

Weekly Market Report

Monday, 27th January 2020

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Weekly Overview

Price changes week on week

	Price	Change	Change%	30 Day Low	30 Day High
Soybeans	902	-27.75	-2.98%	902.00	956.25
Soybean Oil	32.02	-1.33	-3.99%	32.02	35.45
Soybean Meal	298.3	-2.30	-0.77%	297.9	306.1
CBOT Wheat	573.5	3.00	0.53%	541.00	581.50
Corn	387.25	-2.00	-0.51%	375.50	393.75
Kansas Wheat	519.25	-9.25	-1.75%	494.25	532.75
Crude Oil	60.69	-4.16	-6.41%	60.69	68.91
Dollar Index	97.65	0.29	0.30%	96.058	97.650

Expect for wheat, prices in the rest of the agricultural complex continued to move lower this week. There was little fundamental news this week. China is on holiday this week on account of the lunar new year, and the Market does not expect any large purchases this week. The “market conditions” condition caveat continues to worry the bulls.

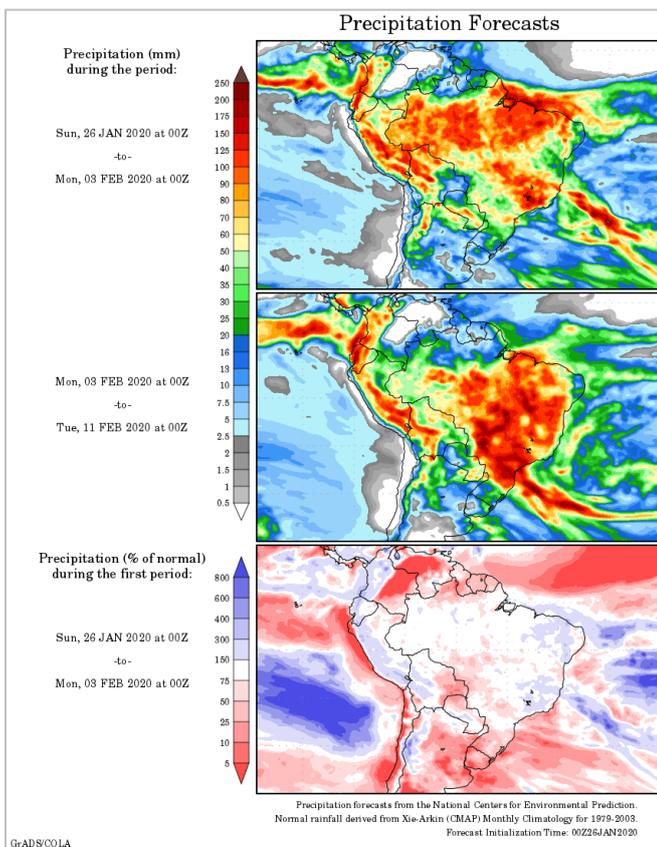
There have now been reported cases of coronavirus both in the USA and Singapore. The impact on the global economy of such a virus will potentially be quite significant. We hope that this gets under control as soon as possible, though purely from an economic lens, such events can slow down the economy in a meaningful way. Crude oil was down sharply this week, fuelled by nervousness on the spread of the virus.

We continue to be correct on our contrarian view that this is more a buy the rumor and sell the fact kind of situation. The market has dropped by close to 6% in the last two weeks and likely to decline further in our view.

However, from a pure money management point to view, we recommend placing trailing stops on the established short position in Soybeans

South America continues to get near average precipitation and temperature for both short term and long-range forecasts. With harvest just starting in Brazil, all variables point towards massive South American crops.

Net position by managed money funds has primarily remained the same. Funds have close to a small short position in soybeans. Managed money continues to go long on wheat, now at 42k contract long; they are quite close to Maximum long of 67k contracts in recent history



The reason for the wheat rally so far has been potential wheat purchases from china. Even if China were to buy currently one of the more expensive wheat, it is unlikely the purchases will happen this week due to the holiday. We still believe we will not see china buying wheat in any significant amount of US wheat which would alter the overall balance sheets.

The threat of winterkill in the Northern hemisphere is lower as the forecast suggests slightly warmer temperatures in the coming weeks. Northern hemisphere crop sizes will largely depend on the spring weather; till then, it is unlikely we will see significant moves out of the current price range unless china does buy large amounts of wheat.

COT Report Managed Money Positions as of		21 January 2020			
	Position	Change	Max Long	Max Short	Average
Corn	(68)	11	429	(322)	86
Soybean Meal	(37)	(5)	134	(55)	28
Soybean Oil	101	(12)	127	(110)	14
Soybeans	(14)	(20)	254	(169)	63
Wheat	42	12	67	(162)	(47)



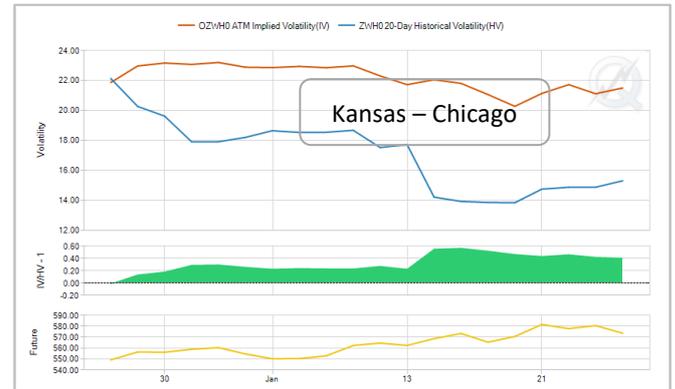
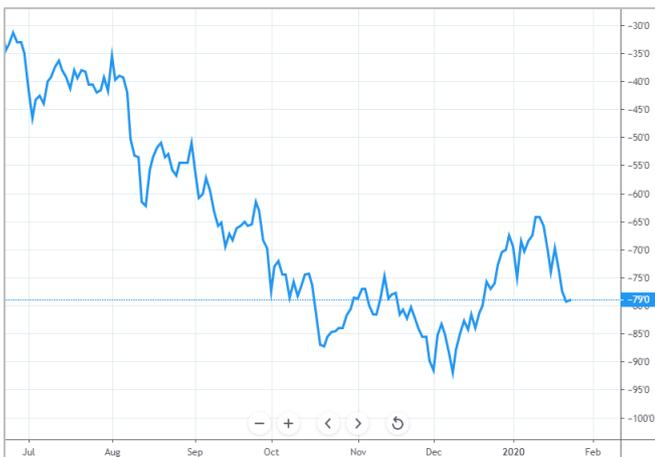
Grains

Both Kansan and Chicago Wheat traded higher during the week, only to close almost unchanged to lower. The protein spread trade of long Kansas wheat and shot Chicago wheat widened again. We are now 5 to 10 cents away from the stop loss level vs. our initially recommended entry price.



Wheat is higher at the higher end of its range in our view. The short straddle trade we recommended in well in the money drop in volatility and time value gain has offset any adverse price move.

We believe that it is unlikely the wheat prices will altogether drop off given the local tightness in the US remote likely hood of Chinese buying Wheat. And on the supply side, we potentially have the Russian wheat with a large surplus.



Corn was mostly unchanged over the week. With the recent rally in argentine corn prices, US corn is competitive in the world market well into march shipment

Corn, even with the possibility of; their demand, will still struggle to rally as we get closer to new crops. With the current plant returns and assuming typical yields in corn, US corn is set to build stock again in the new crop.

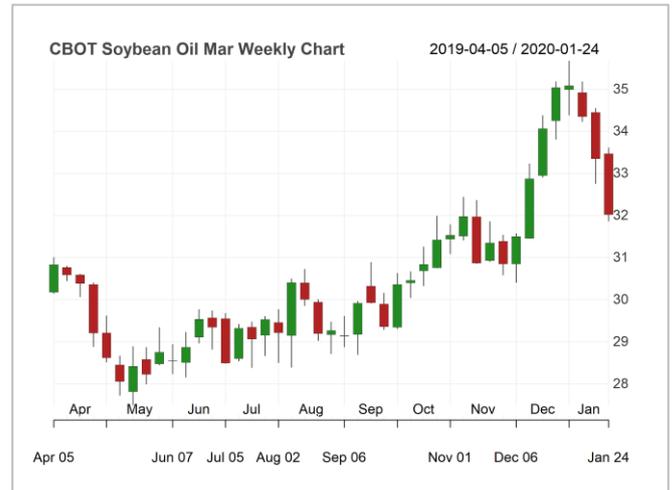
Recent rains in Argentina have only helped the current crop, and with current ENSO positive, it is highly unlikely we will see a below-trend yield in South America.



There is no material change in our fundamental view of supply and demand balance sheets for corn or wheat due to the phase 1 deal. Our long-term opinions remain sideways to bearish unless something changes on the supply side, while we continue to discount the optimism on Chinese purchases. We still struggle to see why China will buy as much as pledged, especially when China has the exit option via the “market conditions” clause.

Oilseed complex

Soybeans prices decline sharply this week. Decline in prices was in line with our view.



US soybeans will certainly not be competitive going into the South American harvest, and there are no significant issues that will significantly reduce the current crop estimates.

Harvest is expected to 5%complete in South America. With the current price decline, we could get some buying on US wheat, which may spike the prices in the short term, though our view still remains the same that as we get closer to the south American

harvest, US soybean will continue to move sideways to lower in a gradual decline.



Trade Recommendations

Wheat: liquidate the short 540 or 530 puts as there is little value left in it now. Also, look to liquidate the 570 puts on price drops.

Wheat Spread: continue to hold this position: Sell CBOT wheat and buy Kansas wheat with a stop loss now is only 5 to 10 cents away

Soybeans: Hold on to the short established at 950 levels on soybeans, with a trailing stop loss.

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