

# Commodities Markets Report

By **Max Schulz**

🕒 | Week 47 | November 21st



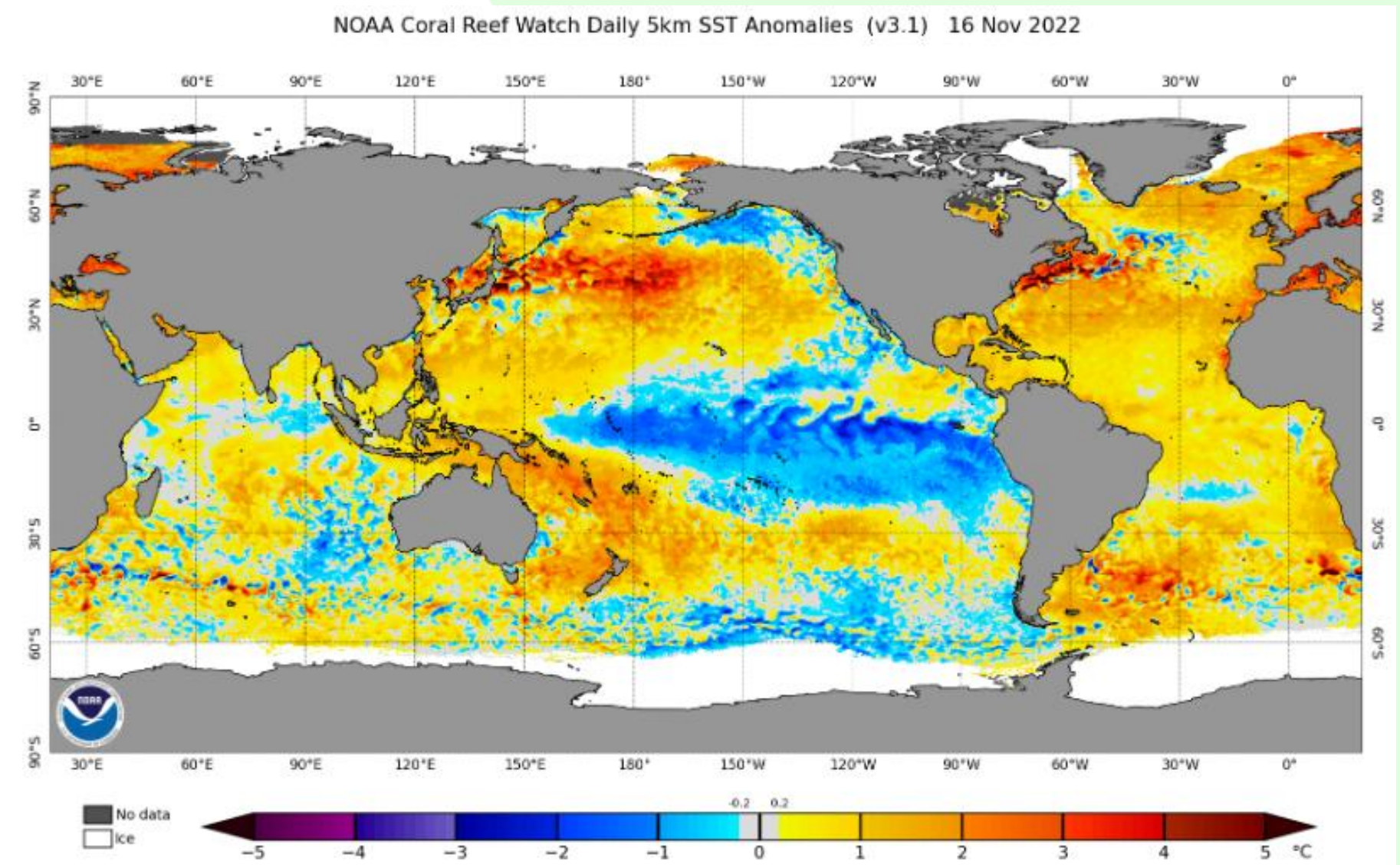
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# Global weather review

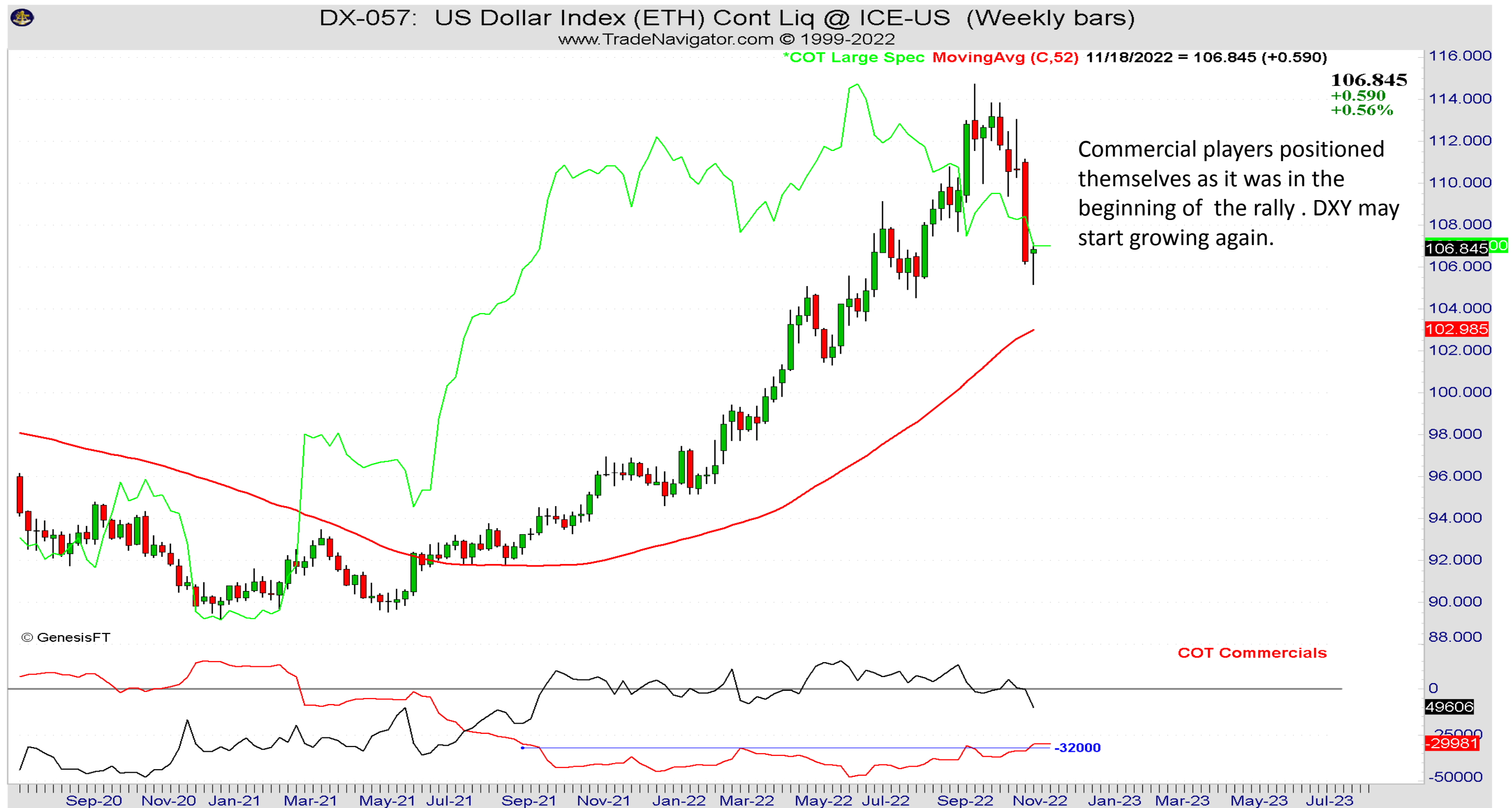
- La Nina event is weakening and more likely to collapse in El Nino in Q1 beginning of Q2 2023. There's a 76% chance of La Niña through the winter.
- La Nina being around in winter implies drier and warmer conditions in Southern California, but a wetter and colder winter in areas like Northern California and Oregon
- On the Nov 10th, Nicole became the first November hurricane to make landfall on the U.S. mainland since 1985. Nicole, a Category 1 hurricane with sustained winds near 75 mph, moved ashore just south of Vero Beach, FL, around 3 am EST. The entire state of Florida, except the western panhandle, was subjected to tropical storm-force winds (39 mph or greater), with possible impacts on a citrus crop already damaged by Hurricane Ian.
- Nicole's remnants eventually affected the entire eastern U.S., providing varying degrees of relief from autumn dryness.
- A late-week storm system produced heavy snow and local blizzard conditions in the north-central U.S., while parts of the West received drought easing precipitation. Much of the remainder of the country received little or no precipitation. Weekly temperatures averaged at least 10 to 20°F below normal from the northern Rockies to the western Dakotas. In fact, colder-than-normal conditions dominated the West, as well as the northern half of the Plains. In contrast, warmer-than-normal weather prevailed along and east of a line from Texas to Wisconsin.



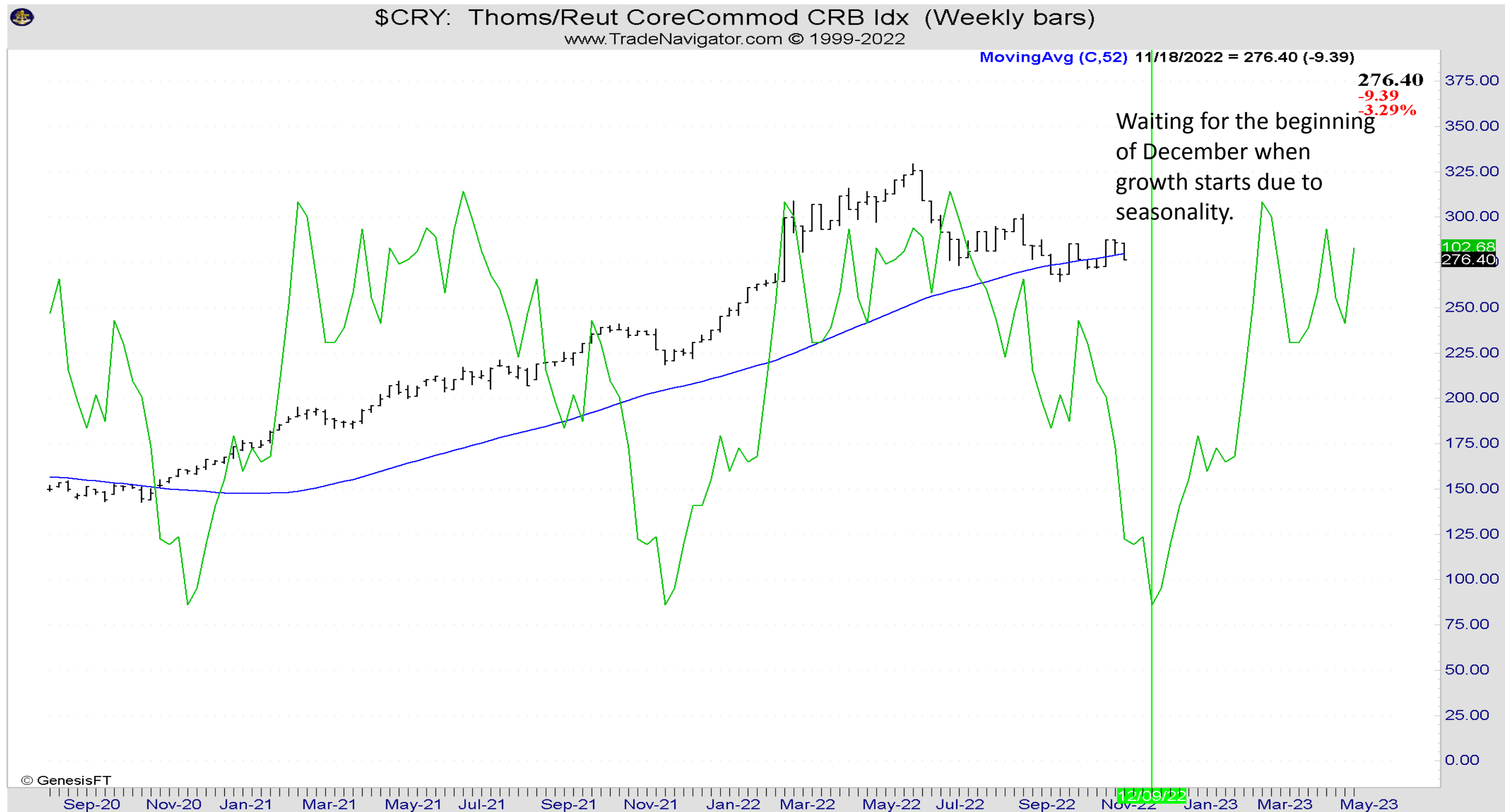
- Seasonably dry weather prevailed throughout much of India, supporting cotton crop collection in India and Pakistan. However rains in Telangana may do some damage to ongoing collection of crops. Meanwhile, rainfall (25-100 mm) for the current period was limited to southern-most India and Sri Lanka.



# Dollar Index



# Commodities Index



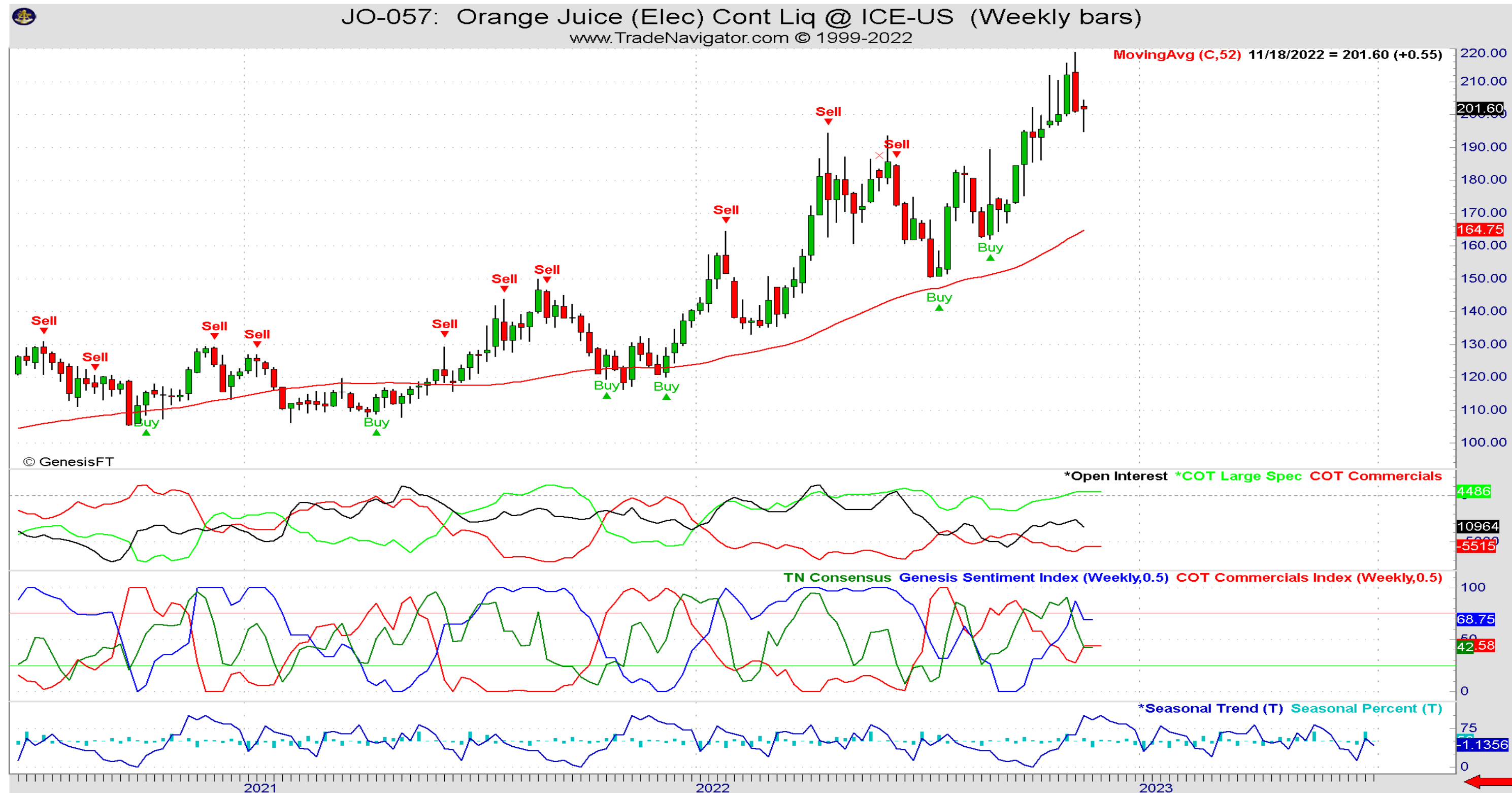


# Orange Juice: Sell

- OJ was lower yesterday and the market has topped out on the daily charts.
- October to June is season in Florida for oranges to be collected, seasonality puts downward pressure for Orange Juice prices.
- **Expectation of frost in Florida and Hurricane Nicole created short term bullish factor for OJ prices, however there is no major crop damage.**
- 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.
- In Florida historically low estimates of production due in part to the hurricane and in part to the greening disease has hurt production remain in place. However, demand is lower too.
- Scarcity in US oranges is fully substituted by cheaper oranges from Brazil.
- The weather remains generally good for production around the world for the next crop but not for production areas in Florida that have been impacted in a big way by the storm. Brazil has some rain and conditions are rated good. Mostly dry conditions are in the forecast for the coming days.
- **In Brazil harvest season goes on 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



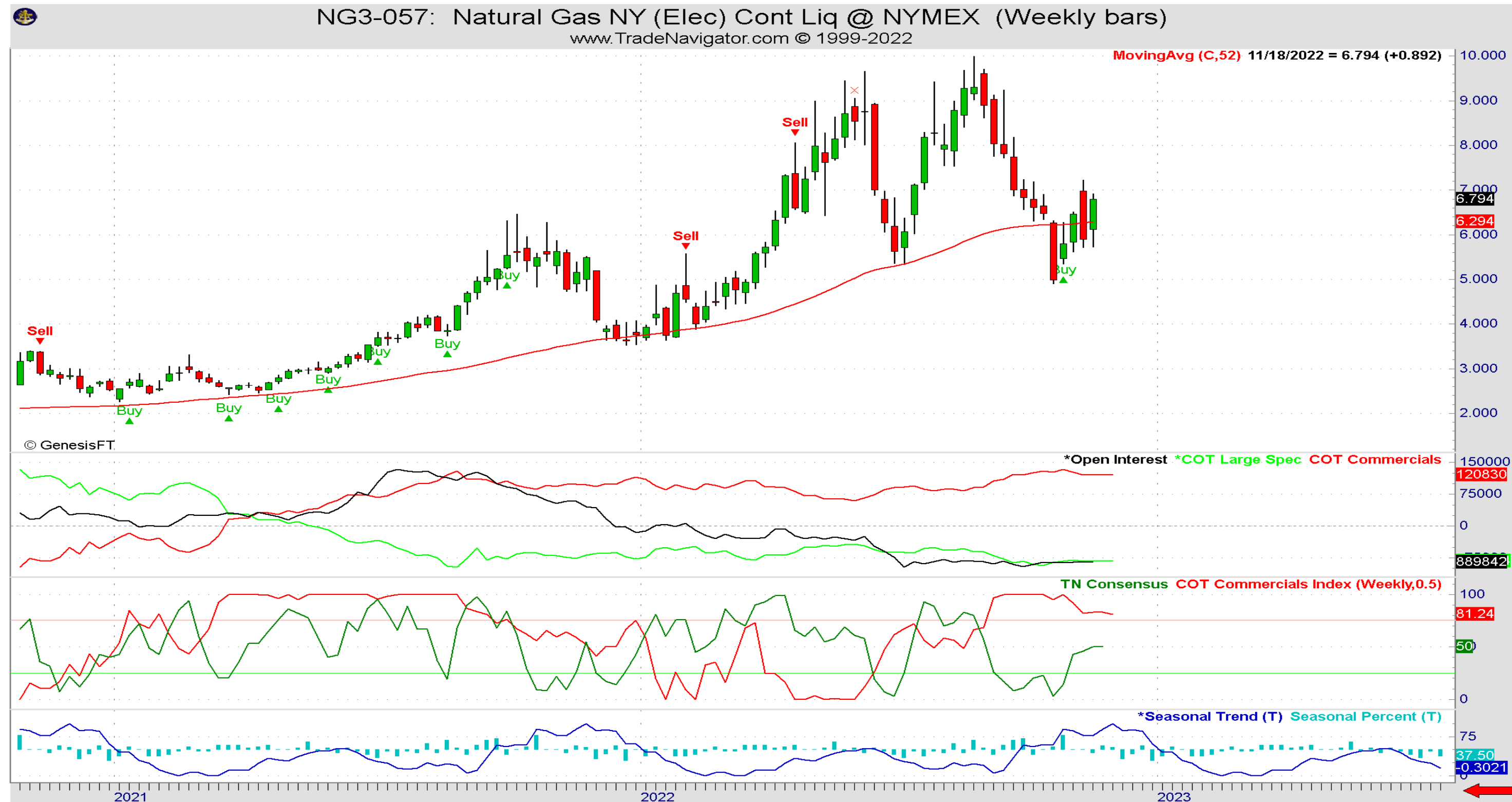
# Natural Gas: Buy

- Dec natural gas prices on Thursday posted moderate gains.
- Weekly EIA inventories rose less than expected, inventories rose +64 bcf last week, below expectations of +66 bcf.
- Prices saw support from colder than expected this week US weather forecast it have shifted to "significantly colder" this drives demand upwards.
- US temperatures are expected to be well below normal over the eastern half of the U.S. from Nov 21-26.
- Current below-normal temperatures have boosted heating demand as lower-48 state total gas demand on Thursday was 97.3 bcf/day, +32.1% y/y, according to BNEF.
- Edison Electric Institute reported that total U.S. electricity output in the week ended Nov 12 rose +1.7% y/y to 70,667 GWh.
- Cumulative U.S. electricity output in the 52-week period ending Nov 12 rose +2.1% y/y to 4,114,661 GWh.
- Amid geopolitical factors, EU countries agreed to cut natural gas purchases from Russia by 15% by early 2023.
- **Natural gas prices have bullish support on lower than expected rise of inventories and weather factor.**





# Natural Gas Price Chart



# Cotton: Buy

- Cotton futures closed off their lows on Thursday.
- There are hopes that China is about to open again despite its zero tolerance Covid policies. Chinese demand is especially a problem as parts of Wuhan and Shanghai in China got locked down again last week.
- November 2022/23 global cotton balance sheet remained unchanged from last week includes lower production, consumption, trade and ending stocks.
- Due to approaching Holiday Christmas season demand for consumer goods including cotton is expected to increase in the coming couple of months.
- USDA's weekly Crop Progress report showed cotton US harvest progressed 9% points to 71% complete as of 11/13.
- In India cotton production is expected to fall dramatically in Telangana as a result of the four months of incessant rain and pest attacks. While cotton output is expected to be low, cotton quality is also likely to be affected by the same factor.
- India's cotton output for the season ended September 30, 2022, fell to 307.5 lakh bales (against 360.13 lakh bales estimated at the beginning of the season in October last year. This is the lowest since 2007-08 when the production was 307 lakh bales.
- **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.**

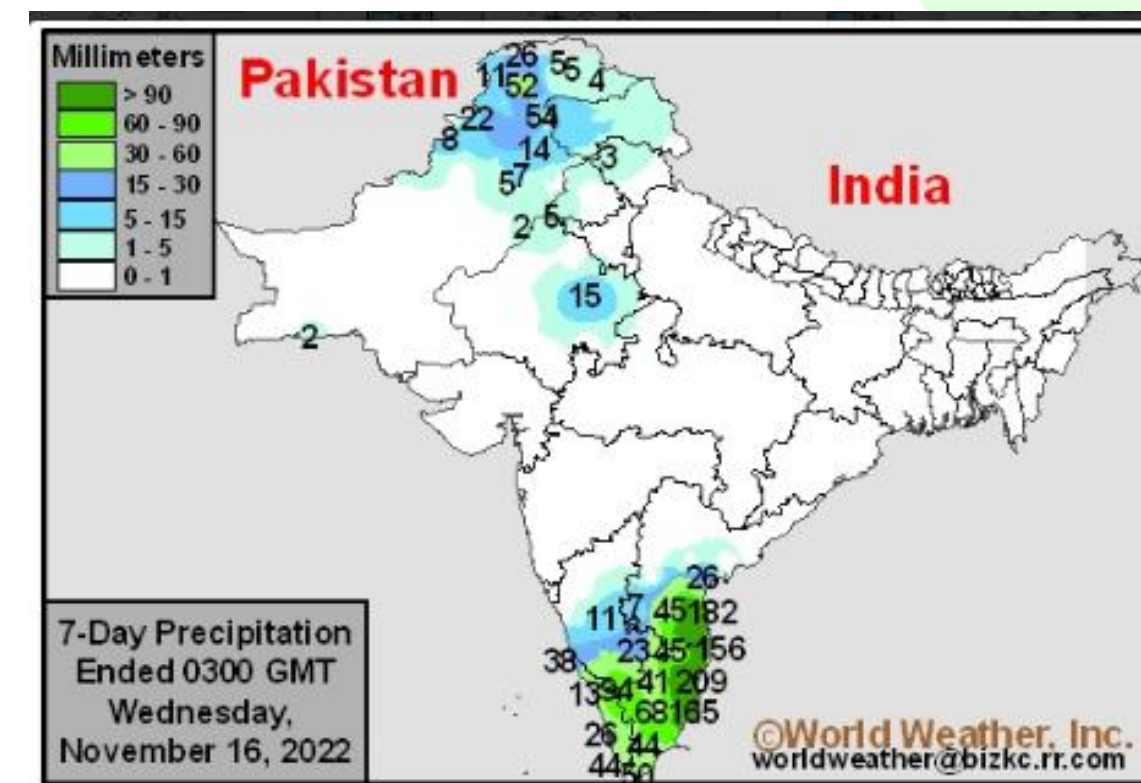
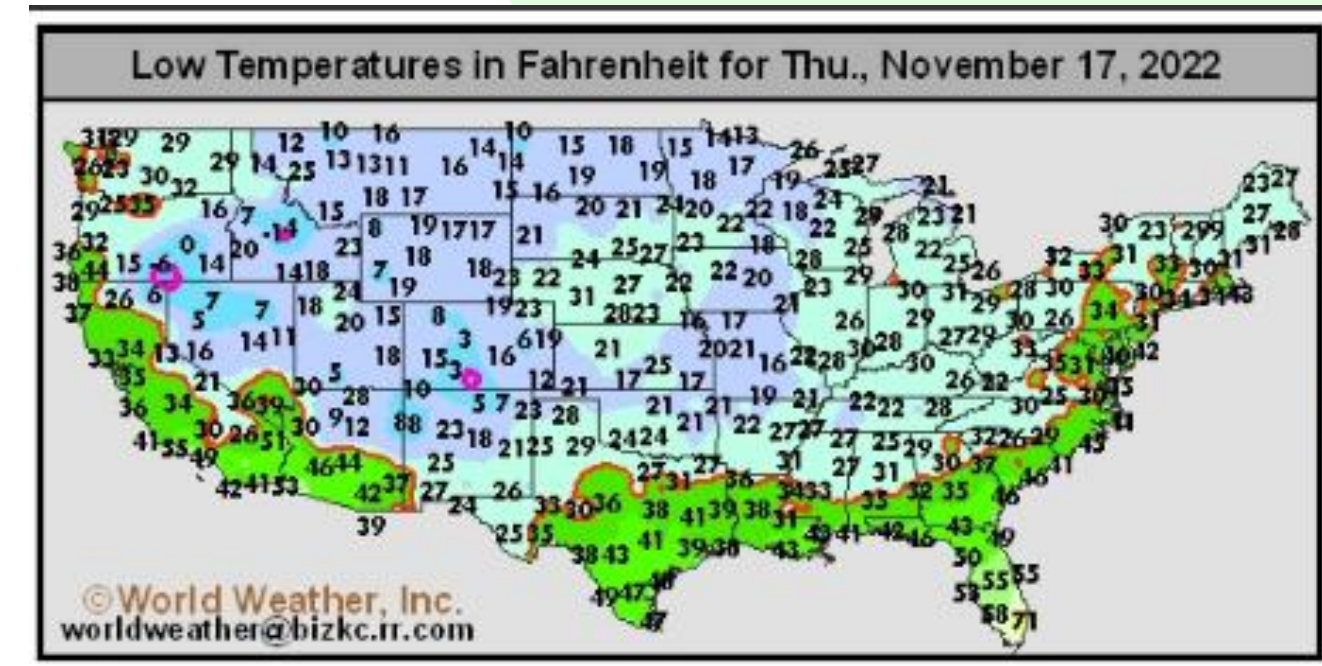


- Global production is down 1.6 million bales from last month.
- Global cotton consumption is projected 650,000 bales lower this month, with a 300,000-bale cut to mill use in both Pakistan and Bangladesh.
- World trade is 400,000 bales lower, with import reductions for Bangladesh and China only partly 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.

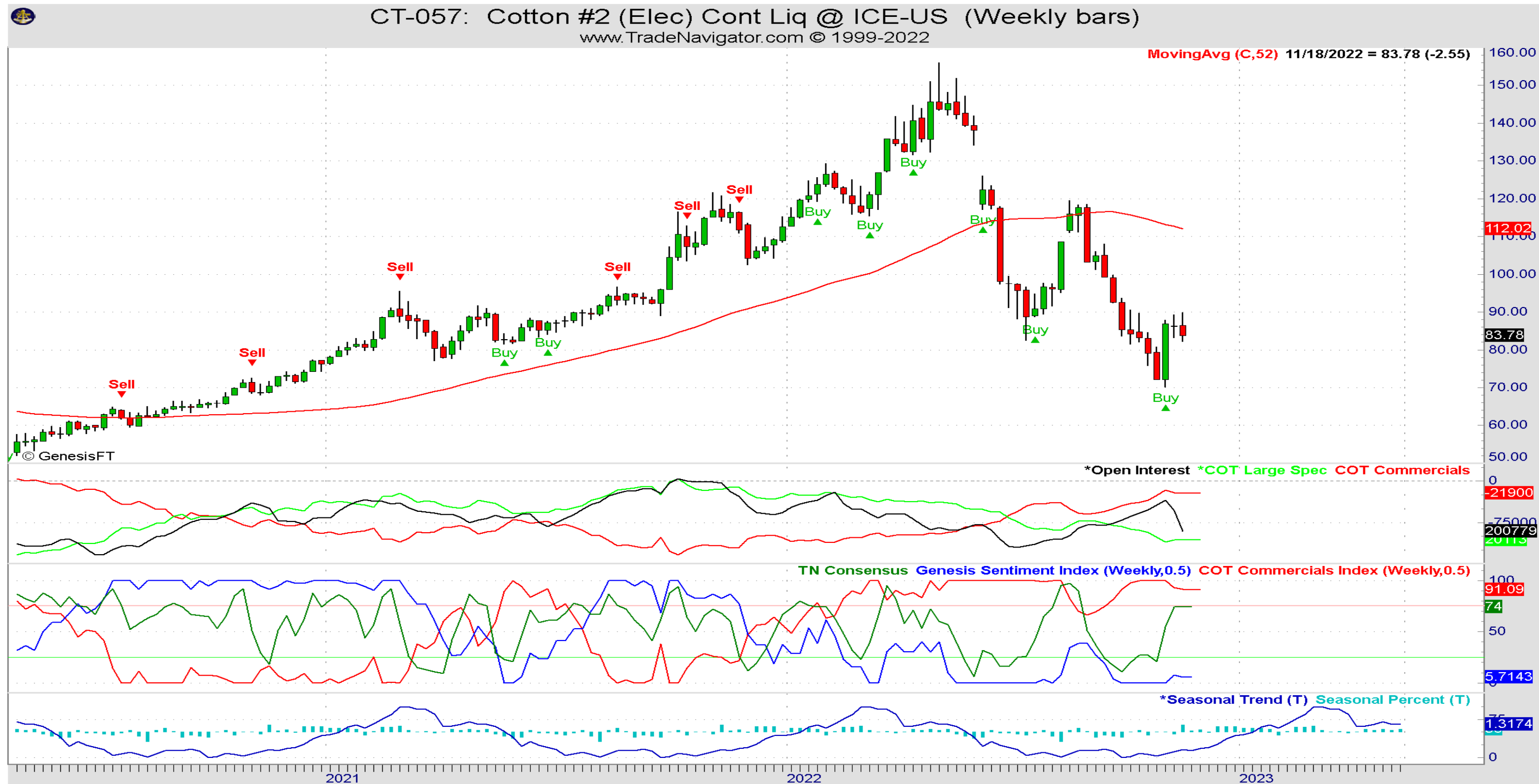


# Weather review

- In US by November 13, 71% of the nation's cotton acreage was harvested, warmer-than normal weather prevailed along and east of a line from Texas to Wisconsin favoring cotton harvest season.
- Seasonably dry weather prevailed throughout much of India, supporting cotton crop collection in India and Pakistan. However rains in Telangana may do some damage to ongoing collection of crops. Meanwhile, rainfall (25-100 mm) for the current period was limited to southern-most India and Sri Lanka.



# Cotton Price Chart





# Grains: Hold

- Corn and wheat are in short term bearish mode.
- Right now we are not considering any positions.
- **In long term outlook bullish rally may occur in December.**





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