

Weekly bulletin

Week 36
September 5th

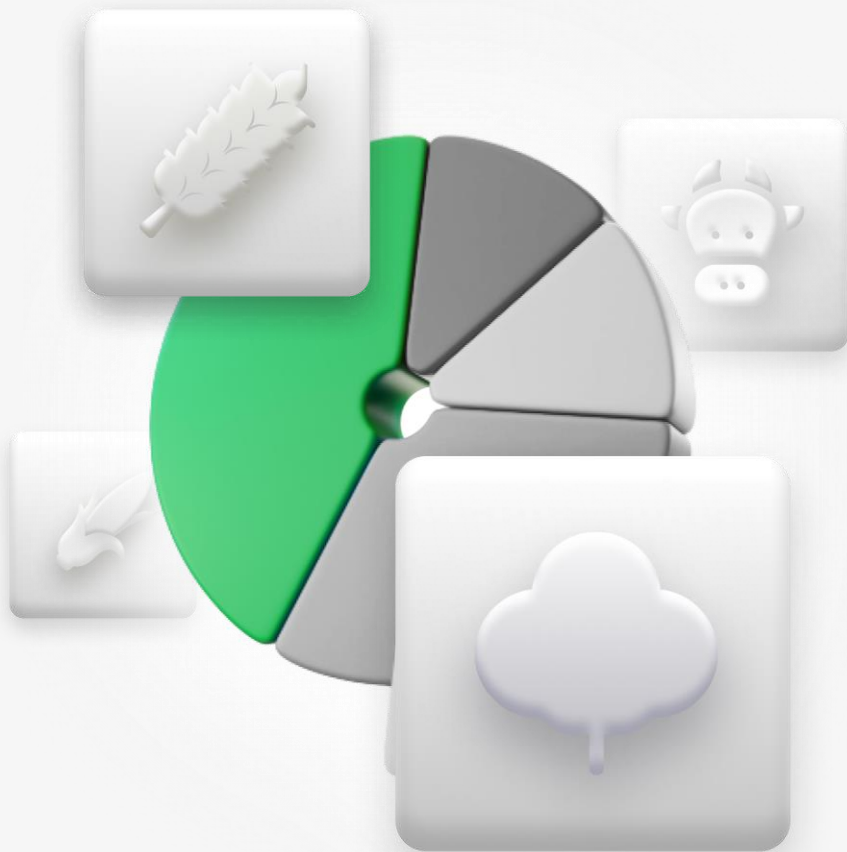
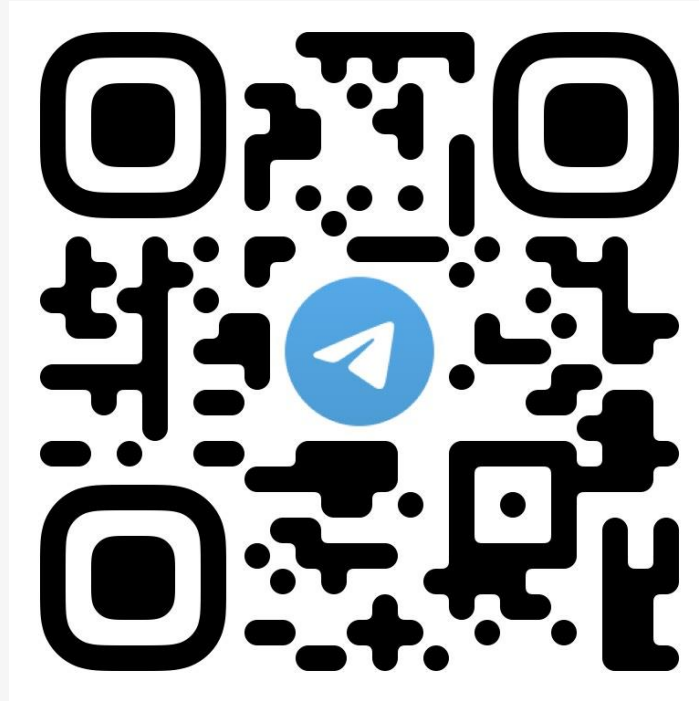


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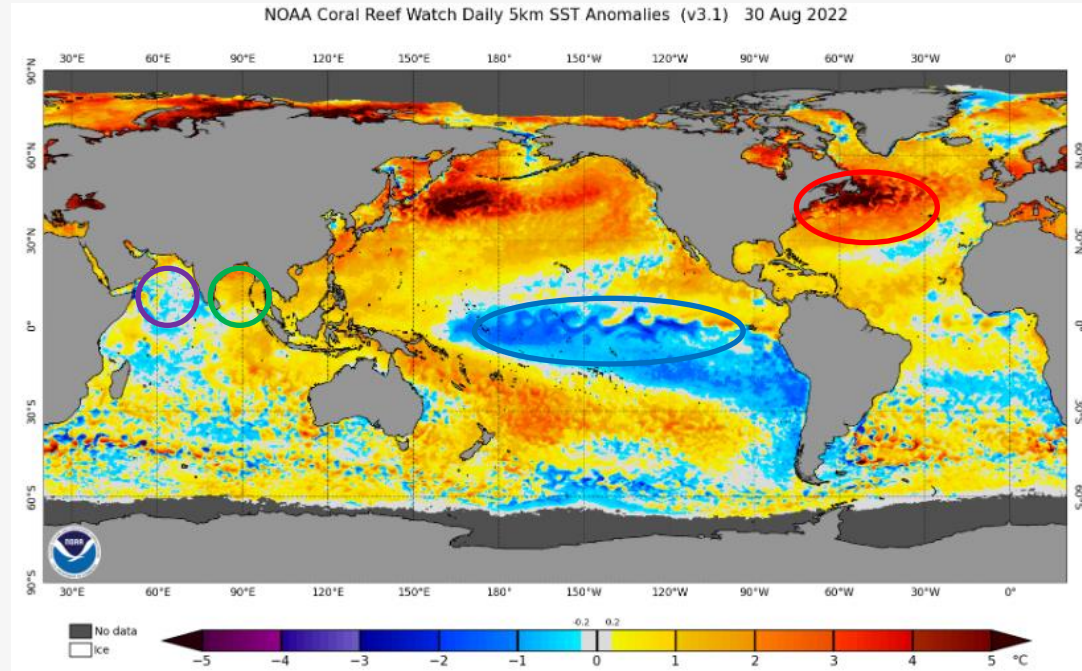
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Global weather review

- Cool ocean temperatures (Blue circle) to continue into the November- December time frame and hence La Niña conditions are still around.
- Ongoing La Nina conditions for Brazil mean that sugar areas should benefit from normal to wet weather. But it also implies dryness for Argentina wheat.
- Texas major Cotton producing regions was hit by severe drought this year mixed with flash floods in the last few weeks,
- Clear Negative Indian Dipole (violet circle and green circles) to produce more moisture in South East Asia and deplete West Africa of moisture. When IOD is more negative it tends to keep La Nina intact.
- La Nina will be around as we head into Autumn and collapsing in Q4 of 2022 or Q1 2023.
- La Nina being around means warm early autumn and winter.
- Warm water off East Coast of USA (red circle) is a major sign of developing hurricane season that may hit Atlantic coastline of the USA.
- Fast moving South Saharan dust may bring hurricanes to the Gulf of Mexico in the next 10 days.





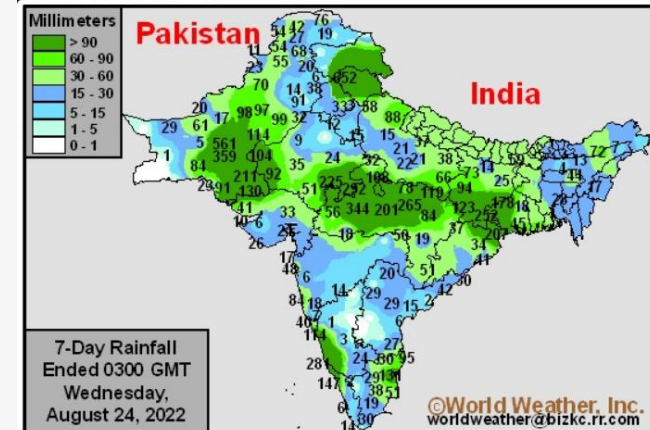
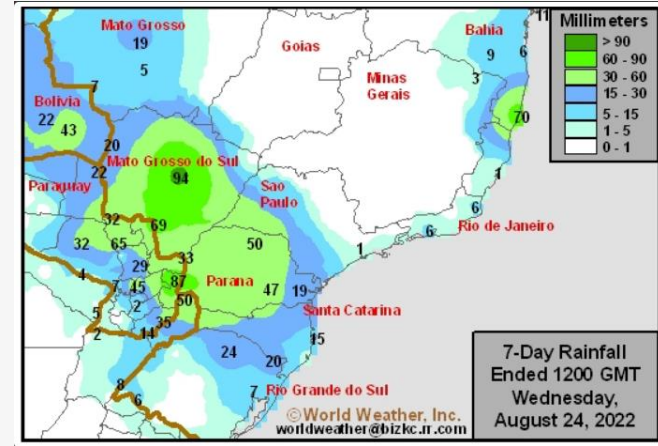
Sugar: Buy

- Sugar futures on ICE were trading around 18 cents per pound, moving away from a one-month peak of roughly 19 cents as easing fuel prices in Brazil raised the prospect that mills will start switching to cane to produce the commodity rather than biofuel ethanol.
- This weakness seems short-lived as it lacks any strong fundamentals, with tighter global supplies remaining an upside risk for prices.
- Brazil, the world's top producer, has recently cut its sugarcane crop estimate for 2022/23 to 514 million tonnes, the smallest volume since 2011, mainly due to unfavorable dry weather.
- Brazil's center-south sugarcane crushing fell 13.7% in the first half of August from a year earlier. Sugar output in the first half of August reached 2.63 million tonnes in the period, a 12% drop from 2021/2022, while ethanol production was down 10.1% – to 2 billion liters.
- European Union's crop monitoring service MARS lowered its projection for the EU's average yield for 2022 to 6.63 tonnes per hectare, now 16% below last year's level due to hot and dry summer.
- India's sugarcane around the Ganges River Basin received below-normal rainfall in June and July.
- **Sugar is bullish on the back of lower sugar output from Brazil and smaller production data from EU.**

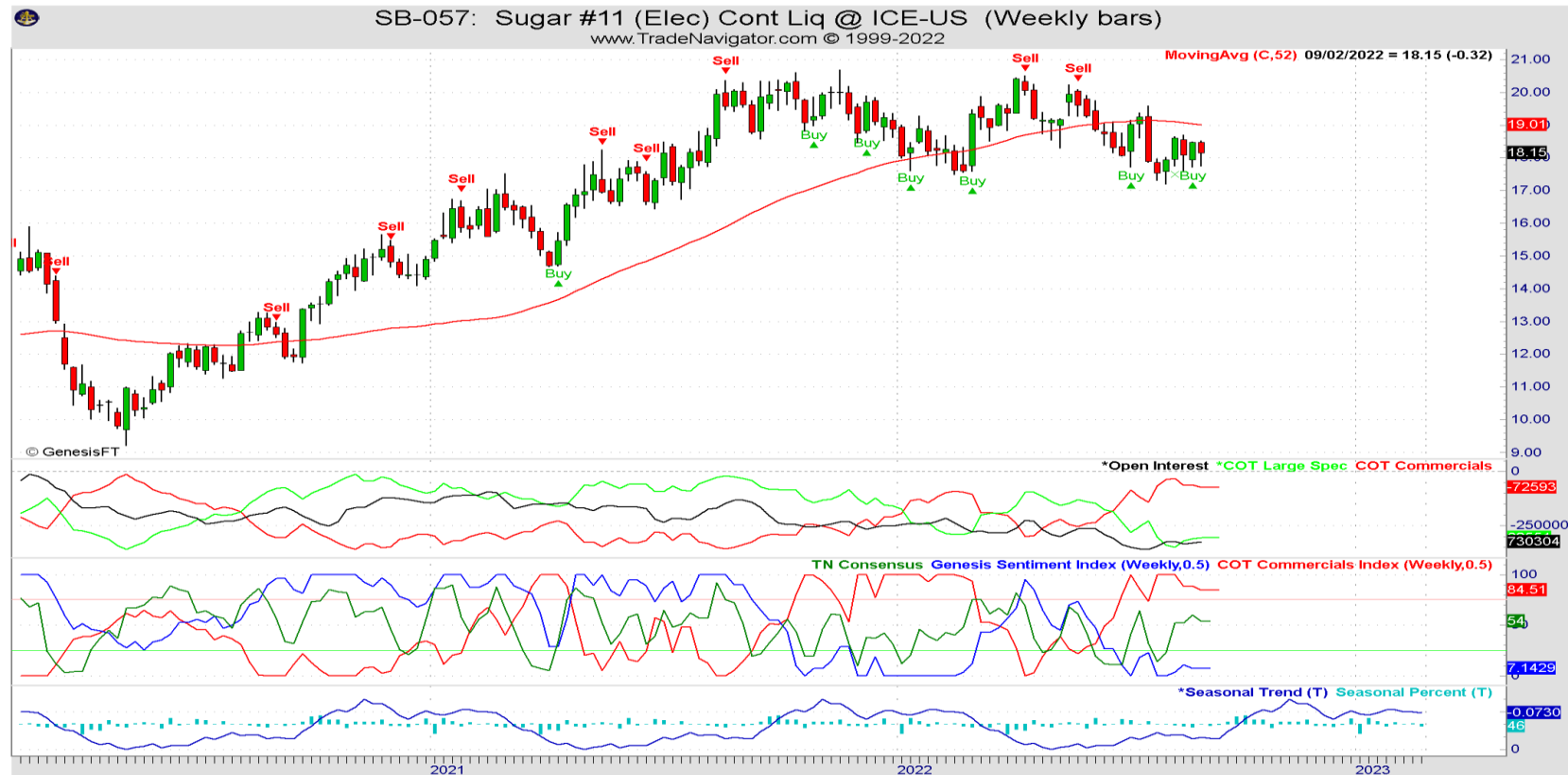


Sugar weather review

- Brazil sugar crops is experiencing dry weather throughout all summer. Country was affected by worst drought in 90 years, this results in smallest sugar crop in 12 years.
- India is facing good monsoon season, however sugar crops had been affected by dryness in June and July. At present, there is not direct threat to sugar crops.



Sugar price chart





Cocoa: Buy

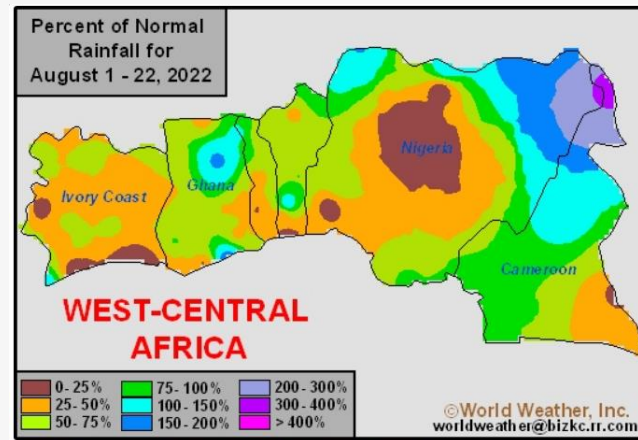
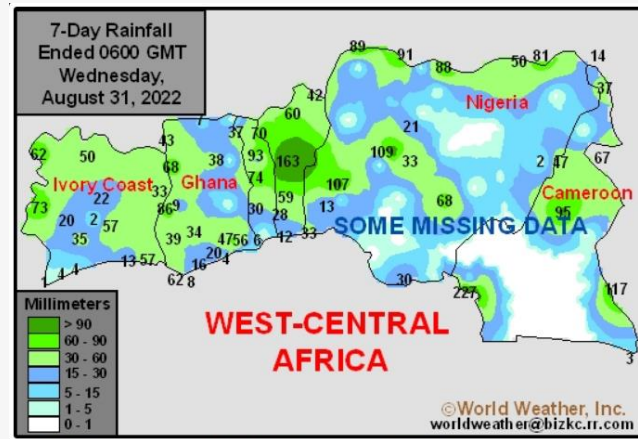
- December ICE NY cocoa (CCZ22) on Wednesday closed up +5 (+0.21%), and December ICE London cocoa #7 (CAZ22) closed up +15 (+0.81%).
- Cocoa prices Wednesday posted moderate gains, with NY cocoa climbing to a 1-1/2 week high and London cocoa climbing to a 4-1/2 month high.
- Concern about next year's 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.
- London cocoa also rose on weakness in the British pound.
- 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.
- ICCO on June 1 said that weather conditions and disease are negatively affecting cocoa production this year. Trade disruptions and high freight rates are impacting the cocoa and fertilizer trade. ICCO said the shortage of fertilizers on cocoa farms would likely hurt cocoa bean crop quantity, quality, and size next year.



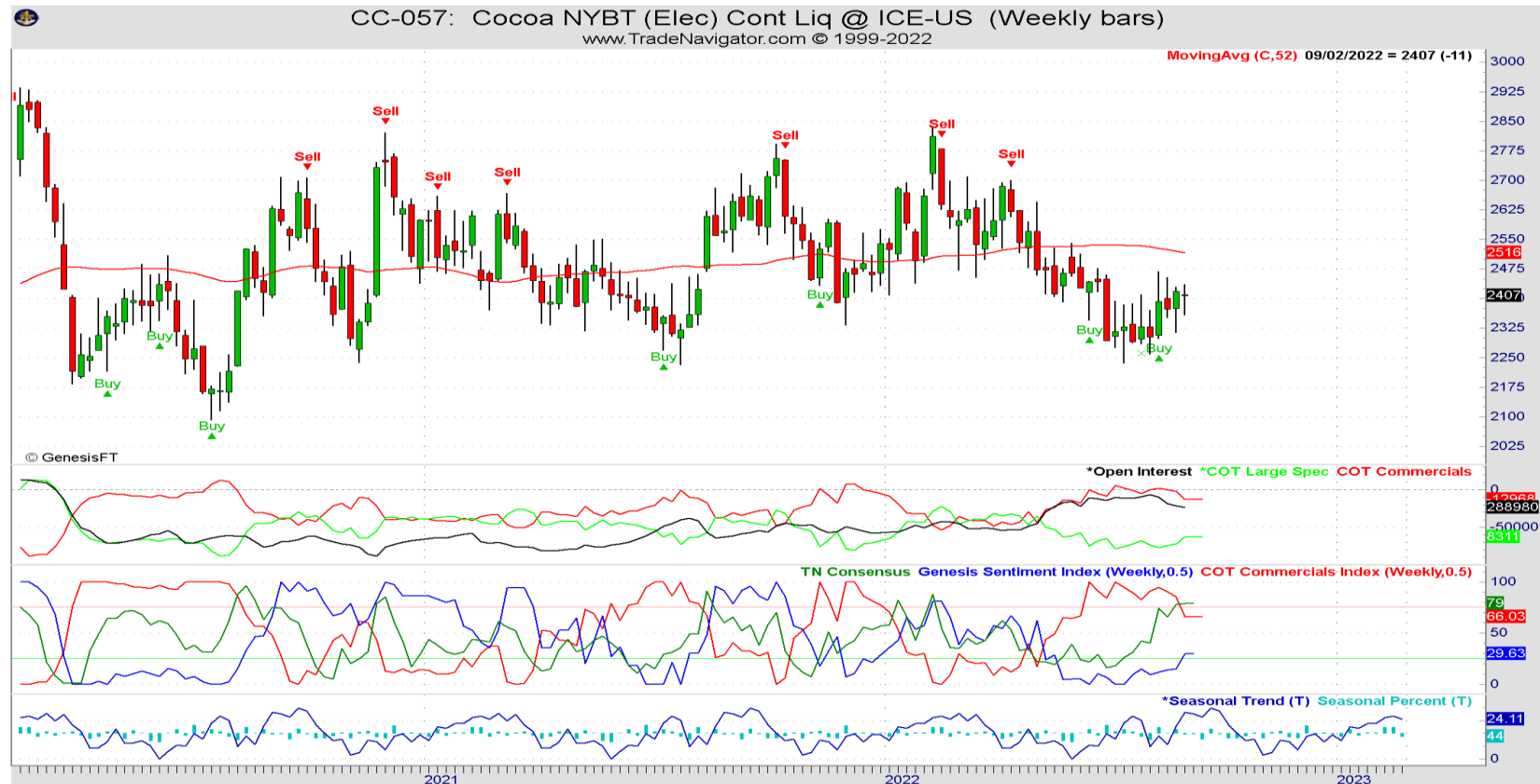
- On Feb 28, the International Cocoa Organization (ICCO) projected that global 2021/22 cocoa production would fall -by 5.2% y/y to 4.955 MMT from a record 5.226 MMT in 2020/21. ICCO estimates the global 2021/22 cocoa market will fall into a deficit of -181,000 MT from a surplus of +215,000 in 2020/21.
- **Cocoa prices find bullish support on the back of smaller global production from Ghana as a result of dry weather, bad health of cocoa trees due to high fertilizers price.**

Cocoa weather review

- West Africa continues to be dry for cocoa as Indian Dipole remains negative.
- Although West Africa region saw moderate amount of rain this week. Prior dryness contributed a lot to stress, percent of rainfall this summer was insufficient for good cocoa crops.



Cocoa price chart





Cotton: Buy

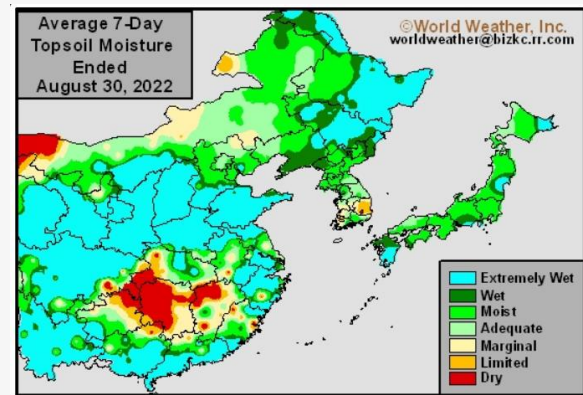
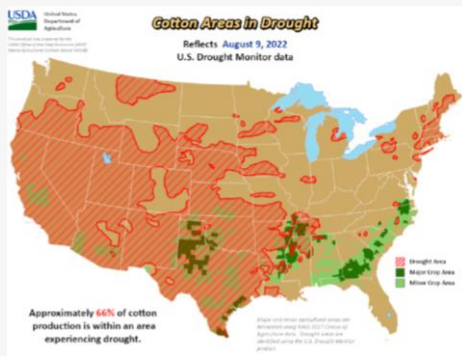
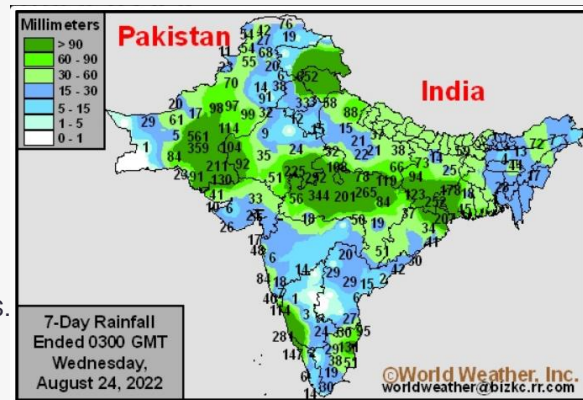
- Global production is lowered 3.1 million bales with the decline attributed to the United States. Global production is lowered over 262,000 bales from last month due to a decline in Brazil.
- Global use and ending stocks are down 800,000 and 1.5 million bales, respectively. Global trade is down 1.8 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.
- 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.
- Despite higher US production, beginning stocks in August 2021 were more than 4.0 million bales lower than a year earlier, and depressing export volumes in the first half of the marketing year.
- Consumption in 2022/23 is projected lower than a month ago in the United States, Pakistan, Vietnam, Turkey, and Bangladesh.
- The U.S. balance sheet shows significantly lower production, exports, and ending stocks.



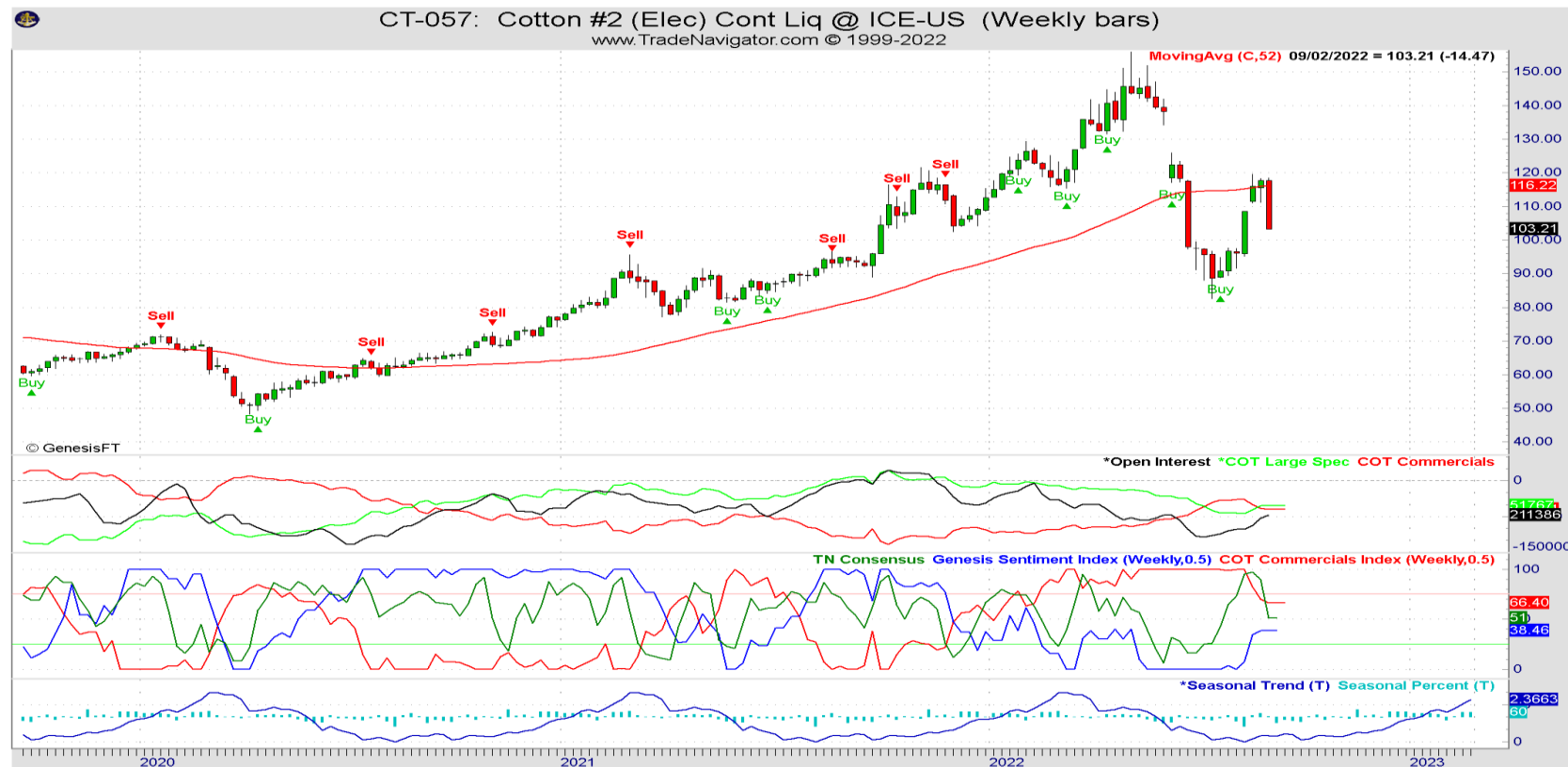
- **Cotton prices are bullish on the back of lower global production, lower US ending stocks and continuing bad cotton weather in key regions.**

Cotton weather review

- Now India is dealing with flash floods around the country as well as a pest infestation that has caused severe damage to crops. India received 3.4% more rainfall than average in August as heavy rains hit central and southern parts of the country. The situation has become so dire, the country has had to resort to importing supplies.
- China's Xinxiang cotton region remains under conditions of drought.
- US key cotton regions continue to be hit by drought, however in the coming 10 days there is risk of hurricanes in Mexican Gulf that may hurt cotton crops.



Cotton price chart



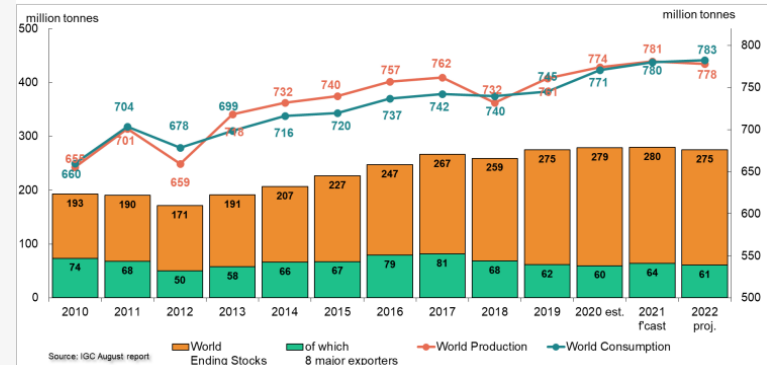


Wheat: Buy

- The new month of trading started and the wheat markets were >4% lower on Thursday.
- The global wheat outlook for 2022/23 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.**
- Another bullish factor is Russia's invasion of Ukraine drives wheat prices higher, Russia exported 32.9 million tonnes of wheat in 2021, accounting for 18% of global trade, while Ukraine shipped 20 million tonnes, equivalent to 10% of the global market share. Ukraine production this year decreased significantly.
- **Due to ongoing rice production cut global customers tend to substitute scarce grain by more available grains like wheat driving demand upwards.**
- **Wheat is bullish on the back of lower global and US stocks, however this is effective in short term outlook.**
- **Medium term outlook for wheat is bearish due to larger global production.**



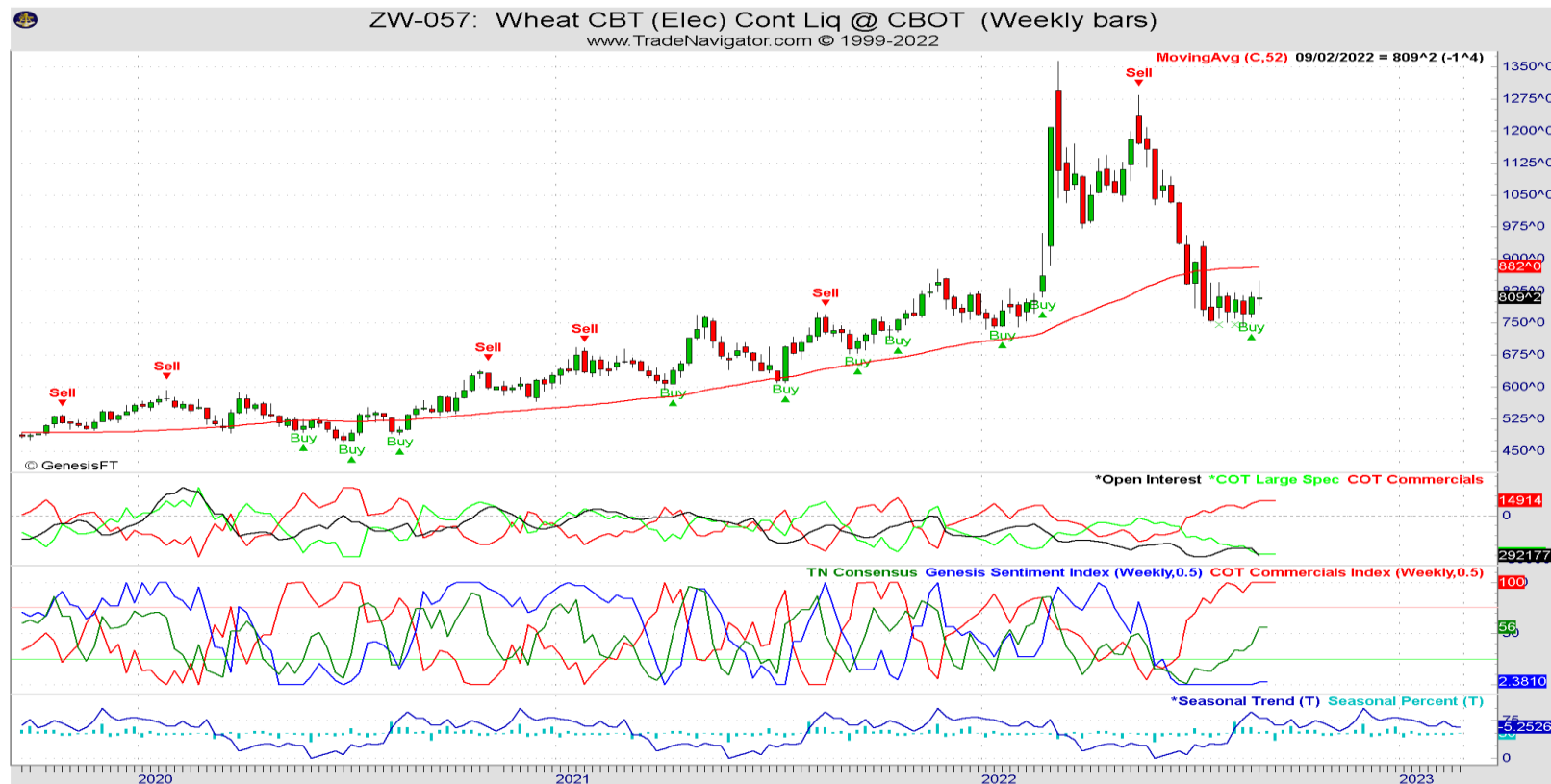
World wheat: IGC



Wheat weather review

- China 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
- Most of US wheat producing regions were drier than normal, by August 28, 55% of the nation's spring wheat had been harvested, 36% behind the previous year and 21% behind the 5-year average. There was some rain in the US winter wheat belt that will improve soil moisture conditions. More rain will be needed ahead of seeding which begins in the next few weeks. 53% of US winter wheat are under conditions of drought.
- 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 in spite of little rain that moistened the topsoil last week.
- In western Russia widespread showers benefited immature summer crops, while hot weather accelerated the pace of crop development. In Eastern Russia showers maintained moisture supplies for filling spring grains.
- In Canada warm, sunny weather promoted rapid spring crop development in western production areas.
- In Argentina beneficial rain continued in the southern wheat belt.

Wheat price chart





Rice: Buy

- The 2022/23 global outlook remained unchanged from last week, it is for reduced supplies, fractionally higher consumption and trade, and smaller stocks.
- Rice supplies are lowered 4.1 million tons to 697.3 million, primarily on smaller beginning stocks for India and reduced production for Bangladesh and India.
- India's production is lowered 2.0 million tons to 128.5 million as dry weather in the northeast reduced planted area.
- **With these declines, 2022/23 world production is forecast slightly below the previous year's record high.**
- **World use is forecast at a record, up slightly this month to 518.7 million tons backed by higher demand from China**
- Projected 2022/23 world ending stocks are lowered 4.2 million tons to 178.5 million, mostly due to smaller stocks in India.
- **India may limit rice exports due to shrinking supply on the back of bad 2022 harvest.**

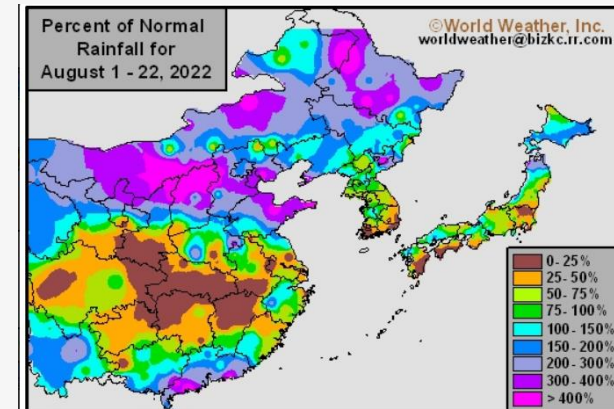
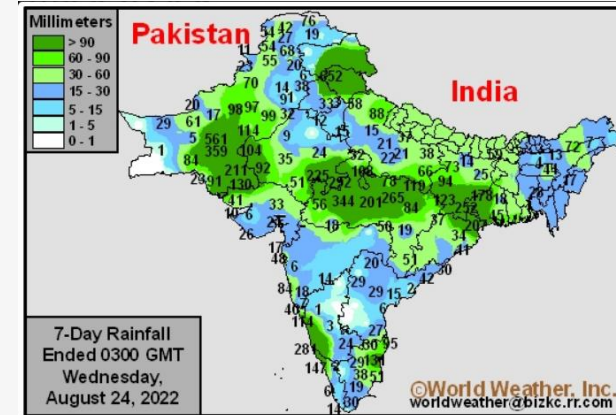


- **Lower global production, lower ending stocks and higher use, potential India ban of rice exports have bullish implication for rice price in short and medium term outlook**

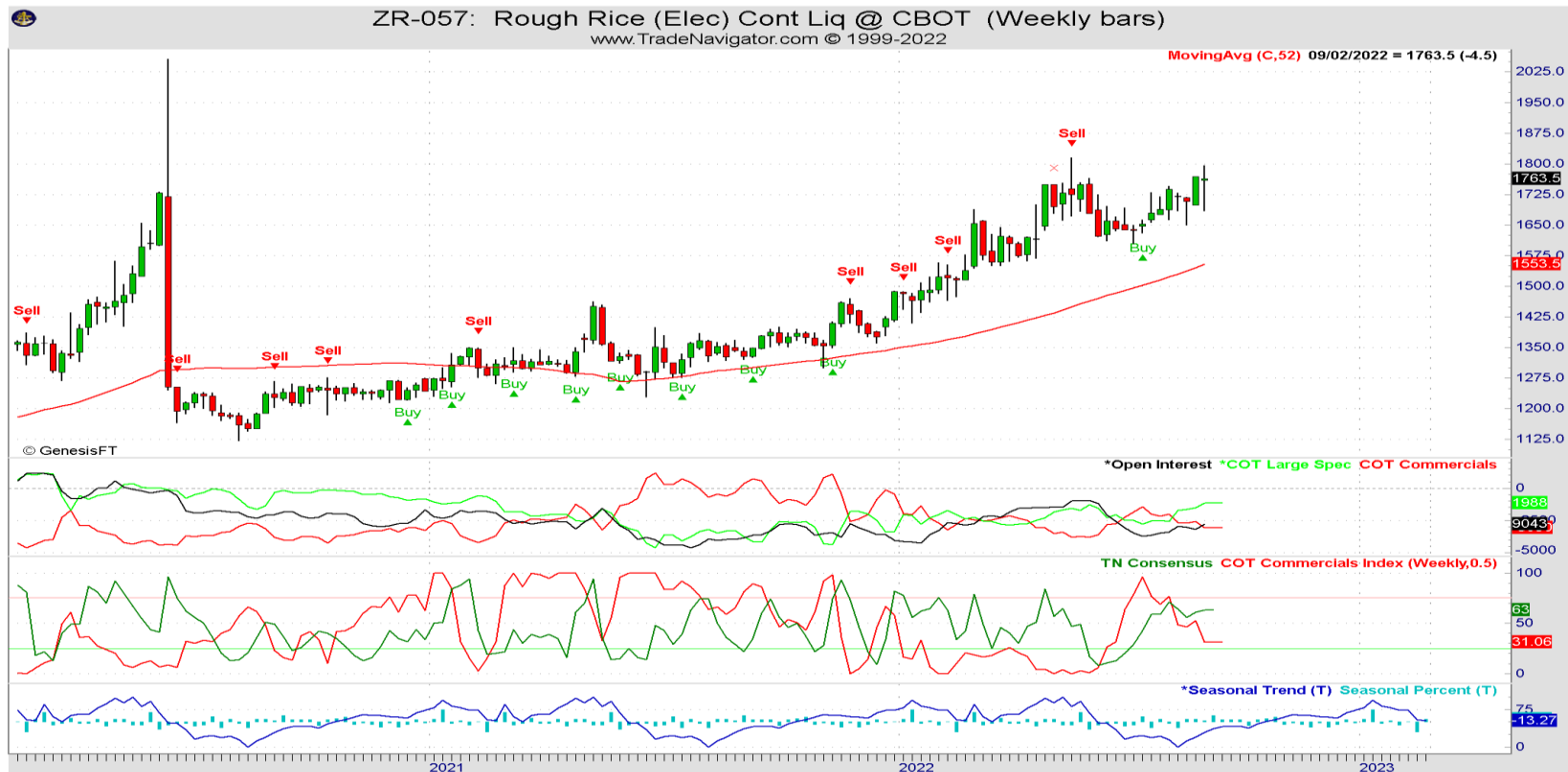


Rice weather review

- India's top rice producing states of Bihar, Jharkhand, West Bengal and Uttar Pradesh have seen rainfall deficit of as much as 45% so far this season mixed with flash floods in July and beginning of August. According to IMD India received 3.4% more rains since the beginning of August. Rice crops is stressed under such weather conditions, India may impose rice export ban due to bad harvest in 2022.
- Major rice producing regions Hubei, Hunan, Anhui, Jiangsu are under conditions of drought after floods in June, rice crop is stressed.



Rice price chart



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