

FWA DJ Soybean Futures Higher on Short-Covering Run - Daily Grain

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Highlights

By Kirk Maltais

--Soybeans for November delivery rose 3.2%, to \$10.70 a bushel, on the Chicago Board of Trade on Monday, with the hotter turn in the weather outlook setting off a wave of short-covering today.

--Corn for December delivery rose 2.5%, to \$4.14 3/4 a bushel.

--Wheat for September delivery rose 1%, to \$5.48 a bushel.

HIGHLIGHTS

Turning Up the Heat: Hotter temperatures seen in the Midwest are giving many traders the go-ahead to cover the large short positions held on CBOT grains, pushing grains up late in the session. "The weather is making traders a little nervous so it seems more short covering is happening," said Virginia McGathey of McGathey Commodities. "With nobody selling, including farmers, it stands to reason this oversold situation can get neutralized pretty quickly." The USDA's weather outlook points to hotter temperatures seen throughout the week.

Biden Exit Boost: President Biden's decision not to seek re-election gave a short-term boost to grains, particularly soybeans, Brian Hoops of Midwest Market Solutions said. "Traders want to believe that China will buy soybeans ahead of the election in case Trump wins and places tariffs on China," Hoops said. Soybeans are usually the U.S. agriculture product China procures the most, the increase in buying is not certain to play out, said Hoops.

INSIGHT

Out of Balance: The recent strengthening in the U.S. dollar combined with weakening of other currencies like the Brazilian real and Mexican peso is creating an environment where grain exports are more cost-effective to procure from outside of the U.S., said John Payne of Advance Trading. In the case of Brazil, competition for soybeans and corn export demand looks to favor Brazil as the real weakens and the dollar strengthens. In the case of Mexico, the country may seek other markets to procure pork from rather than the U.S.

Positioning Confirmed: The CFTC confirmed minor cuts to large short positions in grains among fund traders on Friday. Through July 16, fund traders held a new short of over 343,000 contracts in corn, 185,750 soybean contracts, and nearly 76,000 contracts of soft red wheat. These large short positions mean that there is a lot of room for traders to cover shorts or make new purchases of grains at low prices.

Flash Sale: The USDA reported Monday that 133,000 metric tons of corn were sold for delivery to Mexico in the 2024/25 marketing year. Mexico is a major buyer of U.S. corn, but the sale of GMO corn by the U.S. has been a point of tension, with a dispute active within the framework of the USMCA.

AHEAD

--Archer Daniels Midland will release its second quarter earnings before the market opens Tuesday.

--The EIA will release its weekly ethanol production and stocks report at 10:30 a.m. ET Wednesday.

--Ethanol producer Valero Energy will release its second quarter earnings at 6:30 a.m. ET Thursday.

--The USDA will release its weekly export sales report at 8:30 a.m. ET Thursday.

--The USDA will release its monthly Cold Storage report at 3 p.m. ET Thursday.

-The USDA will release its monthly Livestock Slaughter report at 3 p.m. ET Thursday.

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