

Grains/Softs Report

Weekly

10 April 2019
Tim Konfeld

	Contract Size	Initial Margin	Tick Value	Tick Size	CCY
Sugar	112,000 lbs	US\$1047.00	11.2	0.01	USD
Cocoa	10 mt tones	US\$2090.00	10	1	USD
Coffee	37,500 lbs	US\$2970.00	18.75	0.05	USD
Cotton	50,000 lbs	US\$2915.00	5	001	USD
Soybeans	5,000 bu	US\$2480.00	12.50	0.25	USD
Wheat	5,000 bu	US\$1500.00	12.50	0.25	USD
Corn	5,000 bu	US\$900.00	12.50	0.25	USD

Trading Times Electronic 10:00 – 7:30 Main Session 01:00 – 06:30

OVERVIEW

- 'Weather' to buy now or 'weather' to buy later.....

COMMENTARY

GRAINS: Large shorts in Corn (for good reason!)

Recent World Agricultural Supply and Demand Estimates (WASDE) surprised with a 270 million bushel estimate which was higher than expectations.

South American crop, as always, is hard to estimate but the lower currency backdrop gives them an advantage over U.S. sourced grain. Comfortable production out of France and the Ukraine is a background factor.

So we await planting progress, weather forecasts and then crop progress reports as we enter Spring. Grains are trading at the lower end of five year ranges with Corn / Wheat below their 200 day moving averages and Soybeans holding above at .898. Watch a break below .878.

Recommendations: "Weather" to put a trade on?

It is all weather dependent from here. Any approach to re-test recent lows then tender bids. With a wet Spring generally food for the season outlook; patience – buy the dip? Consider a Call Spread. Breadth and depth is large as farmers will hedge should this U.S. / China tariff drama conclude as expected. Please ring for specific ideas.

SOFTS: For every buyer there is a seller and vice versa.

Cocoa rallies eleven sessions in a row as shorts exit an oversold situation. Now overbought.

Coffee is registering a large short position as fundamentals weigh. (Brazilian exports are expected to be up 40% over the previous year). Repeat 92-98 range for now.

Sugar appears more balanced in a backdrop of healthier output and inventory.

Cotton is another commodity that is tied to U.S. / China trade issues regarding tariffs like soybeans. China imports large percentages of the surplus U.S. supplies and they cannot replace that volume with other suppliers.

Orange Juice: USDA upgrades global output by 4.2 million tonnes to 51.8 million tonnes and May Orange Juice drops to two year lows in four sessions.

Recommendations: Perhaps a short Cocoa Long Coffee Spread?

Otherwise buy a break down to new lows in Coffee circa 89.00. Rallies from here appear constrained given fundamentals. Please ring in for specific ideas to suit your risk appetite.

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