

Weekly bulletin

Week 37
September 12th

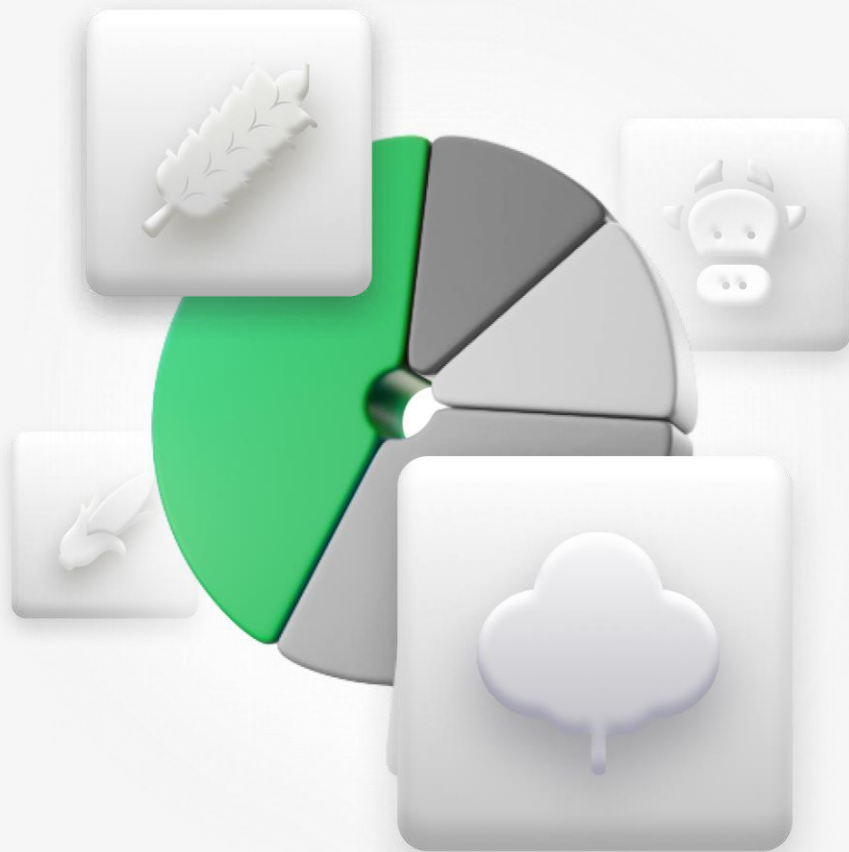
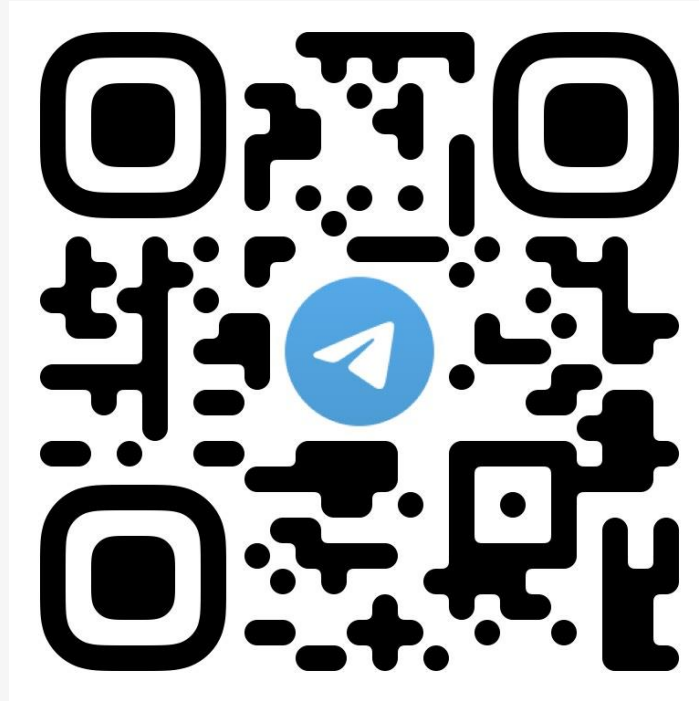


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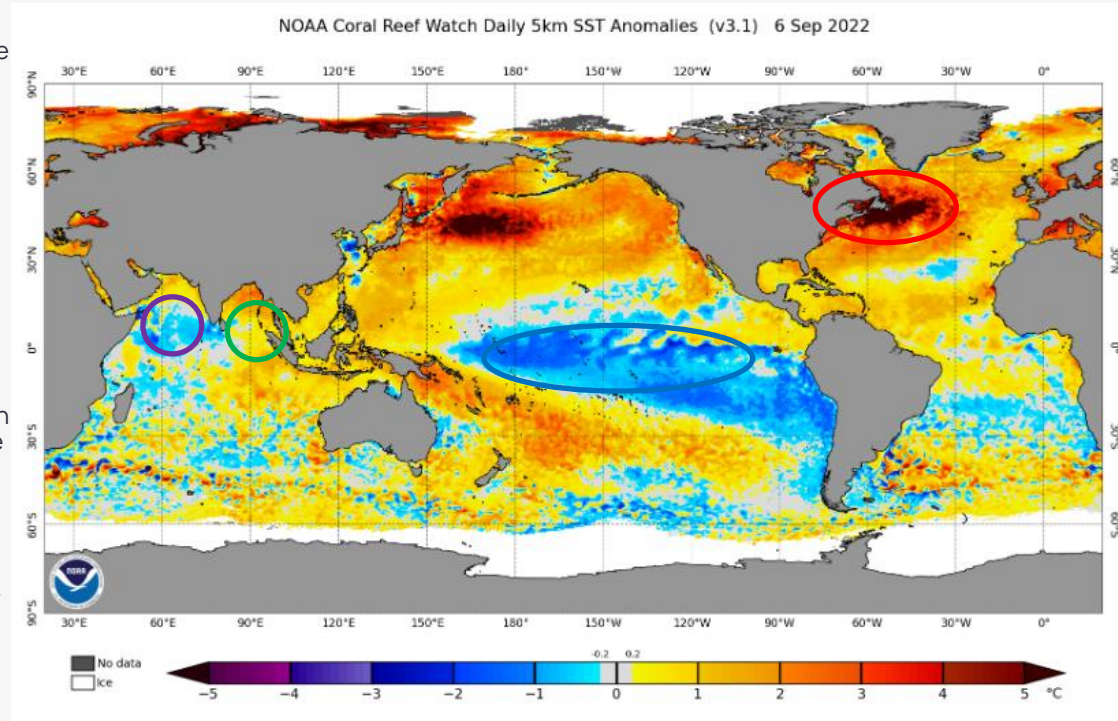
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Global weather review

- The latest ENSO forecast model runs by the U.S. National Oceanic and Atmospheric Administration (NOAA) recently have suggested that La Nina may last longer than previously suggested.
- The longer La Nina lingers the higher the potential will be for another less than ideal South America growing season and the higher the potential will be for too much rain to fall in eastern Australia. India will likely have another wet winter and dryness may be an issue again in the central United States during the spring of 2023 if La Nina lasts too long.
- La Nina may not weaken in late November or December and if that is the case below normal rainfall may be perpetuated similar to last year in parts of Brazil, Paraguay, Uruguay and eastern Argentina. That could lead to some concern about corn and soybean production, although no two years of weather are exactly alike despite similar guiding patterns. Coffee, citrus and sugarcane areas of Brazil might also endure some erratic and lighter than usual rainfall for a while this spring as well.
- The current combined impact of La Nina and the negative phase of Indian Ocean Dipole (IOD) also raises the potential for too much rain in some wheat, barley and canola production areas in eastern Australia
- Hurricane danger in USA East coast persists however at present hurricane season is not active.





Corn: Buy

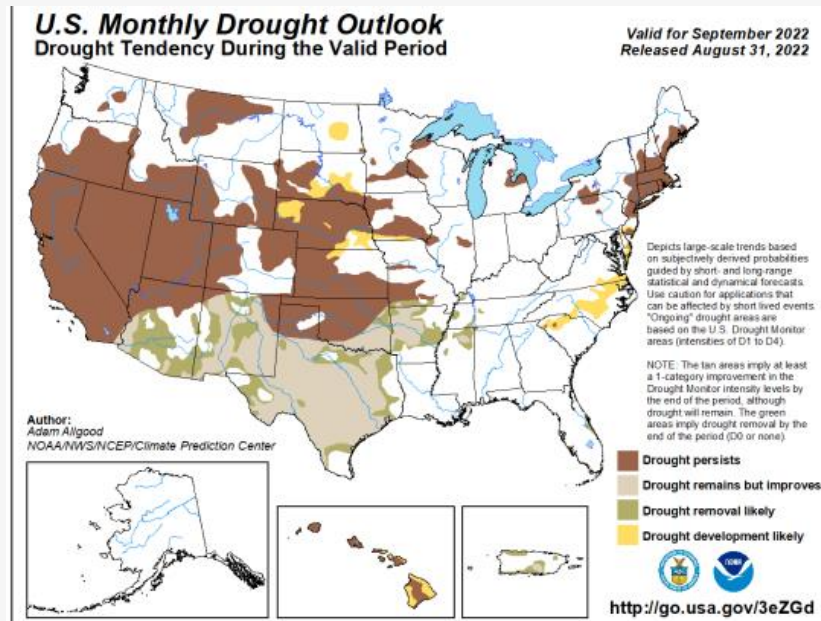
- **2022/23 U.S. corn outlook is for lower supplies, reduced feed and residual use, slightly higher food, seed, and industrial use, smaller exports, and lower ending stocks.**
- Projected beginning stocks for 2022/23 are 20 million bushels higher based on a lower use forecast for 2021/22, where a reduction in corn used for ethanol is partially offset by greater use for glucose and dextrose.
- Corn production for 2022/23 is forecast at 14.4 billion bushels, down 146 million from the July projection.
- The season's first survey-based corn yield forecast, at 175.4 bushels per acre, is 1.6 bushels below last month's projection.
- Among the major producing states, today's Crop Production report indicates that yields are forecast above a year ago in Illinois, Minnesota, and South Dakota. Yields in Indiana, Missouri, Nebraska, and Ohio are forecast below a year ago. Iowa is unchanged.
- **Global corn outlook is for lower production, larger trade, and smaller ending stocks relative to last month.** Foreign corn production is down, with reductions for the EU and Serbia partially offset by increases for Ukraine, Malawi, Russia, and Turkey.



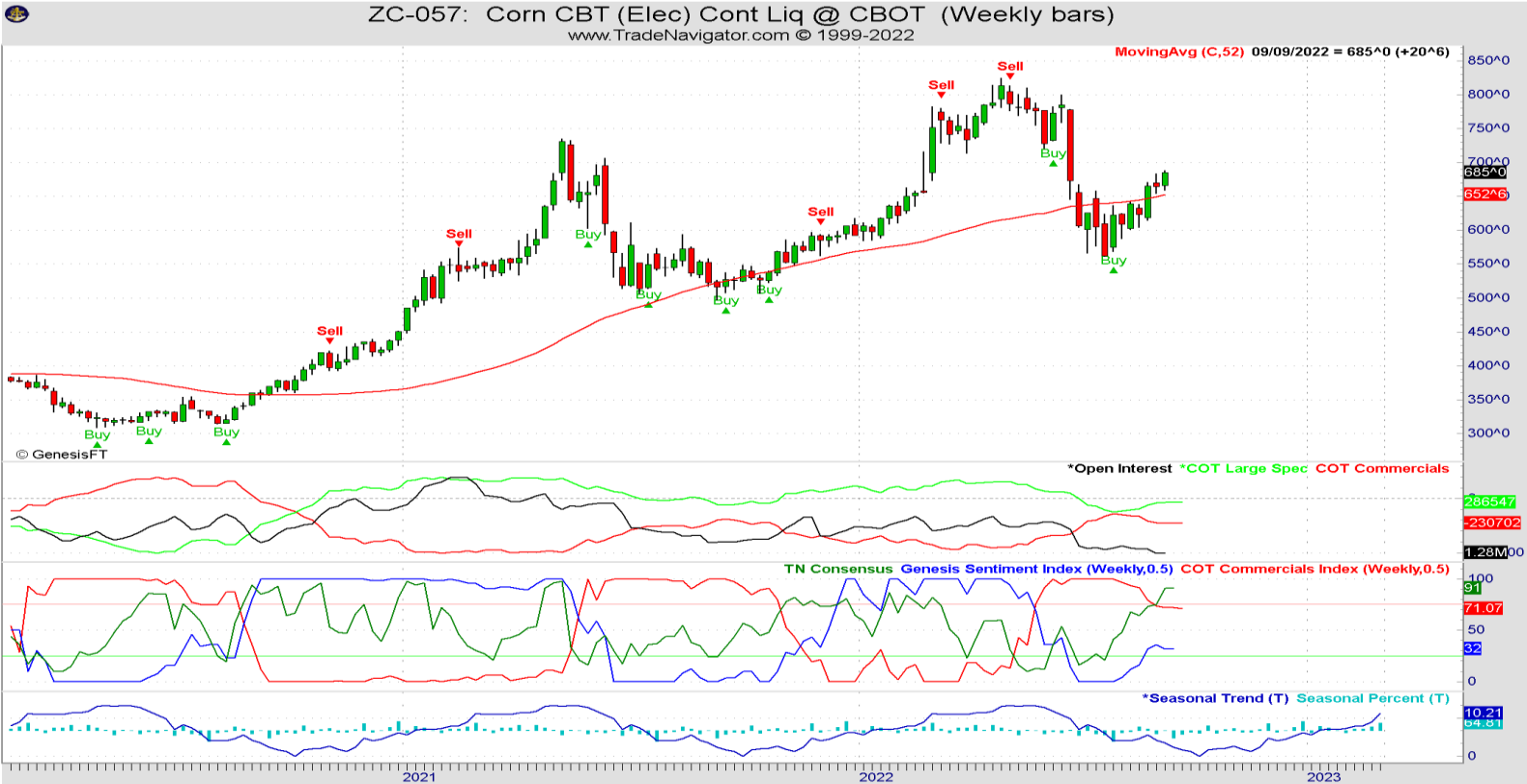
- EU corn production is sharply lower as extreme heat and dryness cut crop prospects for Romania, Hungary, France, Italy, Spain, Slovakia, Bulgaria, and Germany.
- **Corn prices find bullish support on lower US and global production due to hot summer and lower US and global ending stocks**

Corn weather review

- In the Corn Belt, sunny weather prevails. However, hot, dry weather is hastening corn and soybean maturation across much of the western Corn Belt, where today's high temperatures will generally range from 90 to 105°F.
- On September 4, 19% of Nebraska's corn was fully mature, ahead of the 5-year average of 13%.
- Dry weather extended into the western Corn Belt, maintaining stress on immature summer crops.



Corn price chart





Cocoa: Buy

- December ICE NY cocoa (CCZ22) on Wednesday closed down -19 (-0.80%), and December ICE London cocoa #7 (CAZ22) closed down -2 (-0.11%).
- Cocoa prices on Wednesday closed moderately lower, with NY cocoa sliding to a 2-week low. Cocoa prices Wednesday extended Tuesday's losses on signs of ample cocoa supplies from the Ivory Coast, the world's biggest cocoa producer.
- The Ivory Coast government on Sept 5th reported that the cocoa farmers sent a cumulative 2.43 MMT of cocoa to ports from Oct 1-Sep 4, unchanged y/y.
- Nigeria, the world's 5th largest cocoa producer, reported on Aug 29th that its July cocoa bean exports rose +2% y/y to 15,490 MT.
- On Sept 1st International Cocoa Organization cut its 2021/22 global cocoa production estimate to 4.890 MMT from a June forecast of 4.923 MMT and raised its 2021/22 global cocoa deficit estimate to -230,000 MT from a June forecast of -174,000 MT.**
- Concern about next year's West African cocoa crop is supportive of prices. A lack of fertilizer for cocoa farmers in West Africa risks undercutting next year's cocoa yields in the Ivory Coast and Ghana. The war in Ukraine has limited Russian exports of potash and other fertilizers worldwide.



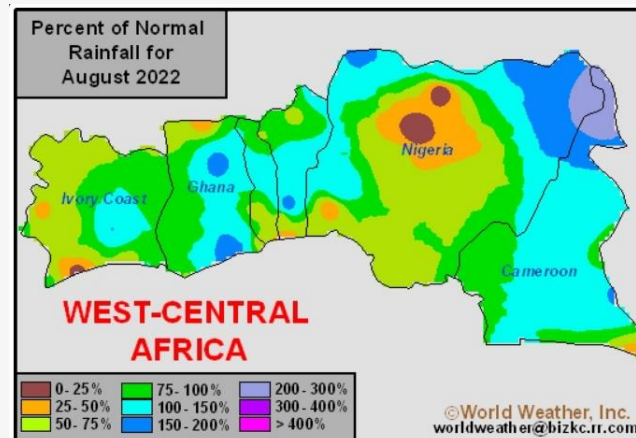
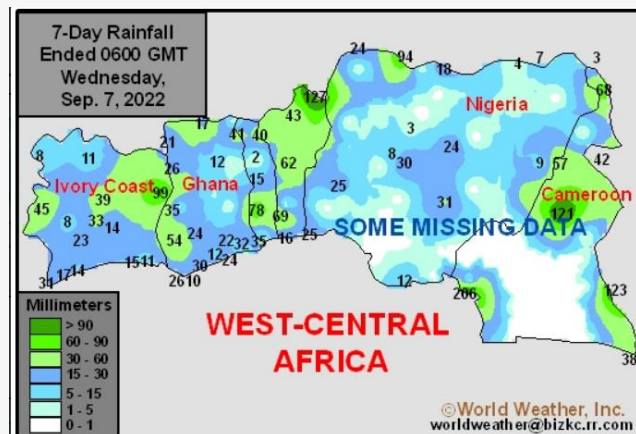
- Ghana reported on July 27 that its 2021/22 cocoa crop fell by -35% y/y to 685,000 MT, the smallest crop in 12 years, due to drought and swollen shoot virus.

Cocoa prices are bullish on the back of lower global production and increasing deficit in spite of rise in production in some key regions

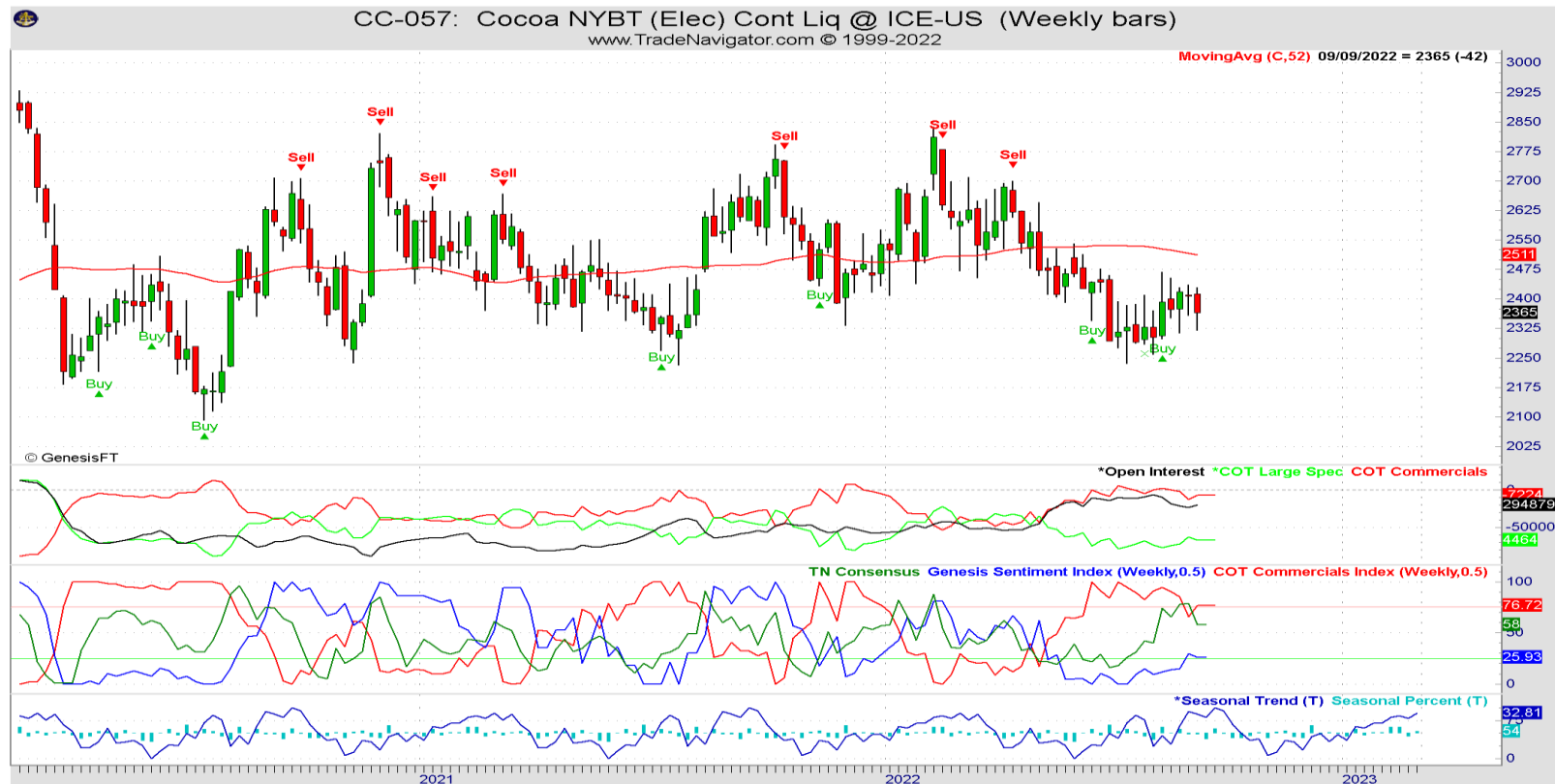


Cocoa weather review

- West Africa received more than average amount of rainfall after extended period of dryness
- Prior dryness contributed a lot to stress.



Cocoa price chart





Cotton: Buy

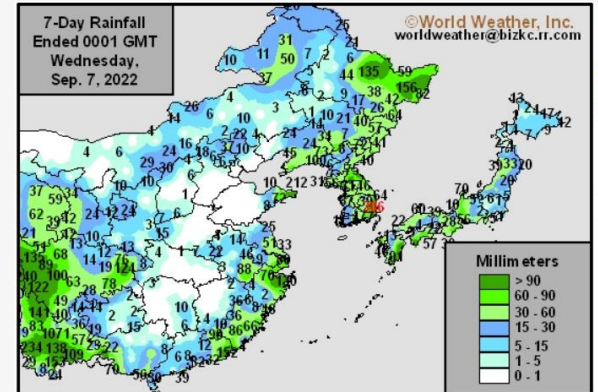
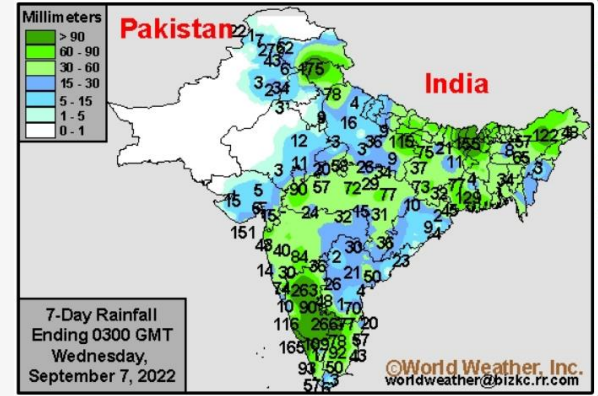
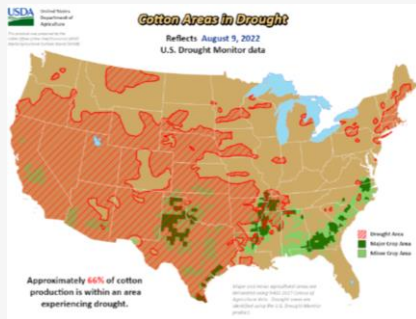
- Global production is lowered 3.1 million bales with the decline attributed to the United States.
- Global use and ending stocks are down 800,000 and 1.5 million bales, respectively.
- Global trade is down 1.8 million bales led by a 2.0-million-bale reduction in U.S. exports to 12.0 million, and China imports lowered 1.0 million bales to 9.0 million. Imports were also lowered for Bangladesh, India, Pakistan, Turkey, and Vietnam.
- The U.S. balance sheet shows significantly lower production, exports, and ending stocks. Production is lowered nearly 3.0 million bales and due to historically high abandonment in the U.S. Southwest; ending stocks are forecast at their lowest level in nearly 100 years to 1.8 million bales.
- **Global production outlook is lowered over 262,000 bales from last month due to a decline in Brazil.**
- **Global use is down 575,000 bales, and ending stocks are up over 685,000 bales.**
- **Global trade is down with a 342,000- bale-drop in imports and 642,000-bale drop in exports.** Notable decreases in imports are observed in Bangladesh, China, and Pakistan; **exports are down in Australia, Brazil, India, and the United States.**



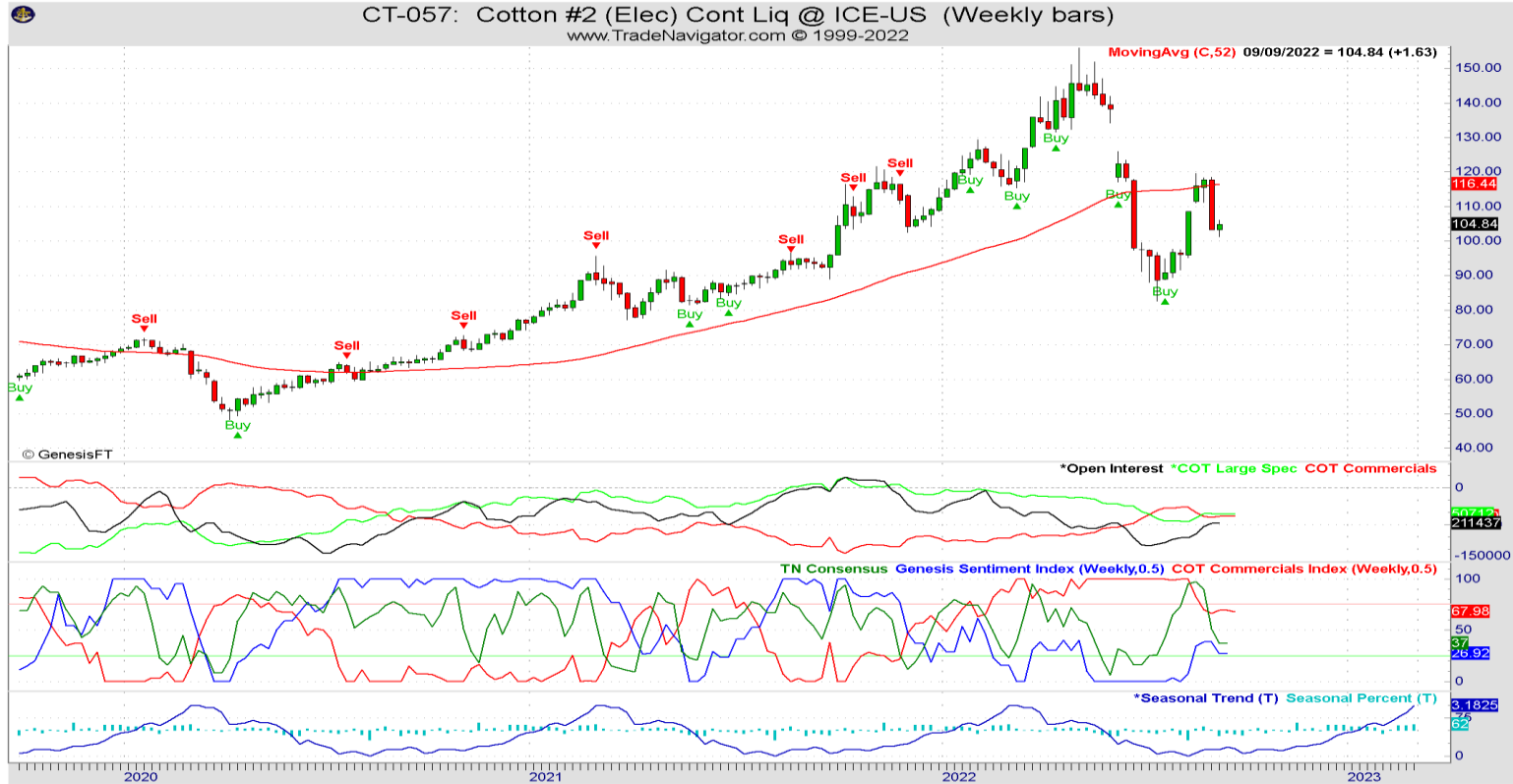
- USDA's Ag Attache sees Chinese cotton output at 6 MMT for 22/23, on higher Xinjiang yields. Import needs were lowered to 1.76 MMT for 21/22. New crop imports were also lowered, but are still estimated to be higher yr/yr at 2.2 MT.
- The GAIN offices separately trimmed Pakistan production and raised their import forecast for 22/23. Production was 19.4% lower to 5m bales and imports were raised to 5.8m bales for Pakistan.
- **Cotton prices find bullish support in smaller US ending stocks and production, drop in global production, ongoing bad weather in key cotton regions,**
- **However this bullish support is constrained by lower global demand due to ongoing China's lockdowns, overall drop in demand due to slowing down economy and higher global ending stocks.**

Cotton weather review

- In India Flooding will be the greatest concern and may damage a minor amount of crops and infrastructure. No significant production losses are expected, though drier weather will be needed later in the month to firm up the ground and support ideal crop prospects. In the meantime, much of Rajasthan, Punjab, Haryana, and northern Madhya Pradesh will remain drier biased through the middle of next week. The environment will be favorable for cotton maturation and harvesting.
- China's Xinxiang cotton region remains under conditions of drought.
- US key cotton regions saw more than average amount of rain after extended period of drought, hurricane alert is inactive. Recent floods in Louisiana, Southern Oklahoma and some neighboring areas have damaged cotton crops. Around 66% of cotton crops experienced drought.



Cotton price chart





Wheat: Buy

- Wheat futures closed the Thursday session with losses, led by SRW. Chicago futures ended the day down by 10 to 16 cents. KC HRW closed with 8 1/2 to 10 1/2 cent losses. Spring wheats were the firmest of the domestic complex, and built back some of their premium to HRW.
- Ahead of the monthly WADSDE report from USDA, analysts expect to see a smaller ending stocks on average compared to August due larger volume of international trade and lower carryover.
- The global wheat outlook for 2022/23 remained unchanged from last week** 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.

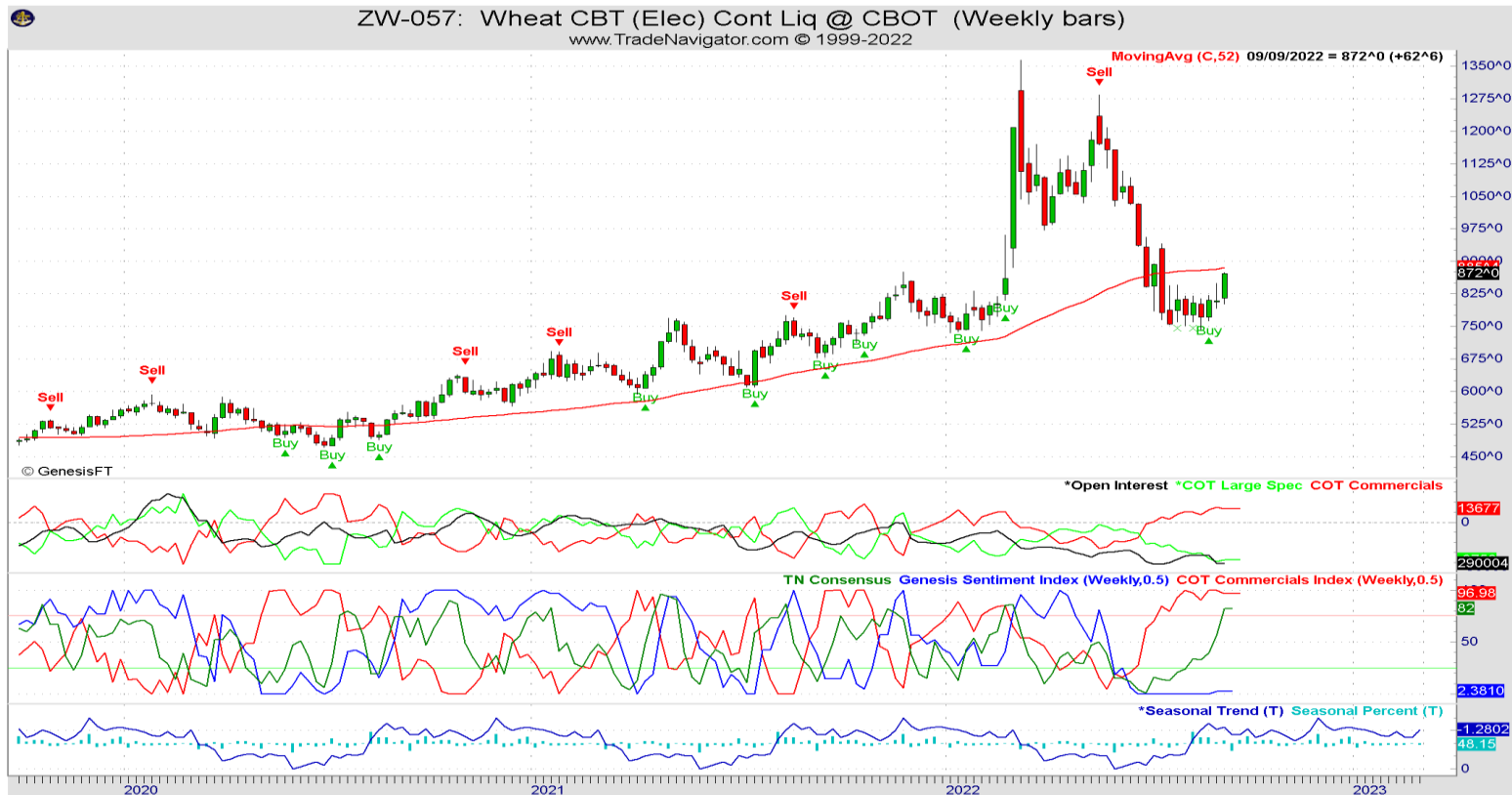


- Wednesday's wheat prices got a boost after Russia's President Putin said he does not favor extending the deal to allow Ukrainian grain exports in November. Russia had been blockading Ukraine's ports since its Feb. 24 invasion, but a deal brokered by the UN and Turkey and signed by Russia and Ukraine on July 22 allowed agricultural commodities to begin shipping again. This will limit supply to market.
- Given all the stresses on Ukrainian farmers, this will not be a normal season for planting winter wheat in Ukraine and plantings have been estimated 30% to 40% lower this fall.
- Wheat remains supported by poor macroeconomics in terms of lower global ending stocks, harvest pressure in key regions, blockade of Black sea port.**
- Medium term outlook for wheat is bearish due to larger global production.**

Wheat weather review

- China remains dry, Two weeks ago it has issued a nationwide drought warning as the country copes with scant rainfall and one of the most severe heat waves in six decades. The harsh weather is stressing rice and wheat crops and could force China to increase imports of these important grains. The hardest hit provinces are in southern and central China, especially along the Yangtze River
- U.S., the forecast remains mostly dry and favorable for the remainder of spring wheat harvest. Thursday's U.S. Drought Monitor showed moisture improvement in Texas, Arkansas and southern Indiana. Class 1 degradation continued in parts of the central Midwest and western Plains. Except for a decent rain chance in Nebraska on Saturday, the forecast is mostly hot and dry for HRW wheat areas the next two weeks, not good news for planting conditions.
- Downpours across central India added to excessive wetness in wheat and oilseed areas. In August India received 3.4% larger rainfall than needed after extended period of heatwave in April and May, winter crop is damaged thus 2022 India's total production drops by 3%.
- EU wheat crops are under conditions of drought..
- Outside of the U.S., wheat crops seem to be doing best in Russia, Canada and Australia, but Russia's wheat exports have been lower than expected, getting a cold shoulder from some of the world's buyers

Wheat price chart



InsiderWeek



Natural gas: Sell

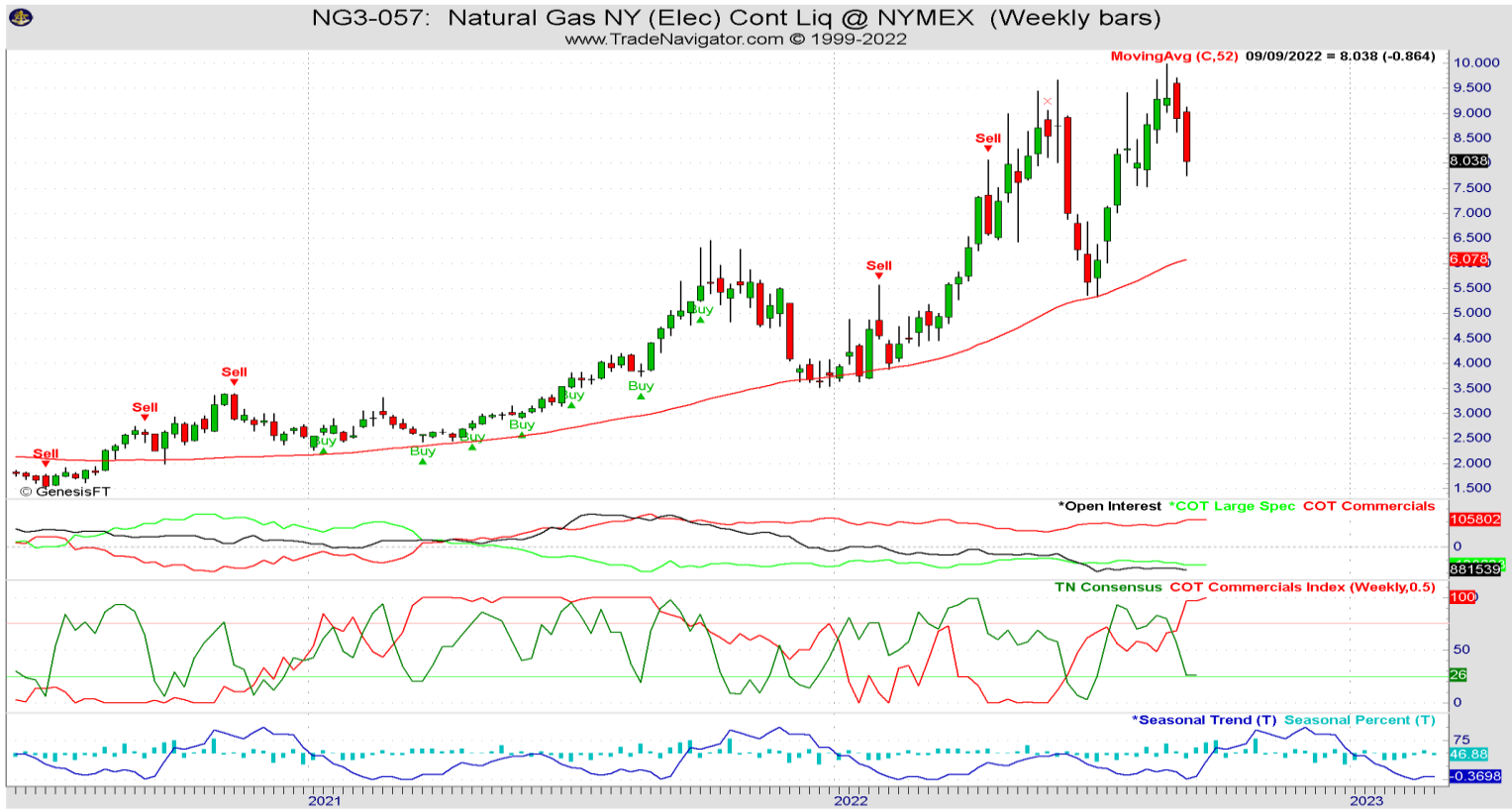
- Oct Nymex natural gas (NGV22) on Friday closed up by +0.081 (+1.02%). Oct nat-gas Friday closed moderately higher.
- Nat-gas prices on Friday had carry-over support from Thursday's weekly IEA data that showed U.S. nat-gas supplies rose less than expected, reviving concerns about supply tightness ahead of the winter months.
- Last month, Nat-gas prices fell back from a 14-year nearest-futures high on the announcement of a delay in the restart of the Freeport LNG export terminal. The Freeport terminal said Aug 23 that it won't reopen until early to mid-November, later than a previous announcement of a restart in October. That will delay an increase in U.S. nat-gas exports and allow U.S. nat-gas storage inventories to build.
- As La Nina conditions are still around it promises warm late autumn and winter, which is huge bearish implication for natural gas prices.
- Lower-48 state total gas production on Friday was 99.0 bcf, up +7.1% y/y. Lower-48 state total gas demand on Friday was 68.0 bcf/day, up +6.5% y/y.



- LNG net flow to U.S. LNG export terminals Friday was 10.9 bcf/day, up -0.8% w/w.
- U.S. natural gas inventories rose +54 bcf to 2,694 bcf in the week ended Sep 2
- **Natural gas is bearish on the back of higher production and higher inventories.**



Natural gas price chart



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