

Commodities Markets Report

By **Max Schulz**

🕒 | **Week 15 | April 9th**



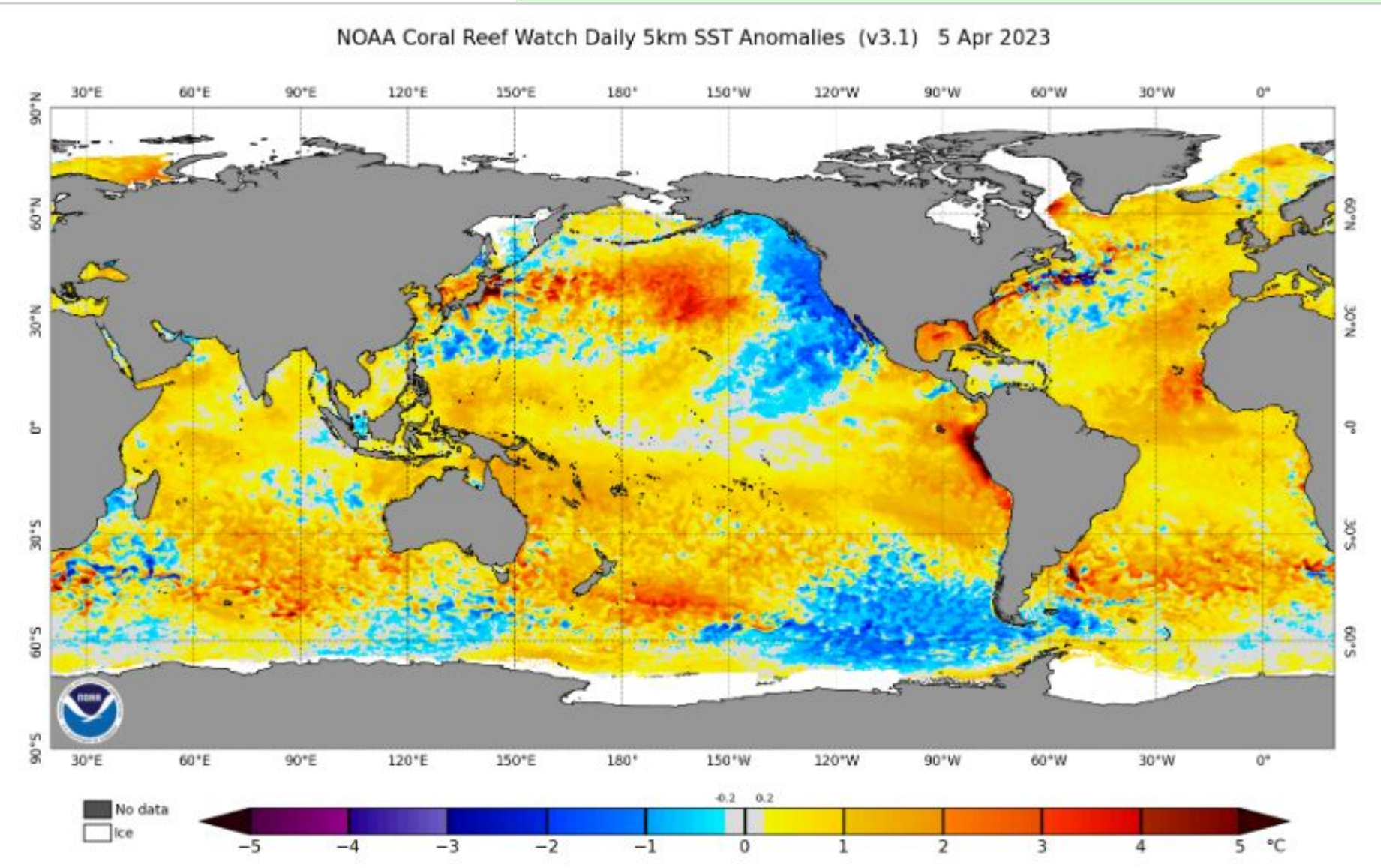


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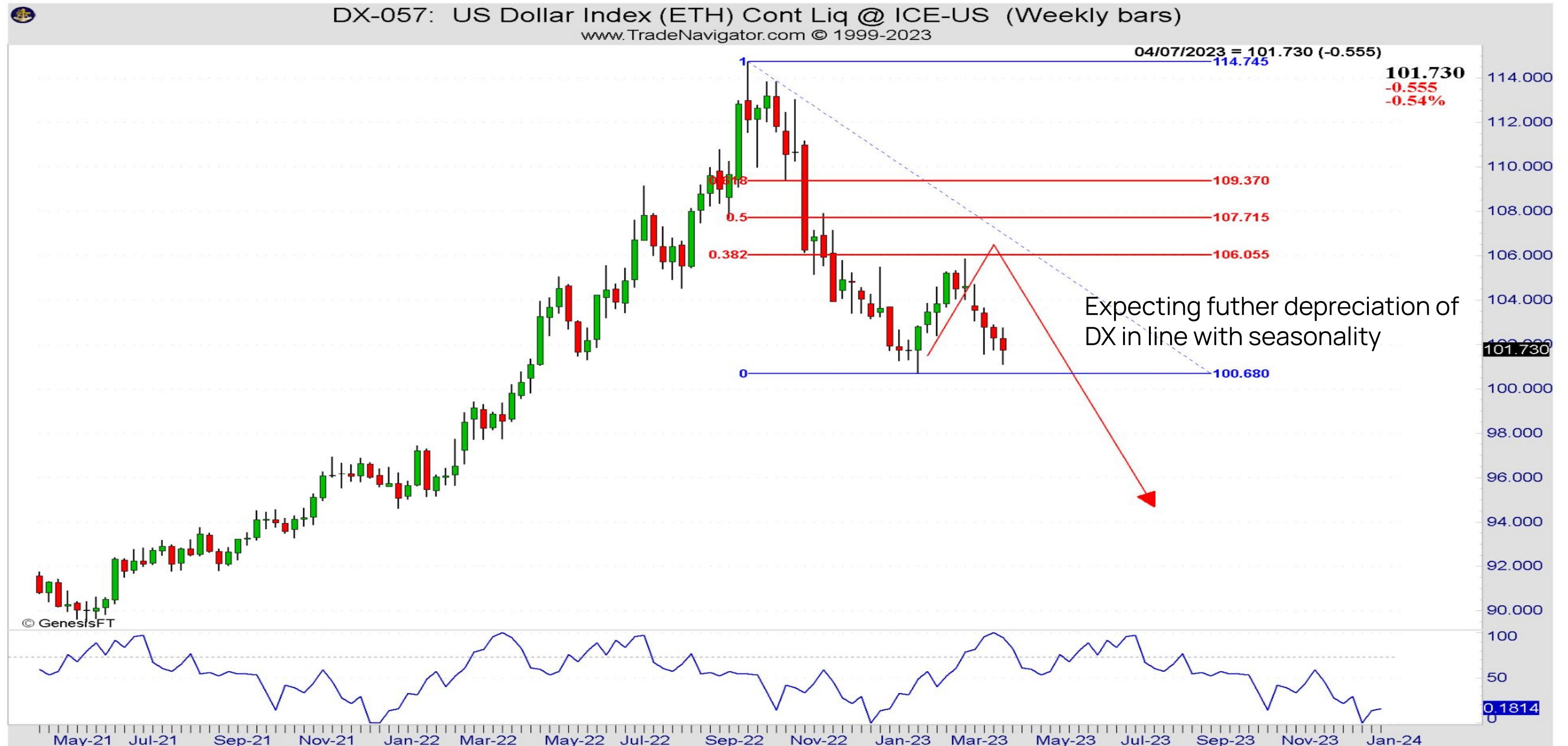
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Global weather review

- El Niño, a global weather phenomenon, looks set to return this summer.
- A transition to El Niño is favored by July-September 2023, with chances of El Niño increasing through the fall.
- It's unclear how strong the coming El Niño will be – some models predict it could reach super-strength, others suggest it will be more moderate.
- The term refers to unusually high surface temperatures in the Pacific Ocean.
- Wet weather further eased drought in France and maintained favorable winter crop prospects in central and eastern Europe, though dryness and heat intensified in Spain
- In Argentina sunny skies favored late-season growth of grains.
- Dry weather dominated Brazil's northern areas.
- In Australia wet weather slowed summer crop harvesting but boosted topsoil moisture in advance of winter crop planting.



Dollar Index



Goldman Sachs Commodities Index



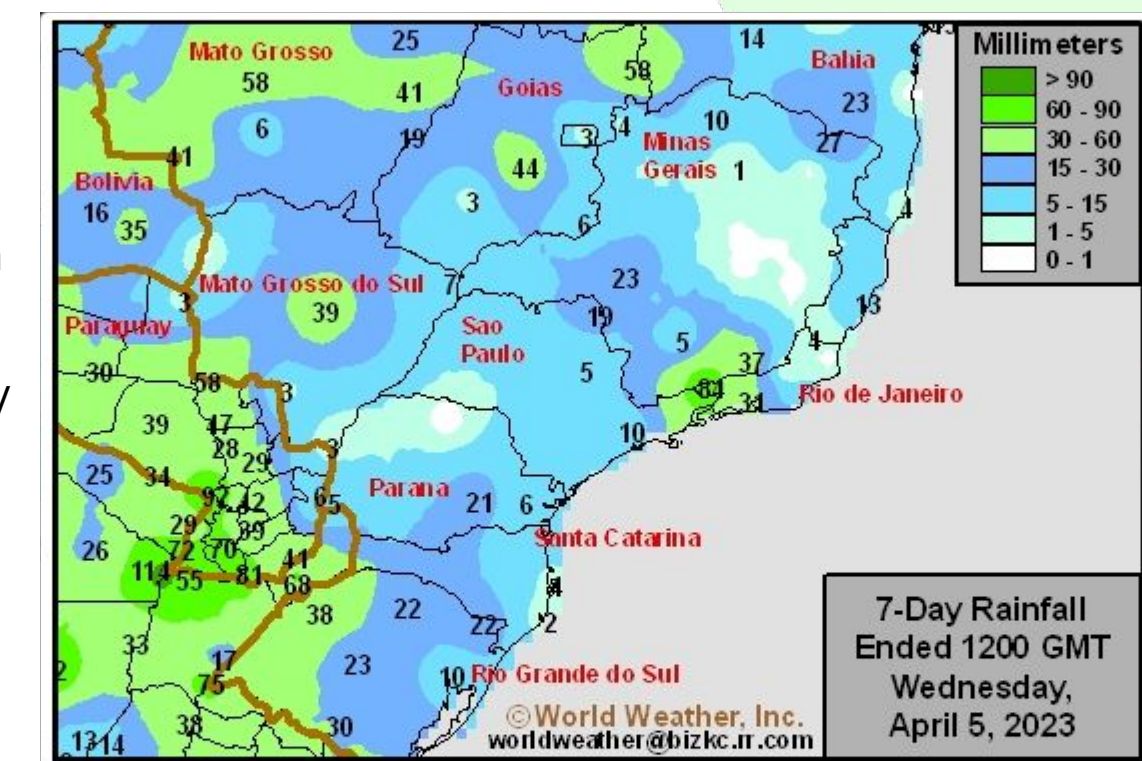
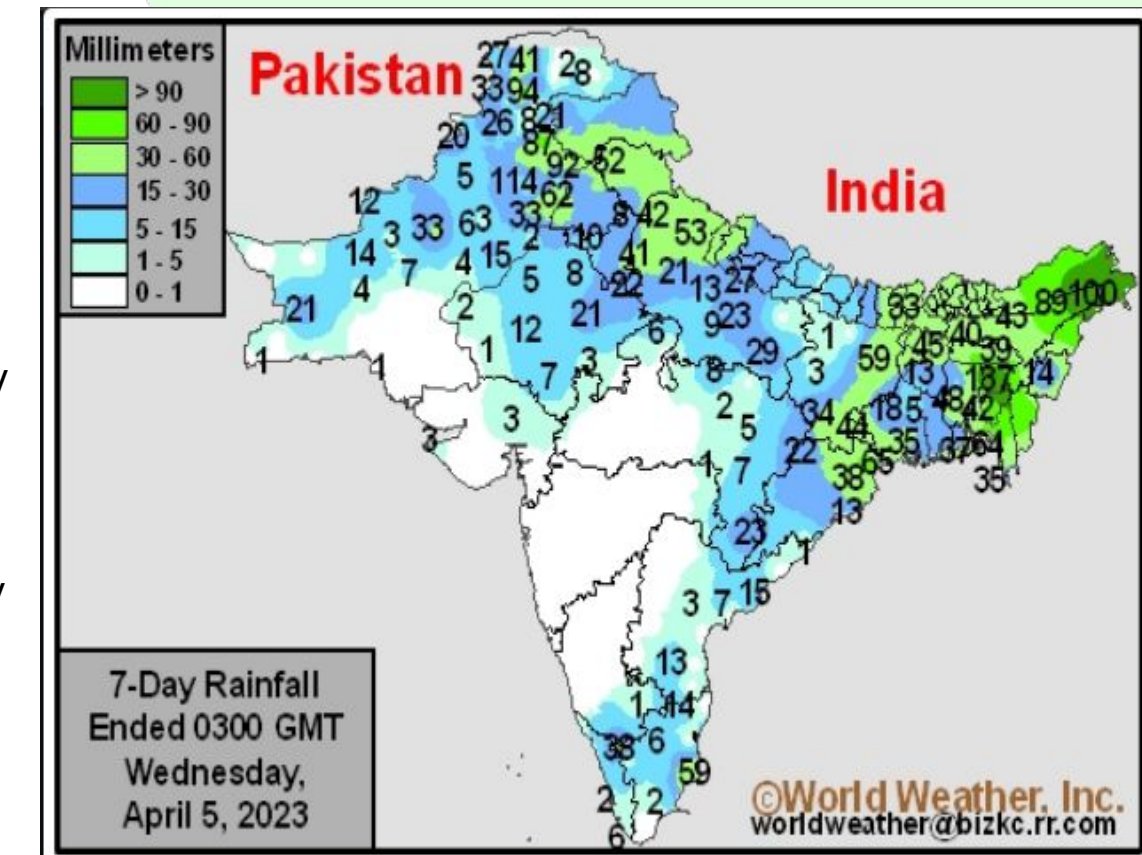
Sugar: Buy

- Sugar prices closed little higher on Thursday on supply concerns.
- India's Food Secretary reported that India might not allow additional sugar exports in 2023 due to lower-than-expected sugar production.
- Indian Sugar Mills Association said that Oct-Mar sugar production fell -3.3% y/y to 29.96 MMT.
- Brazilian government is planning to change the way it taxes biofuels. It established a fixed rate for state taxes on gasoline and anhydrous ethanol. This will benefit ethanol producers and may drive Brazil's sugar producers to produce more ethanol at the expense of sugar production
- S&P Global Commodity Insights cut 2023 global sugar surplus estimate to 600,000 MT from a November estimate of 5 MMT citing weaker-than-expected global sugar production.
- Weather is a bullish factor for sugar due to transition from La Nino to El Nino. IF El Nino occurs this summer it will bring dry weather to India and too wet for Brazil which is adverse for sugar production.
- **Sugar prices find bullish support on lower production, unfavorable weather outlook.**

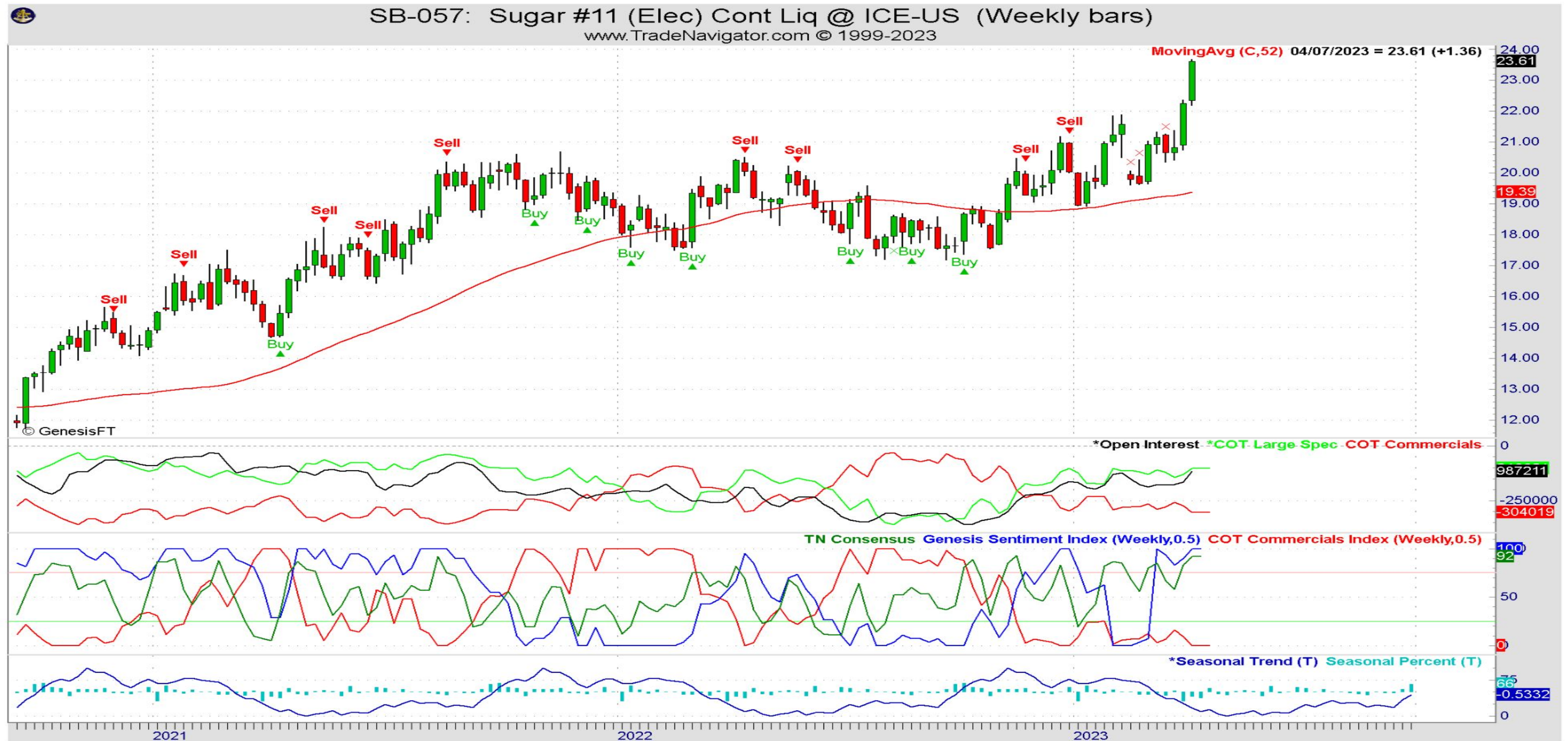


Weather outlook

- Mainly dry weather likely over most parts of India. East India forecast showed no significant weather changes over the region during next 5 days except light isolated rainfall with thunderstorm/lightning/gusty winds over Odisha during next 2 days. Isolated hailstorm also likely over Odisha on 07th April. West India will see light/moderate isolated/scattered rainfall with isolated thunderstorm/lightning over the Maharashtra during next 5 days. Isolated hailstorm also likely over Madhya Maharashtra & Marathwada on 07th April. Isolated heavy rainfall also likely over Marathwada on 07th April. South India will see light/moderate isolated to scattered rainfall with isolated thunderstorm/lightning over Coastal Andhra Pradesh, Telangana, Tamil Nadu, Interior Karnataka and Kerala during next 2 days. Isolated hailstorm also likely over North Interior Karnataka on 06th and over Telangana on 07th April. Isolated heavy rainfall also likely over Telangana on 07th April.
- Drier-than-normal weather combined with summer warmth to reduce moisture for second-crop corn and cotton across a large section of central Brazil. Aside from some isolated showers, rainfall totaled below 10 mm from Mato Grosso and Mato Grosso do Sul eastward across northern Minas Gerais, where highest daytime temperatures reached the middle and upper 30s (degrees C). Pockets of dryness were also noted in western Bahia and western São Paulo, but locally heavy showers (greater than 25 mm) lingered in other parts of the northeast and southeast. In the south, light rain (10-25 mm) provided timely moisture to immature corn and soybeans from central Paraná southward through Rio Grande do Sul, but amounts were insufficient to offset losses through evaporation, as daytime highs again reached the lower and middle 30s.



Sugar price chart



Wheat: Buy

- Wheat futures traded sideways on Thursday.
- The 2022/23 global outlook this month is for slightly smaller supplies, increased trade and consumption, and lower ending stocks.
- Supplies are lowered slightly as an increase in production nearly offsets a decrease in beginning stocks, which are lowered mostly on increase for China 2020/21 feed and residual use. This reduction is based on an updated analysis of government old-crop wheat stocks auction data.
- Global production is raised 5.1 million tons to 788.9 million primarily on increases for Kazakhstan, Australia, and India. Wheat production in Kazakhstan is now forecast at 16.4 million tons, 2.4 million higher than last month, and the largest harvest since 2011/12.
- World trade is raised 1.0 million tons to 213.9 million as increases for Kazakhstan, Australia, and Brazil more than offset decreases for Argentina and India.
- Global use is forecast 2.0 million tons higher to 793.2 million, largely on increases in India food, seed, and industrial use and Kazakhstan feed and residual use.
- Global ending stocks are lowered 2.1 million tons to 267.2 million, as smaller stocks for China more than offset increases for Argentina, Kazakhstan, and Australia.
- **Wheat is bullish on the back of increased trade/consumption, lower supply and ending stocks.**

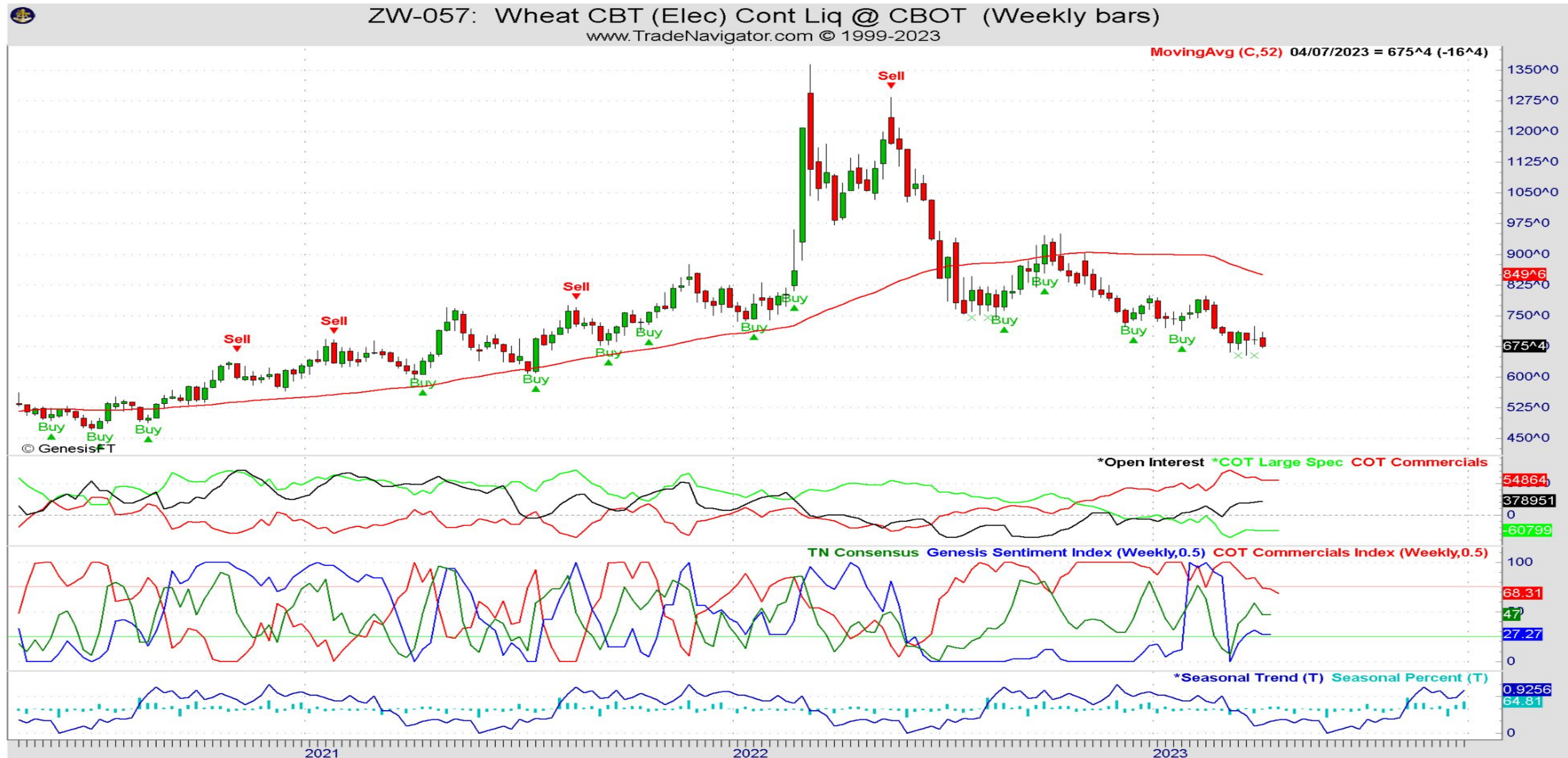


Weather outlook

- Wet albeit cooler conditions continued, though dryness and heat persisted on the Iberian Peninsula. March ended as it began, with widespread showers and thunderstorms (10-60 mm, locally more) from England and France into central and eastern Europe. The recent spate of wet weather has eliminated drought concerns in the west and boosted soil moisture reserves for vegetative winter crops in central and eastern growing areas. However, somewhat cooler temperatures slowed the recent rapid pace of crop development, though warm weather (1-3°C above normal) lingered in England and France. Consistent with previous weeks, rain continued to bypass southern Portugal, much of Spain, southern France, and northwestern Italy. In particular, the favorable start to the 2022-23 Water Year in southern Spain (Andalucía) — courtesy of heavy December rainfall — continued to fade; southern Spain's water-year total rainfall (since September 1) slipped below 75 percent of normal as of April 2. If this dry trend continues, the current water year will surpass the 2021-22 water year for drought severity over the next week or two in Andalucía. Further compounding the drought in Spain were temperatures up to 7°C above normal, with daytime highs approaching or topping 30°C in southern and southeastern growing areas.
- Wet weather (10-25 mm, locally near 50 mm) overspread a large portion of eastern Australia, slowing cotton, sorghum, and rice harvesting in many areas. Although unfavorable for fieldwork, the rain benefited wheat and other winter crops by further boosting topsoil moisture in advance of sowing. Planting typically begins in mid-April each year. Elsewhere in the wheat belt, welcome rain overspread southern and western Australia as well. Showers (5-15 mm, locally more) were scattered across Victoria and South Australia, while a more concentrated area of soaking rain (15-50 mm or more) fell over Western Australia. Temperatures averaged 2 to 3°C below normal throughout much of southern and western Australia with maximum temperatures generally in the 20s (degrees C). In the east, temperatures averaged near to below normal (up to 2°C below normal) with maximum temperatures mostly in the middle 20s to lower 30s.
- Drier conditions returned to large sections of central Argentina, following last week's heavy showers. Rainfall totaled less than 5 mm over key farming areas in Córdoba, Santa Fe, and neighboring locations in La Pampa and Buenos Aires, with amounts up to 25 mm reported in southern Buenos Aires and Entre Rios. Mild weather accompanied the dryness, with highest daytime temperatures ranging from the upper 20s to lower 30s (degrees C) and nighttime lows dropping below 5°C at week's end in Buenos Aires. Light to moderate showers (10-50 mm, locally topping 75 mm) lingered across northern Argentina, although late-summer warmth (daytime highs reaching the upper 30s) maintained high moisture demands for late-developing summer crops.



Wheat 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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