

# Commodities Markets Report

By **Max Schulz**

🕒 | **Week 17 | April 23rd**





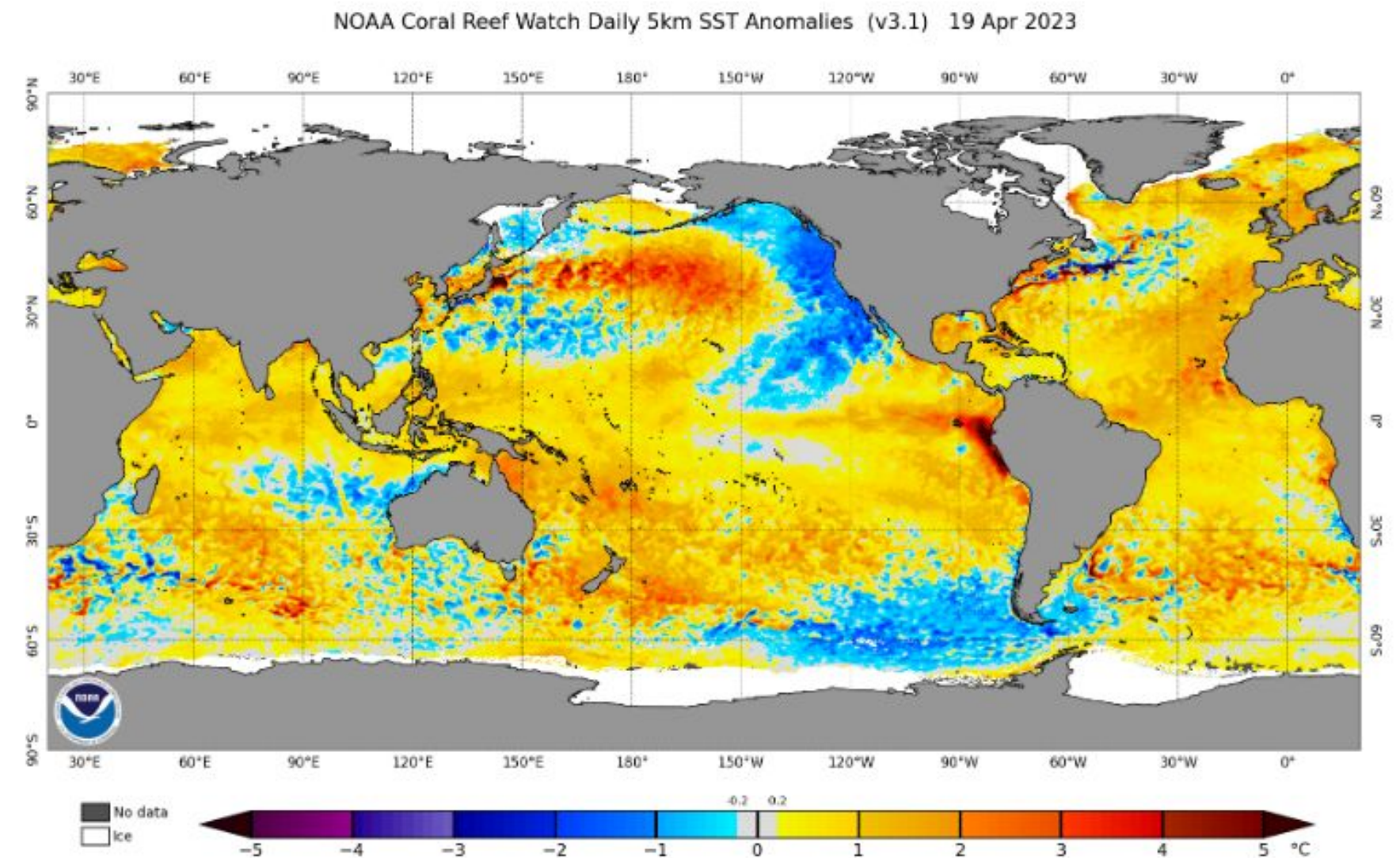
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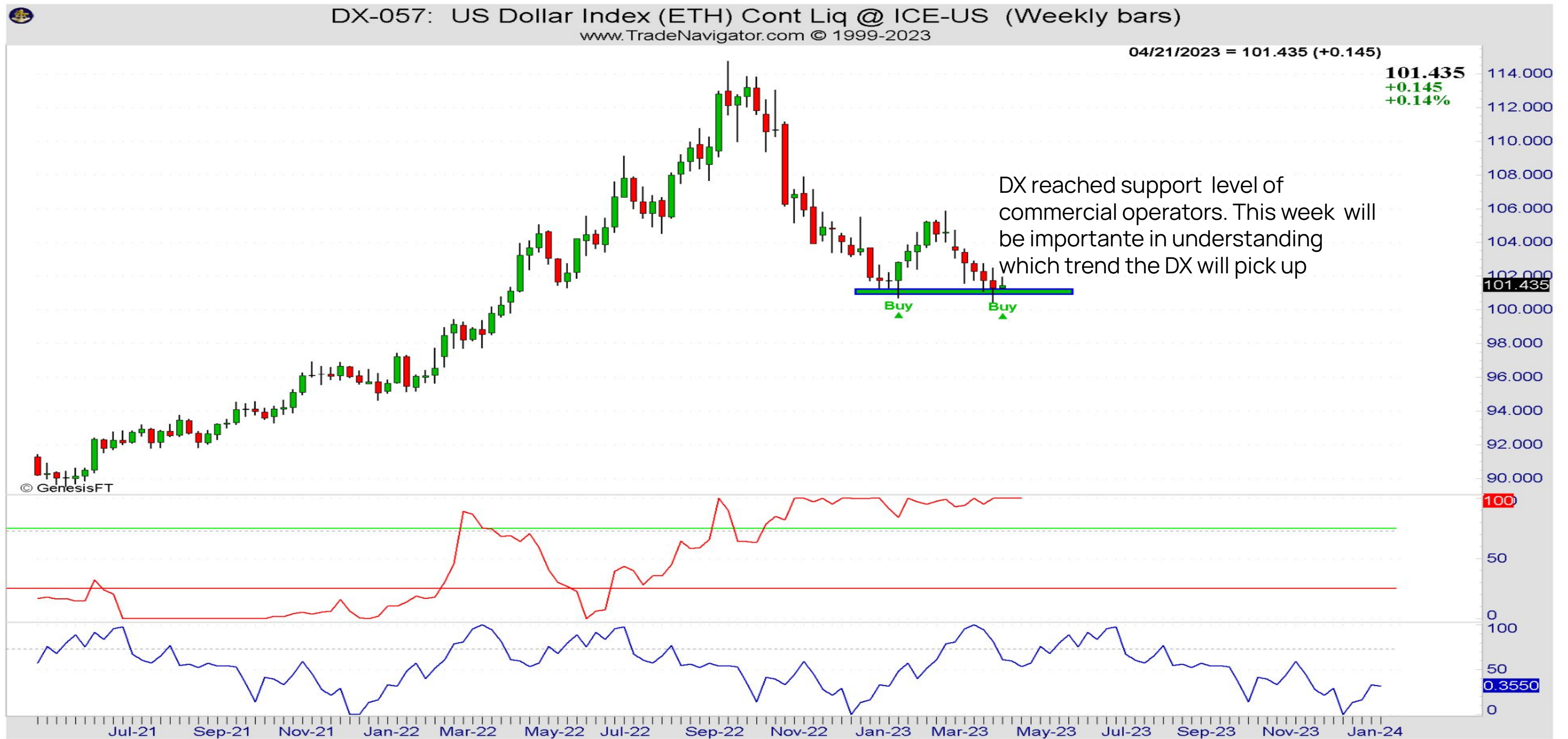


# Global weather review

- International climate models suggest neutral ENSO conditions are most likely to persist through autumn. From July, all but one of the models indicate El Niño thresholds will be met or exceeded, with all models by August. Current ENSO outlooks extending beyond autumn should be viewed with some caution as they typically have lower forecast accuracy than forecasts made during other times of the year.
- The Indian Ocean Dipole (IOD) is neutral. A majority of models suggest that a positive IOD event may develop in the coming months. Positive IOD brings greater monsoon rainfall and more active (above normal rainfall) monsoon days in the Indian sub-continent
- India continues to be too hot ahead of rice and cotton growing seasons.
- China saw moderate rains much needed ahead of rice planting season.
- US remained dry for promotion of good cotton crops.



# Dollar Index





# Goldman Sachs Commodities Index



# Rice: Buy

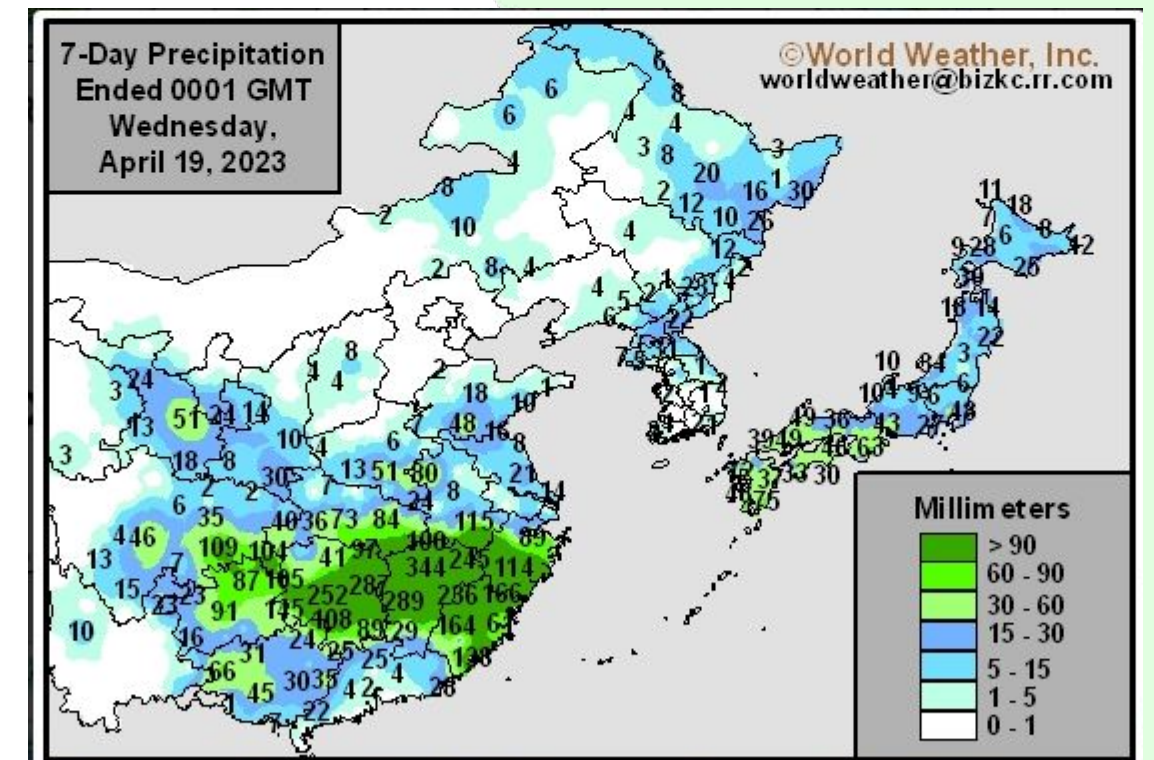
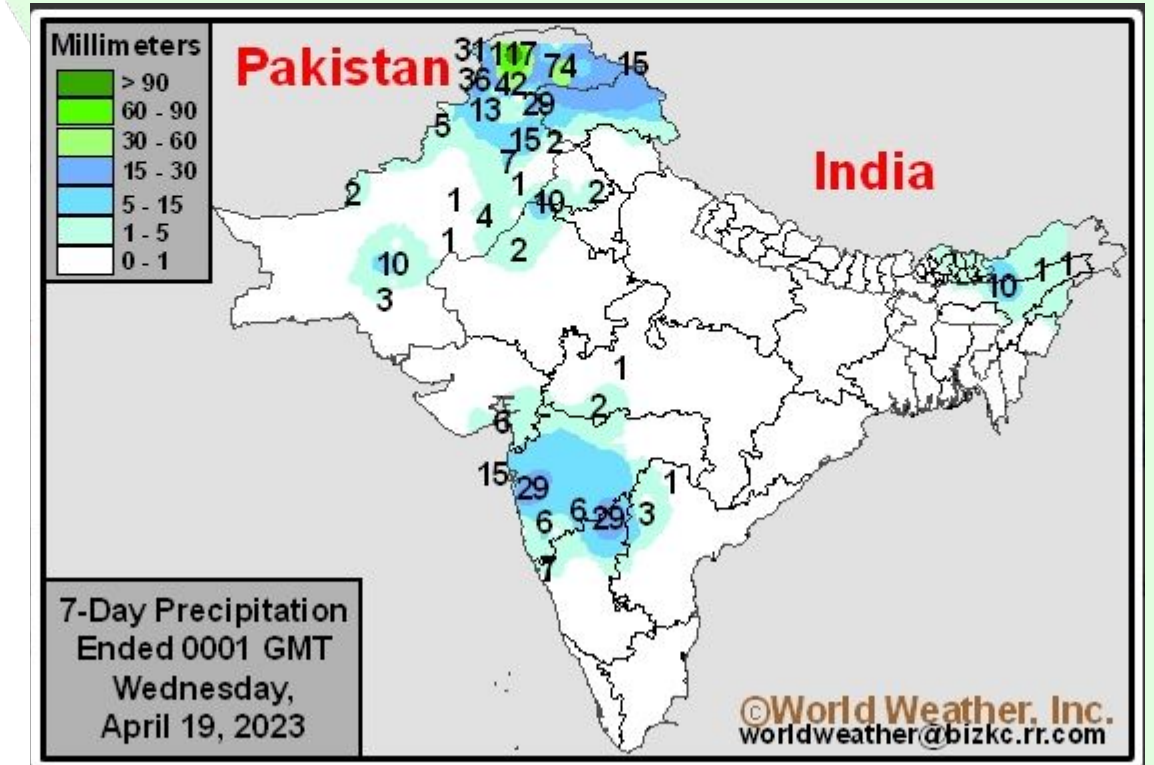
- Rice prices closed a little higher on Thursday,
- The 2022/23 global outlook is for lower supplies, increased trade, fractionally higher use, and reduced ending stocks.
- Rice production for 2023 is set to log its largest shortfall in two decades, according to Fitch Solutions.
- Rice prices are expected to remain notched around current highs until 2024, stated a report by Fitch Solutions Country Risk & Industry Research dated April 4.
- Global beginning stocks are lowered 1.4 million tons to 182.0 million.
- World production is decreased 0.4 million tons to 509.4 million as reduced estimates for Indonesia, Brazil, and Iraq more than offset an increase for Bangladesh.
- Global trade in 2022/23 is raised 0.8 million tons to 55.7 million.
- Total ending stocks are projected 2.0 million tons lower to 171.4 million. At this level, ending stocks would be 6 percent lower than in 2021/22 and the lowest since 2017/18.
- The global shortfall for 2022/2023 would come in at 8.7 million tons, the report forecast.
- That would mark the largest global rice deficit since 2003/2004, when the global rice markets generated a deficit of 18.6 million tons.
- Due to transition to El Nino hot and dry summer is expected in India and SE Asia, which is bullish for rice prices
- **Rice prices are bullish on lower production, higher international trade, lowest stocks since 2017, higher rice deficit, weather factor.**





# Weather outlook

- Heatwave conditions are forecast to persist across much of eastern and southeastern India through at least April 21. Temperatures of 40-42 C (104-108 F) are ongoing across parts of the affected region. The India Meteorological Department (IMD) has warned that conditions are unlikely to abate in some areas over the coming days. As of April 17, the IMD has issued orange (the middle level on a three-tier scale) heatwave warnings across Bihar and coastal Andhra Pradesh states April 18-19 and southern West Bengal State April 17-21. Yellow heatwave warnings are in place across the rest of the affected area.
- Showers were generally light (less than 10 mm) throughout China, with higher totals limited to southern provinces. Rainfall amounts over 25 mm were almost exclusively located in the southeast, benefiting vegetative early-crop rice, while amounts dwindled rapidly outside of this area. The lack of appreciable rain in the Yangtze Valley and on the North China Plain did little to support reproductive winter crops. In fact, unusually warm weather (temperatures up to 5°C above normal) advanced crop development and increased moisture demands. The accumulated rainfall in the country's Guangxi and Guangdong province, China's major hubs of rice production, was the second highest in at least 20 years.





# Rice price chart





# Cotton: Sell

- Cotton futures closed a little lower on Thursday.
- In the global 2022/23 cotton balance sheet, higher production and reduced trade are contributing to higher ending stocks.
- World production is forecast 829,000 bales higher than in March as a 1-million-bale increase for China more than offsets a lower Brazilian crop.
- World 2022/23 ending stocks are projected 867,000 bales higher, with the largest increase in India, where projected stocks are 450,000 higher on lower exports.
- The expected volume of world trade in 2022/23 is 745,000 bales lower this month, with imports reduced for Bangladesh, China, and Turkey.
- On the export side, higher U.S. and Australia exports are more than offset by a 550,000-bale reduction for Brazil and a 400,000-bale reduction for India.
- Projected 2022/23 global consumption is 65,000 bales higher this month as a 500,000-bale increase for China more than offsets declines in Bangladesh and Turkey.

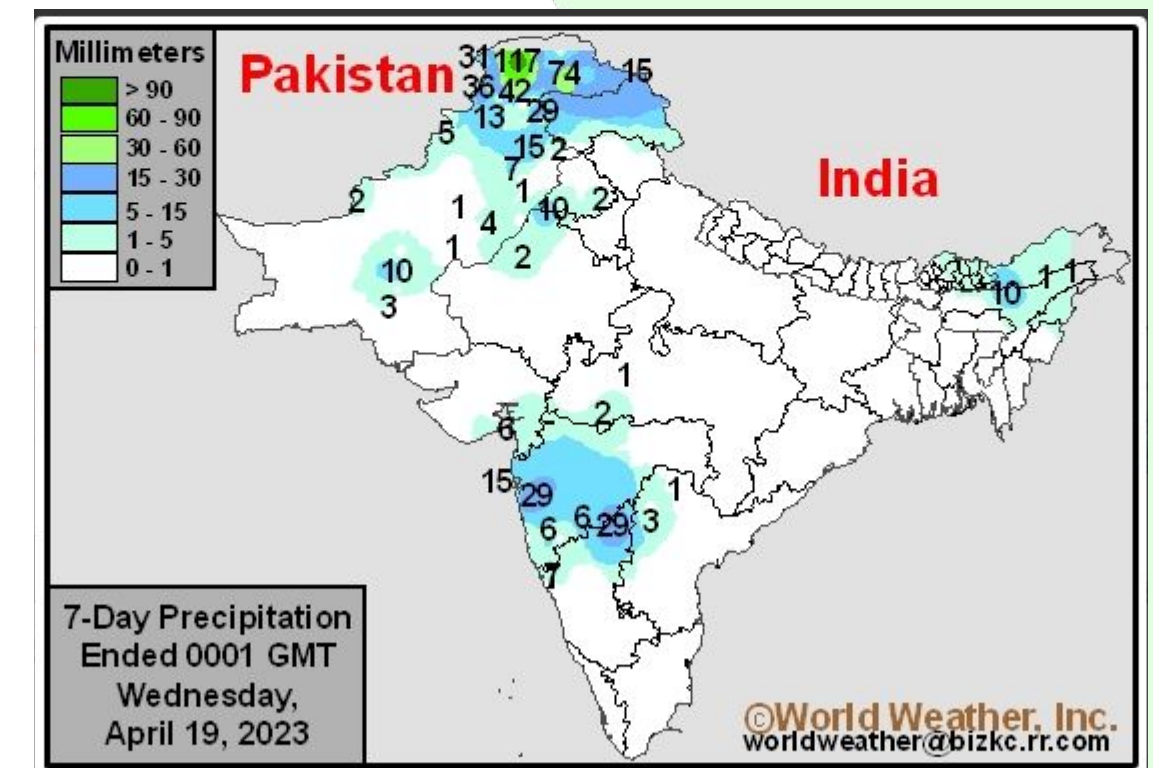
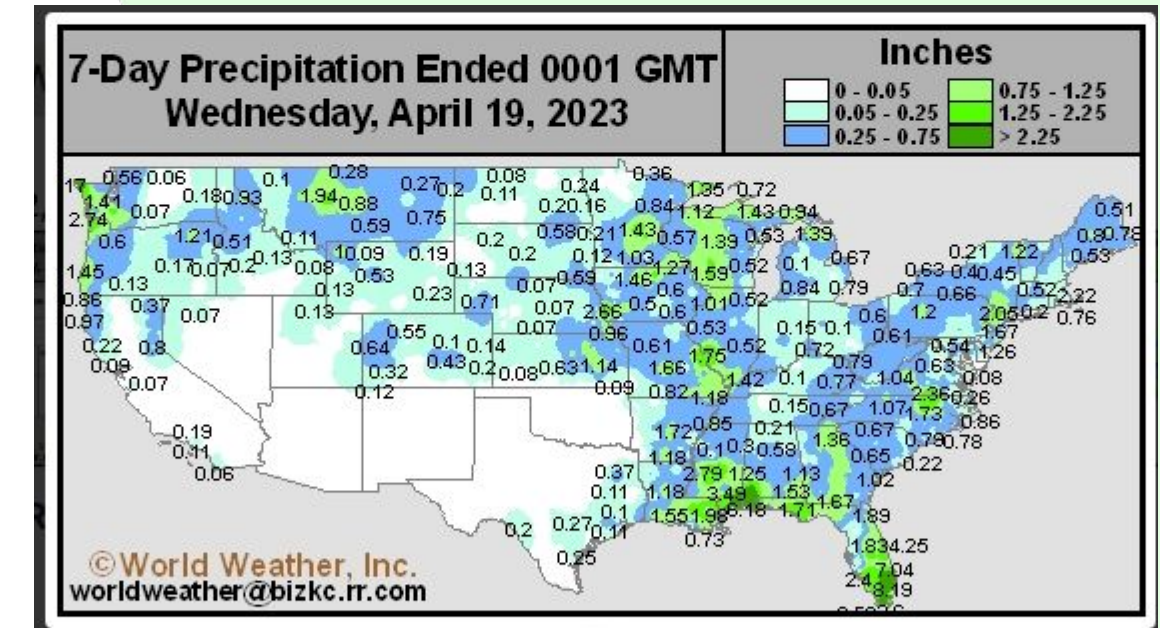


- **Cotton prices find bearish support on higher global production, reduced trade, higher ending stocks.**



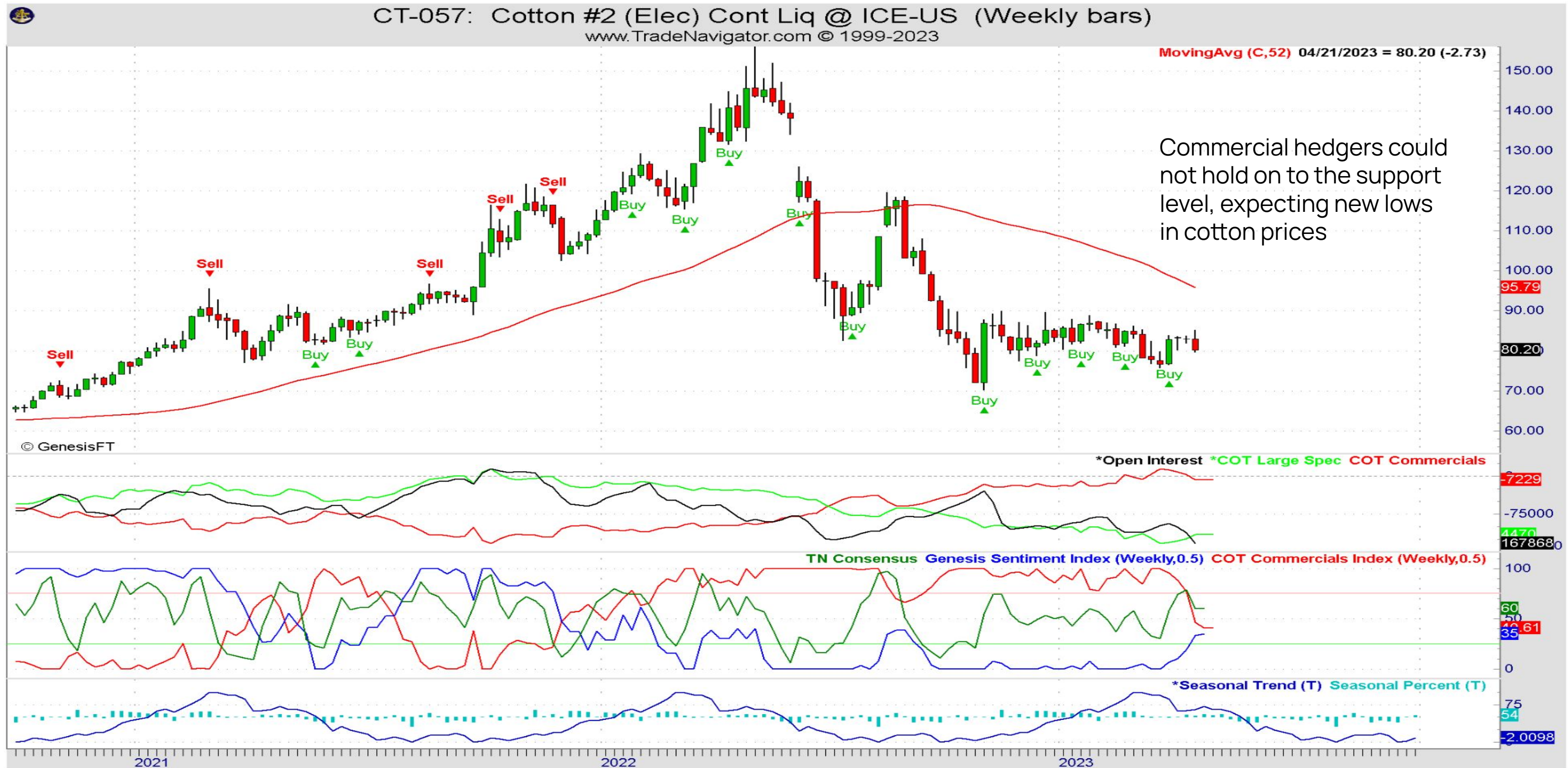
# Weather outlook

- A mix of sunny to cloudy conditions prevailed across the lower Southeast during the period. Daytime temperatures were in the 60s and 70s, but briefly dipped into the 50s as a cold front moved across the region over the weekend. Widespread storms brought moisture to areas throughout Alabama, the Florida Panhandle, and Georgia during the period. Weekly accumulated precipitation totals measured from 1 to 3 inches, with the heaviest accumulations recorded in north Alabama and north Georgia. Producers prepared machinery and fields for planting, but outside activities were slowed due to wet conditions. Ginning was completed for the season.
- Heatwave conditions are forecast to persist across much of eastern and southeastern India. Weather continues to be hot ahead of cotton planting season.





# Cotton price chart



# Special Market Situation

SMS - refers to a set of market indicators (COT data) that indicates major market turnarounds. For example: if a market is oversold - it is likely the price will go up, if overbought - downward movement is expected.

Special situation trade setups are selected based on 10+ years of trading experience, but there are no guarantees that any trade will prove profitable or will not produce a loss. A trade may require more than one entry attempt. You alone are responsible for your trading decisions. It is up to you to control the risk by using stop losses.

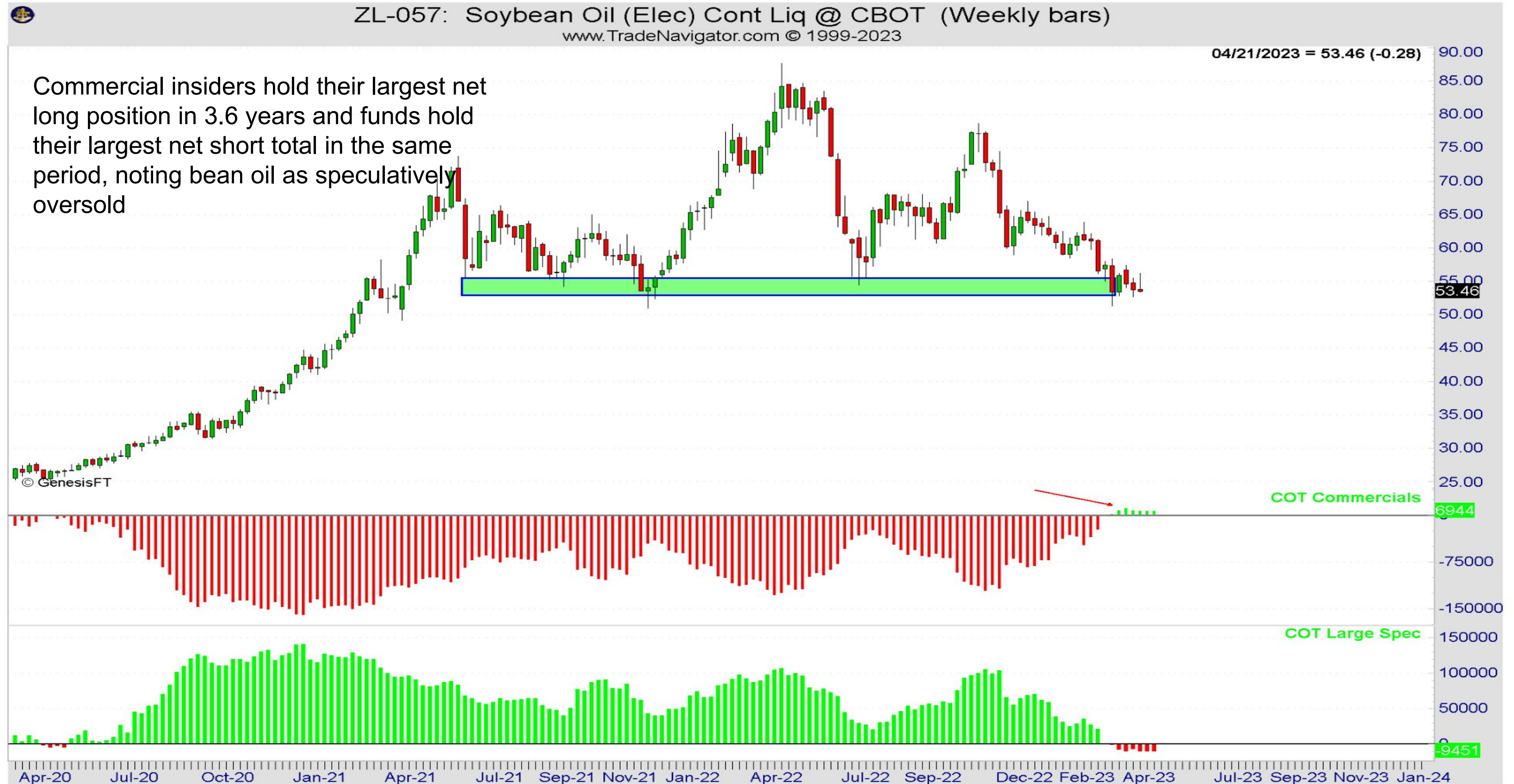
This special situation does not claim immediate practical application. Actionable buy and sell signals are published on our website charts every week.

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# Soybean Oil







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