

Commodities Markets Report

By **Max Schulz**

🕒 | **Week 19 | May 7th**



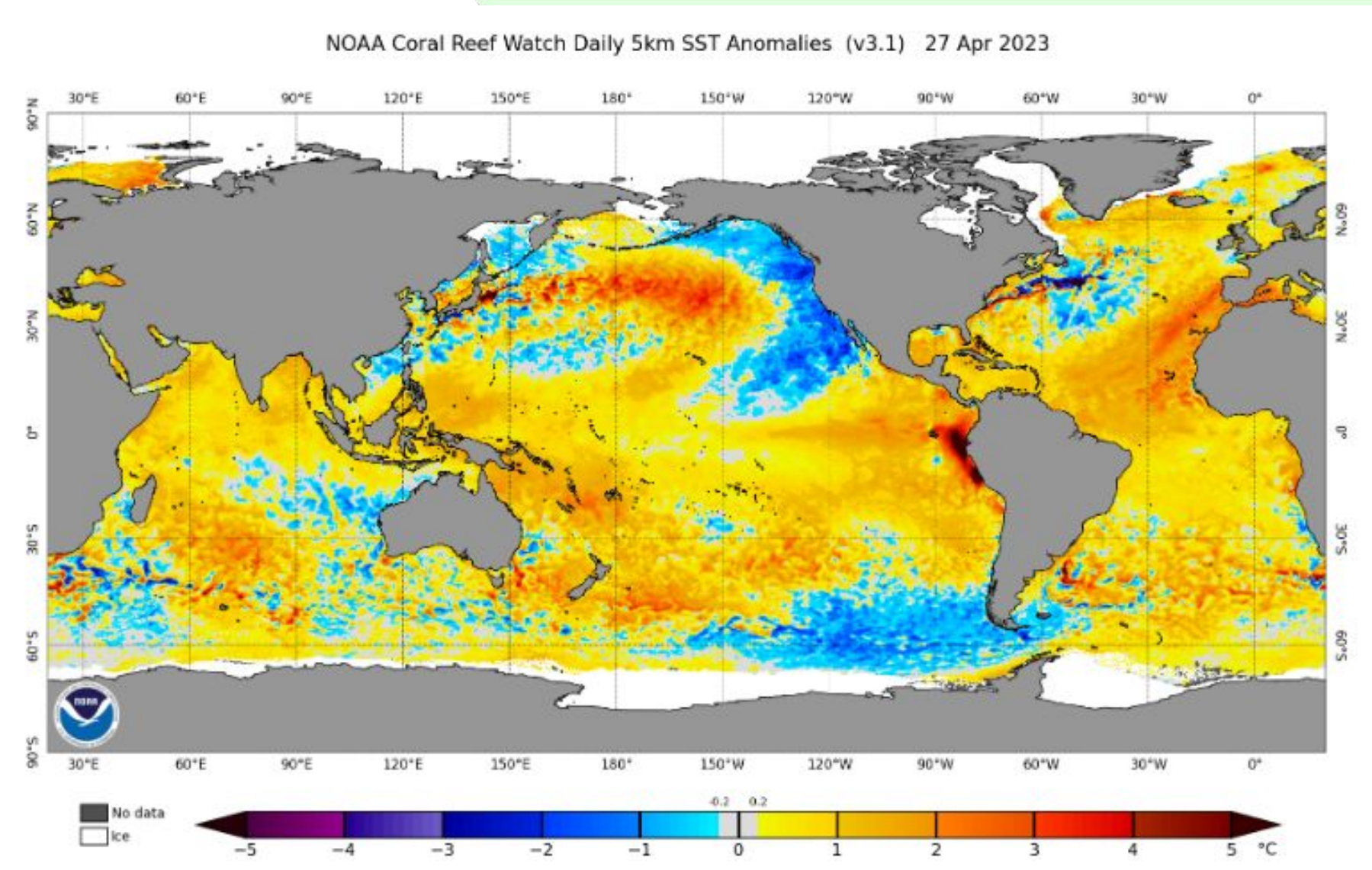


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Global weather review

- The likelihood of El Niño developing later this year is increasing, according to a new update from the World Meteorological Organization (WMO). This would have the opposite impacts on weather and climate patterns in many regions of the world to the long-running La Niña and would likely fuel higher global temperatures.
- There is a 60% chance for a transition from ENSO-neutral to El Niño during May-July 2023, and this will increase to about 70% in June-August and 80% between July and September, according to the Update.
- India's IMD predicts, that May is likely to be particularly scorching in large parts of eastern India but Delhi, Punjab, Haryana, Rajasthan, Gujarat while still sizzling, these regions are likely to see increased rain and limited heatwaves.
- In Brazil coffee regions saw excessive rains, drier weather is needed during coffee harvest season
- Colombia saw excessive amount of rain, drier weather is needed for coffee crops collection,



Dollar Index



Goldman Sachs Commodities Index



Sugar: Buy

- Sugar prices closed a little higher on Wednesday
- India is planning to ban additional sugar exports this year due to lower than expected sugar production.
- India has allowed only 6 MMT of sugar exports in 2023 after exporting 11.2 MMT in 2022, decrease of -46% y/y.
- Indian Sugar Mills Association 2023 cut sugar production estimate to 32.8 MMT from a Jan estimate of 34 MMT.
- International Sugar Organization in February raised its 2023 global sugar deficit estimate to -2.25 MMT from -1.67 MMT.
- European Association of Sugar Manufacturers in December predicted that EU 2023 sugar output to fall -7% y/y to 15.5 MMT.
- The U.S. Climate Prediction Center in April raised the likelihood of an El Nino weather pattern emerging between August and October to 74% from 61% a month ago.

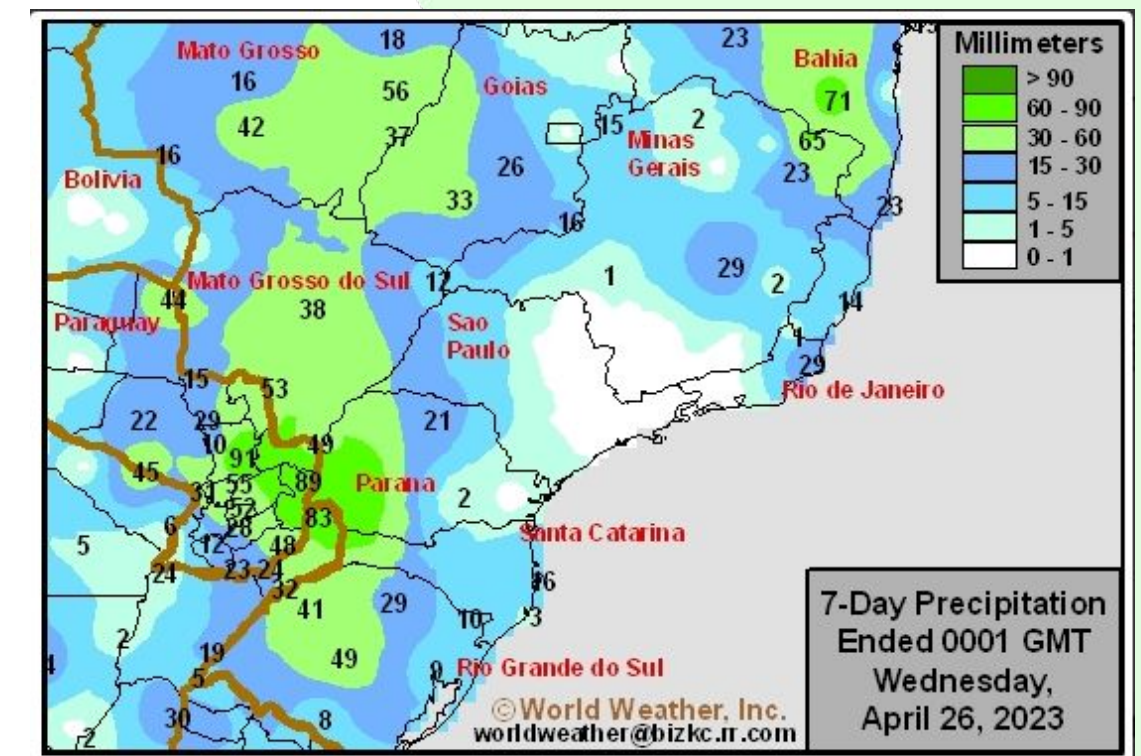
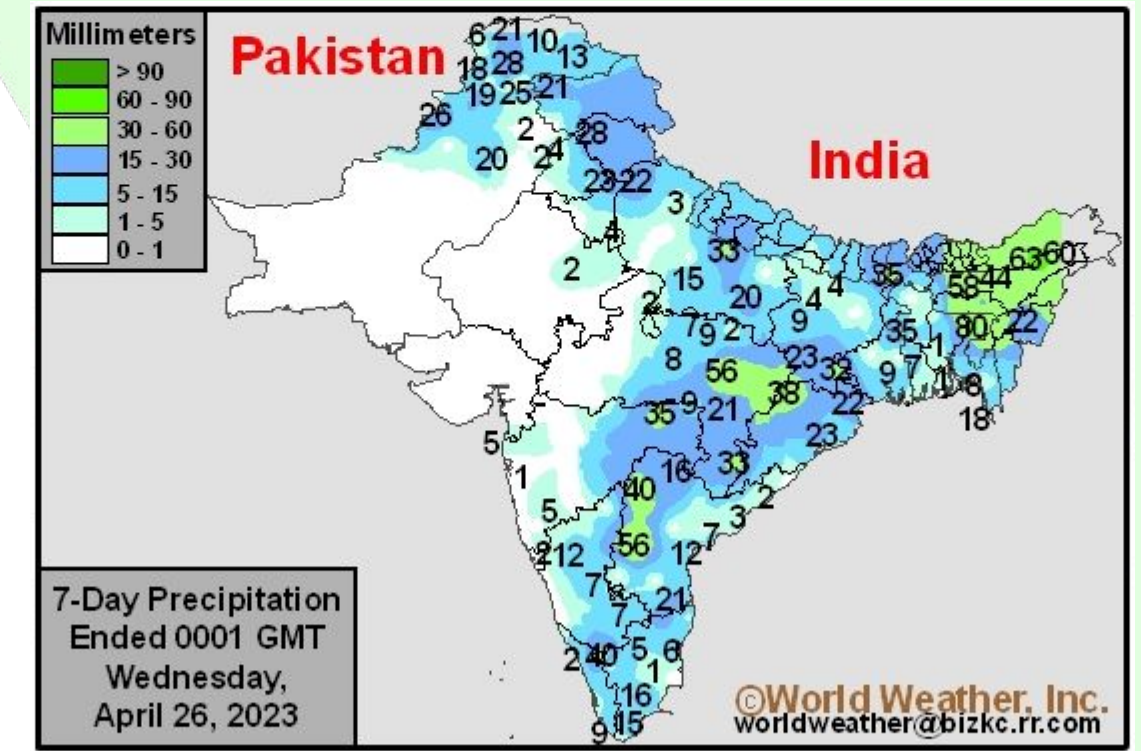


- If El Nino pattern occurs, it could bring heavy rains to Brazil and drought to India, negatively impacting sugar crop production. The last time El Nino brought dryness to sugar crops in Asia was in 2015 and 2016.
- **Sugar prices are bullish on lower production in India and Europe, rising deficit.**



Weather outlook

- May, generally the hottest month in most of India, is likely to be particularly scorching in large parts of eastern India but Delhi, Punjab, Haryana, Rajasthan, Gujarat – while still sizzling – are likely to see increased rain and limited heatwaves, according to the India Meteorological Department (IMD) on April 28. Normal to above-normal rainfall is expected over northwest India, parts of west-central India and the northern part of peninsular India,” the IMD’s monthly-outlook statement said. “Below-normal rainfall is likely over most parts of northeast India, east-central India and south peninsula”. There will be more than usual heatwave days over Bihar, Jharkhand, Odisha, Gangetic West Bengal, East Uttar Pradesh, coastal Andhra Pradesh, Chhattisgarh, Madhya Pradesh, Telangana, and coastal Gujarat. Heatwaves in these parts of India do not see mercury levels rise as high as in north and northwest India but greater humidity levels combined with the heat, pose a relatively higher health risk. Rainfall in May is likely to be “normal” or within a 10% window of what’s usual for the month, the statement added. Heatwaves are defined by temperatures being persistently over 45 degrees Celsius or 4-5 degrees more than what’s normal for a region.
- Showers maintained favorable prospects for immature corn in central and southern Brazil. Rainfall totaled 10 to 50 mm – locally approaching 100 mm – from southeastern Mato Grosso to Rio Grande do Sul. Highest daytime temperatures in these locations ranged from the lower and middle 30s (degrees C) in traditionally warmer locations to the middle and upper 20s in the south. Drier conditions prevailed elsewhere, with highest daytime temperatures reaching the middle 30s by week’s end



Sugar price chart



Coffee: Sell

- Coffee prices closed little lower on Wednesday.
- Despite the concerns about the volume to be harvested in the 2023/24 crop, beans are developing well. Crop activities are expected to begin between late April and early May in some areas in Minas Gerais and in São Paulo. In northern Paraná, where beans are still green, activities will be delayed
- World coffee production is expected to bounce back by 1.7% to 171.3 million bags in 2022/23.
- Arabica coffee beans harvest is projected to increase by 4.6% to 98.6 million bags in coffee year 2023, following a 7.2% decrease the previous coffee year. Reflecting its cyclical output,
- Arabica's share of the total coffee production is expected to increase to 57.5% from 55.9%y/y.
- South America is and will remain the largest producer of coffee in the world, despite suffering from the largest drop in output for almost 20 years, which fell by 7.6% in coffee year 2021/22.

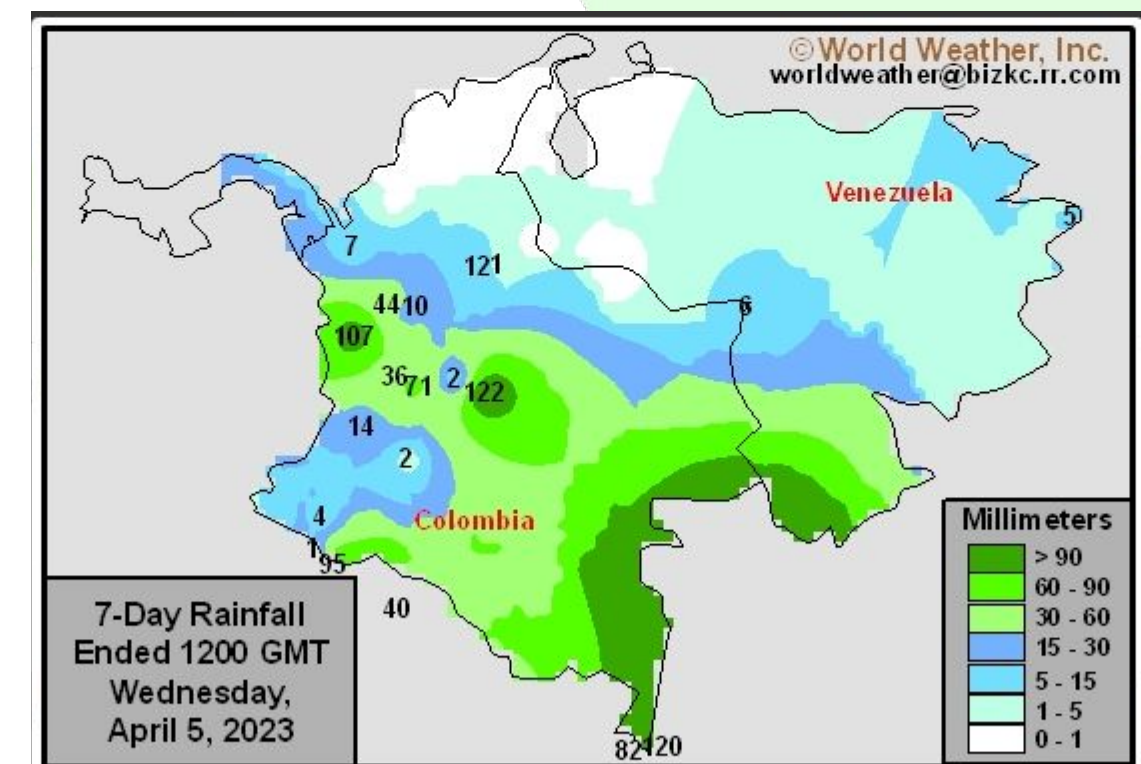
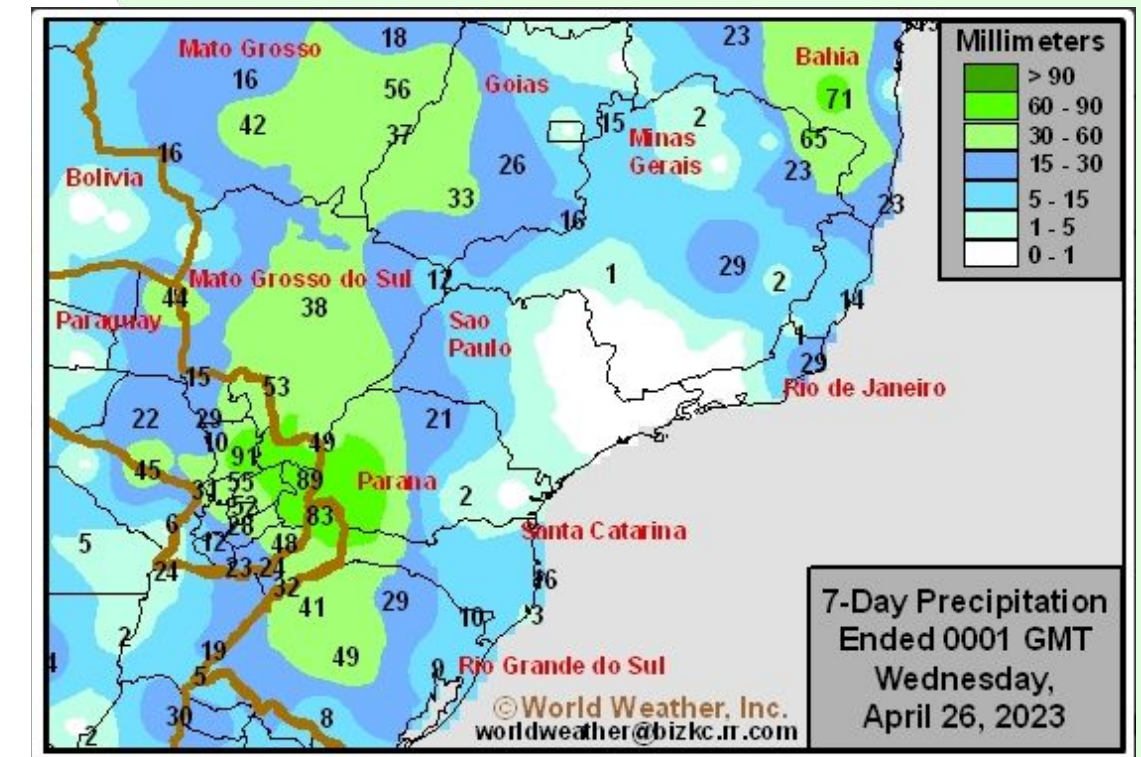


- The recovery in coffee year 2022/23, partly driven by biennial production, is expected to push the region's output to 82.4 million bags, a rise of 6.2%.
- Coffee harvest season in Brazil commenced in early April and goes on to September, new crop pressure is bearish for prices.
- **Coffee prices find bearish support on new crop harvest that starts in late April/early May and goes on to September, higher expected production.**

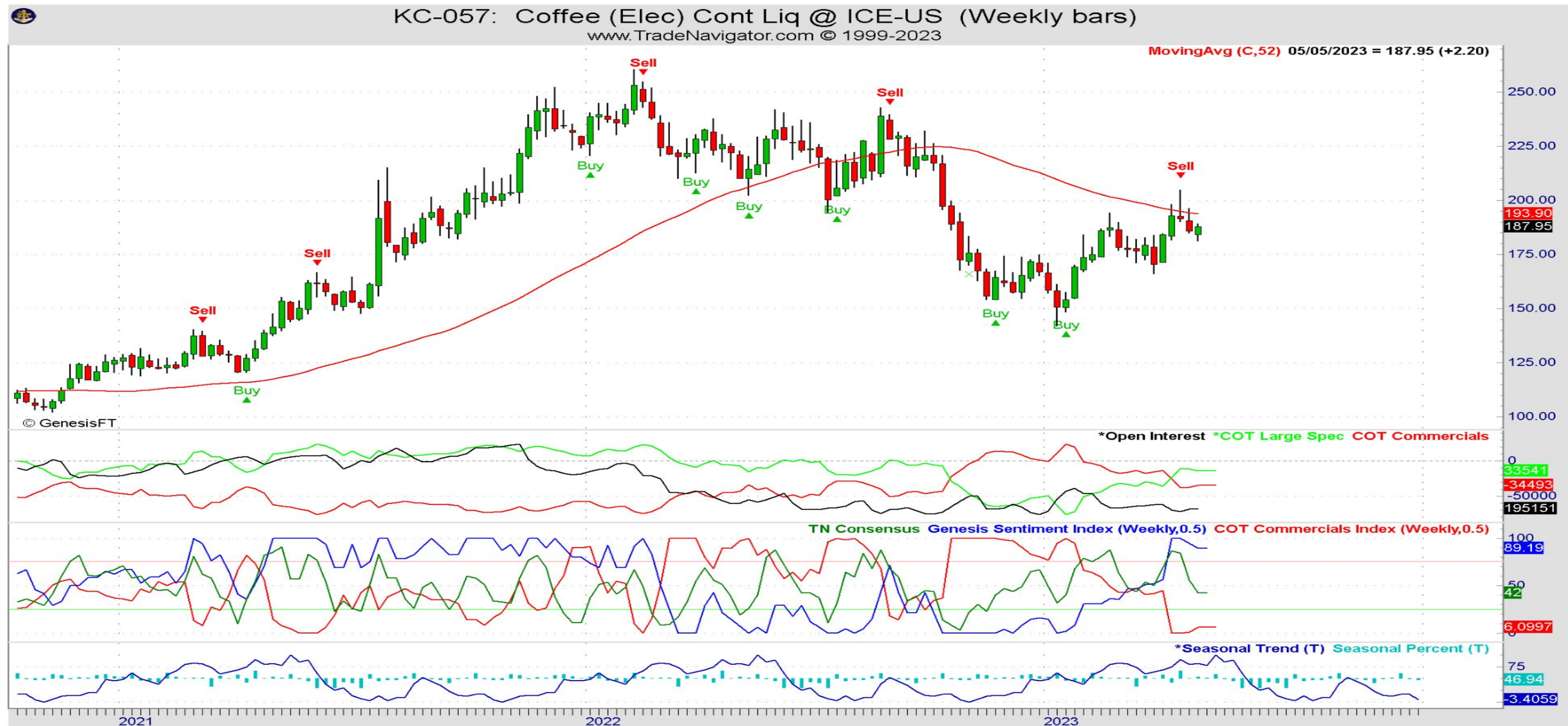


Weather outlook

- Somar Meteorologia reported Minas Gerais region received 38.9 mm of rain in the week ended April 23, or 469% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop. Drier weather is needed for coffee crops collection.
- Colombia remained excessively wet for coffee crops, drier weather is needed for successful collection of crops.



Coffee 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.

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Soybean Oil





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