



# THE KUEMMERLE REPORT



Published January 8th, 2023

*our portfolio, commodity setups we're watching right now & our most important datasets visualized*

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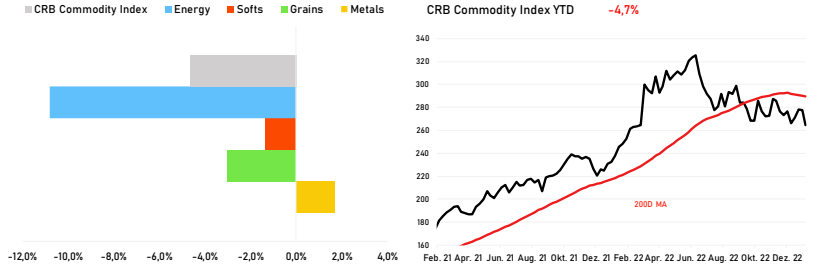
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# Last Weeks Commodity Performance

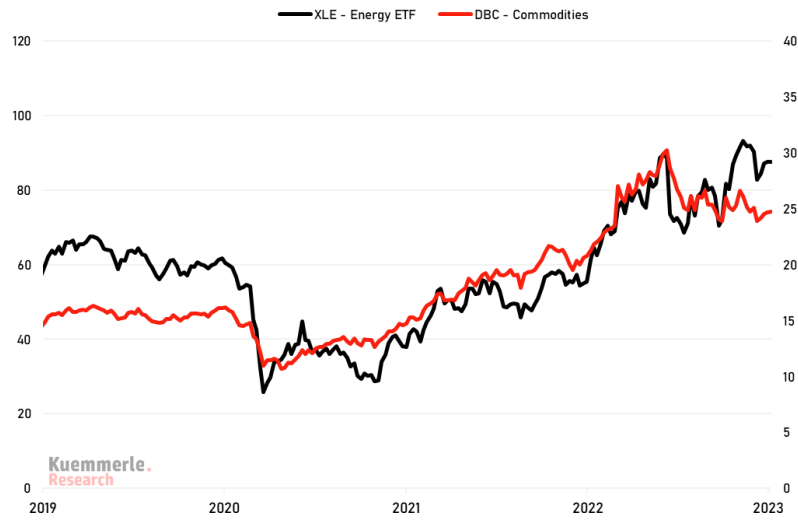
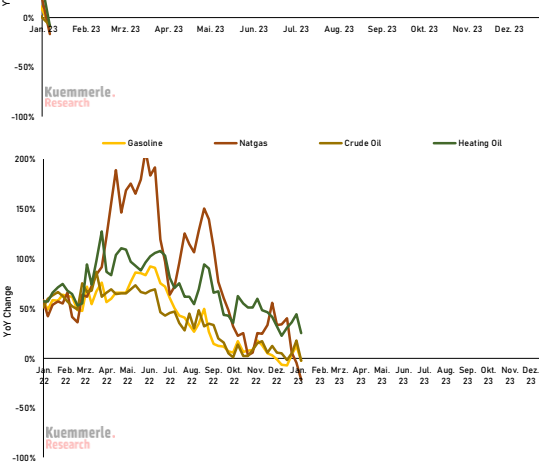
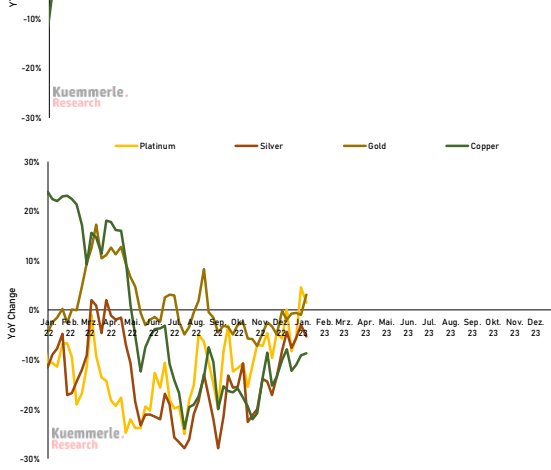
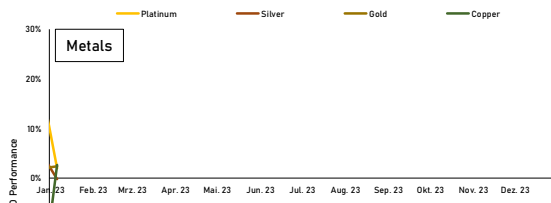
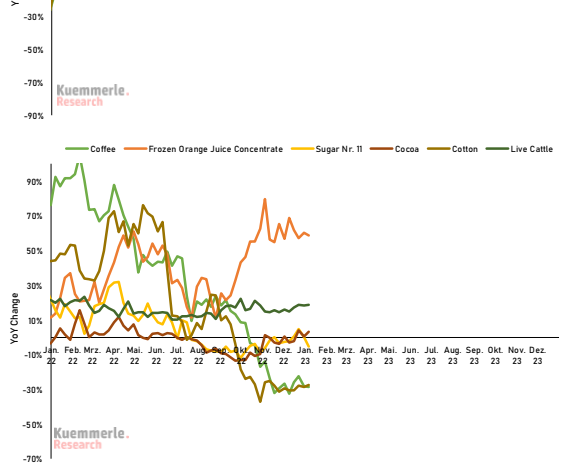
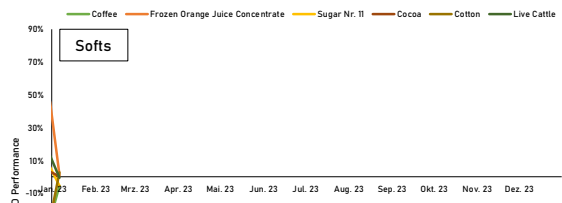
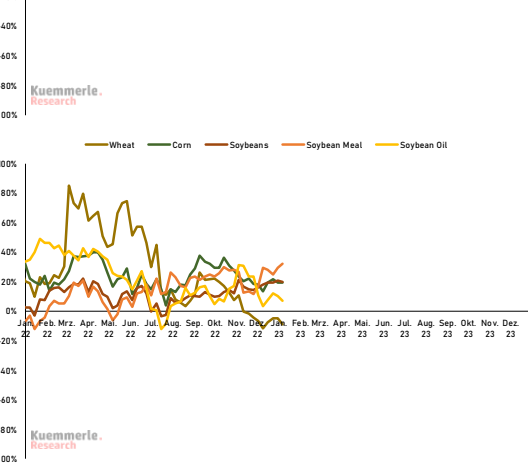
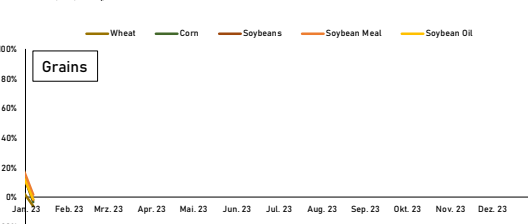
## YTD Performance Changes by Kuemmerle Research



Energy	Metals	Grains	Softs	High Beta
Heating Oil: -8.6%	Gold: 2.4%	Soybean Oil: -1.4%	Coffee: -5.4%	Bitcoin: 2.2%
Natural Gas: -17.1%	Silver: -0.2%	Soybeans: -2.1%	Orange Juice: 1.1%	S&P500: 1.4%
Crude Oil: -8.1%	Platinum: 2.0%	Soybean Meal: 1.4%	Cocoa: 0.2%	VWO EM ETF: 5.2%
Gasoline: -9.4%	Copper: 2.6%	Wheat: -4.1%	Sugar: -5.4%	
		Oats: -6.2%	Cotton: 2.8%	
		Corn: -3.6%	Live Cattle: -0.7%	

US Dollar Index	10Y Treasury Yield	10Y Break Inflation	10Y Realyield
103.65   0.4%	3.71	2.21	4.45



## Next week's top news events in the US:

- FED Chair Powell Speak on Tuesday**
- CPI data on Thursday**
- WASDE Report on Thursday**
- Prelim UoM Consumer Sentiment on Friday**
- Chinese Credit data throughout the week**

(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:

- none

## Still Active:

- **Short Sugar Nr. 11 (03.01.23) @ 19,65 USX and SL @ 20,48 USX – March Contract**
- **50% Short Soybean Oil (18.11.22) @ 64,54 USX and SL @ 67 USX – ROLLED INTO NEXT MONTH MARCH CONTRACT**

## Current Thesis:

The commodity super-cycle isn't over, but it's paused for now as the economic slowdown is leading us into a recession. Demand destruction became visible and therefore lead prices lower. In such an environment you don't want to have high commodity exposure in your portfolio. Fundamentals remain very bullish, but macro fundamentals are more important than single commodity fundamentals.

A more bullish environment will be reinstated once economic momentum turns, which in our opinion will be towards Q2 of 2023. Therefore, we are currently looking out mostly for selling opportunities in the commodity markets.

## Markets we're waiting for corrections to implement positions

- Short Orange Juice
- Short Soybean Meal
- Long 10Y US Treasuries
- Short Copper

## This week

In which direction we trade markets at the moment		In which direction we trade markets at the moment	
Crude Oil	buy higher highs	Crude Oil	buy higher highs
Gasoline	neutral	Gasoline	neutral
Natural Gas	buy higher highs	Natural Gas	buy higher highs
Corn	buy higher highs	Corn	buy higher highs
Soybeans	sell lower lows	Soybeans	sell lower lows
Soybean Oil	sell lower lows	Soybean Oil	sell lower lows
Soybean Meal	sell lower lows	Soybean Meal	sell lower lows
Wheat	buy higher highs	Wheat	buy higher highs
Coffee	buy higher highs	Coffee	buy higher highs
Orange Juice	sell lower lows	Orange Juice	sell lower lows
Cotton	buy higher highs	Cotton	buy higher highs
Sugar	sell lower lows	Sugar	sell lower lows
Copper	sell lower lows	Copper	sell lower lows
Gold	neutral	Gold	neutral
Bitcoin	neutral	Bitcoin	neutral
S&P 500	neutral	S&P 500	neutral
10Y Treasuries	buy higher highs	10Y Treasuries	buy higher highs
US Dollar Index	buy higher highs	US Dollar Index	buy higher highs

# Kuemmerle Report - Portfolio Tracker

How our ideas and setups would have played out over the year with a sample account of 100.000\$

Account Size 2023	\$ 100.000
Account Size Now	\$ 100.000

2023 YTD Performance	0,0%
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open trade

Date	Instrument	Long/Short	Contracts	\$ Value/point	Entry Price	S/L	SL in \$	Avg. Close (€)	\$ PL trade total
04.01.2023	SB	Short	6	\$ 1.120	19,65	20,48	\$ -5.578		
22.12.2022	ZL	Short	1	\$ 6.000	6,454	6,7	\$ -1.476		
18.11.2022	ZL	Short	2	\$ 6.000	7,035	7,476	\$ -5.292	6,583	\$ 5.424
11.11.2022	ZN	Long	2	\$ 1.000	112,07	110,12	\$ -3.900	112,07	\$ -
12.10.2022	KC	Short	2	\$ 375	209,9	219	\$ -6.825	165	\$ 33.675



## NEW Short Sugar Nr.11

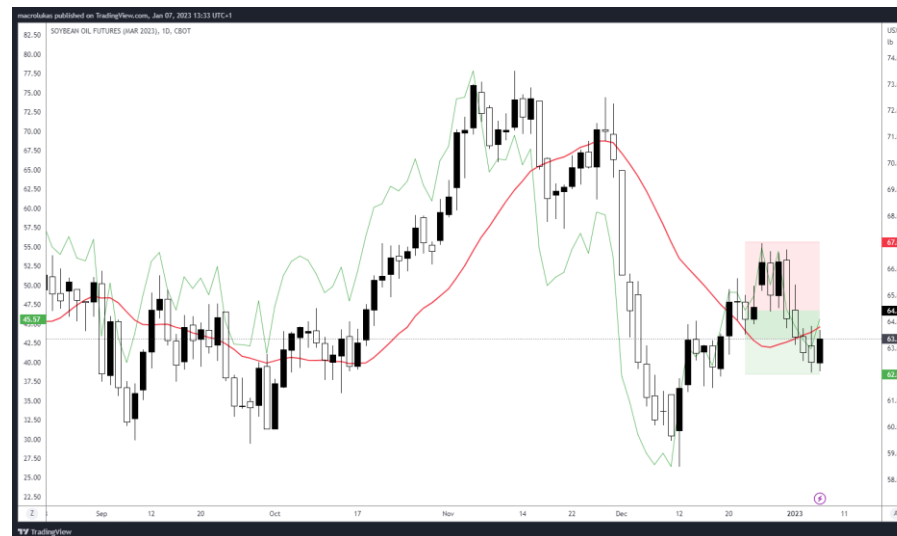
New position implemented



## 50% Short Soybean Oil

50% of the position already closed on 02.12.22 @65,91 USX (JAN Contract)

50% closed on 22.12.22 @65,76 USX - Rolled the remaining position over into the MAR 2023 contract with one contract @ 64,54 USX and SL @ 67 USX



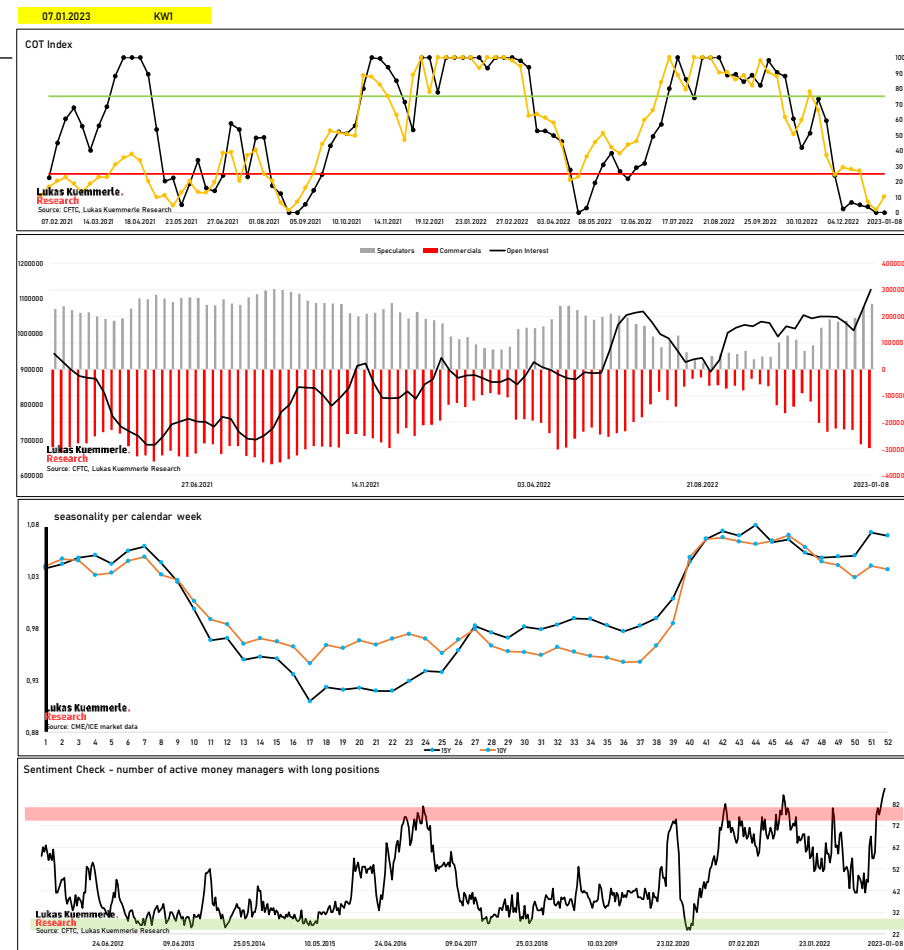
## We received a trigger event for shorting Sugar!

Last week Brazil's new president Lula announced an extension of the Fuel-Tax Break. At the same time as this news, the price of sugar on the ICE also dropped considerably. The weakness has been fueled by the president's move to extend the tax break for gasoline and ethanol for two months, in a nod to consumers.

The exemption has the majority of local Brazilian mills selling ethanol below production costs, according to an industry group. The decision also reduced to zero certain taxes on diesel, biodiesel, liquefied petroleum gas and natural gas until the end of 2023. Moreover, the risk is that ethanol prices in Brazil getting capped, potentially hurting mills' cash-flow generation and restricting their ability to invest.

**Those changes to the Brazilian government's fuel policy are set to encourage cane mills to favor sugar over ethanol.**

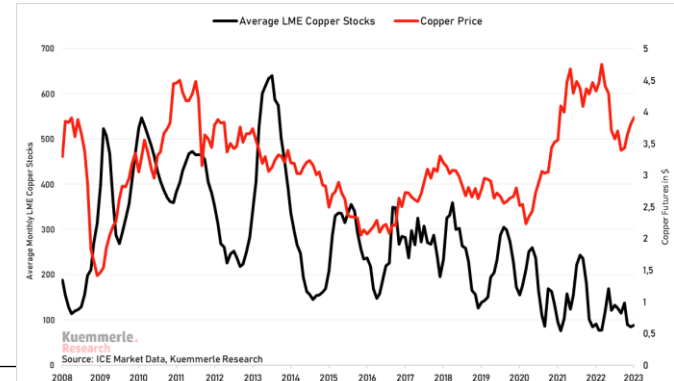
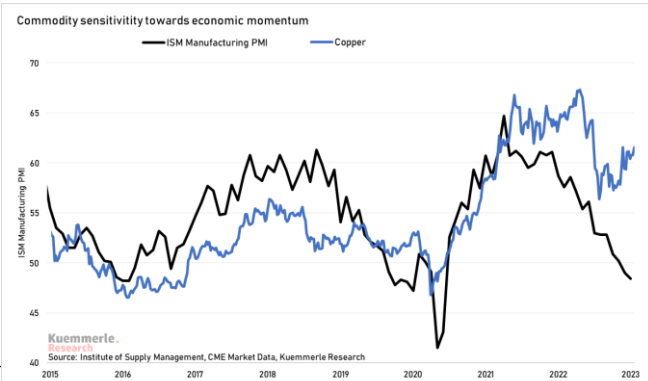
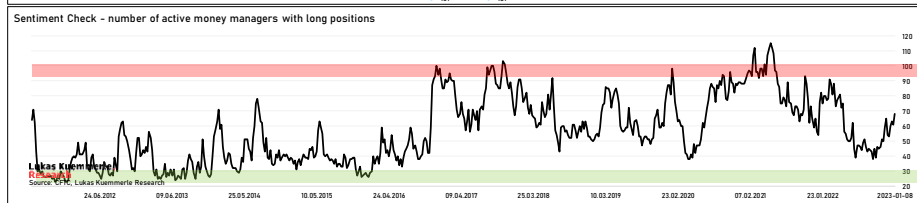
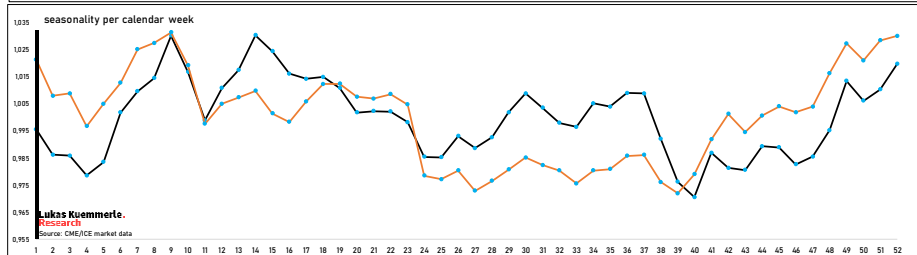
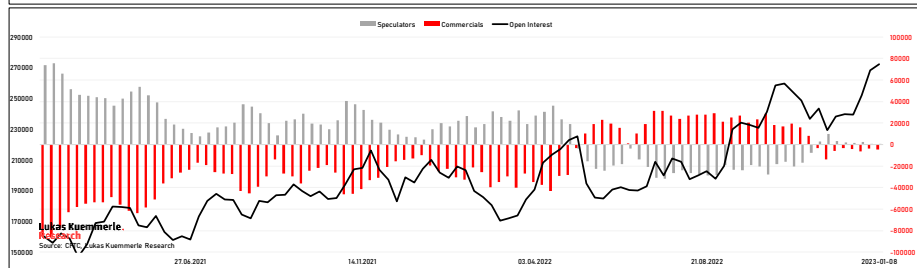
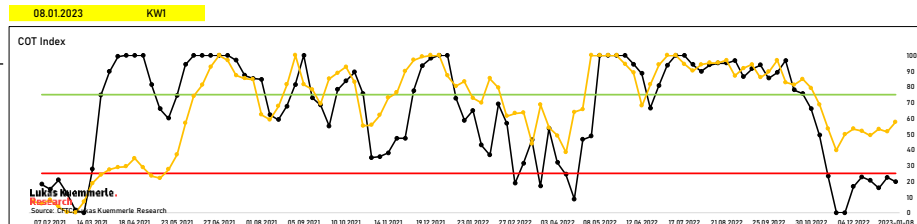
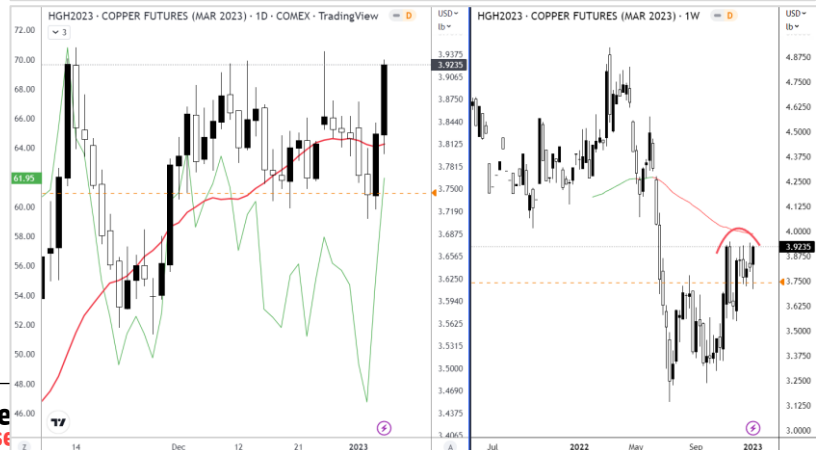
Potential implications would be better margins for producers/refiners of sugar. Perhaps that news also leads to more planting incentive under farmers to actually plant more sugar cane. Therefore, this news could indirectly lead to more sugar cane supply and therefore to more sugar in the future. This is also the conclusion we got and why we interpreted this move as bearish news for the price of sugar. We used this move lower to finally start implementing a short Sugar Nr. 11 position in the market.



## Potential Short Setup Copper

Copper held up surprisingly well over the last few months. During the last week the industrial metal also tried to make a higher high, perhaps on hopes of a fast Chinese reopening from here on. We're a bit skeptical about this euphoria as Chinese commodity demand should weaken drastically over the next 2-3 months. As a conclusion we wouldn't be surprised to see another leg down in the price of the brown metal during Q1. The price has recently diverged quite a bit from the Manufacturing PMI. Perhaps this divergence will close via another drop in the price of copper.

Looking at the setup – we have our classic “look out for selling opportunities setup”. Its also important to mention that copper spreads remain muted and that they haven't a sustained move up yet – favoring lower prices. If the spread stays bearish and we see a breakout to the downside, we'll execute another short trade. As you can see – visible copper inventories didn't play a significant role in the past





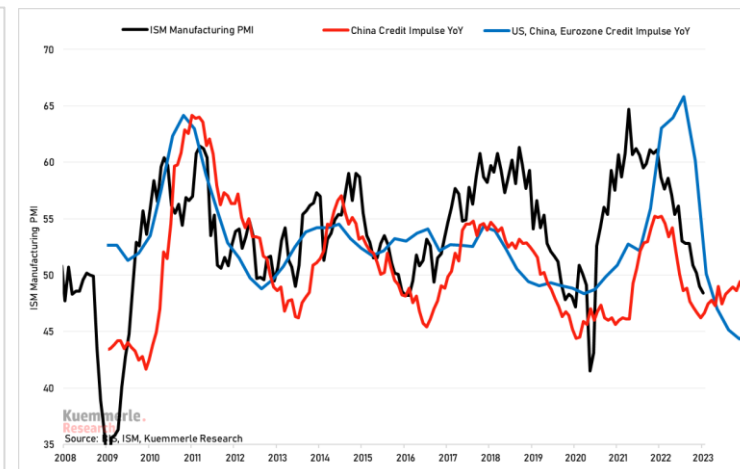
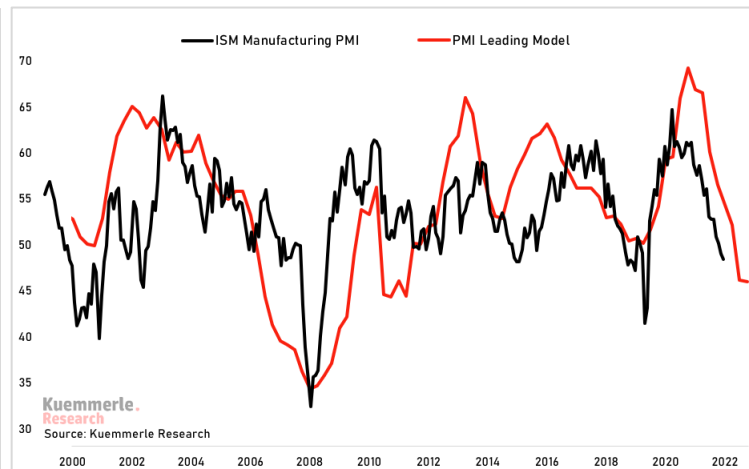
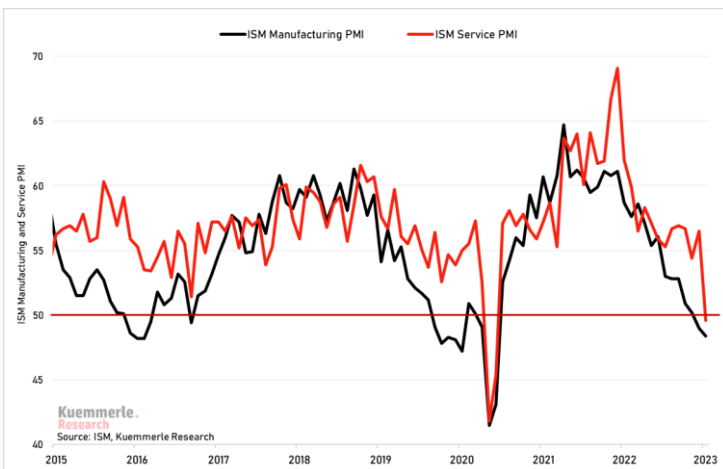
## Service PMI signals massive slowdown in economic activity – bonds remain a no brainer

Last week we received the latest ISM PMI data. The big downside surprise gave us the Service PMI data. Manufacturing PMI is now at 48,4 (consensus was 48,5) , while Service PMI is at 49,6 (consensus was at 55 for the month!!)

When the Service PMI and the Manufacturing PMI are both below the expansion line of 50 – a recession was unavoidable in the past. Moreover, it still looks like the FED won't cut rates any time soon as the job market remains rock solid (on the surface) and inflation well above the target. (but slowing fast)

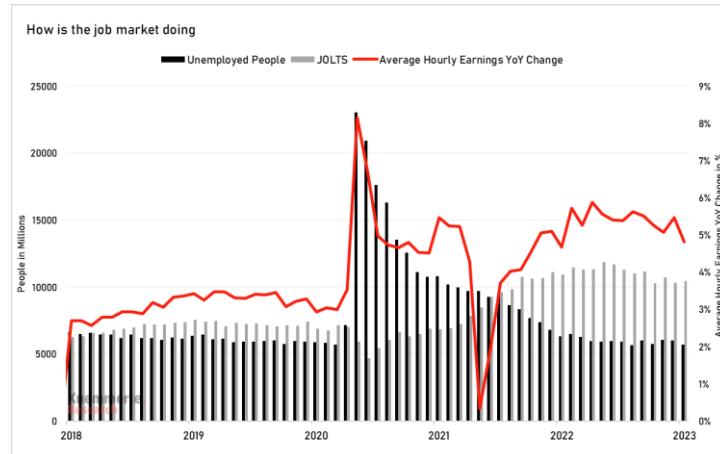
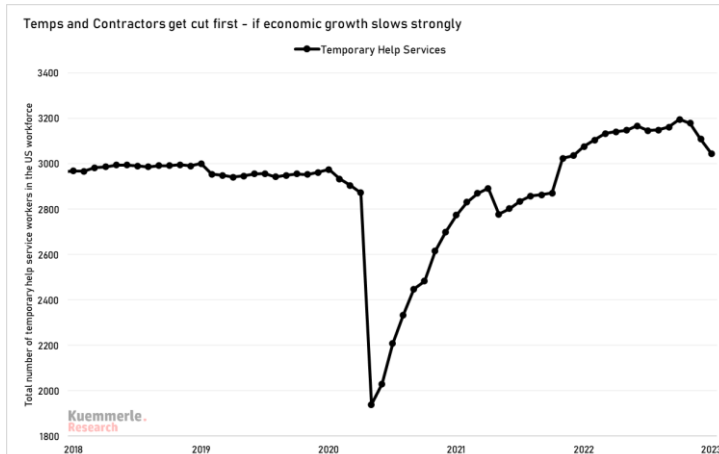
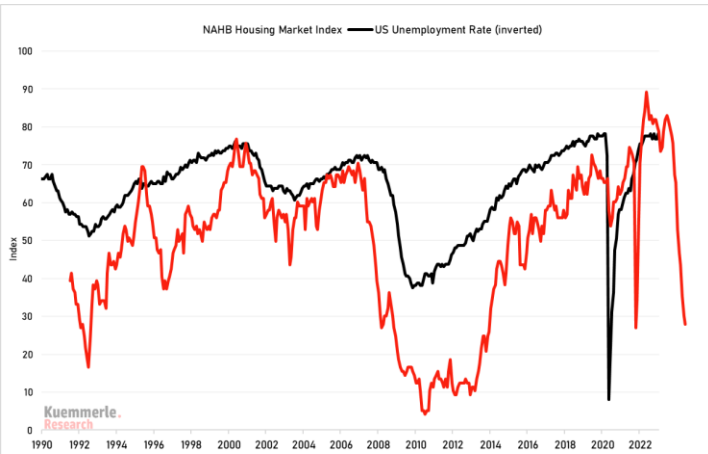
Buying US treasuries at the next breakout seems to be a no brainer by now. We expect inflation to slow fast during the first half of the year but prove to be stickier throughout the second half of 2023– so from our fundamental standpoint a bet on lower yields over the next few months still seems justified.

It will get a bit worse before it comes better again during Q2 of 2023 –according to our PMI Leading Model as well as the global credit impulse and liquidity data.



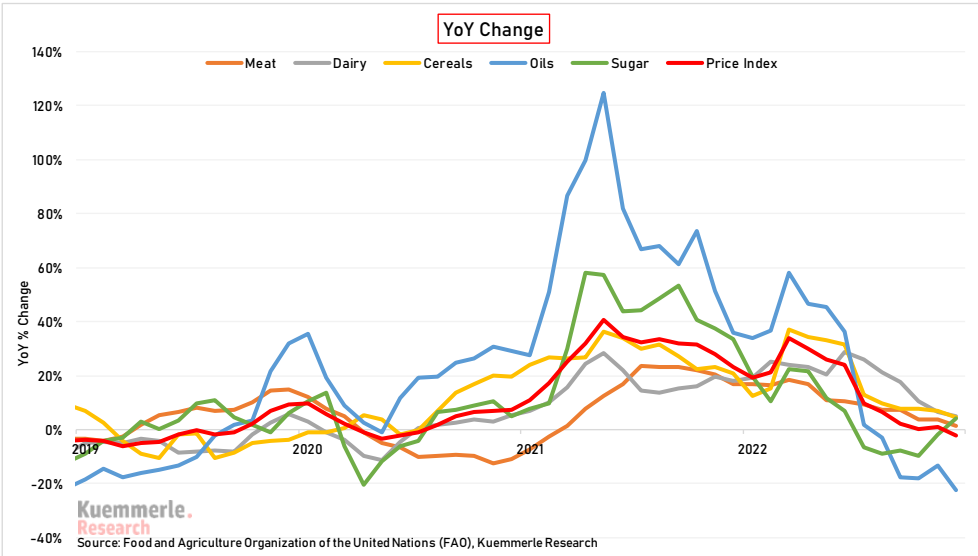
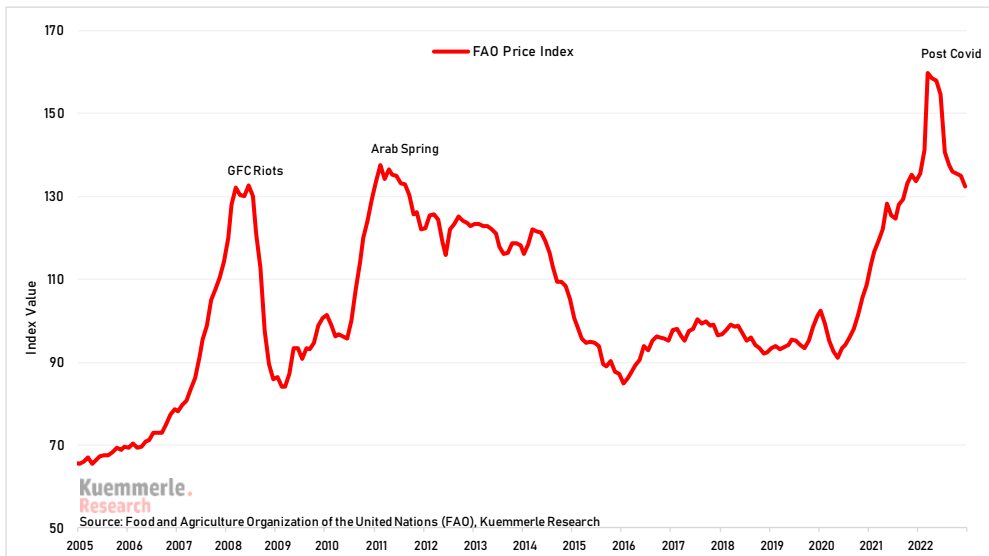
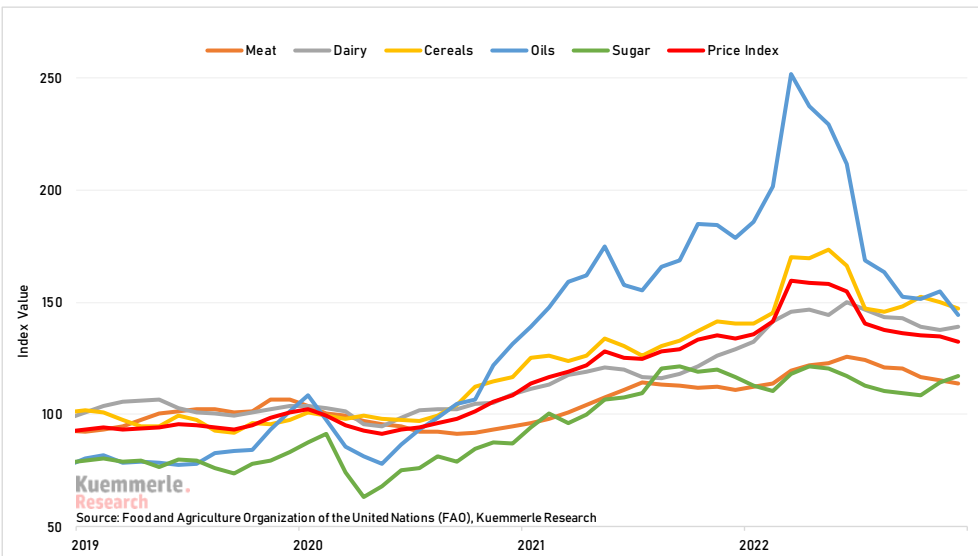
## Looking at the job market report and where we are headed...

Keep in mind that the housing market is a leading indicator for the job market/unemployment rate in the US. Looking at this leading indicator the near future looks very dark. While it is hard to find any signs of a weakening job market in the latest report – we found a very significant one: Temporary Help Services got cut again. If the labor market starts to slow, we can usually detect it at the earliest in this number. And the slowdown in the labor market indeed seems to have started. Nevertheless, it will take some months until it will be visible in the unemployment rate or the average hourly earnings data – those datapoints that are actually relevant for the decision makers. (FED/Biden Admin)



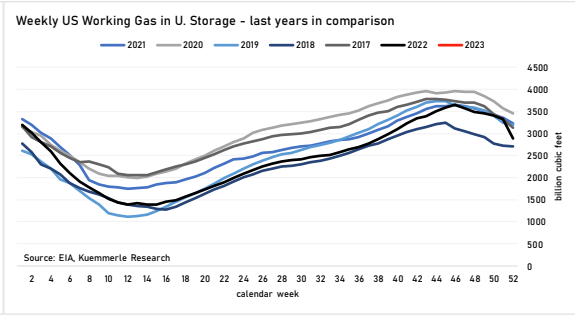
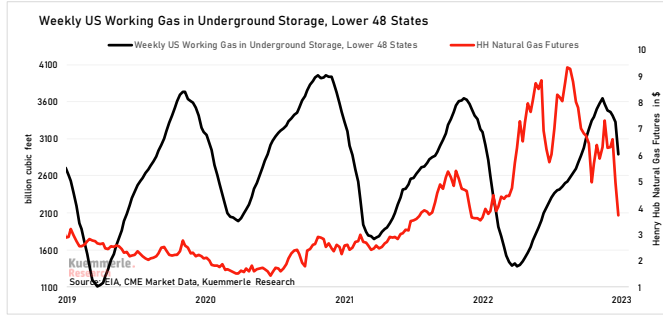
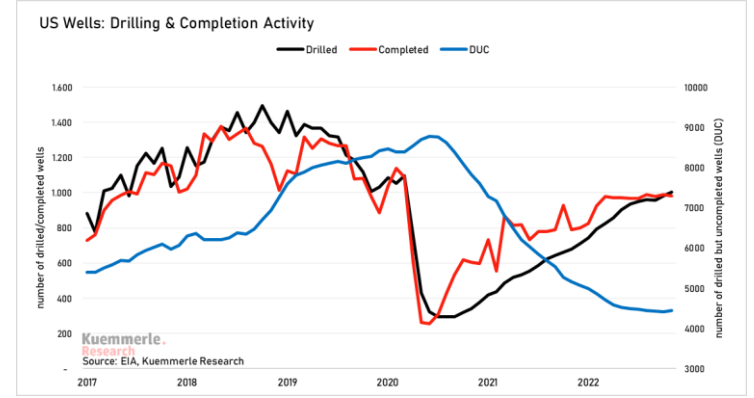
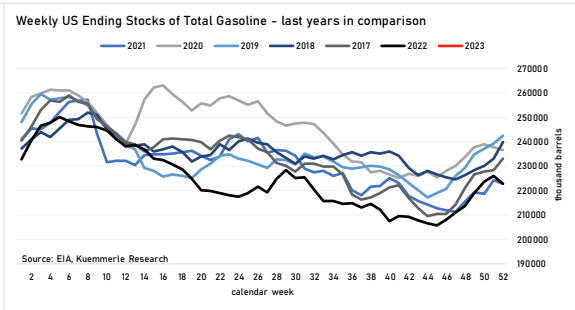
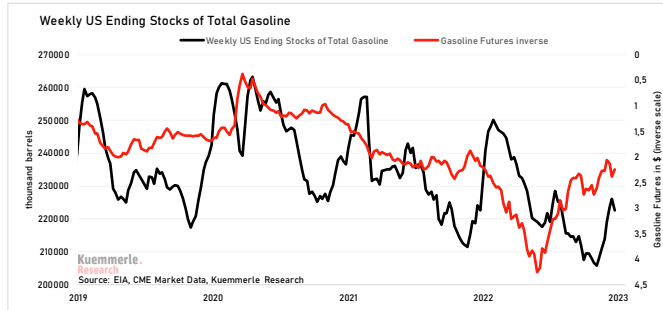
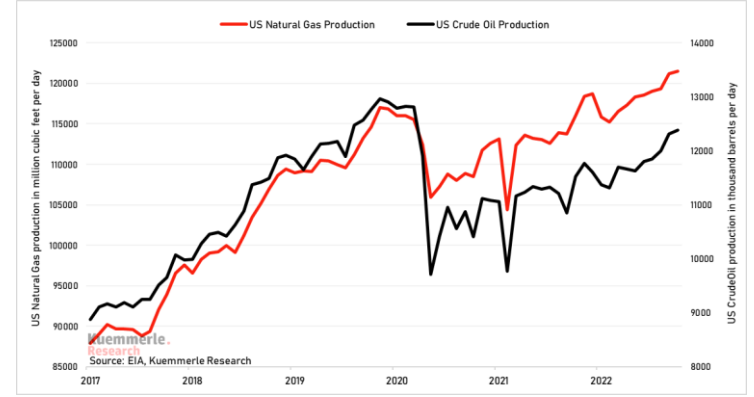
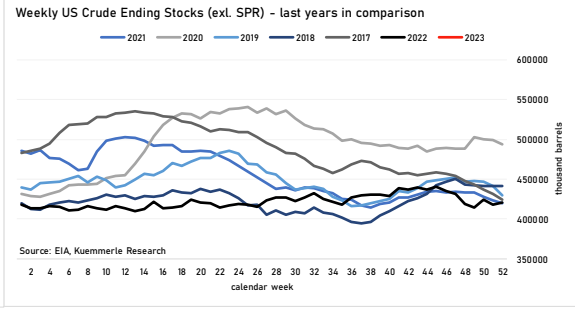
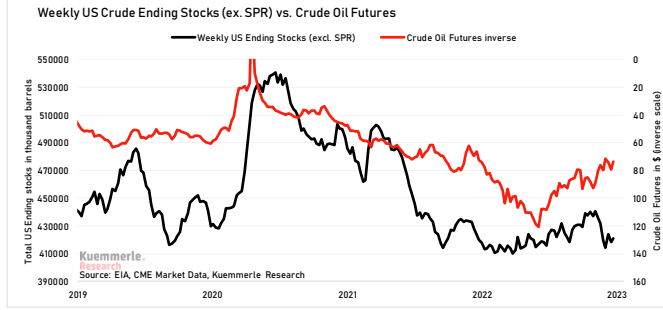
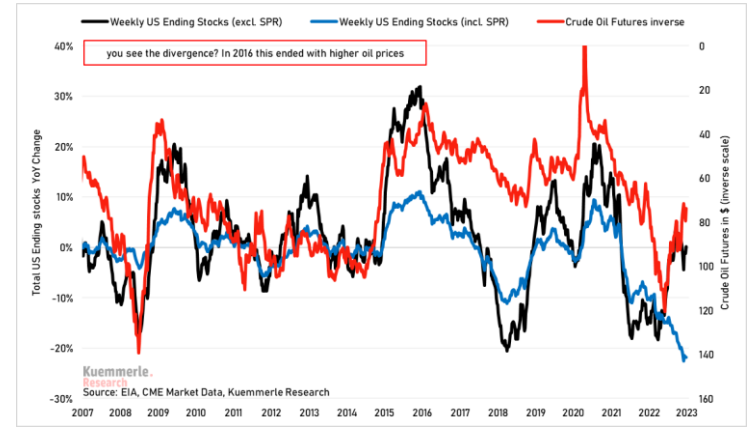
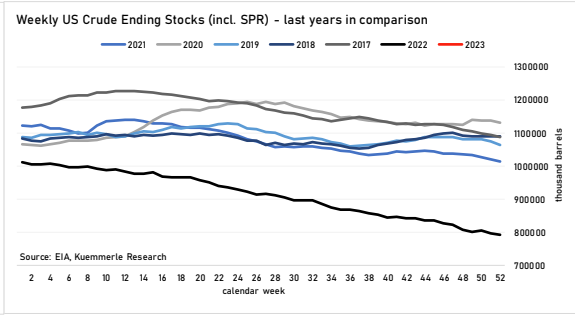
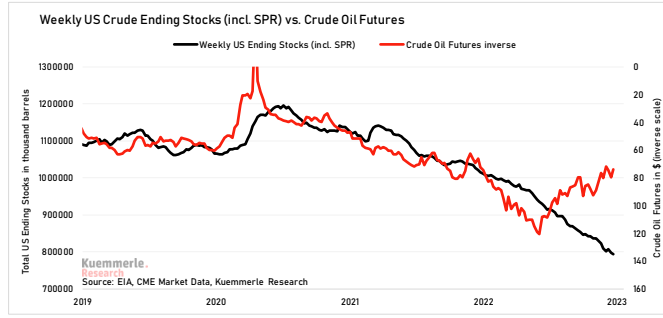
# FAO Food Price Development // January 2023

The FAO Food Price Index averaged 132.4 points in December 2022, down 2.6 points from November, marking the ninth consecutive monthly decline and standing 1.3 points (1%) below its value a year ago. The decline in the index in December was **driven by a steep drop in the international prices of vegetable oils, together with some declines in cereal and meat prices, but partially counterbalanced by moderate increases in those of sugar and dairy**. For 2022 as a whole, however, the FFPI averaged 143.7 points, up from 2021 by as much as 18 points, or 14,3%.

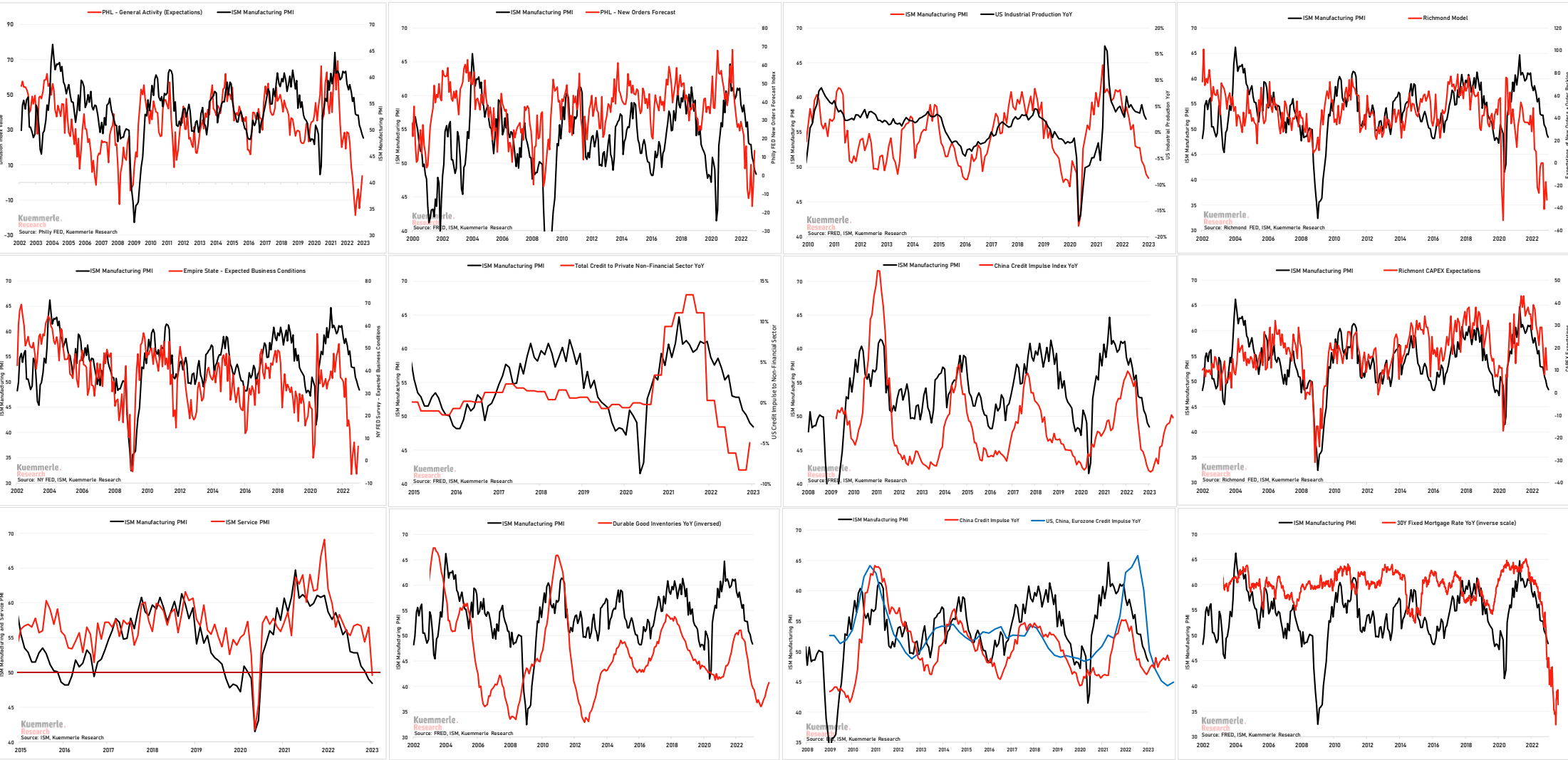


Date	INDEX	YoY	Meat	YoY	Dairy	YoY	Cereals	YoY	Oils	YoY	Sugar	YoY
<b>Dec. 22</b>	<b>132,40</b>	<b>-2,4%</b>	<b>113,80</b>	<b>1,5%</b>	<b>139,10</b>	<b>4,9%</b>	<b>147,30</b>	<b>4,8%</b>	<b>144,40</b>	<b>-22,3%</b>	<b>117,20</b>	<b>4,0%</b>
Nov. 22	135,0	1,0%	115,2	3,8%	137,6	6,7%	150,1	6,8%	154,70	-13,3%	114,4	-1,7%
Okt. 22	135,4	0,1%	116,8	3,8%	139,3	10,6%	152,3	7,7%	151,30	-18,0%	108,6	-9,6%
Sep. 22	136,0	2,1%	120,3	7,4%	142,7	17,5%	147,9	7,9%	152,60	-17,4%	109,7	-7,9%
Aug. 22	137,6	6,5%	121,1	7,5%	143,4	21,4%	145,6	9,6%	163,30	-3,1%	110,5	-8,8%
Jul. 22	140,6	9,9%	124,1	9,4%	146,5	26,1%	147,3	13,0%	168,82	1,8%	112,8	-6,4%
Jun. 22	154,7	24,2%	125,9	10,3%	150,2	28,7%	166,3	31,7%	211,80	36,2%	117,3	7,1%
Mai. 22	158,1	26,2%	122,9	11,0%	144,2	20,3%	173,5	33,1%	229,24	45,4%	120,4	11,7%
Apr. 22	158,4	29,8%	121,9	16,8%	146,7	23,2%	169,7	34,5%	237,53	46,5%	121,5	21,6%
Mrz. 22	159,7	34,0%	119,3	18,4%	145,8	24,1%	170,1	37,3%	251,83	58,1%	117,9	22,6%
Feb. 22	141,2	21,2%	113,9	16,5%	141,5	25,1%	145,3	15,2%	201,72	36,8%	110,5	10,3%
Jan. 22	135,6	19,4%	112,1	16,9%	132,6	19,2%	140,6	12,5%	185,93	33,9%	112,7	19,7%
Dez. 21	133,7	23,1%	111,0	17,1%	129,0	18,1%	140,5	20,7%	178,51	36,1%	116,4	33,6%
Nov. 21	135,3	28,2%	112,5	20,6%	126,0	19,6%	141,4	23,1%	184,56	51,4%	120,2	37,3%
Okt. 21	133,2	31,4%	112,0	22,0%	121,5	16,3%	137,1	22,3%	184,84	73,6%	119,1	40,6%
Sep. 21	129,2	31,8%	112,7	23,2%	118,1	15,5%	132,8	27,3%	168,57	61,2%	121,2	53,5%
Aug. 21	128,0	33,4%	113,4	23,0%	116,2	13,8%	130,4	31,4%	165,86	68,0%	120,5	48,6%
Jul. 21	124,6	32,5%	114,1	23,7%	116,7	14,7%	126,3	29,8%	155,50	66,8%	109,6	44,1%
Jun. 21	125,3	34,3%	110,7	16,7%	119,9	21,9%	130,3	33,9%	157,68	82,1%	107,7	43,8%
Mai. 21	128,1	40,6%	107,4	12,5%	121,1	28,3%	133,7	36,4%	174,88	124,9%	106,8	57,4%
Apr. 21	122,1	31,9%	104,3	7,7%	119,1	24,4%	126,2	26,6%	162,19	99,8%	100,0	58,3%
Mrz. 21	119,2	25,3%	100,8	1,3%	117,5	15,7%	123,9	26,4%	159,30	86,5%	96,2	30,1%
Feb. 21	116,6	17,3%	97,8	-2,7%	113,1	9,9%	126,1	26,7%	147,46	51,2%	100,2	9,5%
Jan. 21	113,5	10,7%	96,0	-7,4%	111,2	7,1%	125,0	24,2%	138,87	27,7%	94,2	7,6%
Dez. 20	108,6	7,5%	94,8	-11,1%	109,2	5,4%	116,4	19,5%	131,20	29,3%	87,1	5,0%

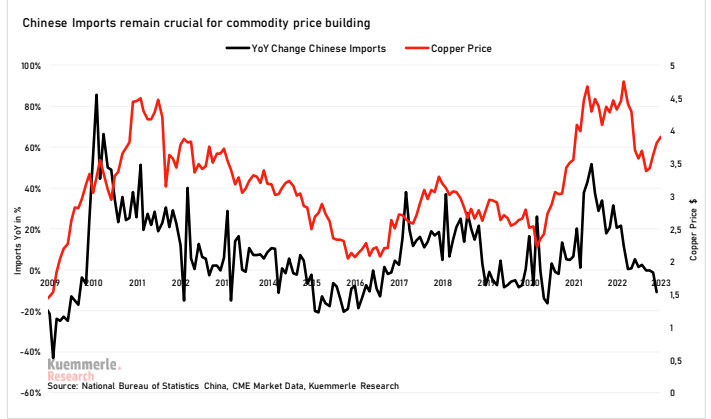
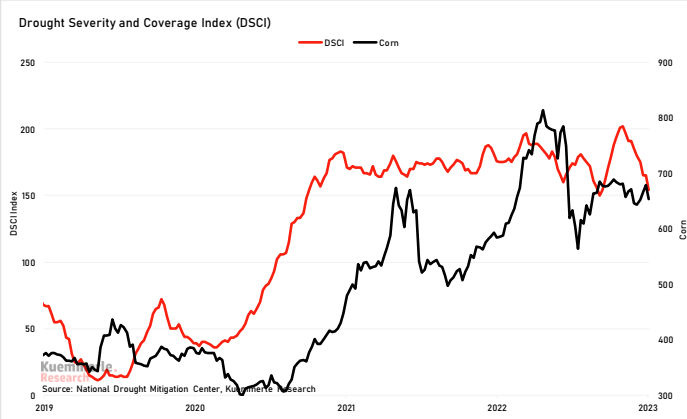
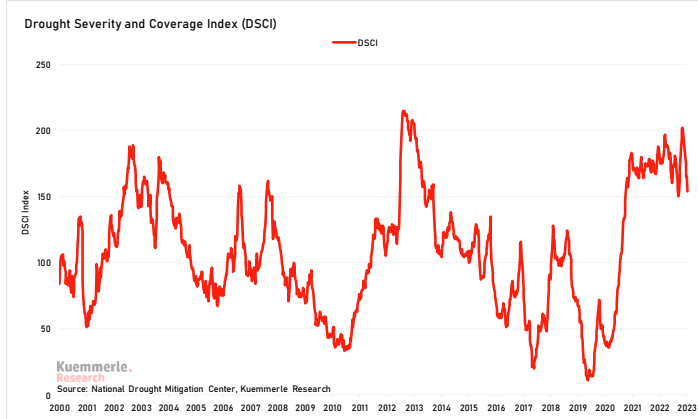
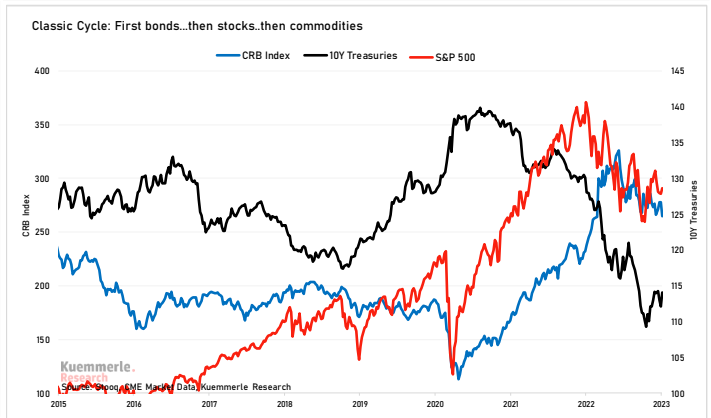
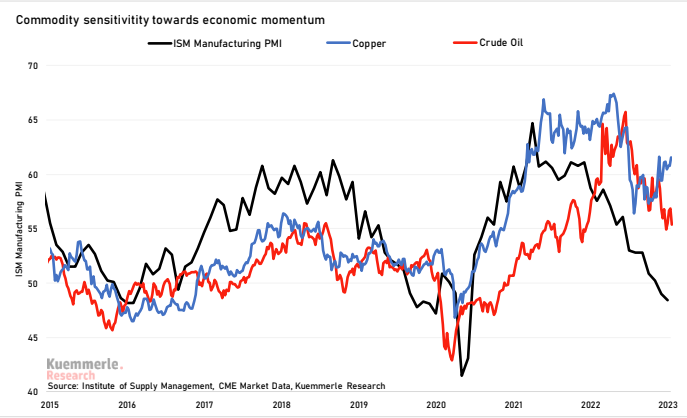
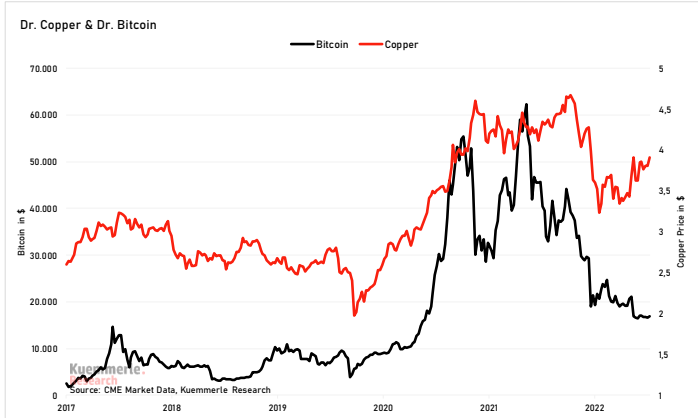
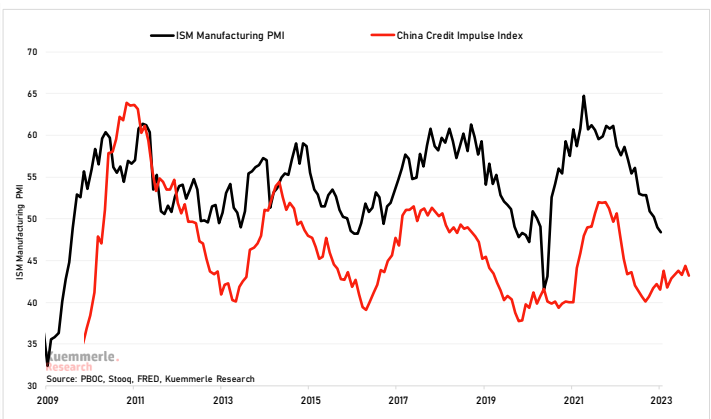
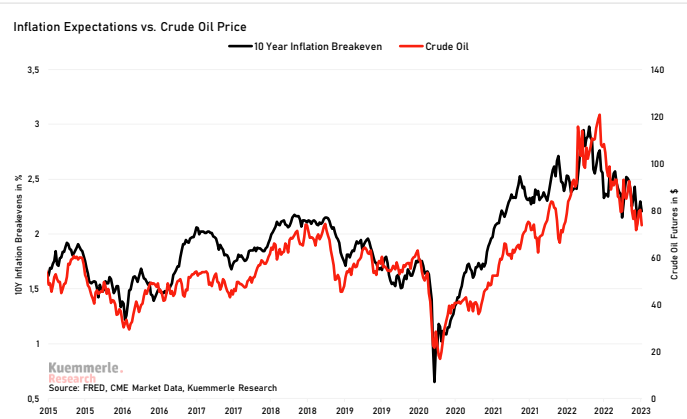
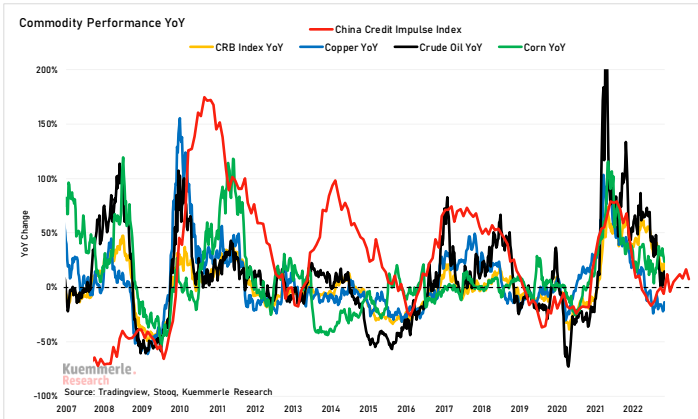
# Energy Inventories



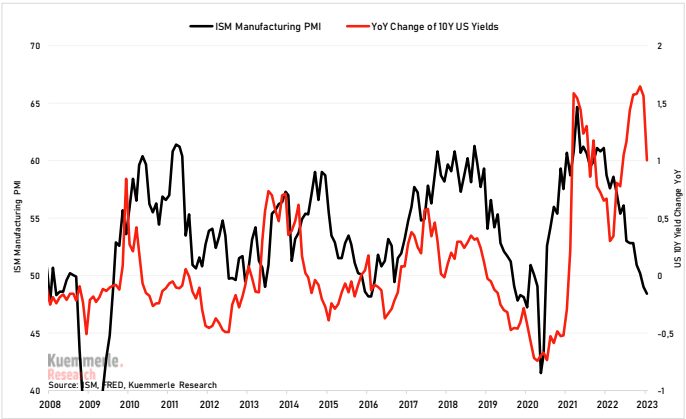
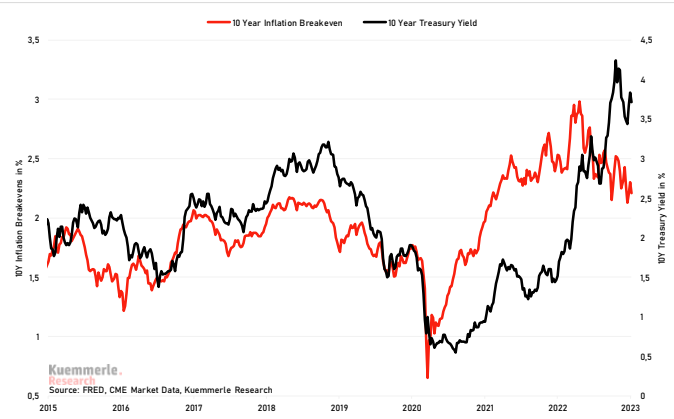
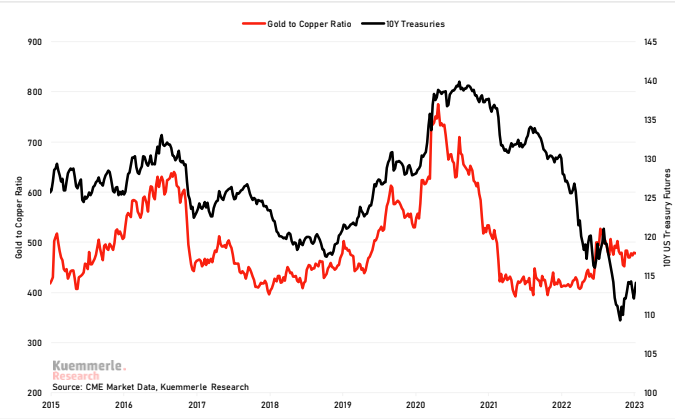
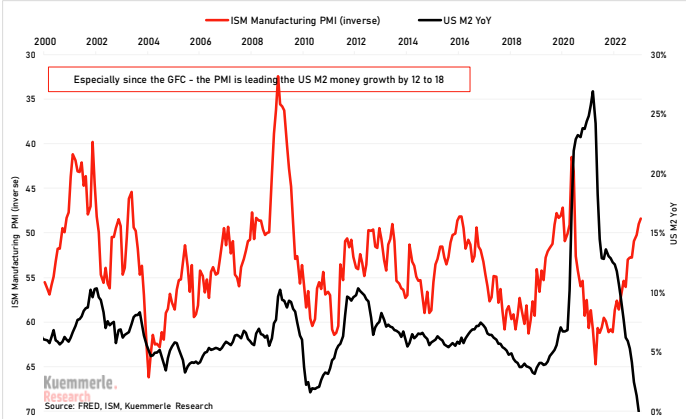
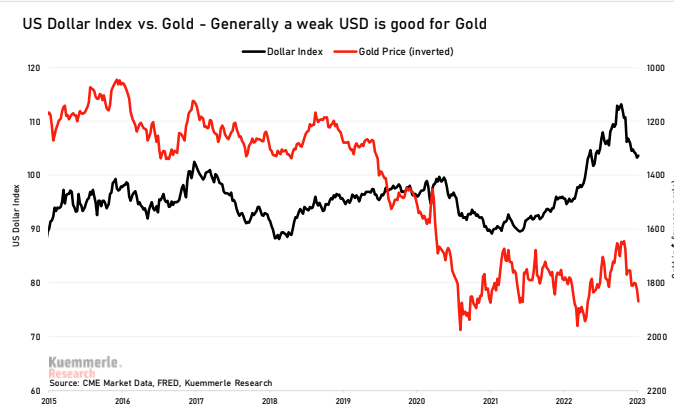
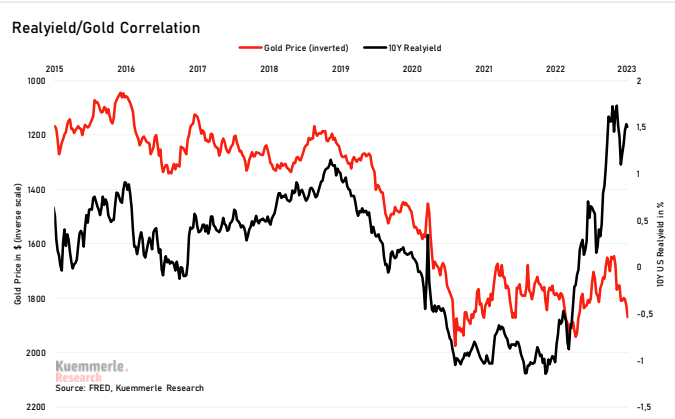
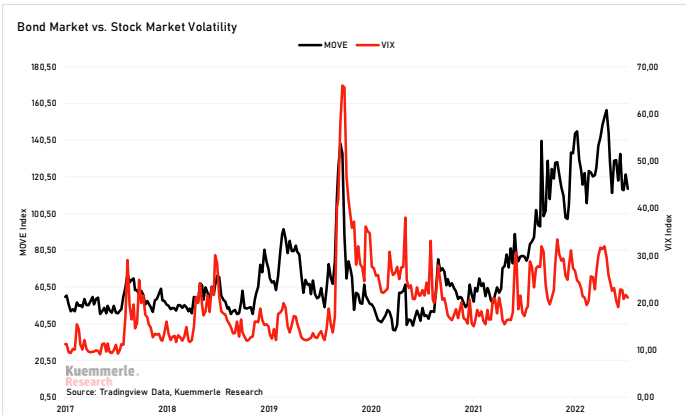
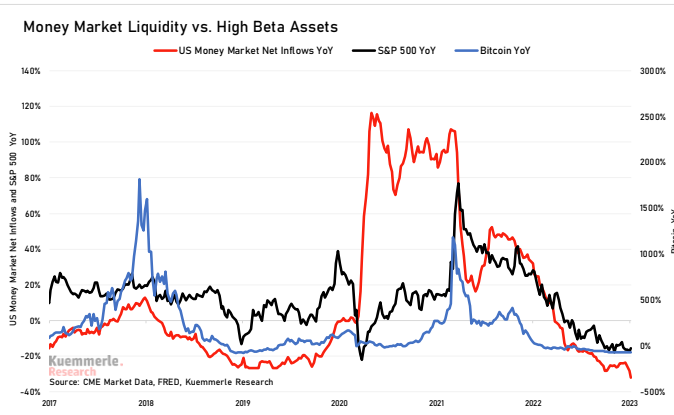
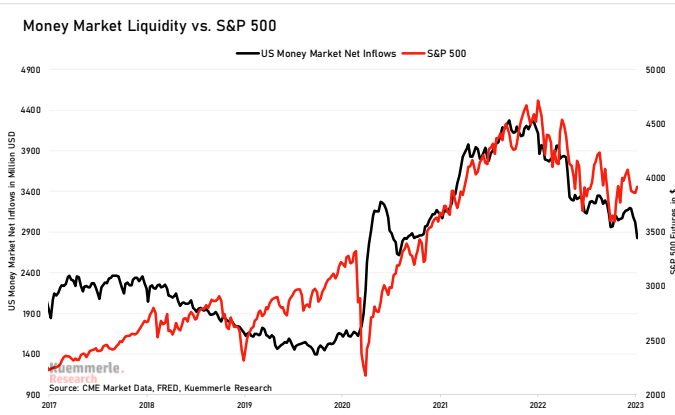
# Macro Picture – Economic Momentum



# Macro Picture – Commodity Linked



# Macro Picture – Bonds/High-Beta/Gold



# Stocks to Use Ratio// December 2022

The November WASDE Report gave us only a few hints where the supply/demand picture for each market is headed. Numbers were unchanged for Soybean Meal, Wheat, Soybeans and Sugar. Meanwhile we saw bearish forecasts for soybean oil, corn and cotton – all of the saw their stocks-to-use ratio rising as demand seems to slow.

**Not** a single stock-to-use ratio saw a decrease and therefore a bullish indication for prices. Judging the data input from the USDA – it seems like the agricultural sector will stay under pressure for longer.



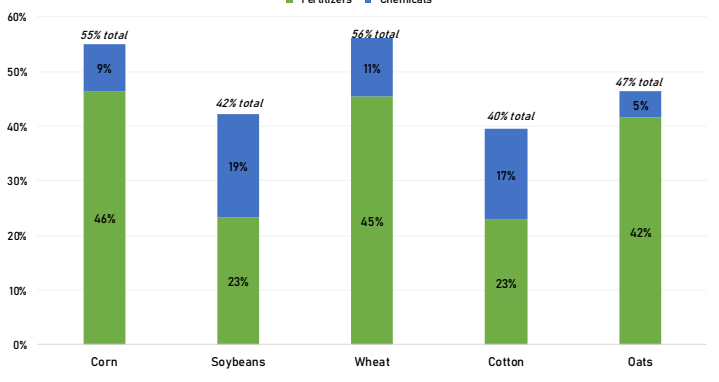
Ratio is trending **higher** over the last 6 months

Ratio is trending **lower** over the last 6 months



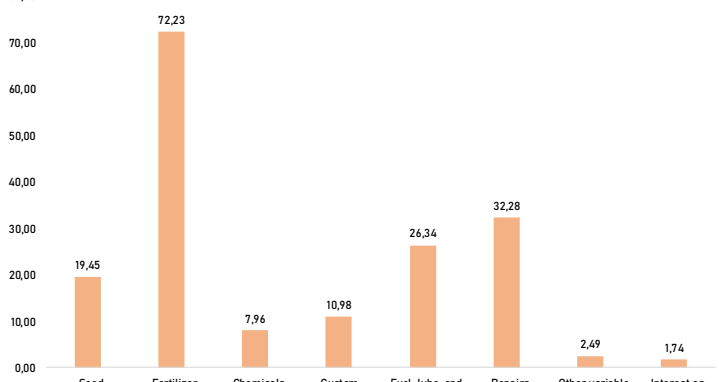
# USDA Planting Costs (published twice a year) // November 2022

fertilizers and chemicals - % share of total operating costs per planted acre **Lukas Kuemmerle Research**



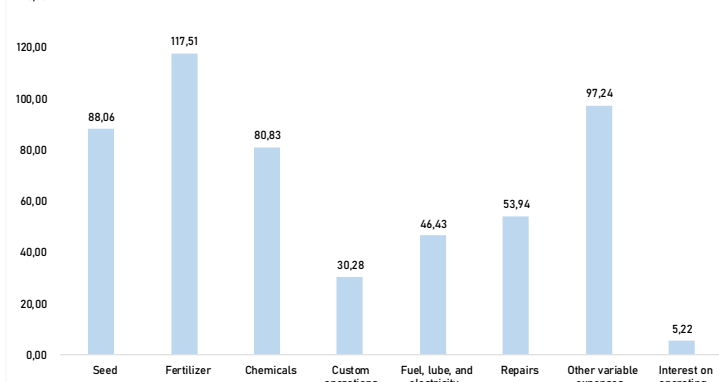
Source: USDA, Kuemmerle Research

oats - total operating costs per category (in USD per planted acre) **Lukas Kuemmerle Research**



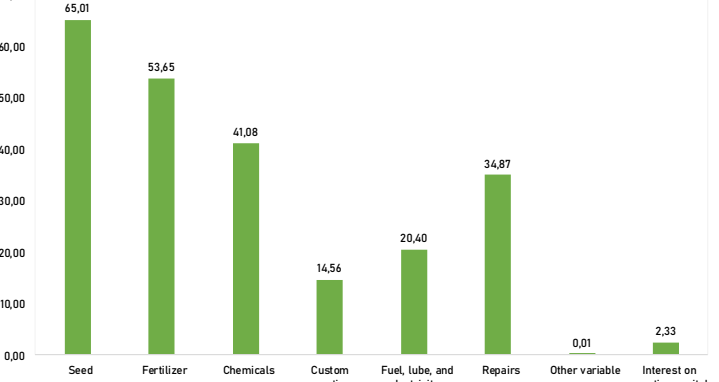
Source: USDA, Kuemmerle Research

cotton - total operating costs per category (in USD per planted acre) **Lukas Kuemmerle Research**



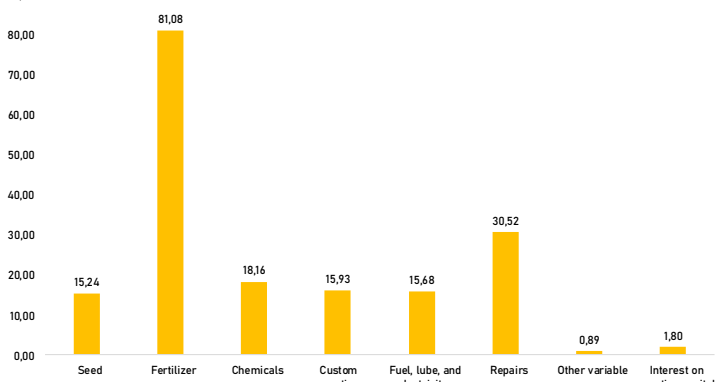
Source: USDA, Kuemmerle Research

soybeans - total operating costs per category (in USD per planted acre) **Lukas Kuemmerle Research**



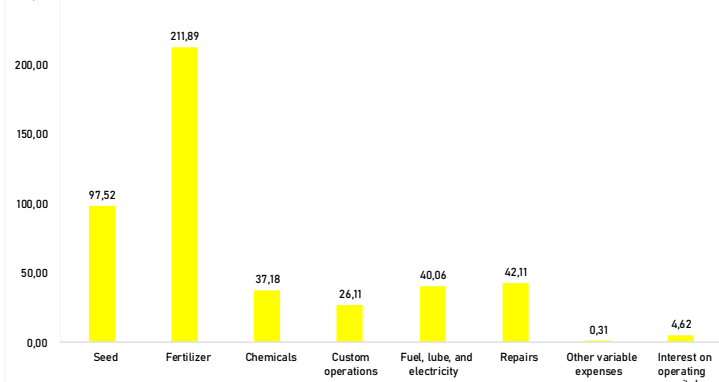
Source: USDA, Kuemmerle Research

wheat - total operating costs per category (in USD per planted acre) **Lukas Kuemmerle Research**



Source: USDA, Kuemmerle Research

corn - total operating costs per category (in USD per planted acre) **Lukas Kuemmerle Research**



Source: USDA, Kuemmerle Research



## 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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