

Weekly Market Report

Monday, 03 Oct 2022

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Weekly Overview

Price changes over the week.

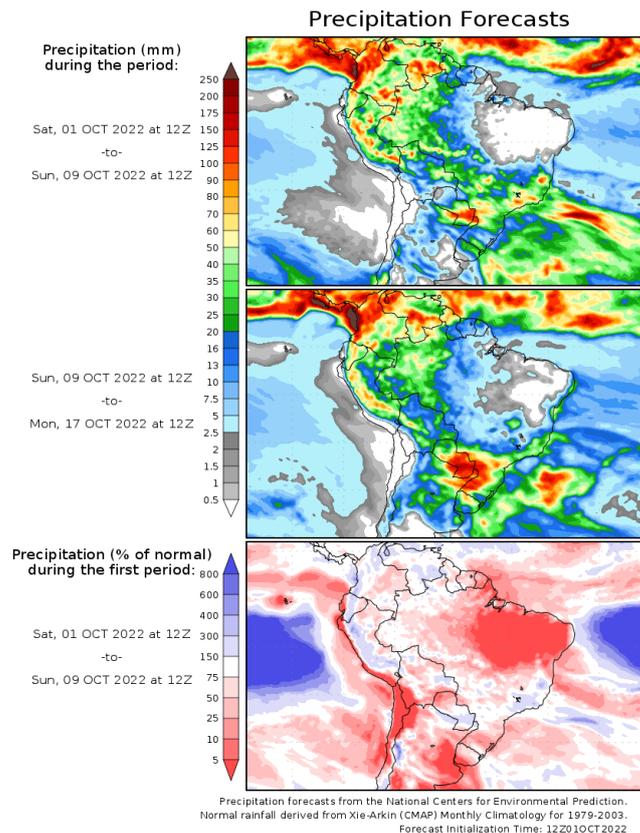
	Price	Change	Change%	30 Day Low	30 Day High
CBOT Wheat	921.50	41.00	4.66%	945.75	796.25
Kansas Wheat	991.50	41.00	4.31%	1010.75	870.25
Corn	677.50	0.75	0.11%	699.50	656.50
Soybeans	1364.75	-61.00	-4.28%	1508.75	1363.25
Soybean Meal	403.00	-20.30	-4.80%	443.80	402.40
Soybean Oil	61.56	-2.12	-3.33%	68.00	60.75
Crude Oil	78.72	0.47	0.60%	89.35	75.70
Palm Oil	757.75	-76.00	-9.12%	896.75	716.50

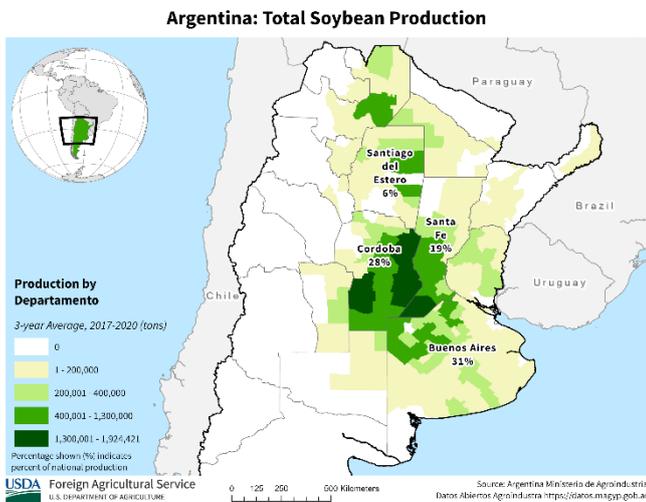
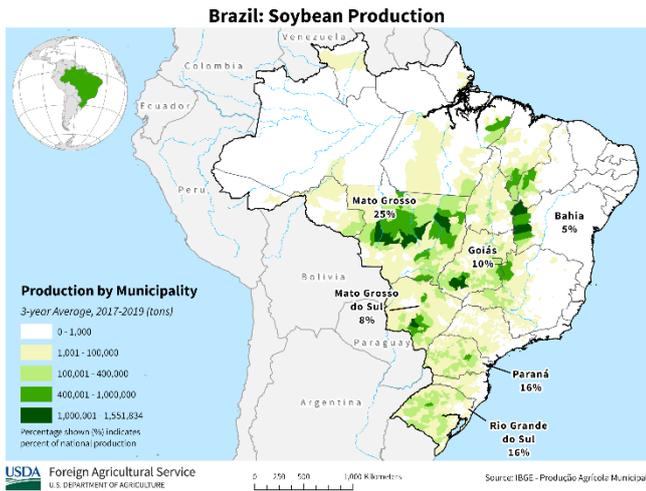
The US published quarterly stock numbers on Friday, Corn stocks were lower than the trade had estimated, and soybean stocks came in higher. Wheat stocks were broadly in line, but the production estimate was lower than the market had anticipated. Prices were under pressure mid-week on the back of a broader macro sell-off.

We believe that demand destruction in grain and oilseeds is a function of higher prices and backwardation. Once prices correct lower levels, demand would pick up again. However, the Chinese demand for soybean could be an exception. There has been a significant push in china to reduce soybean use in their feed formulation, and we believe we are starting to see the impact of the change in end-user demand makeup. Such a decline in Chinese demand would add to the bearishness.

Soybean planting in Brazil has just started, with only 2% planted so far; Argentine planting will also begin soon. The weather forecasts from Dec-Feb are crucial in determining crop yields in South America. The total size of the South American crops can fundamentally alter the supply and demand balance sheets from a bullish/supportive makeup to a bearish tilt. With the revisions of stocks lower in corn, South American crop size will determine the price direction.

The main driver for wheat prices will continue to be the situation in the Black Sea. However, the size of South American crops will be crucial for determining corn and soybean prices.

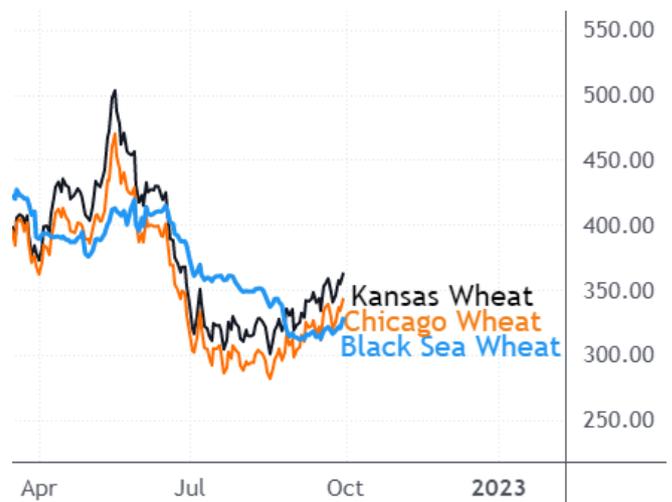




Even with the updated stock number, overview remains the same over the week that corn and soybeans are potentially turning bearish. However, corn is less bearish than soybeans, as there are still potential crop issues with the Argentine crop, and lower stock numbers only leave a 1.1 bbu carry-out estimate. On the other hand, soybeans could see the most significant decline as a large crop in south America combined with lower demand from China could expand the carry-out significantly.

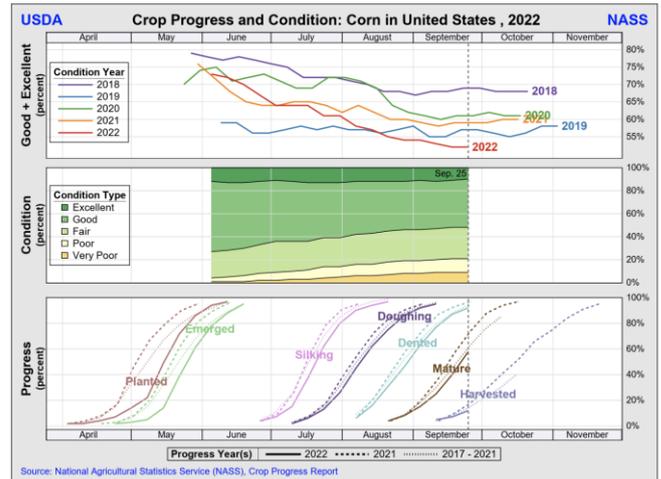
Grains

Russia has officially annexed four regions of Ukraine, which potentially means there could be further escalation of the war. Such escalation has put in jeopardy the grain corridor that is in place. The pace of ships going through the corridor has significantly slowed as more ships trying to enter the corridor. There is no way of predicting the outcome of the current situation in the black sea, however, the risk remains more on the upside





US wheat carryout has shrunk further after the crop number was revised lower. All wheat estimates came in at 1.65 vs. market guess at 1.778 billion bu. Our bias remains for the prices to move higher based on uncertainty around the major exporting region.



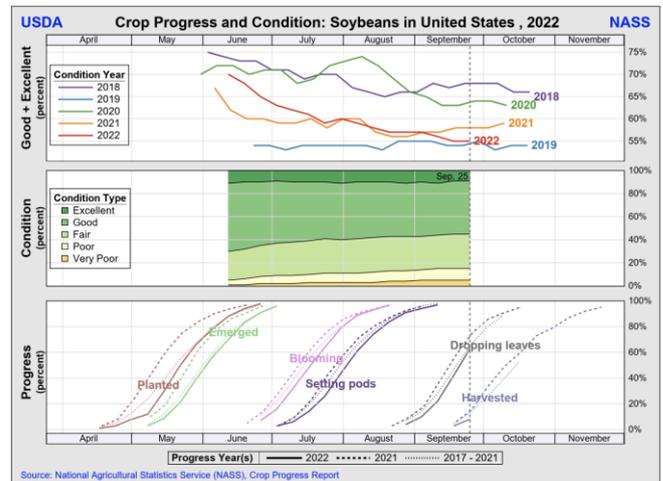
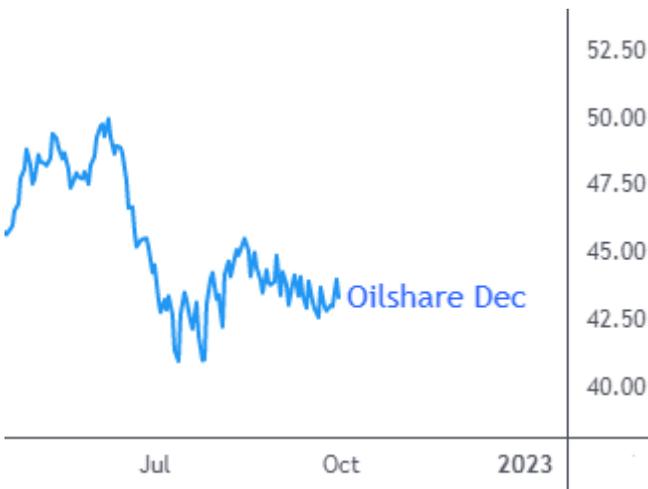
Corn prices were under pressure due to macros dropping. In addition, crude oil prices have continued to decline, which reduces the ethanol margin and demand on pressure on corn. Corn stocks are estimated to be just over a billion bu. However, lower demand can potentially increase this number. Crop conditions on corn seem to have stabilized, potentially indicating that yields are not expected to change significantly.

The Argentinian corn crop issues can potentially support prices to some extent. Our bias on corn is bearish, though prices may get supported if there are downward revisions to the crop based on lower yield and stronger wheat prices.

Oilseed complex

Soybean prices were lower earlier in the week on the back of a broader sell-off in markets, and Friday's stocks report number came in larger than the market had anticipated. Soybean stocks came in at 274 vs. market expectations of 242 mbu.

Soybean prices broke the lows made three weeks ago. However, we continue to hold a bearish view on soybeans as we expect a larger south American crop would turn the balance sheet oversupplied.



Additionally, the dryness in the US, which is helping with the harvest, has kept the draft levels of inland rivers low, restricting the flow of soybeans to export markets. This build of stock inland is also adding pressure on the spot prices.

The market will focus on the south American planting and weather in the coming months.

Trade-Ideas:

Corn: continue to hold short march corn, with a stop around 710.

Wheat: Long calls spreads as well, as we expect a seasonal low in prices soon.

Soybeans: continue with long \$1400 SX puts. Add to puts on rallies.

Food for Thought: the evolution of the main commercial partners of [#african](#) countries. It clearly shows how [#China](#) has positioned itself as a key player. Source: Geopol 21



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