

Commodities Markets Report

By **Max Schulz**

🕒 | **Week 16** | **April 16th**



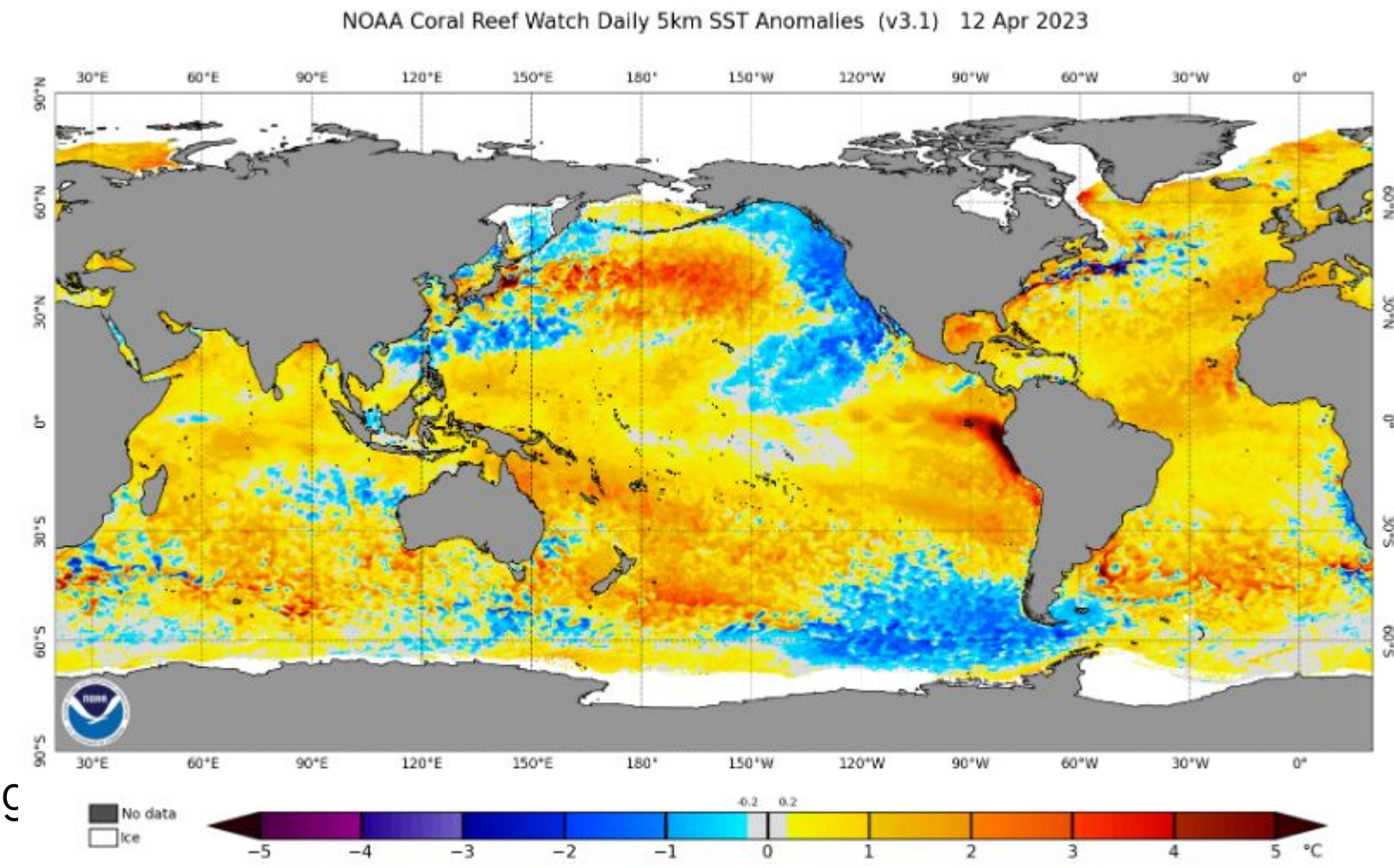


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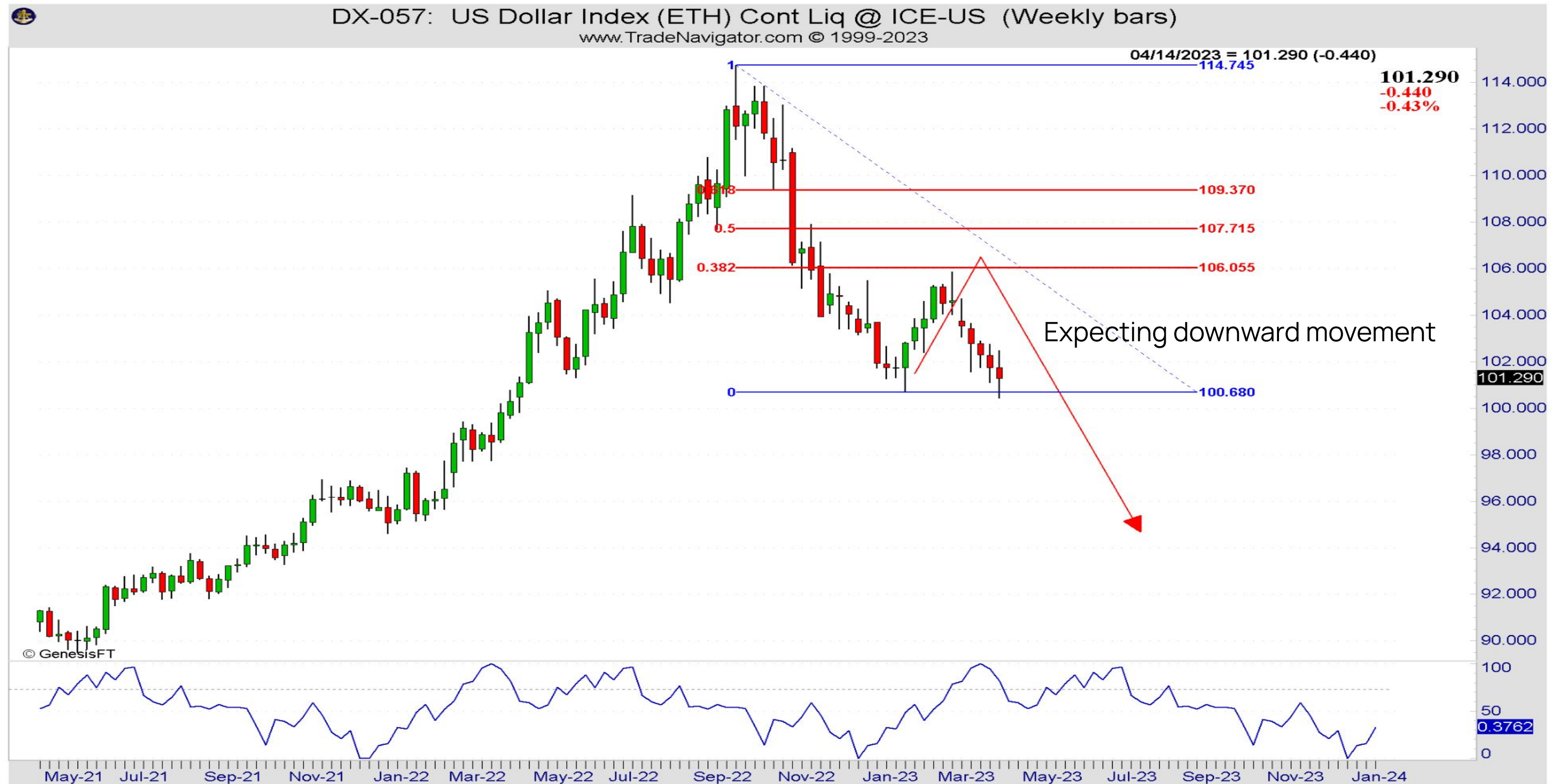
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Global weather review

- The world could face an extreme El Niño later this year.
- According to new analysis by Australia's Bureau of Meteorology, seven different predictive models suggest that sea surface temperatures will cross the El Niño threshold by August.
- "There is approximately a 50% chance of El Niño in 2023," the BOM warns.
- As a result, the world will face more intense heatwaves, prolonged hot seasons and more powerful storms.
- Indonesia and Australia will likely experience hotter and drier weather with a greater possibility of wildfires.
- Monsoons in India and rains in South Africa might be reduced while east Africa could get more rains and flooding.
- El Niño also increases hurricane activity in the Pacific meaning places like Hawaii will be at risk of tropical cyclones.
- This produces dryer and warmer weather in northern USA and intense rainfall and flooding in the US Gulf Coast and Southeast.
- In Europe, it can lead to colder, drier winters in the north and wetter winters in the south.



Dollar Index



Goldman Sachs Commodities Index



Rice: Buy

- Rice prices closed a little lower of Friday,
- The 2022/23 global outlook is for lower supplies, increased trade, fractionally higher use, and reduced ending stocks.
- Global beginning stocks are lowered 1.4 million tons to 182.0 million based almost entirely on a multi-year adjustment to use and stocks in the Philippines to better match observed current stock levels.
- 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. Indonesia's 2022/23 rice production is reduced 0.6 million tons to 34.0 million on lower area and yield for its main-season rice crop that was harvested in February and March.
- Global trade in 2022/23 is raised 0.8 million tons to 55.7 million, with increased exports for Vietnam and Thailand, in part to account for Indonesia's intention to significantly increase rice purchases in 2023.
- Total ending stocks are projected 2.0 million tons lower to 171.4 million, primarily on decreases for the Philippines and China. At this level, ending stocks would be 6 percent lower than in 2021/22 and the lowest since 2017/18.

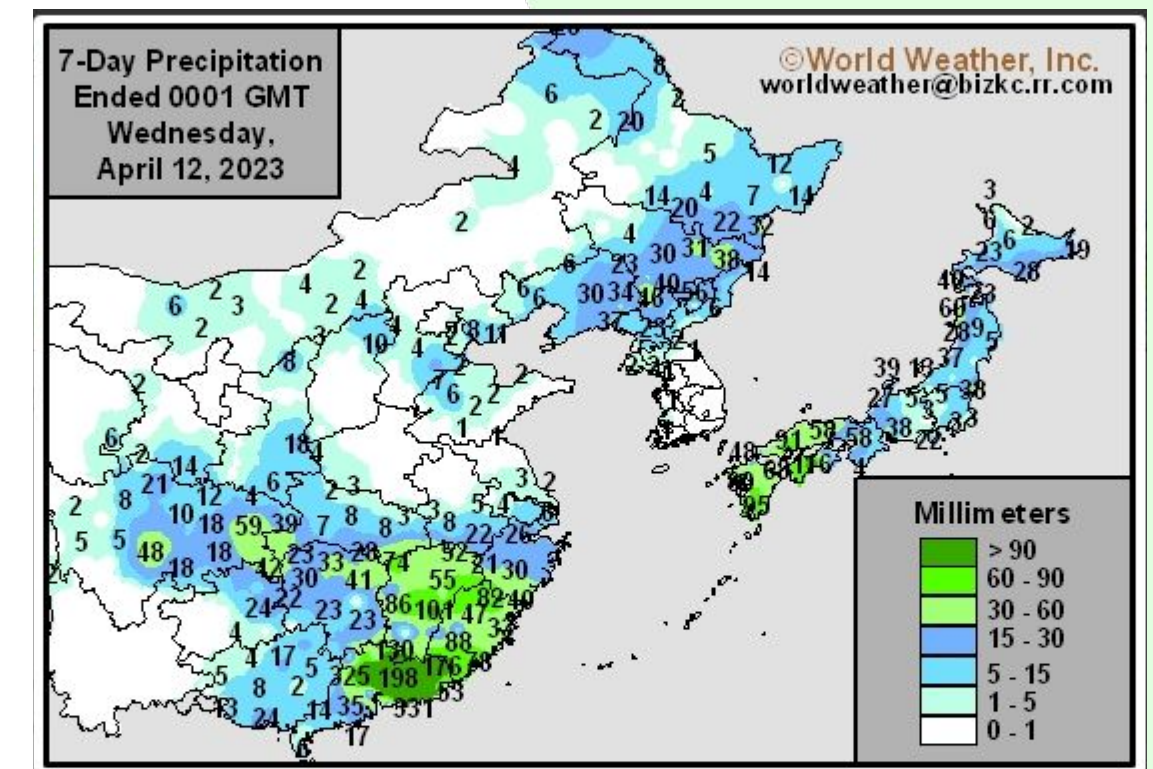
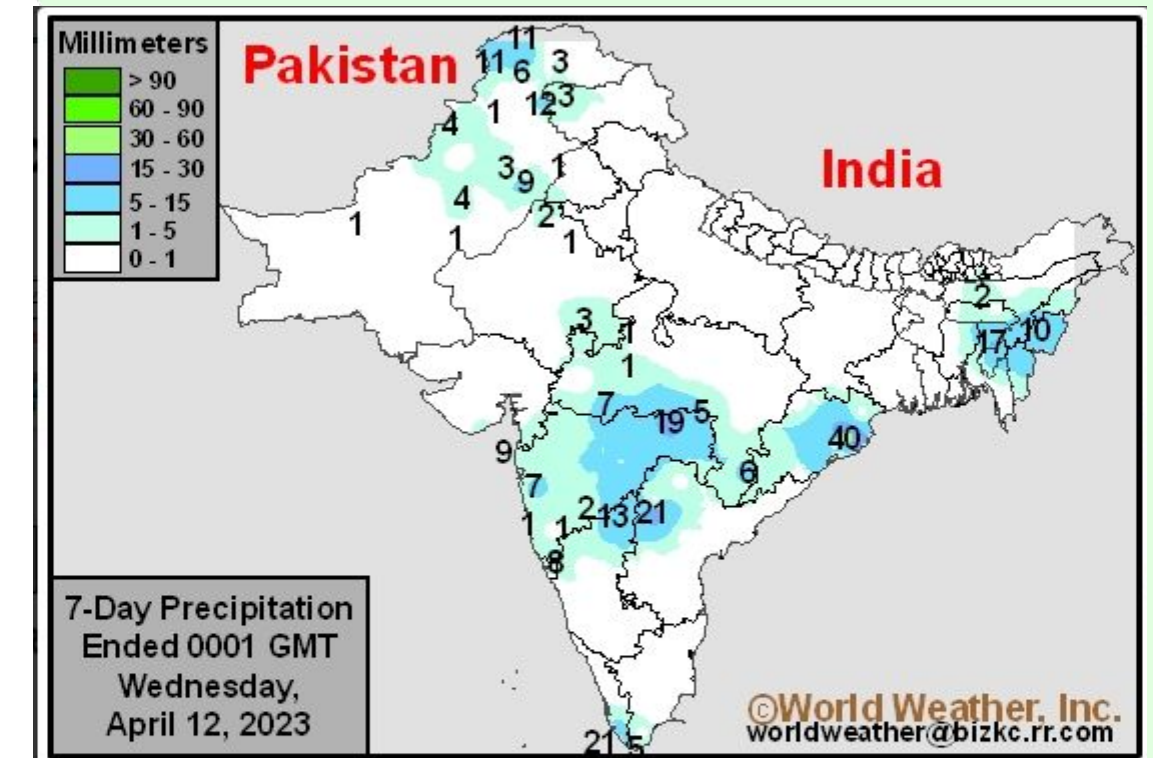


- **Rice prices are bullish on lower production, higher international trade and lowest stocks since 2017**



Weather outlook

- India maximum temperatures are in the range of 40-42°C over many parts of central & east India; some parts of Peninsular and Northwest India. These are above normal by 3-5°C over many parts of Gangetic West Bengal, some parts of Odisha, Coastal Andhra Pradesh & Yanam, Kerala & Mahe, Jammu division, Punjab and North India. Maximum Temperatures are very likely to be above normal by 3-5°C over some parts of Madhya Pradesh, Bihar, Jharkhand, Gangetic West Bengal, Odisha, Coastal Andhra Pradesh & Yanam, Kerala & Mahe, Jammu division, Punjab and North India during next 4-5 days. These are likely to be above normal by 1-3°C over most parts of the rest parts of the country. Heat wave conditions very likely in isolated pockets over Gangetic West Bengal during 15th-18th; over north coastal Andhra Pradesh during 15th-16th April, Odisha on 15th April and over Bihar during 15th-18th April, 2023. Light/moderate isolated rainfall with thunderstorm/lightning/gusty wind very likely over Konkan & Goa, Madhya Maharashtra, Marathwada on 15th & 16th and over Vidarbha & Chhattisgarh on 15th April.
- Widespread showers moved through eastern China during the first half of the period and lingered late into the week farther south. Rainfall totals were generally between 10 and 50 mm on the North China Plain, boosting soil moisture for wheat approaching reproduction. Although rainfall is typically light in the early spring, little if any had occurred to this point. Meanwhile, showers lingering for much of the week in the south produced over 100 mm, locally, benefiting reproductive rapeseed in the Yangtze Valley and vegetative early-crop rice in the southeast; unlike to the north, spring rain has been more consistent in these crop areas. Elsewhere, unusual heat (upper 30s degrees C, over 10°C above normal) occurred in southwestern provinces during the first half of the week, stressing rice and other seasonal crops, but diminished with the onset of rain by mid-week.



Rice price chart



Soybean: Buy

- Soybean futures closed a little lower on Friday.
- Global 2022/23 soybean supply and demand forecasts include lower production, crush, and exports.
- Global soybean production is reduced 5.5 million tons to 369.6 million. Lower crops for Argentina and Uruguay are partly offset by higher production for Brazil.
- Soybean production for Argentina is lowered 6.0 million tons to 27.0 million on hot and dry weather conditions through March. Uruguay production is lowered 0.9 million tons to 1.2 million on a lower harvested area and yield. Partly offsetting is higher production for Brazil which is increased 1.0 million tons to 154.0 million on higher area.
- Soybean exports are lowered 0.4 million tons to 168.0 million mainly on lower exports for Uruguay.
- Chinese customs data showed 6.85 MMT of soybeans were purchased in in March, which was up 7.9% y/y. The EU has imported 9.47 MMT of beans for the season through April 9, a volume -13% y/y.
- Soybean ending stocks are raised fractionally with higher stocks for China and Brazil that are mostly offset by lower stocks for Argentina.

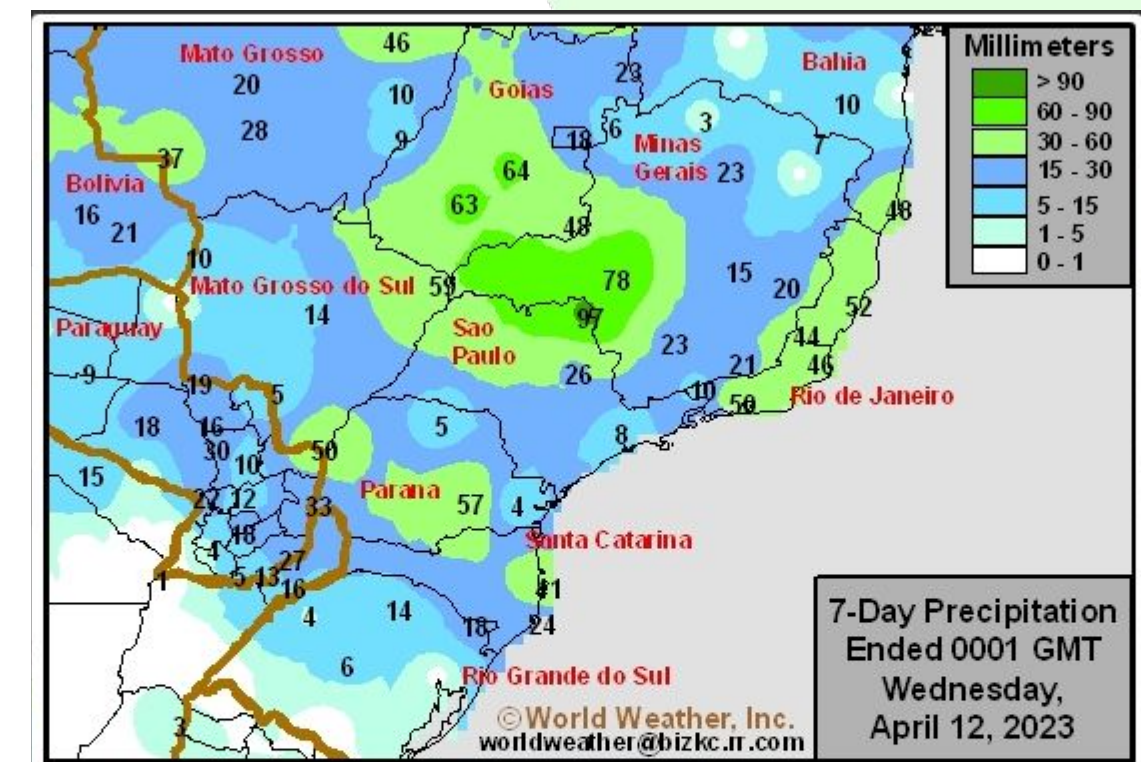
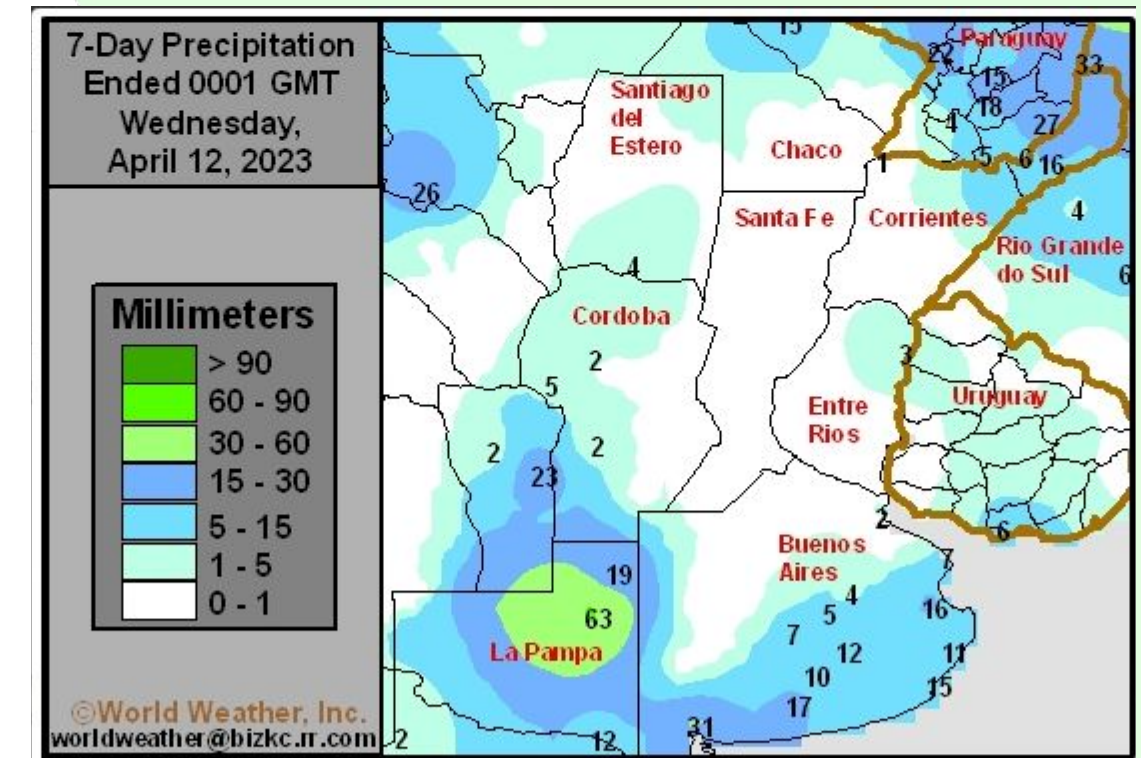


- **Soybeans prices find bullish support on lower global production, exports and lower ending stocks.**

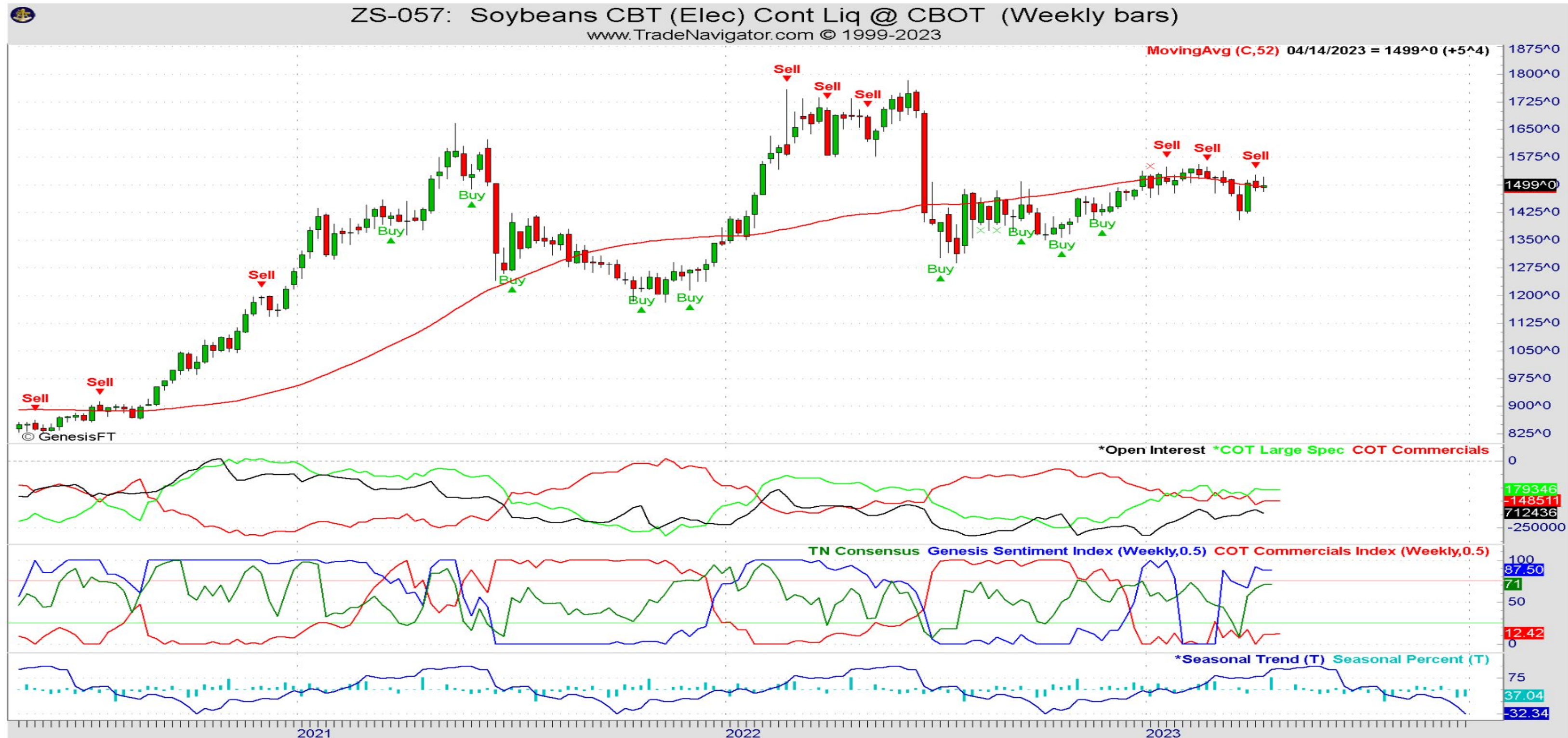


Weather outlook

- Scattered showers came too late for most summer crops, although the moisture will benefit winter grain germination. The heaviest rainfall (25-50 mm, locally higher) was concentrated over the northwest, with similar amounts recorded over La Pampa and northern Buenos Aires. Drier weather continued elsewhere, including locations in southern Buenos Aires receiving rain last week. Weekly average temperatures ranged from near normal in the north to as much as 2°C above normal in southwestern farming areas (Córdoba, La Pampa, and western Buenos Aires), with no freezes.
- Seasonal showers maintained overall favorable prospects for corn and cotton in Brazil's central and northeastern production areas. Rainfall totaled 10 to 50 mm – locally higher – from Mato Grosso eastward into western Bahia, although a few pockets of dryness lingered. Highest daytime temperatures were mostly in the lower 30s (degrees C), promoting growth of mostly reproductive to filling crops under generally seasonable conditions. These northern growing areas typically experience a reduction in rainfall toward the end of April, and crops would benefit from additional moisture in upcoming weeks. Meanwhile, mostly dry weather prevailed in southeastern Brazil, with amounts largely totaling below 10 mm from Rio Grande do Sul into southern Minas Gerais. According to the government of Rio Grande do Sul, soybeans were 36% reproductive to filling as of April 6, with 18% harvested



Soybeans 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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