Monday, December 21, 2020

MORNING GRAIN COMMENTARY

Morning Trends:

As of 4:30 AM CDT
Corn: 6 to 8 lower
Wheat: 10 to 12 lower
Soybeans: 1 to 2 lower
Soy Meal .5 around
Soy Oil: 90 to 95 lower

The Stories of the Day:

Brexit https://www.thetimes.co.uk/edition/news/brexit-talks-deadline-passes-to-approve-deal-nnwhltkk2
Covid new strain https://www.thestreet.com/investing/dow-futures-tumble-as-new-covid-strain-found-in-britain

Weather: A ridge is located in the West with a trough in the Midwest and East. A progressive pattern will keep these features moving east. A strong trough will dig into the central U.S. Wednesday and Thursday and then eastern U.S. Thursday into Saturday, and a strong ridge will build in the West. A ridge will build into the East with general troughing in the Central and West Sunday. The U.S. and European models have some good agreement on the overall pattern, but they differ on the speed and development of some storm systems, especially in the outlook period. I will use a blend of the models but favor the European. For the outlook period, temperatures on Saturday will be above normal in the Plains and western Midwest and near to below normal east of the Mississippi River. Below normal temperatures will build in the West as above normal temperatures in the Plains moderate toward normal. Above normal temperatures will build in the Midwest and northern Plains next Tuesday and Wednesday as near to below normal temperatures expand in the West. Periods of showers will spread across the Pacific Northwest and California next weekend into next week. A system will bring scattered shower chances across the northern Plains, Midwest, Delta, and Southeast Sunday and next Monday. Another system will develop in the Plains around midweek next week. -DTN

NORTHERN PLAINS (LIVESTOCK): Above normal temperatures early this week will limit stress on livestock, but a short-lived burst of below normal temperatures will move through around midweek. Little precipitation is expected early this week. A storm system may bring light snow and gusty winds Tuesday into Wednesday. Dry and warmer weather will return by Friday. -DTN

CENTRAL/SOUTHERN PLAINS (WINTER WHEAT/LIVESTOCK): Mostly dry weather occurred this weekend outside of eastern Texas. The next chances for isolated to scattered rain and snow showers will move through Tuesday and Wednesday, best chances in the central Plains. Generally drier weather is expected for the remainder of the week. -DTN

MIDWEST (WHEAT): Wheat has gone dormant in mostly good condition. Periods of scattered showers occurred this weekend in the East. Scattered showers will move through some of the East Monday. Scattered moderate showers will increase soil moisture Wednesday and Thursday and may bring some accumulating snow in spots. -DTN

BRAZIL (CORN/SOYBEANS): Much needed scattered, moderate showers moved through the southern growing regions this weekend, benefiting corn and soybeans as they enter or move through reproduction. However, a drier pattern will return this week for these southern growing areas. Scattered showers will increase in coverage across central and northern growing areas this week, bringing some welcome precipitation. -DTN

ARGENTINA (WINTER WHEAT/CORN/SOYBEANS): A system brought much needed widespread, moderate showers this weekend, benefiting developing corn and soybeans. Drier weather is expected this week. However, western areas that have been drier and have missed out on some of the rain this weekend will show more signs of stress. -DTN

EUROPE (WINTER WHEAT): Winter grains have gone into dormancy in good condition across the north and east. Recent showers across Spain and Italy have been beneficial for developing wheat, maintaining the overall early prospects on the crop. Periods of scattered showers will expand across Europe this week as an active pattern continues. -DTN

NORTHERN AFRICA (WINTER WHEAT): Showers have been adequate over eastern areas recently. Although showers have fallen in Morocco, more will be needed as wheat develops. More showers are expected early this week in Algeria and Tunisia where prospects are better. Mostly dry weather will develop in all areas around midweek this week. -DTN

SOUTH AFRICA (CORN/SUGARCANE): Isolated to scattered showers will continue to move through the region, benefiting developing corn and sugarcane. Showers will continue to be in the area through this week. -DTN

AUSTRALIA (WINTER WHEAT/CANOLA/COTTON/SORGHUM): Weekend showers across New South Wales and Queensland benefited developing cotton and sorghum. More showers will continue in this area early this week. The late harvest of wheat and canola will see some delays but developing cotton and sorghum will benefit. -DTN

MALAYSIA/INDONESIA (PALM OIL): Recent and forecast showers have been adequate for palm oil prospects as showers continue. -DTN

Headlines:

- Malaysian March Palm Oil down 39 Ringgits
- Dalian Futures exchange higher May corn up 24 to the Yuan, May beans up 144, May Meal up 67, May bean oil up 52
- Asian Equity markets were mixed to lower Nikkei down .2%, China's Shanghai up .8%
- European Equity markets start lower German Dax down 2.0%, London FTSE 100 down 1.4%
- MATIF markets are mixed to lower Corn up .25 to the Euro, Feb Rapeseed down 2.50, March Wheat down .50
- Save the Date…Dec 22nd…US GDP Q3
- Save the Date…Dec 23rd…USDA Weekly Export Sales
- Save the Date…Dec 24th…US Government closed
- Save the Date…Dec 28th…Bank Holiday UK
- Save the Date…Jan 8th…US employment numbers
- Save the Date…Jan 12th…USDA S&Ds
- Quiet on the Locust/ASF/Fall Armyworm beats
- Bird flu add Egypt to the list of nations https://apnews.com/article/egypt-cairo-flu-animal-health-bird-flu-473a7b010c3c8a64ca58d0d8a517bf19
- JP Morgan https://markets.jpmorgan.com/research/email/cro5mqbh/BdIS0d6iff_2XRkuA9YE4g/GPS-3594582-0
- Weekly CFTC MM Fund Position Report on Friday found the MM funds as of the close of 12/15 were long 6,672 wheat, long 250,260 corn, long 190,218 beans, long 77,207 meal and long 97,712 bean oil contracts

Monday, December 21, 2020

Commentary:

There has been a lot of talk of late of traders moving to the sidelines, not wanting to take what has been a good year to date and give all back in holiday market trading. On Friday we listed serval reasons why we thought traders would keep trading. Crop reproduction is not going to wait for the New Year for areas of S. America. Chinese feed grain needs wait for no Western Holiday Season. But the wild cards of Brexit talks or lack there of combined with the fear factor of a new aggressive strain of Covid has the markets much like the EU on aggressive lock downs this morning. Crude oil one of the markets taking it on the chin as the price sell off could send chart momentum back lower. Speaking of chart momentum, the dollar if follow through buying is found later today also maybe reversing its trend lower from the past few weeks. We would like to think the trade is being a bit extreme in its reactions to the latest news on Covid-19, but it is 2020. That said in the macro markets we would not be surprised to see some bargain hunting later this morning. It is of note that the JP Morgan annual review of their commodity index forecast is out. We must keep things in perspective. If this fast-moving new Covid-19 strain can be managed by the new vaccines, then hope will remain for a turn towards normalcy in 2Q and 3Q.

An investment in futures contracts is speculative, involves a high degree of risk and is suitable only for persons who can assume the risk of loss in excess of their margin deposits. You should carefully consider whether futures trading is appropriate for you in light of your investment experience, trade objectives, financial resources, and other relevant circumstances. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.