Weekly Market Report

Monday, 6th May 2019

Weekly Overview

Price changes week on week.

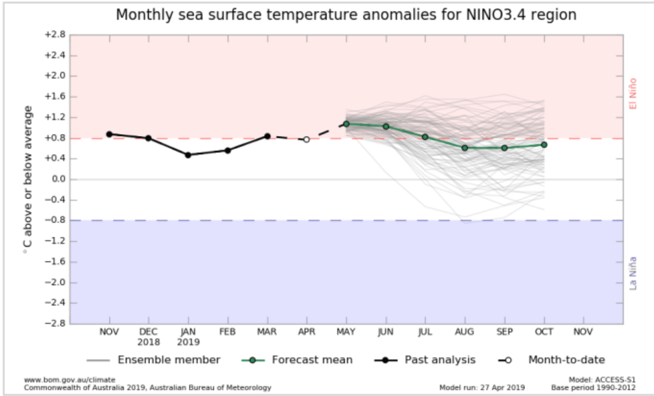
	Price	Change	Change%	30 Day Low	30 Day High
Corn	370.75	9.50	2.63%	351.50	390.00
Wheat	438.00	-4.50	-1.02%	426.00	482.50
Beans	842.25	-24.75	-2.85%	840.50	925.50
Meal	298.20	-5.50	-1.81%	296.60	319.70
Beanoil	27.35	-0.49	-1.76%	27.17	29.72
Palmoil	2010	-108	-5.10%	2006	2248
DCE Beans	3378	-4	-0.12%	3345	3486
DCE Meal	2569	5	0.20%	2537	2661
DCE Beanoil	5374	-10	-0.19%	5332	5730
DCE Palmoil	4496	-30	-0.66%	4472	4774
Cotton	75.68	-2.02	-2.60%	75.37	79.57
WTI	61.94	-1.36	-2.15%	58.41	66.60
BRENT	70.85	-0.78	-1.09%	65.59	74.75
EUR	1.12	0.00	0.42%	1.11	1.13
USD Index	97.52	-0.49	-0.50%	96.21	98.33

After no news from the trade deal for several days, Chinese official media came out saying that trade talks may have hit an impasse, raising doubts over the chances of early trade deals between the two economies. The vague details form the latest round of meeting suggest some of the key issues are yet to be resolved. We still believe that both sides are looking for a deal, but the final stages of negotiations may take longer than initially thought.

Again, reiterating how the deal will impact demand, China could potentially buy 40-50 mmts of beans, 20 mmts corn, and 5-8 mmts wheat, adding fundamental support prices in these respective markets.

Current forecasts remain too wet for planting and soil moisture levels more than adequate with flooding reported in some parts of midwest, however, vs. last week, even the long-range forecast show above normal rainfall for most of the midwest. In the past, farmers have planted up to 70% of the crop in just a two-week dry window, and as long-range forecast have lower predictive value, it is still likely that corn crop will get into the ground in time.

A bit of change in El Nino outlook where the outlook now shows El Nino conditions in July, vs. previous neutral condition. A longer lasting El Nino conditions would men continues heavy rainfall and likely reduction in corn acres as a result. Long range outlook and typical impact of El Nino for the US are both in consensus.



Funds positions continue to remain largely short. Funds were a seller in beans and buyer in corn, likely on the back of funds anticipating a switch from corn to beans acres due to excessive wet planting conditions. Soybean short levels are record levels. With most of the weather market still ahead of us, any crop scare can lead to short covering rally.

COT Report Managed Money Positions		30/4/2019			
	Position	Change	Max Long	Max Short	Average
Soybeans	(149)	(19)	254	(149)	72
SBM	(16)	4	134	(54)	33
Bean oil	(58)	(7)	127	(110)	13
Corn	(307)	16	429	(322)	88
Wheat	(84)	(16)	81	(162)	(21)

Oilseed Complex (Soybeans, SBM & SBO)

Bean prices again closed lower this week due to continued fund selling.

Another downward push came from a potential increase in acres, where some in the market are expecting that a decline in corn acres will lead to higher beans acres, hence increasing the total supply. However, most Ag analysts believe that is much more beneficial for the farmer to take advantage of prevent plant insurance, instead of switching to soybean, given the decline in soybean prices.

On the demand side, outside of trade deal related demand, there are signs of Chinese swine flu situation improving. Meal demand is again increasing combined with crush increase, which to us indicates that worst may be over, and we should see a gradual increase in demand as the hog herd rebuilds. However, this process may be slower than expected.

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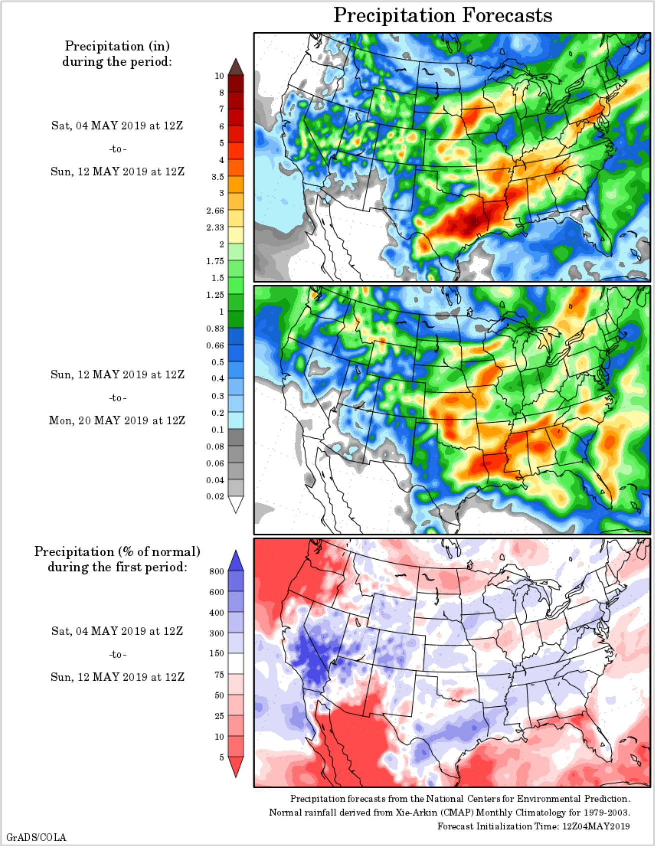
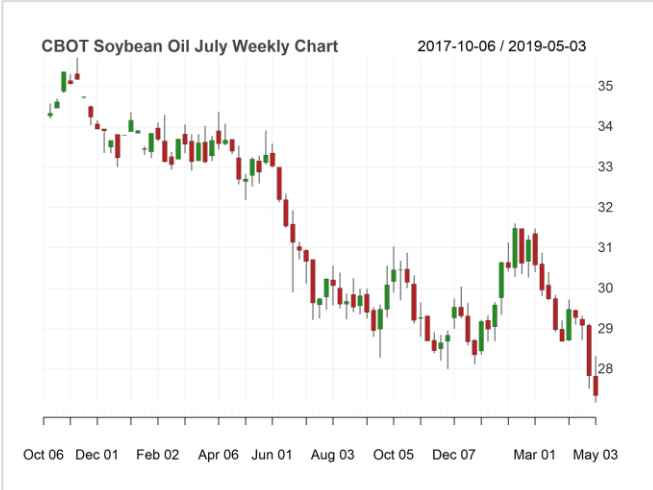
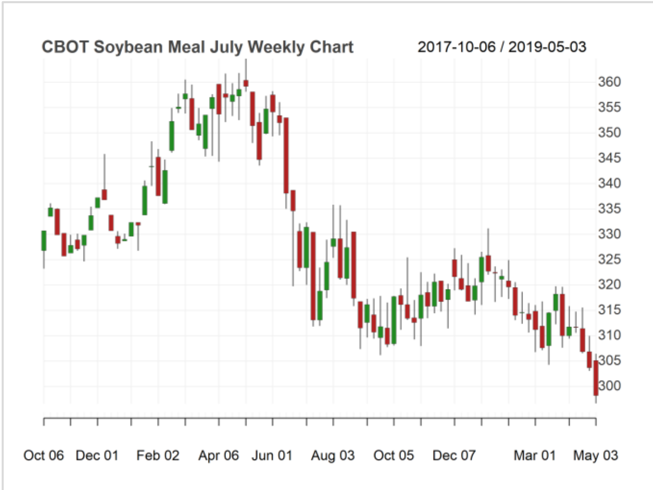
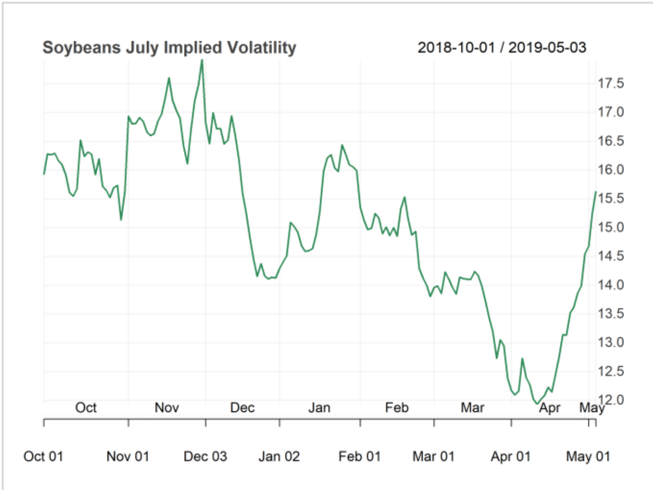
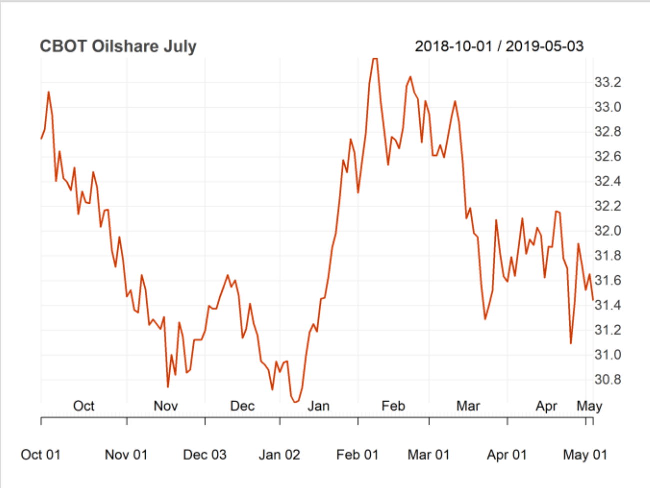

Precipitation Forecasts
Precipitation (in) during the period:
Sat, 04 MAY 2019 at 12Z -to- Sun, 12 MAY 2019 at 12Z
Sun, 12 MAY 2019 at 12Z -to- Mon, 20 MAY 2019 at 12Z
Precipitation (% of normal) during the first period:
Sat, 04 MAY 2019 at 12Z -to- Sun, 12 MAY 2019 at 12Z
Precipitation forecasts from the National Centers for Environmental Prediction.
Normal rainfall derived from Xie-Arkin (CMAP) Monthly Climatology for 1979-2003.
Forecast Initialization Time: 12Z04MAY2019
GrADS/COLA

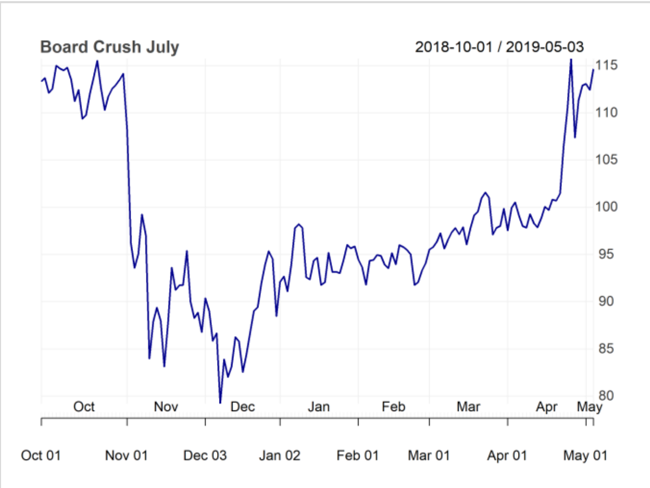

CBOT Soybeans July Weekly Chart
2017-10-06 / 2019-05-03
Oct 06 Dec 01 Feb 02 Apr 06 Jun 01 Aug 03 Oct 05 Dec 07 Mar 01 May 03


CBOT Soybean Oil July Weekly Chart
2017-10-06 / 2019-05-03
Oct 06 Dec 01 Feb 02 Apr 06 Jun 01 Aug 03 Oct 05 Dec 07 Mar 01 May 03


CBOT Soybean Meal July Weekly Chart
2017-10-06 / 2019-05-03
Oct 06 Dec 01 Feb 02 Apr 06 Jun 01 Aug 03 Oct 05 Dec 07 Mar 01 May 03


Soybeans July Implied Volatility
2018-10-01 / 2019-05-03
Oct 01 Nov 01 Dec 03 Jan 02 Feb 01 Mar 01 Apr 01 May 01





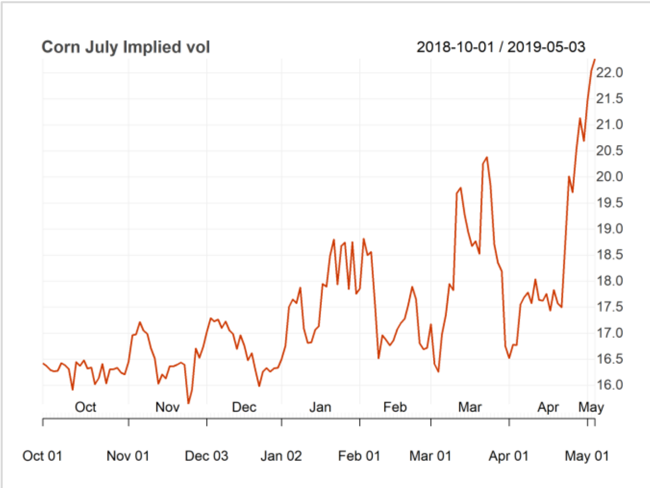
Given the ample soil moisture, plantings are likely to be benign. But, risk now remains for excessively wet June, causing an issue in beans planting as well.

China/US trade deal continues to be the only strong bullish short term factor that can push up prices significantly outside of an adverse weather outlook for planting/growing season.

The market is oversold and ripe for a quick reversal on fund winding and corn acres moving to prevent plant instead of soybeans. However, overall long term bias remains for rangebound prices to bearish.

Grains (Corn and Wheat)

Corn prices reversed this week in the back of continued above normal precipitation forecasts. The market expects a further reduction in acres from current estimate fo 1-2 million acres in case there is not dryness beyond 15th of May. Typically corn planting is over by the end of May, with over 70% emerged by the same time.



Though there is no statistical evidence of the relationship between lower yield and delayed planting, the real reduction in carry out will come farmers taking advantage of prevent plant insurance.

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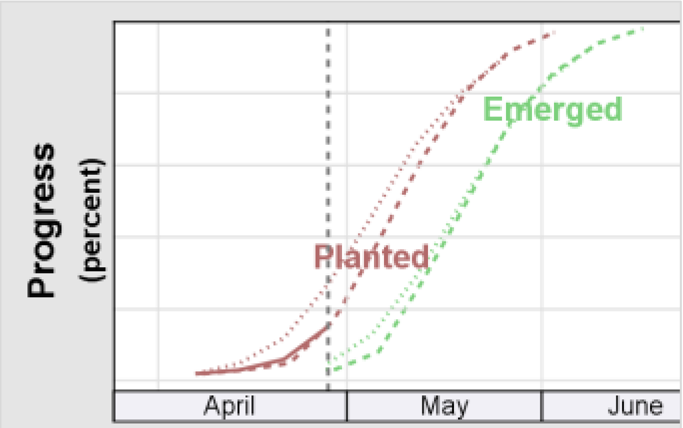
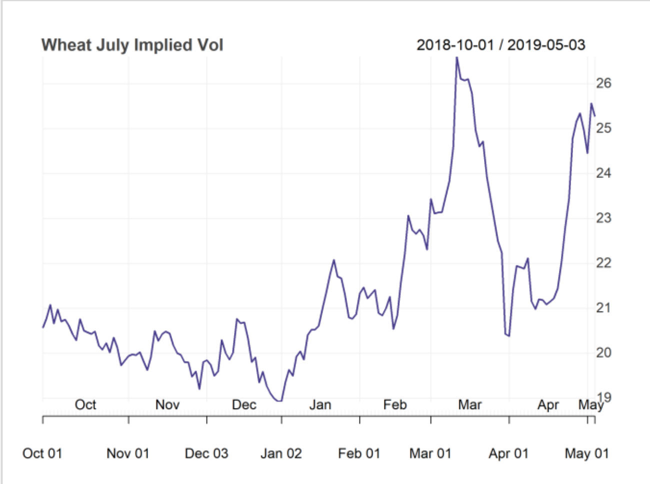


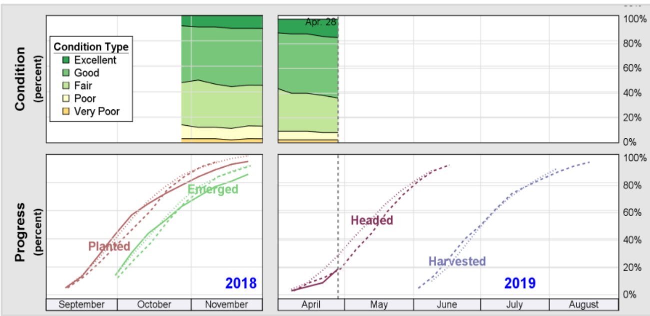
South American crop had very good finishing rains, and will likely have an increase in exportable surplus now. The Argentine crop is estimated at 50 mmts and Brazilian crop at 98 to 100 mmts. Current South American offers are below the US offers to pull export demand out of the US.

Trade deals remain of the key factors that can push the prices higher. The trade deal will potentially add 700 to 800 million bushel demand, pushing the carry out estimates well below 2 billion bushels.

Corn prices are quite likely to stay in its recently established trading range, with fundamentals keeping a lid on price and possibility of large Chinese buying preventing price drops.

Wheat prices closed lower again this week, on back of improved forecast on EU and FSU. EU and FSU combined account for more than 35% of the world wheat production and key yield sensitive period for them is between Mid May to mid-July, and current soil moisture do not leave any room for adverse weather events in coming months.





This time of the year, next 6 to 8 weeks weather will be vital in establishing world wheat production levels. If there is no weather event in the Northern Hemisphere growing period, most origins will likely build stocks.

Meanwhile US HRW crop quality seems to be improving.

Overall, wheat would need a lasting weather issue for a sustained price rally.

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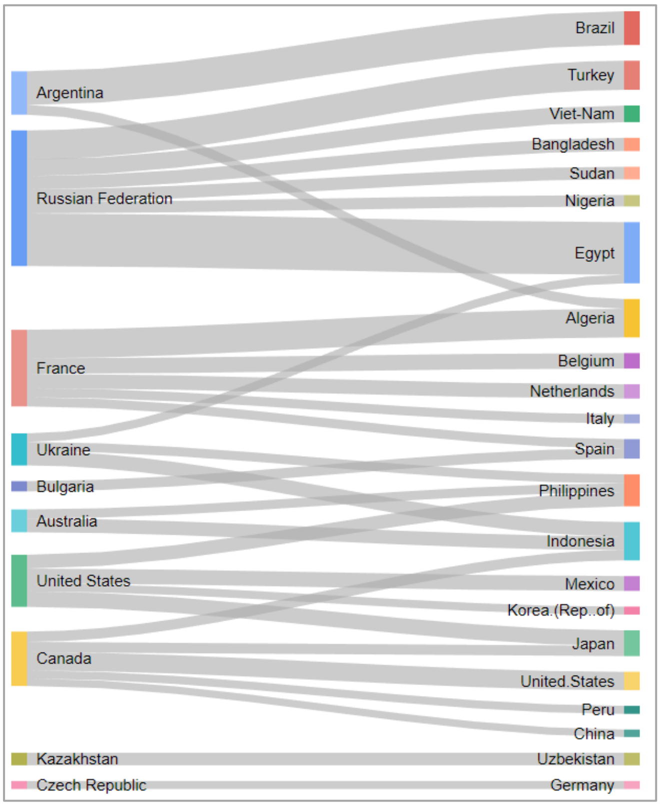

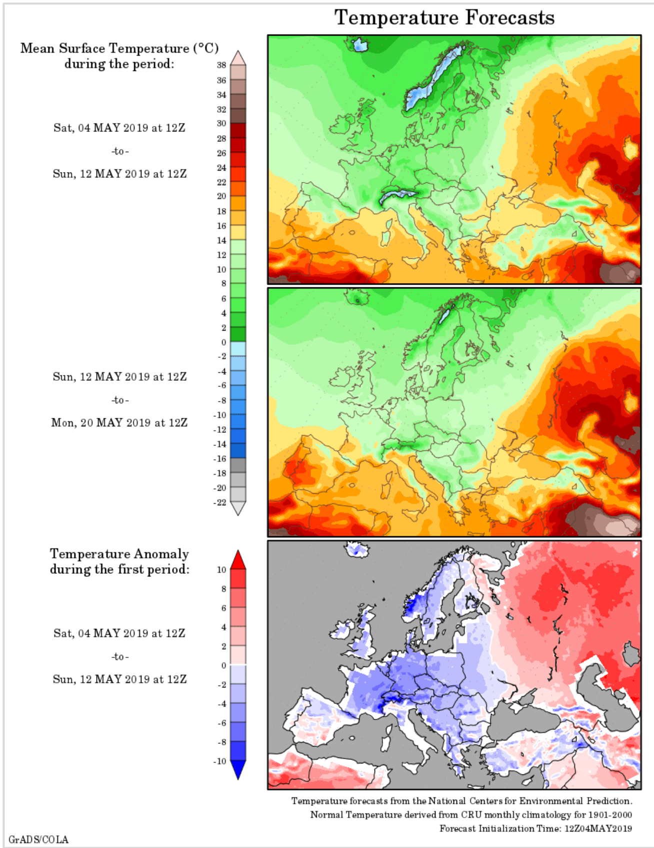

Trade-Ideas:

CBOT Beans: Look to sell beans in case there is trade deal announcement or if beans rally again to 910 levels.

CBOT Wheat: continue to hold long wheat above 440.

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