



Thursday, May 25, 2023

Upcoming Reports

Export Sales – Today, 7:30 am
Commitments of Traders – Friday, 2:30 pm

Macro News

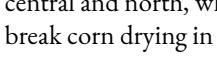
June Dow futures are down 64 points to 32,790 and July WTI Crude is down \$1.34 at \$73.00.

Major U.S. benchmark indices closed in the red yesterday as talks between the White House and Republican representatives on raising the U.S. debt ceiling failed to yield a deal. However, this morning, June S&P 500 futures and June Nasdaq 100 E-Mini futures are showing gains. The debt ceiling negotiations showed little progress, with President Joe Biden offering to freeze government spending and U.S. Treasury Secretary Janet Yellen mentioning a potential deficit reduction of \$1 trillion. Despite the differences, House Speaker Kevin McCarthy believes a debt ceiling deal is still possible.

The minutes of the Federal Open Market Committee's May meeting revealed a cautious approach, as Fed policymakers expressed uncertainty about the need for further interest rate hikes. Downside risks to growth and challenges related to inflation were highlighted, with participants suggesting that additional policy tightening might be necessary. In the market, the S&P 500 and Dow Jones Industrial Average reached recent lows, with Analog Devices and Agilent Technologies experiencing notable declines. On a positive note, Palo Alto Networks reported strong Q3 results, lifting the stock.

Looking ahead, investors are eagerly awaiting the release of U.S. preliminary GDP data, which is expected to show growth of +1.1% q/q in the first quarter. The U.S. GDP Price Index and Pending Home Sales data will also be closely watched. Additionally, U.S. Initial Jobless Claims figures and a speech by Boston Fed President Susan Collins will be in focus. Amidst the market uncertainty, U.S. rate futures are pricing in a higher probability of no interest rate hike at the upcoming June meeting of the Federal Reserve.

Grain News



Summary: A large surface-level high leaves the Corn Belt (and mid-South) fairly dry for at least 5 to 7 more days, resulting in the driest April-May since 1992. A system in Canada later next week sends a large cool front southward, triggering some showers and t-storms across a wide area Wed.-Fri. (Jun. 1-3). A fairly dry period probably follows / continues as northerly winds suppress tropical air, only allowing for some t-storms central and north, while some better-organized t-storms form south near muggier air (especially OK-TX and the mid-South). Note that t-storms start to break corn drying in south Brazil Sunday, while drying aids Argentina wheat planting soon. For more information, please visit www.tstorm.net.

USDA Daily Sales Announcements:

***No sales reported today

US BASIS/CASH

Basis bids for corn shipped by barge to U.S. Gulf Coast terminals showed stability to slight increases, supported by tight supplies in the river market and a rise in export loadings. However, new demand for U.S. corn exports remained limited due to high prices compared to South America. Loading delays expected in Brazil could potentially shift some spot demand to the United States. CIF corn barges loaded in May were bid at 86 cents over CBOT July futures, while FOB corn export premiums increased for both first-half and last-half June shipments. CIF soybean basis values were mixed, with weaker old-crop months and flat post-harvest loading positions, reflecting sluggish demand. Brazilian soybeans continue to be offered at a significant discount to U.S. prices. In the Midwest, cash basis bids for corn varied, with some locations experiencing strengthening, such as Decatur, Illinois, and Davenport, Iowa, while Blair, Nebraska, and Council Bluffs, Iowa, saw a softening in the corn basis. Soybean basis bids remained steady, and overall farmer offerings of both crops remained light. At processing sites in the Midwest, the corn basis firmed in Decatur but declined in Chicago and Blair. Farmer sales have been limited as producers hold out for higher prices, focusing instead on completing planting and spring fieldwork.

Argentina Rainfall Hinders Soy Harvest, Boosts Prospects for Next Crop

According to the Buenos Aires Grain Exchange's weekly report, ongoing rains in Argentina are causing delays in soy and corn harvesting on the Pampas. The soy harvest is reported to be 78% complete, falling behind the average for this time of year by 14 percentage points. However, the precipitation is benefiting the parched farms by providing much-needed moisture, which bodes well for the upcoming wheat and barley crops, improving their planting outlook. The improved rainfall conditions are expected to contribute positively to the development of the next crop cycle.

US Ethanol Stocks Fall 5% (DOE)

According to the weekly petroleum report from the US Department of Energy (DOE), US ethanol stocks have declined by 5.0% to reach 22.041 million barrels. This figure is lower than the analysts' expectations of 22.978 million barrels. Plant production for ethanol was reported at 0.983 million barrels per day, which is slightly below the survey average of 0.997 million barrels per day.

Russia's 2023 Wheat Crop Estimate Increased to 86m Tons (IKAR)

IKAR, a Moscow-based consultant, has raised its estimate for Russia's 2023 wheat crop to 86 million tons, up from the previous estimate of 84 million tons. The increased estimate is attributed to stronger crops in the southern region, near-record spring-wheat sowing in central Russia, and favorable rainfall across European Russia. As a result, IKAR also boosted the export potential to 44 million tons from 42 million tons. However, key risks remain, including drought in the eastern wheat belt, excessive rain in some areas, and the threat of hot and dry winds in the south.

EU Grain Output Forecasted to Increase 4.6% (Copa-Cogeca)

According to a report by farm lobby Copa-Cogeca, the EU-27 grain harvest for this year is projected to reach 277 million tons, representing a 4.6% increase compared to last year. The rise in output is attributed to a significant 22% jump in corn production, as crops recover from the drought experienced last year. Additionally, soft-wheat output is expected to rise by 2.8%. However, there are declines anticipated in barley and durum-wheat production.

Raizen Projects 75% Growth in Ethanol Fuel Demand by 2035

Brazilian sugar and ethanol producer Raizen has forecasted a significant 75% increase in global demand for ethanol as a fuel from 2022 to 2035. According to Paulo Neves, the vice president of trading at Raizen, the estimated demand is expected to reach 184 billion liters in 2035, compared to 105 billion liters in 2022. The projected growth is driven by higher blend rates worldwide and the adoption of ethanol as a feedstock for Sustainable Aviation Fuel (SAF), bioplastics, and other industrial applications. Raizen anticipates that by 2030, 25% of global SAF production will use ethanol as a feedstock based on already announced projects, contributing to a total demand of 277 billion liters by 2035.

El Niño Weather Event to Potentially Drive Palm Oil Prices Higher in 2H (MPOB)

According to Ahmad Parvez Ghulam Kadir, the director general of the Malaysian Palm Oil Board (MPOB), palm oil prices may climb to 4,000 ringgit per ton or higher in the second half of this year, largely due to the influence of the El Niño weather event. Kadir further stated that prices could average 4,200 ringgit for the year, with palm futures currently averaging 3,850 ringgit. While the impact of El Niño on palm oil production this year is expected to be limited, next year's production may be more significantly affected. However, the actual impact will depend on the severity and duration of the weather pattern, and Kadir noted that the reduction in palm oil output is unlikely to exceed 10% due to improved planting methods and labor practices. Despite the potential challenges posed by El Niño, palm oil production is still projected to increase to approximately 19 million tons this year, driven by improvements in labor supply and fertilizer application.

UN Collaborating With Afreximbank to Facilitate Russian Grain Exports: Reuters

The United Nations is working with the African Export-Import Bank to establish a platform to help process Russian grain and fertilizer transactions for exports to Africa, Reuters reported, citing UN trade official Rebeca Grynspan. A UN spokesperson confirmed the comments when contacted by Bloomberg.

% Normal Precipitation: May 1 - 25

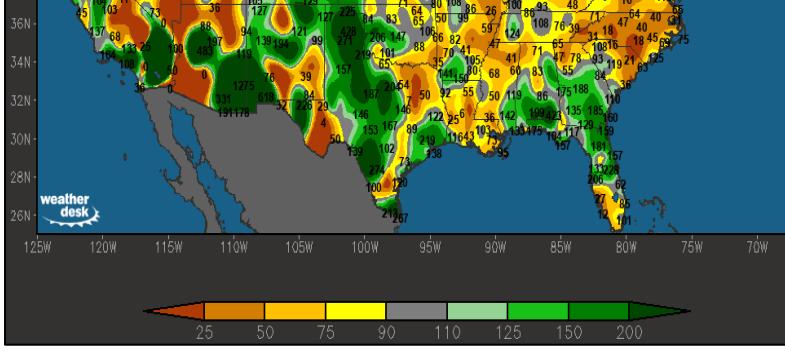


Chart of the Day

