

Weekly bulletin

Week 35
August 29th

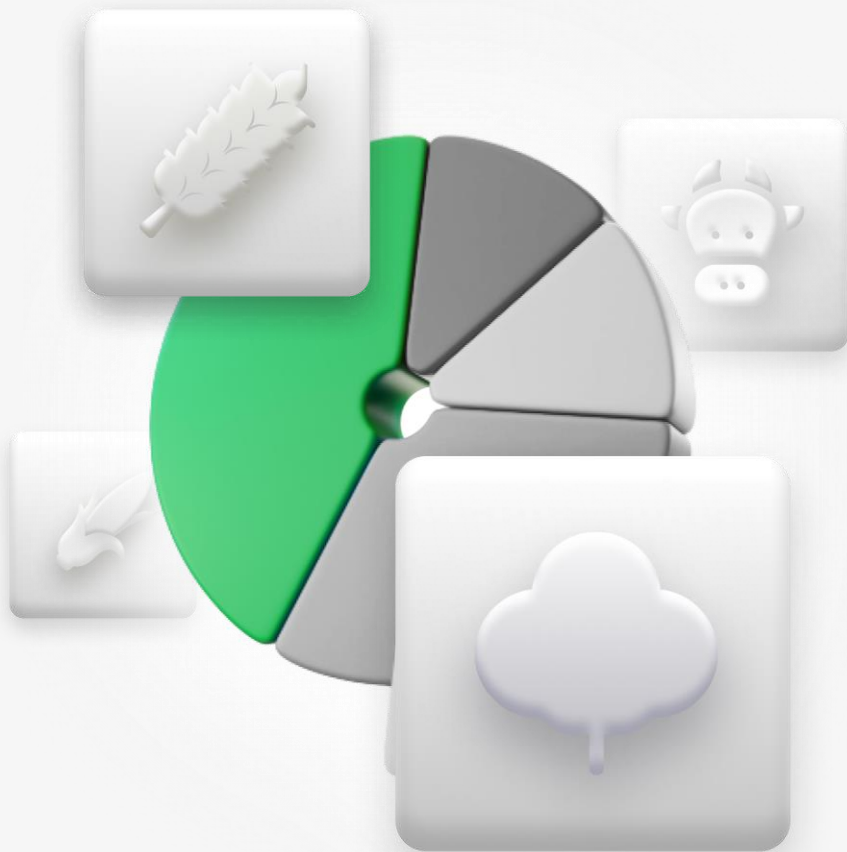
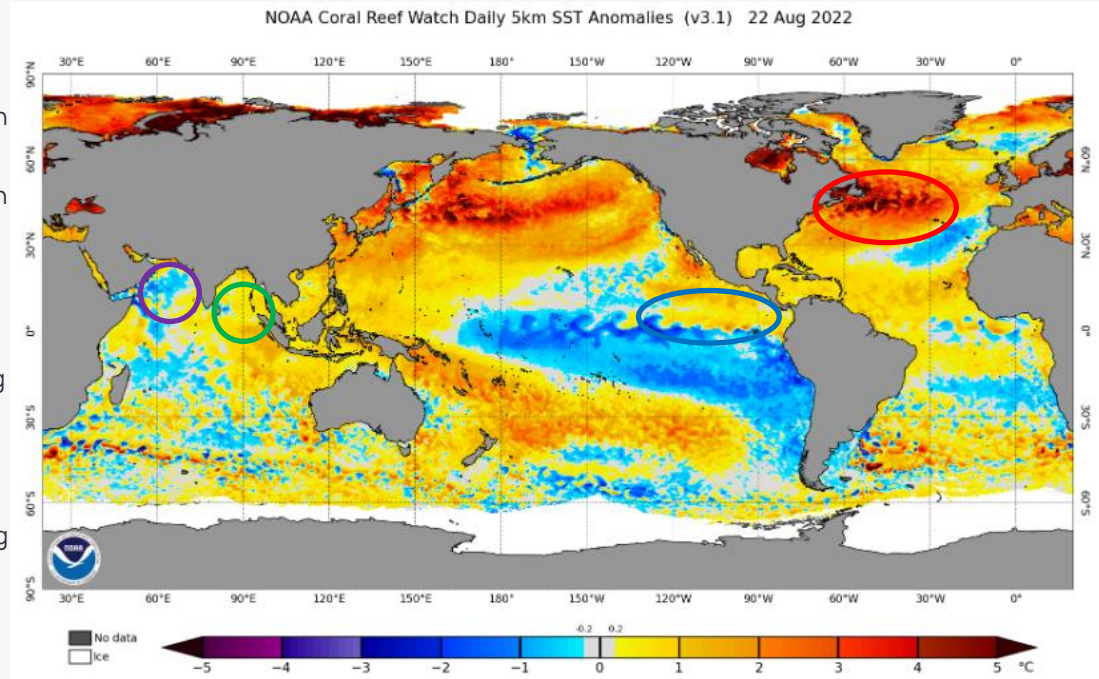


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Global weather review

- 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.
- Warm water pockets near South America coast (red circle) is an early sign of weakening La Nina.
- La Nina will be around as we head into Autumn and collapsing in Q4 of 2022 or Q1 2023.
- Weakening La Nina means really cold winters for Canada, Russia and northern parts of EU and US. Central EU winter is promising to be mild.
- Warm water off East Coast of USA 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
- We are now in positive Quasi Biannual Oscillation which is going to continue, this means stable winter without extreme cold weather in Western Hemisphere. First half of winter more likely will be colder with significant warming in the second half of winter in western hemisphere,
- Early Stage Sudden Stratospheric warming of Antarctica is around which implies drying out of Australia, Argentina and south of Brazil, whereas the rest of Brazil is likely to be excessively wet.





Coffee: Buy

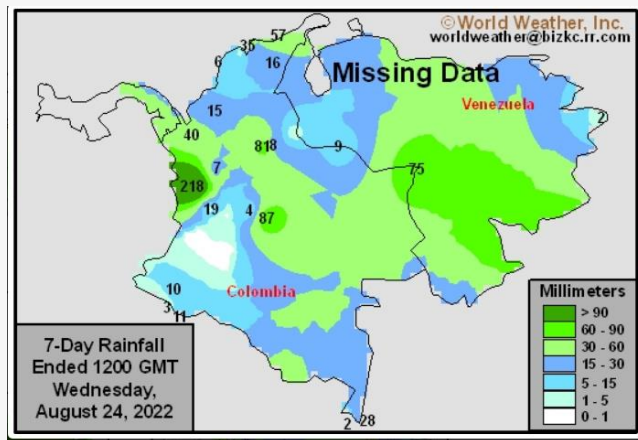
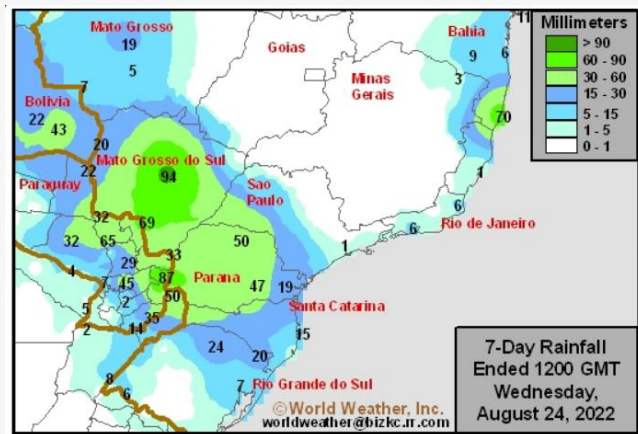
- On Wednesday Coffee prices extended this week's sharp rally up to 6-month highs.
- Coffee prices are rising on the back of concern that excessive dryness in Brazil will reduce coffee yields and curb global coffee supplies. Somar Meteorologia reported Monday that Minas Gerais received no rain in the past week or 0% of the historical average. Minas Gerais accounts for about 30% of Brazil's arabica crop. Climatempo on Monday forecasted no rain for Brazil's coffee-growing regions through the rest of this month.
- La Nina conditions are likely to last through the end of 2022, which suggests below-normal rain for Brazil. That would exacerbate drought conditions and further stress Brazil's coffee crops.
- Additionally excessive moisture in Columbia damaged current coffee crops that is another bullish implication for coffee prices. The National Federation of Coffee Growers reported on Aug 3 that Colombia's July coffee production fell -22% y/y to 944,000 bags. Colombia is the world's second-largest producer of arabica beans.
- ICE-monitored arabica coffee inventories are tight and bullish for prices. ICE inventories last Monday fell to a new 23-year low of 571,580, although inventories have since recovered modestly to a 2-1/2 week high of 663,780 bags on Wednesday.



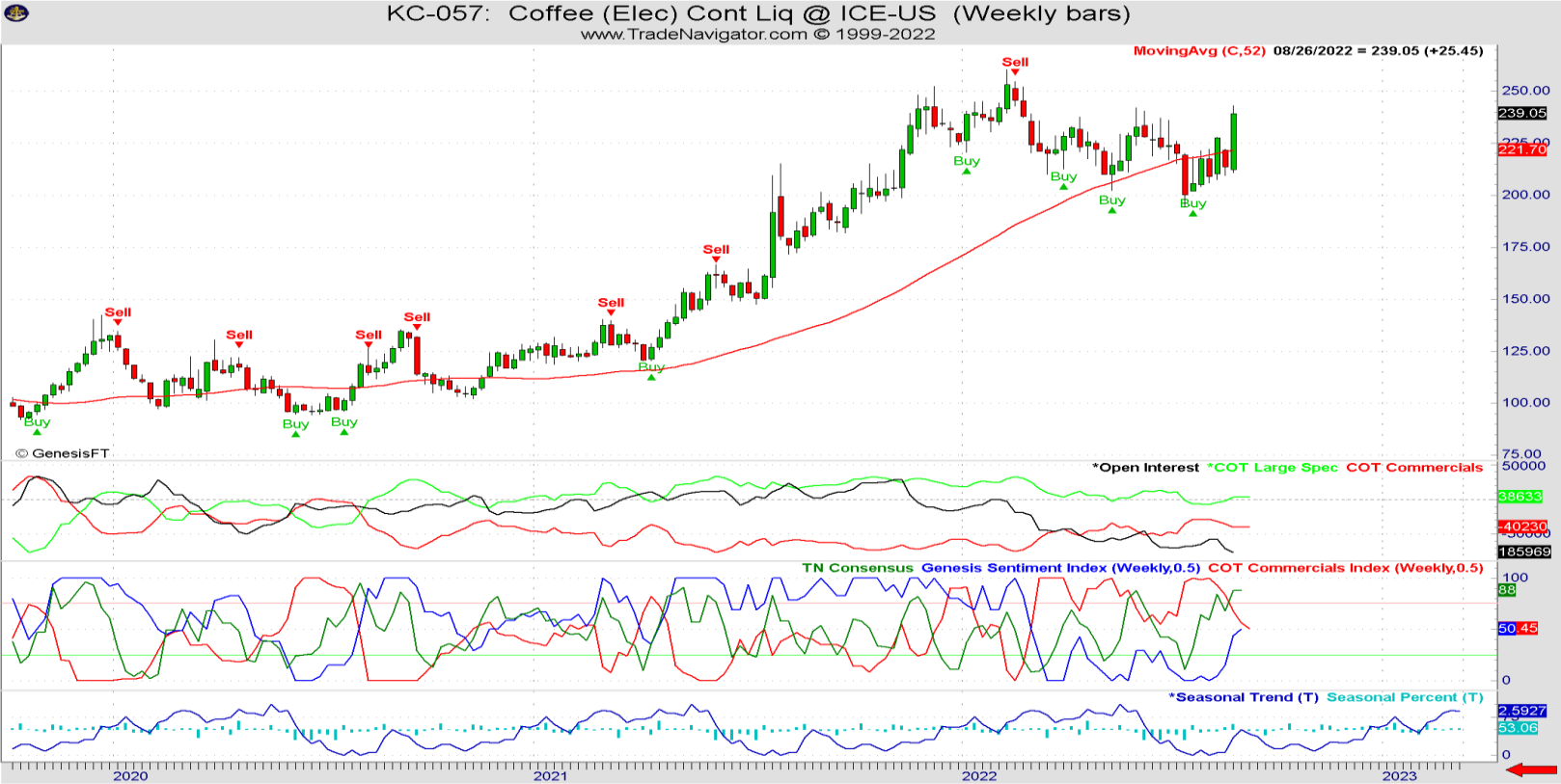
- Robusta coffee has support on smaller global supplies. Vietnam's General Department of Customs reported last Monday that Vietnam's coffee exports in July fell -17.1% m/m to 113,852 tons.
- **Coffee prices found support on reduced supply from Brazil, Colombia and Vietnam and lower ending stocks.**

Coffee weather review

- Somar Meteorologia reported on Monday that Minas Gerais received no rain in the past week or 0% of the historical average. It is forecasted no rain for Brazil's coffee-growing regions through the rest of this month
- Colombia saw excessive rains in the last few weeks that stresses the coffee crops a lot. More rains are expected to come in that area.



Coffee price chart





Cocoa: Buy

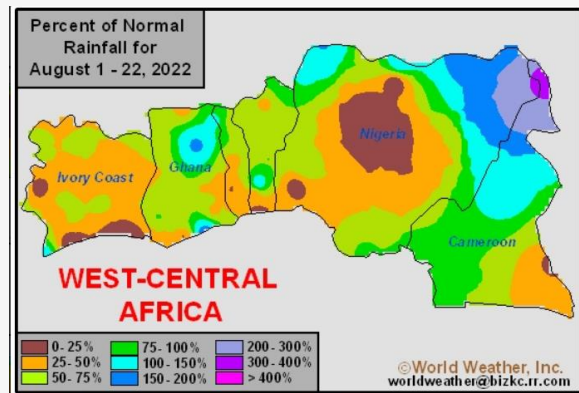
- September ICE NY cocoa (CCU22) on Wednesday closed up +102 (+4.43%), and September ICE London cocoa #7 (CAU22) closed up +42 (+2.44%)
- Concern about 2023 West African cocoa-crop quality sparked fund short-covering in cocoa futures.
- Continuing dry weather, lack of fertilizer for cocoa farmers in 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.
- 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 in 2023.
- 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.



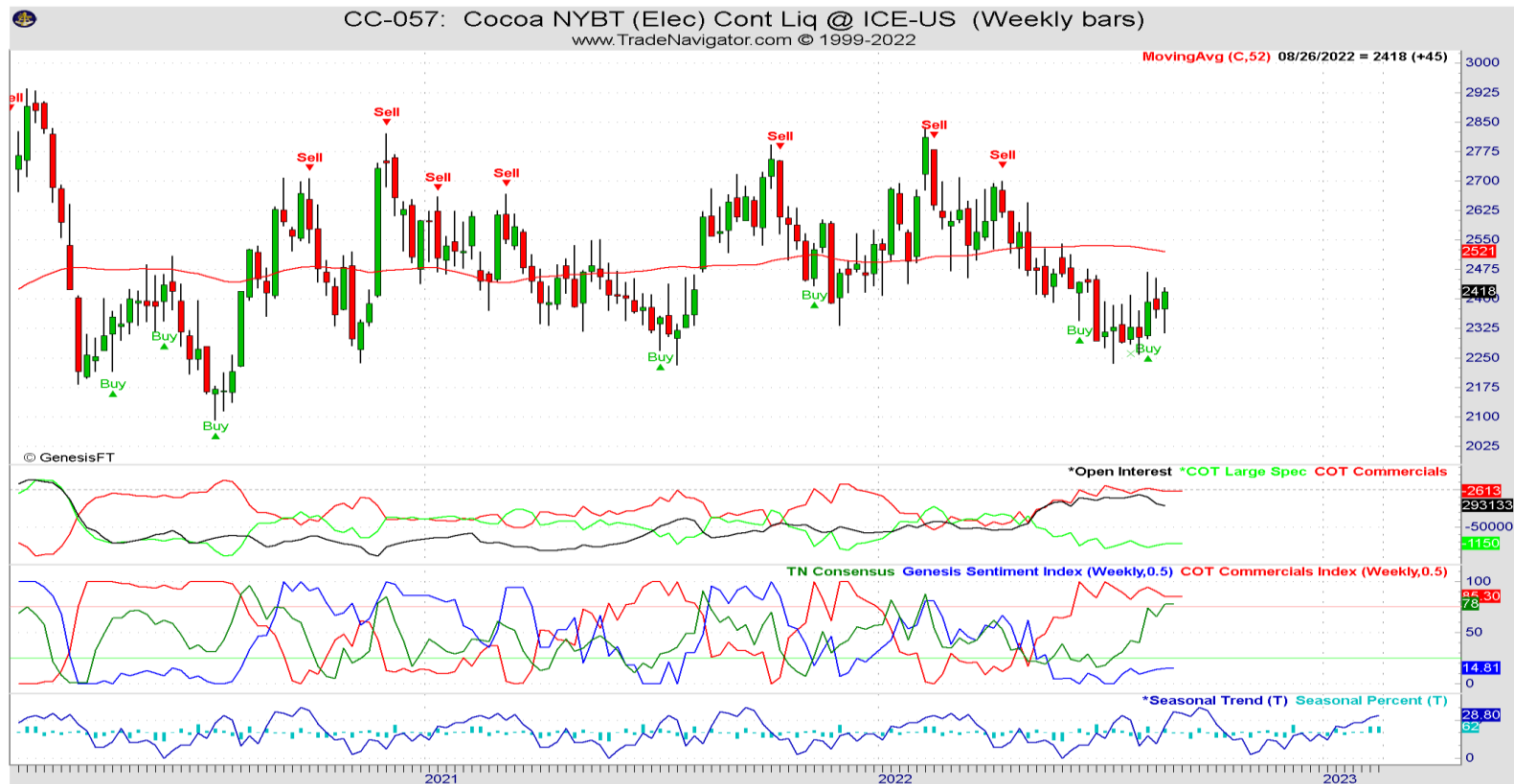
Cocoa prices find bullish support on the back of smaller global production from West Africa region as a result of dry weather, bad health of cocoa trees due to high fertilizers price.

Cocoa weather review

- Indian Dipole continues to be negative and dries out West Africa, both Ivory Coast and Ghana.
- 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

- Wednesday's session recovered some of the pullback with triple digit gains of as much as 194 points.
- Global 2022/23 production is forecast 3.1 million bales lower this month, and consumption is 800,000 bales lower, resulting in a decrease in projected ending stocks of 1.5 million bales.
- In addition to the U.S. crop change, world production is reduced an additional 100,000 bales as extreme heat in Uzbekistan reduced yield prospects there.
- World trade is 1.8 million bales lower this month, with reductions in U.S. exports and imports by China as the largest changes.
- Projected imports are also lower this month for India, Pakistan, Vietnam, Turkey, and Bangladesh.
- 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. Production is lowered nearly 3.0 million bales and due to historically high abandonment in the U.S. Southwest; ending stocks are forecast at their lowest level in nearly 100 years to 1.8 million bales.

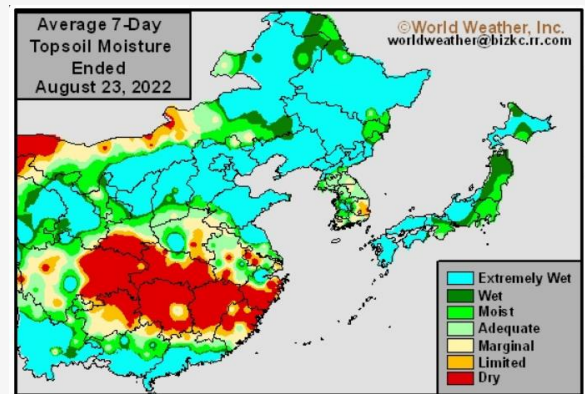
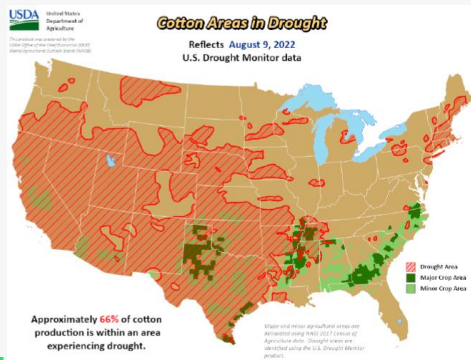
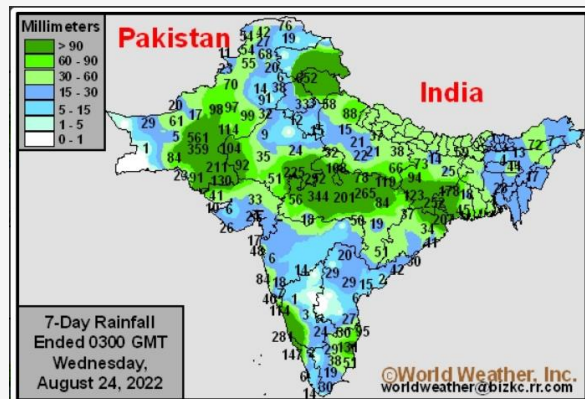


- **Cotton prices find bullish support of the back of lower global production, lower ending stocks and continuing bad cotton weather in key regions.**

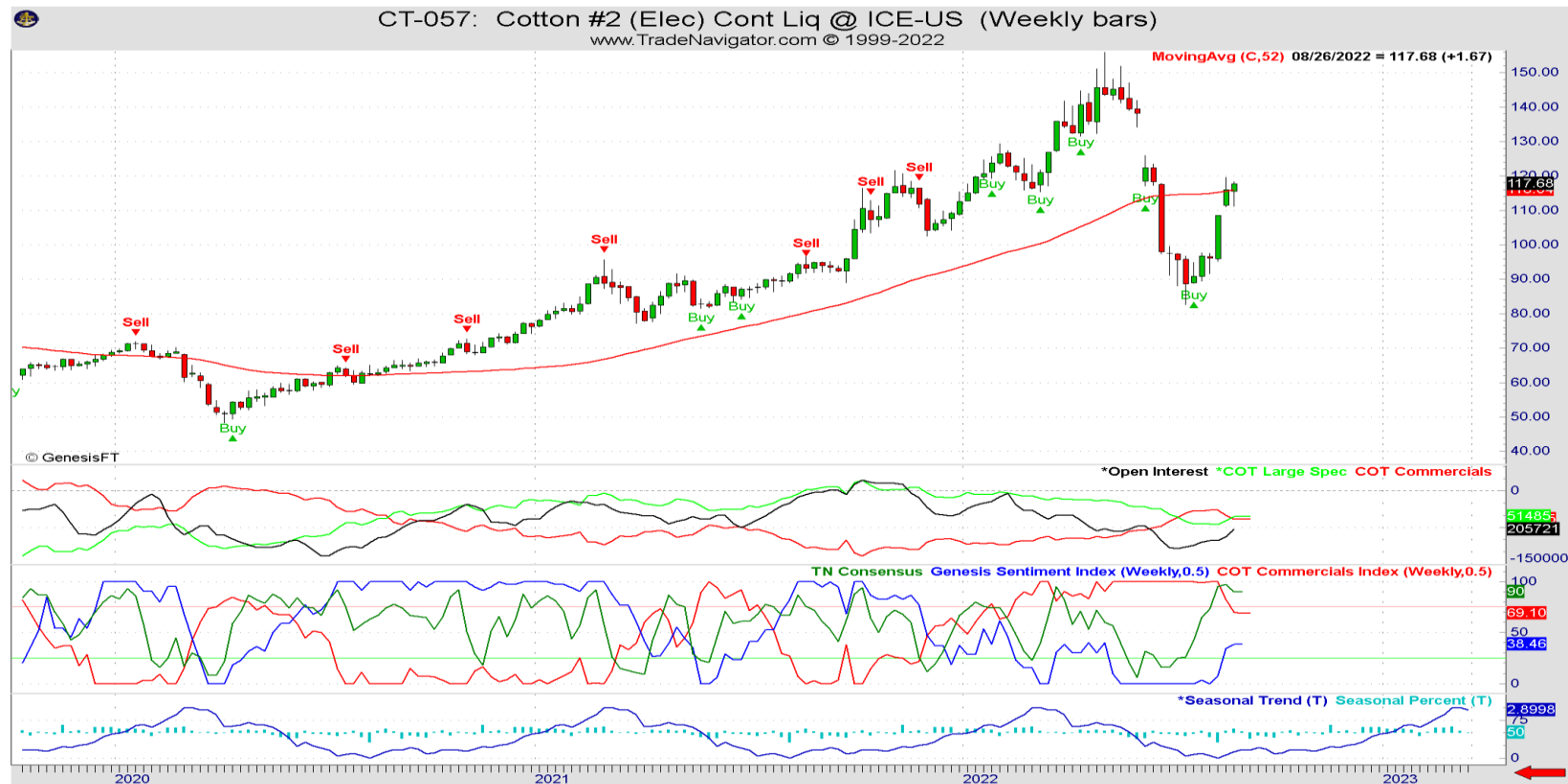


Cotton weather review

- India is dealing with flash floods around the country as well as a pest infestation that has caused severe damage to crops.
- China, the world's second largest cotton producer, has seen a collection of drought, flash floods and heatwave that has caused concern over the upcoming harvest. Topsoil moisture chart tells us that amount of rain was insufficient for Xinxiang region.
- US is battling against drought that is causing devastation to the crop yield and has been predicted to drop production levels to the lowest in nearly a decade. More than 61% of cotton crops are experiencing severe drought. Some rainy weather and flash floods hit Texas this week after extended period of drought. This may hurt cotton crops,



Cotton price chart





Wheat: Buy

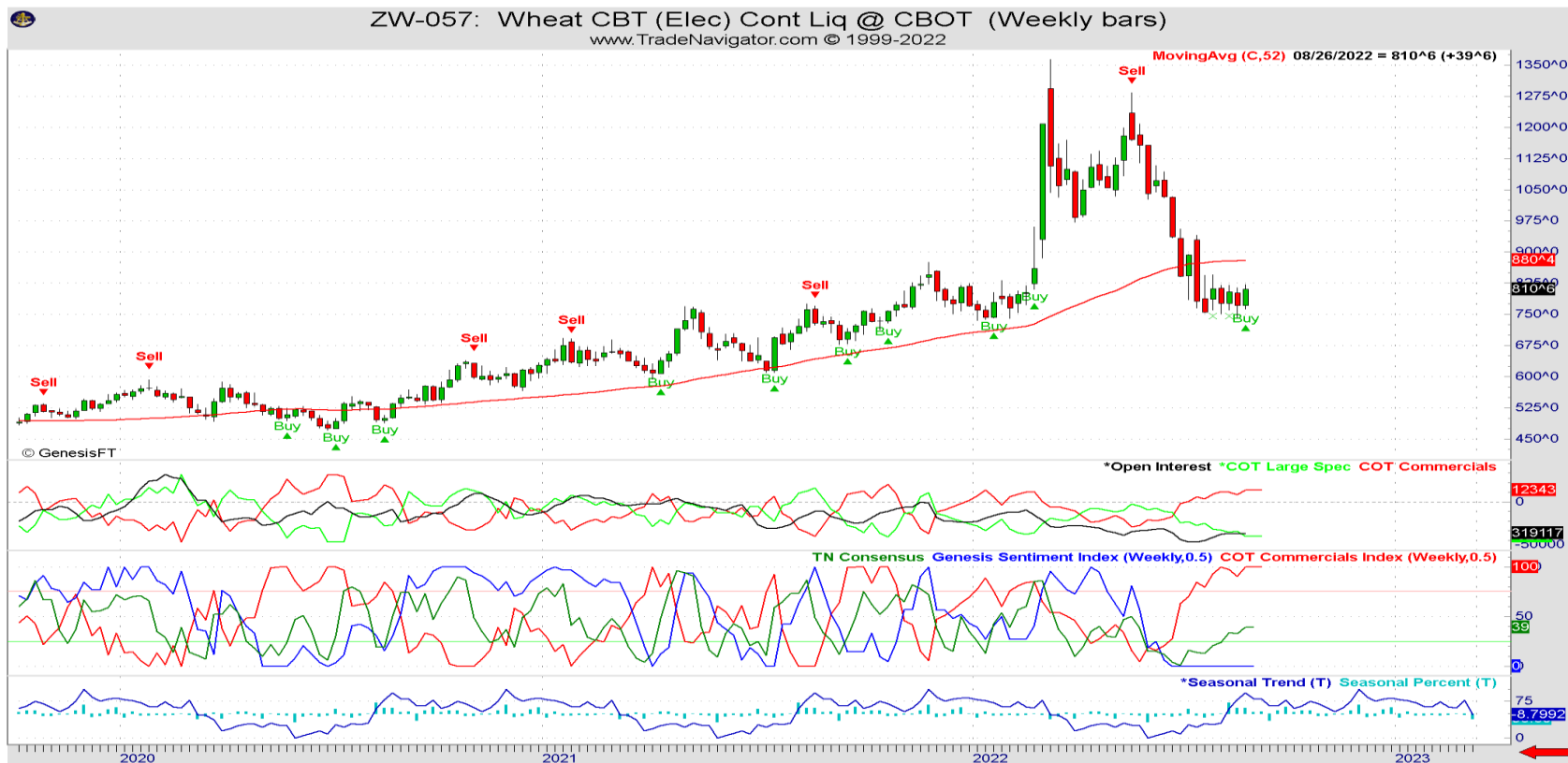
- The global wheat outlook for 2022/23 is for higher supplies, greater consumption, increased trade, and lower ending stocks.
- Supplies are raised by 4.2 million tons to 1,055.9 million as higher production more than offsets reduced beginning stocks.
- Production is increased to a record 779.6 million tons, primarily on higher production for Russia, Australia, and China.
- Russia's production is raised 6.5 million tons to a record 88.0 million on both higher harvested area and yield.
- **Projected 2022/23 world ending stocks are reduced fractionally to 267.3 million tons and remain at the lowest level in six years.**
- **US Projected 2022/23 ending stocks are lowered 29 million bushels to 610 million.**
- **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.**



Wheat weather review

- Heat and dryness in southern China exacerbate short-term drought and sustained concerns over reduced yields for some crops.
- U.S. spring wheat at 75% good or excellent. Most of US wheat producing regions were drier than normal, however 95% of the 2022 winter wheat acreage had been harvested by August 21, 4% behind last year and 2 points behind the 5-year average. Winter wheat harvest advances 17% or more during the week in Idaho, Montana, and Washington.
- Downpours across central India added to excessive wetness in wheat and oilseed areas.
- In EU Rain moistened the topsoil in advance of winter grain and oilseed planting but came too late to help drought-ravaged summer crops.
- 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





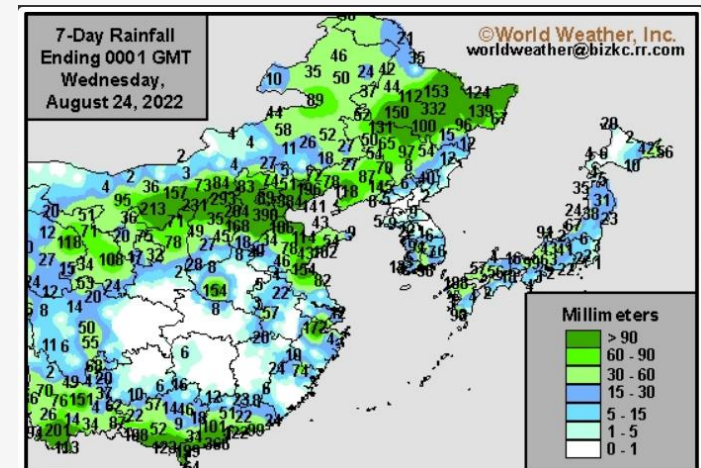
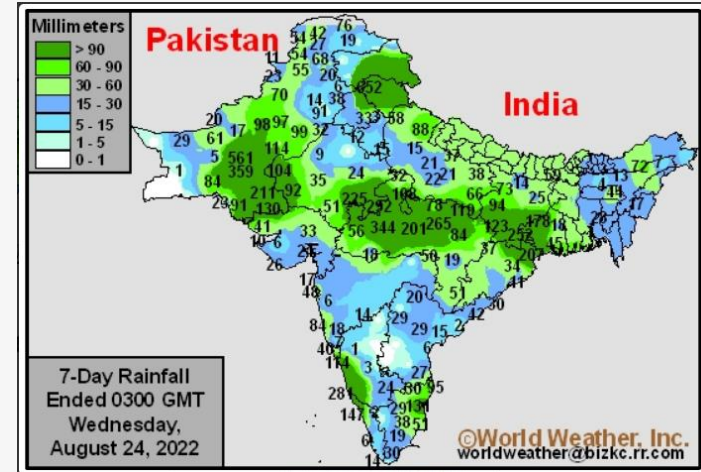
Rice: Buy

- The 2022/23 global outlook is for reduced supplies, fractionally higher consumption and trade, and smaller stocks.
- 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 only slightly below the previous year's record high.
- World use is forecast at a record, up slightly this month to 518.7million tons.
- Projected 2022/23 world ending stocks are lowered 4.2 million tons to 178.5 million, mostly due to smaller stocks in India.
- **Lower global production, lower ending stocks and higher use have bullish implication for rice price in short and medium term outlook**

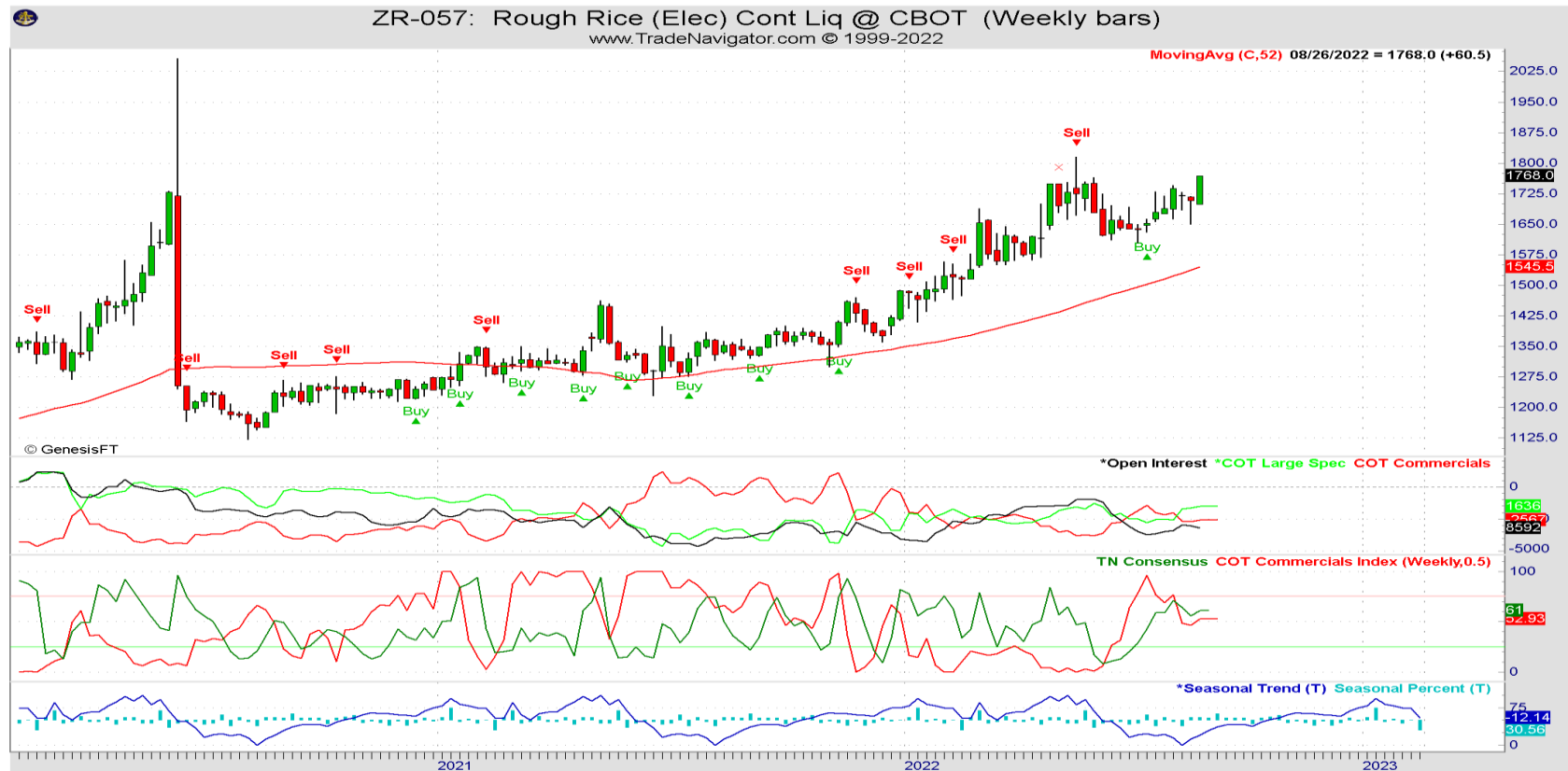


Rice weather review

- India's top rice producing states of Bihar, Jharkhand, West Bengal and Uttar Pradesh have recorded a monsoon rainfall deficit of as much as 45% so far this season mixed with flash floods in July and beginning of August. Rice crops are stressed under such weather conditions.
- Floods in June and coming up drought in major rice regions of China (Hubei, Hunan, Anhui, Jiangsu) put main rice season in danger



Rice price chart



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