

THE KUEMMERLE REPORT

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Lukas Kuemmerle.
Research

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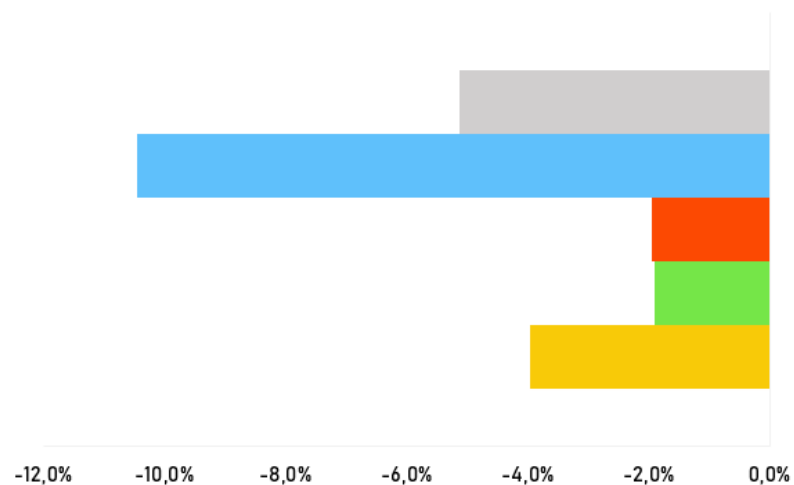
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Last Weeks Commodity Performance

The benchmark, CRB Commodity Index, ended the week 5,1% lower

Weekly Performance Update by **Lukas Kuemmerle**.
Research

■ CRB Commodity Index ■ Energy ■ Softs ■ Grains ■ Metals



CRB Commodity Index -5,1% w/w



Energy	
Heating Oil	-0,6%
Natural Gas	-21,5%
Crude Oil	-10,5%
Gasoline	-9,1%

Metals	
Gold	-1,9%
Silver	-1,6%
Platinum	-4,2%
Copper	-6,6%
Palladium	-5,7%

Grains	
Soybean Oil	-8,7%
Soybeans	-2,5%
Soybean Meal	-1,5%
Wheat	-2,2%
Oats	2,1%
Corn	1,5%

Softs	
Coffee	-0,6%
Orange Juice	-6,6%
Cocoa	0,0%
Sugar	-1,4%
Cotton	-1,1%
Live Cattle	1,3%

Crypto	
Bitcoin	-30,1%
Ethereum	-34,8%
Market Cap	-25,4%

US Dollar Index	
104,49	0,36%

10Y Treasury Yield	
3,28%	0,24%

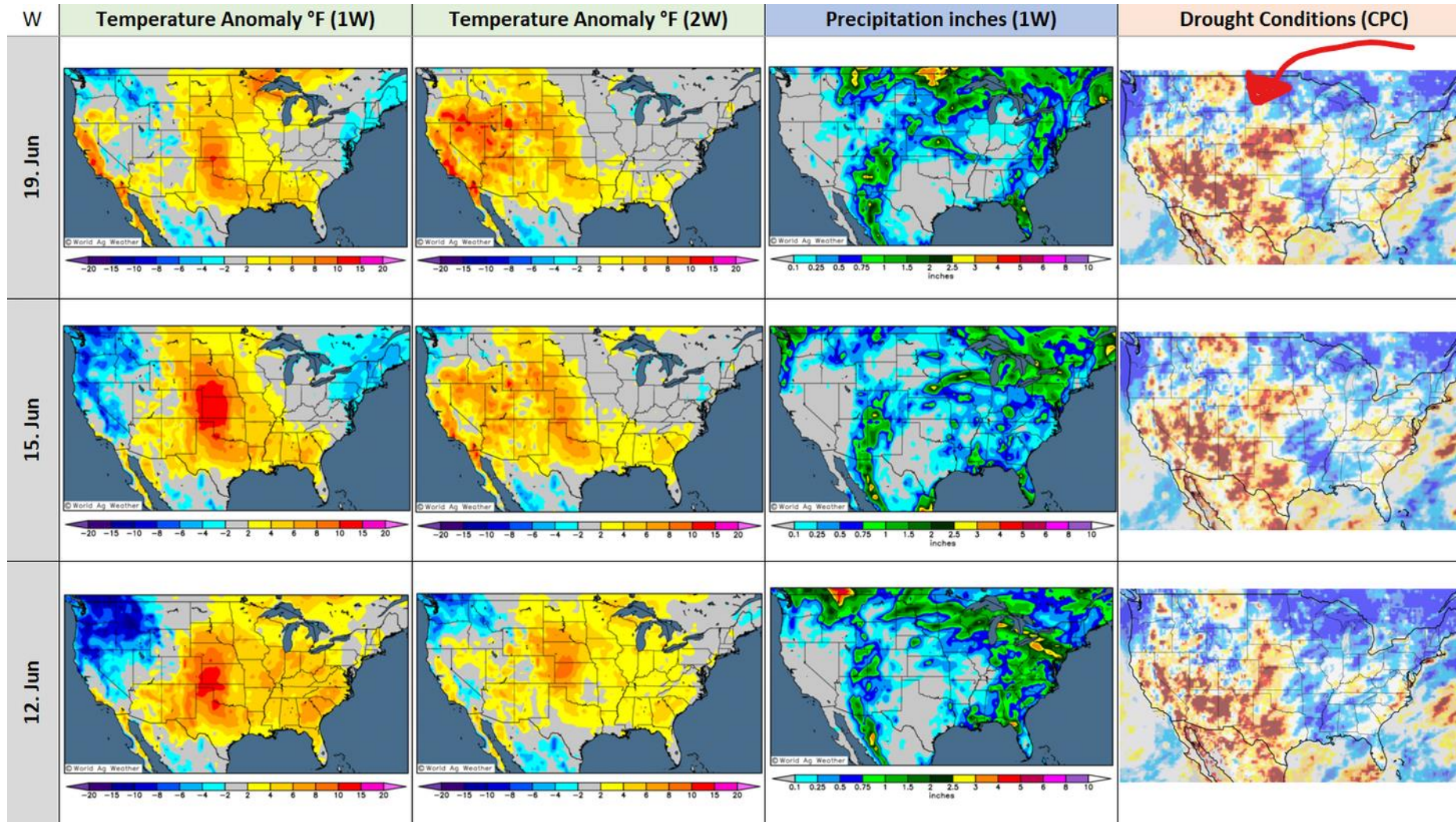
10Y Break. Inflation	
2,58%	-0,22%

10Y Realyield	
0,70%	0,42%

Sources: CME, ICE, Kuemmerle Research, Stooq

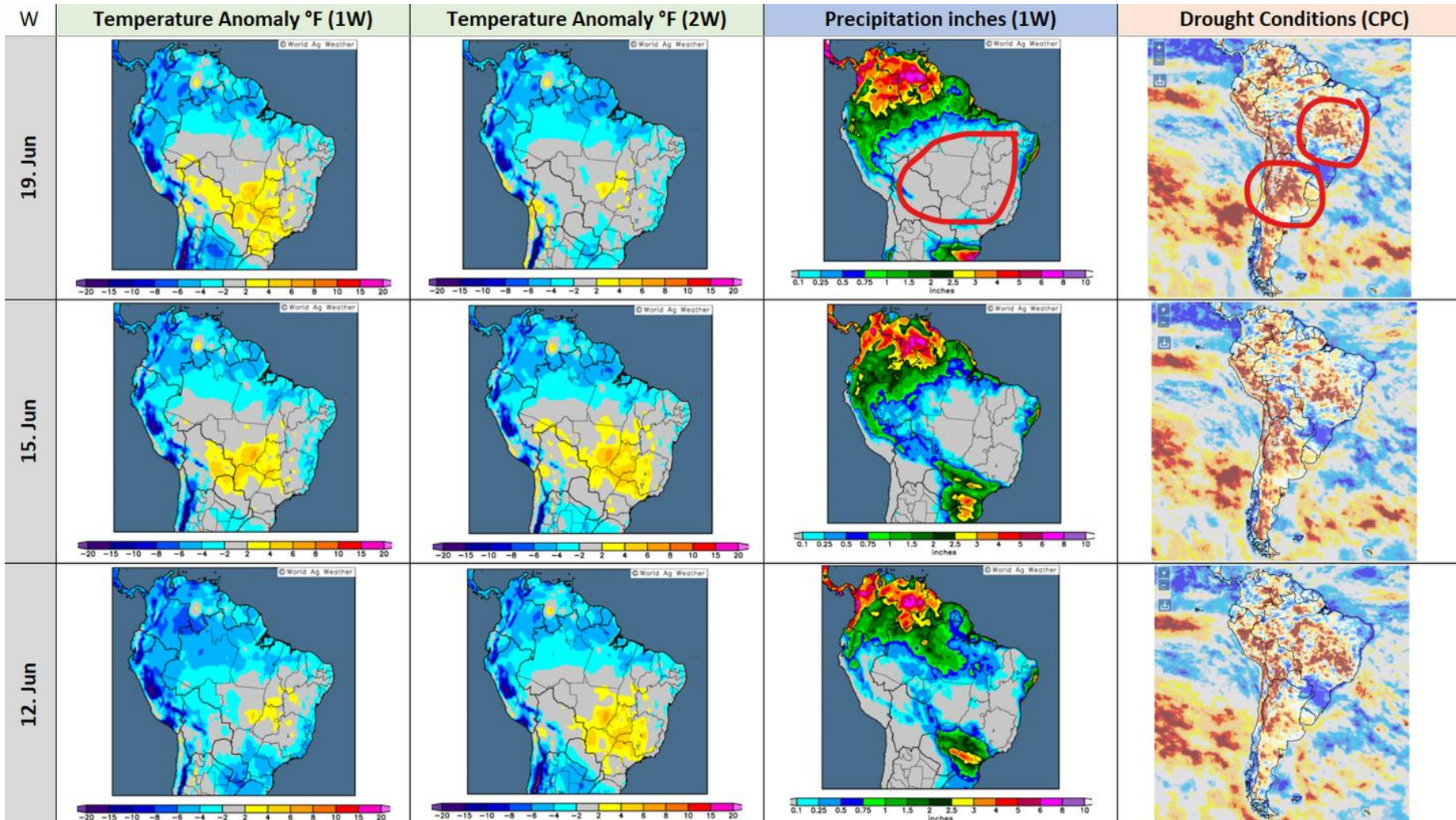
Weather Forecasts Growing Regions – USA

- Drought is affecting grain crops in Kansas, Nebraska, and South Dakota.
- There is still persistent drought in the southwest of the US -therefore the fear of bigger cotton crop damage is intensifying.
- Temperatures remain hot and rain remains little in the drought-affected regions



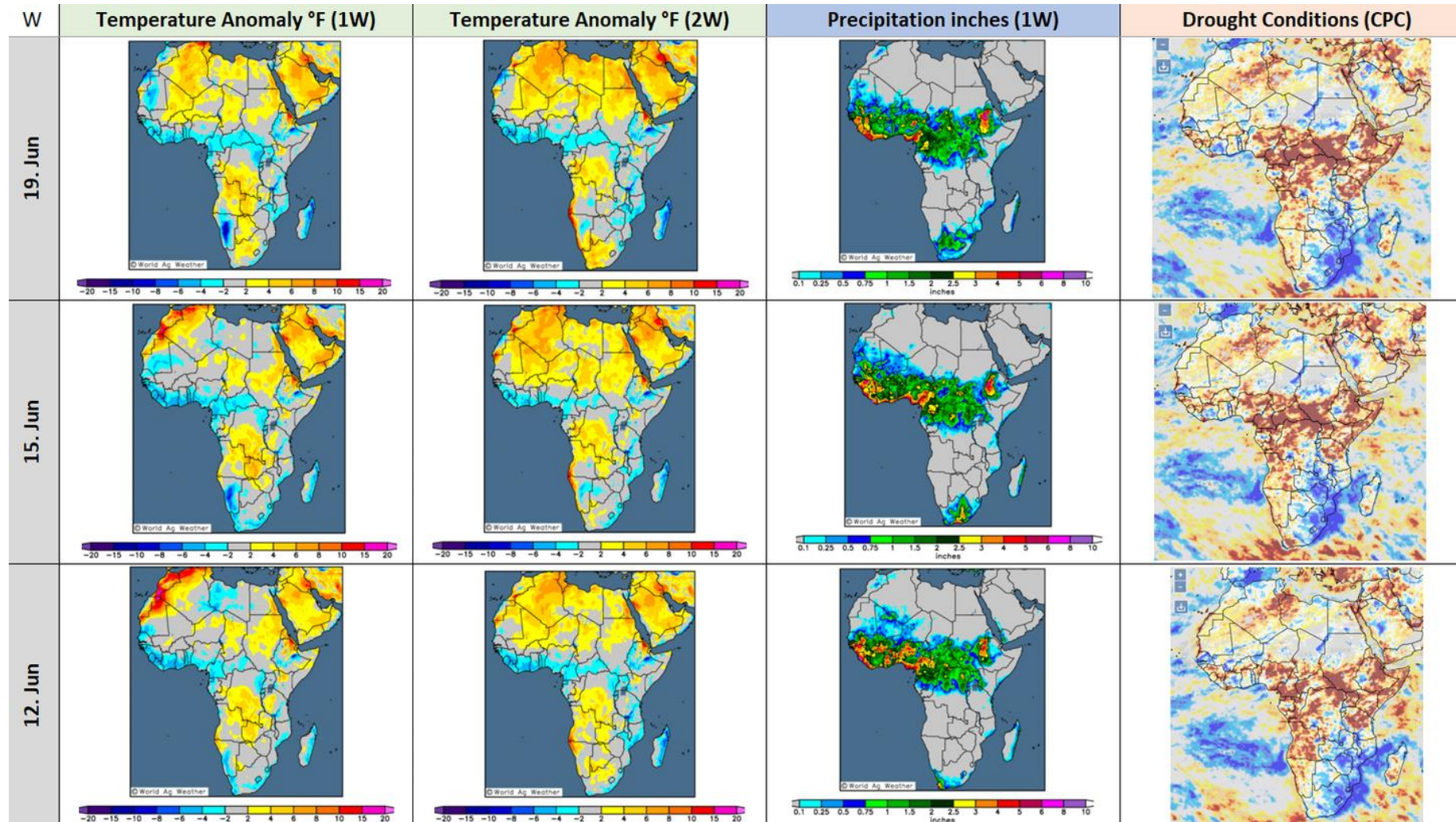
Weather Forecasts Growing Regions – South America

- Small drought problems in Brazil but intensified problems in Argentina. For Brazil, there is still little to no rain forecasted.



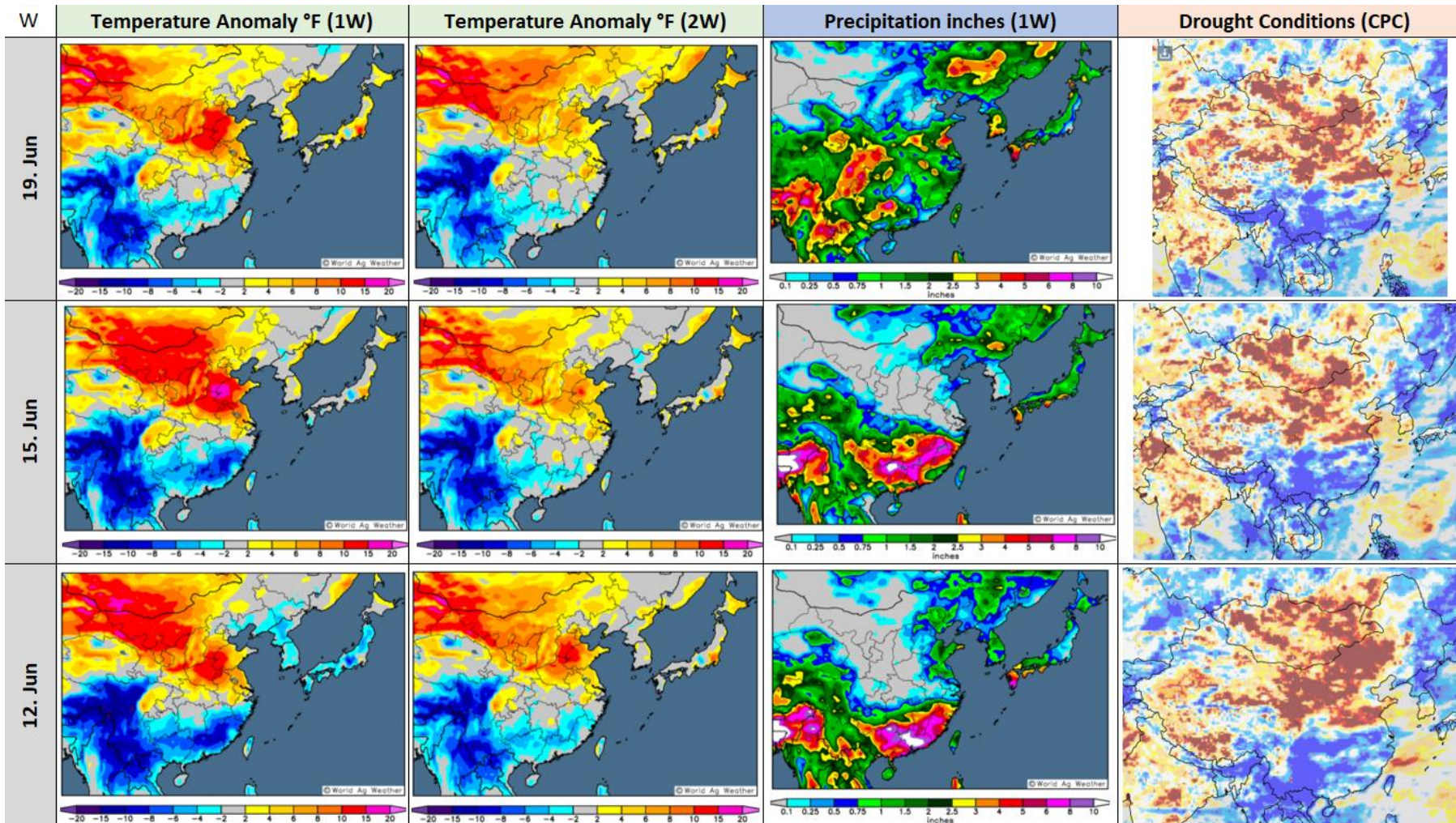
Weather Forecasts Growing Regions – Africa

- Drought conditions became a bit worse compared with the last two weeks. Nevertheless, the cocoa crop seems to be okay for now.



Weather Forecasts Growing Regions – China

- The drought effects remain limited in the east and south of the country. Growing conditions remain therefore good.



Container Shipping:

HARPEX Index +0,5% w/w and +1,4% m/m

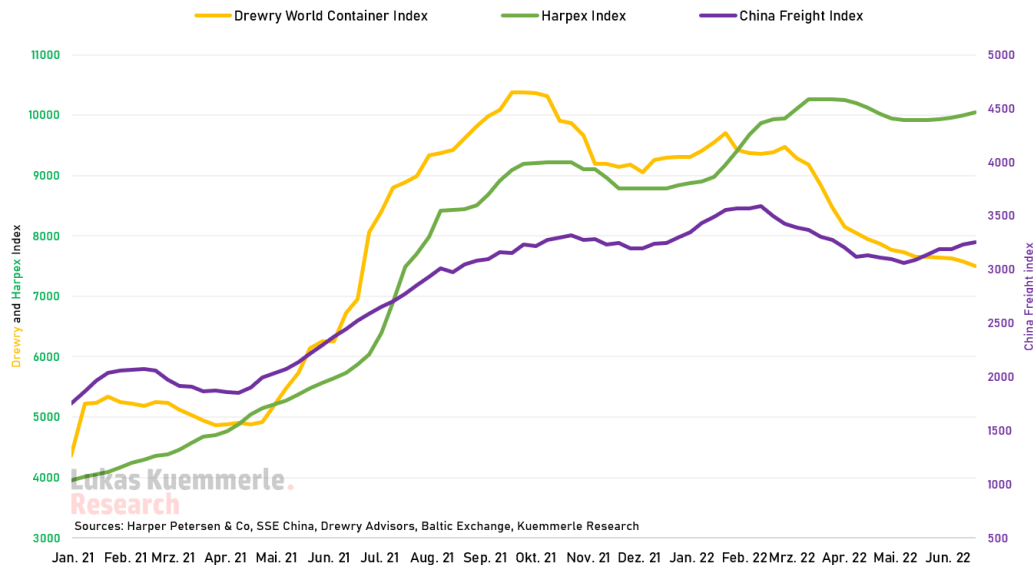
(reflects the worldwide price development on the charter market for container ships)

China Freight Index +0,7% w/w and +1,9% m/m

(Price index for the container transport market for worldwide container transport from and to China)

Drewry Index -1,0% w/w and -1,7% m/m

(reports actual spot container freight rates for major East-West trade routes for a 40ft container)



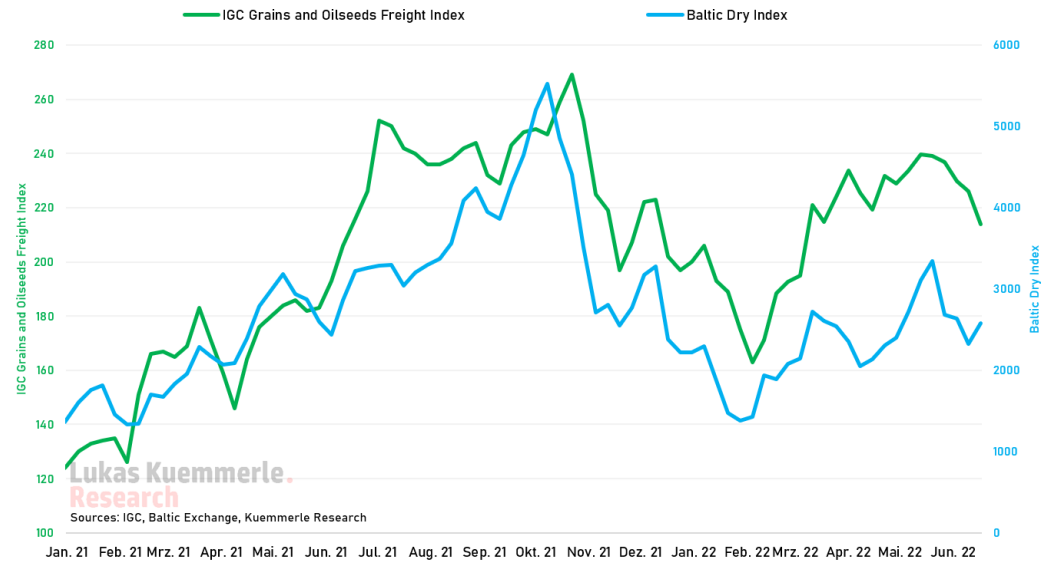
Dry Bulk Shipping

Baltic Dry Index +11,1% w/w and -3,8% m/m

(important price index for the worldwide shipping of major cargoes (mainly coal, iron ore and grain) on standard routes)

IGC Grains/Oilseeds Index -5,4% w/w and -9,7% m/m

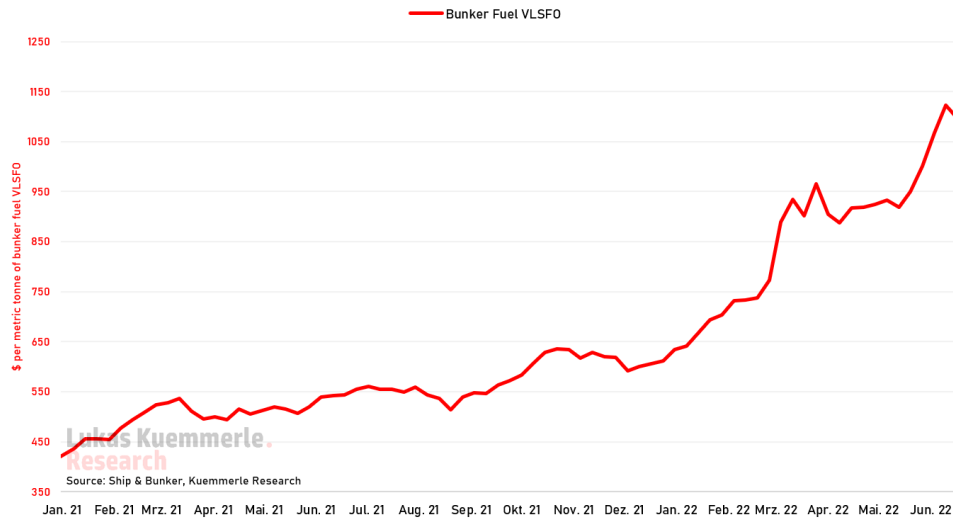
(important price index for the worldwide shipping of grains and oilseeds on standard routes)



Average Global Bunker Fuel Price

VLSFO Index -2,4% w/w and +9,4% m/m

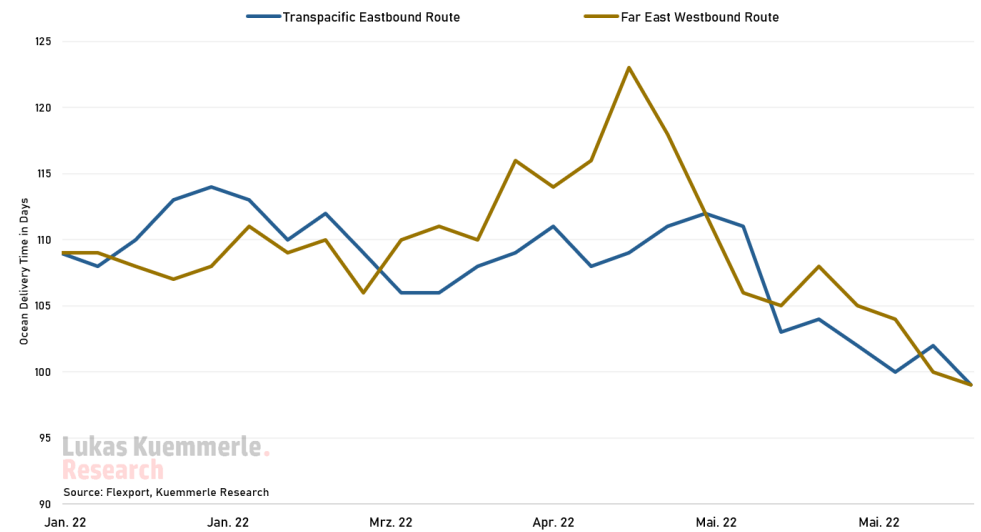
(VLSFO Bunker Fuel Oil, IMO2020 Grade, 0.5%, Global 20 Ports Average Price)



Average Ocean Delivery Time

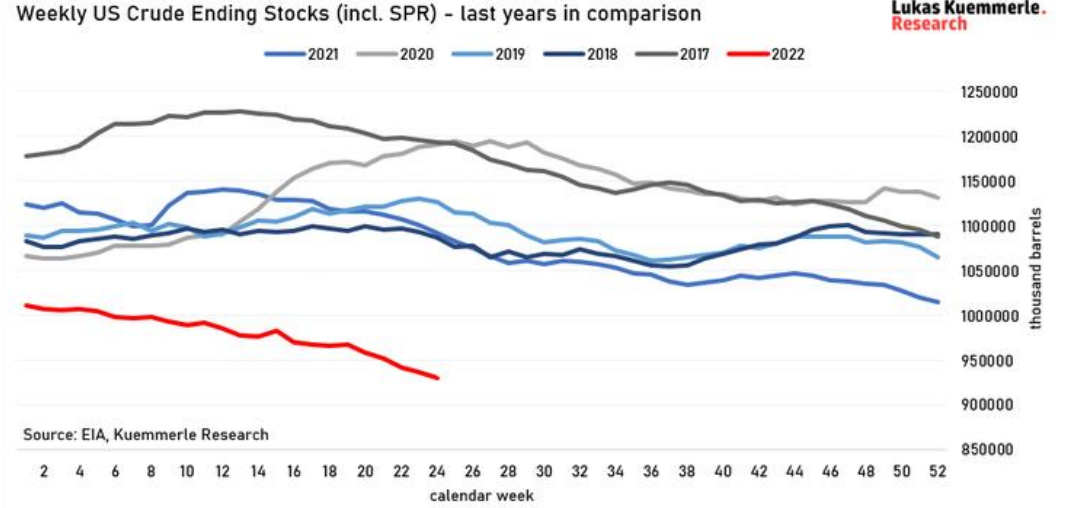
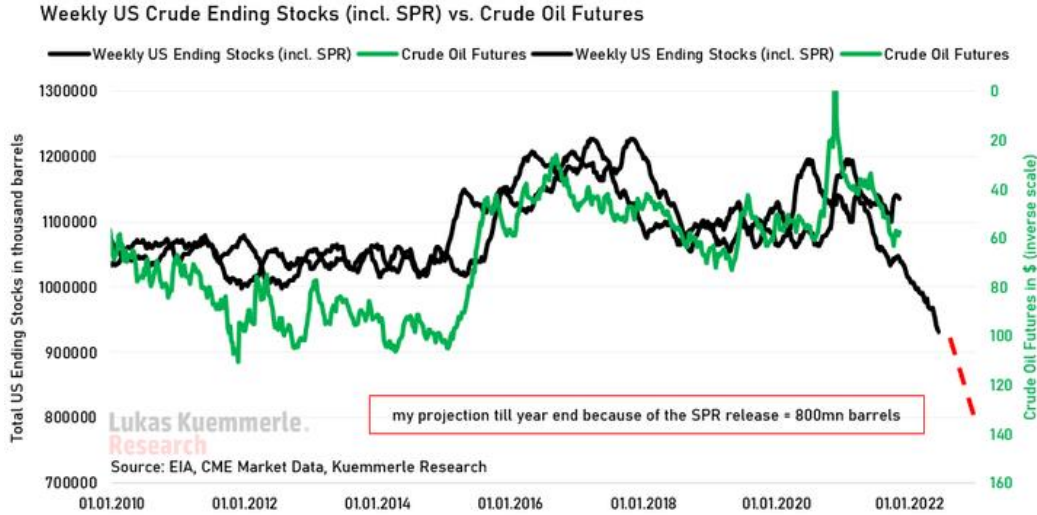
99 days TPEB (Transpacific Eastbound, e.g. China-to-US)

99 days FEWB (Far East Westbound, e.g. China-to-Europe)

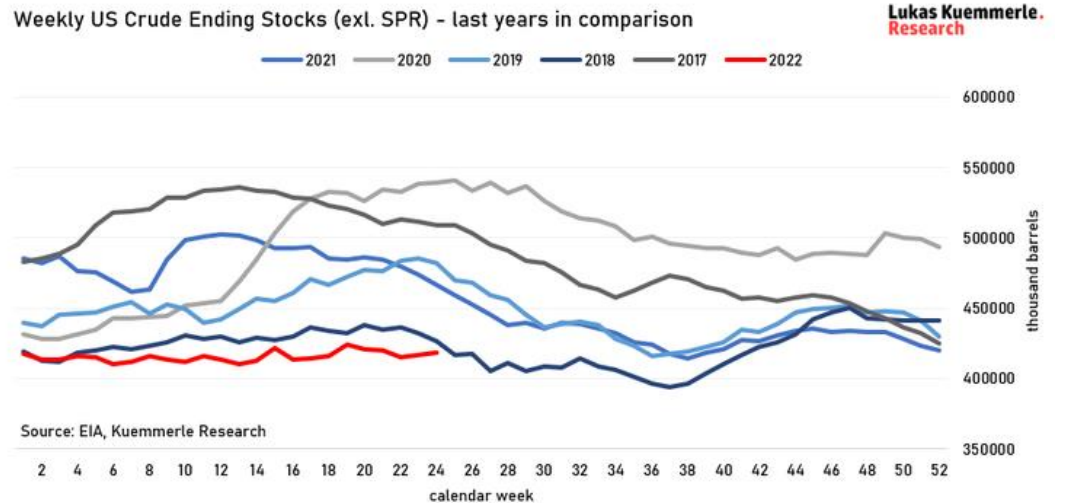
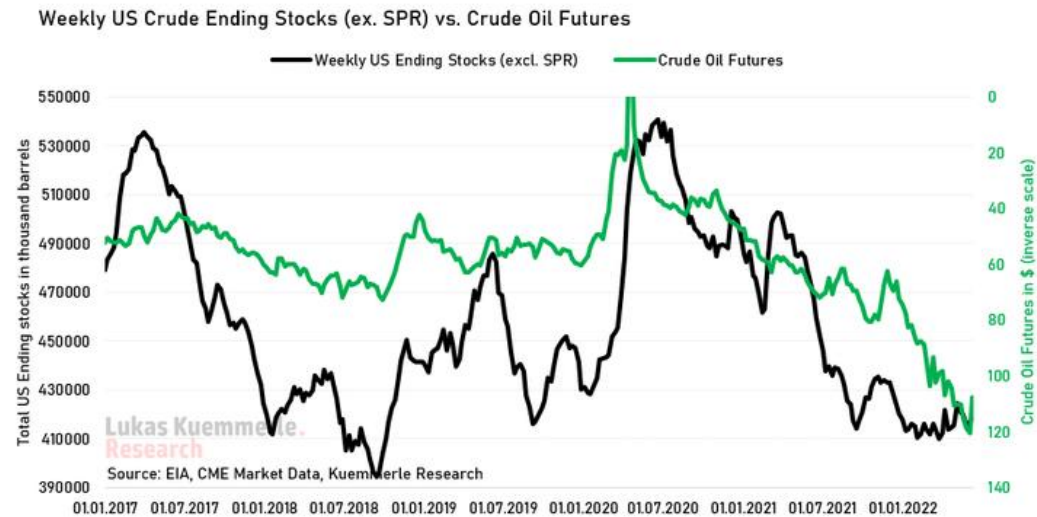


US Energy Sector Update

Crude Oil incl. SPR --- Inventories -0,6% w/w and -2,3% m/m



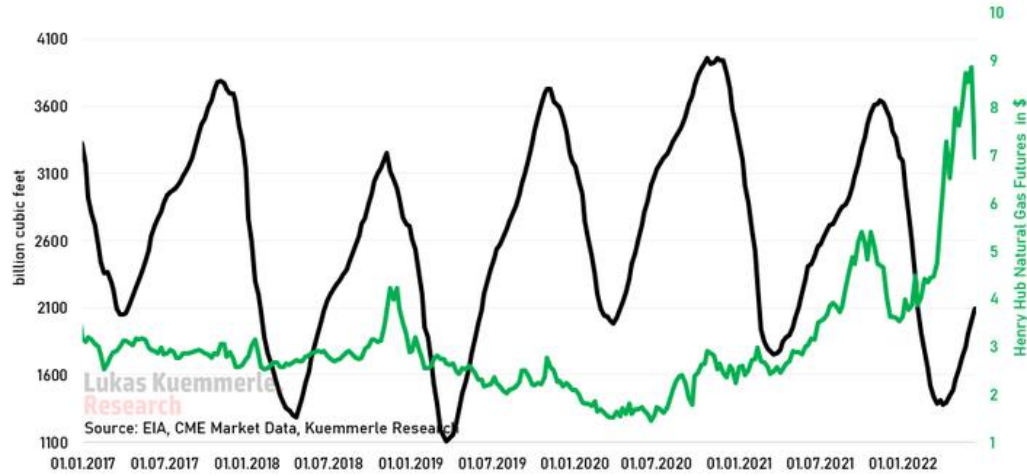
Crude Oil excl. SPR --- Inventories +0,5% w/w and -0,3% m/m



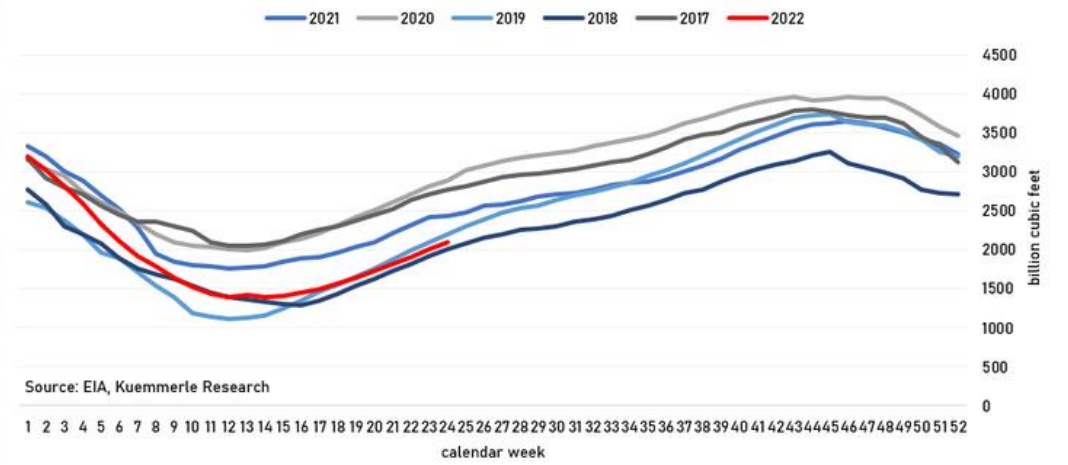
US Energy Sector Update

Natural Gas --- Inventories +4,8% w/w and +15,6% m/m

Weekly US Working Gas in Underground Storage, Lower 48 States

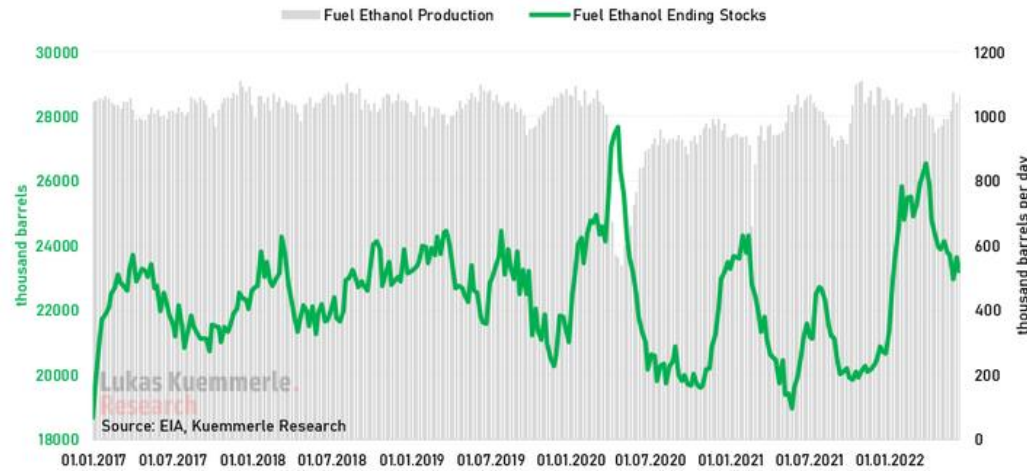


Weekly US Working Gas in U. Storage, Lower 48 States - last years in comparison

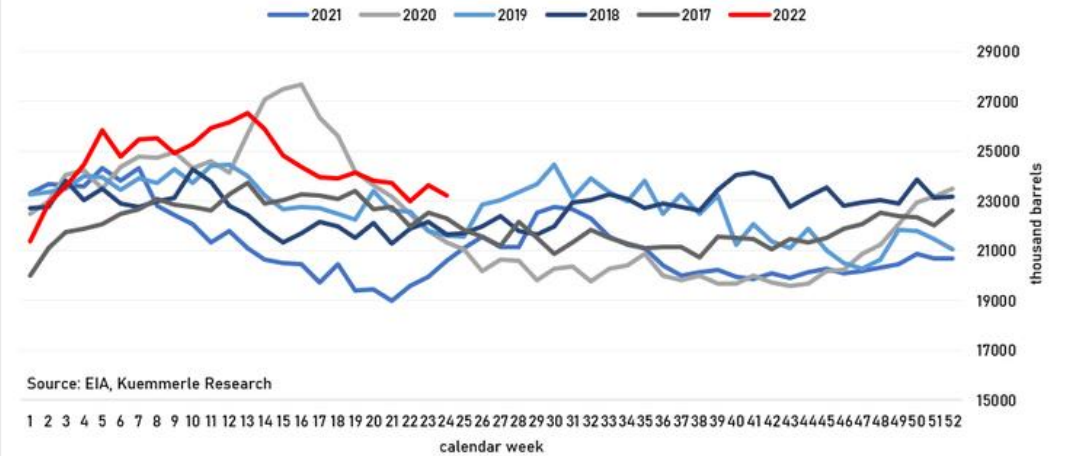


Fuel Ethanol --- Inventories -1,9% w/w and -2,2% m/m

US Fuel Ethanol Production and Inventories

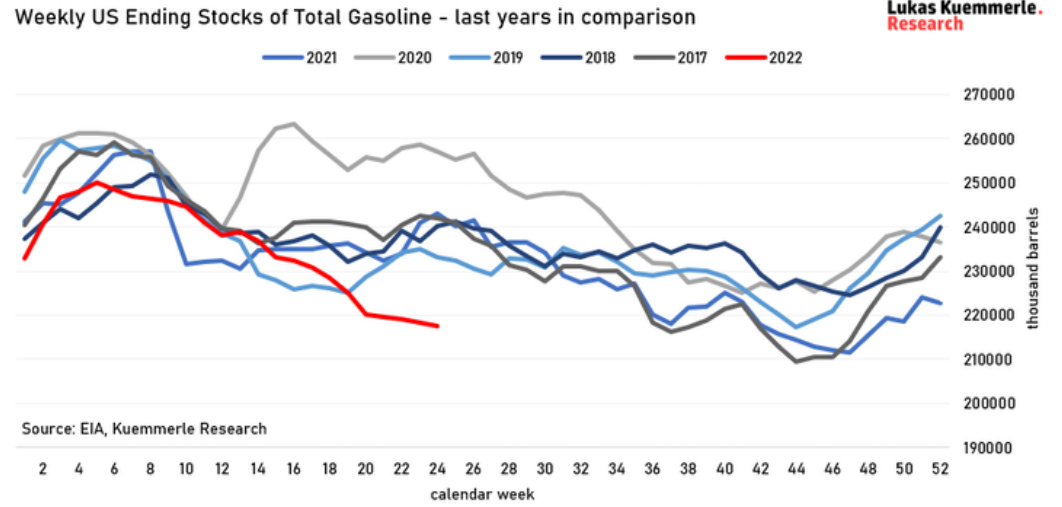
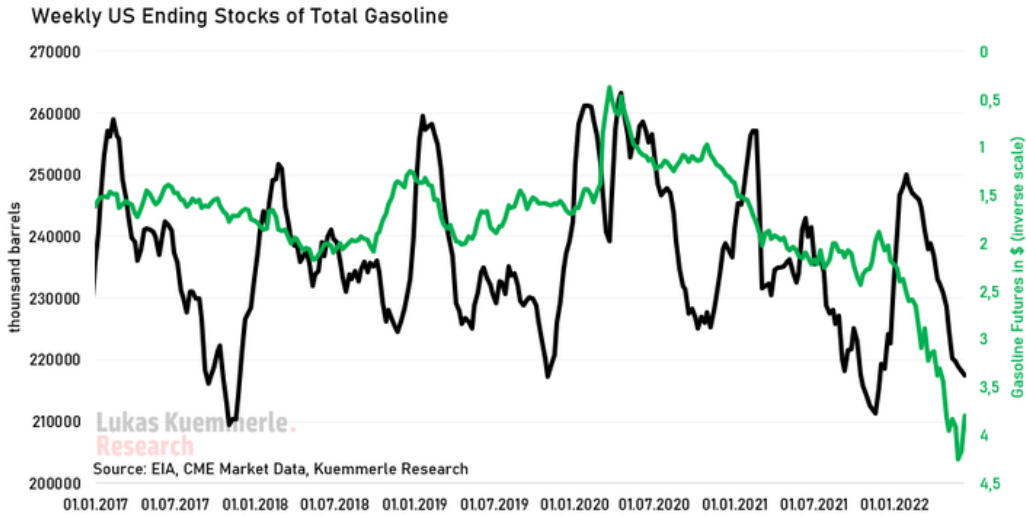


Fuel Ethanol Ending Stocks - last years in comparison

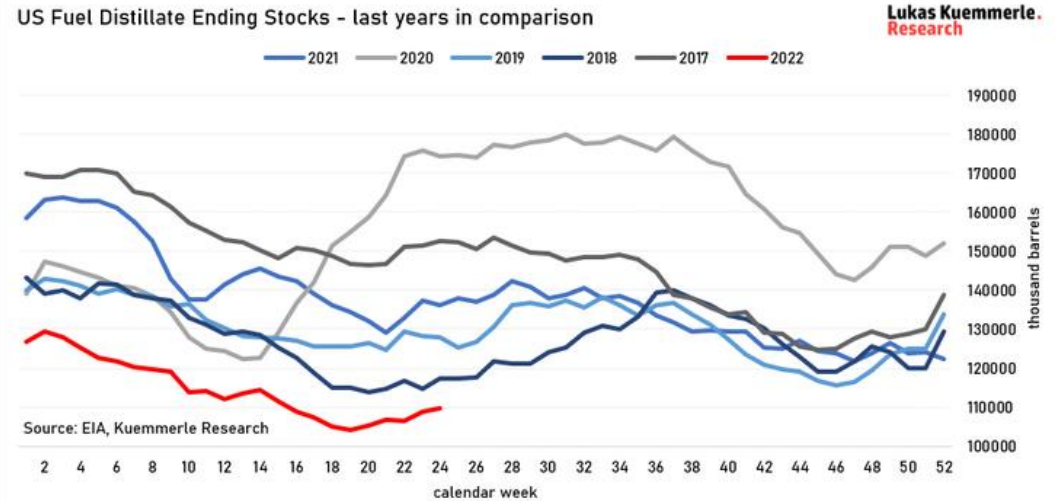
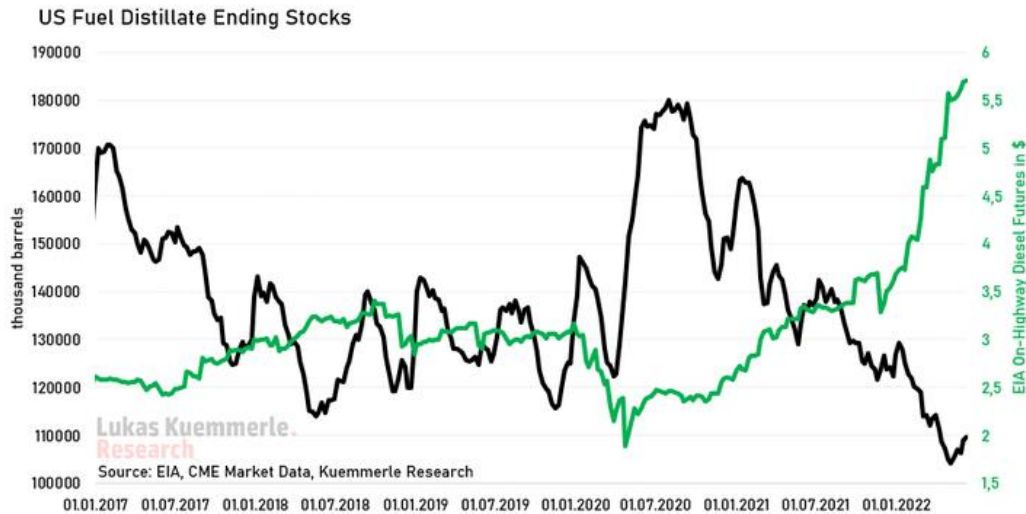


US Energy Sector Update

Gasoline --- Inventories -0,3% w/w and -1,0% m/m

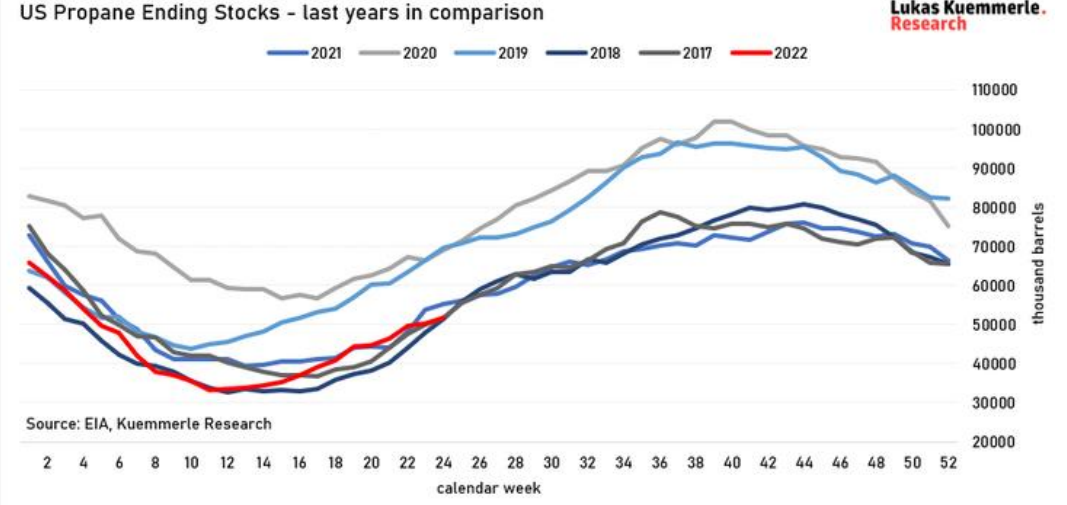
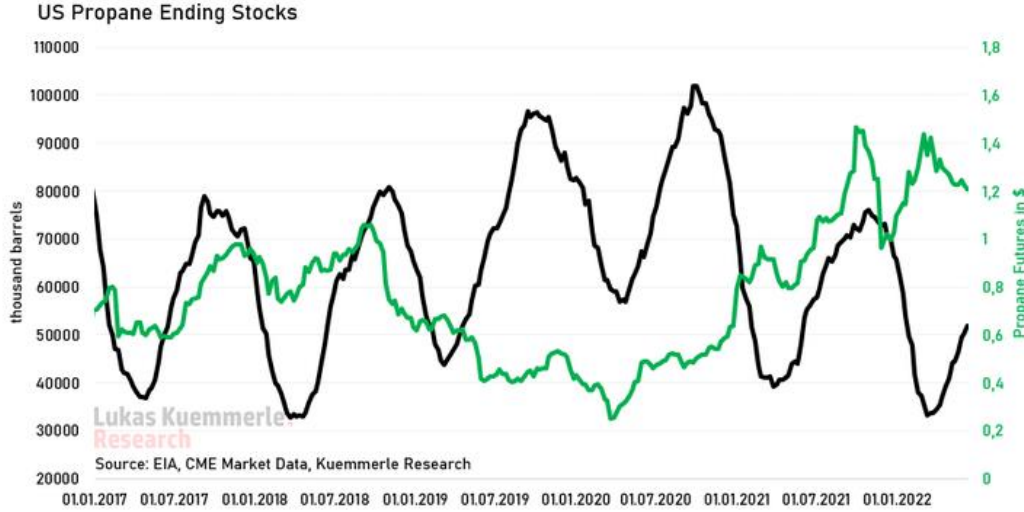


Fuel Distillate --- Inventories +0,7% w/w and +2,6% m/m

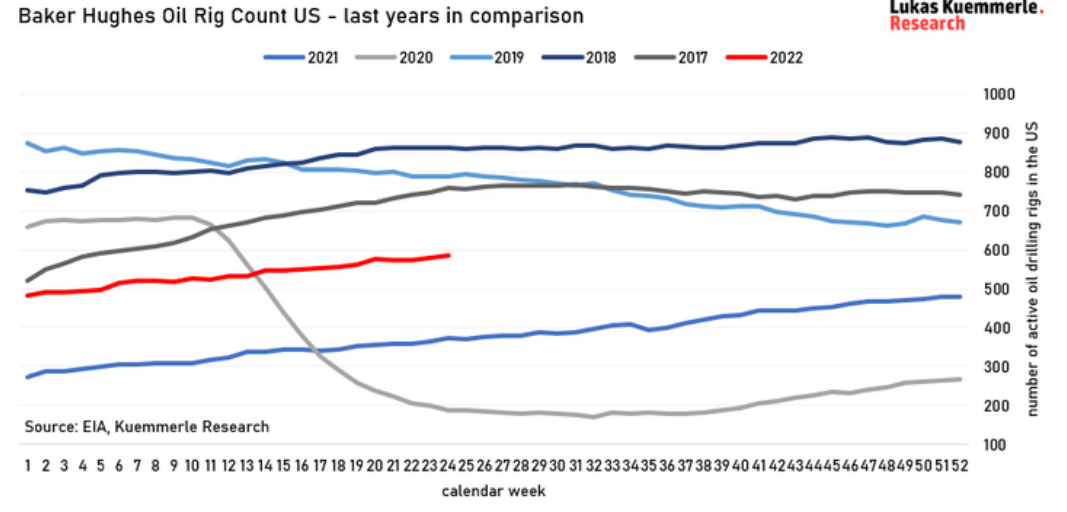
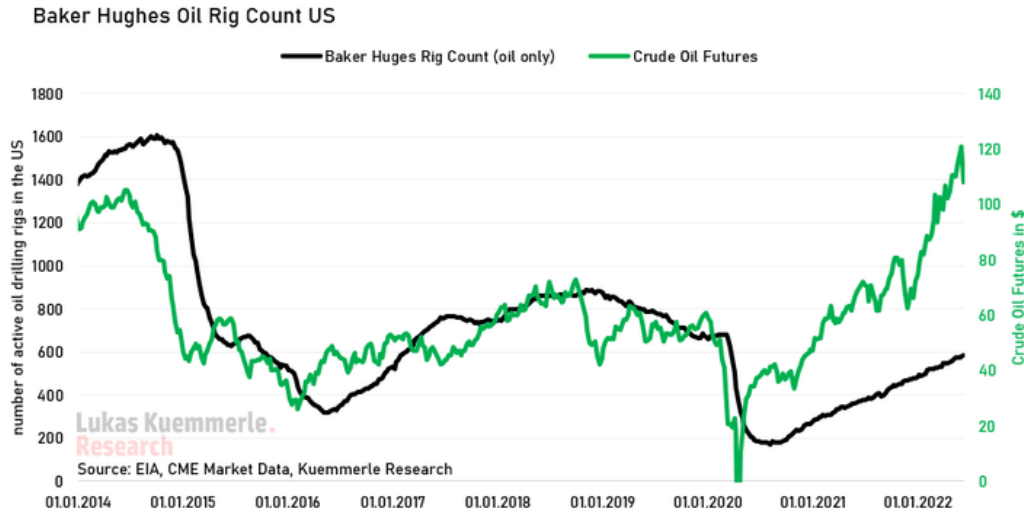


US Energy Sector Update

Propane --- Inventories +3,2% w/w and +11,8% m/m

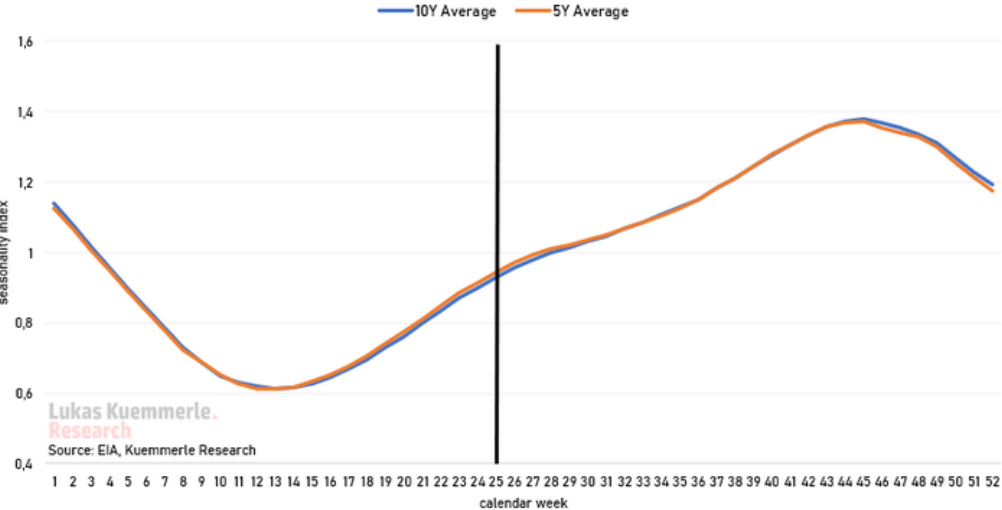


Baker Hughes Rig Count --- +4 w/w, now at 584 rigs (compared to 660 pre-Covid in March 2020)

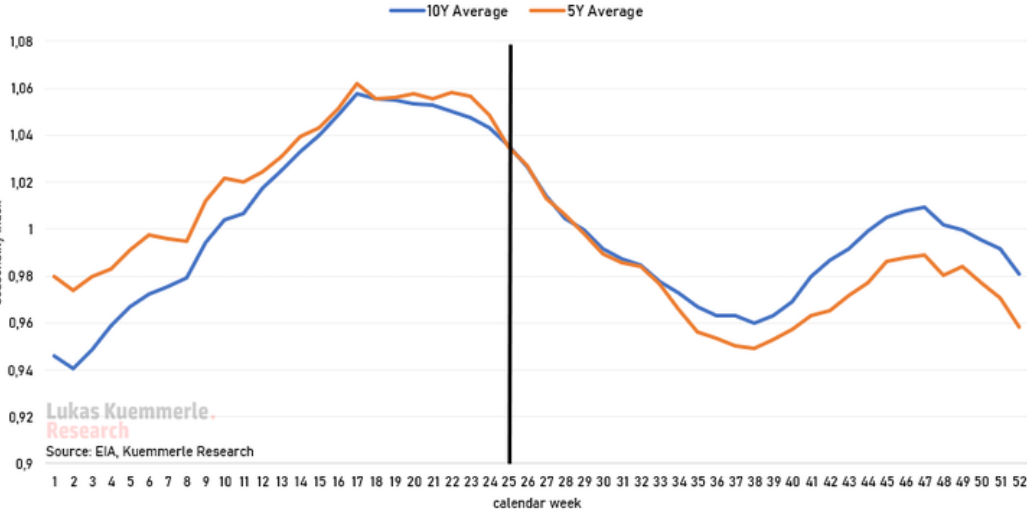


Where are we in the built-up inventory cycle?

Seasonality of US Natural Gas in Underground Storage

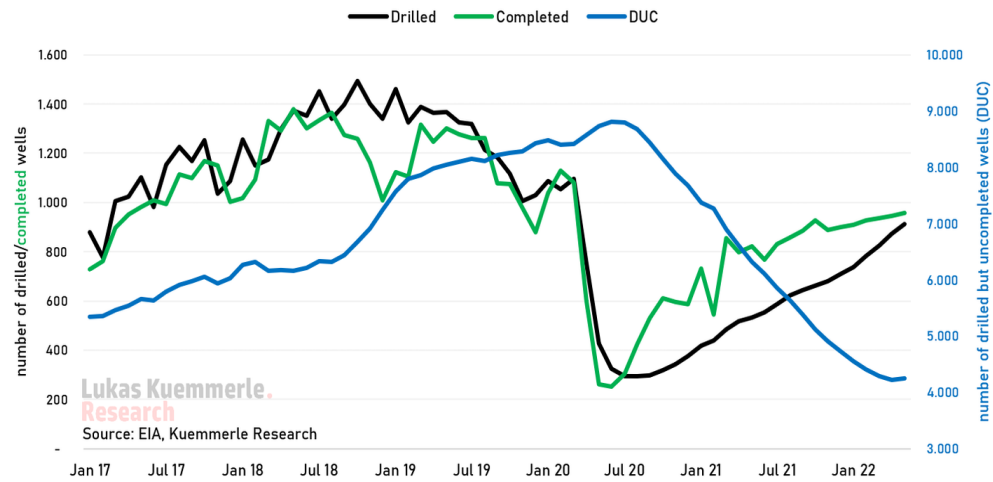


Seasonality of US Crude Ending Stocks (excl. SPR)



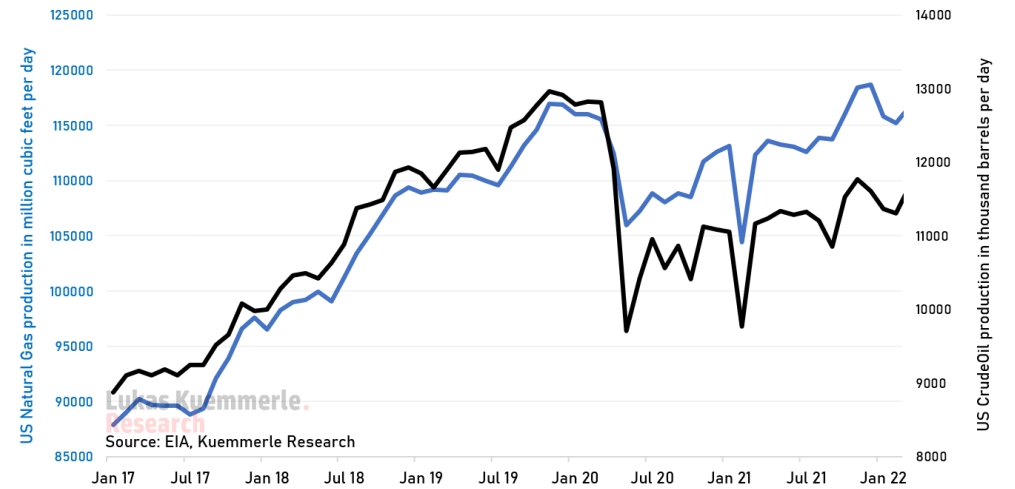
US Drilling Activity

US Wells: Drilling & Completion Activity



US Production Activity

US Natural Gas Production and US Crude Oil Production



Fertilizer Market Update

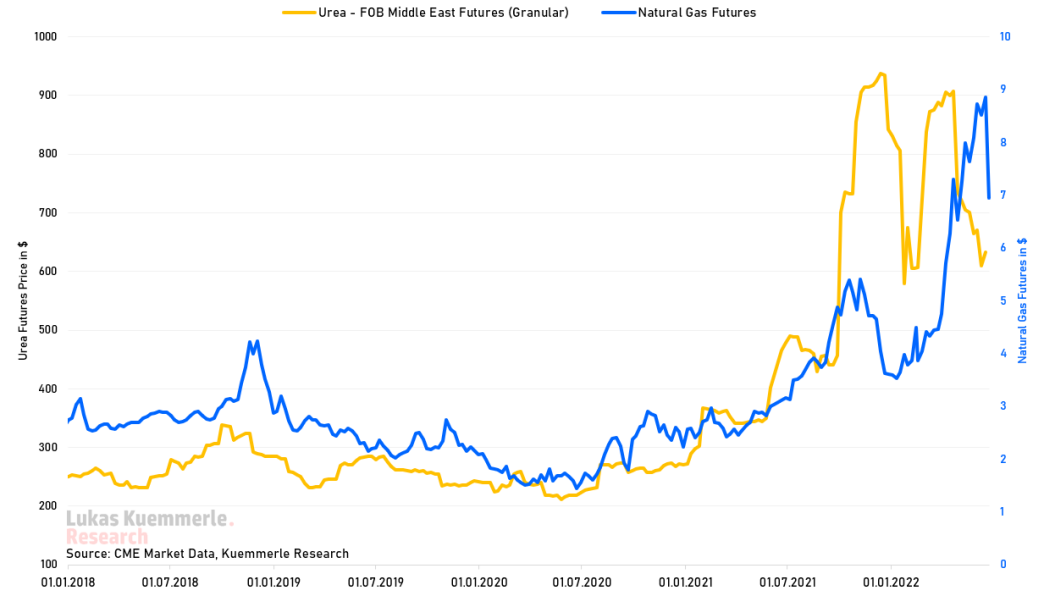
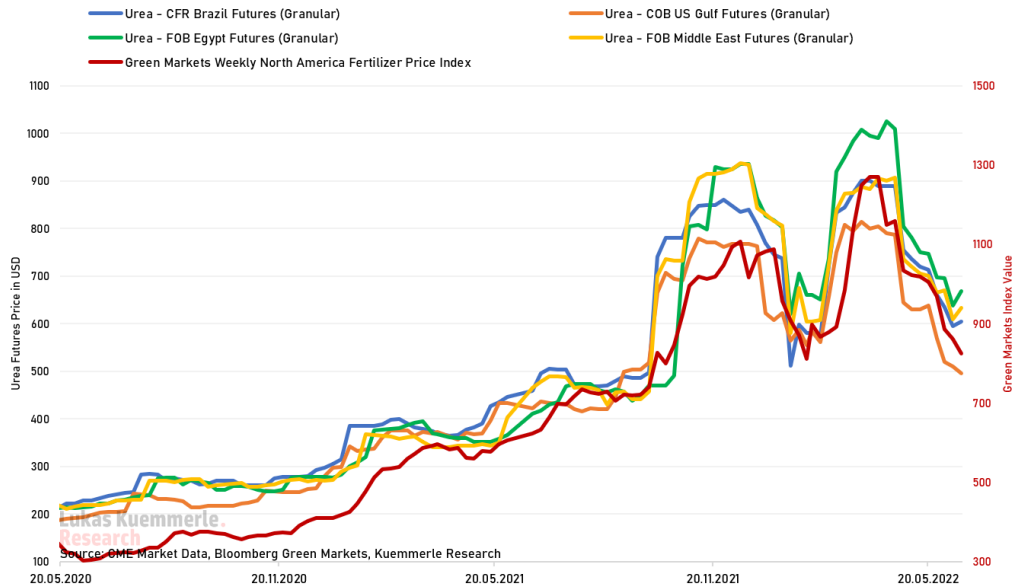
CFR Brazil Futures +1,7% w/w and -8,3% m/m

COB US Gulf Futures -2,8% w/w and -13,1% m/m

FOB Egypt Futures +4,9% w/w and -4,1% m/m

FOB Middle East Futures +3,8% w/w and -4,8% m/m

Green Markets Fertilizer North-America Price Index -4,2% w/w and -14,8% m/m



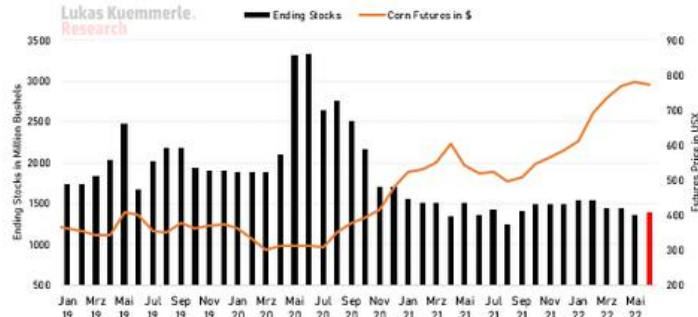
Latest WASDE Report Ending Stocks Data // June Report

Wheat - WASDE Update



Source: USDA WASDE Reports, CME Market Data

Corn - WASDE Update



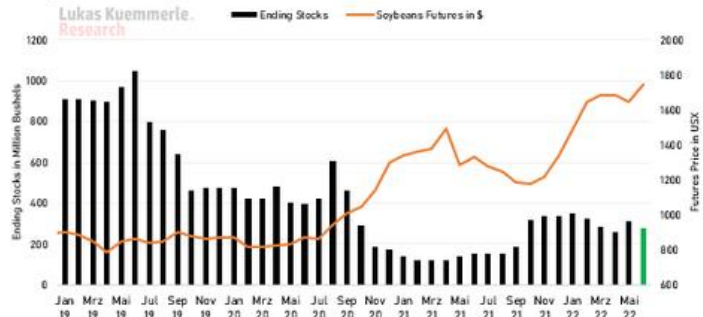
Source: USDA WASDE Reports, CME Market Data

Oat - WASDE Update



Source: USDA WASDE Reports, CME Market Data

Soybeans - WASDE Update



Source: USDA WASDE Reports, CME Market Data

Soybean Oil - WASDE Update



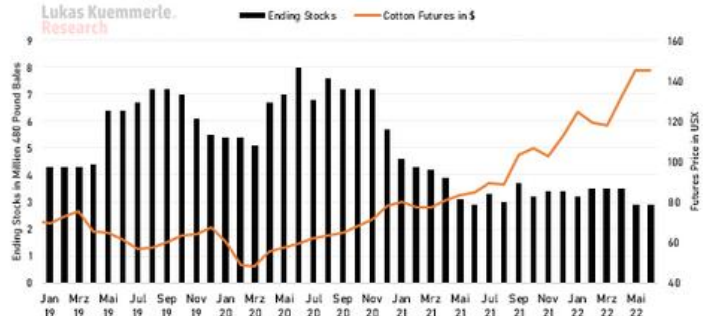
Source: USDA WASDE Reports, CME Market Data

Soybean Meal - WASDE Update



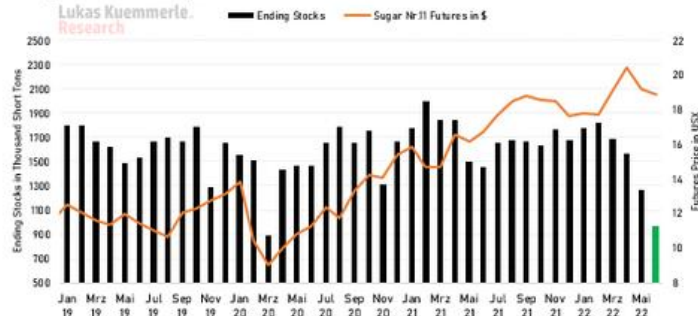
Source: USDA WASDE Reports, CME Market Data

Cotton - WASDE Update



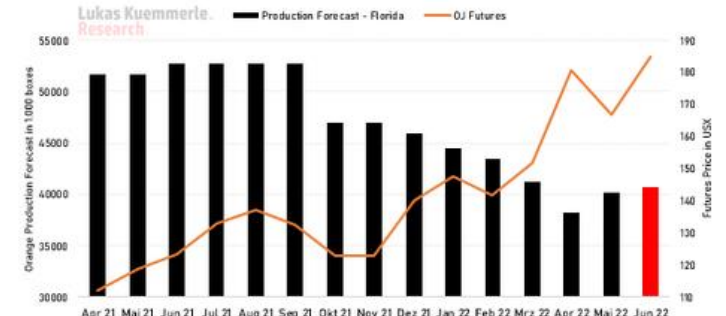
Source: USDA WASDE Reports, CME Market Data

Sugar Nr. 11 - WASDE Update



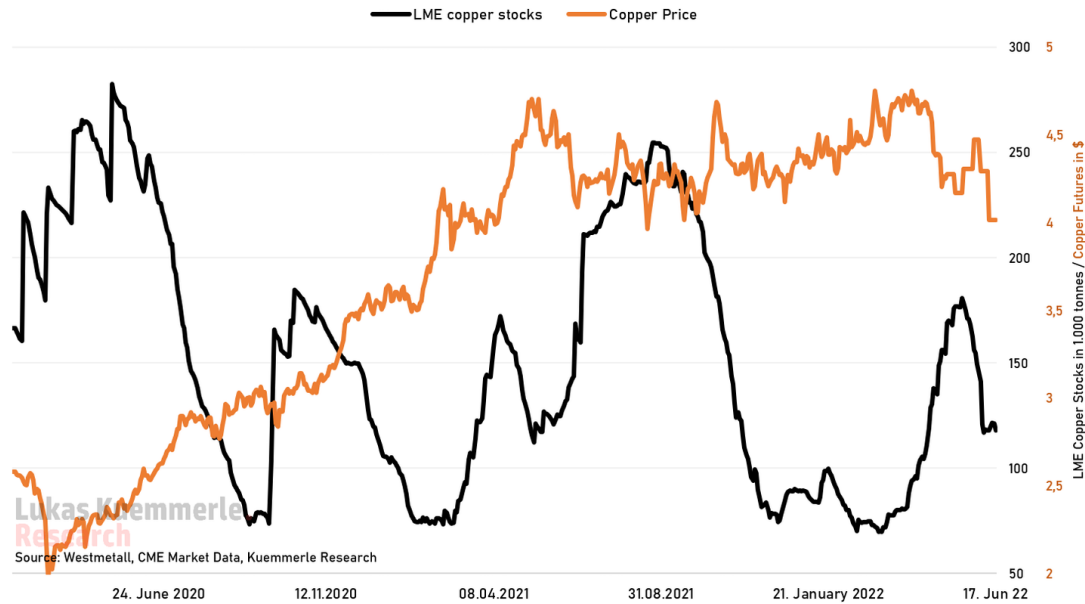
Source: USDA WASDE Reports, CME Market Data

Oranges - US Production Forecast



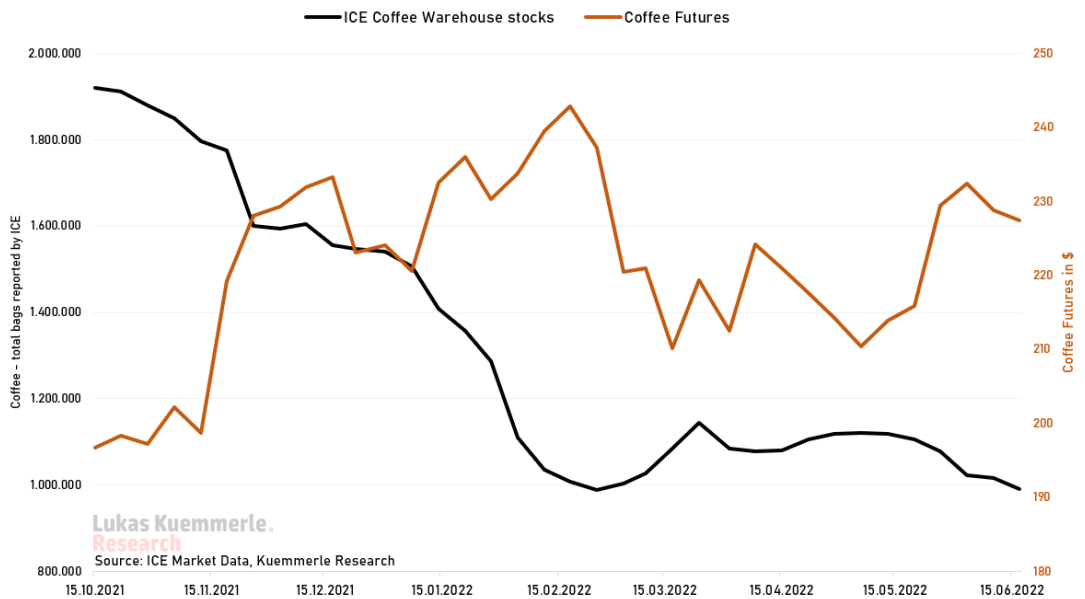
Source: USDA, CME Market Data

Other Ending Stocks Data



Copper LME inventories:

- +0,2% w/w and -33,2% m/m



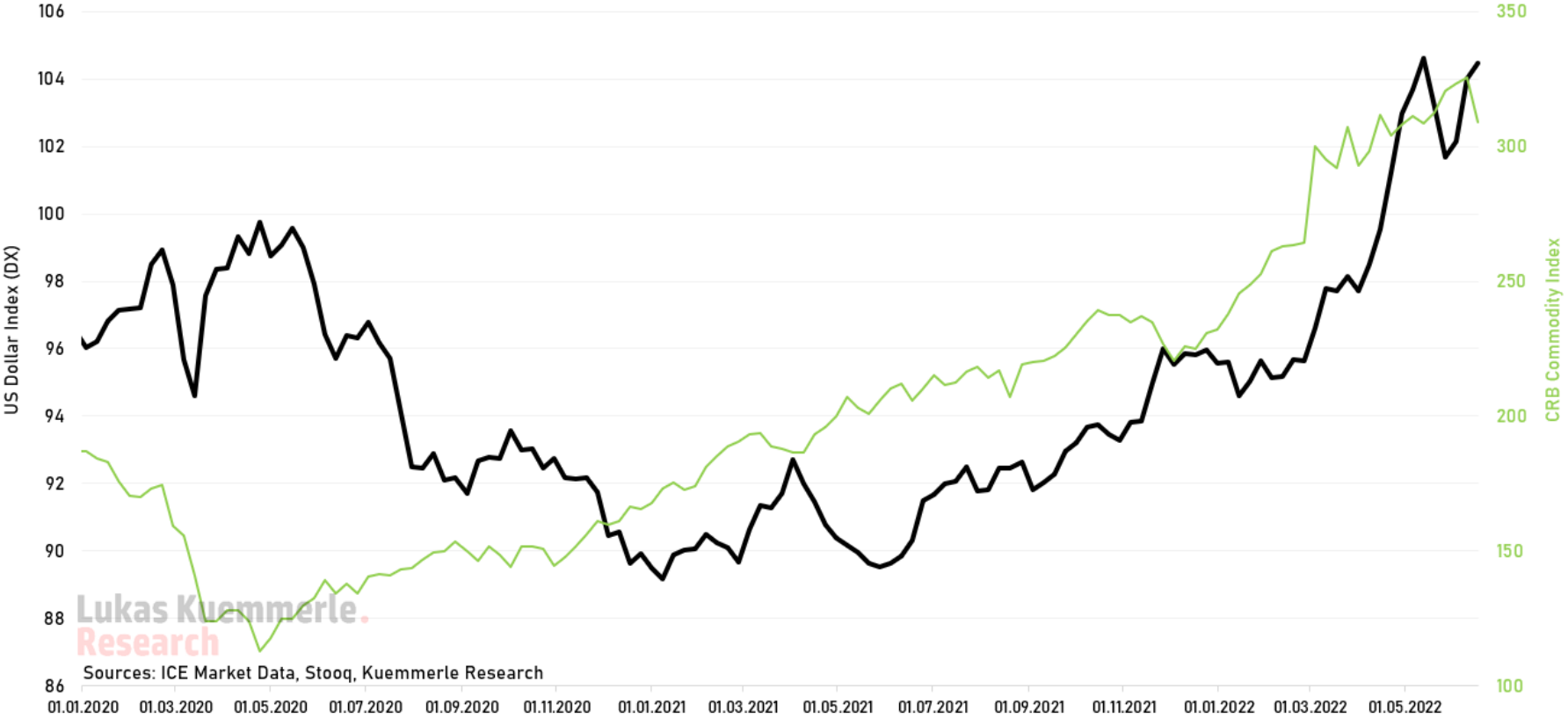
Coffee ICE inventories:

- -2,5% w/w and -8,1% m/m

- Performance +1,7% w/w and -0,6% m/m
- The positive correlation with commodity prices continues

US Dollar Index vs. CRB Index

— Dollar Index — CRB Commodity Index

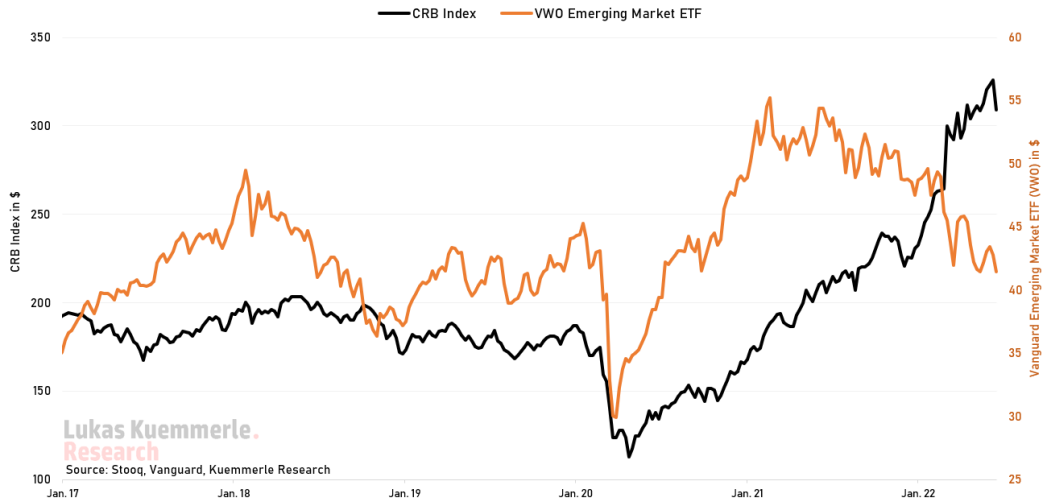


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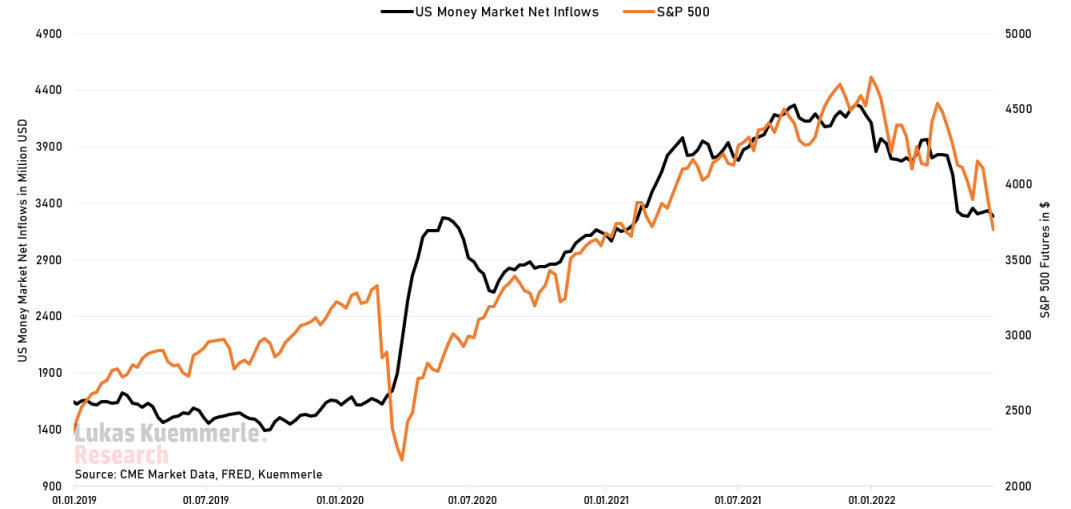
Sources: ICE Market Data, Stooq, Kuemmerle Research

Other Important Market Correlations

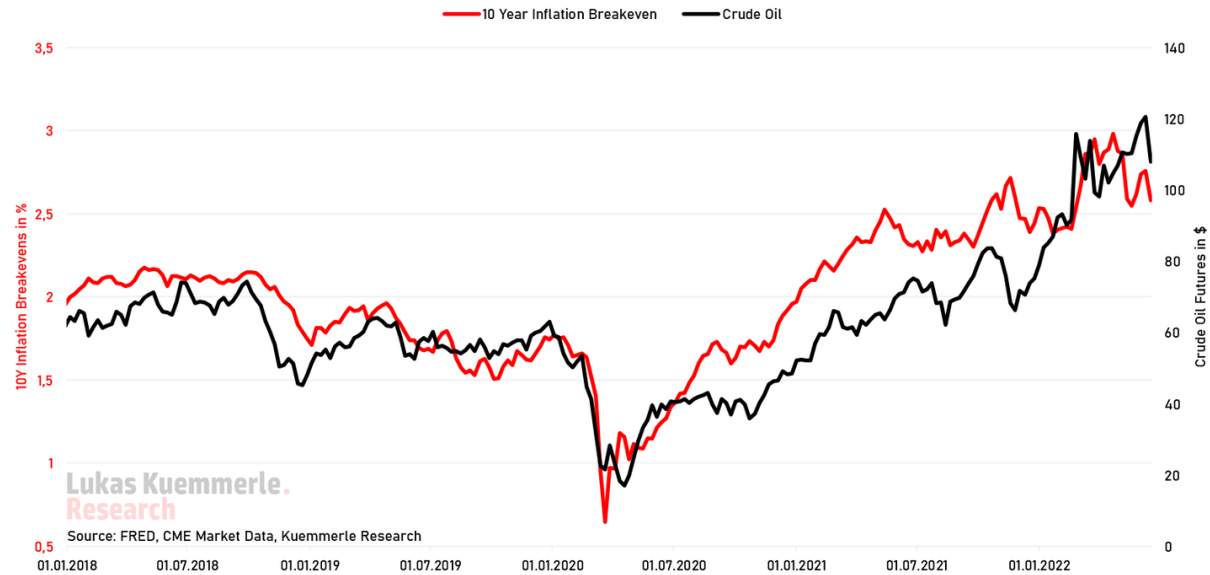
CRB Commodity Index vs. Emerging Market Performance



Money Market Liquidity vs. S&P 500



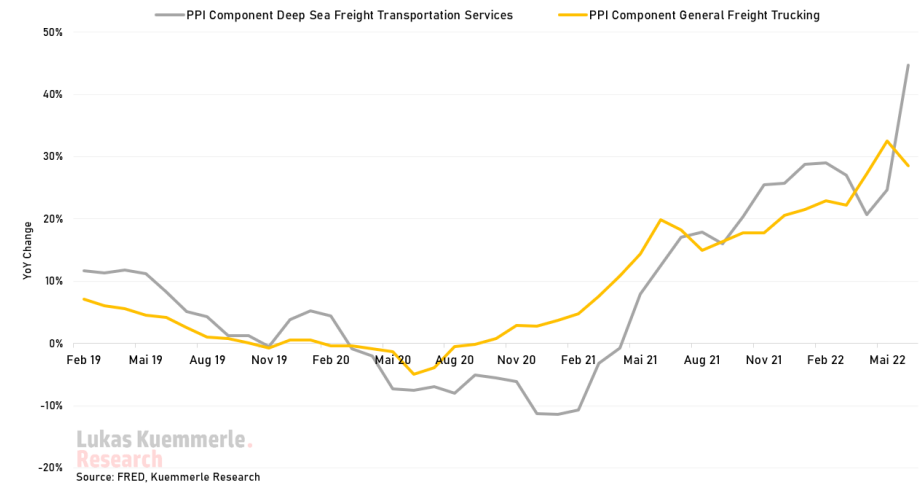
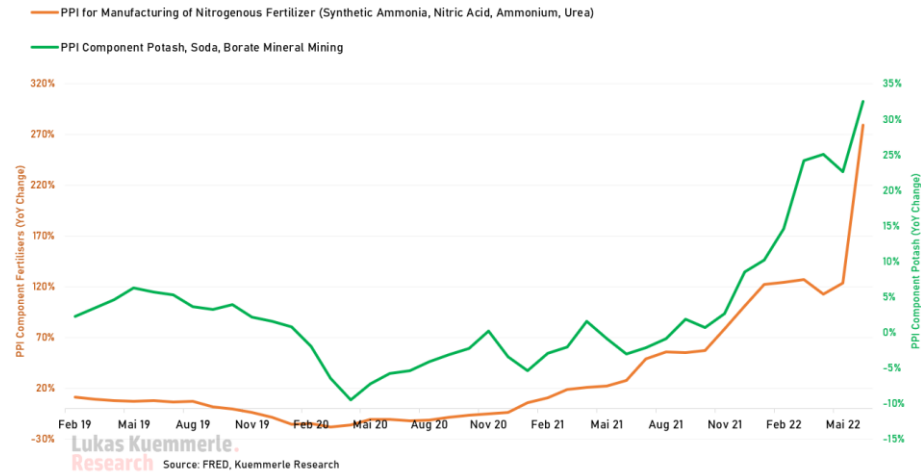
Inflation Expectations vs. Crude Oil Price



Fundamental News/Datapoints During The Week

Producer Prices remain way too high - damage will be caused

Those high producer prices will lead to further margin pressures for companies. Therefore I do believe that the current earnings forecast is way too optimistic. This means further downside potential for stocks!



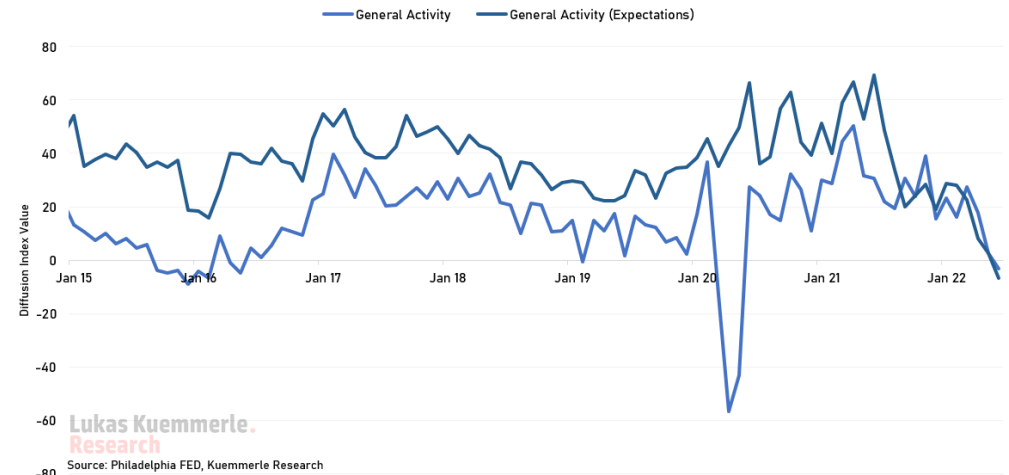
Business Activity is slowing down

Business activity is slowing down in the US at a worrisome speed. The latest Philly FED survey showed that both general activity at the moment and general activity expectations for the future declined below the zero thresholds.

So the economy is slowing down, as did the prices paid and prices received components. So the consumer becomes weaker. This is an important insight and shows that demand is slowing as well.

Time to become more careful in the world of commodities as well when we see these signs!

Philly Manufacturing Business Outlook



Fundamental News/Datapoints During The Week

I change my view about the US-Dollar

The sentiment toward the USD is still very bullish, but as much of the FED's hawkish stance is already priced into the market and the economic momentum is slowing down even faster than most analysts projected, the USD could lose some of its shine over the next months again.

Surprisingly some investors, whom I recommend looking out for also changed their view on the USD.

Stan Druckenmiller for example said last week that he would be surprised if sometime in the next six months, he's not short the dollar, meanwhile noting that he isn't positioned here aggressively yet.

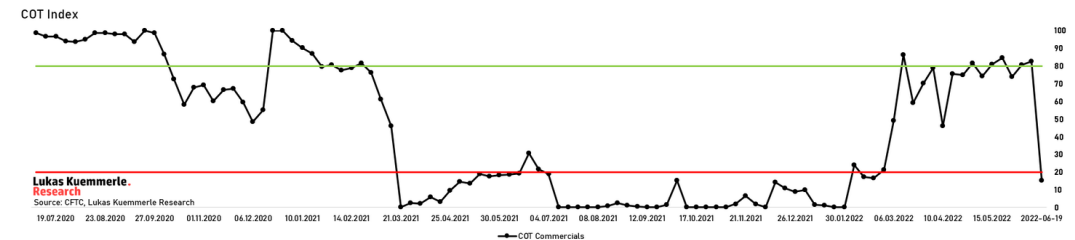
Julian Brigden, one of my favorite macro analysts is also bearish on the USD for over a year by now. While his timing wasn't good here, his argumentation is. He also was calling for a bear market 8 months in advance but in the world of finance, this is actually a good enough noticing period to look out for such events and trade them accordingly. (IMO)

A steep dollar decline will maybe also be the hope of many emerging markets, as they're dependent on the exchange rate because of high importing costs, especially for commodities/agricultural products that lead to the highest food prices ever recorded over the last 12 months.

It's basically like the Ex-US finance minister Connally said back in 1971: "The USD is our currency, but your problem."

Of course, I'm a trader and not a long-term investor, therefore I need to see some more evidence of changing trend momentum at EUR/USD, GBP/USD, or even the US-Dollar Index.

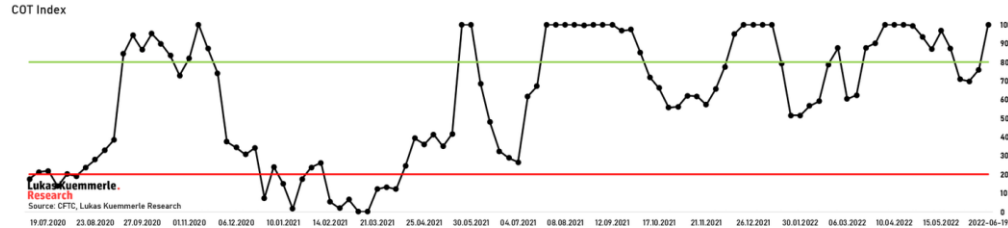
We already see that commercials started to sell the USD against both the GBP and the EUR over the last two weeks aggressively. For now, the trend is of course very bullish and therefore I'm not willing to bet against the greenback yet, but once I see these dynamics changing, it will be time to pull the trigger and execute some short trades. The fundamental backstory is certainly there.



Fundamental News/Datapoints During The Week

The energy situation hasn't changed - I stay bullish on oil

While we saw a 10% correction move in the forward crude oil contract over the last week, the commercial positioning data encourages me to stay bullish on oil and refined products. Commercials actually used the weakness in price to add to their positions aggressively, as you can see on my CoT index:



But once again, we do systematic trading and therefore we only pull the trigger when it makes sense and not if we feel like it. Basically, I'm just waiting for crude to close back above the 18MA for a renewed long entry.

By the way, I stay currently away from natgas as it seems like Putin will decrease flows towards Europe massively and therefore the Union could switch back to more coal. I can imagine that this would also impact US natgas prices.



The sugar rush is over - look out for selling opportunities

Last week I was pointing out the opportunities for a long-term short trade in the sugar Nr.11 market. And well what can I say things moved quicker than anticipated.

Unfortunately, I didn't find a good spot to place my order, so I'm waiting for further opportunities through a pullback.



Recent trades mentioned in the report

(be aware that we use small SL but often make many re-entries in order to achieve the best timing and risk management. I always use the most liquid contracts to trade and roll contracts accordingly.)

Closed/Stopped-Out:

- Long Soybean Oil (closed with a 1,5% loss on the position)
- Long Coffee (closed with a 2,7% loss on the position)

Still Active:

- Long Corn (10.06)
- Long DX (08.06)
- (waiting for a good entry @ Short Sugar and @ Long Cotton)

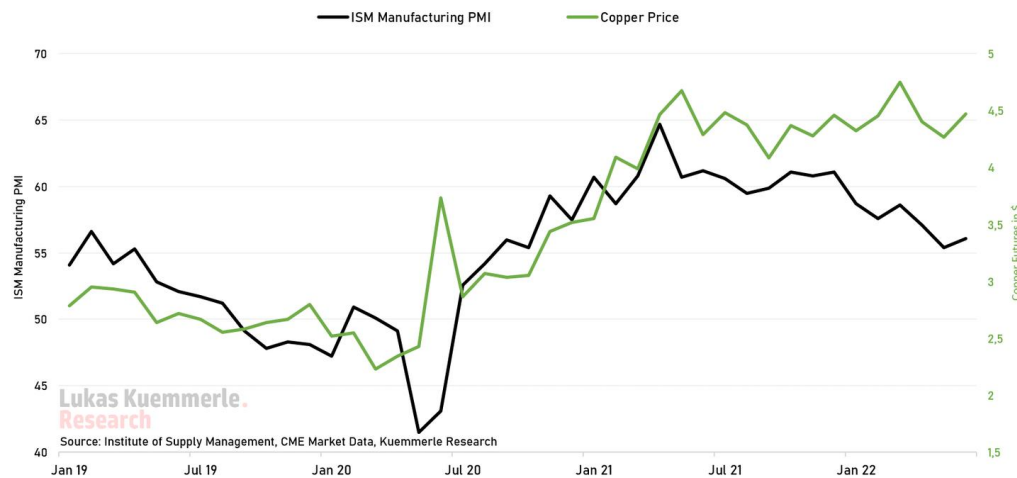
Economic Growth > Copper Inventories

The PMI data showed a divergence between economic growth and the price of the brownish metal for some time.

Now it seems like this correlation finally breaks to the downside. (bearish copper)

A call I already made months ago both on Realvision and Blockworks.

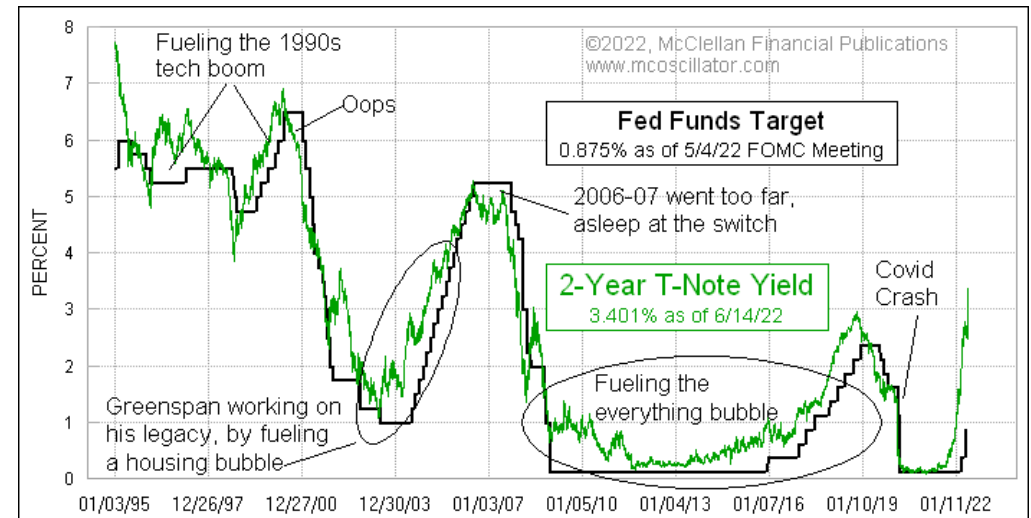
ISM Manufacturing PMI vs. Copper Correlation



We need a FED Funds Rate of 3,4%

Rate hiking cycles end when the Fed Funds target rate catches up to where the 2-year T-Note yield has already gone.

Postponing just worsens and extends the problem. Last Wednesday Powell and the FOMC decided to hike rates by 75bps to 1,5% so there is some way to go. Nevertheless, there are already 4% priced in for February 2023 if we look at the FED Funds Rate futures.





Founder & Editor Lukas Kuemmerle

„It is one thing to write nice reports about what is happening in the commodity world, it is a whole different story if you write a report which investors and institutions can use to identify the right commodity setups and provide the right timing to trade them.“



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