

# Commodities Markets Report

By Max Schulz

🕒 | Week 46 | November 15th





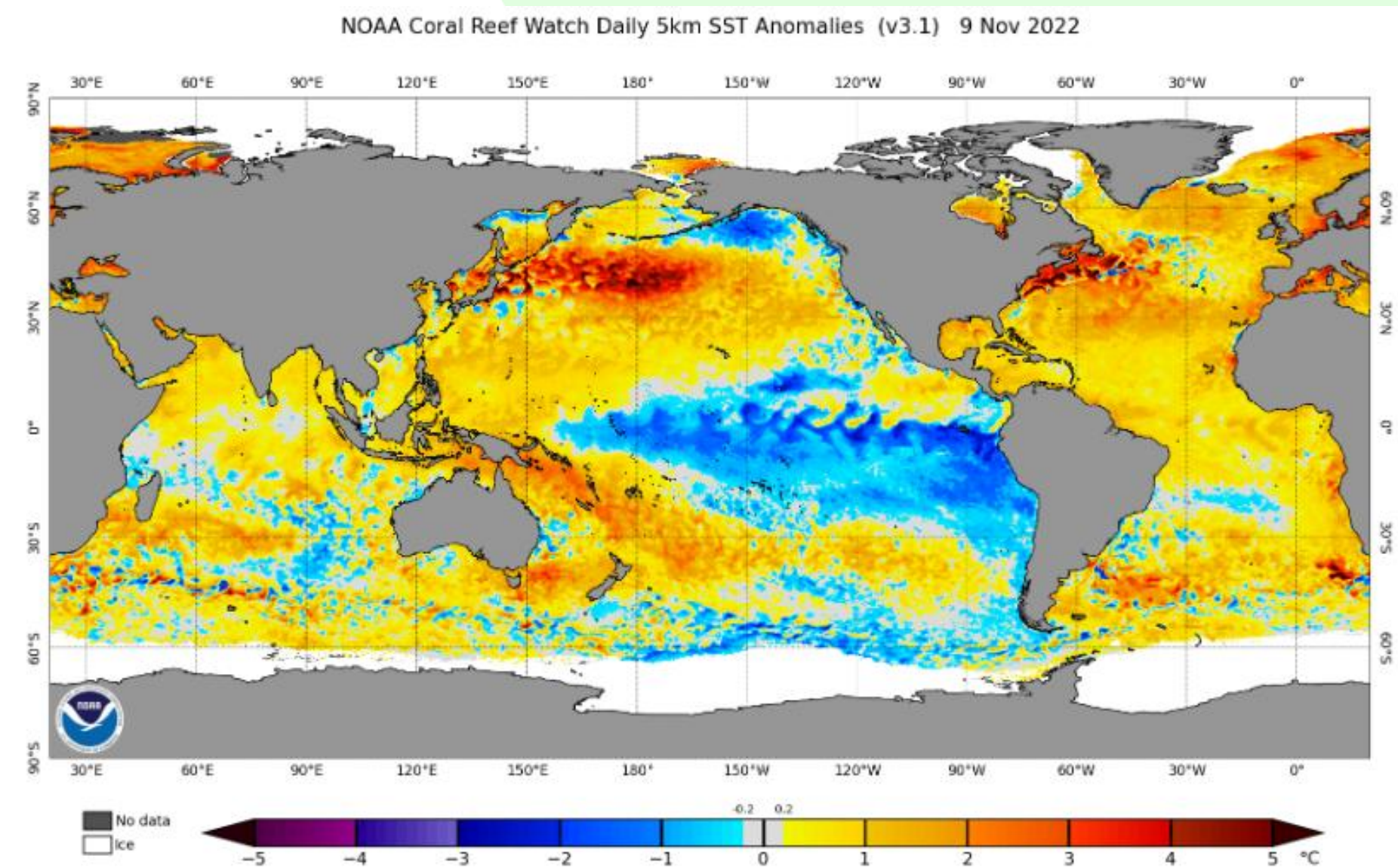
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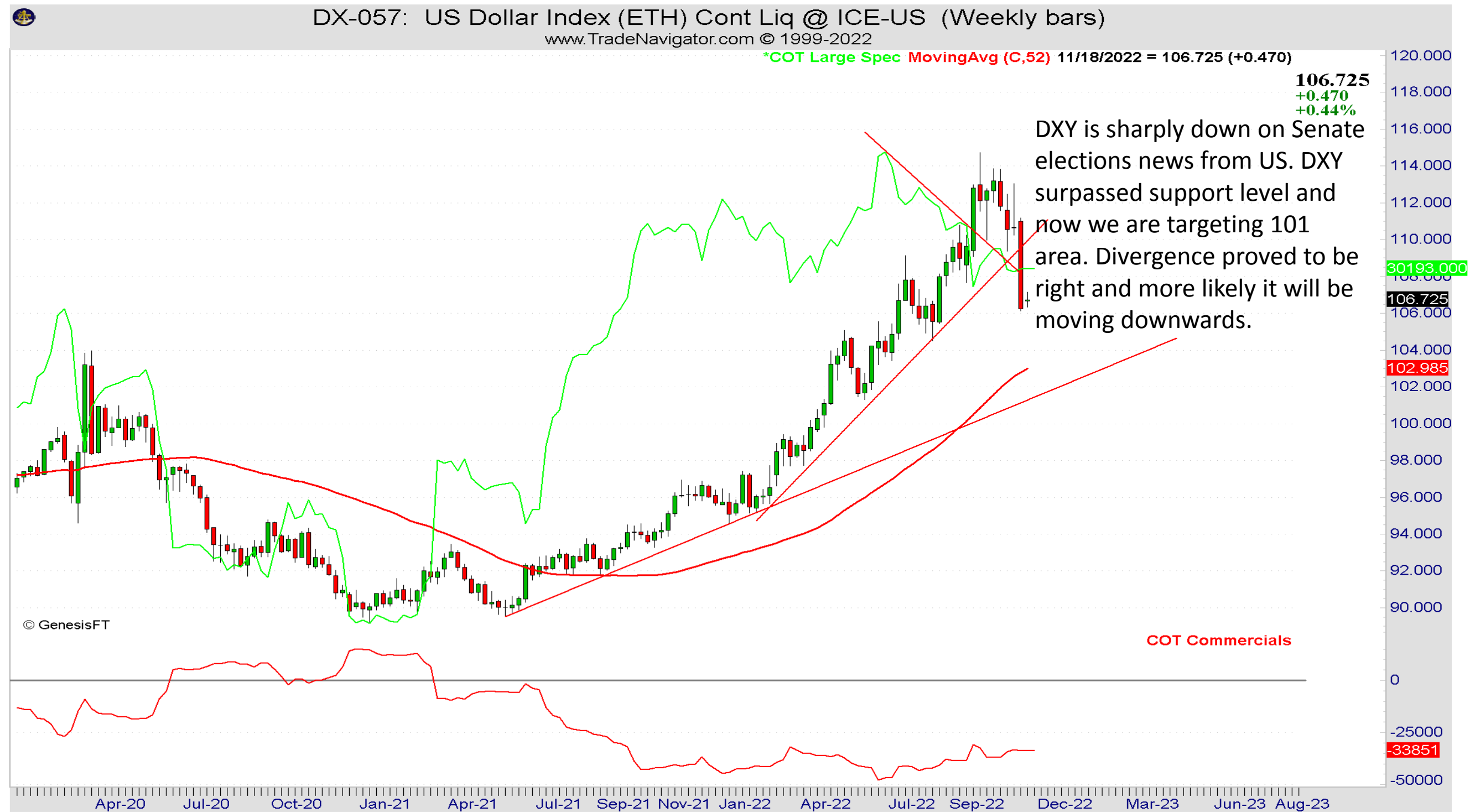


# Global weather review

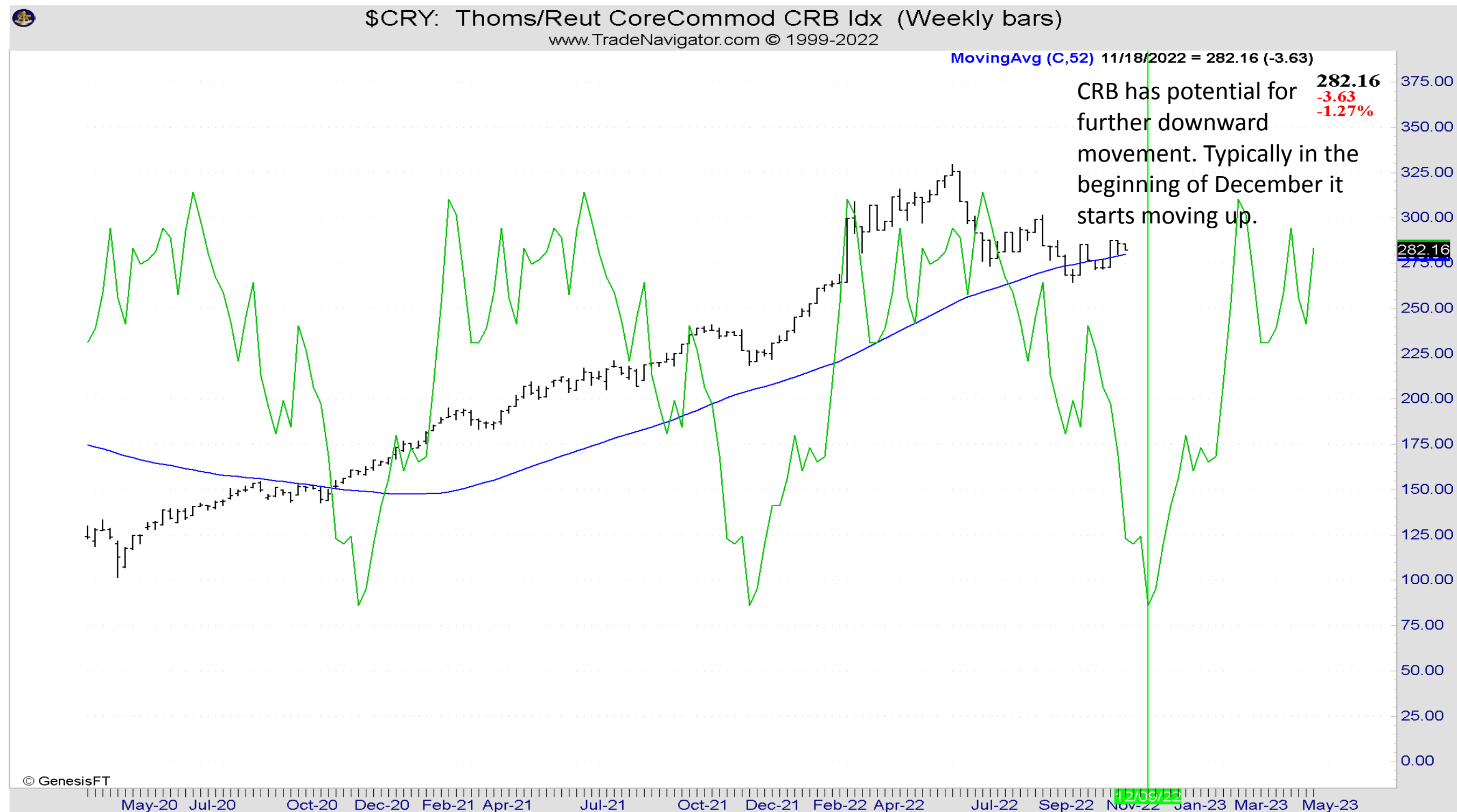
- La Nina event is weakening and more likely to collapse in El Nino in Q1 beginning of Q2 2023.
- There's a 76% chance of La Niña through the winter.
- La Nina being around in winter implies drier and warmer conditions in Southern California, but a wetter and colder winter in areas like Northern California and Oregon
- The Eastern Pacific Oscillation or EPO is a dipole pattern similar to the NAO in the Atlantic, but located in the eastern Pacific. There is a tendency for heights/pressures/temperatures to be higher to the north and lower to the south in the negative phase and lower to the north and higher to the south in the positive phase. The negative phase of EPO corresponds to widespread cooling over central and eastern North America
- Cold weather is expected in most of 48 lower states between 13-23 of November.
- Rain is still around in Brazil which is beneficial for coffee trees blooming
- Monsoon season is over in India. Most of spring harvest was already collected.
- Rains persists in West Africa however there is no direct threat to cocoa crops.



# Dollar Index



# Commodities Index



# Coffee: Sell

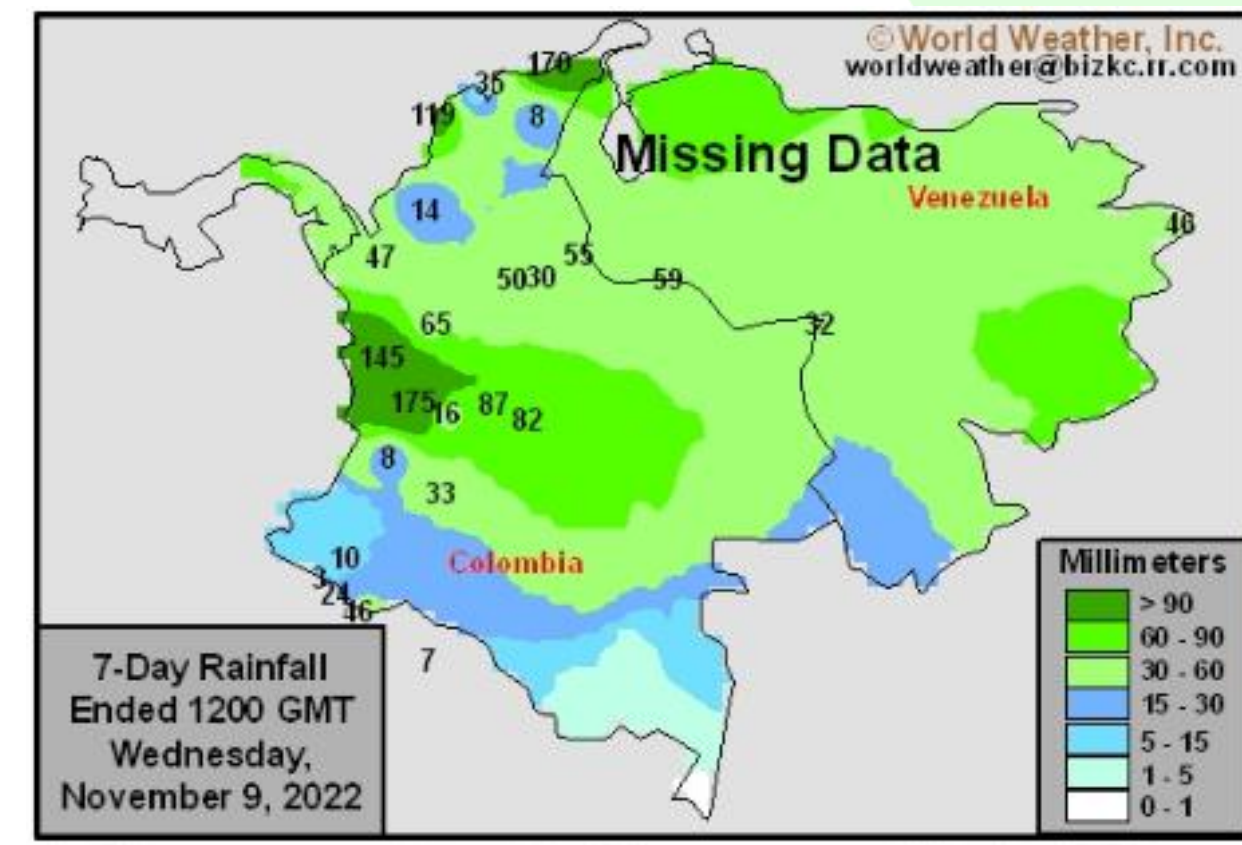
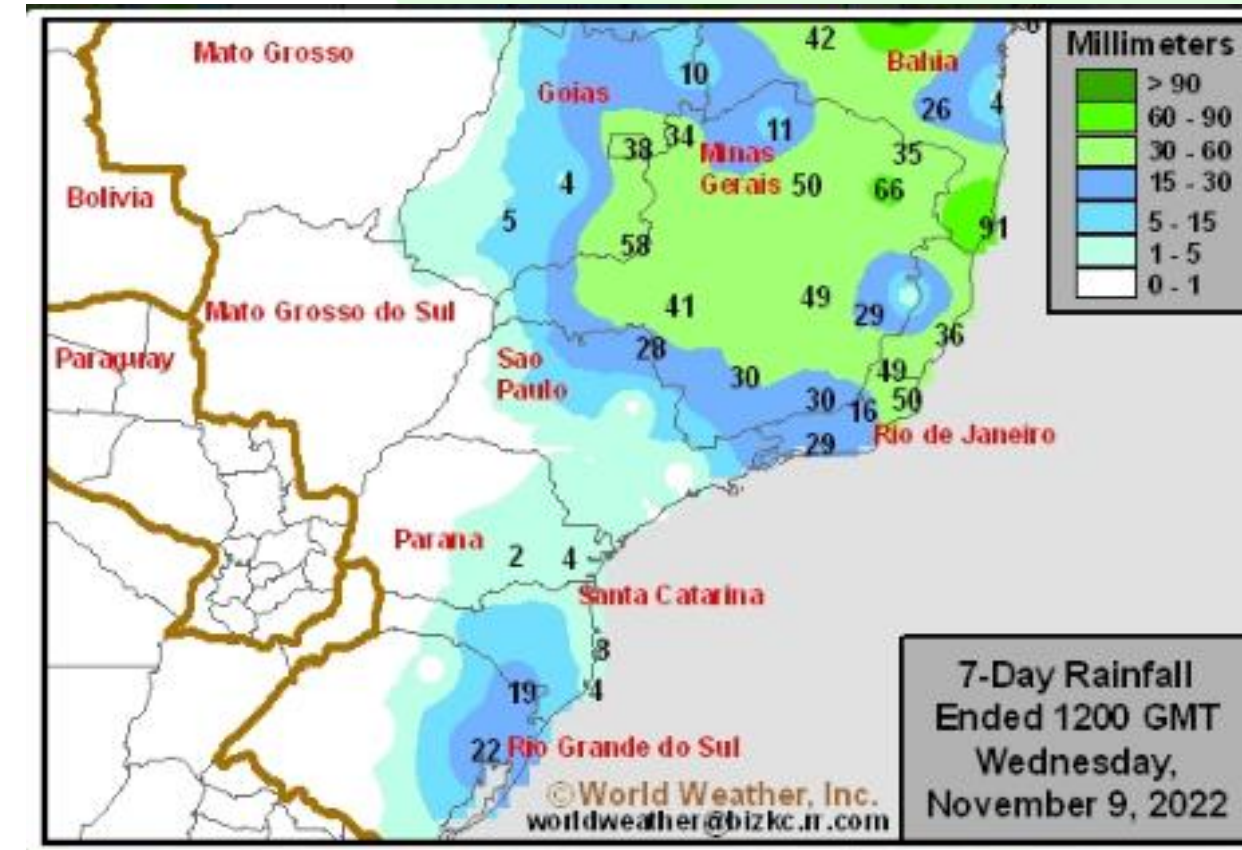
- Coffee closed higher on Thursday both Arabica and Robusta.
- According to Rabobank report Brazil's 2023/24 coffee crop to climb +8% y/y to 68.25 mln bags as recent rain is seen favoring the development of crops.
- Global coffee surplus is expected in 2023/2024 as consumption is expected to slow down from an economic recession and energy crisis.
- According to WorldWeather report frequent rain and sunshine had created a "pretty good environment" for Brazil's 2023/24 coffee crop.
- ICE arabica coffee inventories fell to a 23-year low of 384,795 bags. However, supplies recovered as ICE arabica coffee inventories rose to a 6-week high.
- US Green Coffee Association reported that U.S. Sep green coffee inventories rose +5.2% y/y to 6,378,478 mln bags.
- **Coffee is bearish on growing EU stocks, abundant US coffee stocks, larger coffee production due to favorable weather conditions.**



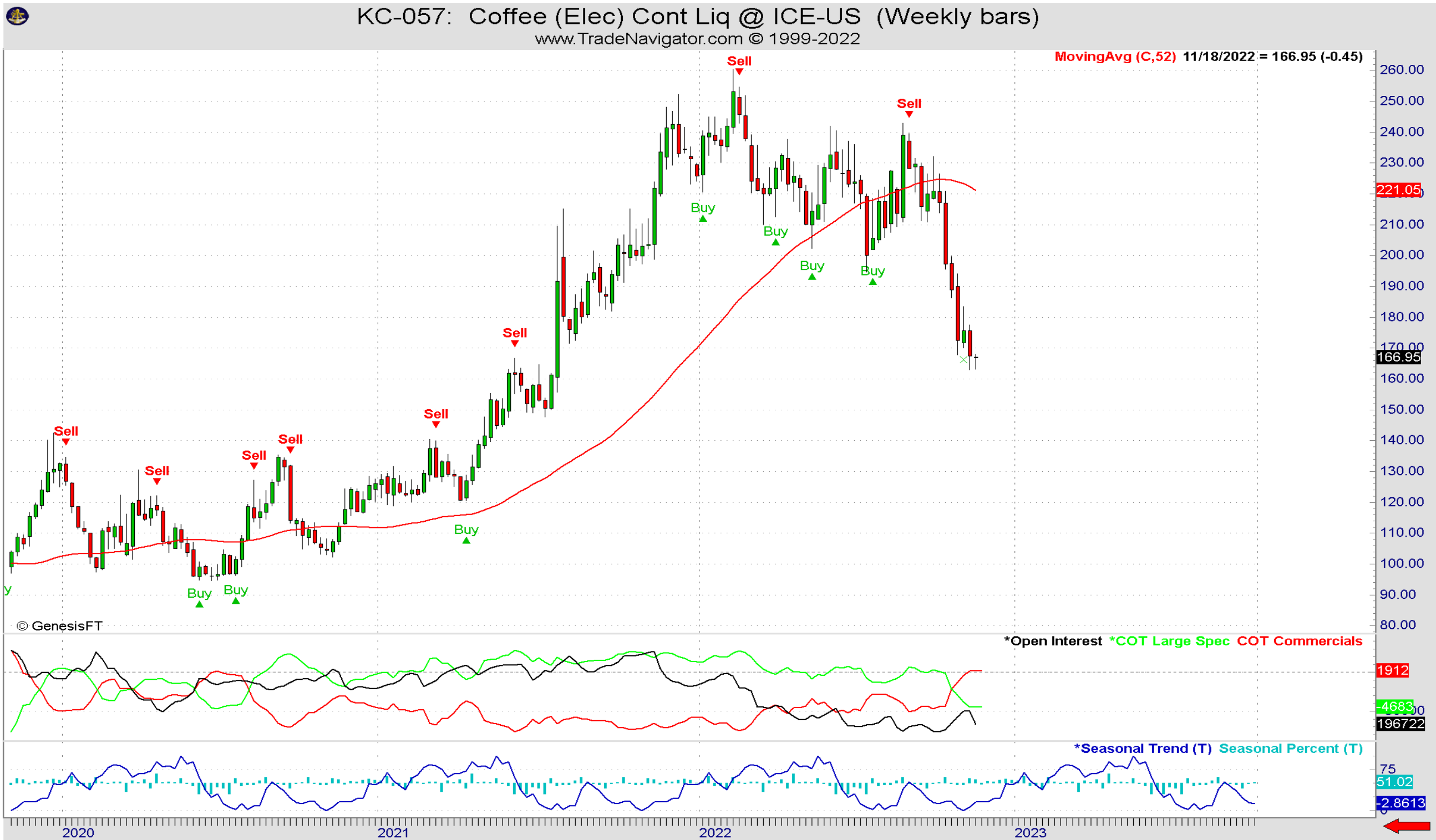


# Weather review

- Somar Meteorologia's reported that Brazil's Minas Gerais region had 28.4 mm of rain last week, 63% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop. This rain is beneficial for blooming coffee trees.
- Colombia also saw more than good amount of rain this week, which is beneficial for coffee trees blooming.



# Coffee Price Chart



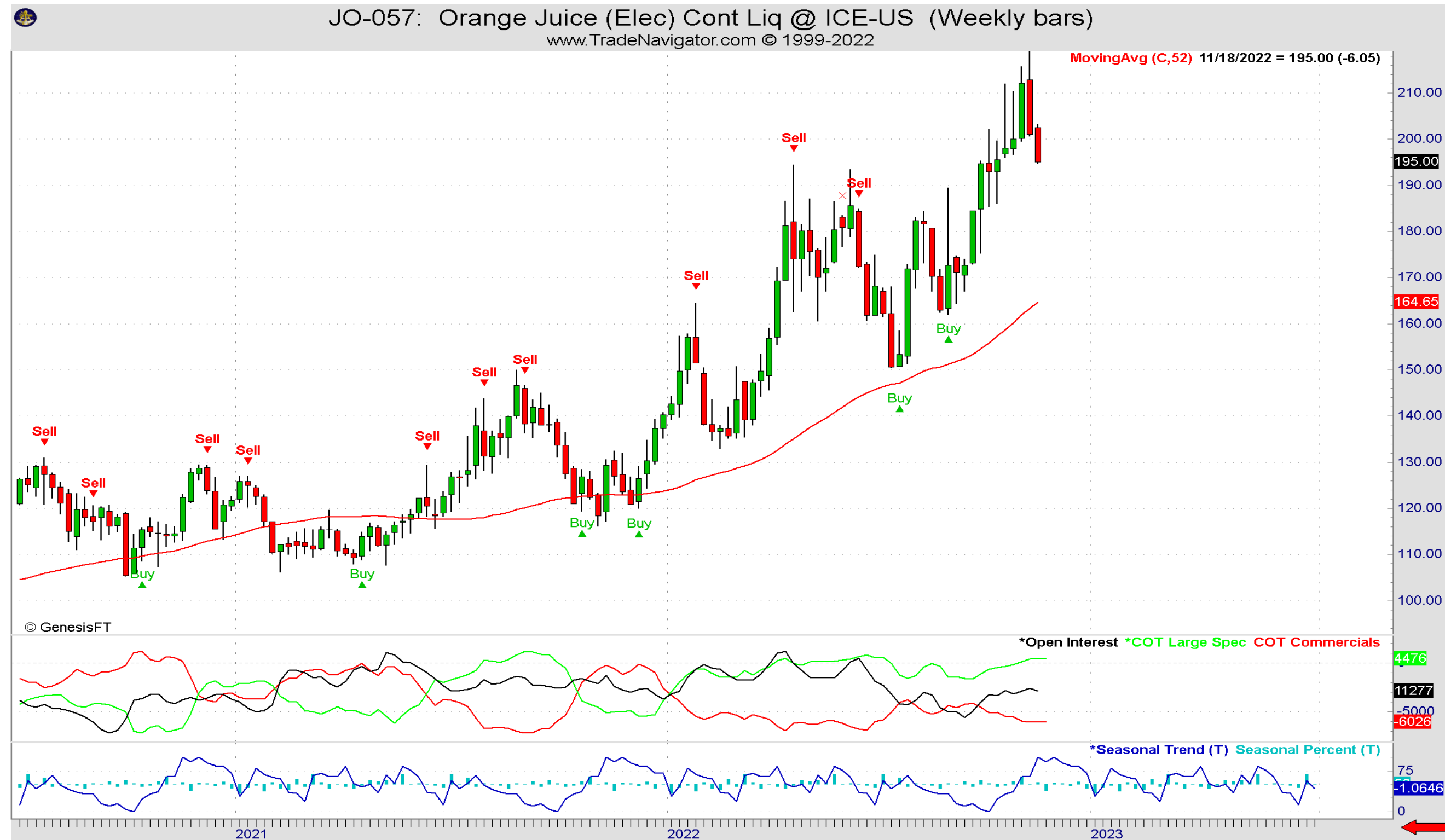


# Orange Juice: Sell

- Orange Juice prices are moving sharply lower today on seasonal factors and bumper crops from Brazil
- October to June is season in Florida for oranges to be collected, seasonality puts downward pressure for Orange Juice prices.
- USDA data forecasts a Brazilian crop of 1.14 million metric tons up 20% from 944,000 tons the year before. If the forecast is correct, the crop would be the highest since the 2018/19 season.
- There is no weather associated threat in Florida. Collection of oranges is ongoing.
- in Brazil harvest season in Brazil is from January to May therefore there is no weather **associated** risk.
- **Orange Juice prices have bearish support on the back of larger Brazil production and seasonality.**



# Orange Juice Price Chart



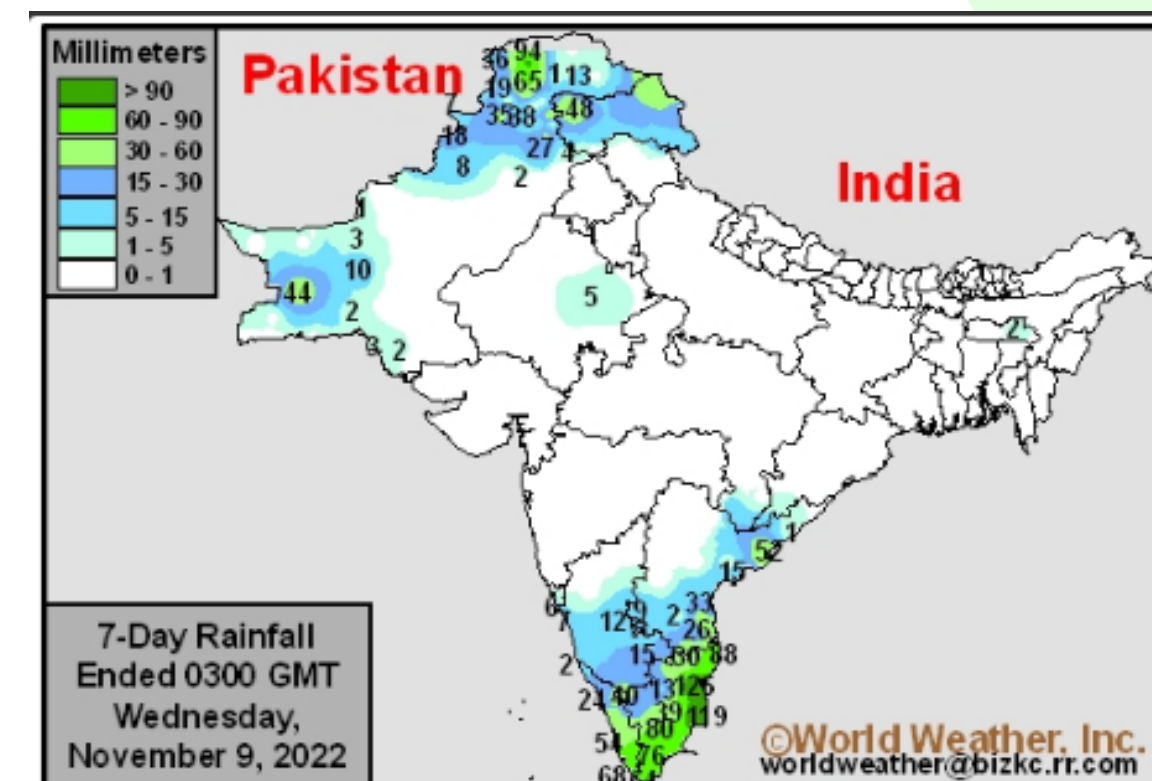
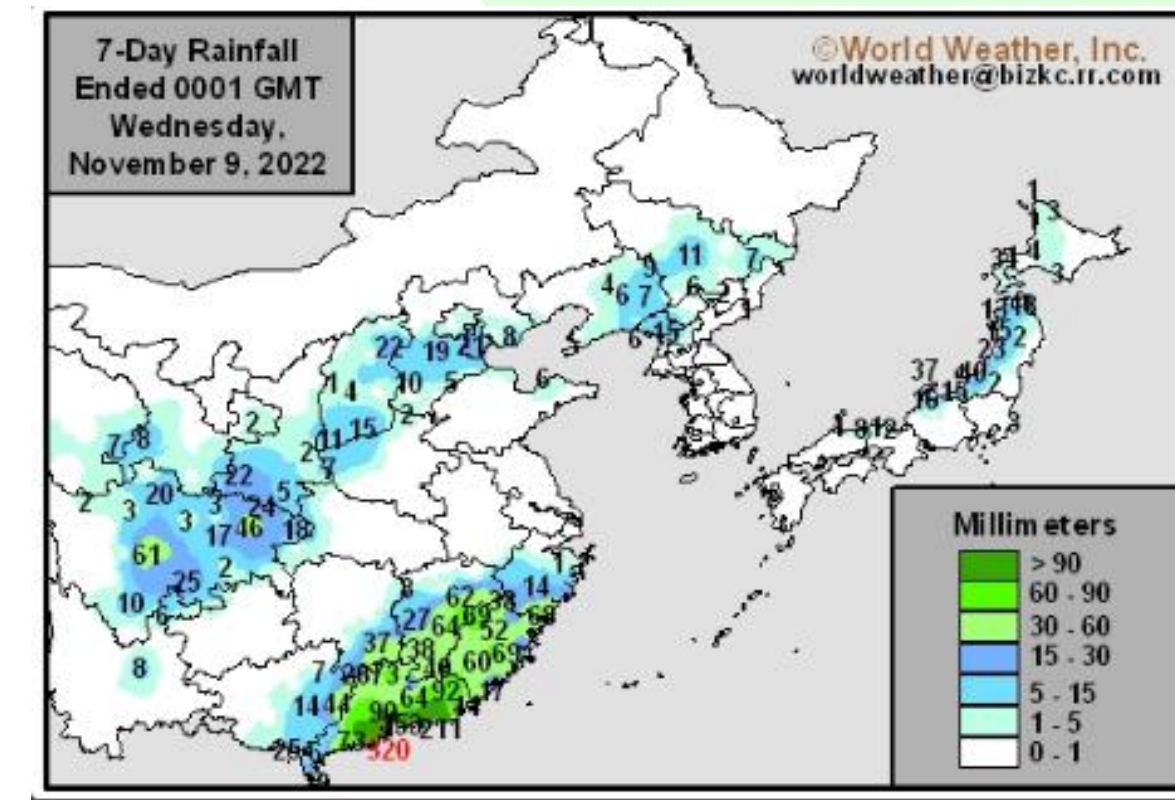
# Rice: Buy

- Rice futures closed a little higher on Thursday.
- The 2022/23 global outlook is for lower supplies, consumption, trade, and ending stocks this month. Supplies are reduced 2.5 million tons to 686.8 million, on lower beginning stocks for India and smaller production for Pakistan, Nigeria, and Sri Lanka.
- India's beginning stocks are reduced 1.0 million tons on higher exports and domestic consumption for 2021/22.
- Pakistan's 2022/23 production is lowered 0.8 million tons to 6.6 million on heavy flooding in the Sindh region expected to reduce yields. This would be Pakistan's lowest production since 2012/13.
- World 2022/23 consumption is lowered 0.3 million tons to 517.8 million on reductions for Pakistan and India.
- Global trade is reduced 0.4 million tons to 52.8 million as lower Pakistan exports are not completely offset by higher India exports.
- Projected world ending stocks are reduced 2.2 million tons to 169.0 million, primarily on reductions for India, Indonesia, Vietnam, and Sri Lanka.
- **Rice futures price found bullish support in lower global production, consumption, and ending stocks.**



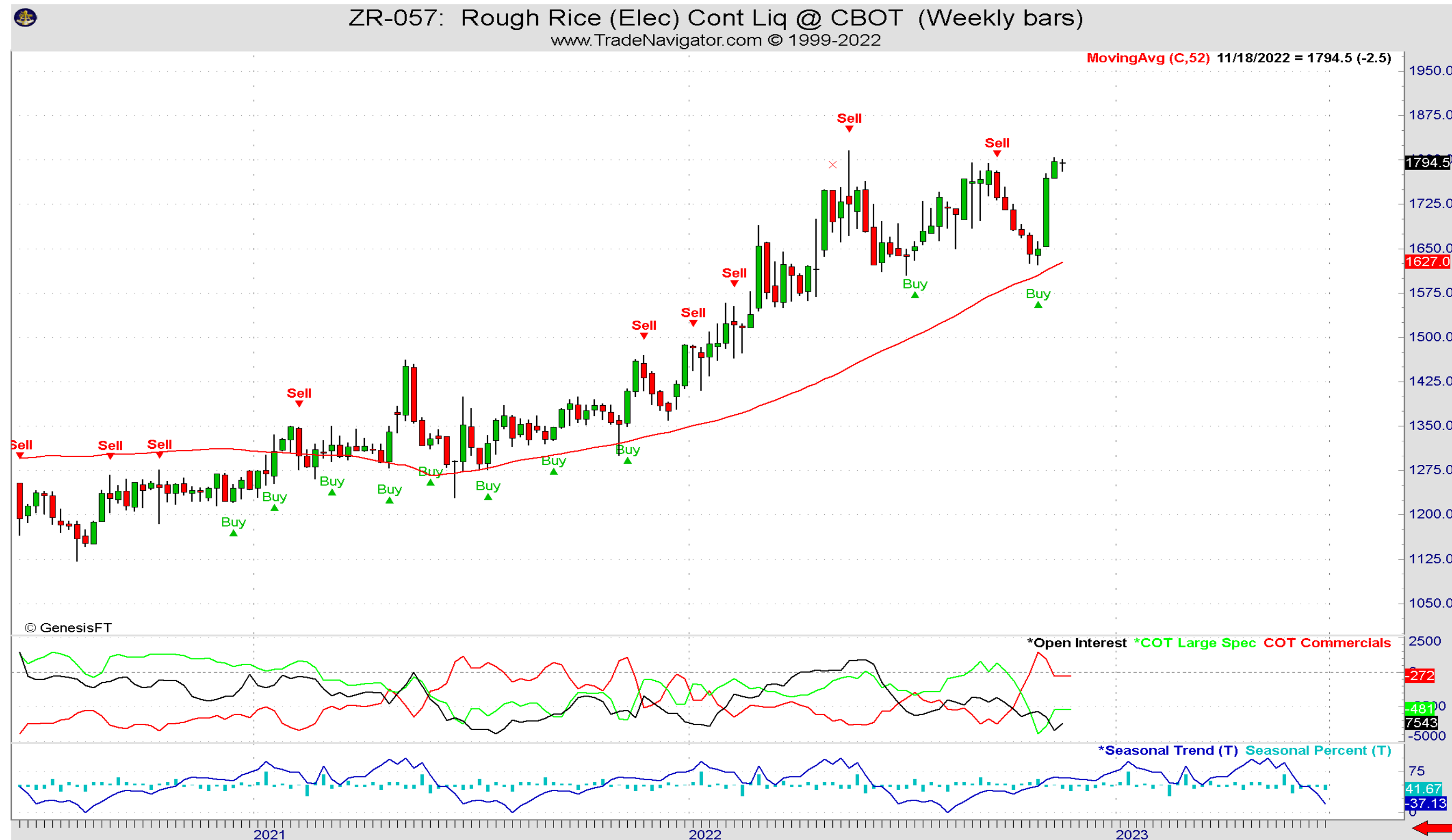
# Weather review

- Dry weather prevailed across most of eastern and southern China with the sunny conditions supporting wheat and rapeseed establishment. In addition, temperatures remained 1 to 3°C above normal, further promoting crop development. However, the warm, dry weather reduced soil moisture and necessitated more irrigation; irrigation supplies in the Yangtze Valley may be limited due to lingering late-summer drought (35 percent of normal rainfall since August 1). Meanwhile, showers (10-50 mm or more) from a weakening tropical cyclone (Nalgae) moved into southeastern China, providing limited relief from unrelenting drought since late summer.
- Seasonably dry weather prevailed across most of the region with showers (25-100 mm) limited to locales in southern-most India. The dry weather supported fieldwork that included rabi crop sowing in India and Pakistan. In fact, rabi sowing in India was well ahead of last year at this time in most areas due to ample moisture from better-than-average monsoon rain. Meanwhile, the rainfall in the south not only boosted moisture reserves for rabi crops but also later-planted kharif cotton.
- Most of rice in India had been harvested by November.



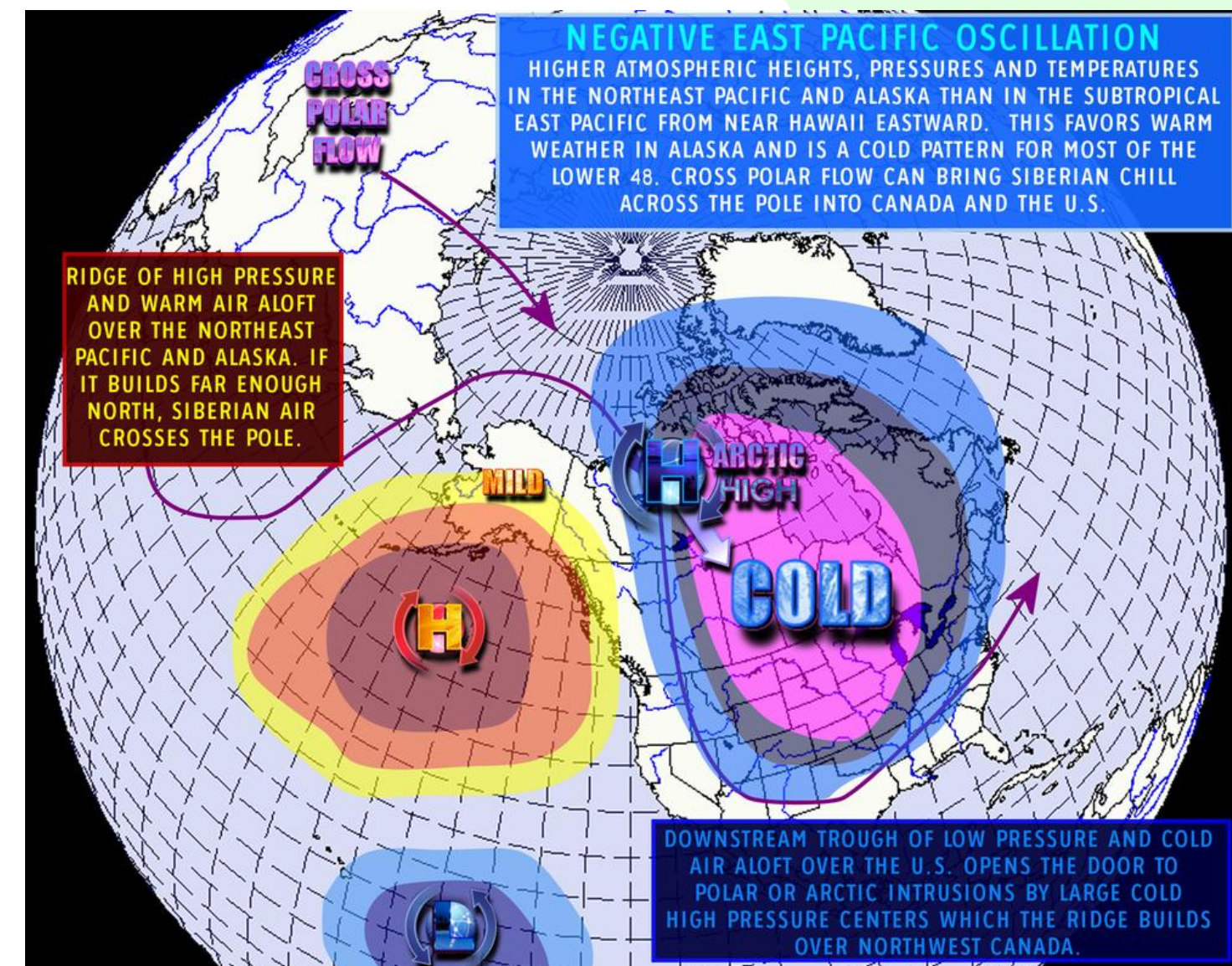
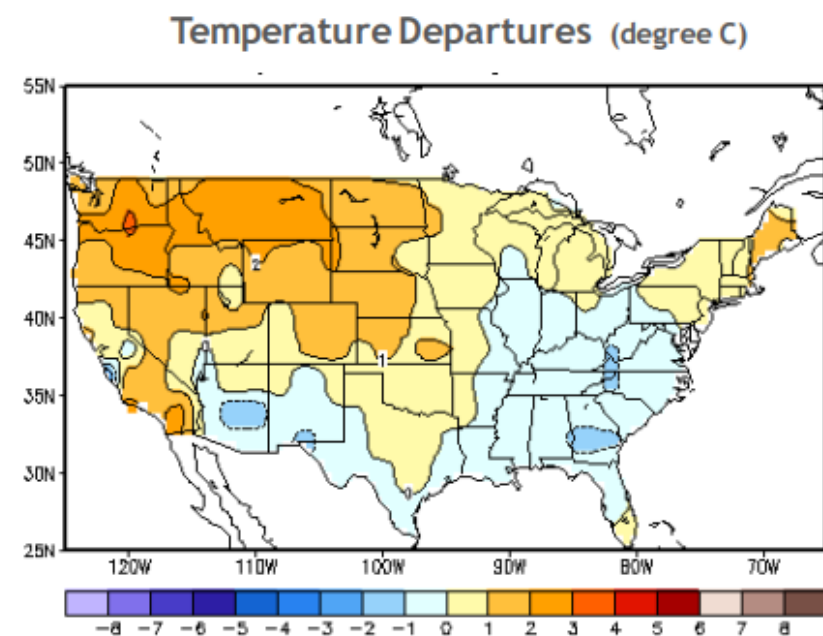


# Rice Price Chart



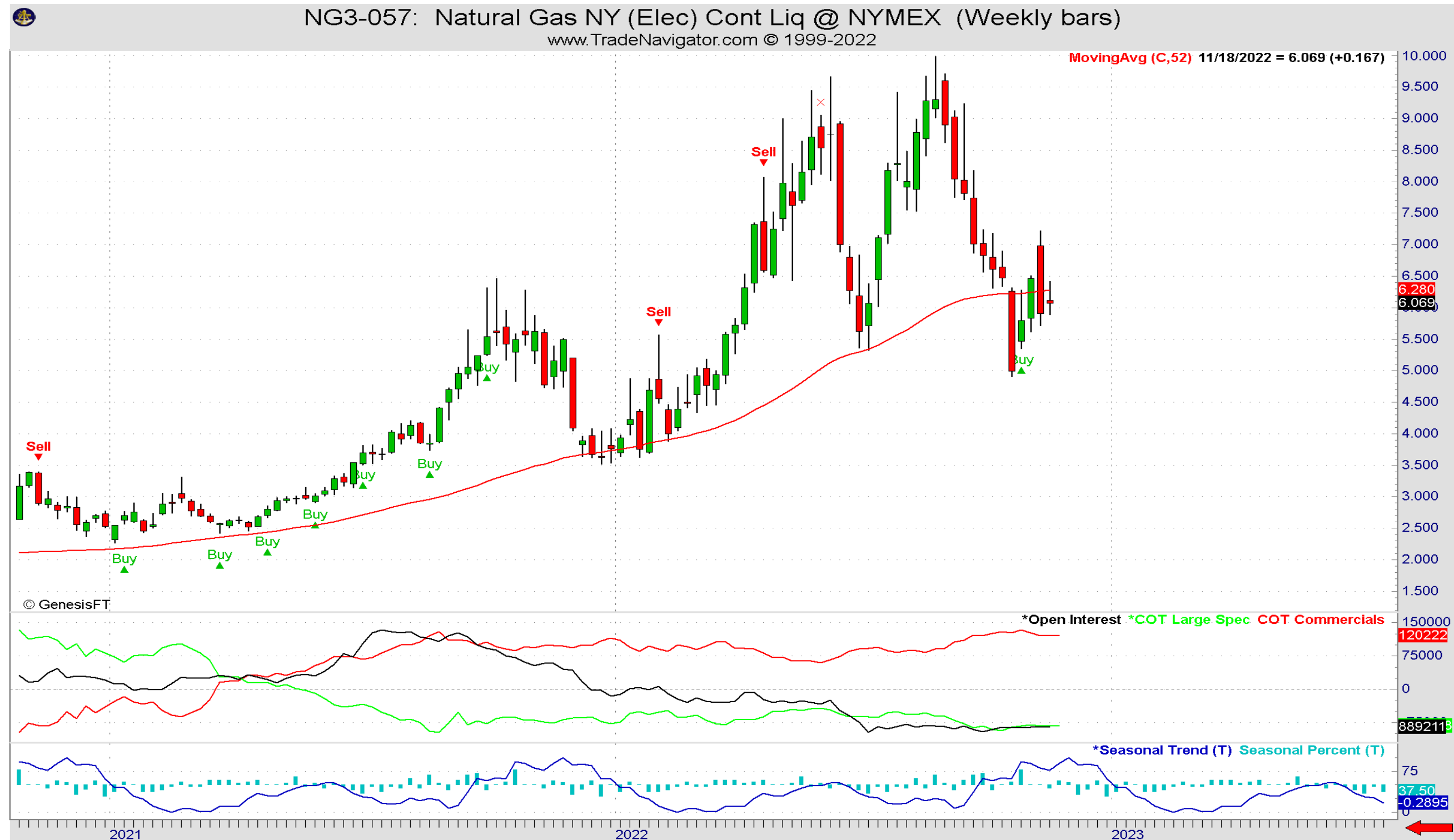
# Natural Gas: Buy

- Natural gas closed higher on Thursday
- **Natural gas is bullish on smaller inventory rise than expected and cold weather expectation in the mid of November.**
- The Eastern Pacific Oscillation or EPO is a dipole pattern similar to the NAO in the Atlantic, but located in the eastern Pacific. There is a tendency for heights/pressures/temperatures to be higher to the north and lower to the south in the negative phase and lower to the north and higher to the south in the positive phase. The negative phase corresponds to widespread cooling over central and eastern North America. Now EPO is more negative.
- As cold wind is coming from Alaska most of 48 lower states to experience much colder late fall around 13-23 November.
- If EPO will stay more negative colder December is on the way too.
- EIA report was bullish for nat-gas prices since it showed U.S. nat gas inventories rose +79 bcf in the week ended Nov 4, below expectations of +81 bcf, although well above the 5-year seasonal average gain of +20 bcf.
- Inventories remain tight and are -2.1% below their 5-year seasonal average.





# Natural Gas Price Chart



# Cotton: Buy

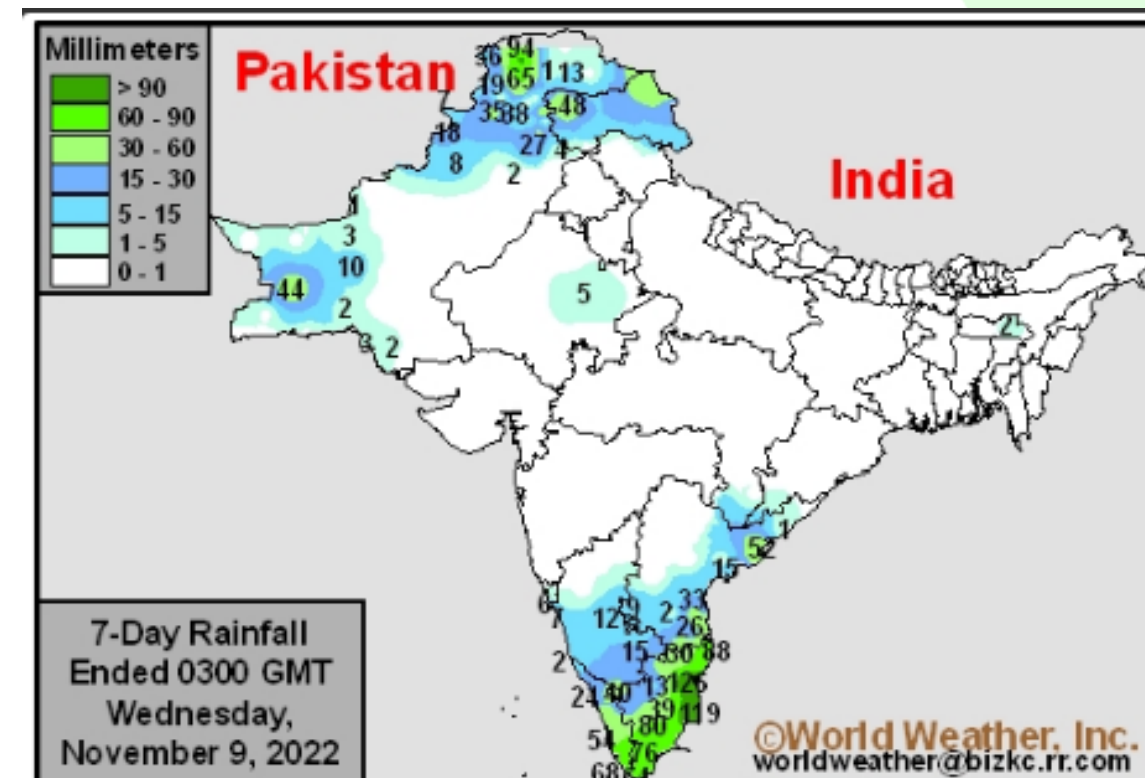
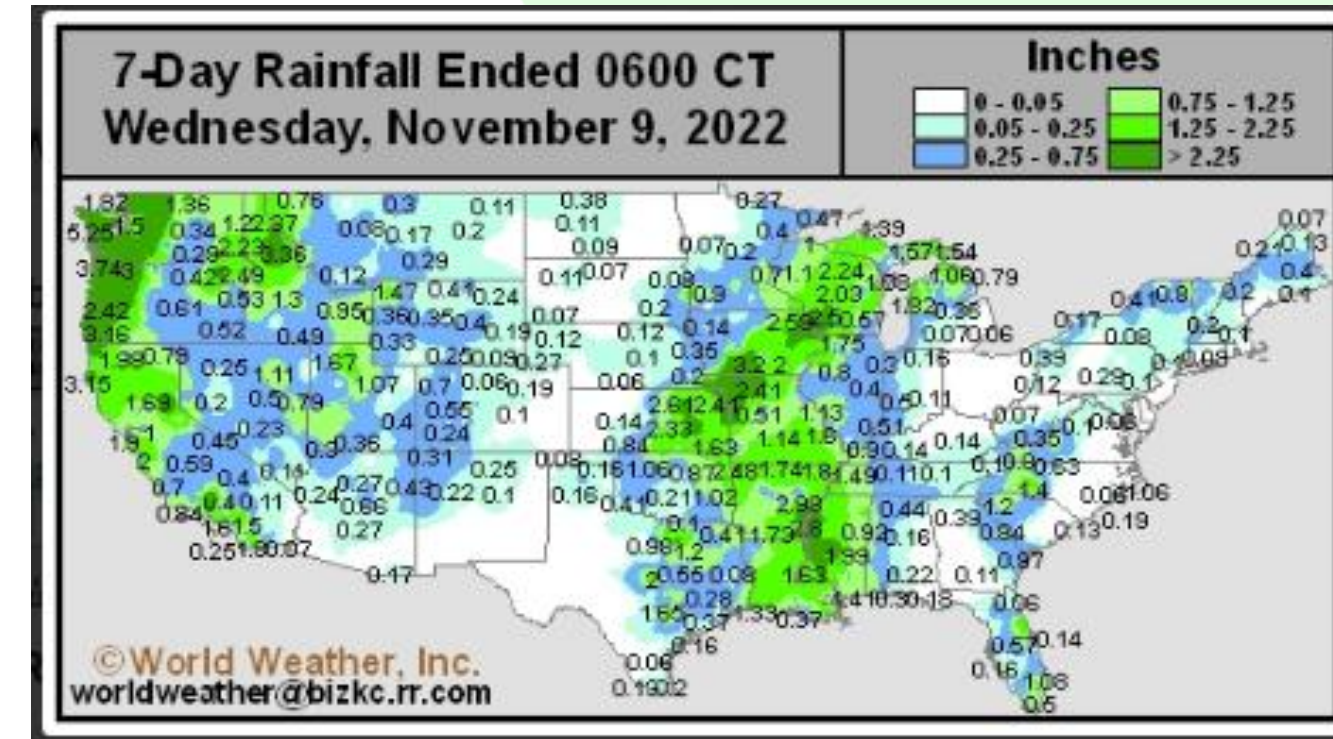
- Cotton futures gained a little on Thursday.
- This month's 2022/23 global cotton balance sheet includes lower production, consumption, trade and ending stocks.
- Production is down 1.6 million bales from last month, led by a 700,000-bale cut in Pakistan's crop as gin arrivals there signal the extent of damage from earlier precipitation and flooding. Unusually high precipitation is also driving a 500,000-bale reduction in Australia's 2022/23 crop, and in part accounts for a 630,000-bale decline in West Africa's expected output.
- Global cotton consumption is projected 650,000 bales lower this month, with a 300,000-bale cut to mill use in both Pakistan and Bangladesh.
- World trade is 400,000 bales lower, with import reductions for Bangladesh and China only partly offset by Pakistan's increase; West African exporters account for most of the decline in projected exports.
- At 87.3 million bales, world ending stocks in 2022/23 are projected 600,000 bales lower than in October, but 1.6 million higher than the year before.
- Due to approaching Holiday Christmas season demand for consumer goods including cotton is expected to increase in the coming couple of months.
- **Cotton finds bullish support on the back of lower global production, ending stocks and demand recovery due to approaching Holiday season.**
- **However, amid bearish factors to watch out for is low levels of international trade.**



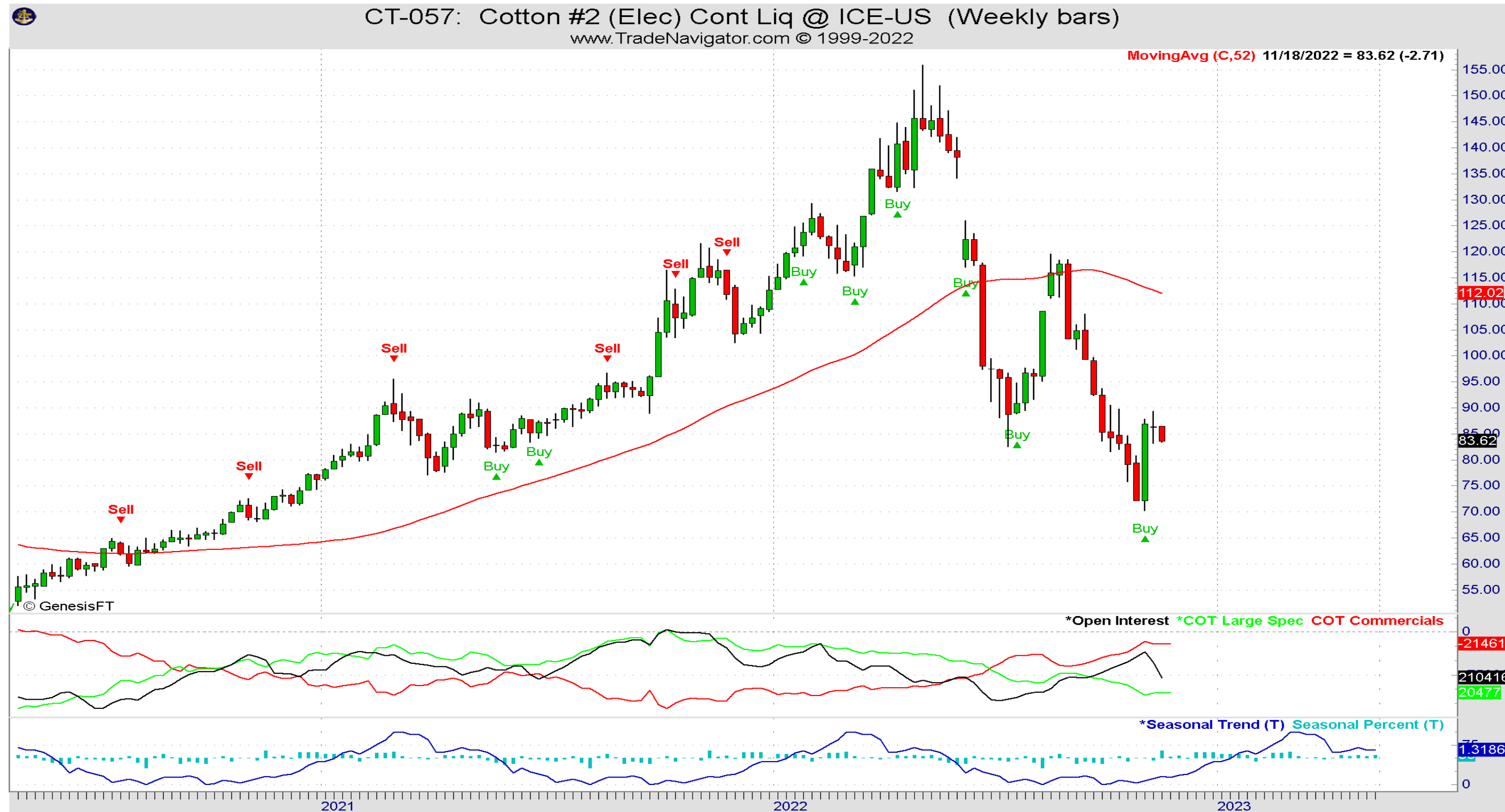


# Weather review

- In US by November 6, 62% of the nation's cotton acreage was harvested, the weather is dry and favorable for cotton harvest in US and therefore there is no weather associated risk.
- Seasonably dry weather prevailed across most of the region with showers (25-100 mm) limited to locales in southern-most India. Meanwhile, the rainfall in the south not only boosted moisture reserves for rabi crops but also later-planted kharif cotton. Most of spring planted cotton is already collected and dry weather favored the harvest collection.



# Cotton Price Chart







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