

Weekly Market Report

Monday, 10 June 2024

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Weekly Overview

Price changes over the week.

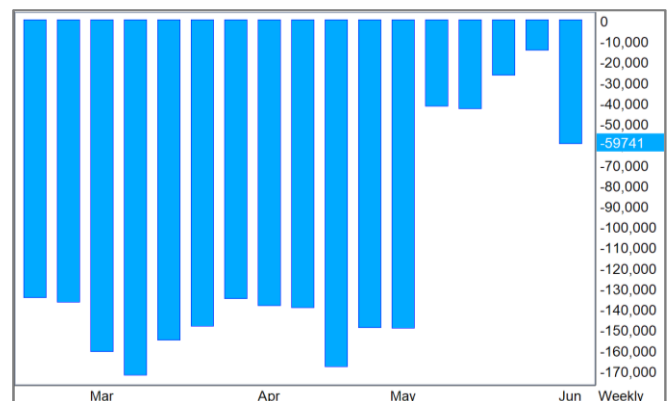
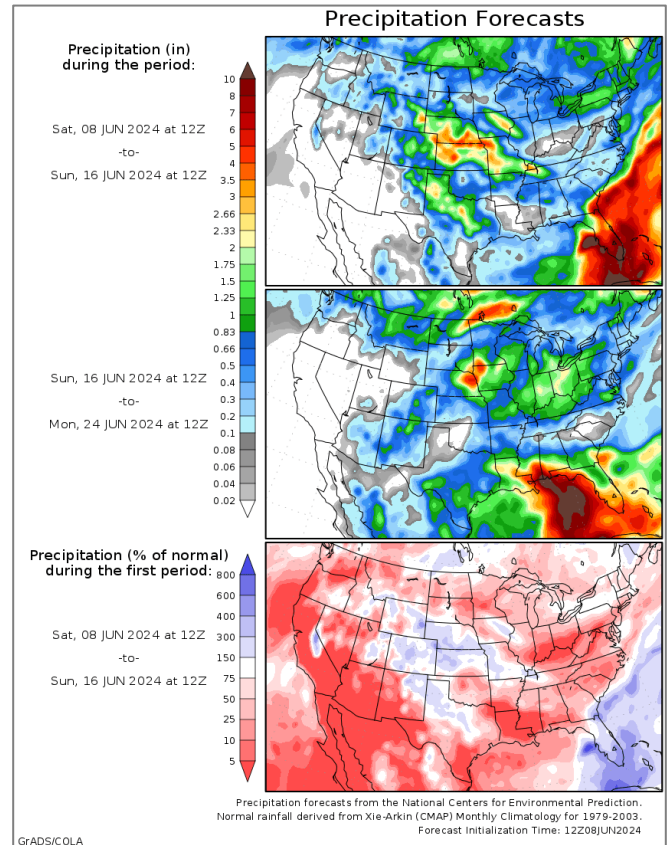
	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	676.75	-46.75	-6.46%	759.25	670.25
Kansas Wheat	699.50	-42.25	-5.70%	775.50	681.00
Corn	467.25	0.25	0.05%	496.75	458.25
Soybeans	1157.75	-26.75	-2.26%	1228.00	1148.25
Soybean Meal	355.50	-3.90	-1.09%	381.10	351.60
Soybean Oil	44.23	-1.83	-3.97%	47.46	43.56
Crude Oil	75.22	-1.51	-1.97%	80.11	72.44
Palm Oil	853.25	-14.75	-1.70%	868.00	812.50

Last week, CBOT agricultural commodity prices fell, with wheat prices declining due to improved prospects for Hard Red Winter (HRW) crops, and corn and soybeans facing pressure from enhanced planting progress.

As planting continues, market attention will shift to weather forecasts, which will significantly influence crop sizes in the upcoming months. Price volatility will depend on the extent of poor weather impacts and the leeway in the supply-demand balance sheet for each product.

The Commitment of Traders (CoT) report indicated that funds increased their short positions in corn and soybeans, with soybean meal also experiencing notable fund selling, resulting in managed money longs reaching 100,000 contracts.

Weather remains a pivotal factor, with wheat prices influenced by conditions in the Black Sea region, while corn and soybean prices will be sensitive to weather patterns in the coming months.

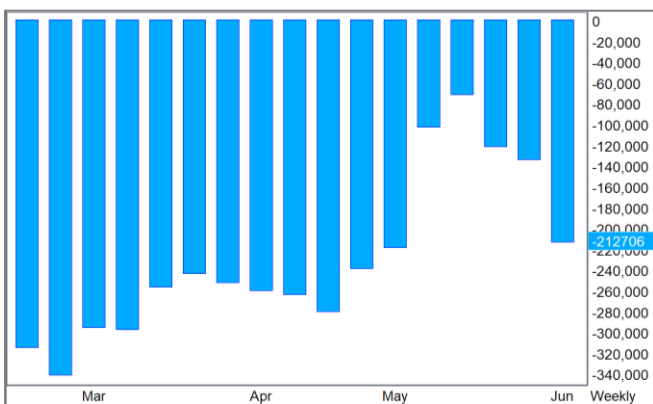


Soybeans Managed Money Fund Net Position (in contracts)



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As planting progresses, traders will focus on planting advancements, weather conditions during planting, and the realisation of expected planting acreage. This focus will later shift to the crucial weather conditions in July and August, which are vital for determining yields.



Corn Managed Money Fund Net Position (in contracts).

In essence, market movements will largely depend on planting progress and weather patterns, with potential volatility arising from any adverse weather conditions affecting crop development.

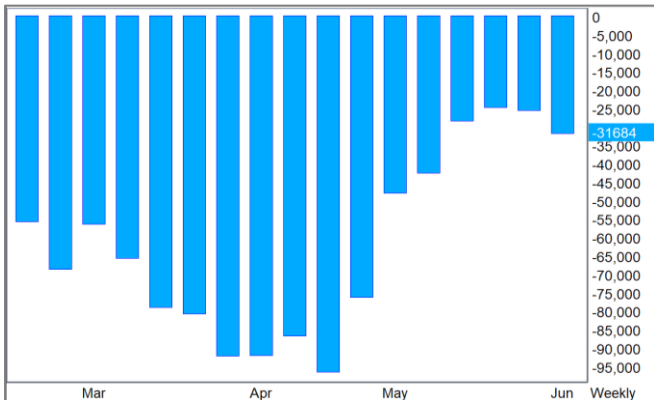
Grains

Global wheat futures ended the week sharply lower as new crop supplies entered the US and European markets, and Turkey implemented a ban on imports while allowing durum wheat exports.

The market is balancing ongoing frost and winterkill risks in Russia with improved weather for HRW crops, although harvest pressure currently outweighs these weather concerns.

Black Sea weather conditions worsened throughout the week, raising concerns about yield and quality for the European harvest.

Analysts are closely watching whether importers will start covering their late summer and autumn needs at higher prices. Seasonal trends typically turn bearish from mid-autumn onwards as the Northern Hemisphere's winter wheat harvest progresses.



CBOT Wheat Managed Money Fund Net Position (in contracts)

Crop tours in Kansas suggest that final yields might exceed the USDA's May report estimates, though there remains a risk if heat and dryness affect the HRW crop towards the end of the growing season. Russian wheat production is currently estimated at around 80 million metric tons (MMTs), but this could drop to 76-78 MMTs if the weather does not improve soon.

This year's post-harvest recovery will depend on whether demand shifts to the US from other origins, with potential harvest-based price weakness in July and a likely high in November to January, especially if Black Sea weather concerns persist.



CBOT corn futures saw a slight increase amid a volatile week influenced by Brazilian government policy and inconsistent weather forecasts. Traders should brace for significant volatility over the next 6-8 weeks as corn enters its most yield-sensitive period. Extended range forecasts have heightened concerns about potential impacts on yields.

The central US drought coverage is the smallest since 2022, with initial crop ratings expected to be on the higher end of the historical range. Long-term support for corn prices is anticipated due to a combined drop in Argentine, Brazilian, and Ukrainian production, totaling over 10 MMTs year-over-year. However, competition for summer and early autumn import demand is likely to emerge by July, with Argentine FOB premiums retreating as their harvest progresses well.

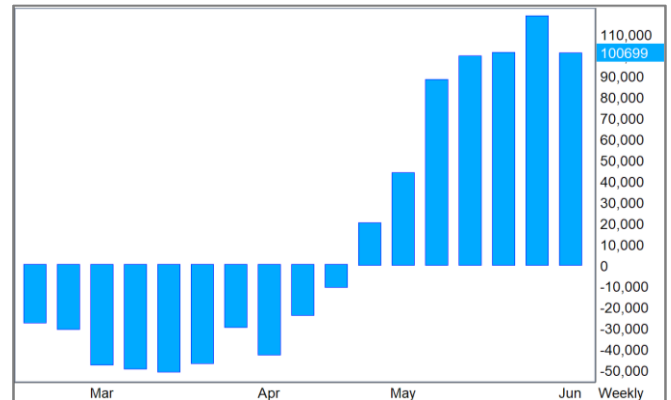
Expanding drought conditions in Mexico and the need for rainfall in Ukraine could boost US export potential to 2.3-2.4 billion bushels (Bil Bu) for the 2024/25 season. A record US yield of over 182 bushels per acre (BPA) will be necessary to maintain stock levels near 2.0 Bil Bu, requiring optimal weather conditions throughout the growing season.

In summary, nearby US weather will play a crucial role in weekly corn price discovery, with July being a key month for yield sensitivity. Any signs of a US weather scare could introduce a new theme for corn prices, driving volatility.

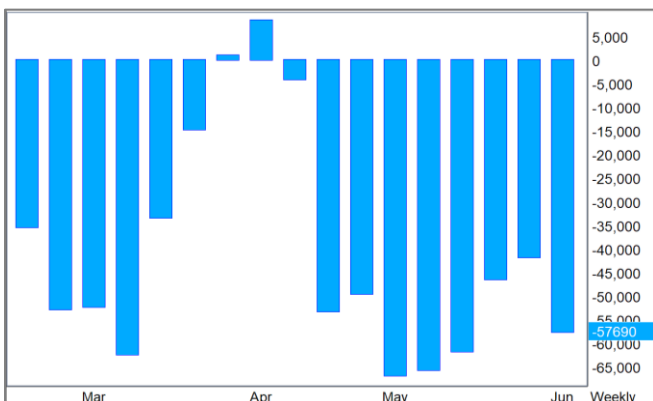
Oilseed complex

Soybean futures came under pressure and ended the week lower, despite a brief short-covering rally on Thursday following Brazil's announcement of a complex tax package that would effectively add 20% in new taxes on farmers. However, much of these gains were lost ahead of the weekend.





Soybean Meal Managed Money Fund Net Position (in contracts)



Soybean Oil Managed Money Fund Net Position (in contracts)

The USDA announced the sale of 3.8 million bushels (Mil Bu) of old crop soybeans to China, marking the first sale since January. However, China has not yet secured any new crop US soybeans, which could impact future export numbers. Planting progress for soybeans is close to 80% complete, with expectations of exceeding 90% by next week.

Market news was limited, with planting progress continuing in line with historical averages. Funds have turned sellers on soybeans, with the fund short position now at 59,000 contracts. China's purchases of US new crop soybeans are anticipated to grow during the summer, but this could lead to a revision of export numbers lower eventually.

Summing up, the primary focus remains on planting progress and weather during the growing season. As the heart of the growing season approaches, volatility is

expected to increase, driven by weather conditions and their impact on crop development.

Trade-Ideas:

Soybeans: we recommend liquidating the long volatility position, as market could sell off if the weather is benign from here onwards. Look to add downside price risk.

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 through time

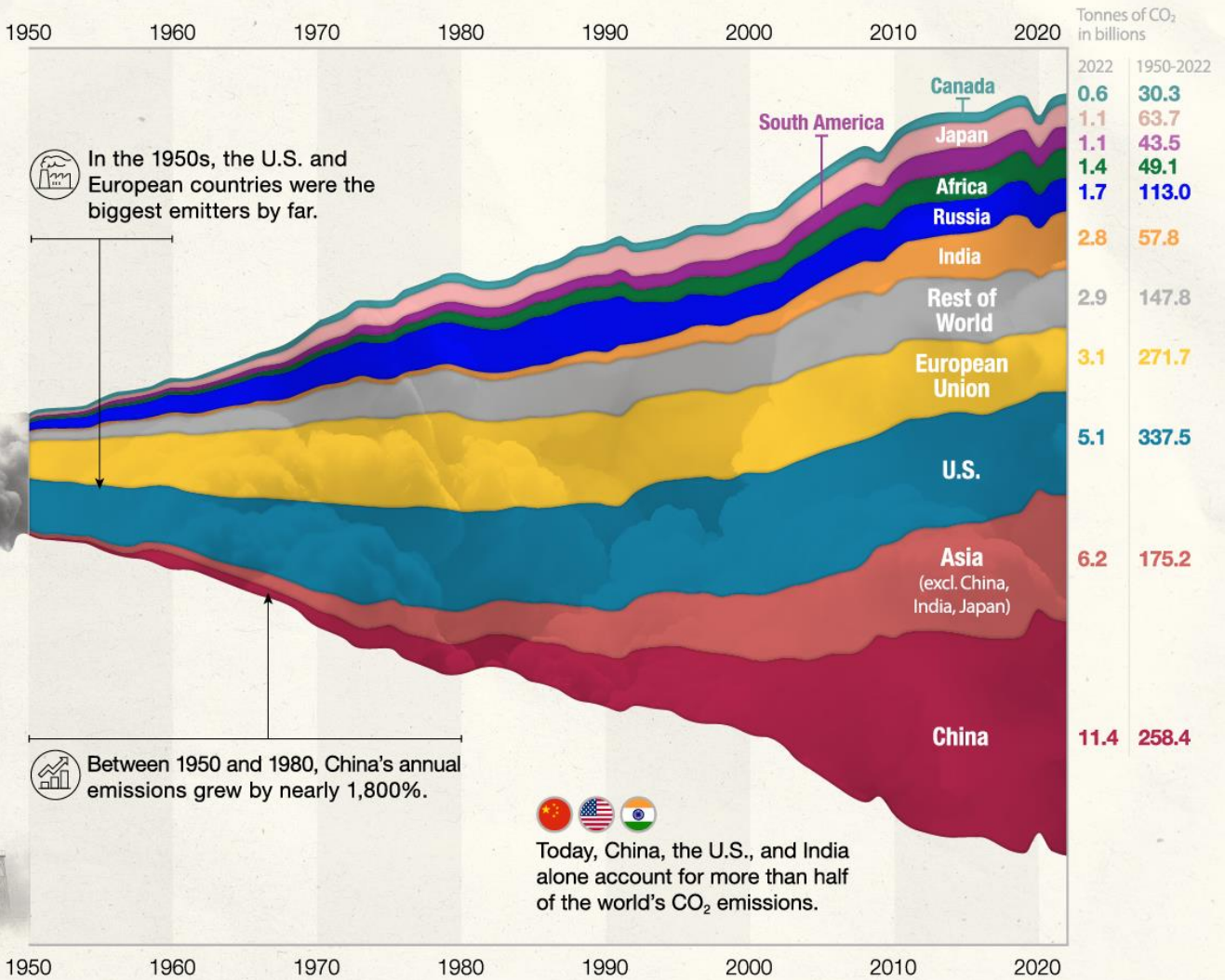


Decarbonization Channel

CO₂ Emissions Through Time

1950-2022

Global CO₂ emissions have grown six-fold since 1950.
Here's how each world region has contributed to this growth.



Source: Berkley Earth, Global Carbon Project

Data provided by BERKELEY EARTH

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