



THIS ISSUE

Near Term:

Bullish: Soybeans
Wheat

Bearish: Copper
Cocoa

Other:

Central Banks Continue to Build Gold Reserves

July 3, 2024

Economic Focus

Global markets have started July positively, although trading has been subdued. This week, ISM manufacturing, ISM services, factory orders, and construction spending were lower than expected. These factors have increased the chances of two FOMC rate cuts by the end of this year. The estimate for Friday's employment situation report is for an increase of 190,000 in non-farm payrolls (Bloomberg Survey as of this writing) and an unchanged jobless rate of 4%. However, thin post-holiday markets may amplify the impact of any surprising data results. There are two major elections in Europe over the next few days. The UK is expected to have a clear outcome for their change in government. However, much more uncertainty surrounds Sunday's French runoff election, which has ramped up European risk anxiety.

Implied gasoline demand reached the highest level since November, reflecting a long-awaited improvement in summer-driving demand that should underpin crude oil and product prices. The pre-holiday selloff in the Dollar has strengthened precious metals prices. Gold continues to be underpinned by consistent central bank purchases.

Grain markets are factoring in good crop conditions, and the weather looks favorable through mid-month except for some flooded-out areas in the Northern Midwest. While longer-term fundamentals are bearish, if US crops come in average or better, managed money has a hefty short position across the ag markets, which suggests caution to the bears.

MAJOR ECONOMIC EVENTS

July 5

- Employment Situation

July 8

- Consumer Credit

July 10

- Chinese CPI/PPI
- Wholesale Trade

July 11

- Consumer Price Index
- Jobless Claims

July 12

- Producer Price Index
- Consumer Sentiment

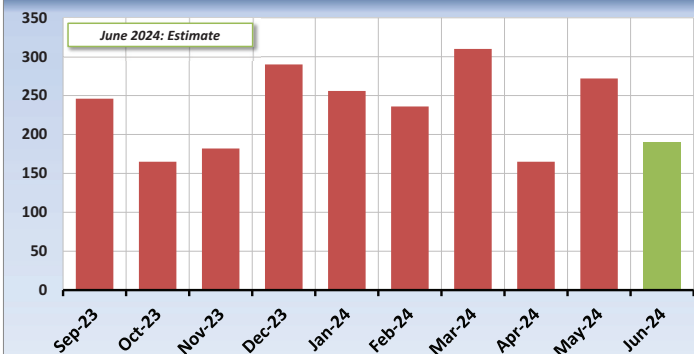
OUR OPINION... MARKET BY MARKET

Market		*
Stocks	Boosted by increased Fed rate cut hopes	L
Bonds	Soft US data may lead to dovish shift by Fed	L
Dollar	Potential for 2 Fed rate cuts by year-end will pressure.	S
Euro	Should extend rebound once French election is over.	L
Gold	Weaker Dollar, central bank buying are bullish.	L
Silver	"Risk on" mood should underpin prices.	L
Copper	LME stocks at an 8 1/2 month high is bearish.	S
Crude	Inventories at a 3-month low after big weekly draw.	L
Gasoline	Weekly implied demand reaches an 8-month high.	L
Nat Gas	US storage levels remain well above 5-year average.	S
Soybeans	Short term tech points to a corrective bounce.	L
Corn	Good pollination weather is bearish.	S
Wheat	Further upside is possible.	L
Hogs	Choppy price action suggests downside is limited.	L
L Cattle	Trend remains higher.	L
Sugar	India June monsoon rainfall below long-term average.	L
Coffee	Rebound in Colombia production will pressure.	S
Cocoa	Large rebound in Ivory Coast production next season.	S
Cotton	US will have 14% increase in planted area this year.	S

* For traders/commercials who need to be in a market, L = Long, S = Short, N = Neutral
These reflect our opinions for the next 7 days. They may contradict longer term viewpoints expressed elsewhere in this publication.

U.S. Non-Farm Payroll - Monthly Change

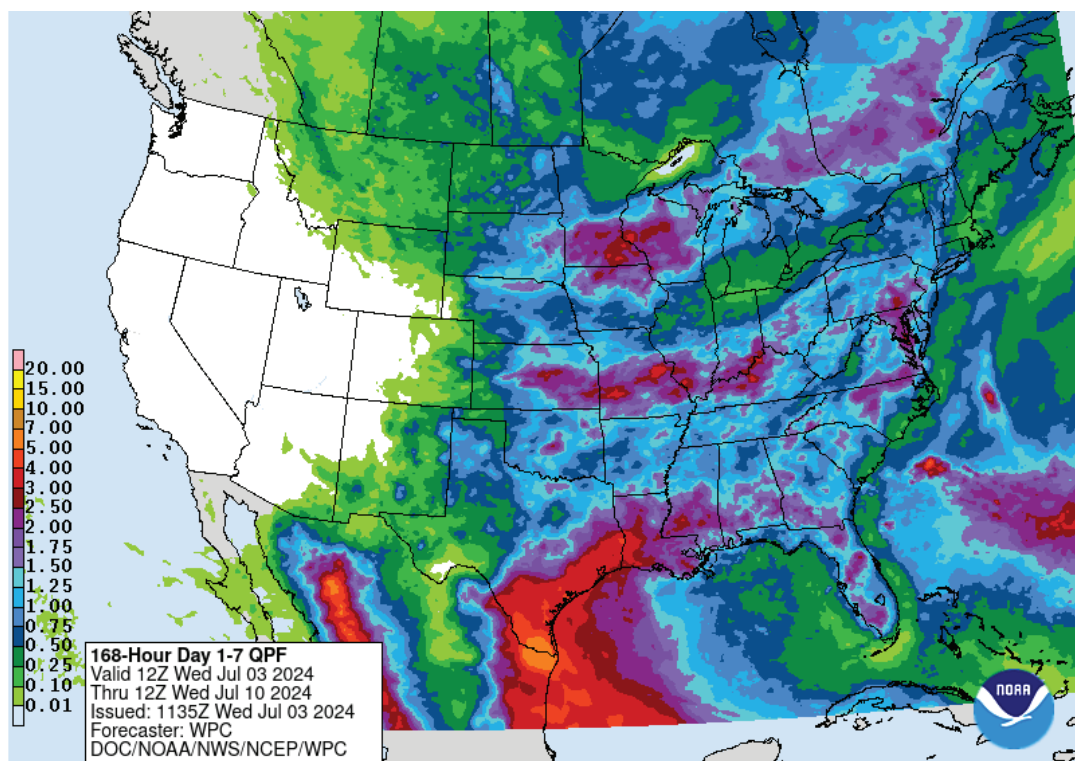
1,000 Jobs



Source: US Census / Bloomberg

SOYBEAN UPDATE: TIME FOR AN UPSIDE CORRECTION?

The soybean complex turned higher this week, reacting to the potential for more flooding in the north-central US bean belt over the coming days and futures reaching oversold levels. Following the \$1.30 break since May 23 on the November contract, a corrective rebound was overdue. Last Friday's June 1 bean acreage came in under the guesses, and quarterly stocks were slightly above the guesses but since there was no major surprise, traders are looking ahead. Probably the most bearish part of the report was 'On Farm' bean stocks up 44% from a year ago to 466 million bushels. There is no question that soybeans are out there, but US farmers have been reluctant to sell their stored beans at these price levels, and that is supporting old-crop futures. Basis has been improving as crushers need inventory.



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TRADERS TOOLBOX

OVERVALUED/UNDERVALUED		
Fundamental	Technical	COT
OVERVALUED		
Soybean Meal	Cattle	Cattle
Cattle	Cocoa	Coffee
Cocoa	Coffee	Crude Oil
UNDERVALUED		
Wheat	Soybean Oil	Soybean Oil
Soybean Oil	Japanese Yen	Palladium
Sugar	Hogs	Cotton

OPTIONS SCAN

Undervalued

Buy Aug Natural Gas \$2.40 put @ 0.118

Buy Aug Soybean Oil 47.50 call @ 1.90

Buy Sept Cocoa 7500/7000 bear put @ 180

Overvalued

Sell Aug Gold \$2,480 call @ 11.00*

Sell Sept Crude Oil \$89.00 call @ 1.15*

Sell Aug Bond 121.00 call @ 0-64 *

Trend Reversals

Buy Aug Copper \$4.60/\$4.70 bull call @ 0.0250

Buy Sept Cotton 73.00 call @ 1.50

Buy Sept Sugar 20.50 put @ 0.60

Only use these strategies during periods of high liquidity.

* When selling options, only risk to double the premium received.

SOYBEAN UPDATE: TIME FOR AN UPSIDE CORRECTION?

Continued from Previous Page

Bean crop weather has been largely favorable, outside some pockets of flooding and heat in the southeastern US. Logistics problems the last week of June due to flooding in the Midwest lifted old crop meal prices to their highest close in two weeks just as South American meal premiums were beginning to decline. This opened a window for a few cargoes of South American meal to be imported into the southeast US. Soyoil also found support this week on trade tensions between China and Indonesia, which could affect palm oil trade flows and reduce the amount of used cooking oil available for export.

After the break of more than \$1.30 a bushel since late May, prices appear to be ready for a technical correction to the upside, and we prefer to position long for a short-term rally.

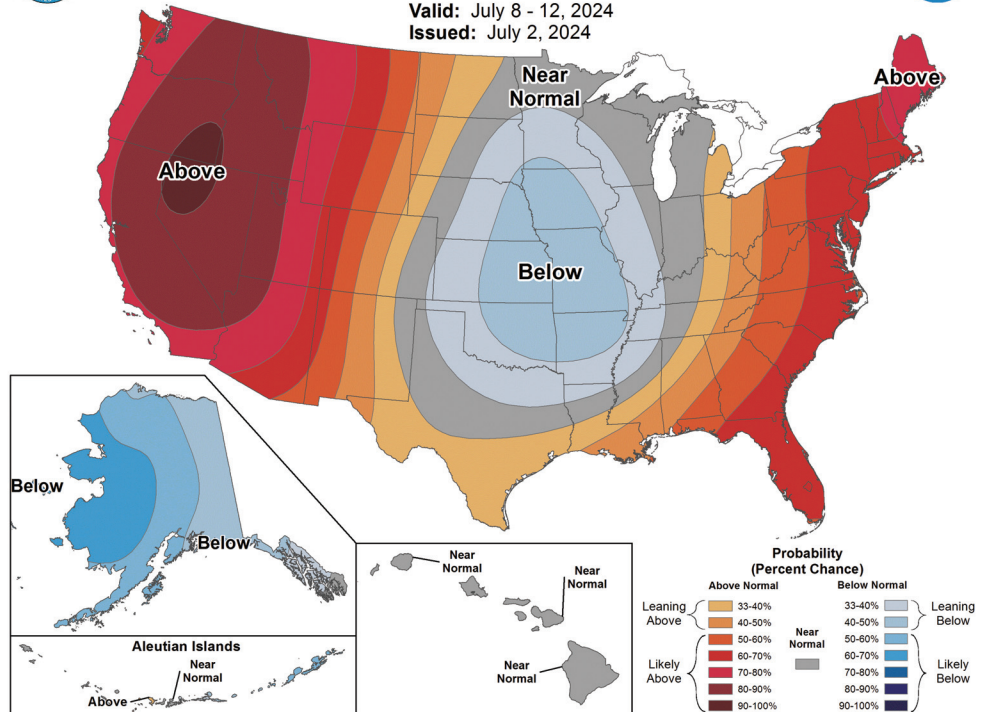
Suggested Trading Strategy

BUY November Soybean Futures at 1119 or better. Risk \$0.14 from entry. Use an objective of 1148.



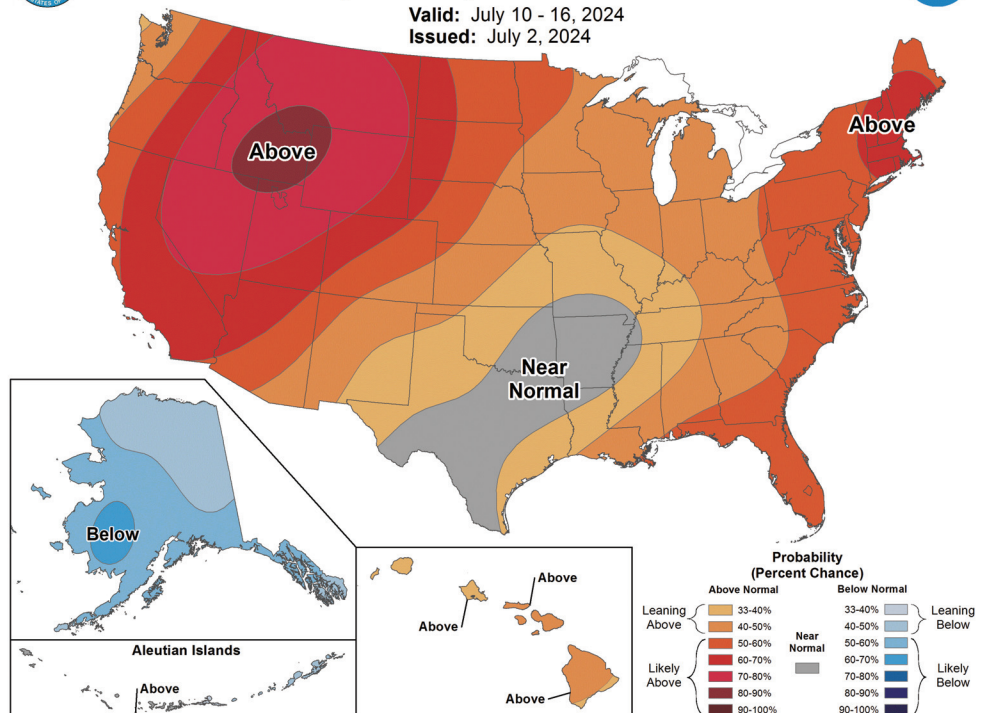
6-10 Day Temperature Outlook

Valid: July 8 - 12, 2024
Issued: July 2, 2024



8-14 Day Temperature Outlook

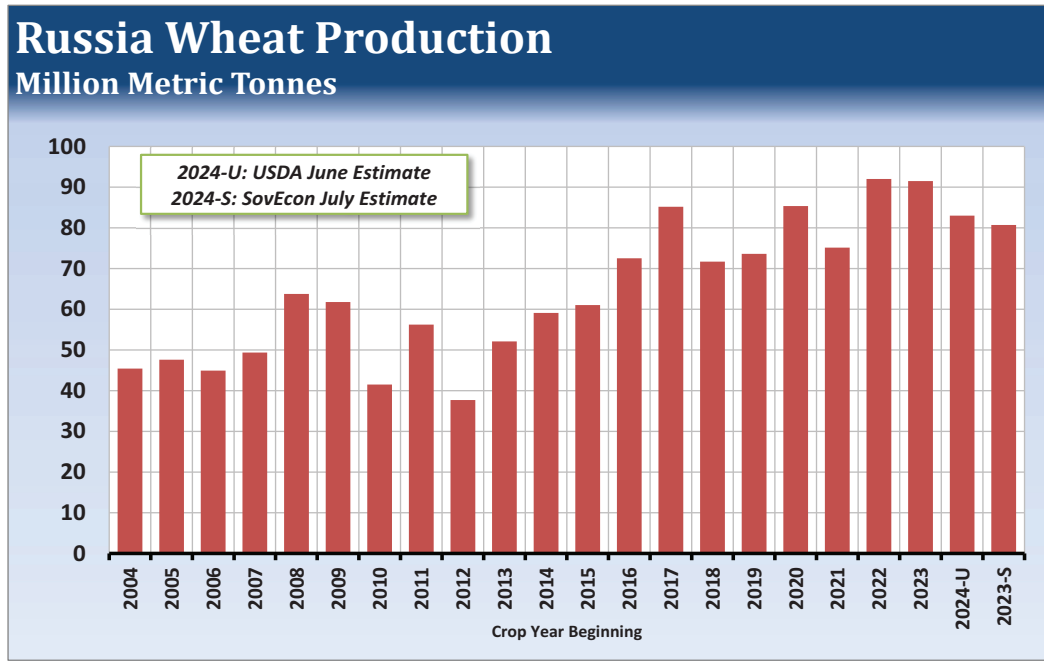
Valid: July 10 - 16, 2024
Issued: July 2, 2024



WHEAT UPDATE: EXTREME TECHNICAL READINGS POINT TO A PROMISING CORRECTIVE RALLY

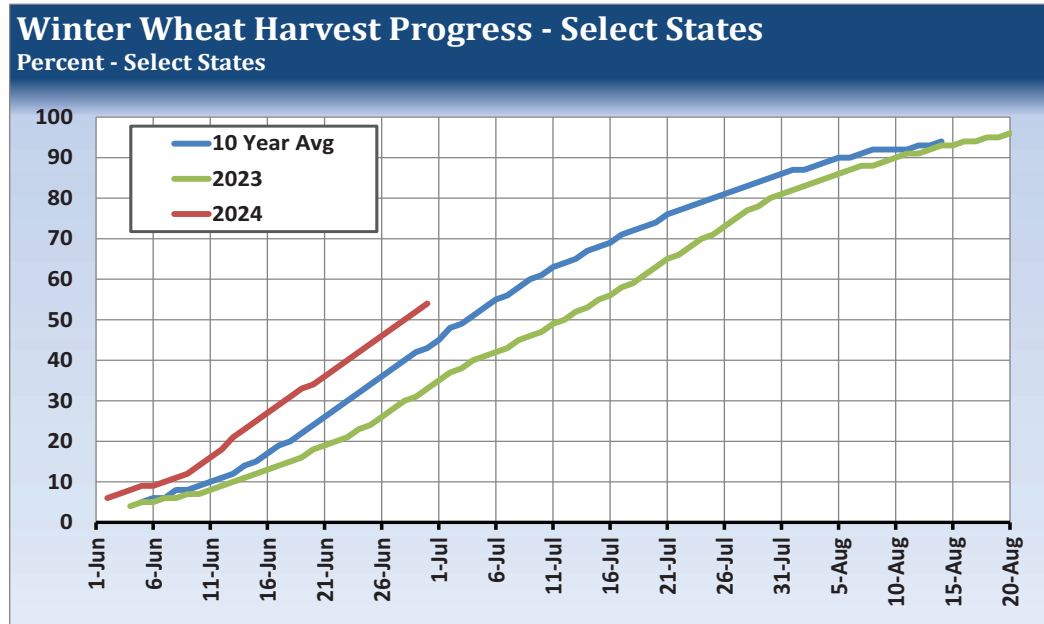
Wheat prices have been dropping steeply for the last five weeks before finally finding support the last week of June, as technical indicators reached their most oversold levels in 2 years, suggesting a bounce was at hand. Bearish fundamentals appeared to finally be factored in. The five week rally from mid-April to late May on frosts and dryness in the Black Sea took Chicago December up nearly \$1.70 a bushel. However, the US harvest was just beginning, and yield reports were coming in better than expected, resulting in the subsequent 5-week break taking prices back down \$1.80 a bushel, erasing all weather premium. Now, prices are back where they were before the Black Sea problems.

Russia now accounts for roughly 25% of the global wheat export trade. Therefore, any significant swing in their crop size or exports is significant to wheat prices. In the June 12 supply and demand report, USDA dropped 2024/25 Russia's 2024/25 production to 83 million tonnes from 88 million in May and 91.5 back in April, before frost impacted Russia's crop. SovEcon, a well-respected consultancy, dropped their Russian wheat production estimate to 80.7 million tonnes this week. We do hear some reports of slightly better early Russian harvest yields. However, even if the crop is between 83-84 million tonnes, that is well below production estimates in April and early May. Yet prices are back near the April-May level after the recent sharp drop.



Furthermore, SovEcon this week lowered its Russian export forecast by 1.7 million tonnes to 46.1 million tonnes due to the expected smaller crop. This compares with 54 million tonnes of exports in the 2023/24 season. Ukraine exports are also expected to decline due to a smaller planted area this season. The lower Black Sea export potential opens the door for increased demand from other major suppliers like the US, Australia, and Canada.

The US harvest has moved well beyond the halfway mark, and the top producer, Kansas, is 80% done. This will result in significantly less harvest pressure over the next few weeks. We prefer to position long.



Suggested Trading Strategy

BUY December Chicago Wheat Futures at 595 or better. Risk 15 cents on the trade. Take profits if December futures hits 645.

COPPER SETTING UP TO RESUME DOWNTREND

While chart action in copper appears to have signaled a reversal of the May and June downtrend, classic fundamentals remain bearish, and surprisingly, several technical measures suggest copper is overbought. The last COT positioning report showed the net spec and fund long in copper very lofty at 57,809 contracts. However, the May and June washout of \$0.80 was significant relative to history, and short covering action could allow September copper to return to the first retracement of the May and June washout at \$4.637.

Unfortunately for the bull camp, classic fundamentals favor the copper bear camp. Recent Chinese economic data contracting (June Caixin services PMI dropped nearly 3 points), softening Chinese traffic congestion levels, and chatter from the Chinese government regarding stimulus efforts has dissipated. Furthermore, the Chinese economy should see additional headwinds from evidence of slowing in the US and Europe.

Even the supply side of the equation is negative. LME copper warehouse stocks have risen 21 of the last 22 sessions and reached the highest since October 24th. While Shanghai copper warehouse stocks have seen three straight weekly declines, the last six readings have exceeded 300,000 tons. This is the first time stocks have held above 300,000 tons since April 2020 at the height of the global lockdown. On the other hand, major world copper mining companies and

numerous market analysts continue to hold onto forecasts from earlier in the year of a noted tightening of the global refined copper market in the third quarter.

As indicated, the copper market was significantly oversold from a short-term perspective, and the short-covering wave could extend for several more sessions. However, the copper market has a historical tendency to exhibit significant volatility, and therefore, we would not rule out a temporary test of levels above \$4.60.

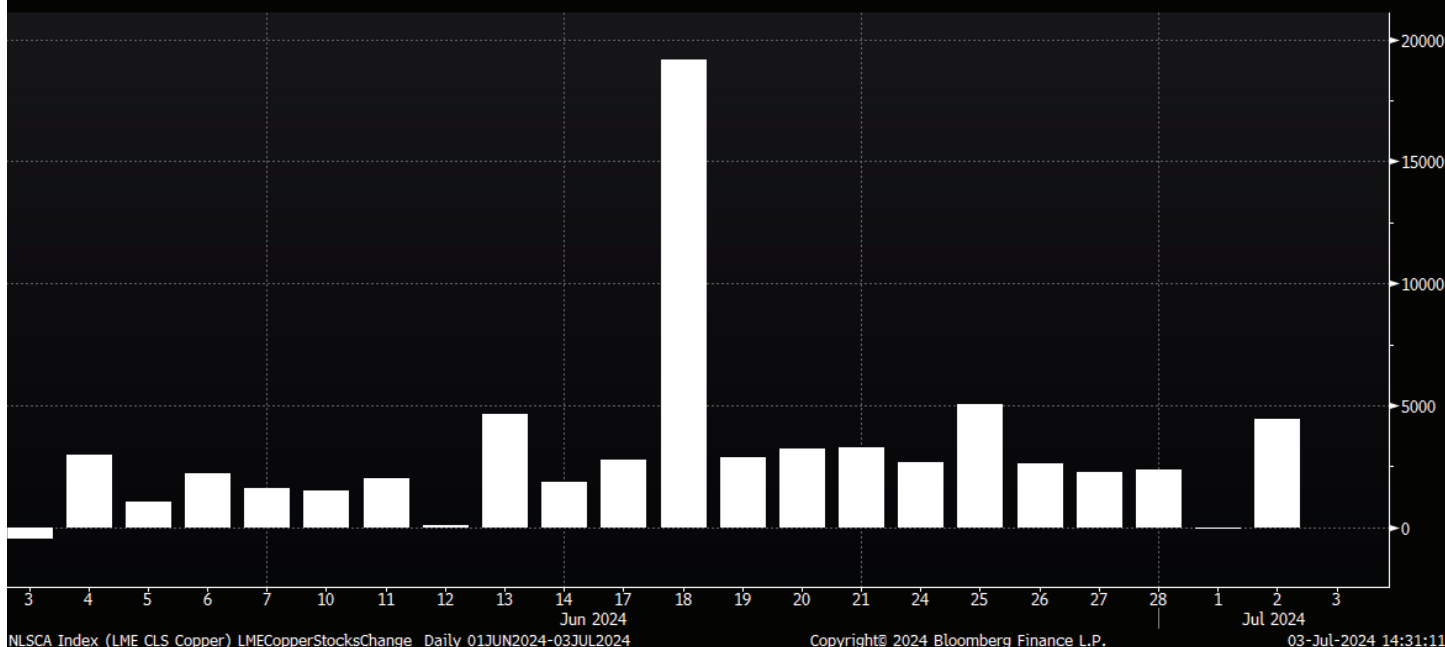
Bearish supply and demand fundamentals combined with a substantial speculative long should create an opportunity to sell copper at a more expensive level. In the coming sessions, aggressive and short-term traders could consider short-dated bull call spreads using an upside target of \$4.63 basis September futures. Ultimately, we see copper resuming the May and June downtrend, and we suggest purchasing longer-dated bear put spread strategies.

Suggested Trading Strategy

BUY September copper \$4.47/\$4.38 bear put spread at 0.0370 with an objective of \$0.07. Risk the trade to \$0.030.

LME Copper Warehouse Stocks - Daily Change

Tonnes



COCOA PRICES SETTING UP FOR A THIRD QUARTER DECLINE

Cocoa has been one of this year's strongest commodities, with its late-April high of \$12,137/tonne more than double the previous record of 5,107 from July 1977. Cocoa's primary source of strength has been a sharp decline in production. Ivory Coast, the world's largest producer, 2023/24 production is widely expected to come in below 1.8 million tonnes after five seasons of production above 2.1 million. In addition, Ghana, the world's second-largest producer, production may have trouble reaching 500,000 tonnes, which would be a 19-year low.

Although this season will result in a record global production deficit of 439,000 tonnes (the third in a row), the early outlook for the upcoming 2024/25 season is for larger production in West Africa, which includes the Ivory Coast and Ghana. By the fourth quarter of this year, a La Nina weather event should be underway that usually leads to increased rainfall over West African growing areas. Early forecasts for next season show Ivory Coast production climbing above 2 million tonnes.

Record high prices have weakened demand. 2023/24 global grindings are expected to decline by 218,000 tonnes, the largest decline from the previous season since 2008/09. If demand remains subdued as global supply recovers later this year, cocoa prices could have a sizable downside shift during the third quarter. As a result, a near-term rebound early this month could provide an opportunity to approach the short side of the cocoa market.

Suggested Trading Strategy

BUY a September Cocoa 7600/7200 bear put spread at 150 with an objective of 360. Risk the option strategy to 75.

Longer-Term Trading Strategy

BUY a November Cocoa 6500/5800 bear put spread at 270 with an objective of 630. Risk the option strategy to 145.

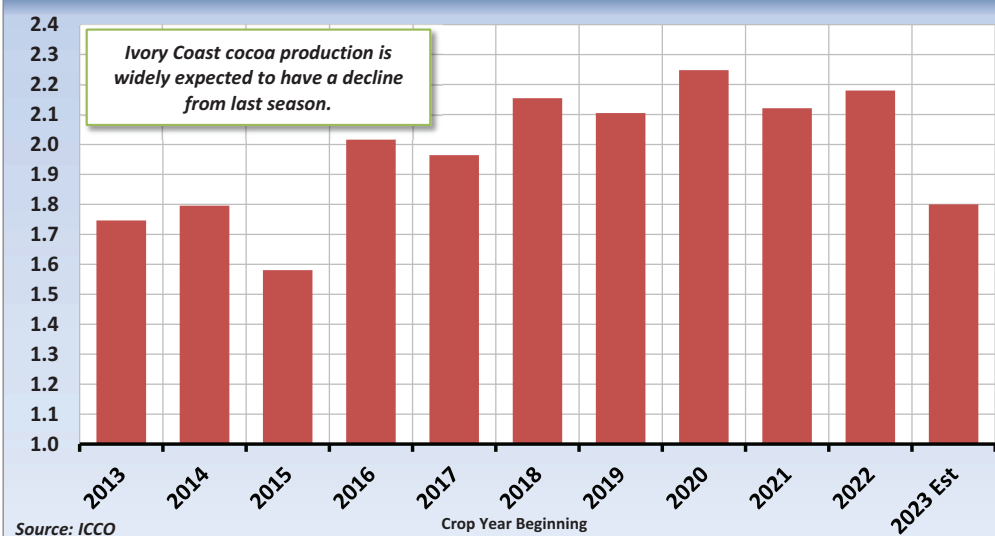
Global Cocoa Grindings

Million Tonnes By Season



Ivory Coast Cocoa Production

Million Tonnes By Season



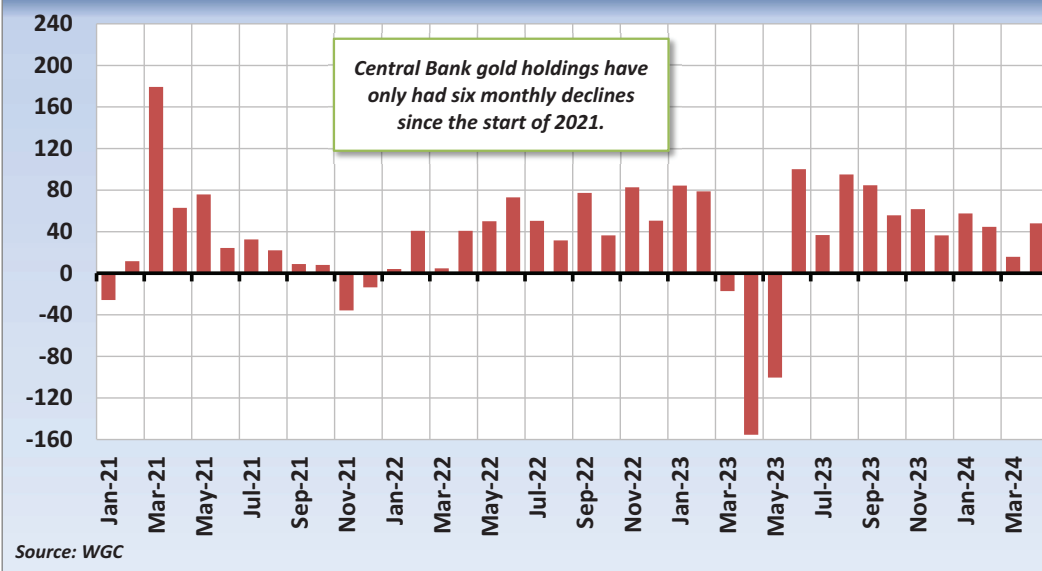
CENTRAL BANKS CONTINUE TO BUILD GOLD RESERVES

According to the most recent World Gold Council (WGC) data, the world's central banks' gold holdings increased by 48 tonnes during April, making it the eleventh consecutive month of increases. The most recent longer streak of building stocks is 14-months from January 2022 to February 2023. Since the start of 2020, world central bank gold holdings have risen in 44 out of 52 months.

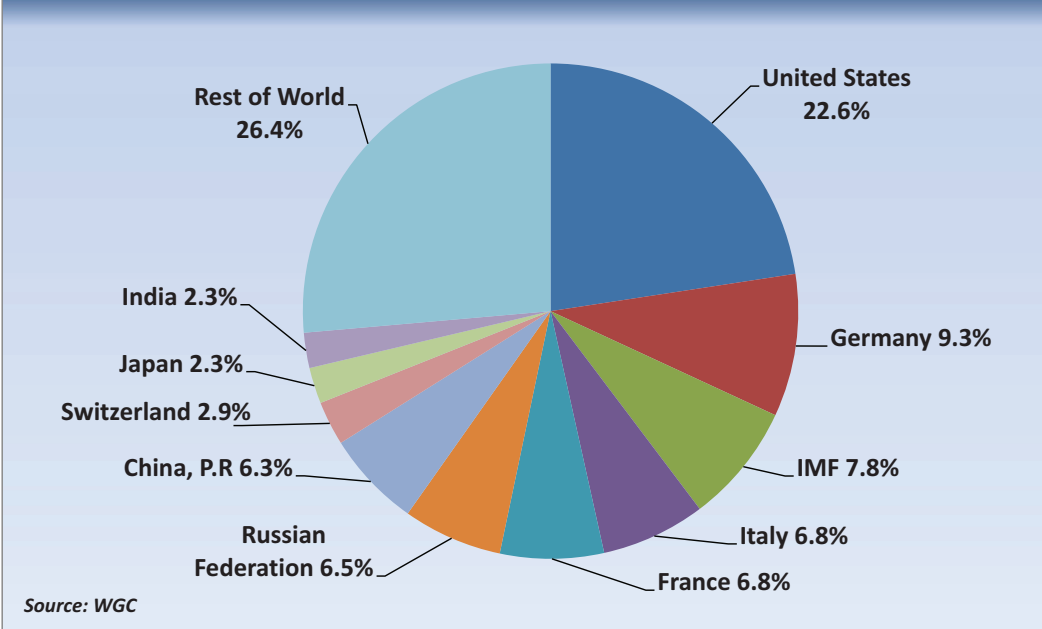
As of April, the WGC estimates World Central Bank gold holdings at 36,004 tonnes. The three largest holders are the US at 8,133.5 tonnes, Germany at 3,351.9 tonnes, and the International Monetary Fund at 2,814 tonnes. In 2023, central bank gold holdings rose by 1,037 tonnes, the second-largest annual increase on record. The current record annual increase was 1,082 tonnes in 2022. The WGC's 2024 Central Bank Gold Reserve Survey said that 29% intend to increase their gold reserves over the coming 12 months, which is the highest level that they have seen since their survey began in 2018.

Although the recent strength of the US dollar has pressured gold prices over the past six weeks, central banks are likely to remain aggressive gold buyers, which will help underpin gold prices.

Central Bank Gold Holdings Monthly Net Change in Tonnes



Global Central Bank Gold Holdings % Share as of June 2024



Long Term Trades

UPDATES TO PRIOR LONGER-TERM TRADE STRATEGIES

Original Trade Date	Trade	Action
Cocoa 7/3/24	BUY a November Cocoa 6,500/5,800 bear put spread at 270.	Use an objective of 630 and risk the option strategy to 145.

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TOP 12 CORN PLANTED AREA 2024

Last week's USDA Acreage report said that US corn planted area this year will be **91.475 million acres** which is a **3% decline** from the **94.641 million acres** planted in **2023**.

Courtesy of the USDA, these are the 12 states with the largest corn planted area this year (in acres):

Iowa	13,100,000
Illinois	10,900,000
Nebraska	10,100,000
Minnesota	8,100,000
Kansas	6,300,000
South Dakota	6,100,000
Indiana	5,100,000
North Dakota	3,800,000
Wisconsin	3,700,000
Missouri	3,500,000
Ohio	3,400,000
Michigan	2,150,000





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COMMITMENTS OF TRADERS

Data As of June 25, 2024
Non-Commercial & Non-Reportable
Combined Futures & Options

Market	Net Position	Net Change	4-Wk Net Change	52-Wk Ranking
Grains				
CBOT Grains	-439,750	-109,457	-124,813	11
Corn	-239,000	-80,704	-45,495	10
KC Wheat	-39,993	-10,828	-25,116	3
Minn Wheat	-15,960	-9,878	-23,629	31
Rice	1,932	223	-414	6
Soybeans	-147,429	-22,108	-55,485	15
Soyoil	-83,273	-28,654	-44,010	1
Soymeal	102,956	-17,160	-16,722	28
Wheat	-53,321	-6,645	-23,833	24
Livestock				
Cattle	60,804	-4,929	-2,105	23
Feeder Cattle	-7,746	-2,025	-2,484	1
Hogs	2,681	-14,477	-27,736	10
Metals				
Copper	57,809	-3,790	-13,545	42
Gold	273,079	-2,302	-486	48
Platinum	28,723	4,292	-1,358	44
Silver	75,956	1,788	-1,559	47
Softs				
Cocoa	25,165	-4,214	-1,756	6
Coffee	72,990	4,847	1,585	47
Cotton	-21,150	4,786	-15,499	2
Lumber	#N/A	#N/A	#N/A	#N/A
Milk	-2,283	-75	628	49
OJ	5,182	240	-1,181	46
Sugar	36,563	32,358	70,034	11
Currencies				
Canadian	-127,422	32,293	-26,447	3
Dollar	19,360	-157	13,186	41
Euro	11,718	-16,152	-86,412	3
Energies				
Crude Oil	318,343	30,520	45,950	35
Gas (RBOB)	48,725	9,808	-1,581	6
Heating Oil	26,035	-2,125	8,666	9
Natural Gas	-76,421	14,964	9,671	32
Financials				
Bonds	27,447	-1,382	-12,698	42
E-Mini S&P	47,828	57,155	23,435	45
Dow Jones \$5	1,379	-2,087	-8,942	22
T-Notes	-300,792	-21,718	87,527	49
	Extreme	Ranking 1 = Shortest Short		
	5% of Extreme	52 = Longest Long		