

# Weekly Market Report

Monday, 6 Feb 2023

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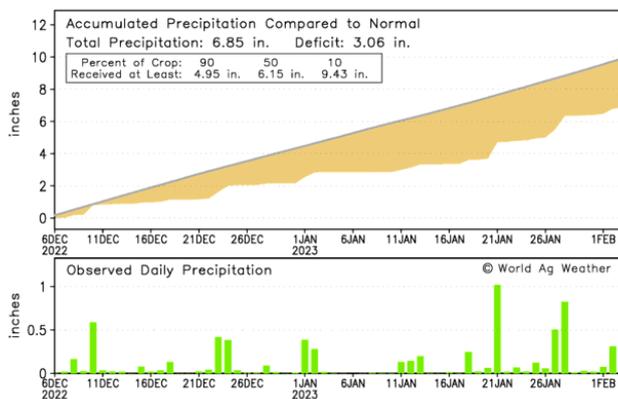
## Weekly Overview

Price changes over the week.

	Price	Change	Change%	30 Day High	30 Day Low
CBOT Wheat	771.75	11.75	1.55%	790.00	723.00
Kansas Wheat	857.75	4.50	0.53%	874.50	799.00
Corn	664.75	-1.00	-0.15%	674.75	642.25
Soybeans	1516.50	20.50	1.37%	1539.75	1469.25
Soybean Meal	470.60	21.10	4.69%	472.10	433.90
Soybean Oil	59.43	-1.35	-2.22%	63.89	59.30
Crude Oil	73.90	-5.90	-7.39%	82.70	73.67
Palm Oil	906.00	-3.75	-0.41%	933.50	881.25

Soybean and soybean meal prices were pushed higher over the week with less than adequate rainfall over the Argentine soybean growing areas. Additionally, the forecast for the drought-hit region continues to lack sizeable precipitation, which could improve the current soil moisture level. Below chart short that there were some rains in the first few days of February, however overall accumulated precipitation is far below the required levels.

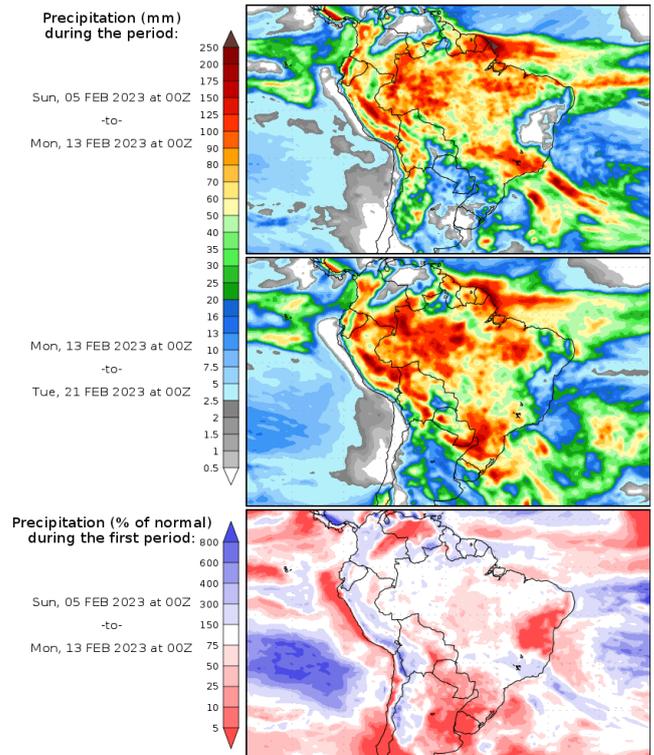
Argentina Soybeans Precipitation  
Observed Precipitation Compared to Normal (inches)  
Production-Weighted Area Average  
60 days ending 3 February 2023



The main market price driver should continue to be the weather forecasts in South America, as that has the most significant impact on the world supply at this point.

Although we have mentioned several times that waning La Nina conditions should bring some respite to the drought-hit areas in Argentina, we are yet to see significant precipitation that would stop further yield losses in the soybean crop. Meanwhile, Brazilian growing areas continue to receive ample rainfall. The longer-term models still forecast a move to neutral vs. current La Nina conditions.

## Precipitation Forecasts

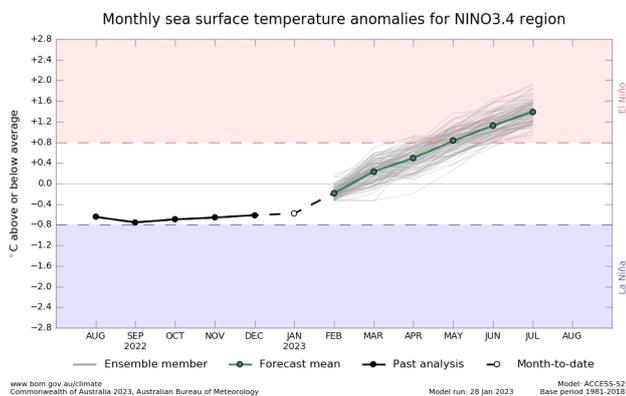


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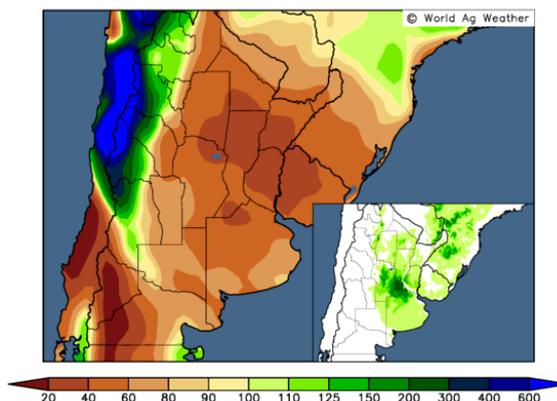
The short-term forecast for Argentina is drier again, and if the weather does not improve in the next three weeks, the Argentine crop could be well below 35 mmts. Nevertheless, soybean meal prices continue to be supported due to excessive dryness in Argentina.

The US export sales for soybeans were better than expectations last few weeks; however, South American supply should take a larger share of world exports in the coming months. Harvest in Brazil has already started in some areas

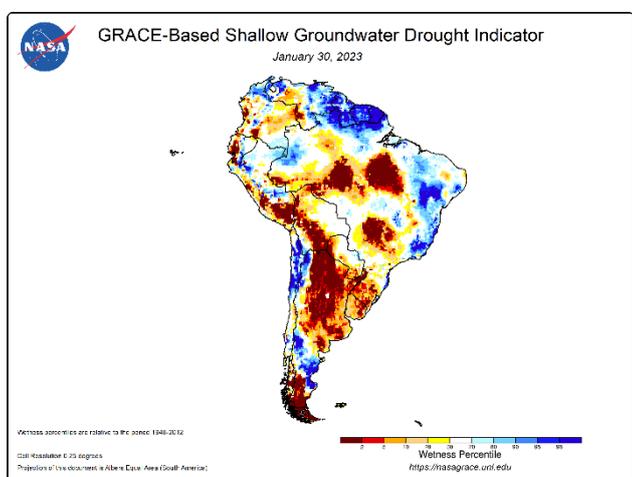
Managed money funds continue to hold a sizeable long in soybean and soybean meal. If the forecasts for Argentina change would see a substantial price reaction as funds liquidation should push prices lower.



Forecast Precipitation (percent of normal)  
Soybeans Production Shown Inset  
15-Day Forecast (GFS) Beginning 4 February 2023



As long as the Argentine crop does not get worse, the sizable Brazilian crop should limit the upside pressure when it hits the export market.



Basically, where Corn and Wheat have limited action these days, all eyes are and should be on Argentina and the weather forecast there. If we don't get any rains for a month, we might be trading \$500/meal, but with the weak La Nina that we are seeing these days, it would mean some rains and thus our mildly bearish outlook.

## Grains

Wheat prices were range-bound to be higher over the week. The continued supply from the Black Sea and the better-than-expected Australian crops have kept a lid on global wheat prices .



Meanwhile, the supply and demand balance sheets are not burdensome enough to lower prices. Additionally, the constant threat of something going wrong with the black sea supply is always there as the situation remains volatile.

Therefore, wheat prices are expected to stay in a range until the Northern Hemisphere weather market starts, as winter wheat is still relatively early to be impacted by current weather conditions.



Corn prices continued to trade in a narrow range, as there really is not too much fundamental change at this time of the year.

Corn demand remains sluggish. Meanwhile, the estimates on the size of supply from Brazil and the new crop US are yet to be established.

Given that there were no new significant fundamental updates in Corn, our view remains unchanged: for Corn to substantially rally from current levels, we need to see a Northern hemisphere crop issue. Northern Hemisphere crop will be established later in the year, and until then, corn prices are expected to be bearish to rangebound.

## Oilseed complex

Soybean prices closed higher on the week, driven higher by the rally in soybean meal prices. As we have pointed out in our previous reports, Argentina's soybean meal exports make up 40% of the global trade in soybean meal. Additionally, unlike soybean oil, soybean meal does not have many alternatives. This lack of other options makes soybean meal susceptible to sharp price rallies when there is concern about the total size of supply.

Soybean exports were better than traders had anticipated; however, as soon as the Brazilian supply hits the world export markets, we expect US exports to drop, and Brazilian exports should take a larger share of world exports. However, there is always a risk that the South American supply chain can be constrained, limiting the total expected exports.



Despite the recent price rally, our view remains bearish on the soybeans, given the large South American crop and expectation of sluggish exports from the US once the South American crop starts competing for export market share.

Given that we have recommended holding a short, we suggest an alternative way to take a short exposure by selling SN/SX spread and buying call options to hedge against the flat price rally.

### **Trade-Ideas:**

**Corn:** continue to hold short march corn; move the stop lower from the entry-level of 700. Add trailing stop losses

**Soybeans:** stop loss on SN shorts at 1550. Add short on the N/X spread and buy SK calls to hedge against the price rally.

**Wheat:** considering the relatively limited new fundamental news, we suggest buying collars to trade the range and protect yourself from big, unexpected moves. Price them up in QuickStrike to calculate the ideal pay off.

**Food for Thought:** the population per country plus its expected change between 2020 and 2050.



## Top 50 countries with largest population in 2022

| Top 50 countries 6.9B. Rest of world 1.1B. Total 8.0B



## Top 50 countries with largest population in 2050

| Top 50 countries 8.3B. Rest of world 1.4B. Total 9.7B



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