

# Weekly Market Report

Monday, 26 Oct 2020

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## Weekly Overview

### Price changes week on week

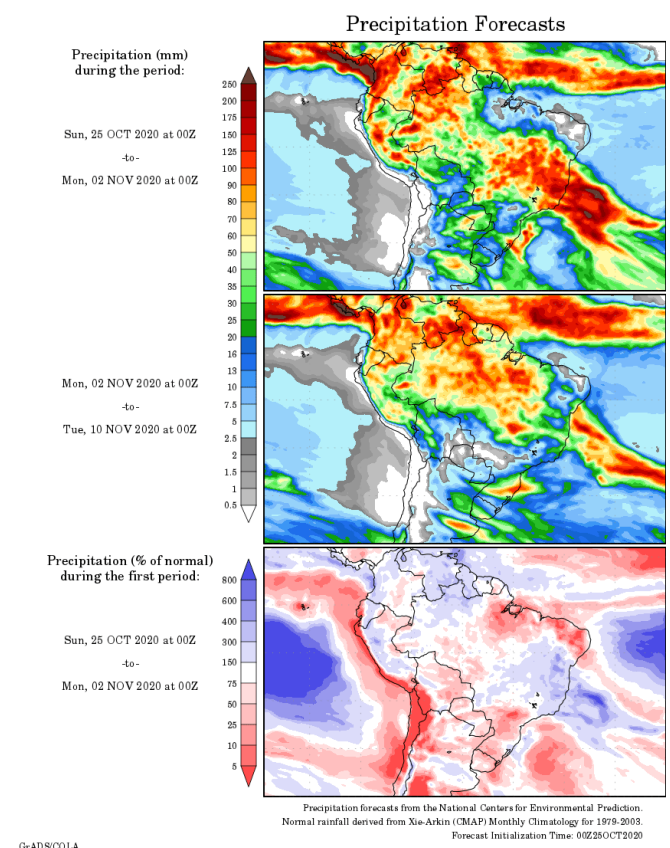
	Price	Change	Change%	30 Day Low	30 Day High
Soybeans	1083.75	33.75	3.21%	993.00	1083.75
Soybean Oil	34.11	1.12	3.39%	31.66	35.14
Soybean Meal	386.4	18.90	5.14%	325.7	386.4
CBOT Wheat	632.75	7.50	1.20%	542.00	632.75
Corn	419.25	17.25	4.29%	363.50	419.25
Kansas Wheat	569.75	11.00	1.97%	475.00	571.00
Crude Oil	39.85	-1.27	-3.09%	37.34	41.70
Dollar Index	92.765	-0.91	-0.98%	92.599	94.682

Grains and oilseeds continued to rally this week on the back of persistent tightness in the cash market. Demand from nontraditional destination combined with higher buying from the usual ones have pushed estimated carryout lower. The timing of demand, which is mostly nearby, is driving the prices higher in spot markets. To combat inflation due to rising food prices, several countries have reduced or completely taken out import duties on Agricultural products like Brazil and Turkey.

We continue to hold our view that of all the products we cover, soybeans remain the most bullish of all, where, in our view, carry out is expected to fall well below the USDA expectations, given the torrid demand pace.

The primary themes in the market now are the persistent Chinese demand, USD weakness, and potentially tighter carry out in soybeans, wheat, and Corn.

The tightness in the carry out is more driven by the demand strength now. The drawdown on carryout in soybeans will be a function of the size of the Brazilian crop. There is no room in the balance sheet for an adverse southern hemisphere crop event, given the current world demand. Traders should continue to watch South American weather for any indication of threat to the current crop, where forecasts for some of the growing areas still show less than ideal planting conditions.



Managed money fund positions largely increased this week, given the fundamental push higher. Corn positions saw the largest increase, with 48 contracts added on the net long. Though the Net long position overall is not near record levels for Corn, the long vs. short position ratio is now above 80%, indicating a clear bullish view of the funds. The same ratio for soybeans currently stands at 99%.

**COT Report Managed Money Positions as of 20 October 2020**

	Position	Change	Max Long	Max Short	Average
Corn	219	48	429	(322)	76
Soybean Meal	82	5	134	(77)	26
Soybean Oil	82	(0)	127	(110)	15
Soybeans	232	5	254	(169)	62
Wheat	50	11	67	(162)	(40)

**Breakdown of change in Managed Money Positions 20 October 2020**

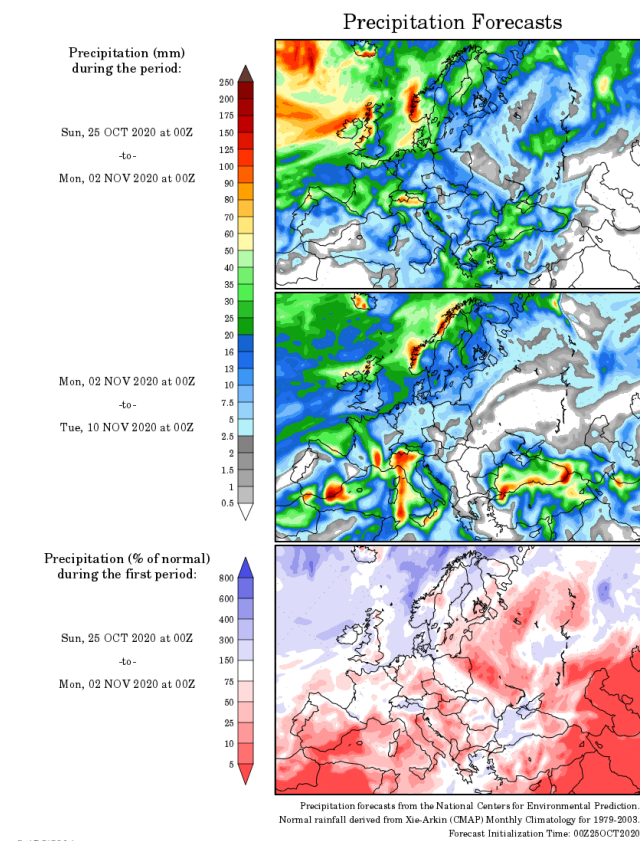
	Net	Change	Long	Change	Short	Change
Corn	219	48	279	33	60	(15)
Soybean Meal	82	5	96	6	14	1
Soybean Oil	82	(0)	94	1	12	1
Soybeans	232	5	235	(1)	4	(6)
Wheat	50	11	108	12	59	1

## Grains

Wheat prices again closed higher from last week. The demand led story in wheat continues to add support to prices in wheat. However, prices in CBOT and Kansas closed at similar levels as of Monday.

Wheat prices in the Black sea continued again higher on the rally; prices were again \$ 10 higher on the week, with another tender from Egypt helping push prices higher.

There are ongoing concerns about excessively dry planting conditions in the black sea, potentially impacting the next crop year. The constant demand for southern hemisphere crops has kept the prices supported even with harvest getting closer in Australia.



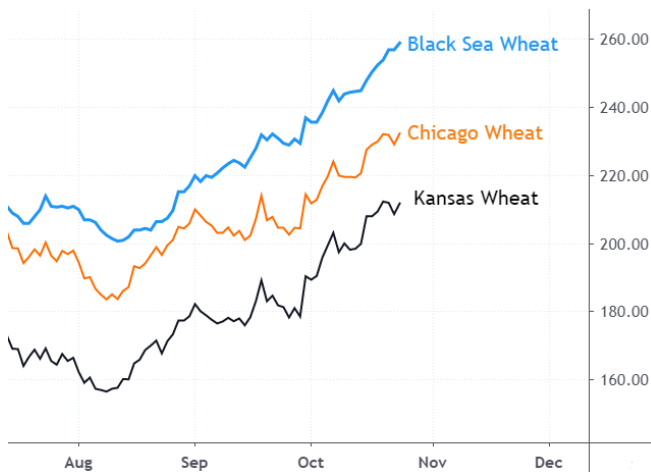
CBOT Wheat Dec Weekly Chart

2019-04-05 / 2020-10-23



Kansas Wheat Dec Weekly Chart

2019-04-05 / 2020-10-23



If the current forecasts on the black sea do not improve and we see more tenders taking place in the coming weeks, wheat prices will continue to be supported.

The likelihood of a sustained drop in wheat price is unlikely if this current pace of demand continues. Partly the driver of prices had been higher demand on back of countries looking to build local buffer stocks, given there is again an uptick in COVID-19 cases

CBOT Corn Dec Weekly Chart

2019-04-05 / 2020-10-23



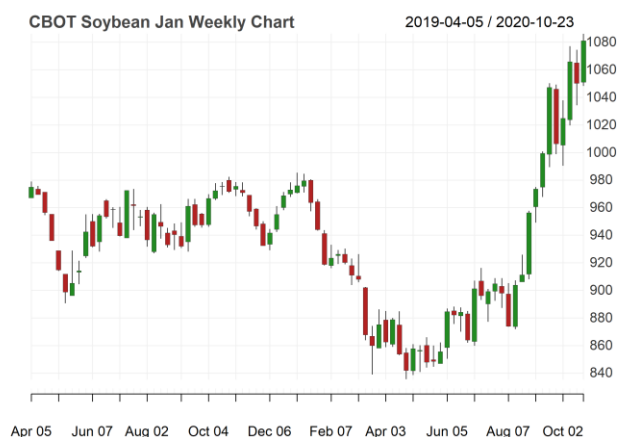
Corn prices were again sharply higher. There is clear physical market tightness seen in Corn, with reports that China is looking to buy another 5 million mts of Corn. Even though weak domestic use should add some buffer to the stocks, the magnitude of demand from the rest of the world will most likely offset any domestic weakness. Interior Ukraine prices have rallied \$10 just in the last week, indicating a tight supply situation. Some analysts estimate that the Ukrainian crop is far lower than USDA's estimate of 36.5 million bushels.

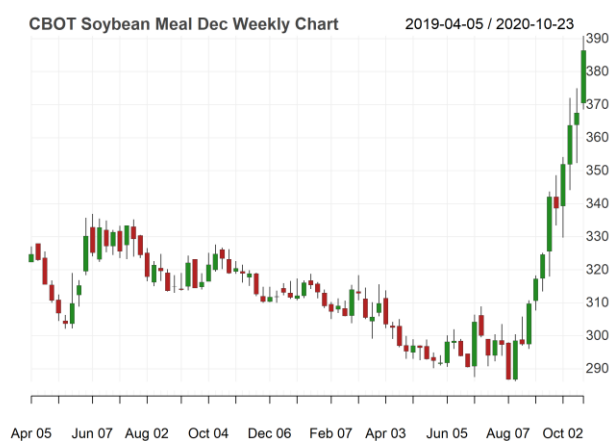
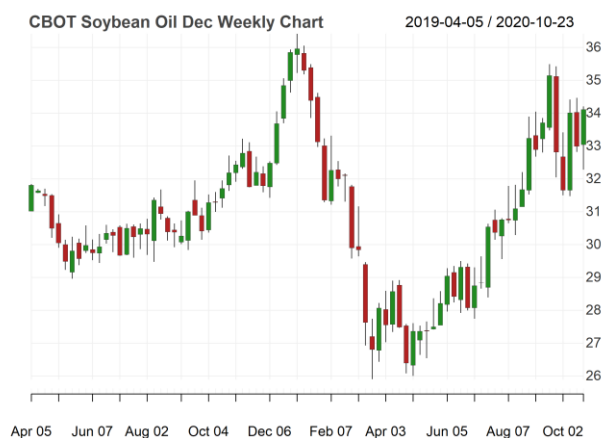
Given the developing bullish fundamentals, it is quite likely that Corn will continue to trade sideways to higher in the coming weeks.

### Oilseed complex

Fundamentally, we still believe that soybeans remain the most bullish of the grains and oilseed complex.

Dryness during the planting phase in Brazil is also adding support to current prices. With carryout now below 300 mbu and the chance that it might go even lower if Brazilian crop size is below expectation, soybean fundamental supports a bullish view. If the Brazilian crop is estimated anywhere below 130 million mts, the bullish case gets even stronger.





At the same time, Brazil is trying to keep as much as soybean products within the country.

Also, there are increasing concerns about the size of argentine exports. Argentina is the major supplier of soybean meal globally, with such an impact pushing soybean meal prices higher. There are even rumors of the soy trading into brazil, which indicates a too tight domestic balance sheet in South America. Soybeans N/X spread is trading at 76c vs. last week at 65c on the back of this fundamental push.

The soybean price push is likely to come from a less than ideal Brazilian crop. Brazil is not expected to have a great start with La Niña's condition adding to south America's dryness. Soybeans prices could continue to be volatile with both macro factors as well as fundamentals pushing prices around.

Traders should look to go long soybeans if there is profit-taking from funds that might allow them to establish a long position.

## Trade Recommendations

**Soybeans:** Continue to hold the longs established last week at 1035, with stop loss at 1015. Beans are quite likely to go to \$12 if current fundamentals persist.

**Soybeanmeal:** Stay invested in the market leader for this rally, so prefer beans over meal to be long

**Corn:** Look to long Corn on pullbacks to 405 levels.

**Wheat:** continue to be long but perhaps replace your flat longs with calls.



**Food for thought:** the iceberg represents “the way we *say* we get things done” in contrast to the deeply-ingrained “way that things *actually* get done” within an organization.

In other words, for managers to positively affect cultural change, they not only need to address the top of the iceberg (vision, mission, values, etc.) but they must also make inroads on the bottom of the iceberg, which makes up more like 90% of a company’s actual culture.





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