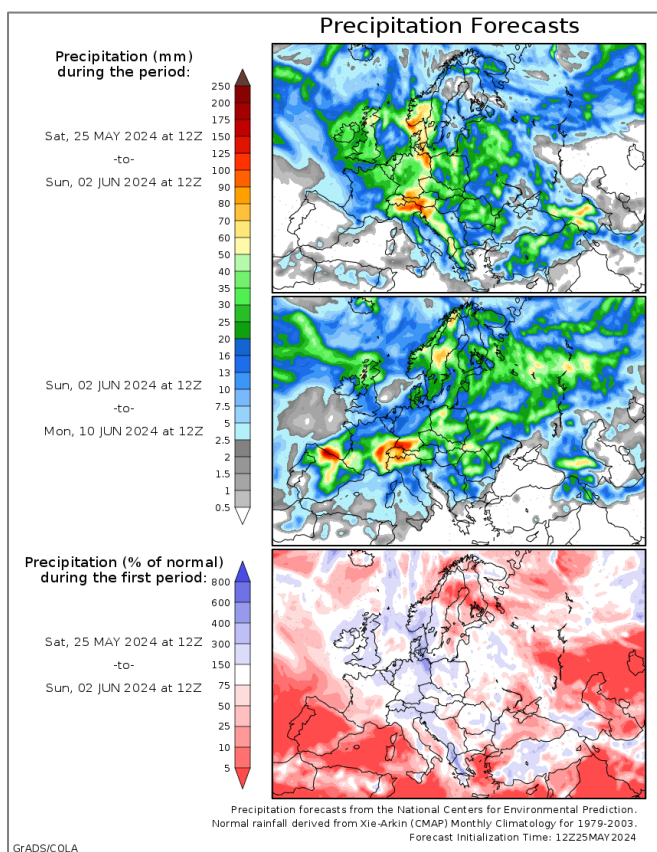


Corn Managed Money Fund Net Position (in contracts).

Grains

Global wheat markets reached new seasonal highs due to persistent adverse weather conditions in the Black Sea region. The potential risk of frost and winterkill in Russia, combined with dryness in parts of Kansas, has led to significant price volatility.

Recent frost assessments indicate widespread damage, with drought conditions in southern Russia expected to worsen into early June as temperatures rise. This unusual dryness in eastern Ukraine and southern Russia during April-May has created significant uncertainty regarding the Black Sea's export potential.



Crop tours in Kansas have suggested that final yields could exceed USDA's May report projections, although risks remain if heat and dryness impact the Hard Red Winter (HRW) crop towards the end of the growing season. Current Russian production estimates are still above 80 million metric tons (MMTs), but this could drop to less than 80 MMTs if weather conditions do not improve within the next 4 weeks.



CBOT Wheat Managed Money Fund Net Position (in contracts)

Wheat markets closed higher due to the addition of a supply risk premium from the Black Sea. Analysts predict seasonal tops in US domestic crops within the next few weeks, with yields to be determined in the coming 5-6 weeks. The market is working to ration approximately 10 MMTs of global demand through rising wheat-corn spreads, impacting wheat feed usage in the new crop season.

This year's post-harvest recovery will depend on whether demand shifts to the US from other origins, making northern hemisphere growing weather a top priority. Near-perfect weather conditions are essential to prevent wheat prices from rising further.





CBOT corn futures saw a recovery driven by a seasonally increasing ethanol grind and strong US export demand for spring, which helped stabilize the market. The long-term outlook for corn remains positive, as combined production from Argentina, Brazil, and Ukraine is projected to decrease by 10-14 MMTs year-over-year in 2024.

Weather's influence on daily price discovery is growing, with traders needing to brace for wide market swings between late May and August. Drought expansion in Mexico and the need for rainfall in Ukraine are expected to boost US export potential to 2.2+ billion bushels in the new crop.

Upcoming weather forecasts for July will be crucial for the corn market.

Although it is not yet considered a late planting year for the US, weather forecasts in the next few weeks will be closely monitored. Even with a short window of dry weather, significant progress in planting is anticipated.

A record US yield of over 181 bushels per acre (BPA) is necessary to maintain stocks near psychological 2.0 billion bushels, requiring exceptionally good weather conditions. Managed money funds have increased their net short positions, currently standing at 121,000 contracts.

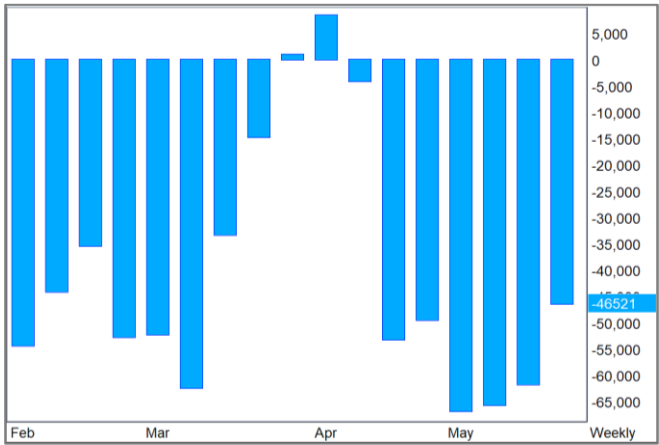
Eastern Midwest planting progress will be critical, needing an open window to ensure timely crop planting. In the long run, the fair value of corn will be determined by summer weather in the US and ongoing planting conditions.

Oilseed complex

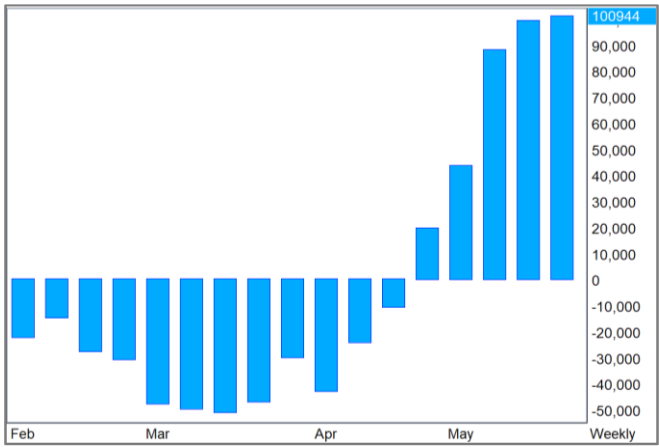
Soybean futures experienced a rally throughout the week, supported by various factors. Soybean meal found sustained support as the US export program continued robustly. The inverse in CBOT meal futures strengthened with managed money funds increasing their long positions in soybean meal.

Market news was relatively limited, with planting progress aligning with past averages. However, rains are forecasted for Rio Grande do Sul, where crop damage is estimated to range between 1 to 4 million metric tons. This damage assessment will not be finalized in the short term.

The meal market's support also stems from a delayed Argentine harvest and a slow new crop crush rate. US meal exports remain at record levels, forcing world end users to rely more heavily on US supplies due to the delayed Argentine harvest.



Soybean Oil Managed Money Fund Net Position (in contracts)



Soybean Meal Managed Money Fund Net Position (in contracts)



China has yet to book any US new crop soybeans, though purchases are expected to increase during the summer. This may eventually lead to a revision of new crop export numbers.

There is an ongoing risk of weather-related market spikes as planting progresses. The primary focus remains on planting progress and weather conditions during the growing months, with Chinese demand also playing a potential swing factor.

Overall, the oilseed complex is navigating a landscape of planting progress, weather uncertainties, and fluctuating demand, particularly from China, which could significantly impact market dynamics.

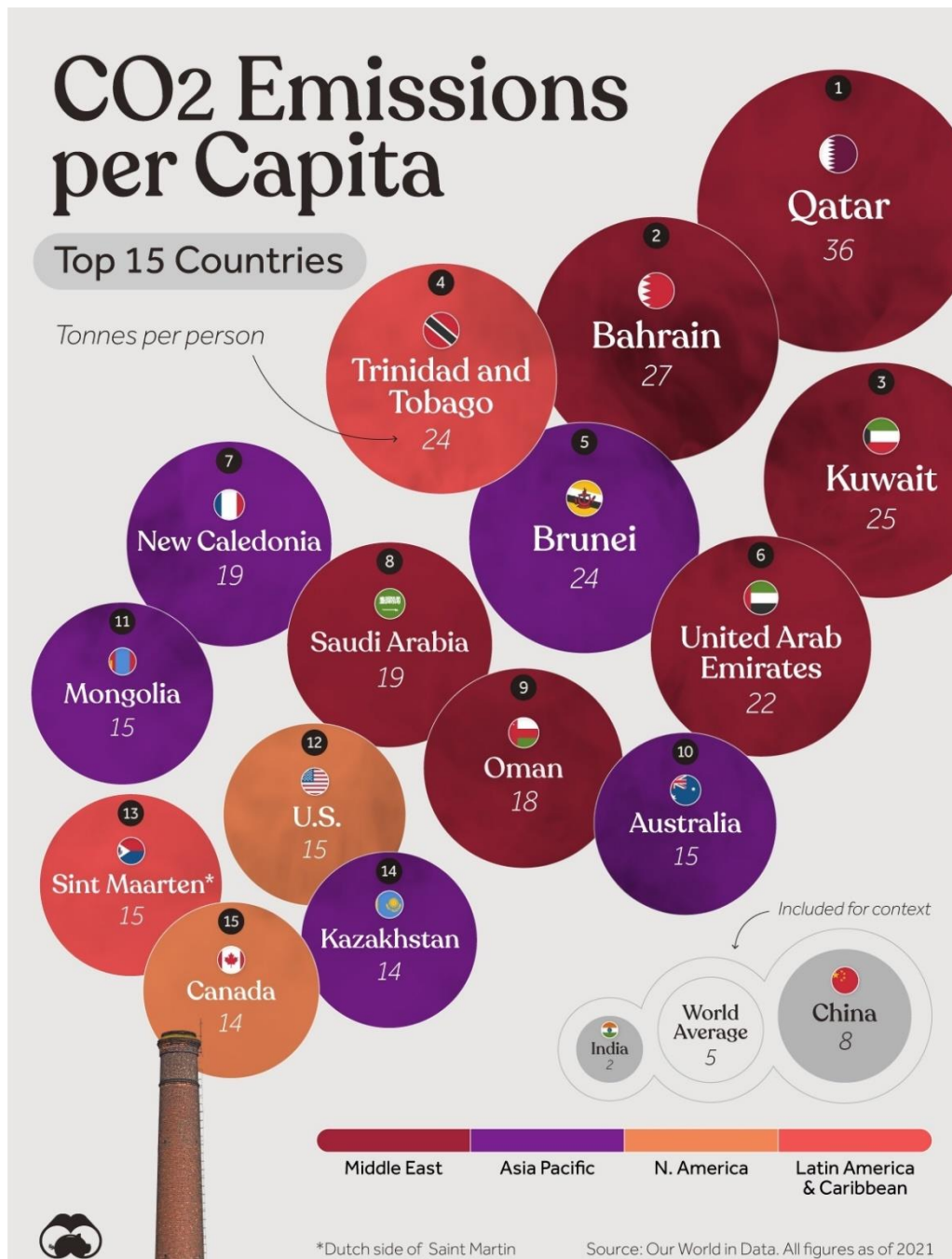
Trade-Ideas:

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.

Food for Thought: CO2 emissions per capita for the 15 worst countries in the world



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