

Weekly bulletin

Week 29
July 18th

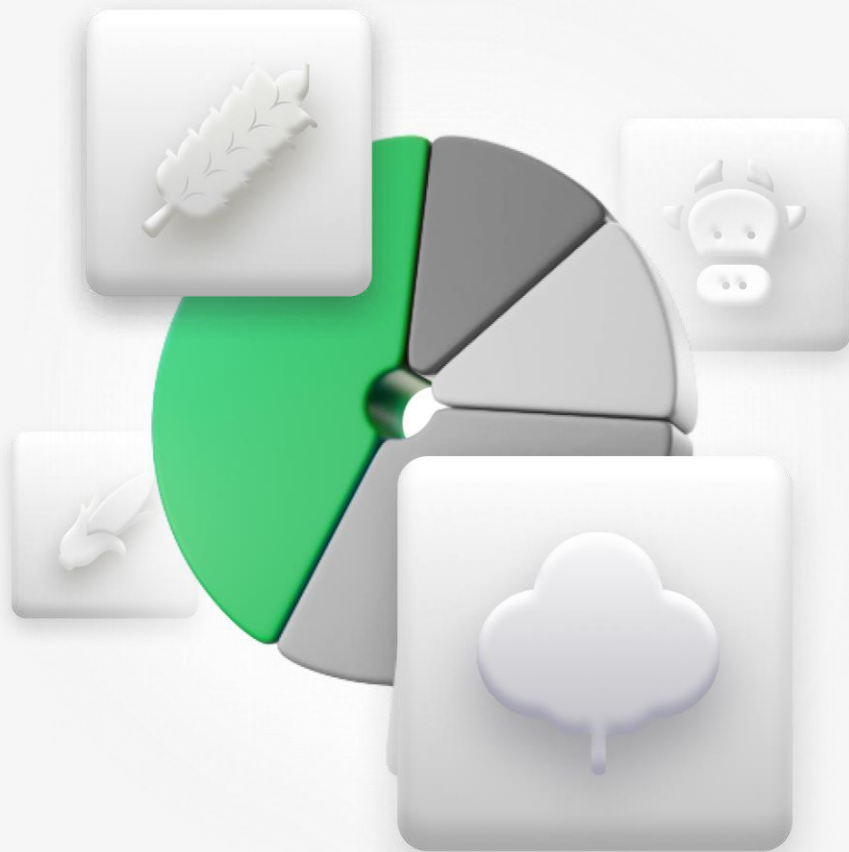
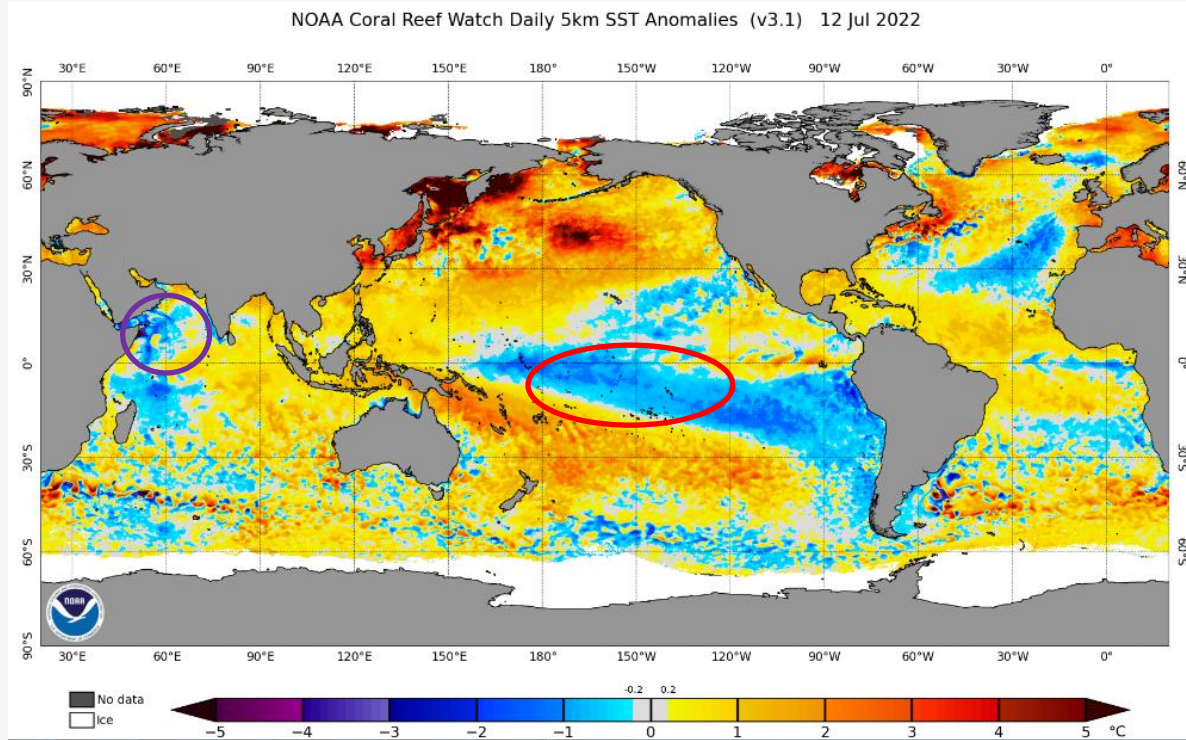


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Global weather review

- In US drought continues in the Midwest, South, and Southeast. As of July 5, 2022, 44.3% of the U.S. and 49.42% of the lower 48 states are in drought.
- China reported high temperatures above 44C after extended period of heavy rainfall.
- Bad monsoon season in India continues, some areas are dry another are too wet.
- Western Africa saw moderate amount of rain without immediate threat to cocoa crops.
- Brazil is a bit dry without immediate effect on crops.
- Colombia saw little rain.
- EU was extremely hot with potential to damage wheat crops.
- La Nina is still around with colder Central Pacific Ocean (red circle) is a clear sign of La Nina (although not that strong) that may bring more heat to Western Hemisphere.
- Negative Indian Dipole (violet) is less negative this week with less rains in South East Asia, China, India and Australia.





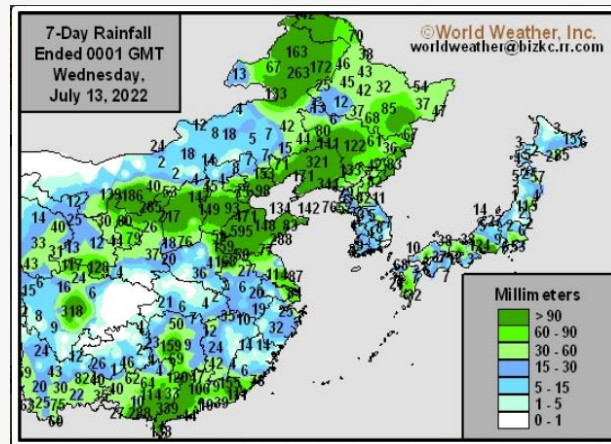
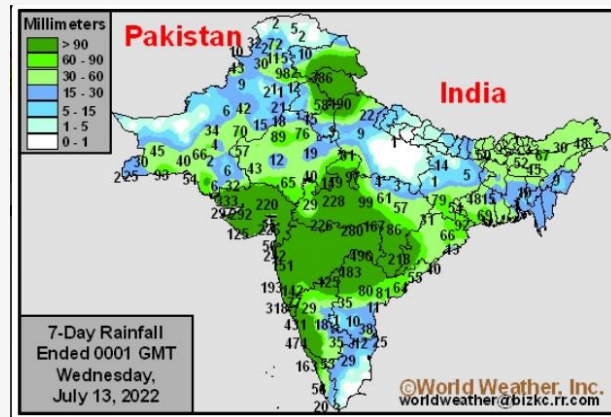
Rice: Buy

- Global rice trade in 2022 calendar year are projected at 54.3 mt.
- India's exports are projected to a record 22 mt and account for almost 41% of global shipments,
- Rice production is under threat in parts of Asia from higher fertilizer costs at a time when demand is increasing, posing a potential risk to food security and efforts to contain inflation.
- Crop yields may decline in Thailand, the world's second-largest exporter, because of elevated prices for crop nutrients, according to a research unit of Kasikornbank Pcl, while in the Philippines, the No. 2 importing country, a lower harvest is likely to increase the need for overseas purchases. China's worried about the crop impact of pests, while India's output depends on a good monsoon.
- **Global stocks are down almost 3 million tons mainly due to the offloading of Indian stocks onto the domestic market.**
- **Rice remains in BUY territory due to lower global stocks and smaller production in key regions (Thailand, Philippines, China).**

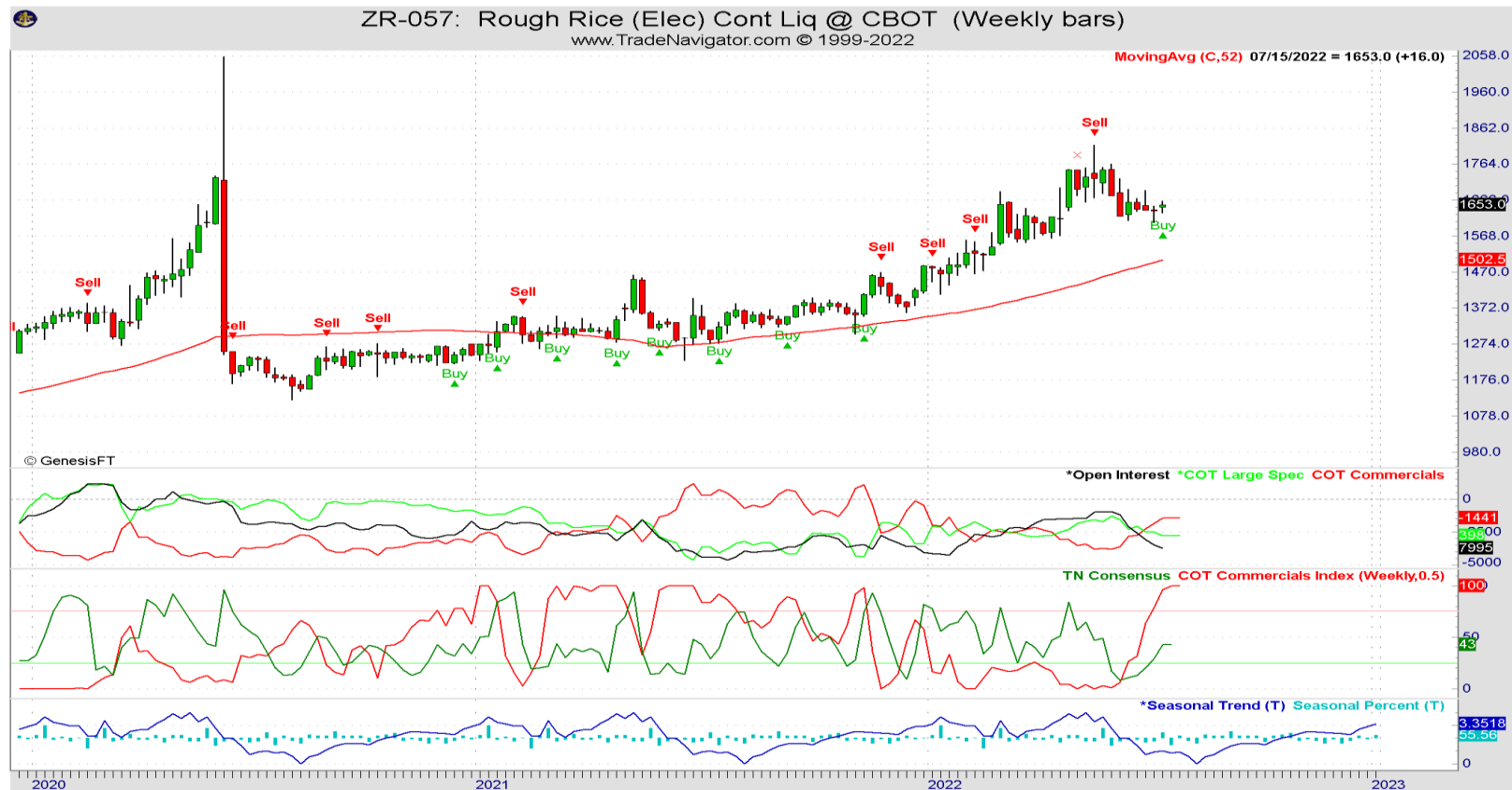


Rice weather review

- Major India states (Uttar Pradesh 13%, West Bengal 14%, Odisha 7%) saw mixed weather across key producing regions. Uttar Pradesh and Odisha had insufficient amount of rain, whereas West Bengal saw normal of precipitation. There is no immediate risk for rice crops.
- Most of Chinese rice crops was affected by heavy rains in a last few weeks (Hunan, Jiangxi, Guangxi, Zhejiang), although rain this week is significantly lower than last week. More heavy rains is predicted in most of key rice regions in coming week, additional flooding seems inevitable. Whereas, Jiangxi province is expecting drought worst in last 20 years.
- China's rainy season occurs from May to September, and this year's season is already off to an extreme start.



Rice price chart





Wheat: Sell

- September KC wheat closed down 5 1/2 cents at \$8.62 1/4, accompanied by a 3 1/2-cent loss in September Chicago wheat and a nickel loss in September Minneapolis wheat.
- Wheat prices dropped on Tuesday, mostly due to fears about rising interest rates and a higher U.S. dollar.
- More likely FED will hike rates by another 50-75 bps in July meeting.
- Rising gasoline prices is another bearish factor for wheat.
- Also, Canada one of the largest wheat exporters hiked rates on Wednesday, from 1.5% to 2.5% to curb high inflation.
- USDA's WASDE report reduced its estimate of world wheat production from 773.43 mmt to 771.64 mmt.
- World ending wheat stocks, excluding China, are expected to tighten from 138.19 mmt last season to 126.0 mmt or 4.63 bb in 2022-23, the lowest in 14 years.
- Representatives from Russia, Ukraine, the U.N. and Turkey met in Turkey on July 13th in an effort to reach an agreement on allowing ships of Ukrainian grain safe passage out of the Black Sea. Ukrainian exports will be allowed to pass safely this will increase wheat supply to global markets.



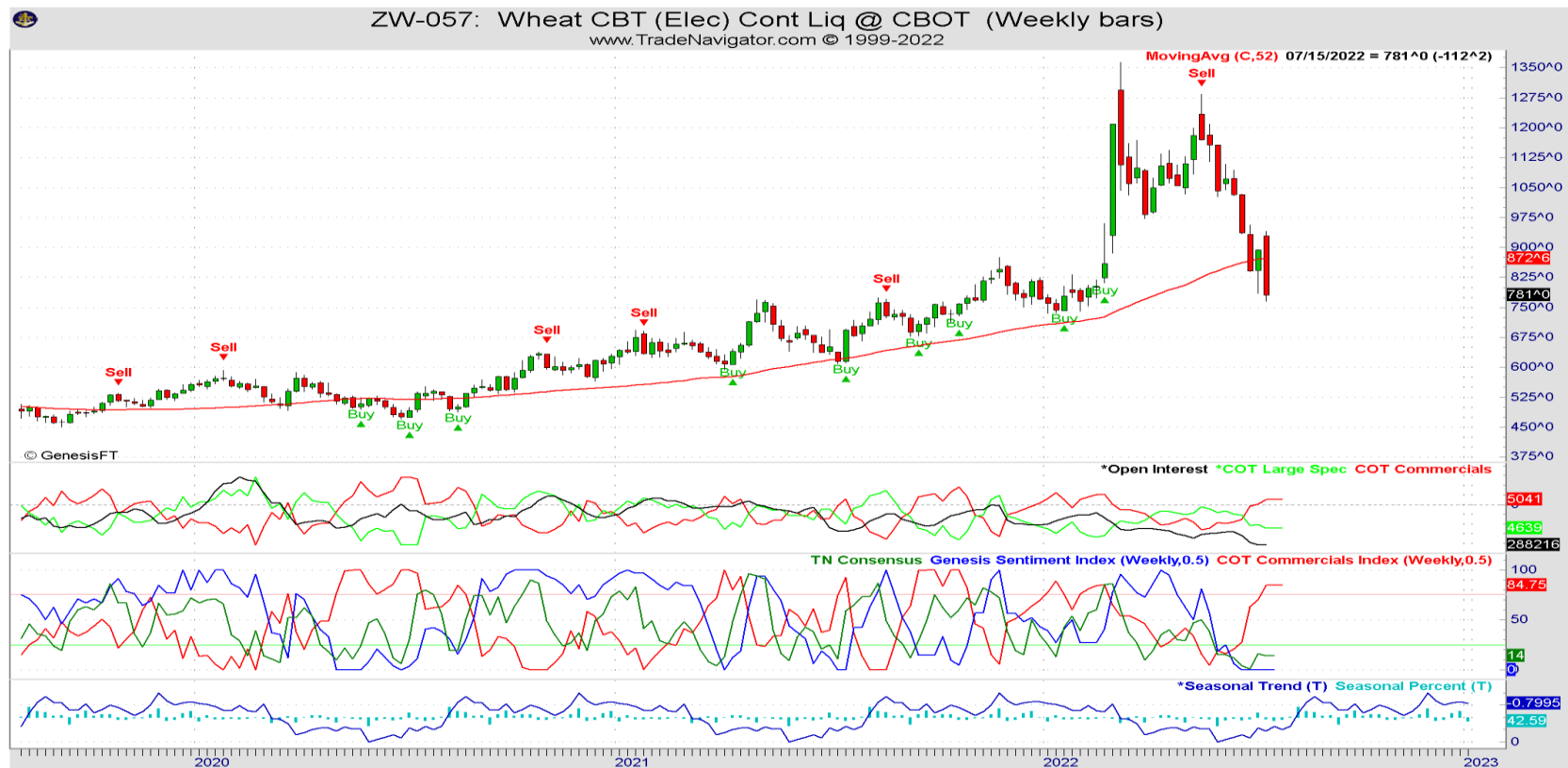
- **Despite lower production and lower ending stocks, wheat is in Sell category due to fears of recession coupled with appreciating USD against other currencies, inflation and high gasoline prices.**

Wheat weather review

- Most of China wheat producing regions are under conditions of rain, quality of wheat crops had deteriorated.
- US wheat right now it is out of threat as abundant moisture and cooler temperatures this growing season have benefited wheat.
- Major indian states producing wheat Punjab and Madhya Pradesh saw normal amount of precipitation, where as Uttar Pradesh had rain deficiency, there is no immediate threat for wheat crops.
- EU is under conditions of extreme heat that may hurt the crops.
- Russia weather is favorable for wheat production.



Wheat price chart





Coffee: Sell

- September arabica coffee (KCU22) on Wednesday closed up +2.00 (+0.97%), and Sep ICE Robusta coffee (RMU22) closed up +27 (+1.38%).
- Weakness in the Brazilian real has undermined arabica prices this week, with arabica falling to a 2-month low Tuesday. The real dropped to a new 5-1/2 month low against the dollar Wednesday before recovering. The weaker Brazilian real encourages export selling by Brazil's coffee producers.
- Signs of increased global coffee supplies are bearish for prices. International Coffee Organization reported global 2022 coffee exports for Oct-May were +1.3% y/y at 88.506 mln bags.**
- Colombia Coffee Growers Federation reported Colombia's June coffee exports rose +6% y/y to 939,000 bags. Colombia is the world's second-largest producer of arabica beans.
- Vietnam's General Department of Customs reported June coffee exports were up +13.3% y/y at 145,000 MT, and Jan-Jun coffee exports rose +21.7% y/y to 1.027 MMT.
- USDA June 7 revised its 2021-22 coffee production estimate for Vietnam upward to 31.58 million bags from 31.1 million bags but said 2022/23 production would fall by -2.2% y/y to 30.9 million bags.

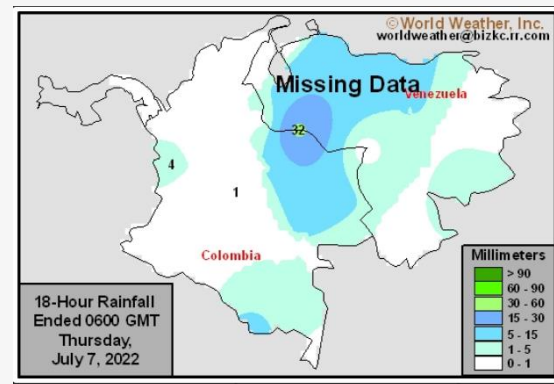


- Another bearish factor, USDA, in its bi-annual report released on June 23, projected that 2022/23 global coffee production would climb +4.7% y/y to 174.95 mln bags, primarily due to Brazil's arabica crop entering the on-year of the biennial production cycle.
- USDA also projects that 2022/23 global coffee ending stocks will climb +6.3% y/y to 34.704 mln bags.
- Higher coffee exports, Brazil, Colombia and Vietnam production recovery, weaker Brazilian real puts coffee into Sell category.**

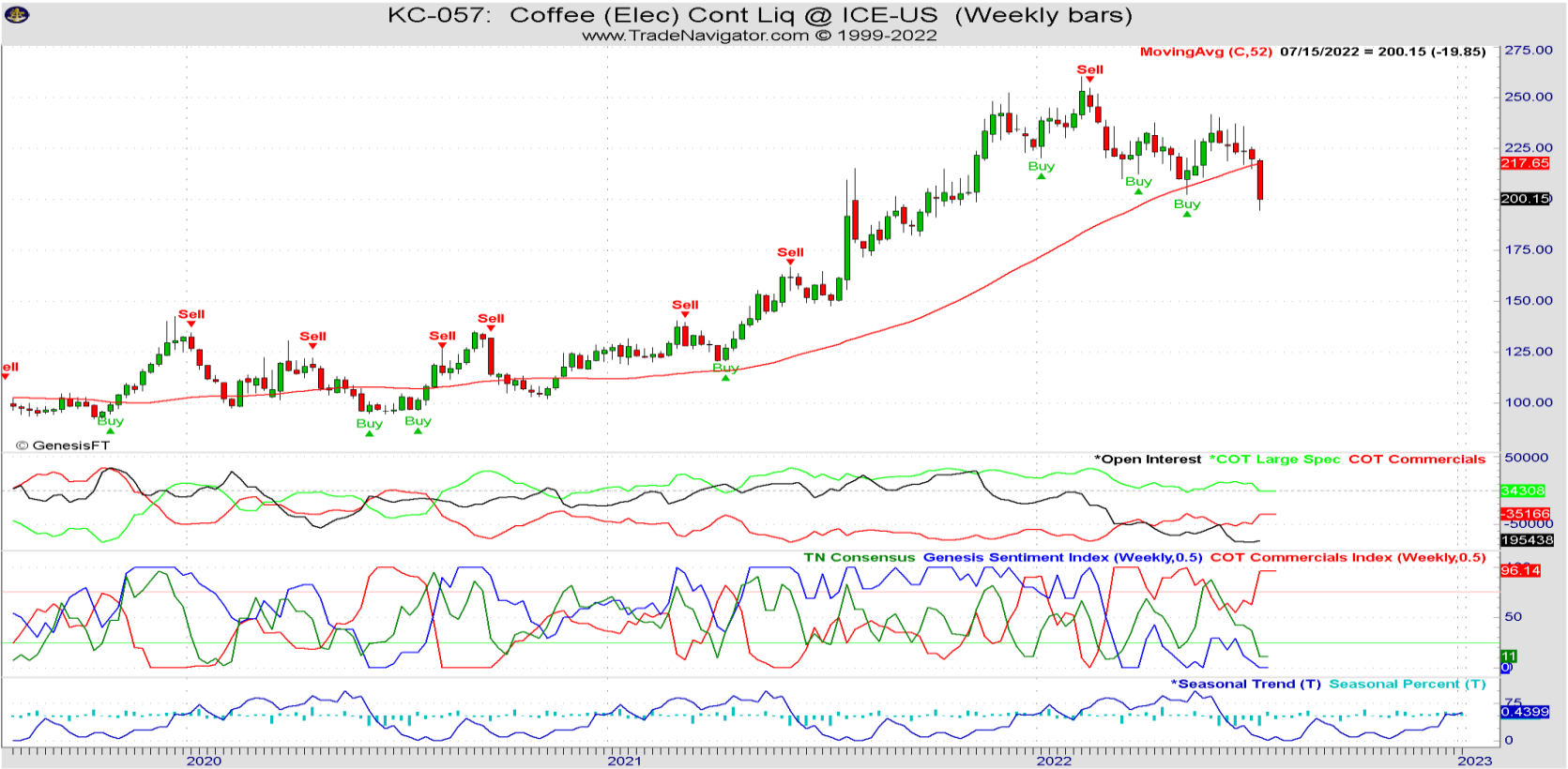


Coffee weather review

- Minas Gerais received no rain last week, or 0% of the historical average. That was the second straight week with no rain. Minas Gerais accounts for about 30% of Brazil's arabica crop.
- Colombia as well saw little rain this week however there is no direct effect of the weather on coffee production at the moment.



Coffee price chart





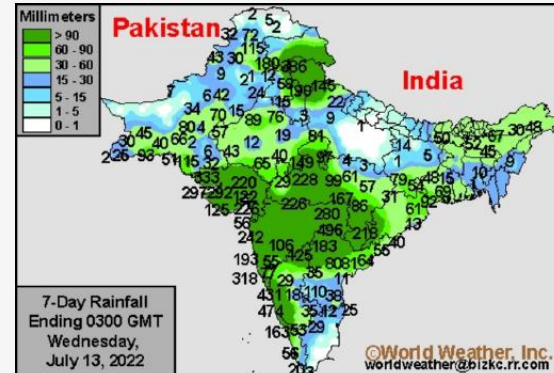
Sugar: Buy

- October NY world sugar #11 (SBV22) on Wednesday closed up +0.45 (+2.41%), and Aug London white sugar #5 (SWQ22) closed up +9.30 (+1.61%).
- Strength in crude oil prices supported gains in sugar.
- Strength in the Brazilian real sparked short-covering in sugar futures. The real on Wednesday recovered from a 5-1/2 month low against the dollar and climbed +0.83%. A stronger real discourages export selling by Brazil's sugar producers.
- **Reduced sugar output in Brazil is main bullish for prices.** Unica reported on July 12 that Brazil 2022/23 Center-South sugar production through June was 9.68 MMT, down -21.6% y/y, with the sucrose content per ton of crushed sugar cane down -4.4% y/y to 127.25 kg per ton.
- Serious floods are heading India key sugar producing regions putting it into buy category.

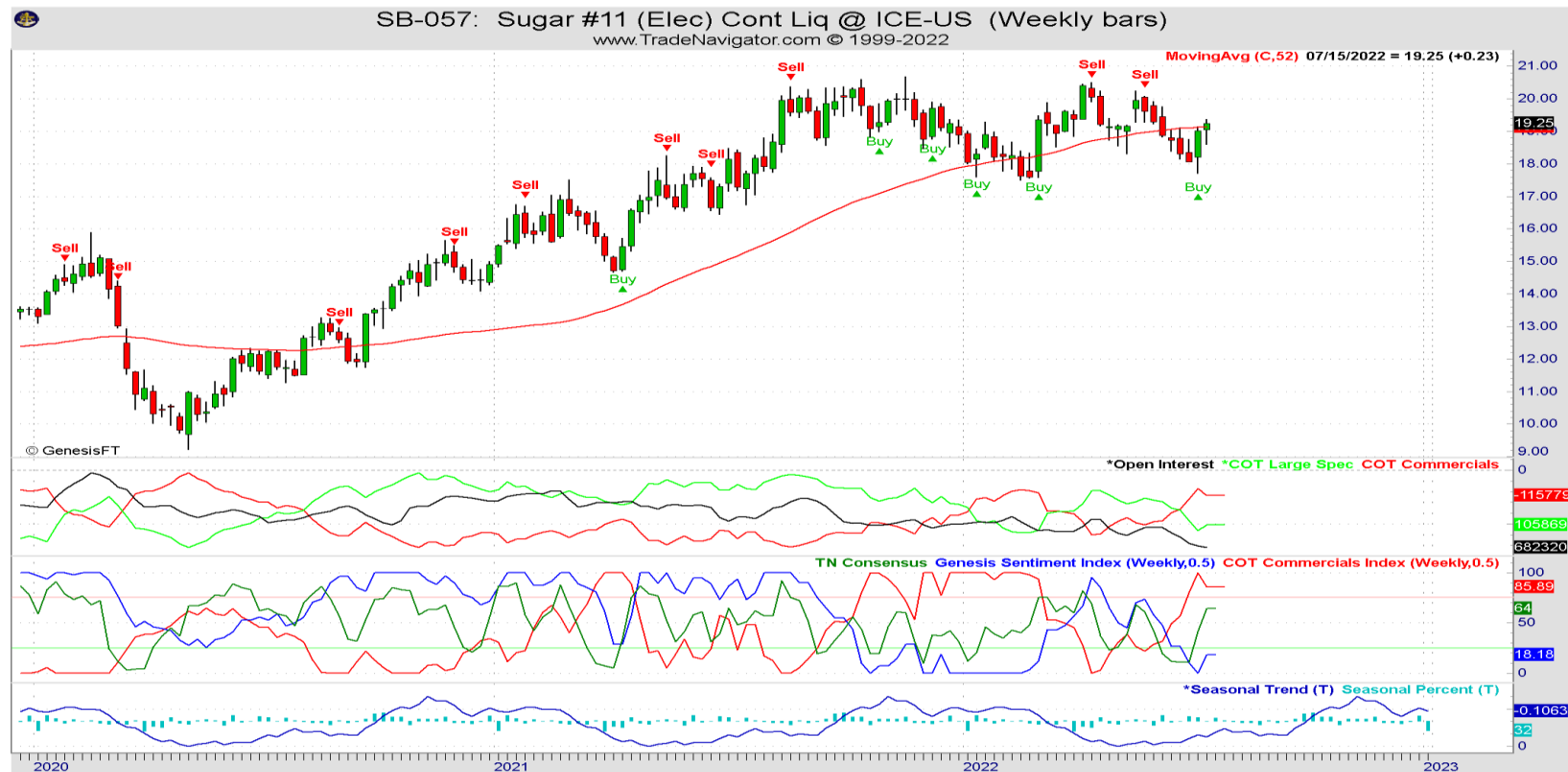


Sugar weather review

- Brazil received no rain last week, or 0% of the historical average. That was the second straight week with no rain.
- In India additional rain in the coming weeks will further enhance more serious flood potentials for Maharashtra, Gujarat, Madhya Pradesh, Telangana, Chhattisgarh, and neighboring areas. Severe crop and structural damage will be likely with some production.



Sugar price chart





Natural Gas: Buy

- EIA reported an injection of 58 Bcf natural gas into storage for the week ended July 8. The result was in line with expectations – and above the five-year average – and it at least temporarily deflated a Nymex natural gas futures rally.
- The latest build lifted working gas in storage to 2,369 Bcf. Still, stocks were 252 Bcf lower than a year earlier and 319 Bcf below the five-year average.**
- Temperatures during the latest EIA report week were hotter than normal over much of the USA, while production bounced between 94 Bcf and 96 Bcf. Amid unplanned maintenance projects, output has failed to reach and sustain the 97 Bcf level many analysts expected by early July.
- The latest model runs continued to show “widespread heat” and “strong to very strong” demand for natural gas nationally from this weekend through July 27.
- The “impressively hot” temperatures in the outlook for the back half of July and week/week production weakness support a bullish case,**
- Weaker liquefied natural gas exports amid the Freeport LNG terminal outage support the bearish perspective



Natural gas price chart



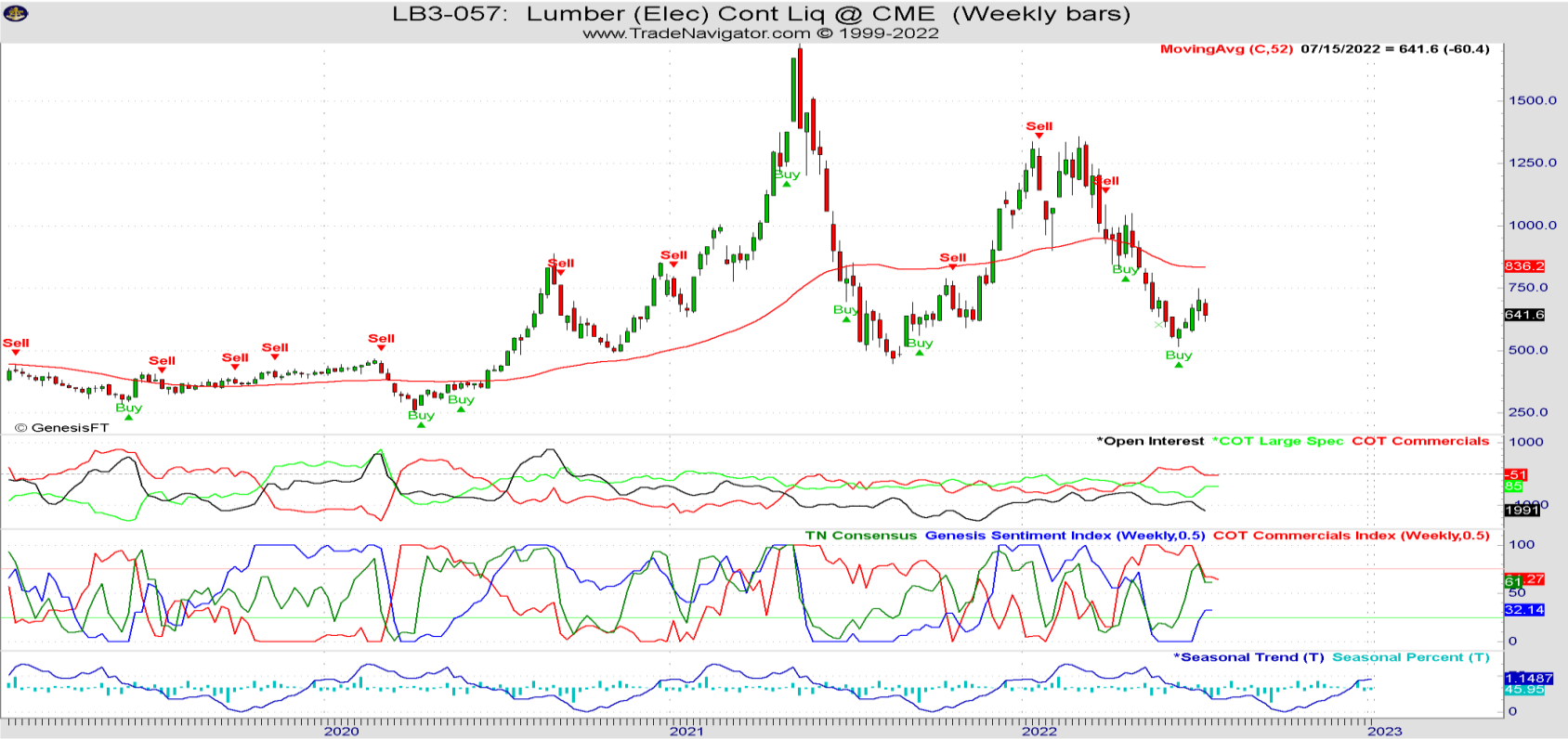


Lumber: Buy

- Most softwood lumber and panel prices stayed relatively flat compared to the previous week. This is the time of year when lumber demand starts to drop and prices either fall or remain flat.
- The large-volume buyers — the big US home builders — have made their purchases, and received their wood, for planned construction projects to autumn. Across North America sawmills choose this time to take seasonal and maintenance curtailments and downtime.
- The average 30-year fixed mortgage rate fell 11 basis points to 5.70% during first week of July, while the average 15-year fixed mortgage rate fell 9 basis points to 4.83%.
- **The rapid drop in mortgage rates indicated higher lending activity mainly mortgage in US and consequently construction of new houses. 1% move in interest rates has more than three times the impact on lumber prices.**
- Demand for North American lumber seemed to firm up across the board
- There are 1.665 million units under construction, 822,000 of them single-family homes. This above the previous record of 1.628 million units that were under construction in 1973.
- Inflationary pressures are not having too much of an impact on lumber products at the current time. Overall market is well supplied.



Lumber price chart

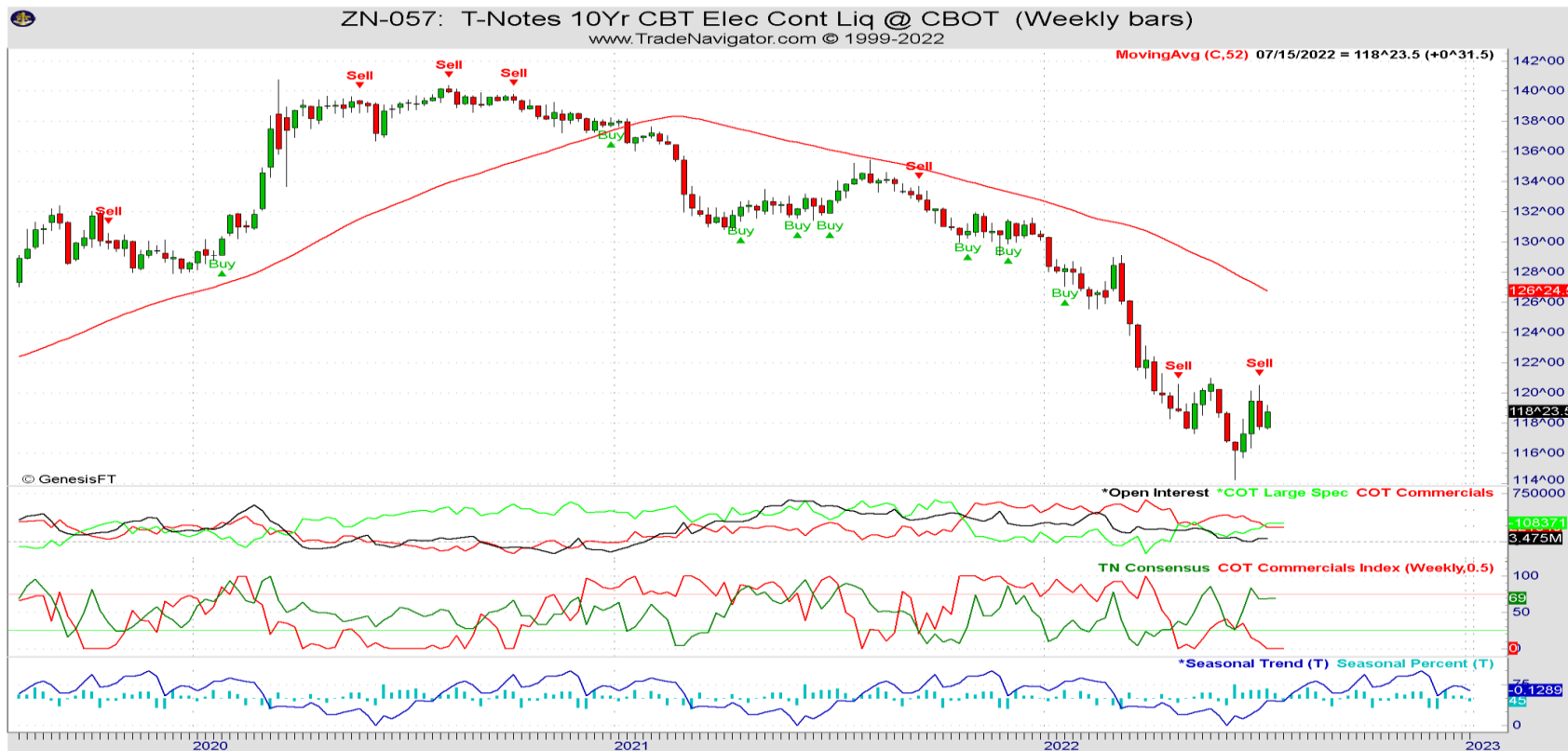


10-year T-notes: Sell

- Sep 10-year T-notes on Thursday closed down -13.5 ticks, and the 10-year T-note yield rose +3.1 bp to 2.965%.
- T-note prices Thursday moved lower after U.S June producer prices rose more than expected, which may signal the Fed to be even more aggressive in tightening monetary policy.
- U.S. inflation reached 9.1% in June, its highest rate in nearly 41 years. June CPI was higher than May's annual rate of 8.6%.
- Fed fund futures have now priced in 150 bp of Fed rate hikes over the next two FOMC meetings on July 26-27 and September 20-21.
- Citigroup forecast a 100 bp rate hike by the Fed at this month's FOMC meeting.
- On June 14th FED hiked rates by 75bps highest in many years in attempt to take inflation under control. Head Powel said that FED may hike rates again in July meeting by another 75bps.
- There is a high probability that FED will hike rates again thus putting 10-year T-notes into bearish territory.



10-year T-notes price chart



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