



MORNING BULLS & BEARS

Friday, October 6, 2023

Upcoming Reports

Commitments of Traders – Today, 2:30 pm
Export Inspections – Tuesday, 10:00 am
Crop Progress – Tuesday, 3:00 pm
EIA Report – Thursday, 10:00 am
WASDE Report – Thursday, 11:00 am

Macro News

December Dow futures are down 154 to 33,150 and December WTI Crude is down \$0.41 to \$80.40.

U.S. stock futures are falling this morning as Treasury yields jumped after the release of stronger-than-expected jobs data. According to the Labor Department, the U.S. economy added 336,000 jobs in September, nearly double the 170,000 expected. There was some good news on the inflation front in the report, however. Average hourly earnings increase 0.2% for the month and 4.2% over a year ago, compared to estimates for 0.3% and 4.3%. The benchmark 10-year Treasury yield jumped more than 12 basis points to trade near a 16-year high set earlier this week. On Thursday, San Francisco Fed President Mary Daly said Thursday that should the labor market and inflation continue to show signs of slowing, or if financial conditions remain tight, policymakers could hold interest rates steady. U.S. rate futures have priced in an 18.5% probability of a 25-basis point rate hike at the November FOMC meeting and a 31.9% chance of a 25-basis point rate increase at the conclusion of the Fed's December meeting.

U.S. Unemployment Rate will be reported today as well. Economists foresee this figure to stand at 3.7% in September, compared to the previous value of 3.8%.

Grain News



Summary: Rounds of heavy t-storms affect southern Brazil and Paraguay every few days over the next two weeks, producing heavy to very-heavy totals in first-corn and soybean planting (and wheat harvesting) season. Some also form in soybean areas to the north, but organized rainfall is unlikely in Goiás and Mato Grosso until later this month as upper-level high pressure lingers (as is still typical of the ongoing transition to the wet season). Some rain affects Argentina later next week and beyond, but only one-third of normal is probable over the next two weeks as drought continues or intensifies for wheat. Substantial rain is plausible for U.S. winter wheat late next week. For more information, visit www.tstorm.net.

USDA Daily Sales Announcements:

***No sales reported today

US Export Sales of Soybeans, Corn and Wheat by Country

Biggest Buys			Biggest Cancellations		
Soybeans	Corn	Wheat	Soybeans	Corn	Wheat
Net Sales 808.5	Net Sales 2,427.4	Net Sales 273.1	Unknown Buyers -10.0	Egypt -67.8	Unknown Buyers -99.5
China 589.2	Mexico 1,759.2	Philippines 94.0	-- --	-- --	Indonesia -18.9
Spain 73.3	Unknown Buyers 147.1	Taiwan 91.0			
Bangladesh 56.2	Colombia 141.1	Mexico 42.4			
Colombia 17.2	China 139.4	Algeria 39.9			
Indonesia 14.4	Japan 103.4	Colombia 23.7			
Malaysia 14.4	South Korea 52.0	Ecuador 23.3			
Mexico 13.1	Honduras 40.6	Spain 20.9			

Russia attacks Ukrainian grain storage

Russian drones attacked port infrastructure in Ukraine's Odesa region, damaging a grain silo near the Danube River. On Thursday, a Turkish-flagged general cargo ship hit a mine yesterday in the Black Sea off the coast of Romania and sustained minor damage.

3 Ships En Route to Ukraine Amid Black Sea Tensions

Despite Russia's threats targeting vessels in the Black Sea, ship-tracking data reveals three additional ships—DSM Everton, Beaver, and Ability—approaching Ukraine's ports in Greater Odesa. This follows the safe journey of twelve other vessels to major Ukrainian Black Sea ports in recent weeks, demonstrating an ongoing defiance or dismissal of potential maritime threats. While the Ukraine infrastructure ministry has not commented on the current maritime movements, ships continue to navigate toward Ukraine, maintaining active maritime traffic in the tension-filled area.

Ukraine's Harvest Pace Exceeds Last Year

Ukraine's grain harvest this season is moving rapidly, reporting a 22% increase from the previous year accounting for 32.3 million tons of grain as of October 6, according to the Ukrainian Agriculture Ministry. This surge is primarily attributed to a robust corn harvest, currently at 2.6 million tons compared to 400,000 tons during the same period last year. Harvest progress for other crops include: wheat (22.2 million tons, a 16% annual increase), barley (5.9 million tons, a 7% year-on-year increase), and dramatic amplifications in sunflower seed (7.3 million tons, nearly tripling), soybean (3.1 million tons, up from 505,000), and sugar beet harvests (3.3 million tons, more than doubling from 1.6 million tons).

World Grain Reserves Projected to Hit Record High in 2023-24, According to FAO

The UN's Food and Agriculture Organization (FAO) forecasts a record high in global grain reserves, predicting 884 million tons by the end of the 2023-24 season, marking a 3% year-over-year increase. This optimistic outlook has been influenced by enhanced harvest prospects in Russia and Ukraine, which are expected to counterbalance the impact of drought-afflicted crops in Canada. Notably, this year is slated to witness "a second successive season of no or negative utilization growth," due to anticipated reductions in non-food uses, despite a population-driven rise in rice consumption.

FAO global food price index inches lower

The UN Food and Agriculture Organization global food price index inched down 0.1 point to the lowest level since March 2021, as declines in the price of vegoils, dairy and meat slightly offset increases in sugar and cereal grains. The sugar index jumped 9.8% from August, hitting its highest level since November 2010 amid growing concerns over the tighter global supply outlook. Compared to year-ago, prices declined 5.1% for meat, 23.9% for dairy, 14.6% for cereal grains and 20.8% for vegoils, while sugar prices jumped 48.3%.

Global renewable fuels capacity set to triple by 2025

According to BloombergNEF, global renewable fuels capacity is projected to surge to a cumulative 17.5 billion gallons by 2025. The growth in annual additions to renewable fuel capacity has been consistent, but several projects initially planned for deployment in the current and upcoming years have been delayed or put on hold as developers seek greater policy certainty in key markets. Consequently, 2025 is poised to be a pivotal year, with an estimated 6.1 billion gallons of new capacity set to come online.

Australia Faces Intensified Drought Conditions with Record Dry September and Low Soil Moisture

Australia has experienced its driest September on record, with rainfall 70.8% below the 1961-1990 average, and anticipates more warm weather due to the looming El Niño, the Bureau of Meteorology reports. The national mean temperature soared to 2.43°C above average, ranking it as the third-warmest since 1910, and Western Australia recorded its warmest September ever. Compounding these dry conditions, soil moisture was noted to be in the lowest 30% of all years since 1911, excluding the north and central inland areas. Water storage is critically low in various regions, and while below-median rainfall is anticipated across large swathes of Australia from November 2023 to January 2024, select northern areas of New South Wales might experience a slight uptick in rainfall.

Argentina's Corn and Wheat Crops Impaired by Ongoing Dry Conditions

persistent dry conditions in Argentina are hindering the seeding of the early corn crop and detrimentally impacting wheat fields, as reported by the Buenos Aires Grain Exchange. Farmers are adapting by shifting to late corn or soy. The wheat crop is suffering, with a significant 33% of its acreage categorized as being in poor to very poor condition, an increase from 27% the previous week. While some relief was noted in southern areas where rains facilitated some corn planting and brought mild improvement to wheat plants, light rains in the critical "zona nucleo" region have been insufficient to fully mitigate the situation, according to a report from the Rosario Board of Trade.

Rise in US Mississippi River Grain Shipments Amid Falling Barge Rates

In the week concluding September 30, grain shipments via the Mississippi River witnessed a remarkable surge, escalating to 377k tons from 197k tons in the prior week, as per the USDA's weekly grain transportation report. Notably, barge shipments of corn skyrocketed by 213.4% week-over-week, while soybean shipments experienced a 30.6% uptick. Concurrently, St. Louis barge rates saw a downturn, falling to \$38.14 per short ton, which is a \$14.76 reduction from the preceding week, thereby presenting a scenario of increased grain mobility against reduced transportation costs.

Bird flu found in South Dakota commercial turkey flock

Highly pathogenic avian influenza (HPAI) has been confirmed in a U.S. commercial poultry flock for the first time since April 19. According to USDA's Animal and Plant Health Inspection Service (APHIS), the presence of the virus was confirmed in a commercial turkey flock in Jerauld County, South Dakota on Oct. 4.

South America Precip (Maxar) – October 6th – 8th

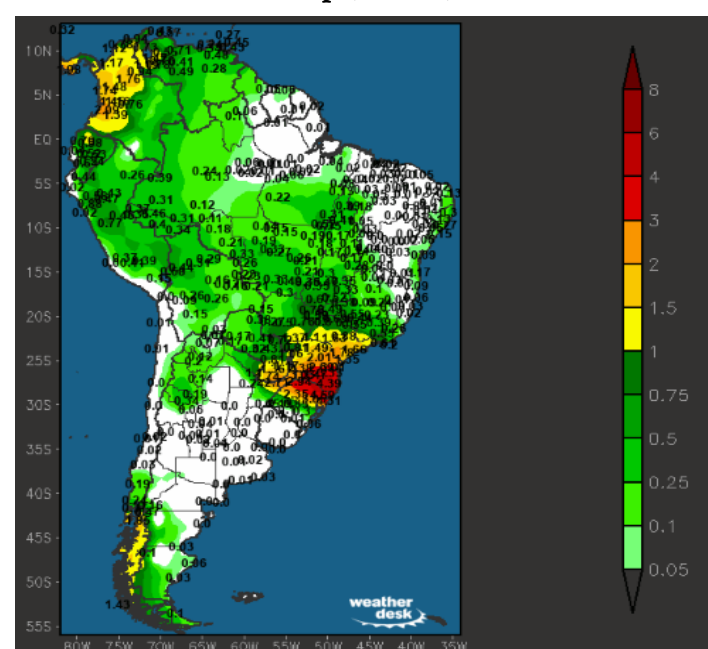
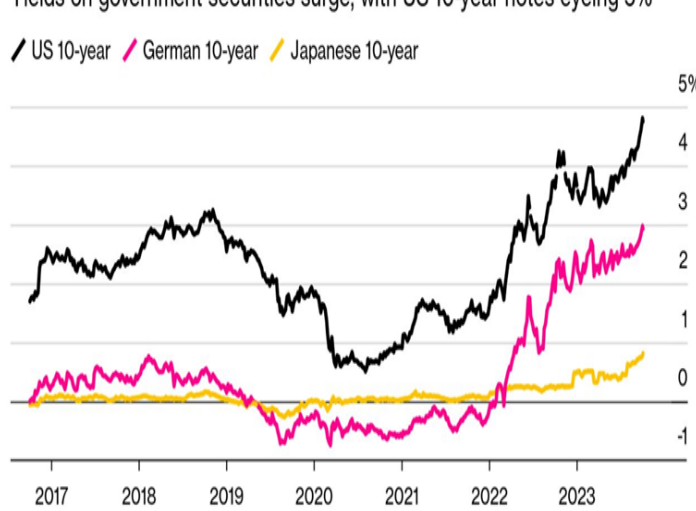


Chart of the Day

Benchmark Bonds Face New Paradigm of Higher Yields

Yields on government securities surge, with US 10-year notes eyeing 5%



Source: Bloomberg

Bloomberg