

MORNING BULLS & BEARS



Wednesday, May 17, 2023

Upcoming Reports

EIA Report – Today, 9:30 am
Export Sales – Thursday, 7:30 am
Commitments of Traders – Friday, 2:30 pm

Macro News

June Dow futures are up 130 points to 33,190 and June WTI Crude is unchanged at \$70.86.

U.S. stock futures are cautiously optimistic this morning, with June S&P 500 futures and June Nasdaq 100 E-Mini futures both up, as market participants cling to hopes for progress in Washington's deadlock over the U.S. debt ceiling. Yesterday's discussions between President Biden and bipartisan Congressional leaders failed to make significant headway, but optimism remains. Despite the contrasting views, with House Speaker Kevin McCarthy suggesting the two sides remain “far apart,” both parties express potential for a deal by week's end. Biden has even cut short an Asia trip to return to Washington for further negotiations, underlining the critical nature of these discussions.

In yesterday's trading session, the Dow struggled, pulled down by a drop in Home Depot Inc shares after weaker-than-expected Q1 sales, and soft Chinese economic data overshadowing a forecast of higher global demand from the International Energy Agency. The U.S. economic data released showed mixed signals, with retail sales not meeting expectations while industrial production performed better than predicted. With market jockeying over the next Fed easing cycle, Wall Street's eyes are set on rate cuts happening later this year. The upcoming statements from Richmond Fed President Thomas Barkin and Cleveland Fed President Loretta Mester will likely add more substance to these anticipations.

Looking ahead, investors will be paying close attention to today's U.S. Building Permits preliminary data, U.S. Housing Starts data, and U.S. Crude Oil Inventories data. Companies like Target Corporation, Cisco, and TJX are also scheduled to announce their quarterly results. Meanwhile, international markets present a mixed picture. While European stocks are slightly down after the final Eurozone inflation print for April, Asian markets have seen a mixed close. China's Shanghai Composite Index was weighed down by weaker economic data, while Japan's Nikkei 225 Stock Index hit a 20-month high on strong Q1 GDP growth and a weaker yen boosting export-oriented stocks.

Grain News

T-storm WEATHER **Summary:** A cold front briefly triggers isolated to scattered t-storms across a wide area through Friday, but with only minor totals outside a heavy cluster along the fringe of corn in parts of KS and OK. A fairly dry period follows / continues for at least one week across the southeast half of the Corn Belt and mid-South to accelerate planting. Scattered t-storms return to the Plains and northwest Corn Belt at some point in 6 to 10 days as weak energies pass; some t-storms probably form further east in 10 to 14 days, but heavy rain is unlikely. Temperatures turn sharply warmer next week and then continue, including unusual warmth in the Dakotas and MT. For more information, please visit www.tstorm.net.

USDA Daily Sales Announcements:

*****Private exporters reported the cancellation of sales of 272,000 metric tons of corn for delivery to China during the 2022/2023 marketing year.**

Potential Summer Dryness Threatens Crop Production in North America and the Black Sea Region

Meteorologist Kyle Tapley of Maxar, speaking at the GrainCom conference in Geneva, warns of possible dry conditions during the summer (June-August) across the western US corn belt, which could negatively impact crop yields in the region. Conversely, the eastern belt is expected to experience near-normal precipitation and temperatures, conditions that are beneficial for crops there. Concerns are also raised for the Canadian prairies, where warm, dry conditions pose a risk to crops. Additionally, the Black Sea region is experiencing a mixed climate situation. Western Ukraine, Russia's Central region, and spring-wheat areas have recently turned dry, although there is good moisture in other areas. Looking ahead to the summer months, forecasts indicate normal to drier-than-normal weather across Ukraine and southern and western Russia. Tapley warned that such conditions are not favorable for crop growth, especially corn, in those regions. This potentially dry outlook raises concerns for future crop yields in these crucial agricultural regions.

US Ethanol Production and Stockpile Survey for Week Ending May 12

Ahead of the Energy Information Administration (EIA) report, Bloomberg has compiled six analyst estimates for the weekly production survey concerning ethanol. For the week ending May 12, these projections suggest an increase in output, rising to 981,000 barrels per day, a notch up from the previous week. In terms of stockpiles, the average estimate stands at 23.336 million barrels, a slight increase from the 23.291 million recorded a week ago.

Anticipated Rebound in Argentina's Wheat Production for 2023-24 Season

The Buenos Aires Grain Exchange has released its early-season forecasts for Argentina's 2023-24 wheat and barley planting. Wheat production is projected to grow significantly by 45% year over year, reaching 18 million metric tons, following a devastating drought in the previous season. This growth corresponds to an expected 3% increase in wheat planting, encompassing 6.3 million hectares or 15.6 million acres. Despite no change predicted in barley's cultivated area, a more favorable weather pattern is anticipated to enhance barley production by 32% year over year to 5 million tons. However, it's important to note that these estimations hinge on adequate rainfall to meet planting plans. Typically, the majority of Argentine wheat is harvested in the months of November and December.

Crop Tour: Harsh Climate Conditions Severely Impact Kansas Wheat Yield, Heightening Global Shortage Risks

Crop scouts on an annual three-day tour in Kansas have found hard red winter wheat badly damaged by prolonged drought and cold. The yield for the northern part of the state is projected at an average of 29.8 bushels per acre, marking the worst first-day yield since 2003, and significantly lower than the five-year average of 45.36 bushels per acre for the same area. These findings underscore a potential global vulnerability to wheat shortages, especially with the uncertainty surrounding the export of Ukraine's grain. Three consecutive years of drought have critically impacted the wheat crop, with additional damage noted in north-central Kansas due to cold winter weather. Wheat agronomist Romulo Lollato from Kansas State University expressed surprise at the severity of the crop's status, noting an unprecedented number of acres unlikely to be harvested. As the tour continues, scouts anticipate further drought damage in southwestern Kansas. In contrast, state wheat associations estimate increased wheat production in Nebraska and Colorado, with predictions at 30 million and 54 million bushels, respectively, up from the previous year. These estimates marginally deviate from the U.S. Department of Agriculture's recent figures, highlighting the ongoing fluctuations in this critical agricultural sector.

Imminent Russian Exit Threat Leaves Ukraine's Crop Corridor Nearly Vacant, Impairs Global Grain Supply

Ukraine's crop corridor, a critical passageway for global grain supply, is on the brink of closure with only seven outbound vessels left in safe passage. This development follows Russia's looming threat to exit the grain pact, which would effectively stall traffic in the corridor. No new inbound ships have cleared inspection for over a week due to disagreements at the Joint Coordination Centre in Istanbul, responsible for inspecting all boats, reducing outbound traffic to a minimum. The Black Sea deal, allowing Ukraine to export over 30 million tons of produce from its three major ports, has played a crucial role in mitigating global food price spikes post Russia's invasion. However, Moscow's recurring threats to withdraw from the pact, citing inadequate progress in a parallel agreement facilitating its agricultural exports, pose a significant risk. Nikolay Gorbachov, president of the Ukrainian Grain Association, warns that Ukraine's full crop-export potential, approximately 44 million tons for 2023-24, cannot be met without the corridor. This poses significant global supply concerns, with the seven remaining ships in the corridor facing inspection delays. The impasse is hindering shipments and halting new grain contracts, with the uncertainty around the corridor's future leaving ports and terminals inactive. While alternative shipping methods via river and rail through European Union neighbors exist, they face their own challenges, with five Eastern EU nations temporarily restricting Ukrainian grain imports. Despite these complications, Russia anticipates record grain exports this season, with fertilizer exports rebounding to pre-war levels. The uncertainty surrounding the grain pact continues, with discussions ongoing, and an official Russian decision yet to be announced.

Black Sea Grain Deal Expected to be Extended, Last Ship Departs Ukraine Under Current Agreement

The Black Sea grain deal, critical for maintaining grain exports amidst heightened geopolitical tension, is poised for extension, with Russia agreeing to remain in the pact for the time being, according to Turkish officials. While an official announcement is anticipated today, the duration of the extension remains unspecified. Simultaneously, the last ship has departed from a Ukrainian port under the current Black Sea deal, scheduled to end on May 18th. The Kremlin, however, has refrained from entering into hypothetical discussions regarding Russia's course of action should the deal lapse. Dmitry Peskov, a Kremlin spokesperson, encouraged patience until an official decision has been declared.

Ukraine's Agriculture Ministry Maintains 2023 Grain Harvest Forecast at 45 Million Tons

Ukraine's Agriculture Ministry is holding steady with its 2023 grain harvest forecast, expecting a yield of 45 million tons, which includes more than 16.5 million tons of wheat. This projection matches the government's previous forecast released in March, indicating confidence in the country's agricultural sector amidst global supply uncertainties. Farmers have planted spring wheat on 247,000 hectares so far, representing 10% of all wheat areas. The Ministry anticipates the total area of spring wheat for the 2023 harvest to reach 285,000 hectares. With these planting rates and the stable forecast, Ukraine's agricultural sector appears poised to meet its grain output goals for the upcoming year.

US Cattle on Feed Placements Anticipated to Decline by 3.8%: Livestock Survey

According to a Bloomberg survey of ten analysts, April placements onto US feedlots are projected to fall year-over-year to 1.75 million head, a decrease of 3.8%. This anticipated decline would mark eight consecutive months of year-over-year reductions. Estimates for the year-over-year change vary, with a range from a decrease of 8.2% to a milder decline of 0.4%. Furthermore, the feedlot herd as of May 1 is expected to fall by 3.5% year-over-year to 11.61 million head. The marketings are also predicted to fall, with a 10% year-over-year decline.

US % Normal Precip: May 1 – 16

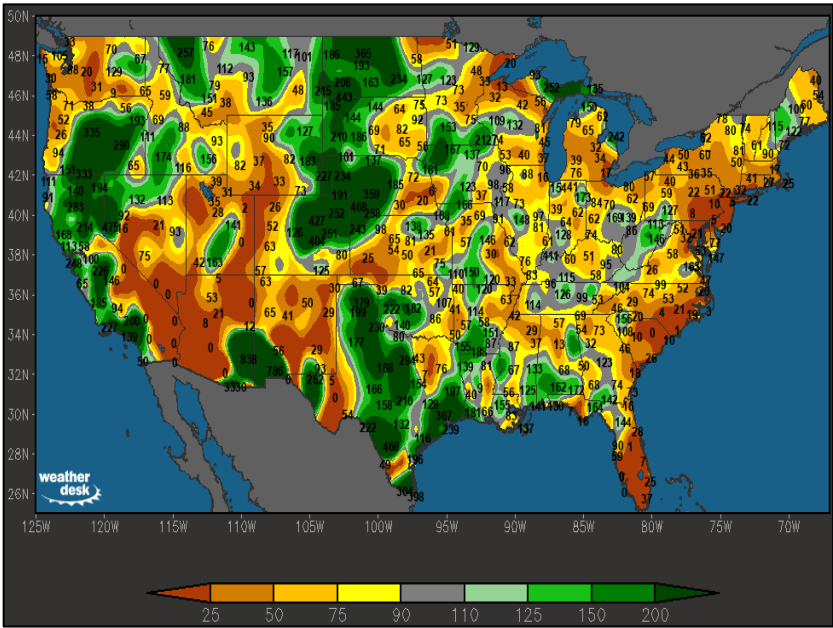


Chart of the Day

