

Commodities Markets Report

By **Max Schulz**

🕒 | Week 50 | **December 12th**



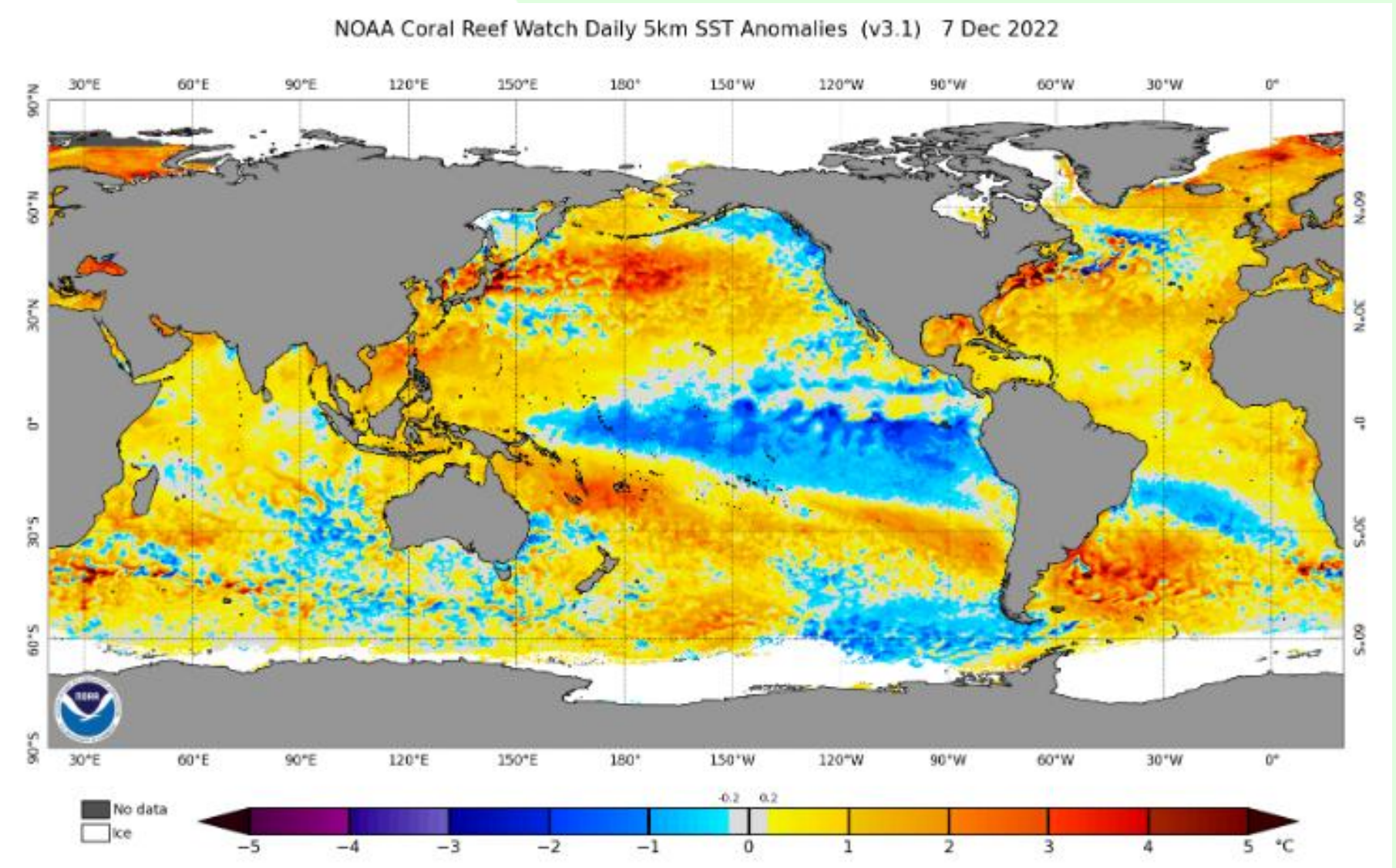


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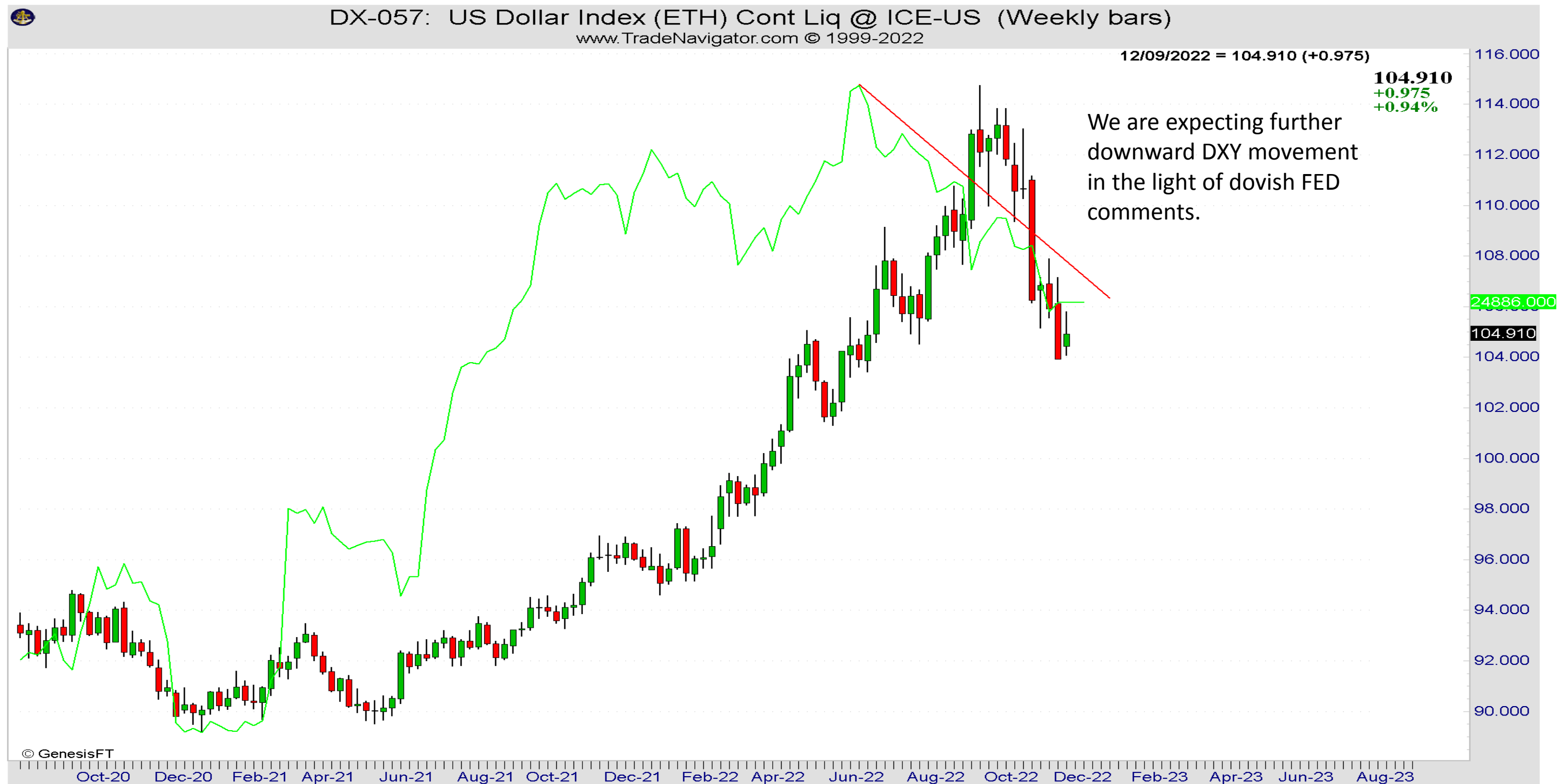
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Global weather review

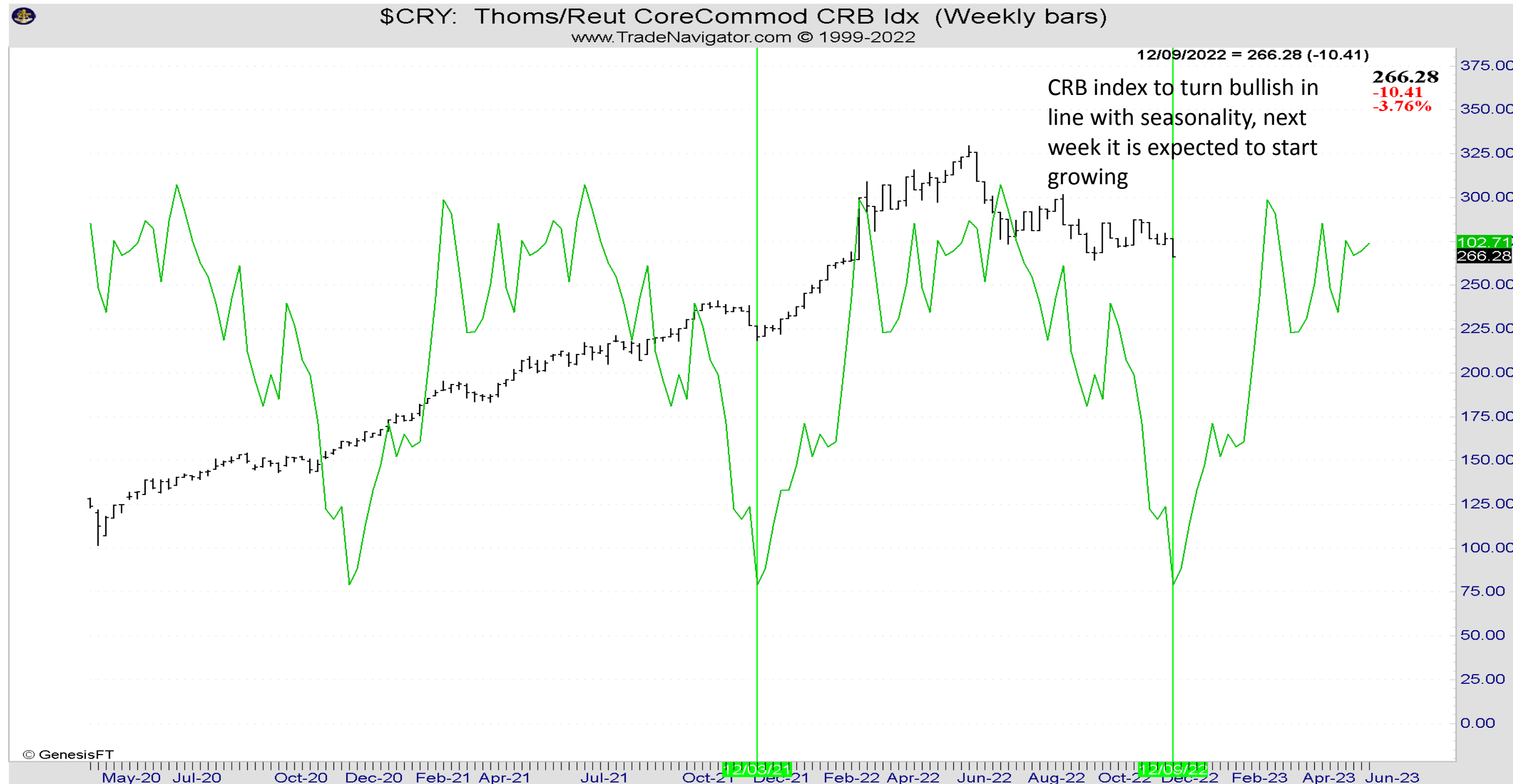
- The Indian Ocean Dipole (IOD) has returned to neutral. Weekly values of the IOD index have been in the neutral range (between -0.4°C and $+0.4^{\circ}\text{C}$) for five consecutive weeks with the most recent value being -0.16°C . This implies drying out of India and Australia.
- La Niña continues in the tropical Pacific. Atmospheric and oceanic indicators of the El Niño–Southern Oscillation (ENSO) reflect a mature La Niña. Models suggest a return to ENSO-neutral in January or February 2023.
- A significant storm will enter the West of US this weekend and track toward the central U.S. next week. Heavy snow and strong winds will accompany the wintry side of this storm in the West, Northern Plains and upper Midwest. Severe thunderstorms, including possible tornadoes, could impact the South. An initial system will increasingly spread rain and mountain snow along the West Coast as a bigger storm arrives. Thunderstorms in the South could produce tornadoes, wind damage, hail and flash flooding once this storm taps into increasing Gulf of Mexico moisture by late Monday and Tuesday.
- In Brazil scattered, generally light showers provided limited moisture for soybeans in southern and central farming areas.
- In Argentina scattered showers brought localized relief from warmth and dryness, but moisture remained limited in spots for summer crop germination



Dollar Index



Commodities Index

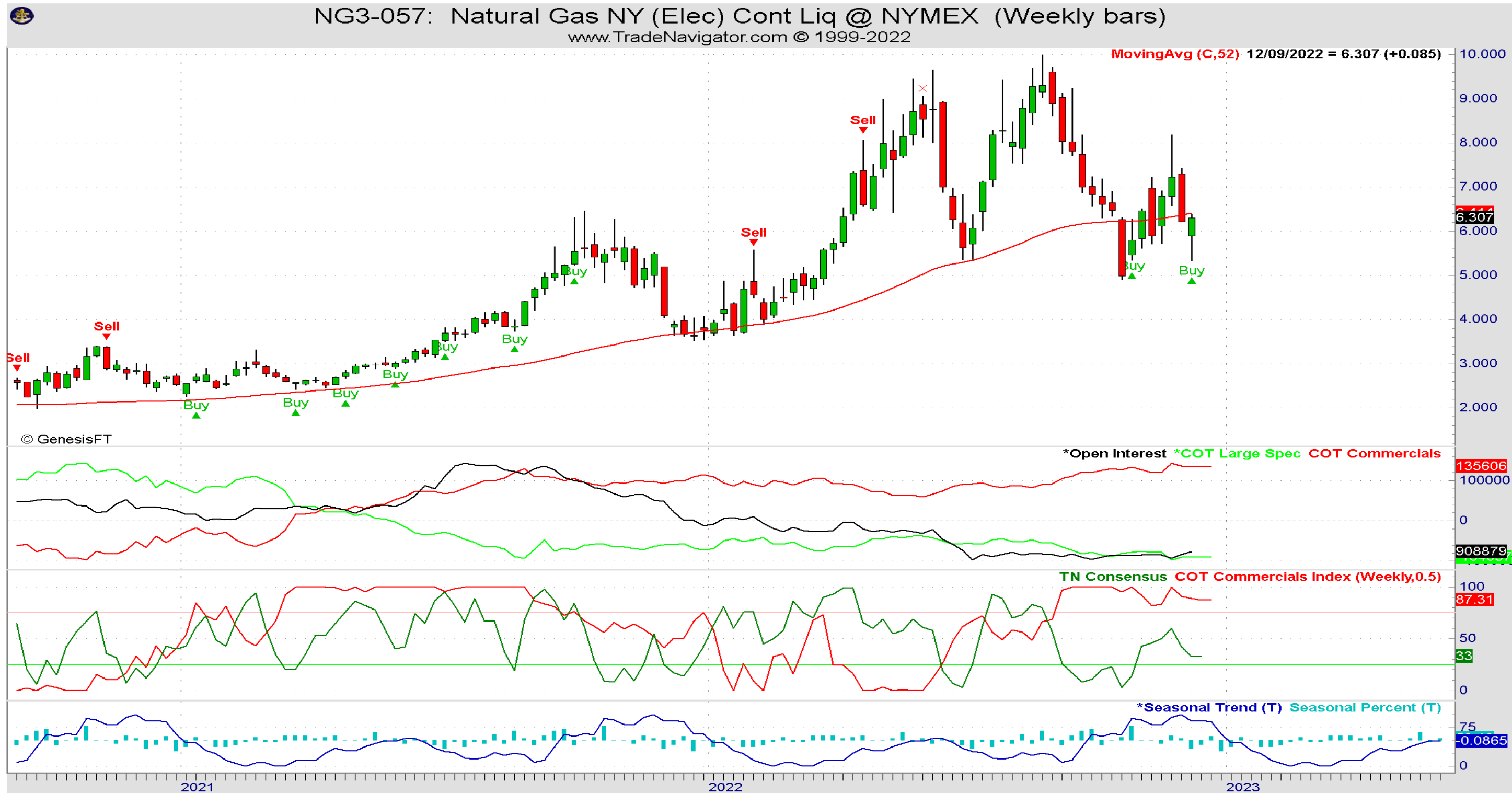


Natural Gas: Buy

- Natural gas prices closed higher on Thursday on expectation of colder US weather.
- U.S. weather forecasts shifted colder, which would increase heating demand
- Atmospheric G2on reported that Western U.S. states are poised to see abnormally-low temperatures from Dec 13-18, with the cold front expanding eastward to the rest of the U.S. in the following week.
- Weekly EIA report was bearish for prices as U.S. inventories fell -21 bcf in the week ended Dec 2, a smaller decline than expectations of -28 bcf. Inventories recovered are now only -1.6% below their 5-year seasonal average.
- According to BNEF lower-48 state dry gas production on Thursday was 99.4 bcf (+3.0% y/y), gas demand was 83 bcf/day, down -15% y/y.
- Edison Electric Institute reported total U.S. electricity output in the week ended Dec 3 rose +2.0% y/y to 75,205 GWh.
- Cumulative U.S. electricity output in the 52-week period ending Dec 3 rose +2.1% y/y to 4,121,681 GWh.
- **Natural gas prices find bullish support on the back of colder weather forecasts and seasonality.**



Natural Gas Price Chart



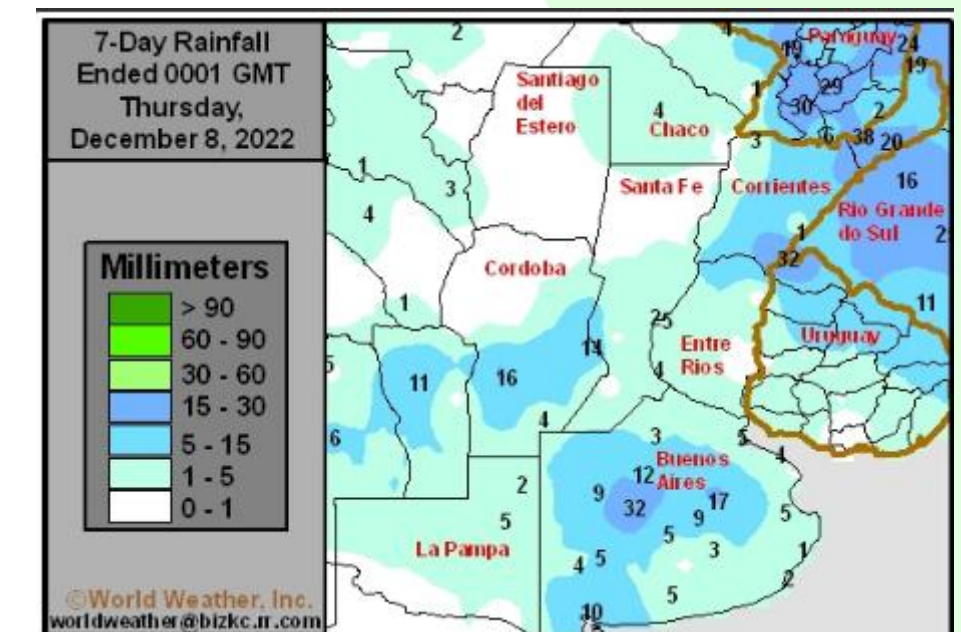
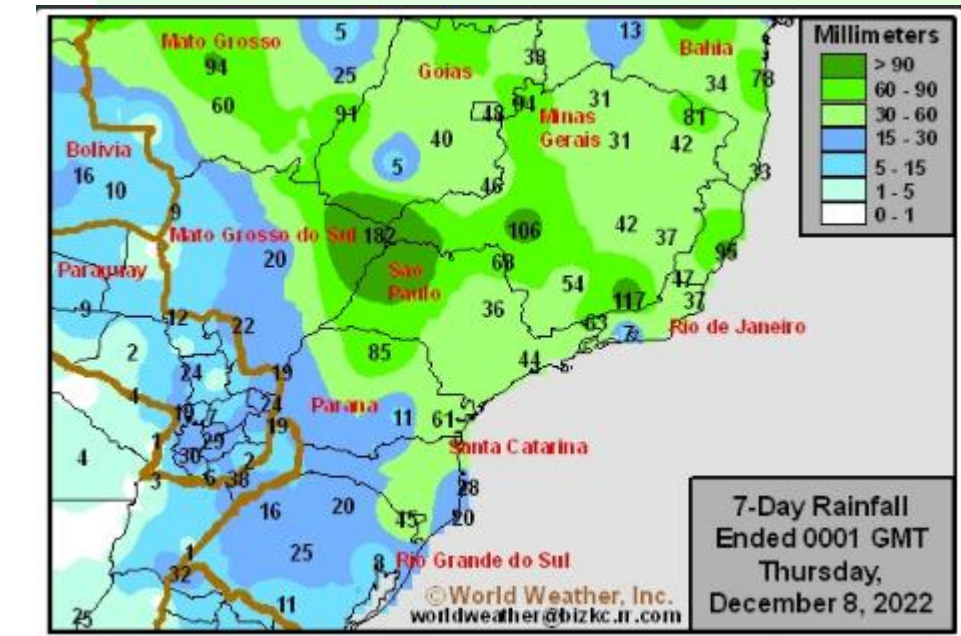
Corn: Buy

- Global coarse grain production for 2022/23 is forecast down 5.9 million tons to 1,453.6 million.
- The 2022/23 Global grain outlook is for lower production, greater trade, and smaller stocks relative to last month. Foreign corn production is reduced with forecast declines for Ukraine, Russia, the EU, and Vietnam.
- Ukraine corn production is sharply lower with reductions to both area and yield as the ongoing conflict and record-setting autumn rainfall have delayed the harvest in key producing oblasts of Poltava, Sumy, and Cherkasy.
- Russia corn production is lowered as harvest delays in the country reduce area expectations.
- Argentina corn production is cut on continued dry conditions.
- **Global corn ending stocks are down, reflecting reductions for Ukraine, Paraguay, Vietnam, and Mexico.**
- **Global corn stocks, at 298.4 million tons, are down 2.4 million.**
- **Corn prices find bullish support on lower global production, lower ending stocks and concerns over future production from Argentina.**

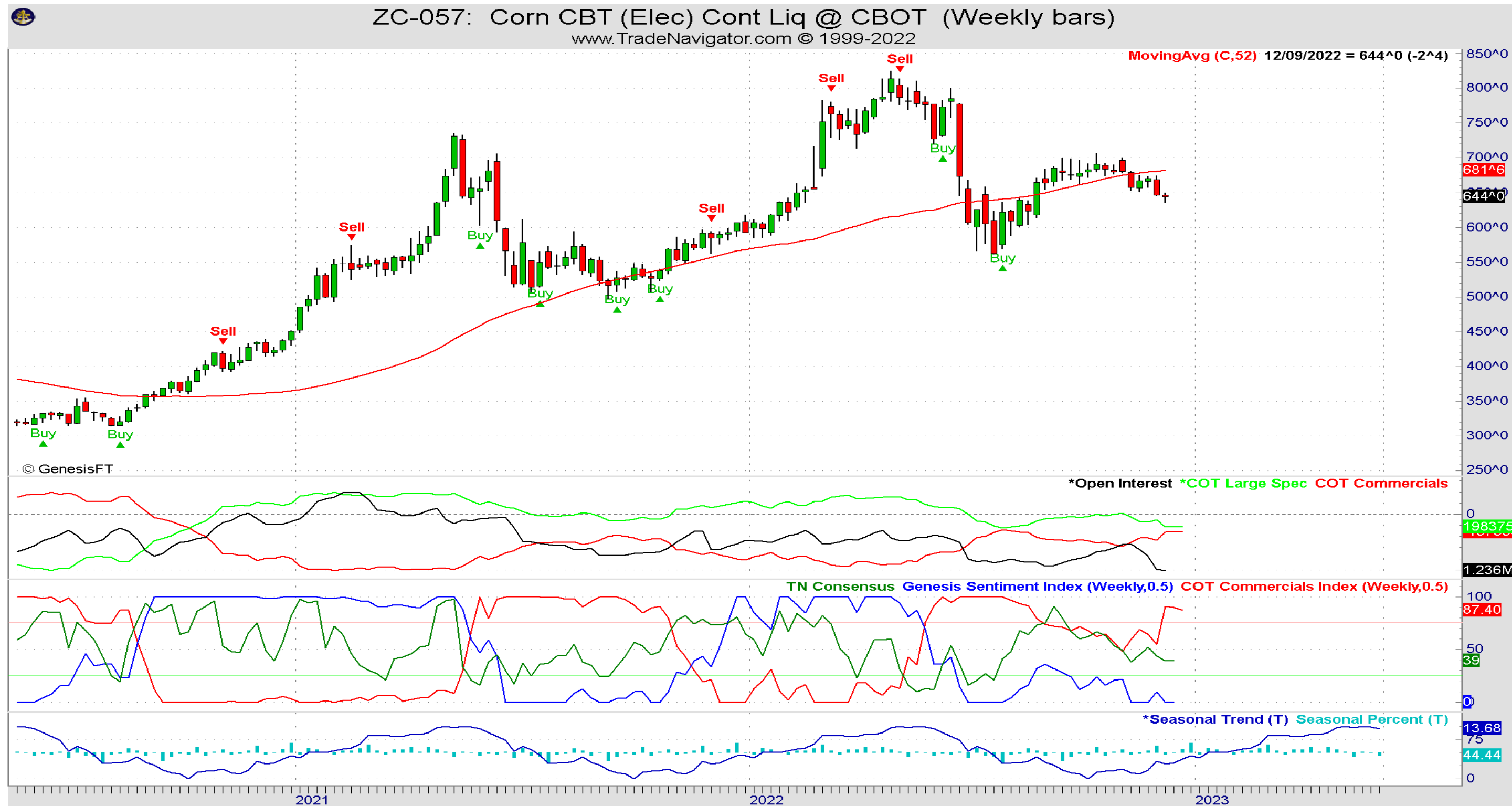


Weather review

- In the US all corn had already been collected so the weather here is not a factor.
- In China also corn harvest season is over, there is no weather associated risk.
- Patchy, mostly light showers prevailed over large sections of central and southern Brazil, and some locations need moisture to ensure normal development of soybeans and other main-season summer crops. Below-normal rainfall (25 mm or less) spanned a large area stretching from western Mato Grosso to Rio Grande do Sul; while rainfall-to-date has been adequate in most locations, some areas have been trending drier than normal since October and need more consistent rainfall as seasonal warming advances. Highest daytime temperatures reached the middle and upper 30s (degrees C), compounding the impacts of the dryness on net moisture losses.. In Rio Grande do Sul, corn was 84% planted as of December 1, with more than 40% of the existing crop having reached reproduction
- Showers brought localized relief from warmth and dryness, but many locations continued to experience unfavorably low levels of soil moisture for emerging summer crops. Rainfall totaling 10 to 50 mm overspread much of Buenos Aires and neighboring locations in the bordering states; however, dry weather dominated a large section of the region from central and northern Córdoba eastward through Uruguay. Farther north, showers were widely scattered and light, with few locations from Salta to Corrientes recording more than 10 mm. The drier conditions extended northward into Paraguay, following several weeks of locally excessive wetness. Weekly average temperatures were above normal in all major agricultural areas, with daytime highs again reaching the upper 30s (degrees C) as far south as La Pampa and Buenos Aires. Corn is 45% planted, lagging last year's pace for crops.



Corn Price Chart





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