StoneX

Morning Commentary
February 7, 2023

CORN: LOWER

Monday brought mixed market action for the corn market with arguments over supply vs. demand headlines and which will carry more weight in the market. Argentinian production, ethanol demand and exports are the topics at the forefront of that conversation. As for exports, there is a lag between sales and physical shipments after the previous week's export sales coming in hot at 62.7 Mil. bu. but then export inspections coming in at just 18.9 Mil. bu. While you can't pin all of the cause of the lag on a lack of physical movement, it does remain a major cause. Over night action in the market stayed pretty tight after jumping near two cents lower on the open. I would expect to see a fairly low trading range today as we are just 27 hours away from the February WASDE report.

At the break, CH23 was 2 ¼ lower.

SOYBEANS: HIGHER

Who knows how long we will be beating this horse, but so far it isn't dead. SA weather, still a have not and have too much. The rains are keeping full bore harvest from happening in Brazil and not enough rain and hot still the problem for a large chunk of Argentina, all of Uruguay and small dabs of Paraguay and S. Brazil. In the US storm fronts dropping moisture across the Delta again and into the S. Midwest are going to start to affect early plantings if they persist. Forecasts are in that boat for now. In addition, the wetness looks to have some northward momentum going, so something to keep under surveillance. US export shipments stayed firm and continue to point to a USDA adjustment for more in tomorrow's report and a tightening of the carry out total. Meal looks like a player as Argentina falters in crushing numbers with limited stocks they can get their hands on. The biggest two questions in the complex in tomorrow's report for me are the Argentinean production and crush numbers for this crop in the field and the crop year it feeds. IF Argentina doesn't bring in enough beans to crush to capacity how much of that export demand gets pushed to the US? Will we miss some of the exports that the long tail on the Brazilian crop should have? Tomorrow's report won't answer any of that, but it is something we have to start to sort and prepare for this next crop year. With the current acreage expectations, it would appear we won't have an over abundance of beans without a record or near record crop, so building stocks should happen, but not to an amount that would allow for a short SA crop after it. Crop insurance and NC S/C ratio pointing to less acreage or at best no reduction. Yesterday saw big gain in bean OI nearly equal to Friday's in oil as they basically reversed roles in volume as well. All components added OI. Strong US$ should keep a lid on this rally for now.

Beans: V-277,525//OI-712,870(+14,743) Meal: V-127,985/OI-441,508(+4,805) Oil: V-138,137/OI-457,215(+832)

At the break, SH23 was 4 ¾ higher.

WHEAT: HIGHER

KC wheat has found support on Monday, closing up three cents, while Chicago and MGEX were lower. Overnight trade was mixed, with March KC trading stronger, along with the front months of MGEX, while Chicago wheat continues lower. Kc spreads flew in overnight, with traders expecting to see good demand out of the CCC tenders this week, pushing KC H/K to 11 cents inverse, making it harder for the Goldman Roll to make strides to the downside. Weekly export shipments exceeded estimates at 19.7 MB, while poor compared to other years, this keeps movement above the USDA pace. The Philippines topped the list with HRS and WW, but Iraq took HRW and Egypt loaded HRS. Traders will be watching results from the CCC tender and look toward USDA numbers tomorrow morning. Look for KC wheat to lead the market higher again, as buyers lean into the potential demand improvement.

At the break, KWH23 was 5 higher.

CATTLE: STEADY-HIGHER

USDA cash cattle recaps from last week showed a $158 average in TX, $159 KS, and $157-158 live and $250 dressed in the North. That's all up $2-3 vs prior week, and noteworthy was the fact it came on very light trade volume - down ~30% vs the prior week. It leaves packers coming into the week in a tighter spot and needing to begin seriously managing their production hours. Packer margins are notorious for trending tighter in this timeslot and this round should be no different. Cutouts are called lower this week, though that wasn't the case yesterday and it's worth recognizing that despite the big production over the past several months, the choice cutout remains second highest in history for this week, only behind last year at this time. Trending lower, but far from "low". There were no deliveries tendered against the nearby Feb contract yesterday in its first day of the delivery period, but I wouldn't put odds at zero this week.... Northern cash at $157-158 and Feb futures at near $161 would likely have some producers running math, if they can get cattle to meet delivery specs.

Fund Position	Accumulative	Yesterday
Corn	205,506	2,000
Soybeans	160,638	-5,000
Soybean Meal	150,724	-3,000
Soybean Oil	29,646	1,000
Chicago Wheat	-62,802	-3,000
KC Wheat	-7,826	0

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