



HBO PROFIT LOCK & RISK MANAGEMENT 2023

October 2023 Monthly Report
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FOOD FOR THOUGHT

“Does today’s oil prices allow me to guarantee tomorrow’s profits?”

-Unknown

“In trading, the impossible happens about twice a year.”

-Henri M Simoes



Technical View: Soybean Oil (Continuous Front Month)



Technical View: Soybean Oil (DEC 2023)

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SOYBEAN OIL FUTURES (DEC 2023), 1D, CBOE OS4.49 HS6.16 LS4.45 CS5.93 -1.45 (+2.66%)
SMA (150, close, 0, SMA, 5) 56.04



Technical View: Palm Oil (Continuous Front Month)



VEGETABLE OIL FUNDAMENTALS

- ✓ The NOPA Crush report for September showed the lowest soybean oil stocks for NOPA members since 2014.
- ✓ 30- and 15-year seasonals favor a bottom of soybean oil futures in early October.
- ✓ Global supplies of vegetable oils is much better than domestic, with overseas suppliers looking to capitalize on higher U.S. prices.
- ✓ Renewable biodiesel margins look good but falling RIN prices have created some uncertainty.



AGRICULTURE FUNDAMENTALS

- ✓ Export demand for beans, corn, and wheat are behind the pace needed to hit USDA projections, but the market has seen some buying interest across the three principal crops.
- ✓ October WASDE dropped global soybean stocks by 3.63 MMT from 119.71 MT to 115.62 MT. Domestic bean supplies are characterized as “pipeline”.
- ✓ South American weather comes in to focus. Central Brazil and Argentina are dry, and Southern Brazil too wet.
- ✓ The El Nino weather pattern is predicted to bring dryness to parts of Brazil, Australia, India, and Southeast Asia which could limit soybean, corn, wheat, and palm oil production in those areas.
- ✓ The Mississippi River is historically low impacting exports out of the Gulf of major ag products.



MACRO HEADLINES

- ✓ Middle East Conflict: The recent attacks in Israel have escalated tensions in an already volatile region. From a commodity viewpoint any further escalation will increase volatility in energy markets.
- ✓ Dollar & Bond Rates Strength- Bonds recently had a run of closing higher 10/12 weeks and the U.S. Dollar closing higher 11/12 weeks. This has been pressuring risk asset prices.
- ✓ The Federal Reserve will meet at the end of October where they are predicted to maintain current interest rates. Interestingly the market is pricing in three rate cuts over the next fifteen months. If realized that should be supportive of commodities.
- ✓ Global growth continues to disappoint led by slow growth in China and the impact of tighter monetary conditions.

AROUND THE HORN

- **From CNBC Last Call, @LastCallCNBC:** *Does the U.S. or the world have the inventories and the spare capacity to make up for any disruption?" @SullyCNBC asks as the Israel-Hamas war sparks oil supply concerns. "No," says @CornerstoneOil President Mike Rothman. "Oil supply is very, very tight."*
- **From Biodiesel Magazine, @BiodieselMag:** *The USDA increased its forecast for 2023-'24 soybean oil use in biofuel production in its latest WASDE report, released Oct. 12. The estimate for 2022-'23 soybean oil use in biofuel production was also revised up. #biodiesel <https://bit.ly/48UgBqf>*
- **From Don Roose, U.S. Commodities:** *I think the sleeper in all these markets, soybean meal had a big run to the upside this week, but bean oil is very oversold. It's undervalued. The supply demand balance table was positive. We have a lot of biodiesel plants coming online this next year. Bigger supplies now, but they're going to deplete quickly. I think that's the sleeper for the next year.*

Bonus Round---Technical View: Corn (Continuous Front Month)



Bonus Round---Technical View: Chicago Wheat (Continuous Front Month)



Bonus Round----Grain Seasonals

On average what day do grains bottom?

Asset	Contract	5-yr avg	15-yr avg	30-yr avg
Soybean Oil	DEC	July 5th	Oct 2nd	Oct 2nd
Soybeans	NOV	July 5th	Oct 3rd	Oct 4th
Soybean Meal	DEC	Sept 6th	Oct 4th	Oct 4th
Corn	DEC	Aug 22nd	Sept 28th	Oct 3rd
Chicago Wheat	DEC	July 1st	Sept 16th	Sept 19th
Canola	NOV	July 23rd	Oct 2nd	Oct 1st

Source: Moore Research Center, Inc.