

Commodities Markets Report

By **Max Schulz**

🕒 | Week 49 | **December 5th**



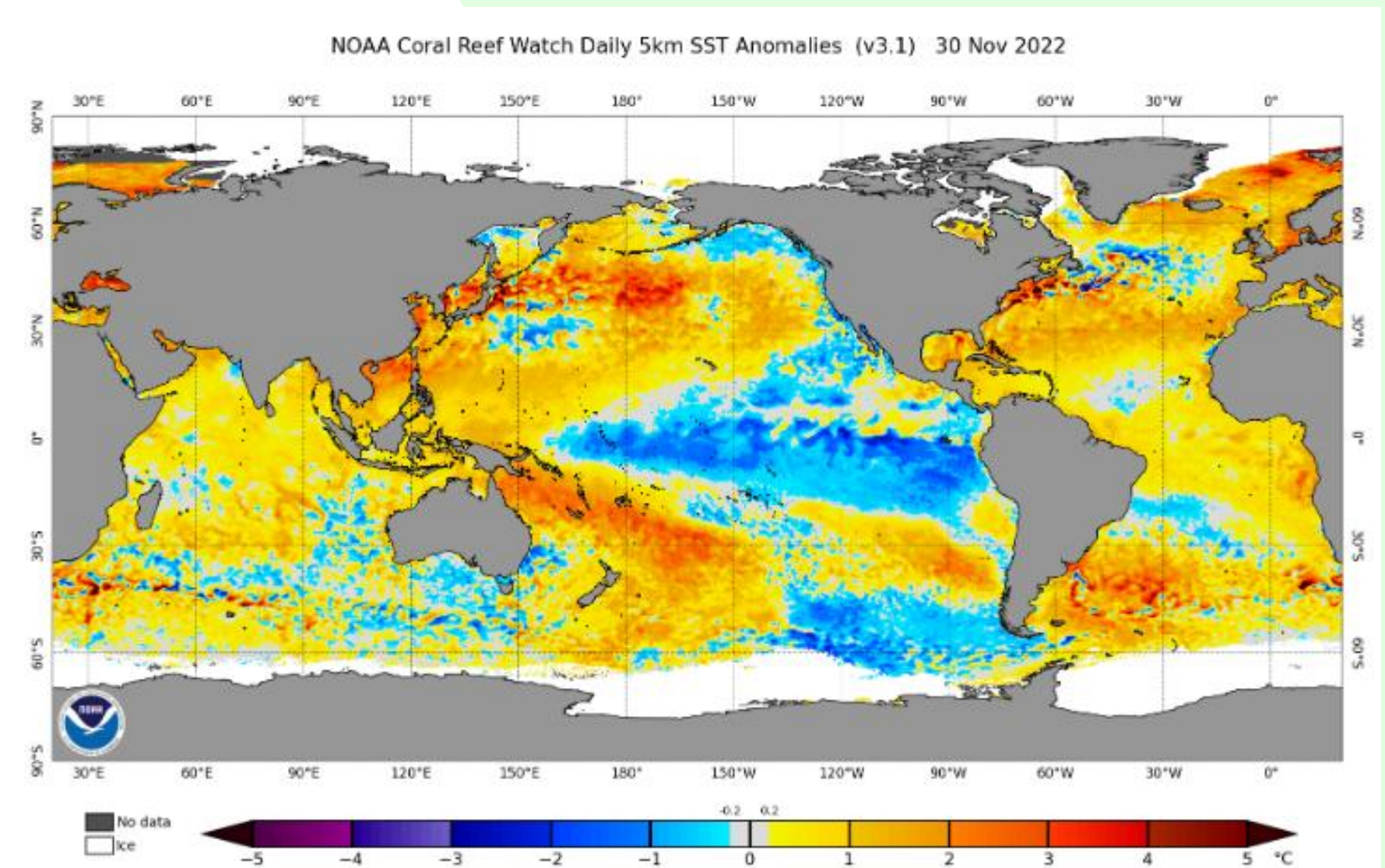


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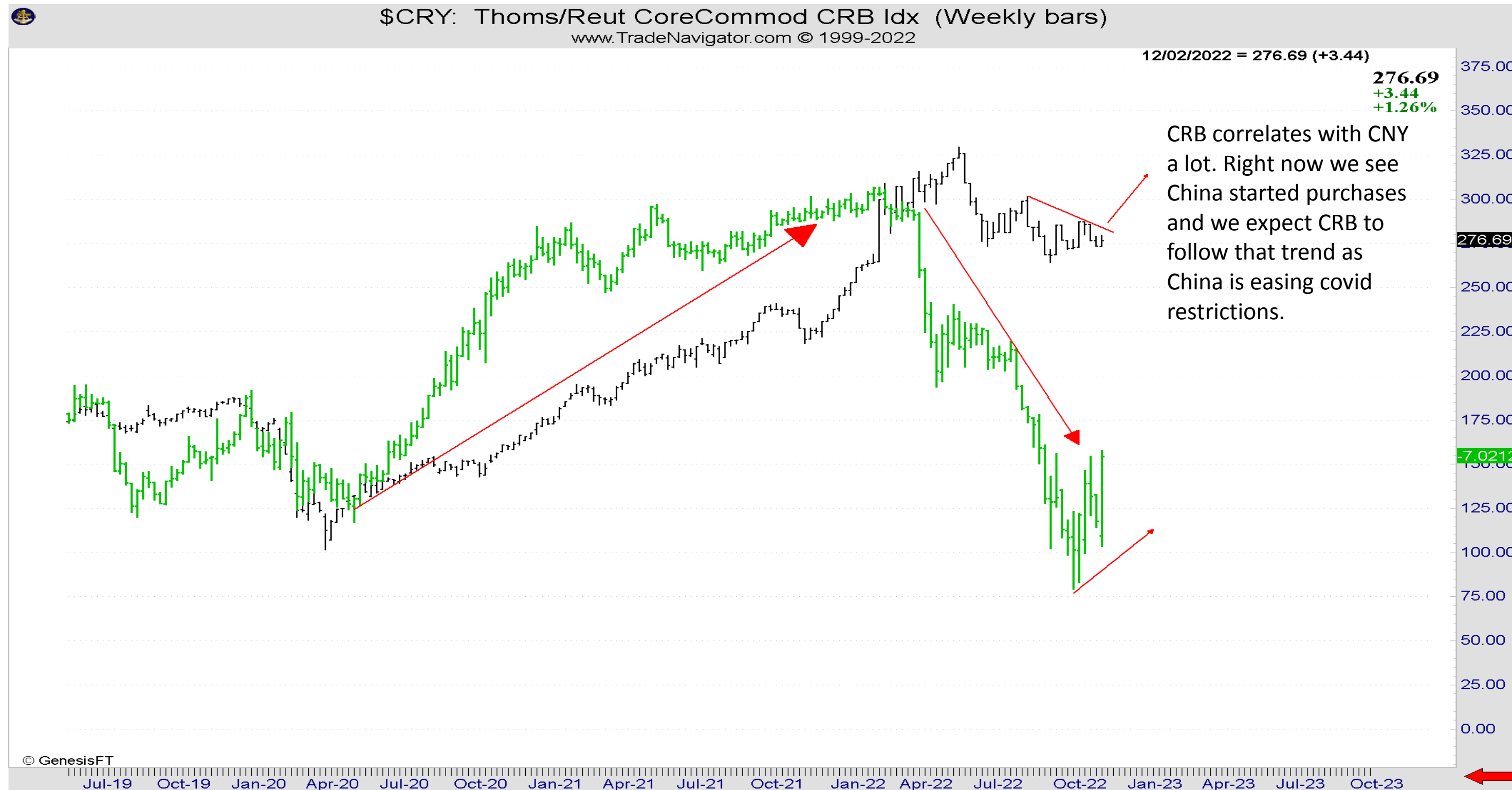
Global weather review

- La Nina event is weakening and more likely to collapse in El Nino in Q1 beginning of Q2 2023. There's a 76% chance of La Niña through the winter.
- During the week ending November 27, much of the nation remained drier than normal, while parts of the southern Plains and lower Midwest, lower Mississippi Valley, Rockies, and Southeast recorded at least twice the normal amount of precipitation. Parts of Louisiana and the Texas Gulf Coast recorded 4 inches of precipitation or more during the week. Meanwhile, below-normal temperatures were noted in much of the Pacific Northwest, southern Plains, Rockies, and Southwest, as well as large parts of the mid-Atlantic, lower Midwest, and Northeast. Portions of eastern Idaho, Nevada, and South Texas recorded temperatures 9°F or more below normal. In contrast much of the Midwest, northern Plains, northern Rockies, and Southeast recorded above-normal weekly temperatures. Parts of Montana recorded temperatures 9°F or more above normal.
- In Brazil Conditions remained overall favorable for soybeans and other summer row crops, though pockets of dryness lingered over southern production areas.
- In Argentina a drying trend brought warmer weather to the region, reducing moisture for summer crop germination.



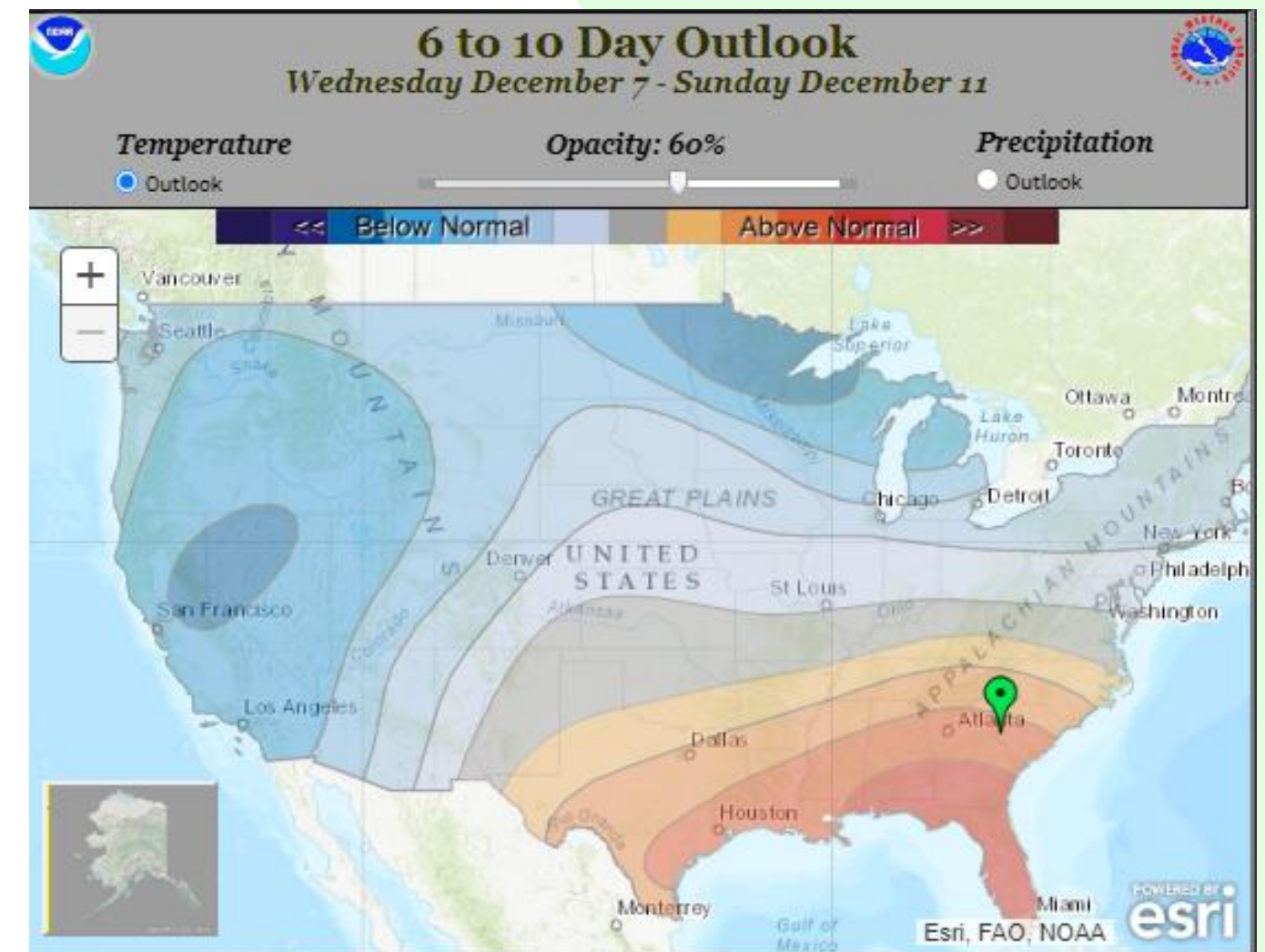


Commodities Index

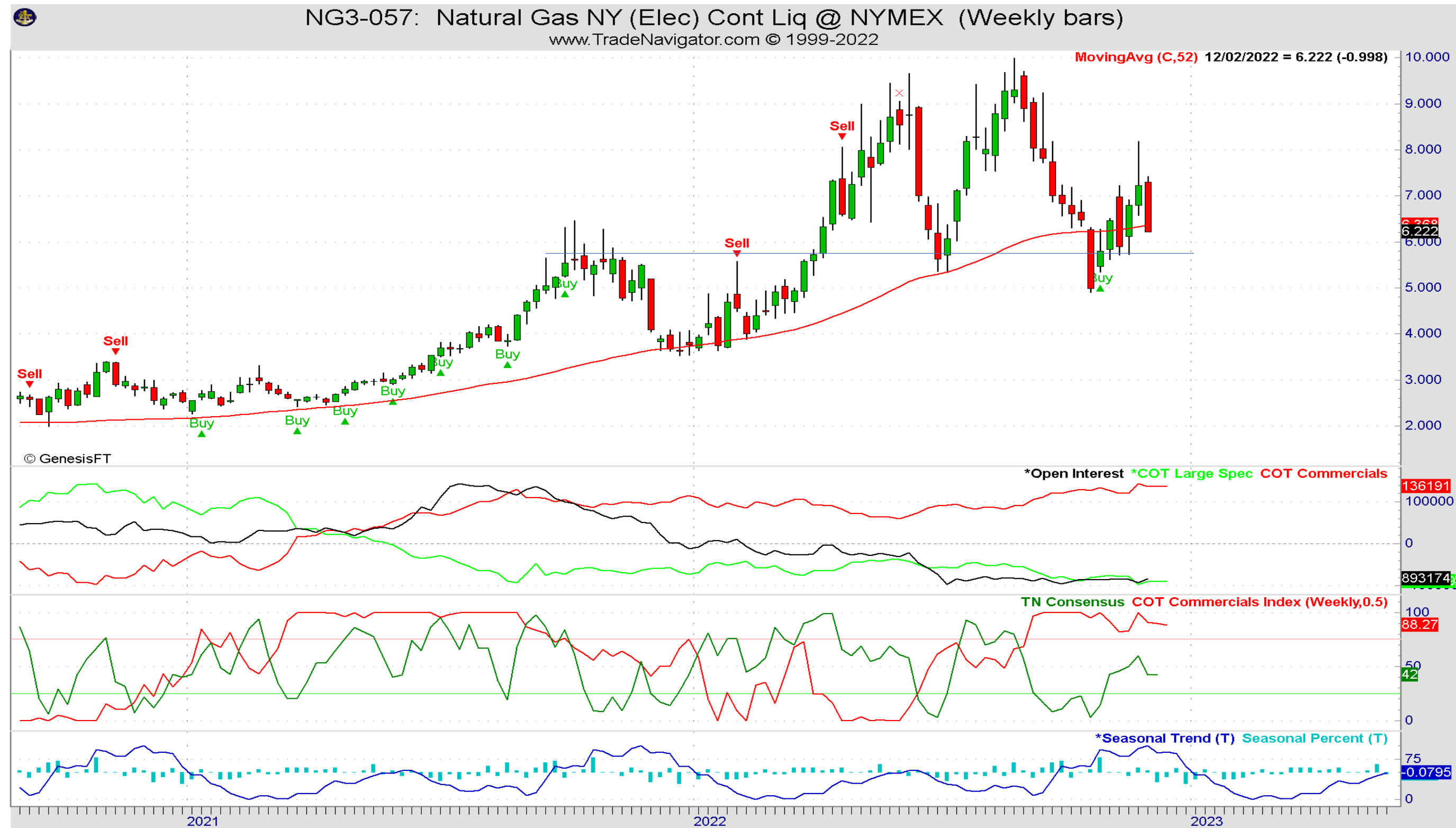


Natural Gas: Buy

- Natural gas prices moved lower on Thursday due to bearish EIA report
- EIA reported that inventories levels fell -81 bcf, less than expectations of an -85 bcf decline. Inventories recovered are now only -2.4% below their 5-year seasonal average.
- Commodity Weather Group said above-normal temperatures are expected across the South and East from Dec 3-7th. Warmer temperatures than were previously expected to come across the northern tier of the U.S. from Dec 8-11th.
- **However, after Dec 11th colder than normal temperatures are expected to Dec 15th.**
- According to BNEF lower-48 state gas demand on Thursday was 93.5 bcf/day, up +13.8% y/y, dry gas production on Thursday was 99.5 bcf (+3.5% y/y), LNG net flow to U.S. LNG export terminals was 12.7 bcf/day, up +13.3% w/w.
- Utility providers also demonstrate rise in demand for gas. Total U.S. electricity output in the week ended Nov 26 rose +0.8% y/y to 72,870 GWh (gigawatt hours). Cumulative U.S. electricity output in the 52-week period ending Nov 26 rose +2.0% y/y to 4,120,220 GWh.
- **Natural gas prices are bearish in short term on EIA report this is beautiful BUYING OPPORTUNITY.**
- **Bullish support is provided by elevated demand due to holiday season and cold weather in the second half of December.**



Natural Gas Price Chart



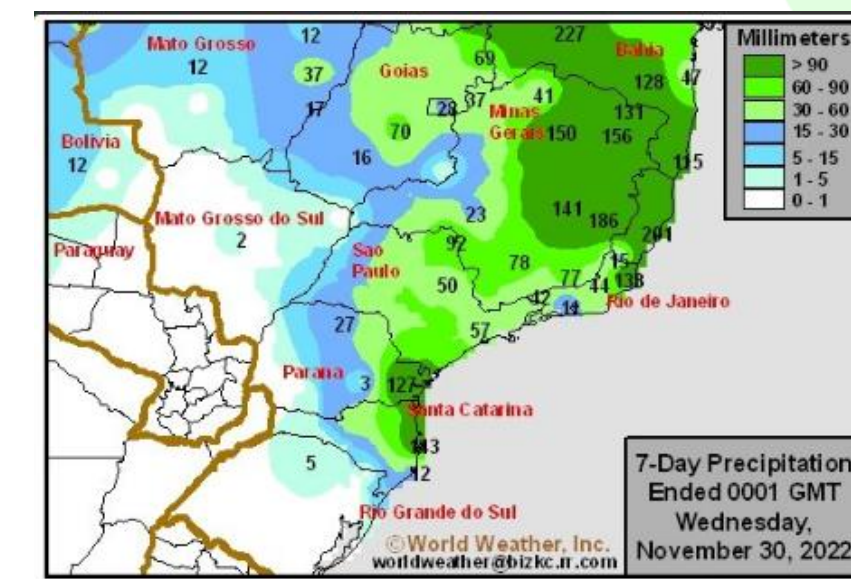
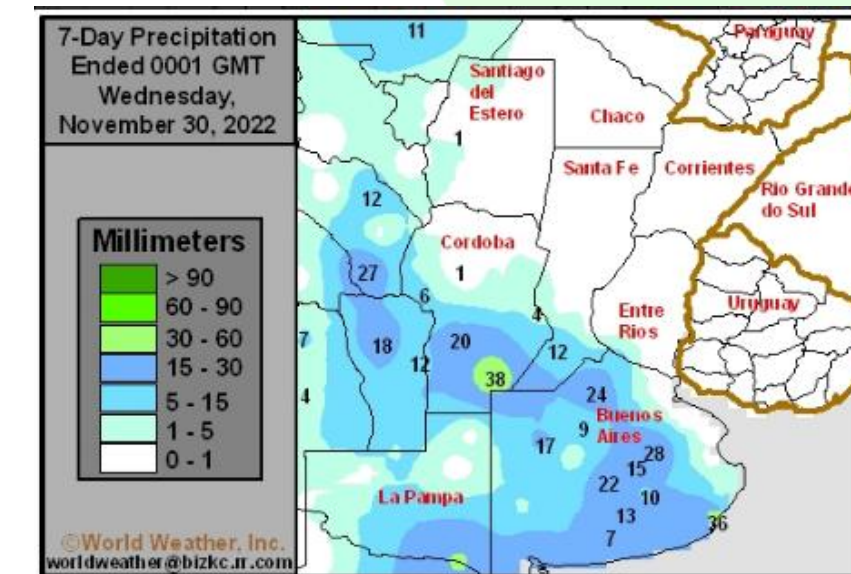
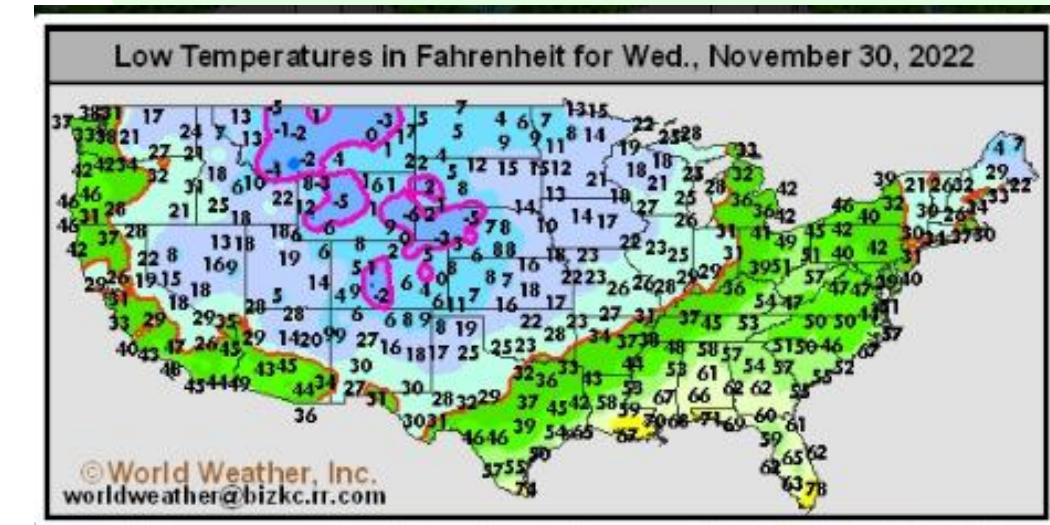
Soybeans: Buy

- Global soybean production is down 0.5 million tons to 390.5 million, mainly on lower production for Argentina.
- Area harvested for Argentina is reduced reflecting in country estimates.
- Argentina drought during key crop development stage is key bullish factor behind rising soybean prices.
- Soybean stocks account for most of the change with an increase to China's stocks based on a revision to 2021/22 imports.
- China eased covid measures ahead of Chinese New Year and started purchases of commodities. China introduced targeted measures to control the virus than the sweeping lockdowns and blanket testing regimes that have become the norm over the past three years.
- **Soybean prices have bullish support on the back of Argentina drought that raises concerns over future production, demand recovery due to Chinese lockdowns ease, seasonality as we are approaching Chinese New Year.**

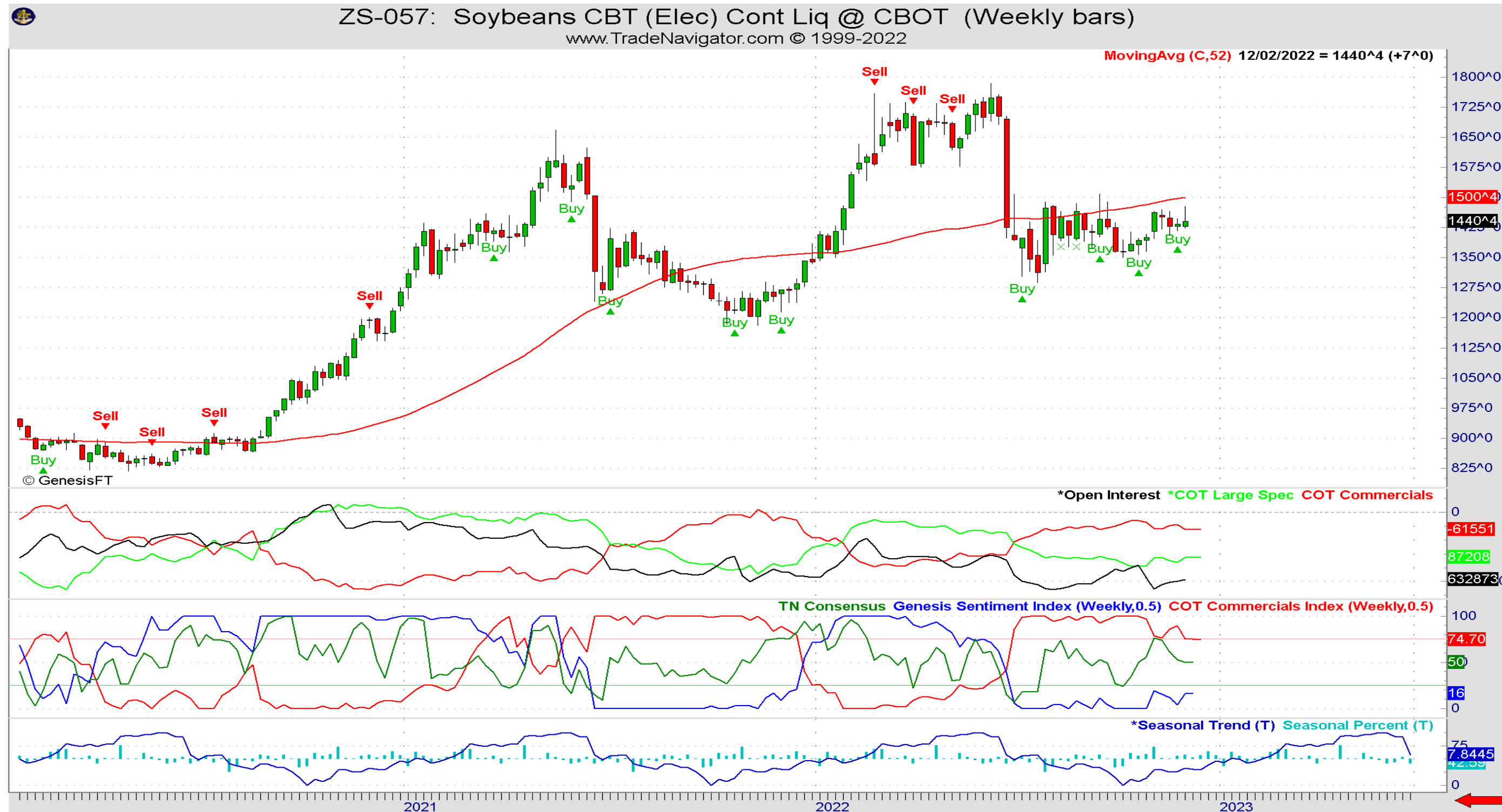


Weather review

- All soybeans had already been collected in the USA so the weather here is not a factor.
- Scattered showers maintained overall favorable prospects for soybeans and other summer row crops, although some locations continued to receive below-normal rainfall. The heaviest rain (25-50 mm, locally reaching 100 mm) fell in northern production areas (Mato Grosso eastward), reaching as far south as Minas Gerais and eastern São Paulo. While providing timely moisture for crops, the showers helped to lower temperatures to more seasonable levels, with highest daytime temperatures mostly ranging in the upper 20s and lower 30s (degrees C) in the areas getting rain. Somewhat drier conditions prevailed farther south (Mato Grosso do Sul to Rio Grande do Sul), where rainfall mostly totaled below 25 mm. Despite the dryness, temperature remained seasonable, with highs mostly reaching into the lower 30s on the drier days. According to the government of Paraná, first-crop soybeans 92% planted, respectively, as of November 21.
- Early-week showers provided additional moisture for immature winter grains in some western farming areas, but pockets of dryness persisted in traditionally higher-yielding production areas farther east. Rainfall totaled 10 to 25 mm locally approaching 50 mm — from La Pampa northward, and in sections of the northeast, with amounts exceeding 50 mm in and around Formosa. However, amounts continued to be unseasonably light (less than 10 mm) in the lower Parana River Valley, sustaining concerns for the impact of dryness on wheat and barley and limiting opportunities for planting summer grains and oilseeds. Weekly temperatures averaged 1 to 2°C above normal in central Argentina due to the dryness, and by week's end daytime highs reached 40°C as far south as northern delegations in La Pampa and Buenos Aires. The pace of soybean planting was a bit closer to last year's (33% versus 41% last year).



Soybeans Price Chart





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