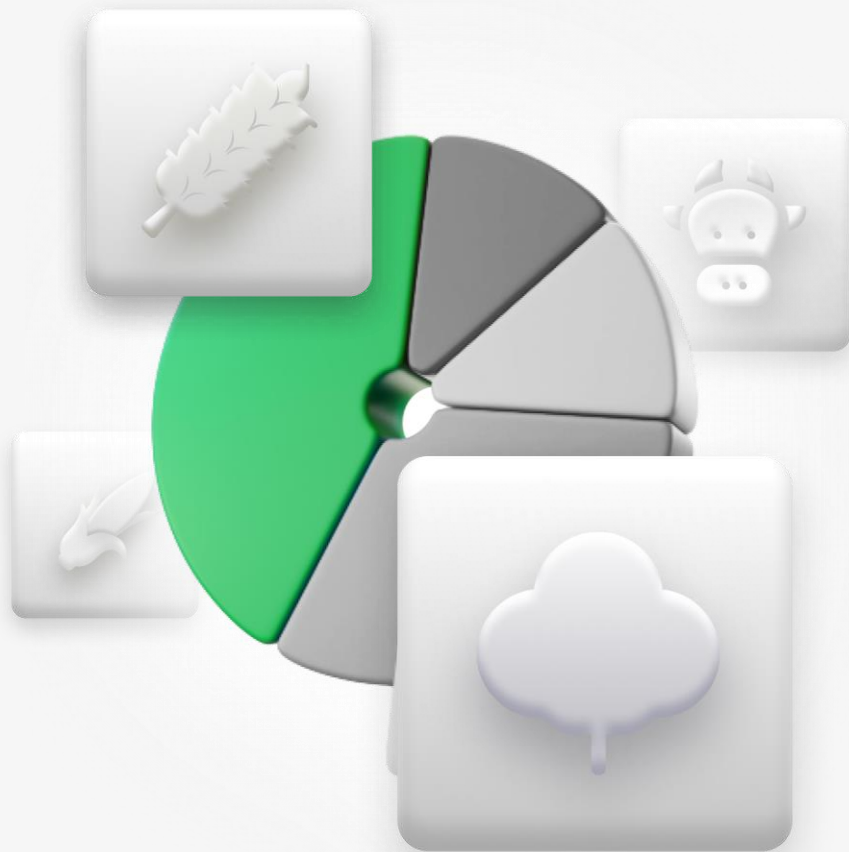


# Weekly commodities trading report

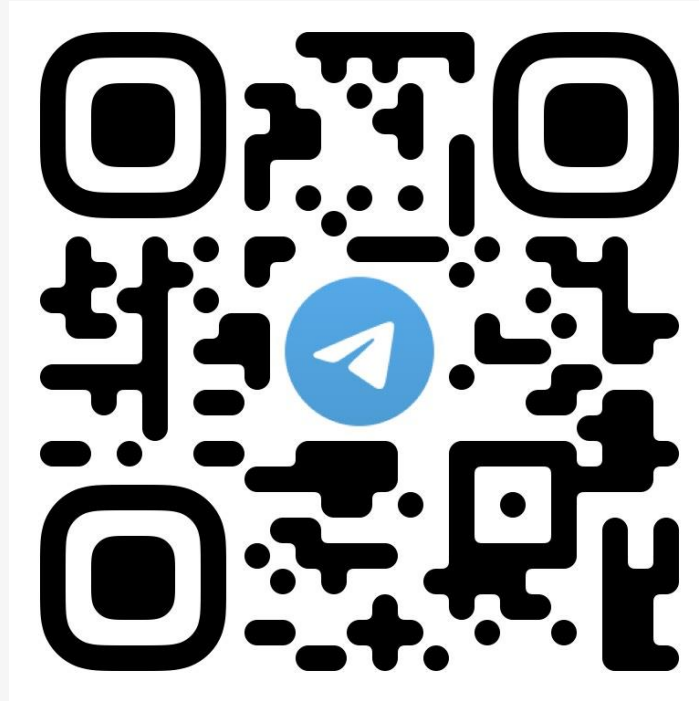
Week 39  
September 26th



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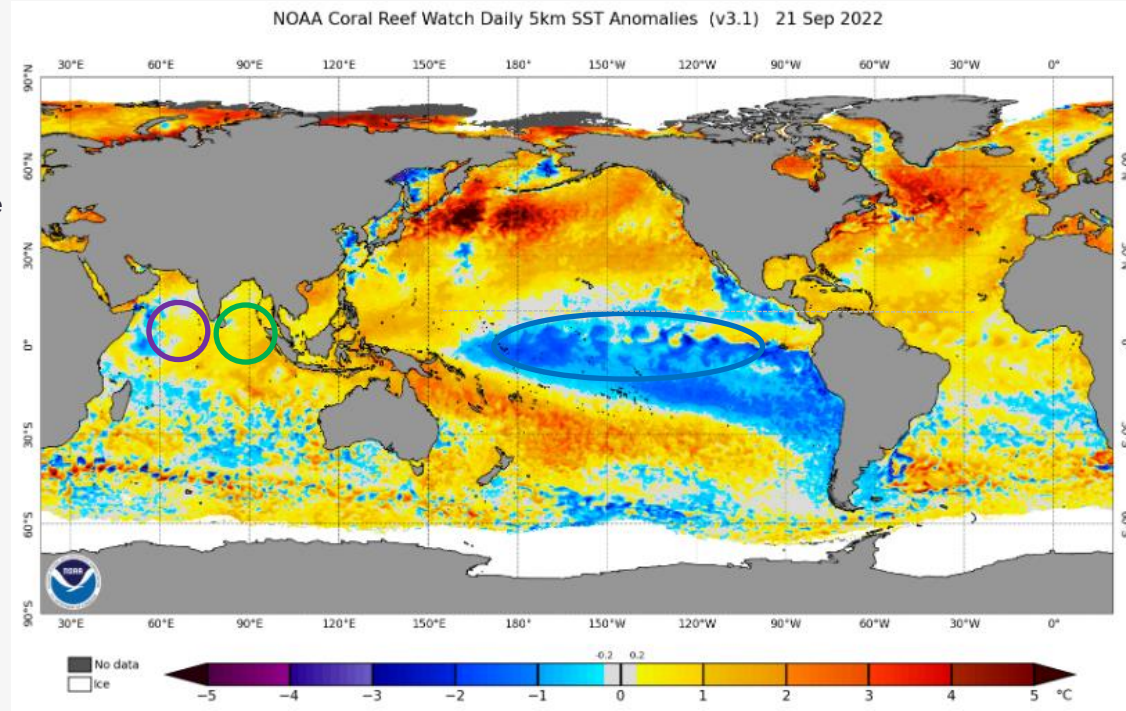
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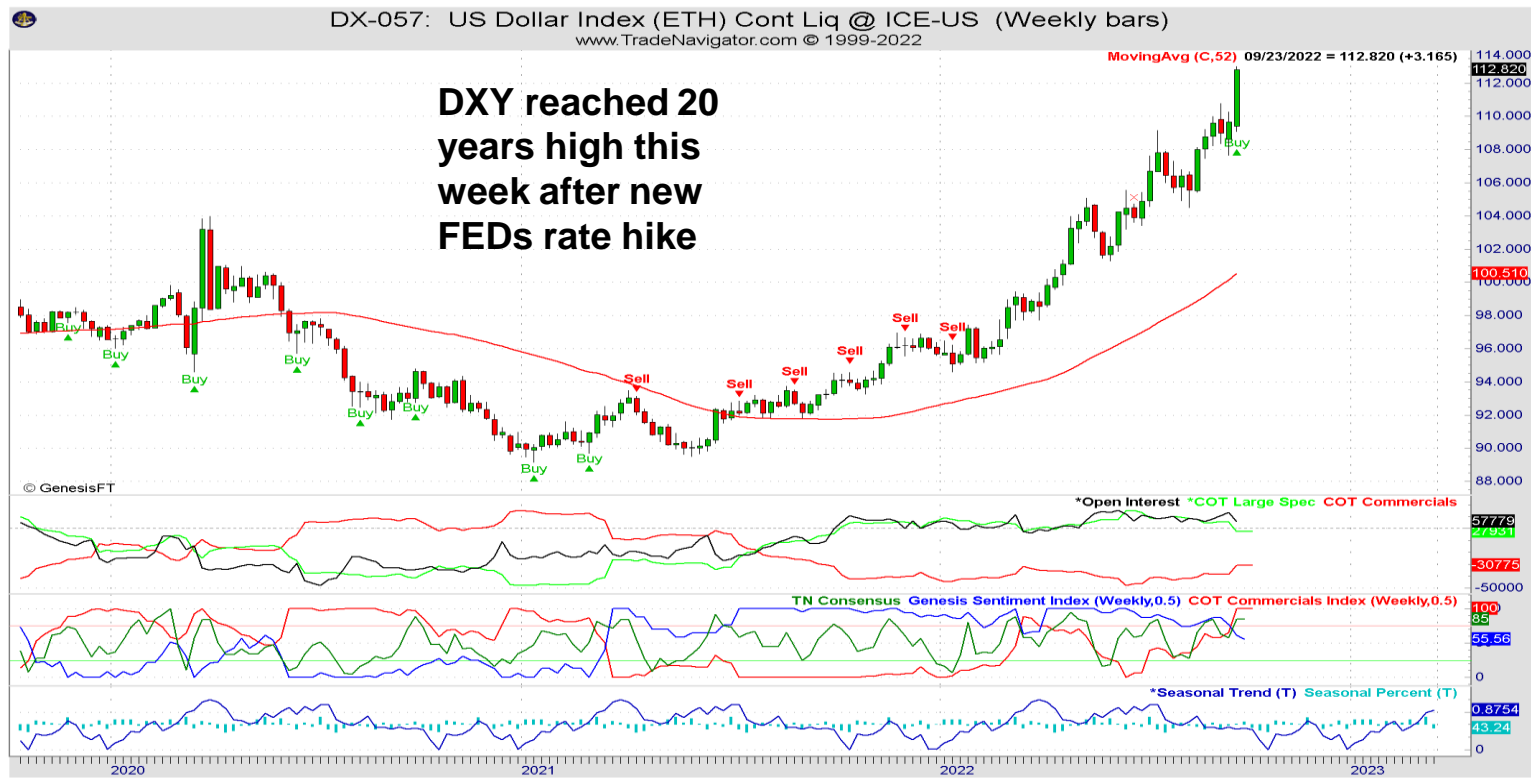
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# Global weather review

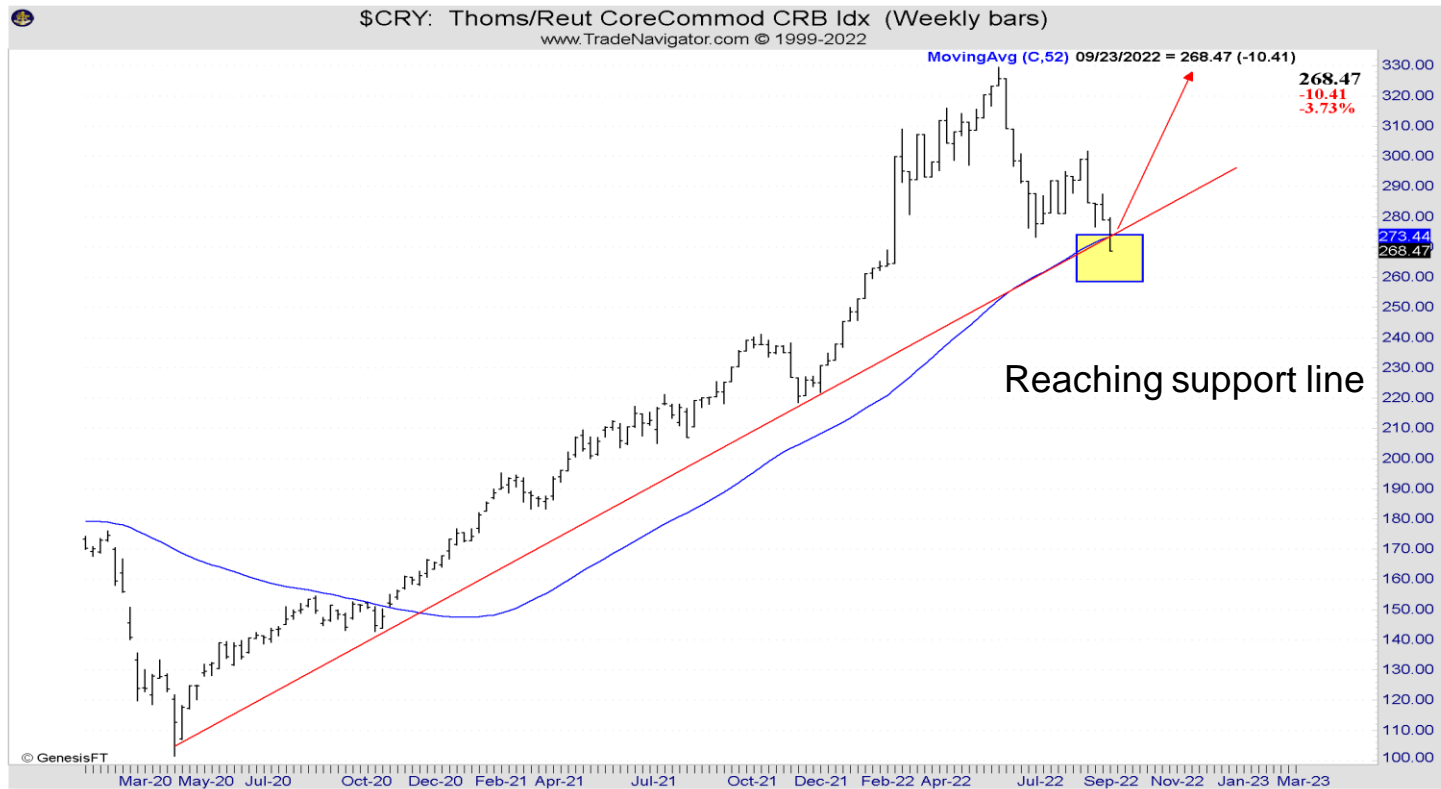
- The eastern Pacific Ocean is experiencing longer-than-usual cool temperatures and climatologists predict a La Niña will stretch into its third winter, which would make this climate pattern the first "triple dip" La Niña this century.
- This current La Niña started in September 2020. The World Meteorological Organization (WMO), a United Nations agency that provides climatology resources to countries, predicts the La Niña will continue over the next six months, making it the first time this century that La Niña has returned for three consecutive years.
- In areas like Texas and Louisiana, the shift causes hurricanes.
- In Australia, Indonesia, and parts of Asia it brings cooler temperatures, rain, and flooding. In California, it does the opposite.
- La Niña is expected to intensify drought across the southern and central Plains, eastern Gulf Coast, and in California in the coming months.
- The negative Indian Ocean Dipole event continues ( red and green circles). Negative IOD conditions are likely to continue into late spring. When a La Niña and negative IOD combine, it further increases the likelihood of above average rainfall over Australia and SE Asia.
- Tropical storm Fiona has formed in the Atlantic Ocean. As of right now it is set to go over Puerto Rico and the Virgin Island, with no indication it is headed towards the eastern U.S.



# Dollar Index



# Commodities Index





# Cotton: Sell

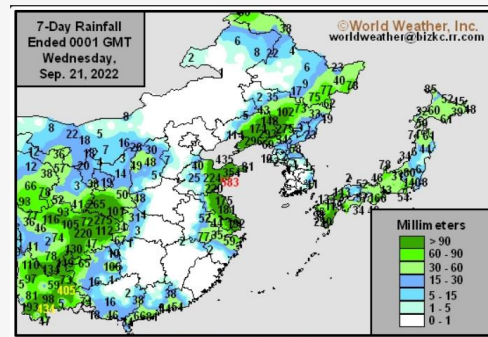
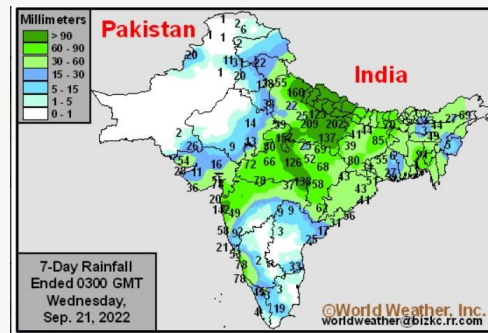
- The 2022/23 world cotton projections include higher production and ending stocks relative to last month, and lower consumption.
- World production is projected 1.4 million bales higher as more production in the United States, Australia, China, and Turkey offset decreases for Pakistan, Uzbekistan, and Togo.
- World consumption is 460,000 bales lower, with reductions in Pakistan and Vietnam.
- World trade is unchanged as higher U.S., Australia, and Mexico exports offset lower expected shipments from Brazil and Uzbekistan. On the import side, a 200,000-bale increase in Pakistan's expected imports offsets reduced expectations for Turkey and Vietnam.
- World ending stocks are 2.0 million bales higher this month, at 84.8 million bales.
- The 2022/23 U.S. cotton projections include higher beginning stocks, production, exports, and ending stocks this month.
- Beginning stocks are increased 250,000 bales, largely reflecting 2021/22 reported ending stocks data from the Agricultural Marketing Service and the NASS Cotton System Consumption and Stocks report.
- Production is 1.3 million bales higher at 13.8 million, with higher production expected in most major producing states.



- Exports are projected 600,000 bales higher this month as the U.S. share of exportable supplies rises, and ending stocks are 900,000 bales higher at 2.7 million bales.
- **Cotton prices are bearish on the back of larger supply and higher ending stocks.**

# Cotton weather review

- India Meteorological Department (IMD) announced the beginning of monsoon's withdrawal from Northwest India, the region is now set to experience what looks like a farewell rain spell for the remainder of this week. The IMD has forecast scattered to fairly widespread light to moderate rains, along with isolated heavy falls, thunderstorms and lightning over Uttarakhand and West Uttar Pradesh from Wednesday to Sunday, East Rajasthan and East Uttar Pradesh from Wednesday to Friday, and Haryana and Chandigarh on Wednesday and Thursday. Delhi, the national capital, will also be in for moderate rainfall for the next 48 hours. East Rajasthan and East Uttar Pradesh will be in for more intense conditions on Thursday, with isolated very heavy downpours on their respective horizons. October-September cotton year 2022-23 is expected to increase by about 15% provided the weather remains conducive till October
- China's Xinxiang cotton region continues to be dry however there is no threat to cotton crops.
- Over the past week, spotty storms and warmer temperatures occurred throughout the Southwest. The week ahead is forecasting normal conditions for this time of the year, which means little precipitation and warmer temperatures will be present. Tropical storm Fiona has formed in the Atlantic Ocean. As of right now it is set to go over Puerto Rico and the Virgin Island, with no indication it is headed towards the eastern U.S.





CT-057: Cotton #2 (Elec) Cont Liq @ ICE-US (Weekly bars)

www.TradeNavigator.com © 1999-2022

MovingAvg (C,52) 09/23/2022 = 92.54 (-6.75)

© GenesisFT

\*Open Interest \*COT Large Spec COT Commercials

TN Consensus Genesis Sentiment Index (Weekly,0.5) COT Commercials Index (Weekly,0.5)

\*Seasonal Trend (T) Seasonal Percent (T)



# Wheat: Buy

- In wildly erratic and wide-ranging trade, all three wheat markets finished higher for the second straight day, but well below the overnight highs. Paris milling wheat futures gapped higher Wednesday but retreated to close the gap before finishing higher.
- The global wheat outlook for 2022/23 remained unchanged it is for higher supplies, greater consumption, increased trade, and lower ending stocks.
- Production is increased to a record 779.6 million tons, primarily on higher production for Russia, Australia, and China.
- Projected 2022/23 world ending stocks are reduced to 267.3 million tons and remain at the lowest level in six years.
- Major exporters' stocks are seen at a 9-year low -4.4% y/y.
- US Projected 2022/23 ending stocks are lowered 29 million bushels to 610 million.
- Due to ongoing rice and corn production cuts global customers tend to substitute scarce grains by more available grains like wheat driving demand upwards.
- The big news is Vladimir Putin stating he would look to annex four provinces already under Russian control based on referendums, the first of which is Friday. If those four were to be annexed by Russia, then he would control 15% of Ukraine..



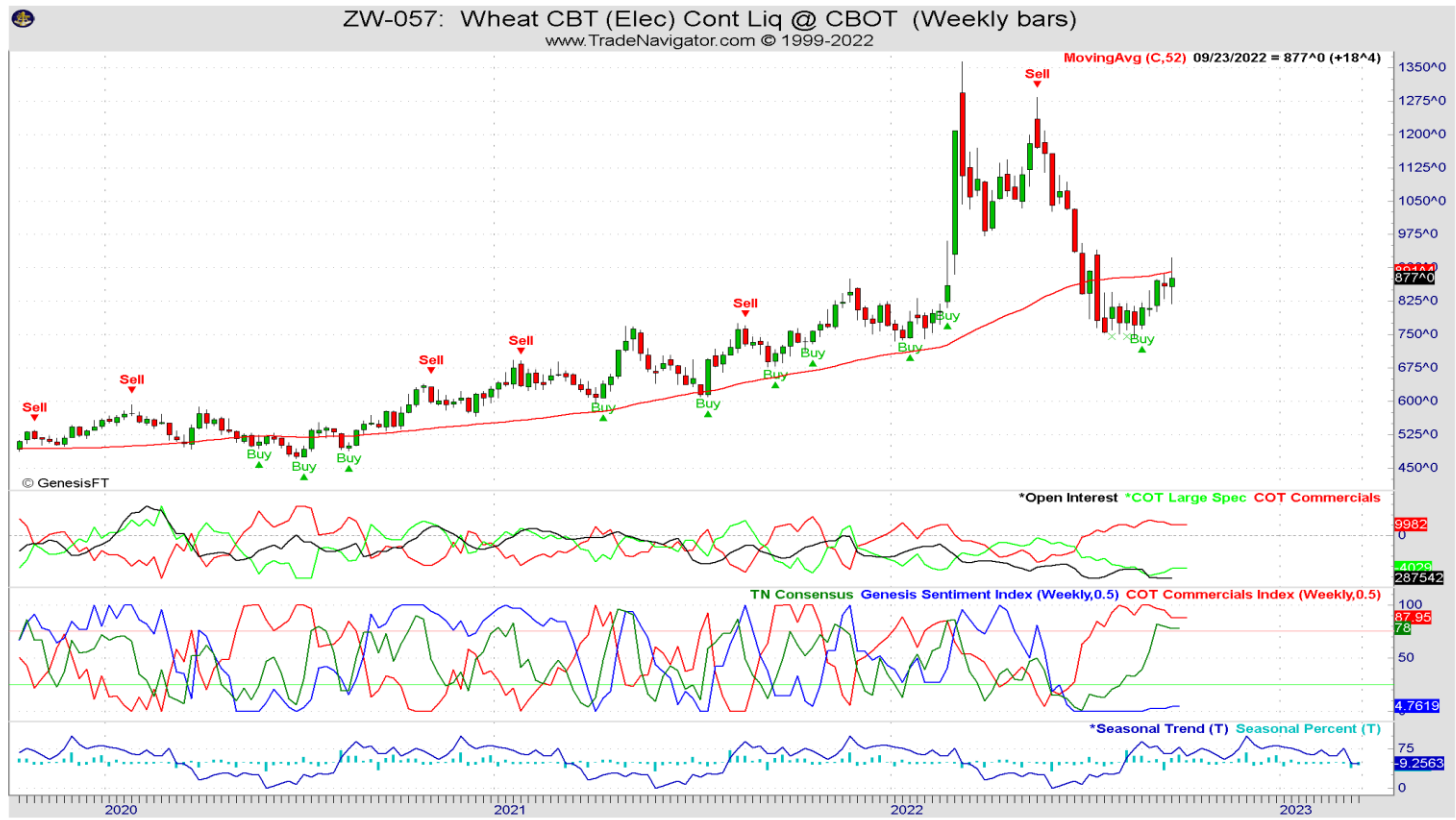
- Russia to call up 300,000 reserve troops to escalate attacks on Ukraine. All of this was construed as bullish by wheat traders, as Ukraine exports look like they are sure to be cut off at the Nov. 22 expiration of the safe corridor agreement or earlier.
- There is also concern that, if Putin does escalate, the record wheat supplies which Russia has may have a tough time being sold or shipped. The fear is that banks, vessel owners and insurance companies will be reluctant to risk getting involved in the volatile war region of the Black Sea.
- Ukraine is also having trouble in the midst of war, getting new-crop wheat planted, with the ag minister saying 2023 production is likely to fall to just 18 mmt to 19 mmt compared to 20.5 mmt in 2022, and 33 mmt in 2021.
- **Wheat is bullish on the back of geopolitical tensions, lower ending stocks and elevated demand due to scarcity of rice and corn.**



# Wheat weather review

- China has endured a scorching summer that is the country's driest in six decades. The most-impacted area spans from the densely populated east coast, across the central farming provinces, and into eastern Tibet.
- Spring wheat harvest will pretty much wrap up this week with North Dakota and Minnesota having just 8% and 9% left to go as of last Sunday. Winter wheat planting will progress, but extreme drought in the Southwestern and Southern Plains remains a bullish backdrop in wheat. DTN's National HRW Index closed at \$9.21 — 42 cents below the Dec contract
- Monsoon season in India is coming to an end bringing less rains to India. Fairly widespread/widespread light/moderate rainfall with isolated heavy falls and thunderstorm/lightning very likely over Madhya Pradesh & Haryana, Uttarakhand and West Uttar Pradesh, East Uttar Pradesh and over East Rajasthan. Isolated very heavy rainfall likely over West Uttar Pradesh during next week.
- EU wheat crops are under conditions of drought. However, spring crops are out of danger.
- Outside of the U.S., wheat crops seem to be doing best in Russia, Canada and Australia.

# Wheat price chart





## Corn: Buy

- Fundamental corn outlook remained unchanged from last week, Corn production for 2022/23 is forecast at 13.9 billion bushels, down 415 million.
- Projected beginning stocks for 2022/23 are 5 million bushels lower based on essentially offsetting export and corn used for ethanol changes for 2021/22.
- Corn production is down on the back of lower average yield resulted by sizzling summer at 172.5 bushels per acre, down 2.9 bushels. Harvested area for grain is forecast at 80.8 million acres, down 1.0 million.
- Ending stocks are down 169 million bushels to 1.2 billion.
- Price strength came from the perception that Vladimir Putin was set to escalate the war effort in Ukraine with the call up of a portion of 300,000 reservists. Russian occupied provinces in eastern Ukraine are scheduling a voting referendum on rejoining Russia beginning Friday. Should that result in annexation by Russia, Putin would control 15% of Ukraine and fight to defend his territory. While the threat is mounting that Putin will not agree to extend the safe zone for Ukraine exports in November, and that is a possible bullish factor for U.S. corn, currently U.S. corn is the world's mostly costly.



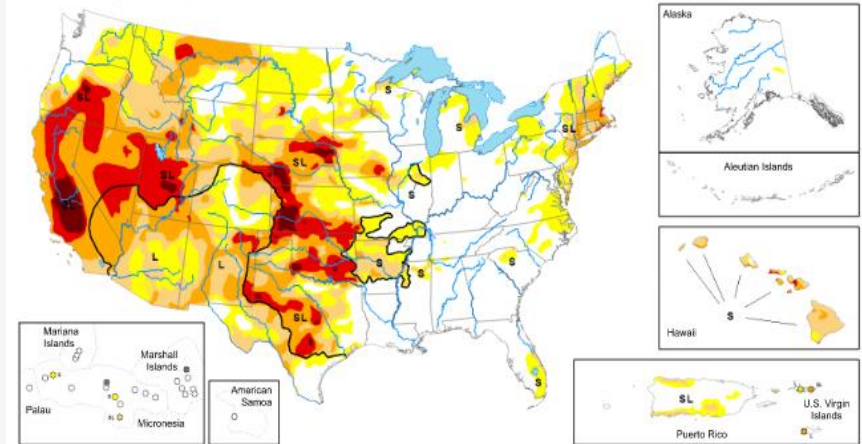
- **Corn prices find bullish support on lower production and lower ending stocks as well as geopolitical tensions around large producers.**

# Corn weather review

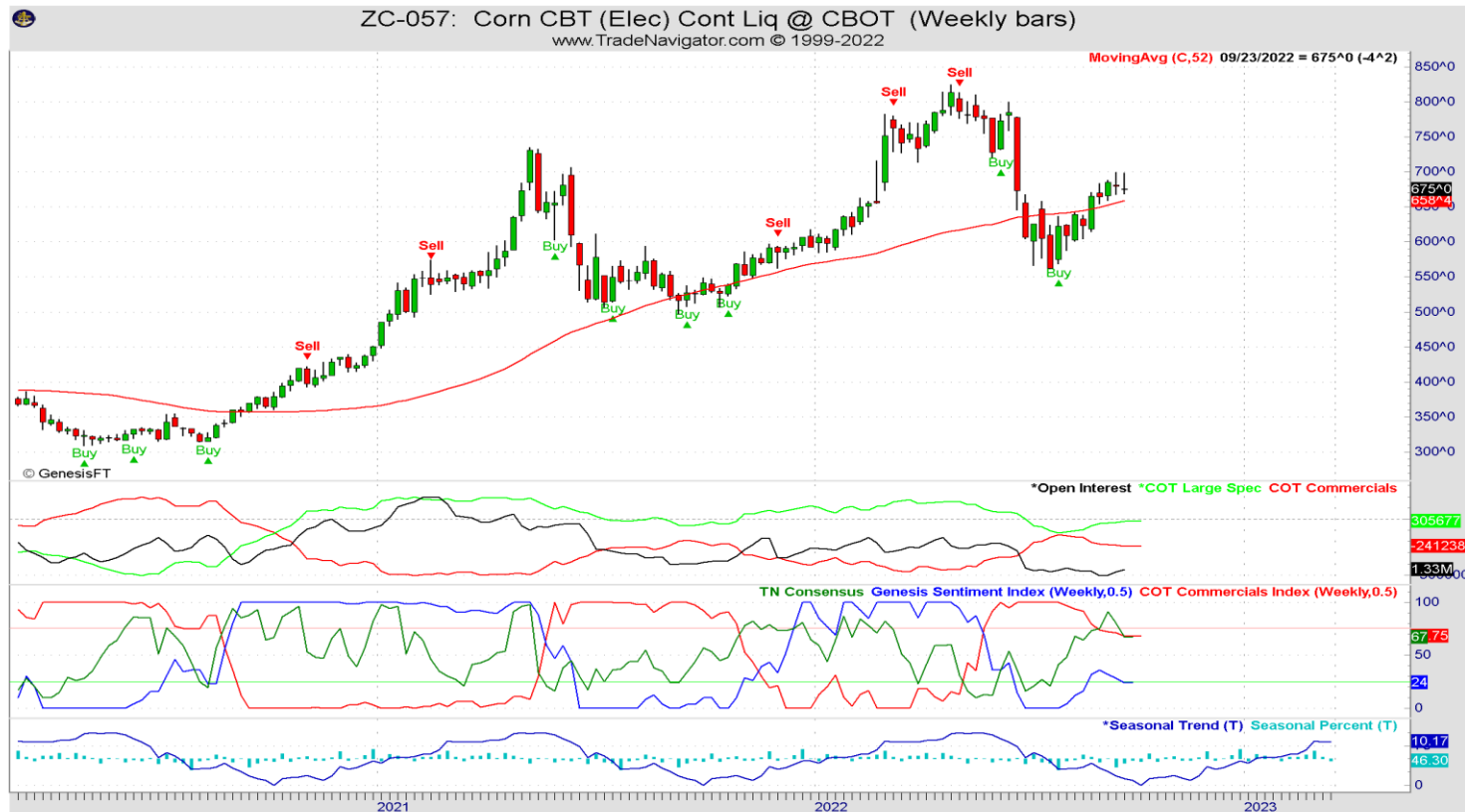
- In the Corn Belt, a strong but moisture-starved cold front stretches from the Great Lakes region into the lower Missouri Valley. In the front's wake, cool, breezy weather covers the upper Midwest. Meanwhile, lingering heat is confined to the southern Corn Belt, including the Ohio Valley, where today's high temperatures will generally range from 90 to 100°F. Midwestern corn and soybeans continue to mature, albeit at a slightly slower-than-normal pace.

Map released: September 15, 2022

Data valid: September 13, 2022



# Corn price chart





## Sugar: Sell

- Sugar prices Wednesday settled mixed, with London sugar falling to a 3-1/2 week low. Sugar prices were under pressure most of the day Wednesday on the prospects for larger future sugar supplies.
- StoneX Monday projected that Brazil Center-South 2023/24 sugar production would climb +5.7% y/y to 35.2 MMT. StoneX projected that global 2023/24 sugar production would climb +3% y/y to 194.4 MMT on rising supplies from Brazil, India, and Thailand.
- StoneX also predicted a 2022/23 global sugar surplus of 3.9 MMT.
- India's government, on August 5, confirmed that it would allow a further 1.2 MMT of sugar exports for the year ending September 30 to help India's sugar mills from defaulting on export contracts. That would be on top of the current quota of 10 MMT for a total of 11.2 MMT of sugar exports.
- The outlook for larger sugar crop sizes in India and Thailand is bearish for sugar prices. On April 15, the ISMA raised India's 2021/22 sugar production estimate to 35 MMT from 33.3 MMT, up +12.2% y/y, and said sugar exports would jump to a record 9 MMT. India is the world's second-largest sugar producer. Indian Sugar Mills Association (ISMA) recently reported that India's 2021/22 sugar production from Oct 1-May 15 rose +14.4% y/y to 34.88 MMT.
- Meanwhile, Thailand's Office of the Cane & Sugar Board estimated that Thailand would export 7 MMT of sugar this (2021/22) marketing year. Thailand is the world's second-largest sugar exporter.

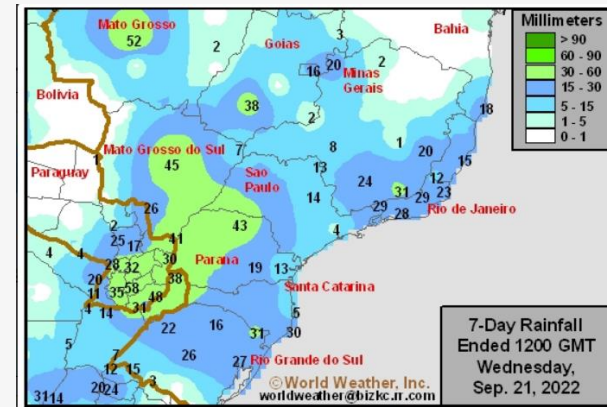
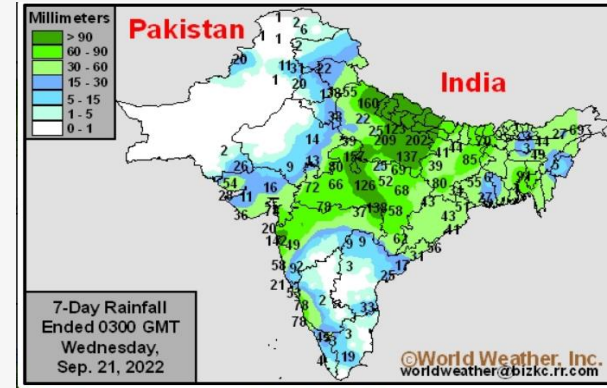


- **Sugar prices are bearish on the back of larger global supply**

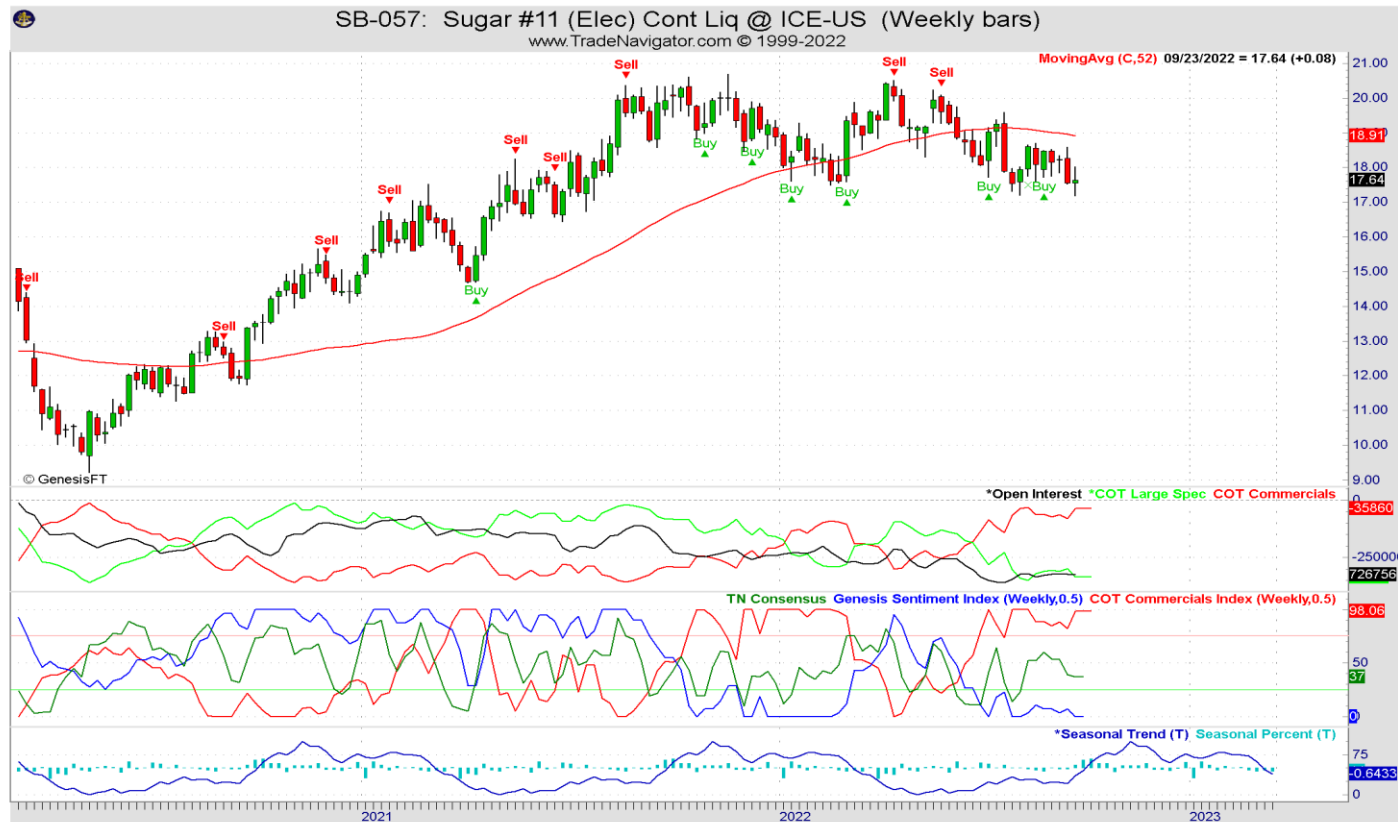


# Sugar weather review

- India Meteorological Department (IMD) announced the beginning of monsoon's withdrawal from Northwest India, the region is now set to experience what looks like a farewell rain spell for the remainder of this week. The IMD has forecast scattered to fairly widespread light to moderate rains, along with isolated heavy falls, thunderstorms and lightning. More likely, India will have a large exportable surplus in the 2022-23 year.
- Light showers continued this week in Brazil. There is no immediate threat for sugar crops.



# Sugar price chart





# Rice: Buy

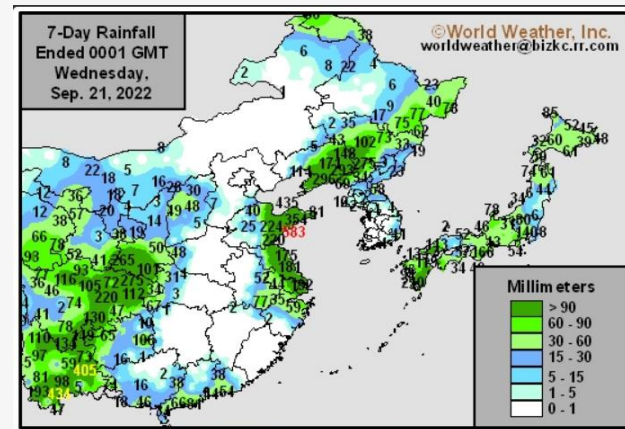
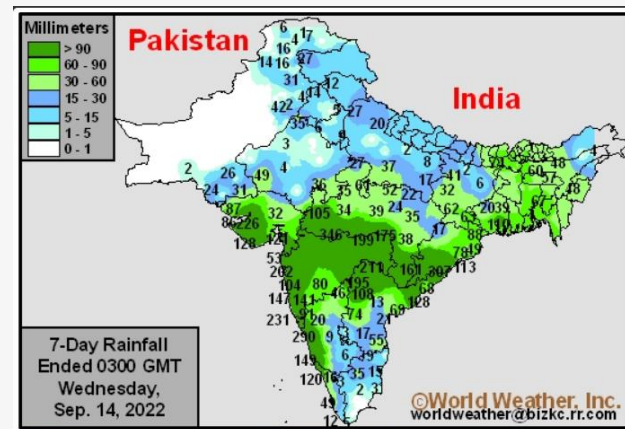
- Global 2022/23 outlook remained unchanged supplies are reduced 4.4 million tons to 692.9 million primarily on lower production from major rice producers globally (China, India, and Pakistan).
- China's production is reduced 2.0 million tons to 147.0 million on drought conditions in southern China.
- India's production is lowered 2.0 million tons to 126.5 million on continued dry conditions in the northeast region. This would be the first rice production decline for India since 2015/16.
- Pakistan's production is decreased 500,000 tons to 8.4 million on expectations that August flooding reduced harvested area.
- World 2022/23 consumption is raised 0.6 million tons to a record 519.3 million on higher use for India.
- Global 2022/23 trade is reduced 1.1 million tons to 53.6 million on lower India exports that are partially offset by higher exports from Thailand, Vietnam, Burma, and Pakistan.
- India's exports are lowered 2.0 million tons to 20.0 million. India restricted exports of broken rice and imposed a 20% duty on exports of various grades of rice as it tries to lift supplies and calm local prices because of below-average rainfall in four key producing states. India accounted for 41% of total global exports of rice, larger than the next four exporters combined.



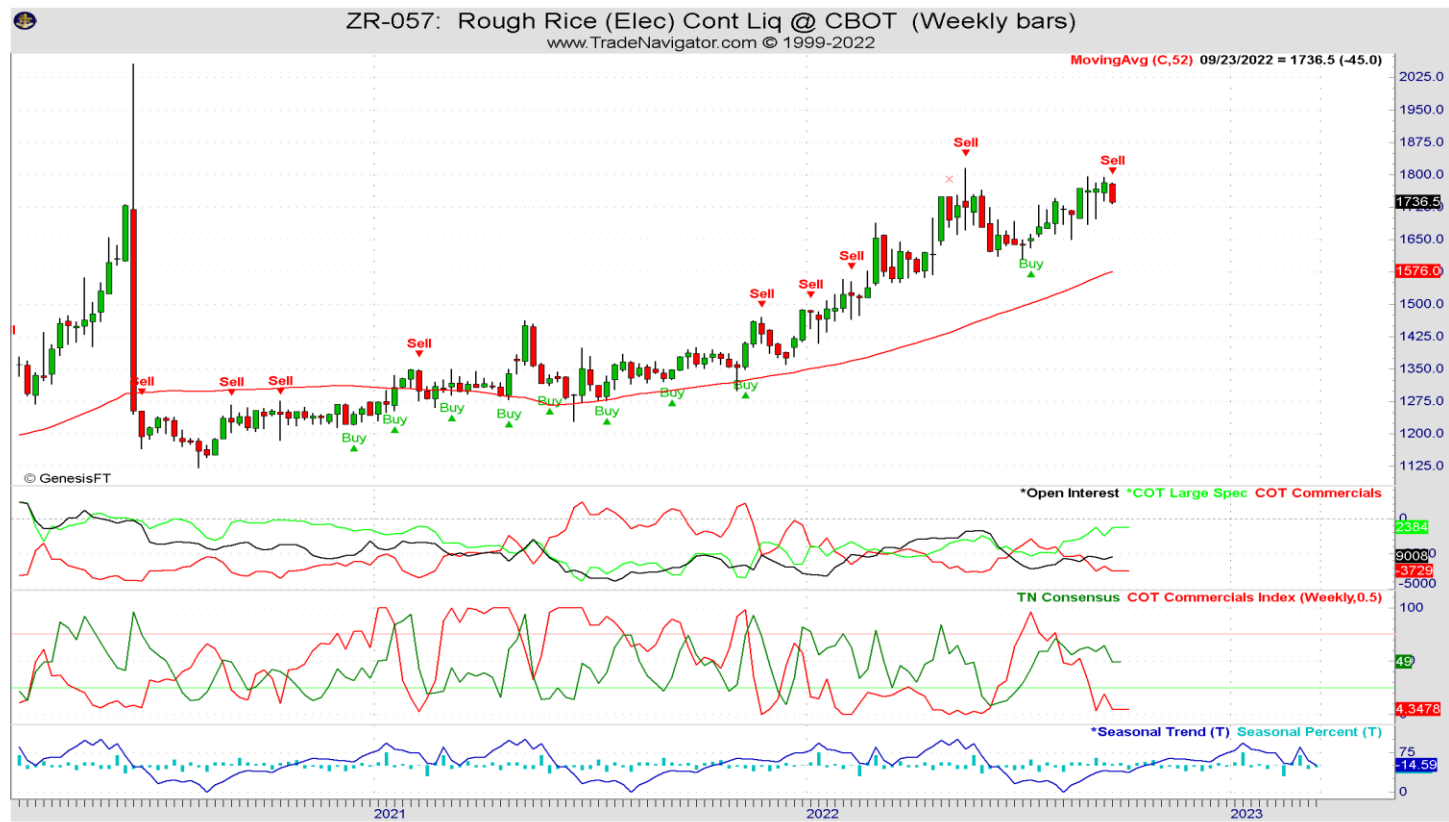
- Projected 2022/23 world ending stocks are reduced by 5.0 million tons to 173.6 million, primarily on reductions for India and China.
- U.S. Department of Agriculture to slash India's 2022-23 export estimate by two million tonnes to 20 million tonnes.
- Neighboring Bangladesh has been forced to source rice from Vietnam and Burma. Nepal and Sri Lanka are going to be affected as well.
- The USDA is also forecasting smaller crops for China and Pakistan, leading to the first reduction in global rice production since 2015-16.
- Elsewhere, EU output is forecast at the lowest level since 1995/96 on severe drought conditions in Italy and Spain.
- **Rice prices find bullish support in smaller global production, lower ending stocks and higher consumption.**

# Rice weather review

- India saw moderate amount of rain this week without any threat to rice crops. Moisture conditions have been favorable across all rice producing regions of India.
- China remains too dry for good rice crops. While the conditions promoted summer crop maturation, they exacerbated late-season drought and continued to reduce yield prospects for late-crop rice in the reproductive stages of development.



# Rice price chart





## Coffee: Buy

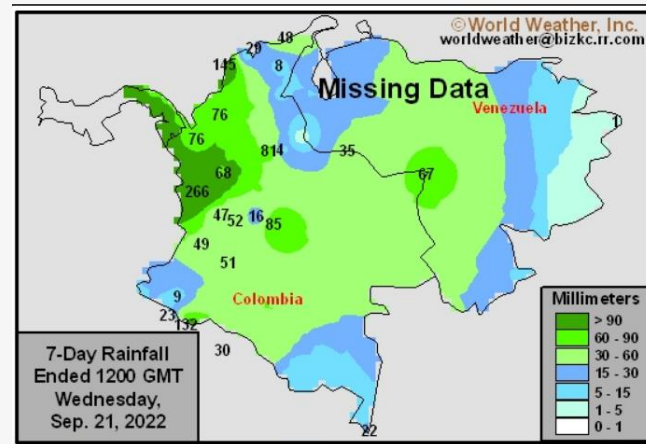
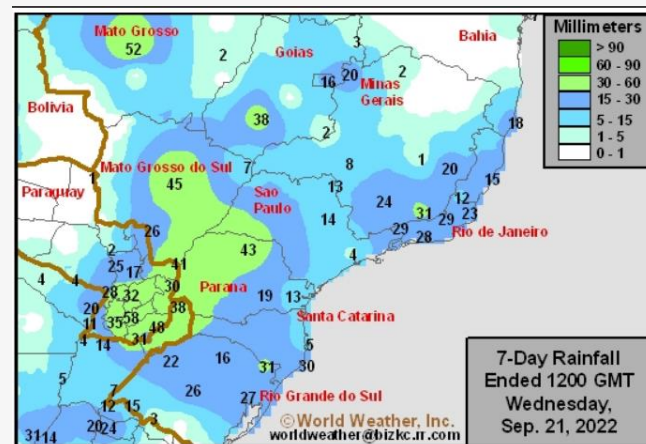
- December arabica coffee (KCZ22) on Thursday closed up +2.25 (+1.02%), and Nov ICE Robusta coffee (RMX22) closed up +12 (+0.54%).
- Tight ICE coffee inventories gave prices a lift after ICE-monitored arabica coffee inventories fell to a 23-year low of 484,408 bags.
- Dollar strength limited the upside in coffee prices after the dollar index (DXY) rose to a 20-year high.
- Brazil's crop agency Conab cut its 2022 Brazil coffee production estimate to 50.4 mln bags from a May estimate of 53.4 mln bags as adverse weather curbed coffee yields. This year was supposed to be the higher-yielding year of Brazil's biennial coffee crop, but coffee output this year was slashed by drought.
- Safras & Mercado cut their Brazil 2022/23 coffee production estimate last Thursday to 58.2 mln bags from a prior estimate of 61.1 mln bags.
- Smaller Brazil coffee exports were bullish for prices after Cecafe last Monday reported that Brazil Aug coffee exports fell -2.5% y/y to 2.8 mln bags.
- A supportive factor for arabica is reduced coffee supplies from Colombia. The Colombia Coffee Growers Federation reported last Monday that Colombia's Aug coffee exports dropped -21% y/y to 872,000 bags. Also, Colombia's Jan-Aug coffee production is down -7% y/y at 7.3 mln bags.



- Robusta coffee has support from smaller global supplies. Vietnam's General Department of Customs reported Sep 7 that Vietnam's coffee exports in Aug fell -1.2% m/m and -4.0% y/y to 112,531 tons.
- International Coffee Organization (ICO) on Aug 31 reported that global coffee exports in July fell -6.6% y/y to 10.12 mln bags, and total exports from Oct-July were down -0.3% y/y to 108.8 mln bags.
- **Coffee prices find support in tighter ending stocks and reduced exports.**

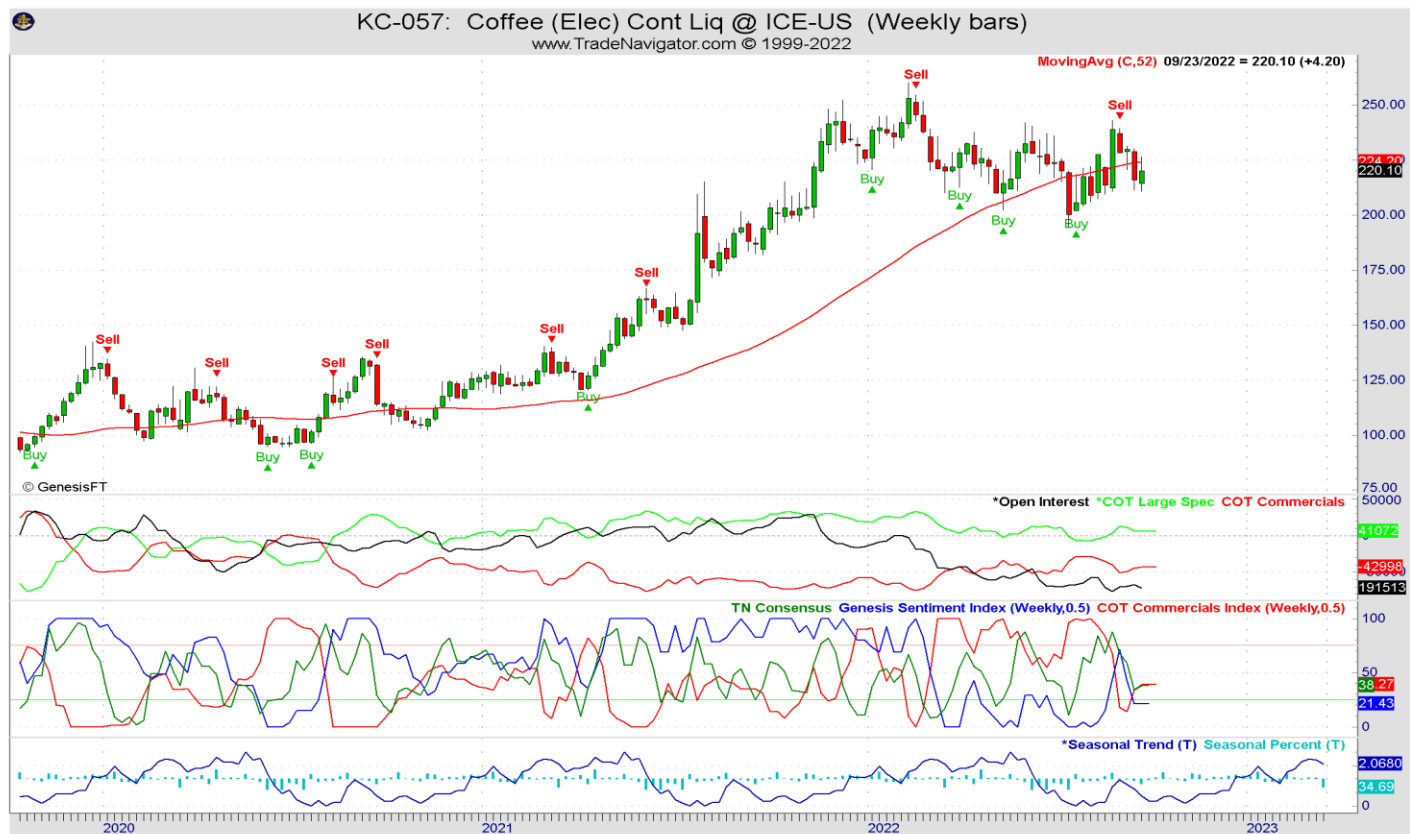
# Coffee weather review

- Somar Meteorologia reported Monday that Minas Gerais had 15.4 mm of rain last week, or 128% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop. Rain was beneficial for coffee crops after extended period of dryness.
- Colombia saw heavier than normal rainfall. However, this is favorable as most of summer was dry and this rain will improve soil moisture to promote good coffee crops.





# Coffee price chart





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