

Weekly Market Report

Monday, 18 Jan 2021

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Weekly Overview

Price changes week on week

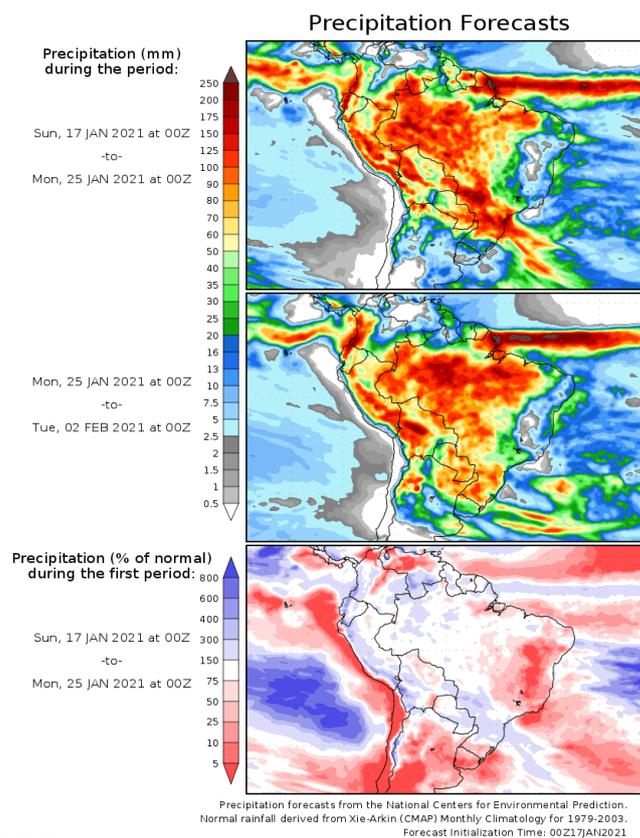
	Price	Change	Change%	30 Day Low	30 Day High
Soybeans	1416.75	42.00	3.06%	1188.00	1430.50
Soybean Oil	41.85	-1.74	-3.99%	38.72	43.84
Soybean Meal	463.2	23.60	5.37%	388.9	465.4
CBOT Wheat	675.5	36.75	5.75%	598.50	675.50
Corn	531.5	35.25	7.10%	424.75	534.25
Kansas Wheat	643	48.25	8.11%	561.50	643.00
Crude Oil	52.42	0.16	0.31%	47.16	53.62
Dollar Index	90.754	0.69	0.76%	89.409	90.754

Last week USDA WASDE report was released; typically, the December report is not a market mover. However, last week's report had changes that have fundamentally changed the outlook for new crop corn and soybeans from neutral to now a bullish outlook. Prices understandably rallied with the enormous changes in corn yield and export duty announcements by the Russian government on the new crop.

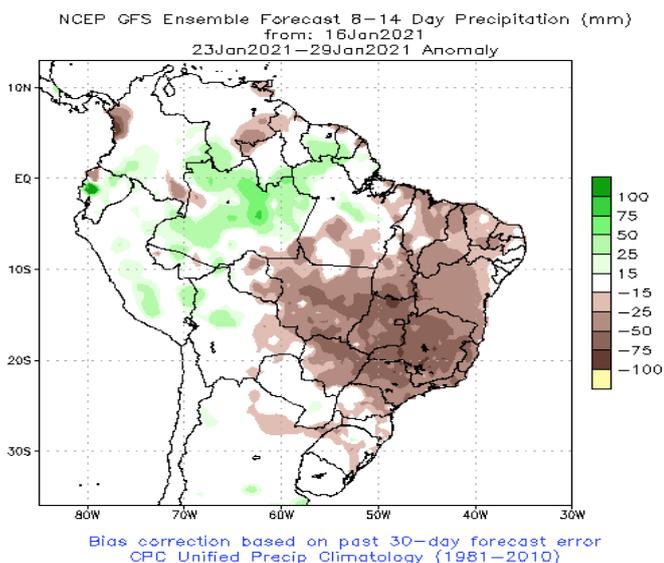
Meanwhile, the major driving factor of adverse South American weather persists. There is some improvement in rainfall over Brazil, but forecasts for Argentina remain dry.

Soybeans prices will have to stay at elevated levels to increase demand destruction or push a higher acreage in the next crop year. We believe the battle for new crop acres expected to keep price support under the market. Pull back in prices will be a buying opportunity.

Forecasts for the next week show a marginal improvement again for Brazil, but still dry for Argentina. We need a consistent change to a wetter pattern to reduce the adverse impact on total production.



GRADS/COLA



The change in projected carryout in corn and soybeans will heat the new crop's fight for acreage. Fundamentally, our initial view was that price will continue to be supported until market factors in the expected planting expansion for the new crop; however, even the new crop carry out is looking tight with the current changes. The market would need to see demand rationing driven by higher prices to end this bullish price move.

COT report showed funds adding long in corn while reducing the long in rest of the commodities. We should see funds adding to the long side in the coming weeks as fundamental pictures remain bullish. Given that we are close to the record longs in both corn and soybeans, we may likely see a sharp pullback in prices on profit-taking in case of minor bearish news.

COT Report Managed Money Positions as of 12 January 2021

	Position	Change	Max Long	Max Short	Average
Corn	375	25	429	(322)	80
Soybean Meal	84	(0)	134	(77)	27
Soybean Oil	94	(19)	127	(110)	16
Soybeans	166	(9)	254	(169)	65
Wheat	17	(8)	67	(162)	(38)

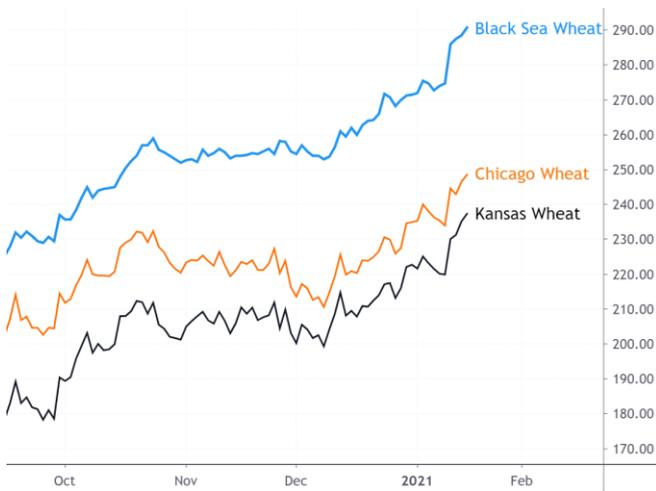
Breakdown of change in Managed Money Positions 12 January 2021

	Net	Change	Long	Change	Short	Change
Corn	375	25	431	22	56	(3)
Soybean Meal	84	(0)	91	(1)	6	(1)
Soybean Oil	94	(19)	107	(14)	13	5
Soybeans	166	(9)	184	(6)	17	3
Wheat	17	(8)	90	(4)	73	4

Grains

Wheat prices rallied initially this week. The main driver of the price rally was Russia announcing that they will place an export tax on the new crop. We had pointed out last week that Russia may put additional restrictions to curb the rally in prices, a domestic wheat price inflation continues to be a cause of concern.





Corn prices rallied with a surprise reduction in the corn yield to 172 BPA vs. the previous 175.8. this resulted in USDA carryout dropping from 1702 mbu to 1552 mbu. In our view, USDA is largely underestimating the demand side, which, if USDA were to adjust, would lead to a much lower carry-out number.

US Corn is still competitive in the world export market, and the US likely estimated carryout would continue to reduce, acting as a support for corn prices. The change in current crop carry out will significantly impact the new crop, where corn and soybeans will compete for acreage. This change in fundamentals could potentially push corn prices to the \$6 bu mark in the coming week/month. The US and the rest of North America will need to see expanded acreage and near-perfect weather in the new crop to push lower from the fundamental support.

In

In the absence of large export pressure from the Black sea origin, US wheat starts getting competitive into the world export destinations. New export demand, combined with high corn prices, should continue to support the US Wheat prices. Persistent risk of a further rally in corn spilling over to wheat remains.

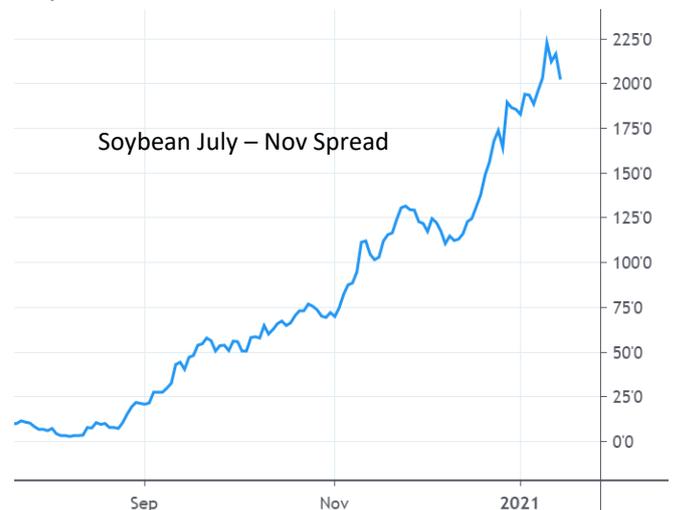
Oilseed complex

Again, soybean prices breached the seven-year high last week as USDA pegged the carry out at 140 mbu vs. previous stocks at 175. USDA also reduced the soybean yield by 50.2 vs. prior at 50.7

The fundamental change in the corn balance sheet would mean that now soybean prices will have to stay at elevated levels and move higher if soybeans are to see much-needed expanded acreage. Given adverse weather conditions in South America, the world demand will continue to push toward the US.



Though we don't see a change in the market's fundamental makeup, Soybean oil prices saw a pullback. Competing vegetable oils balance sheet is still tight, and with recent rains/floods and resulting in stocks drawdown on Palm, soyoil will continue to be bullish in our view.





Initially, we believed that prices leading to \$14 would lead to range bound markets; however, with the recent changes in the balance sheets, we think that soybeans can trade around \$15 to \$16 bu. The Fundamental situation in soybeans continues to be supportive, and we struggle to see how the tight carry out will be solved without significant demand rationing.

Soybeans need to trade higher to see demand destruction.

Given the prices are now closer to \$14, we may see a pullback. However, the fundamental

Traders should continue to hold a long position in beans with protective stops unless we see a significant long term weather pattern change in south America.

Trade Recommendations

Soybeans: Continue to hold the longs established at 1035. Keep a trailing stop loss to retain profit on long established at 1035

Soybeans: look to buy \$16 calls.

Soybean oil: Continue to hold long established at 37 cents. Do place trailing stops against this long position.

Wheat/Corn: no direct flat price opportunities, consider option structures

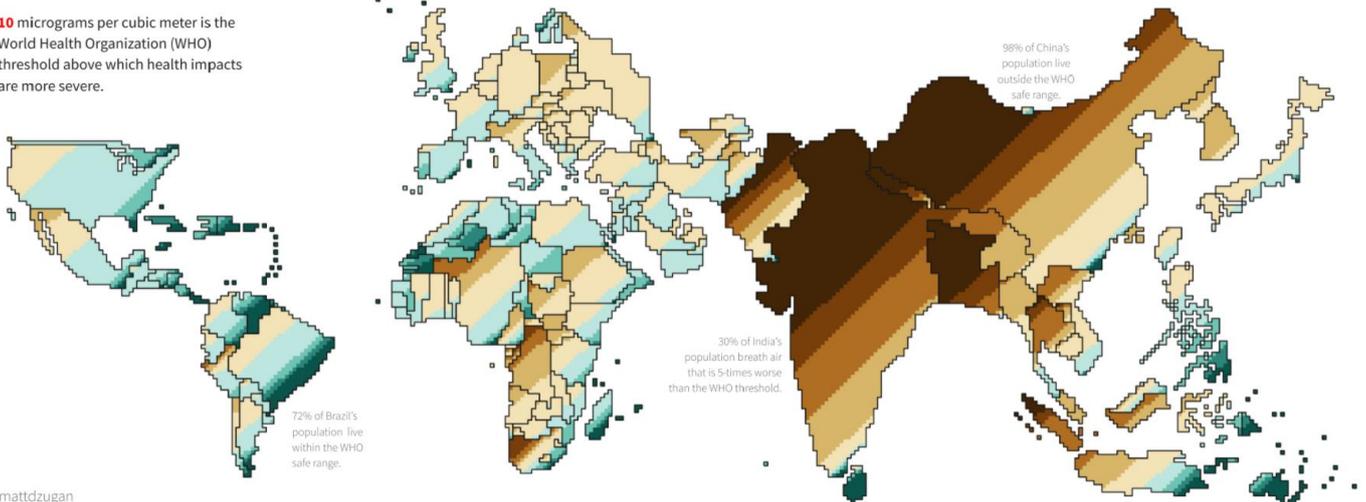
Food for thought: the true size of countries based on their amount of people instead of their landmass.

Countries are resized according to their population to represent **people** rather than **land**

Fine Particulate Matter (PM2.5) Concentration with Dust and Sea-Salt Removed



10 micrograms per cubic meter is the World Health Organization (WHO) threshold above which health impacts are more severe.



@mattdugan

Population data: Center for International Earth Science Information Network - CIESIN - Columbia University, 2018. Global Population of the World, Version 4 (GPop4), Population Count, Revision 11, Ballistics, NY: NASA Socioeconomic Data and Applications Center (SEDAC).
Air quality data: van Donkelaar, A., P. S. Warble, M. Brauer, M. C. Ho, K. A. Hsu, R. C. Levy, A. Samrat, A. Strachan, A. M. Sayer, and D. W. Miller, 2016. Global Annual PM2.5 Levels from MODIS, MISR and SeaWiF: Aerosol Optical Depth (AOD) v2.0 (2000-2016). NASA Socioeconomic Data and Applications Center (SEDAC).
Map: Max Roser (2018) - "The map we need if we want to think about how global living conditions are changing". Published online at OurWorldInData.org, retrieved from: <https://ourworldindata.org/world-population-cartogram> [Online Resource].



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