



THE KUEMMERLE REPORT



Published March 5th, 2023

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

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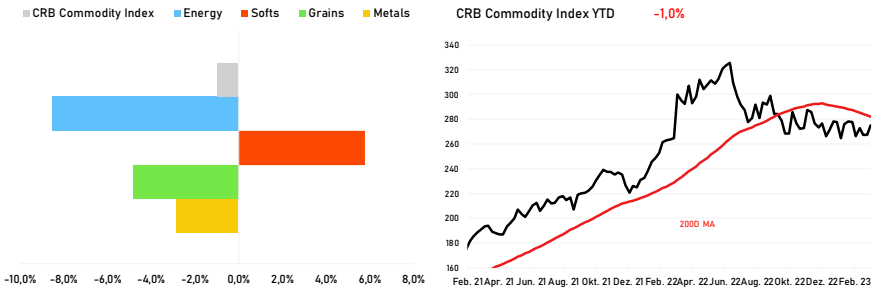
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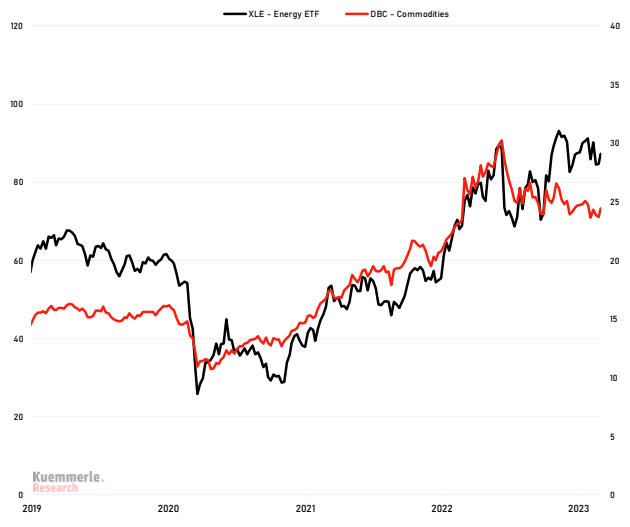
Last Weeks Commodity Performance

YTD Performance Changes by Kuemmerle Research



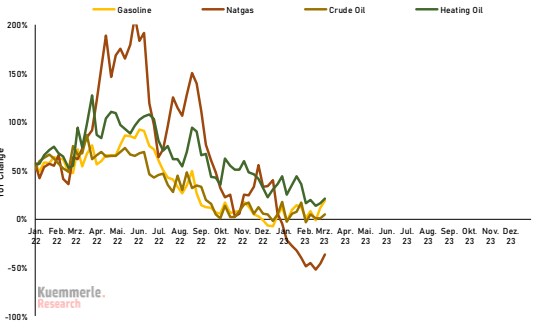
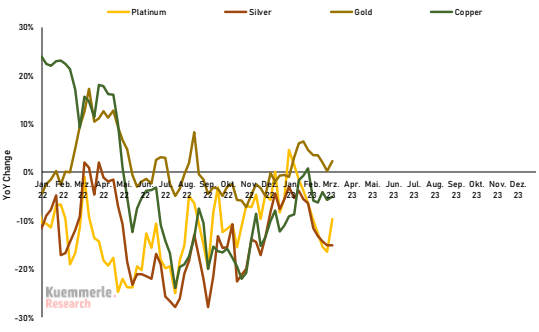
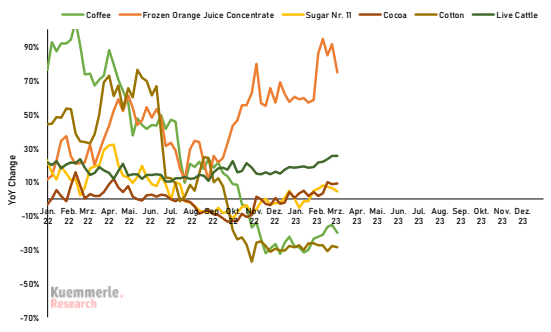
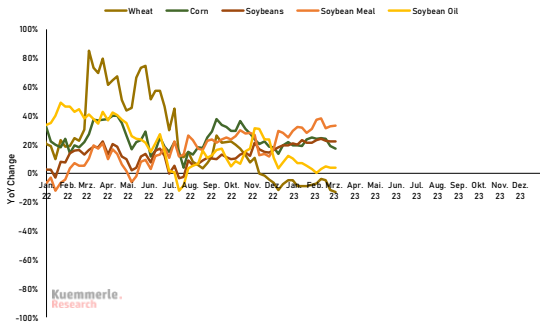
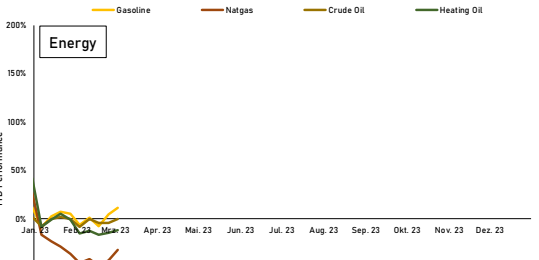
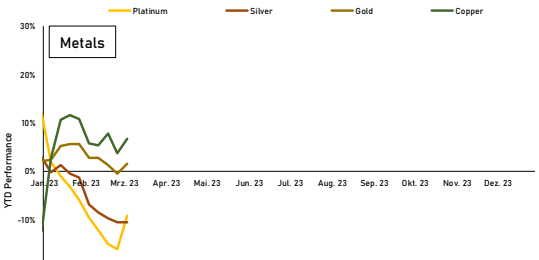
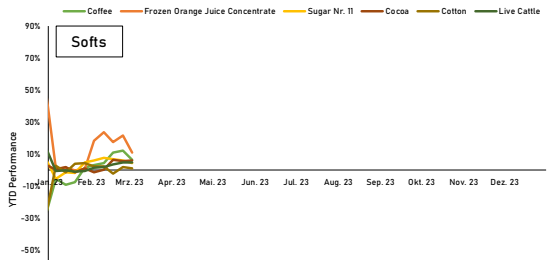
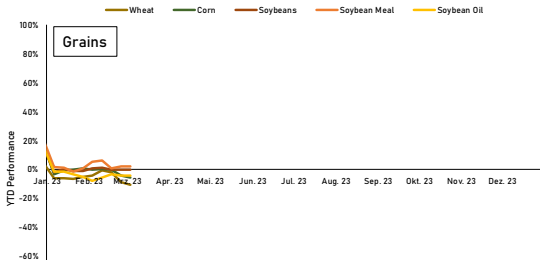
Energy	Metals	Grains	Softs	High Beta
Heating Oil -11.8%	Gold 1.6%	Soybean Oil -4.5%	Coffee 6.3%	Bitcoin 34.0%
Natural Gas -32.8%	Silver -10.5%	Soybeans -0.4%	Orange Juice 11.1%	S&P500 4.9%
Crude Oil -0.7%	Platinum -9.1%	Soybean Meal 2.2%	Cocoa 6.2%	VWO EM ETF 4.6%
Gasoline 11.2%	Copper 6.7%	Wheat -10.5%	Sugar 4.6%	
		Oats -10.0%	Cotton 1.0%	
		Corn -5.7%	Live Cattle 4.8%	

US Dollar Index	10Y Treasury Yield	10Y Break Inflation	10Y Realyield
104.49 1.2%	4.08	2.48	1.60



Next week's top news events in the US:

- **FED Chair Powell testifies on Tuesday and Wednesday (watch for hawkish surprises)**
- **ADP Non-Farm Employment Change and JOLTS on Wednesday**
- **Job Market Report on Friday**



Portfolio Update

Our Trading Book

Weekly Comments

After a few weeks of muted price action, we received some valid trading setups again and implemented two positions. **A long position in natural gas and a short position in copper.** Usually, commodity markets tend to trade a bit choppy at the beginning of the year – but as we’re nearing the end of Q1 we believe that new trends will emerge soon. We already highlighted the important setups. Our bearish bias towards commodities with a high industrial use case and soft commodities remains as we believe that the FED has to wring out inflation via crashing the economy into a recession throughout Q2 and Q3.

We expect economic momentum to decline further and to rebound towards Q3 of this year. We remain mainly interested in the short side of the market, as we see some markets where the washout of speculative positioning is not yet complete. Meanwhile, Henry Hub gas and wheat have become attractive again to look for setups in the long direction soon. These setups are also likely to become a theme for Q2. [For everything macro and economic momentum related – please read our monthly outlook here.](#)

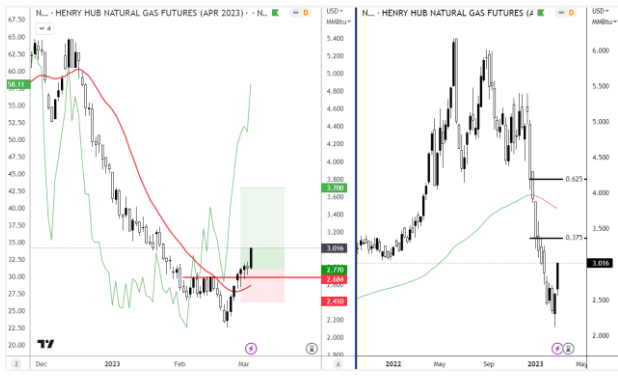
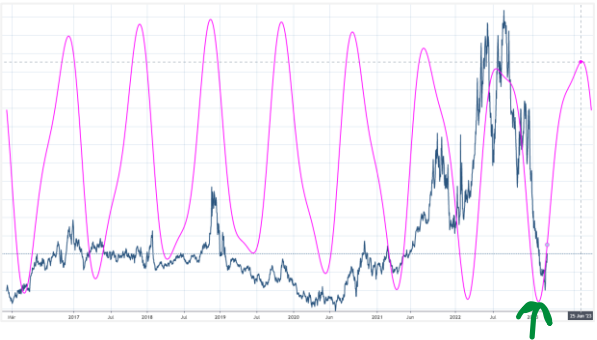
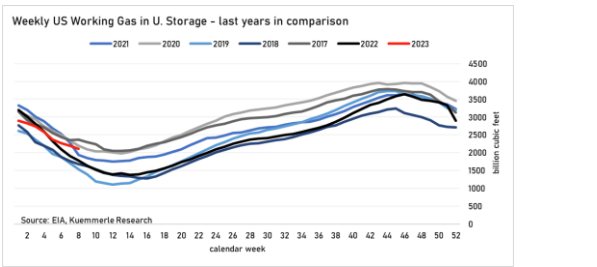
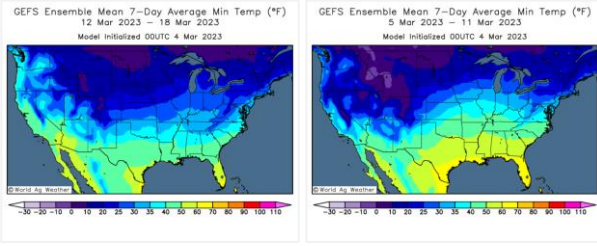
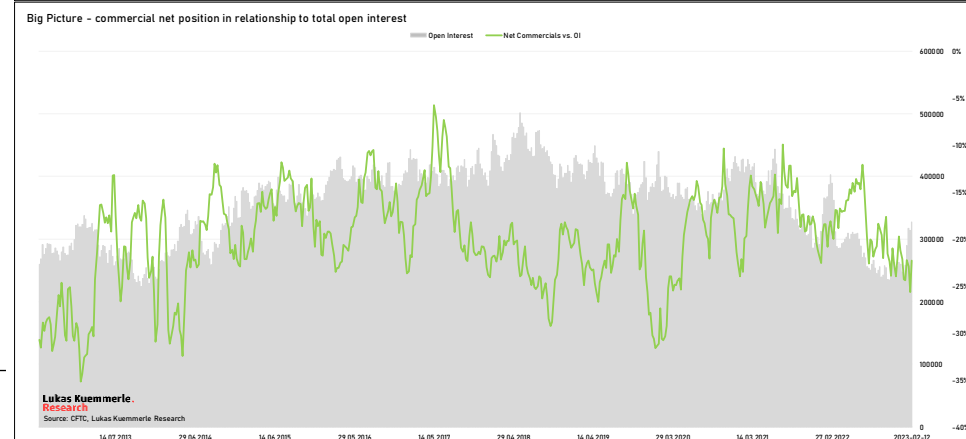
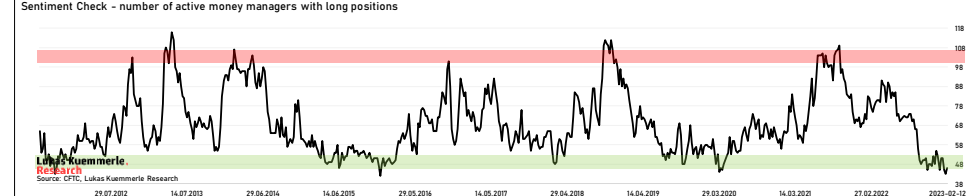
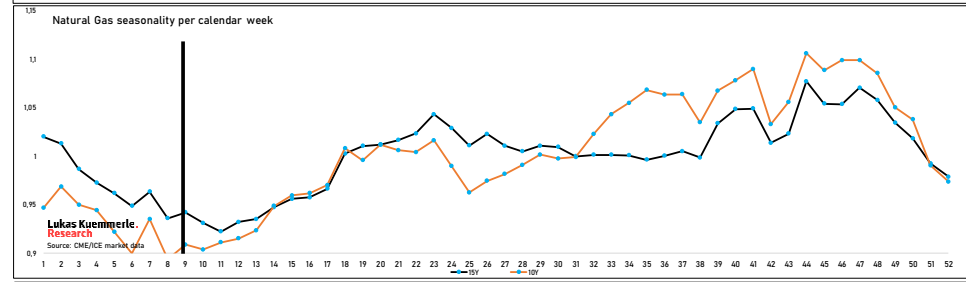
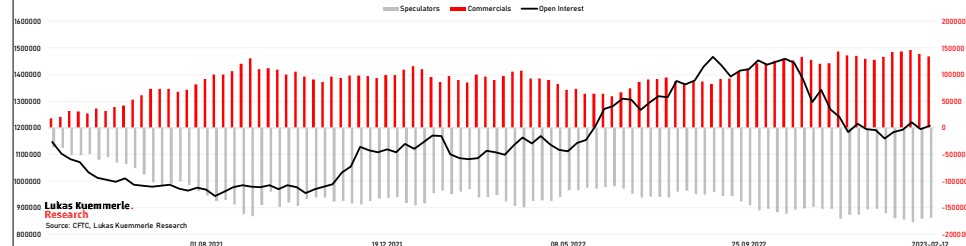
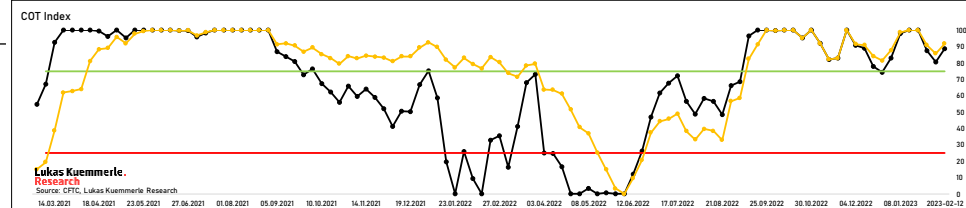
We entered a long natgas position on Tuesday – here is why

US Henry Hub Natural gas was sold down over 60% from last years highs. In our opinion it is time for a upside correction in the market. The temperatures in the US will stay colder than normal at this time of the year over the next weeks. While the inventory data looks robust – we not entered the most bullish phase for natgas futures of the year. There is almost no speculative positioning in the market anymore and commercials crowded heavily into gas contracts. The cycle momentum is at a key turning point now and last week also the 1Y Futures Spread broke out to the upside.

In our opinion there is a lot of fundamental data that futures are due for a comeback. We therefore bought on Tuesday HH Natural Gas into the close @2,77USD and placed a SL @2,41USD. Our initial price target for this trade is 3,70USD.

04.03.2023

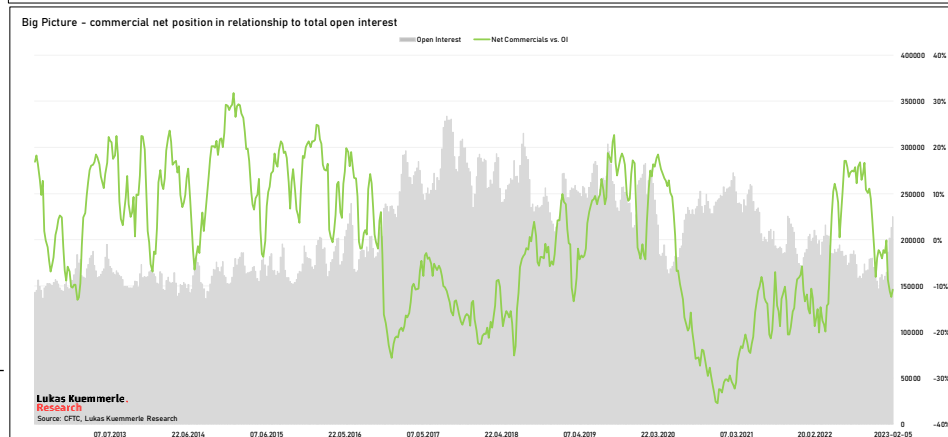
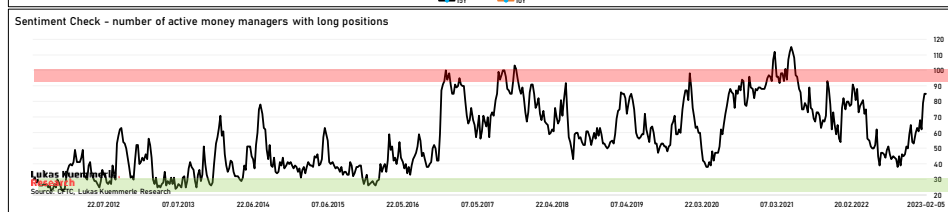
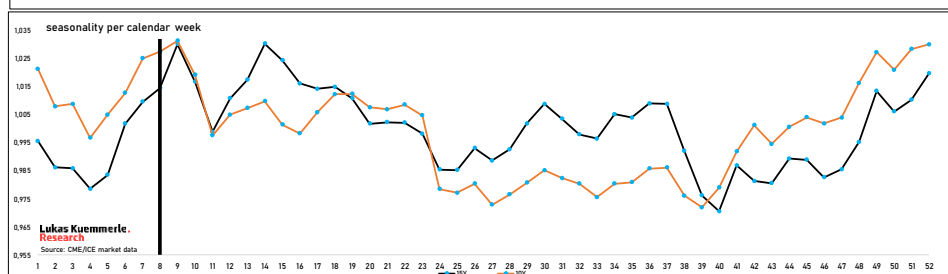
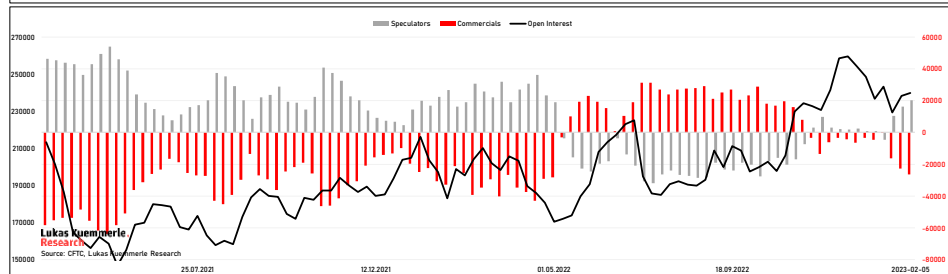
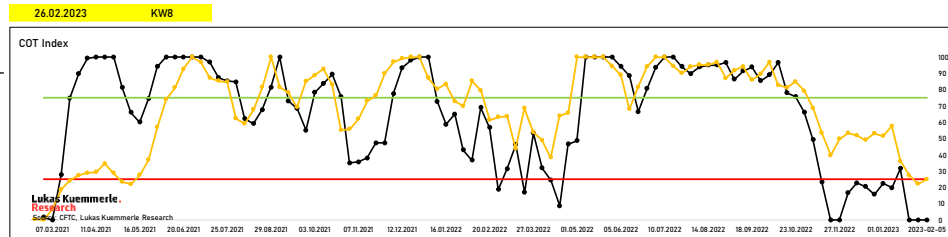
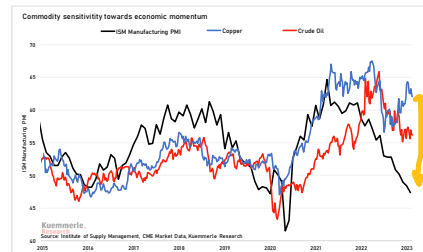
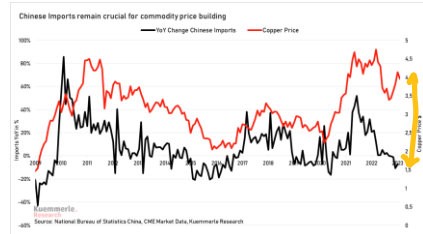
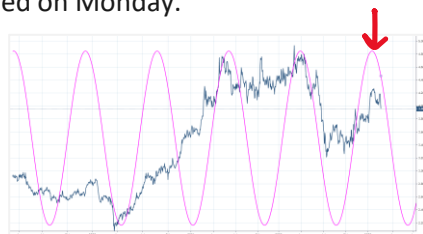
KW9



Copper broke down – we're looking for a little pullback to implement a position on Monday

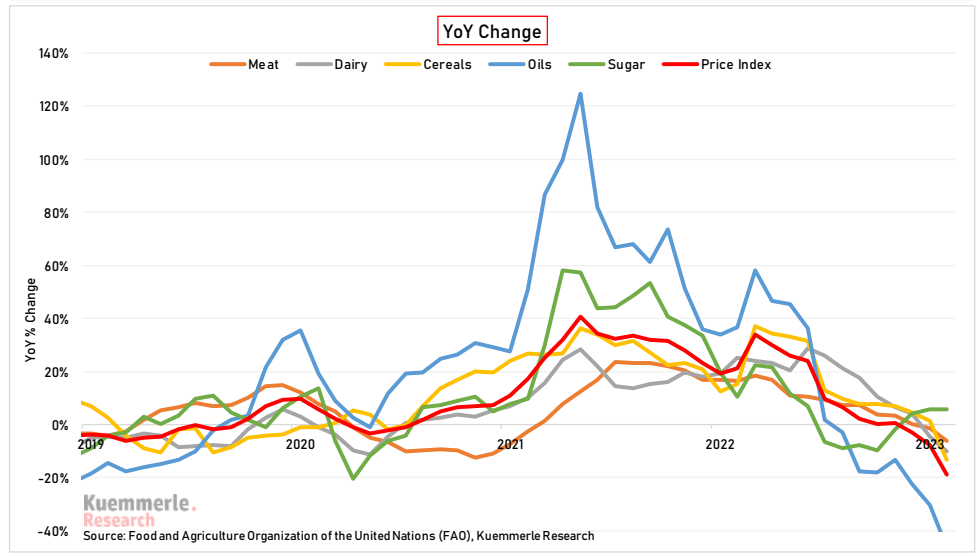
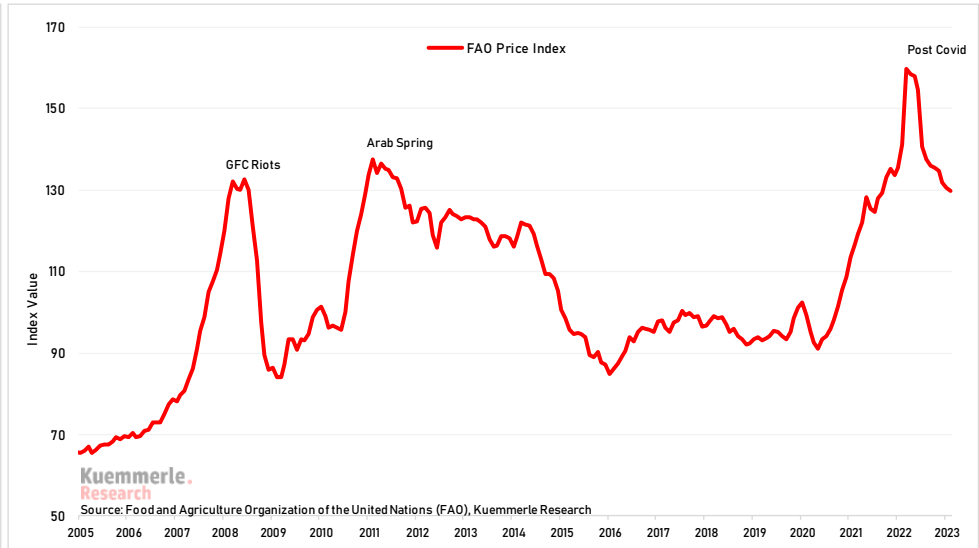
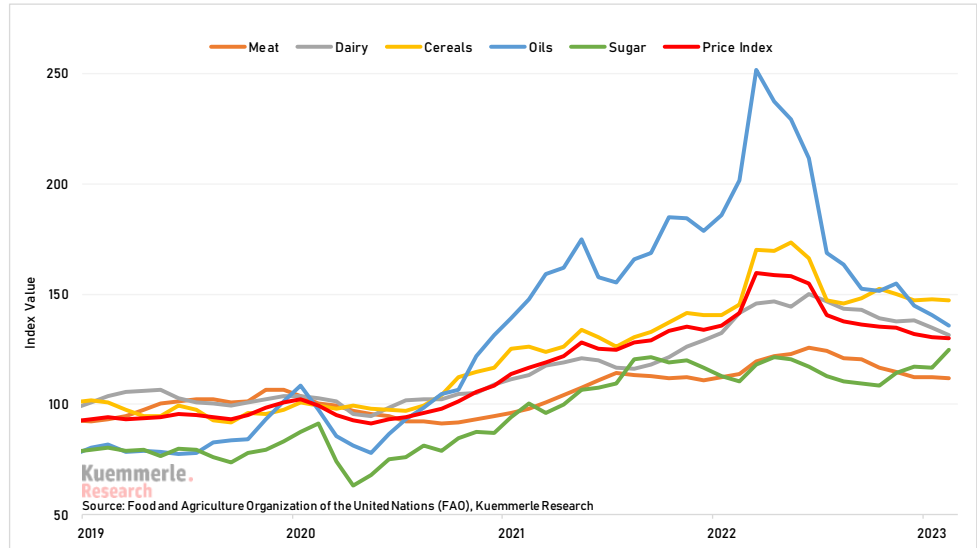
The green transformation metal remains very much loved by all sides of the investment world. We remained skeptical for weeks about the surge in copper prices which was in our opinion mainly driven by the Chinese reopening story. This story is now priced in, and Dr. Copper has the potential to correct from these levels as economic woes will dominate the investment landscape again.

We therefore placed a SELL order @ 4,0USD in the MAY23 contract. We place a S/L @ 4,2USD. Our profit target is at about 3,6USD. Our order was filled on Monday.



FAO Food Price Development // March 2023

The FAO Food Price Index averaged 129.8 points in February 2023, marginally down (0,6%) from January, continuing the downward trend for the eleventh consecutive month. With the latest decline, the index has fallen 29.9 points (18,7%) from the peak it reached in March 2022. The marginal decline of the index in February reflected significant drops in the price indices of vegetable oils and dairy, together with fractionally lower cereals and meat indices, more than offsetting a step rise in the sugar price index.



Date	INDEX	YoY	Meat	YoY	Dairy	YoY	Cereals	YoY	Oils	YoY	Sugar	YoY
Feb. 23	129,80	-18,7%	112,00	-6,1%	131,30	-9,9%	147,30	-13,4%	135,90	-46,0%	124,90	5,9%
Jan. 23	130,6	-7,5%	112,1	-1,6%	135,0	-4,6%	147,5	1,5%	140,40	-30,4%	116,8	5,7%
Dez. 22	131,8	-2,8%	112,4	0,2%	138,2	4,2%	147,3	4,8%	144,60	-22,2%	117,2	4,0%
Nov. 22	134,7	0,8%	114,6	3,2%	137,4	6,5%	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%

(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** Copper @4,00USD, SL @4,20USD (implemented on 27.02.23)
- **Long** HH Natural Gas @2,77USD, SL @2,41USD (implemented on 28.02.23)

Markets we're waiting for corrections to implement positions

- [Short Cocoa](#)
- [Short Orange Juice](#)
- [Short Sugar No. 11](#)
- [Short Soybean Meal](#)
- [Short Soybeans](#)

We now received the CoT data for Feb 12th.

According to the CFTC it will take to mid March until we receive all the CoT data backlog

This week

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

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	\$ 96.486

YTD Performance Kuemmerle	-3,5%
YTD Performane CRB Index	-3,7%

open trade

Date	Instrument	Long/Short	Contracts	\$ Value/point	Entry Price	S/L	SL in \$	Avg. Close (\$ PL trade total
28.02.2023	NG	Long	4	\$ 2.500	2,77	2,41	\$ -3.600		
27.02.2023	HG	Short	1	\$ 25.000	4	4,2	\$ -5.000		
04.01.2023	SB	Short	6	\$ 1.120	19,65	20,48	\$ -5.578	20,48	\$ -5.578
22.12.2022	ZL	Short	1	\$ 6.000	6,454	6,7	\$ -1.476	6,11	\$ 2.064
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



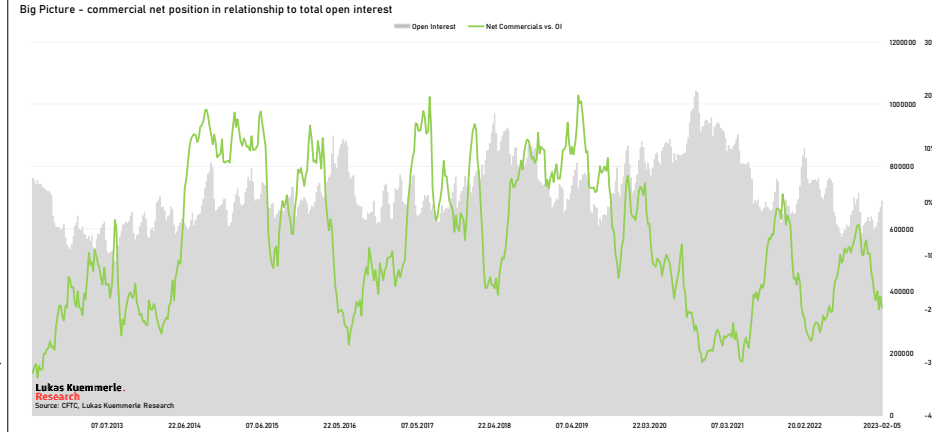
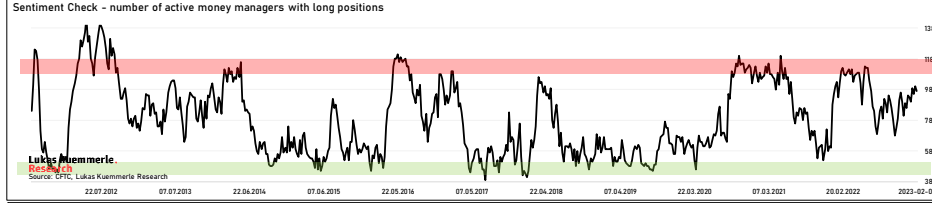
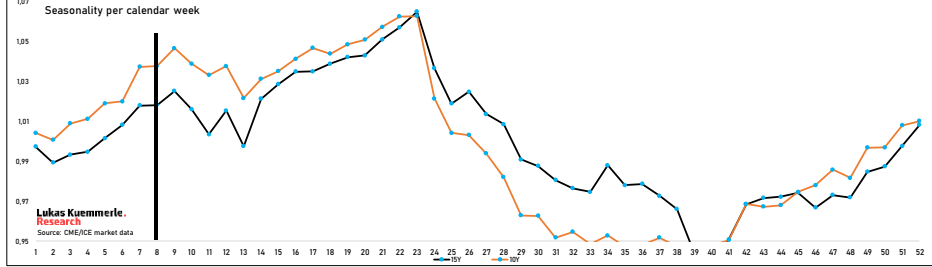
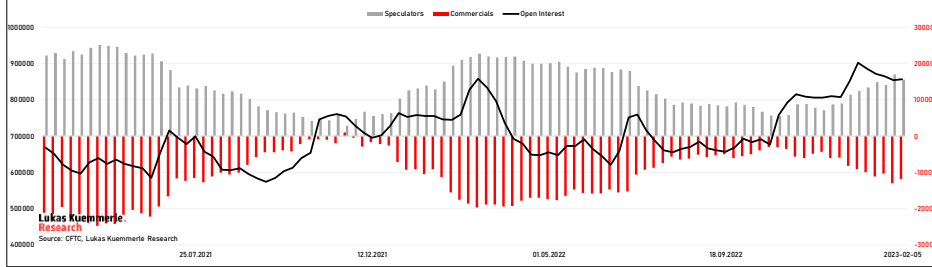
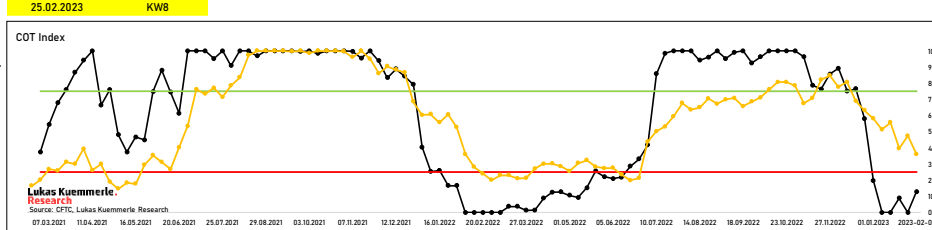
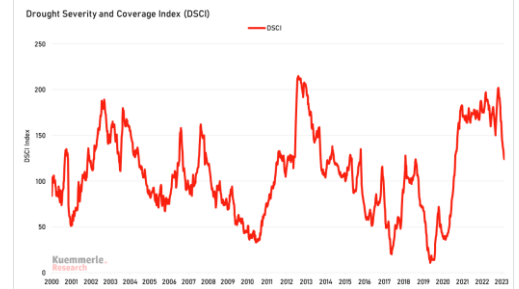
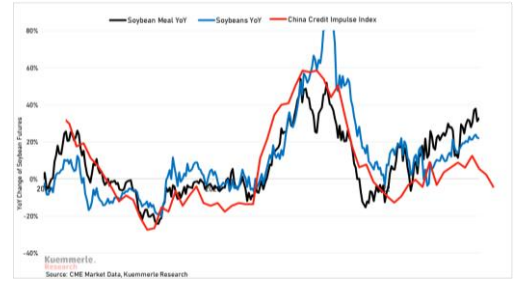
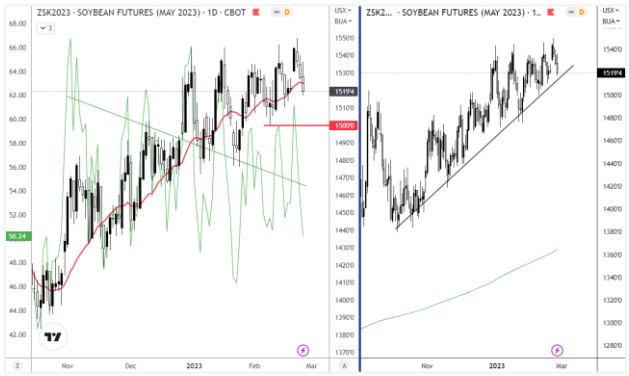
Active Setups

Setups where we wait for a trigger in form of price action, and we highlighted during the last few weeks

Potential Short Soybean Setup

Corn prices started to collapse during last week from a technical viewpoint. We expect the same to be the case for soybean prices soon. By now we build a large backlog of trading ideas, but we remain confident that those ideas will play out over the next few weeks – those times are normal – it takes patience to execute trades at the right time with the right risk to reward ratio.

A daily close below 1500USX combined with a lower low in the 1Y Futures Spread would trigger a sell order for us. Cycle momentum remains bearish till April/May. Moreover, the drought pain continue to ease in the US – usually both corn and soybeans correlate with the degree of drought. The declining Chinese Credit Impulse which works as a leading indicator for soybean meal and soybeans supports our thesis as well.

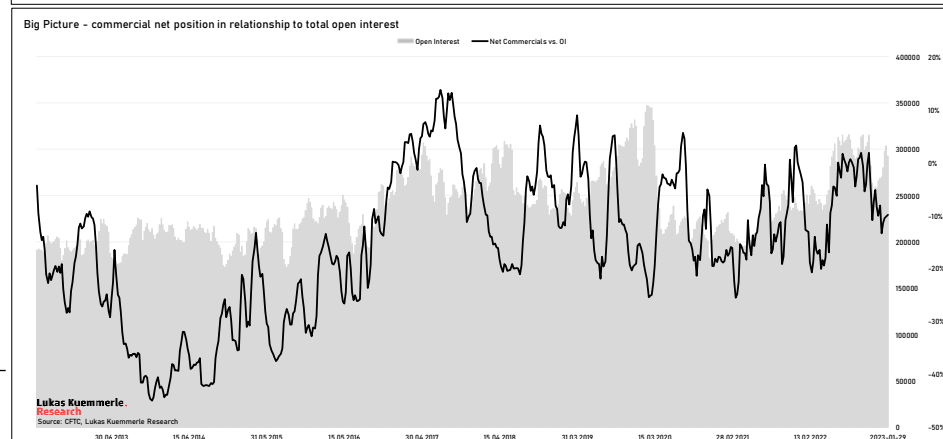
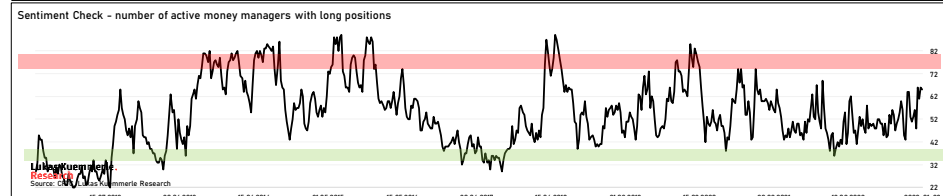
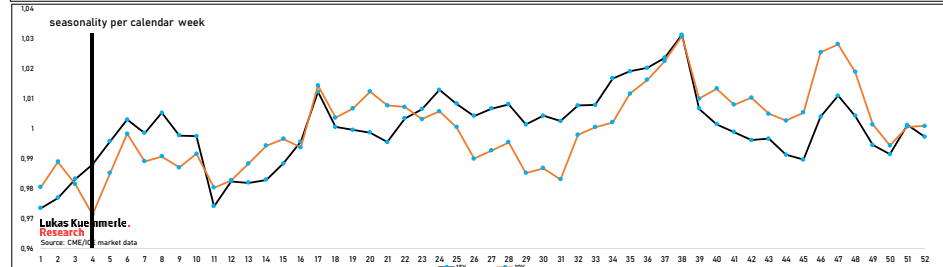
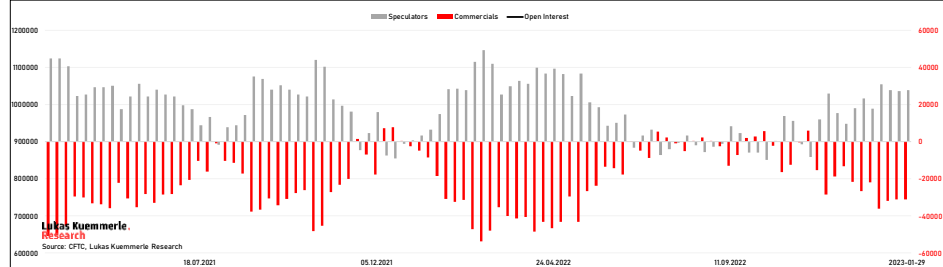
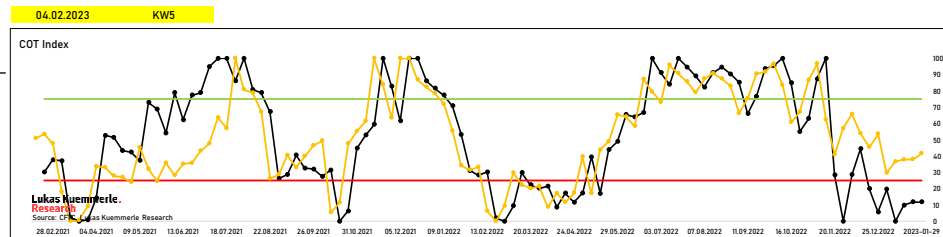
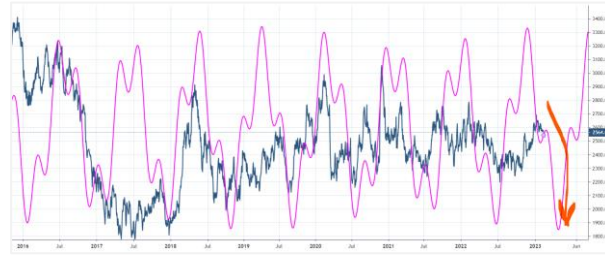


Kuemmerle's Observations

Potential Short Cocoa Setup

Cocoa futures have been trading within a large range since 2018. Since the end of November 2022, our CoT index has been on "look out for lower lows setups".

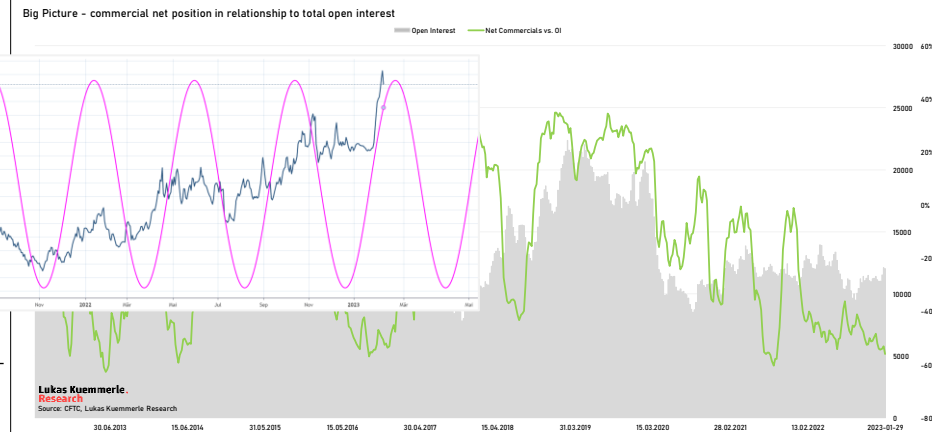
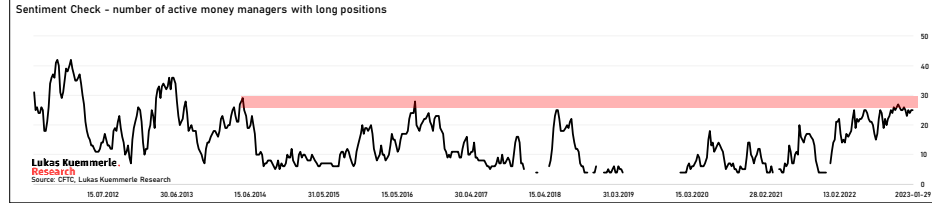
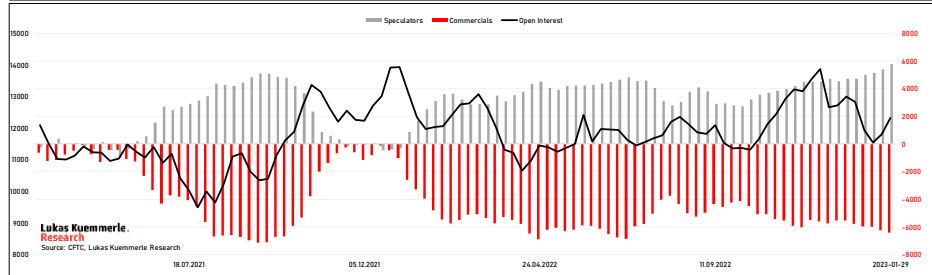
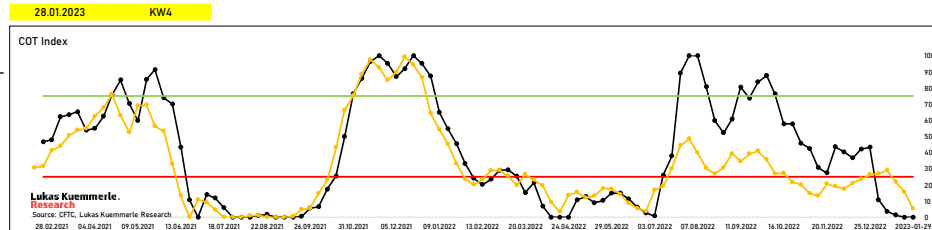
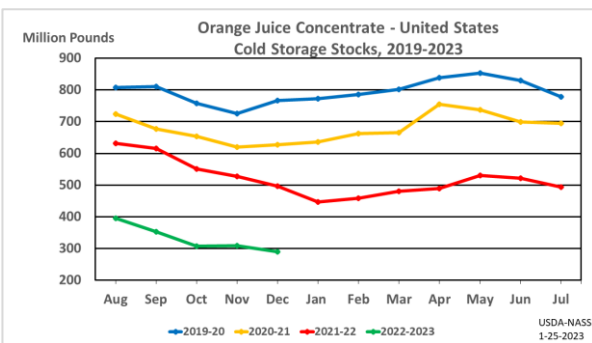
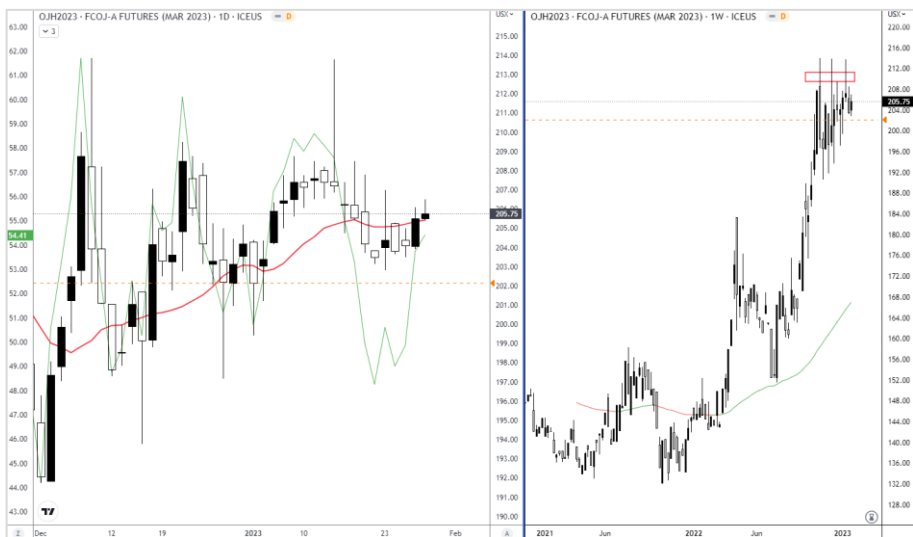
Now the price is no longer moving upwards, and we are already seeing a divergence to the RSI line. The momentum seems to be basically tipping. The seasonality remains relatively uninformative. Moreover, the 1Y futures spread signals weakness since the middle of January. **A close below 2554 USD would be the trigger for us.**



Potential Short Frozen Orange Juice Setup

The short OJ setup has been on our radar for quite some time. Looking at the price action on the weekly chart, the futures now seem to be losing momentum. We still have a falling seasonality and commercials have a very high net short position. Due to the low inventory levels after hurricane Ian last year, the market is still littered with many speculators. However, we find it difficult to find further reasons for the forecast harvests to deteriorate further.

We continue to wait for the short- and long-term spreads to show weakness to find an entry into the market. In soft commodities, only sugar and orange juice are near their highs. We think this will become more relative in the coming weeks.



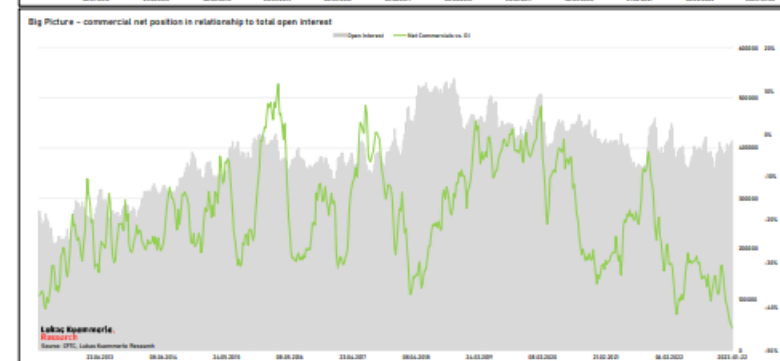
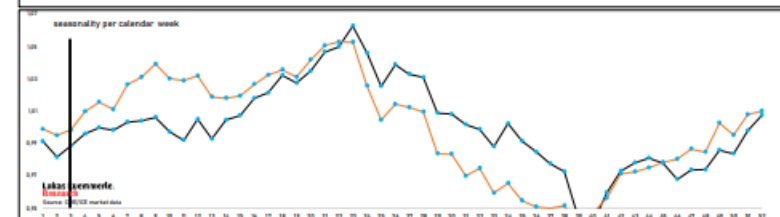
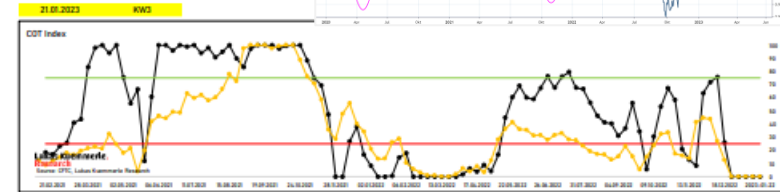
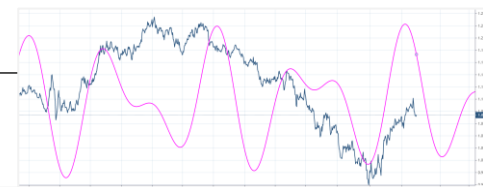
Short Soybean Meal Setup

The short soybean meal is on our watchlist for some time now – but sometimes it takes time for these setups to involve. By now commercials hold the largest short position measured against total open interest since a decade. The sentiment remains way too euphoric with the most amount of money managers holding long positions ever recorded.

Soybean Meal is like many commodities less correlated towards the typical seasonality. Nevertheless the positive seasonality till the end of June remains a risk for the setup. Moreover we really need to see these sky high futures spreads to roll over to the downside again. The 1Y Futures Spread remains sky-high, signaling a huge backwardation an scarcity of the product relative to demand.

Meanwhile we also need to see how the Chinese Credit Impulse will develop from here onwards as soybean meal prices, especially since 2018, remain very correlated with the stimulus data.

Also important – **the Chinese government expects soybean meal imports to decline significantly from here on!** The country's soybean imports declined by 8.1%, YoY, during the first 11 months of 2022 as the country is on its way to become more reliant on domestic soybean production and less soybean meal feed for animals. The pillar of strong Chinese soybean demand could therefore weaken further.



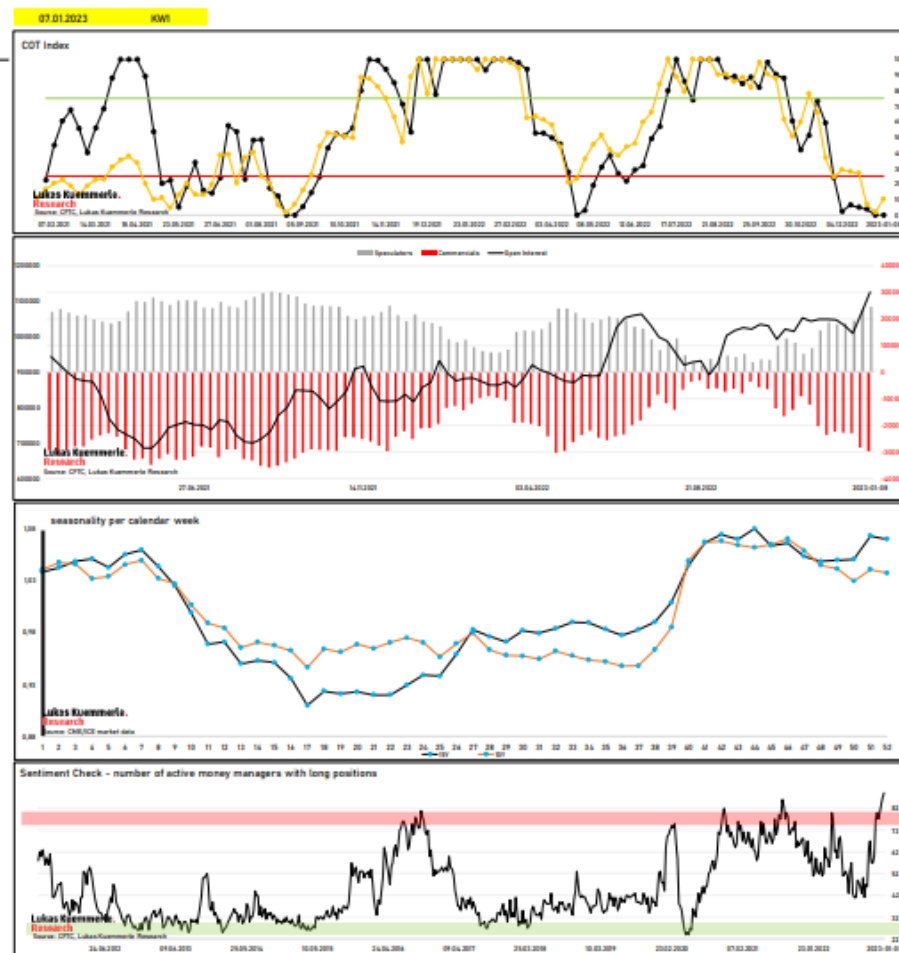
We received a trigger event for shorting Sugar!

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.

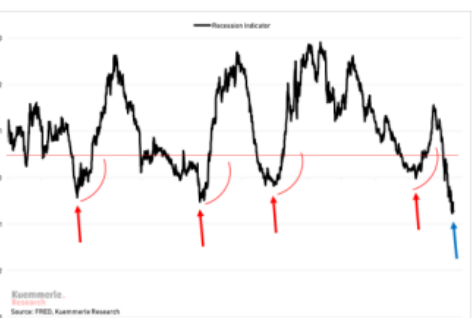
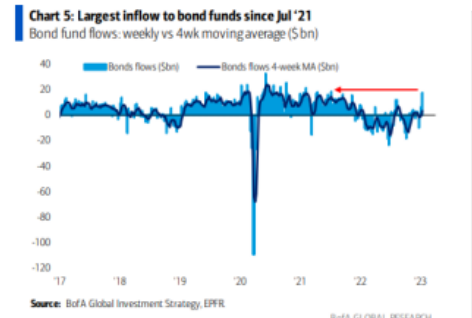
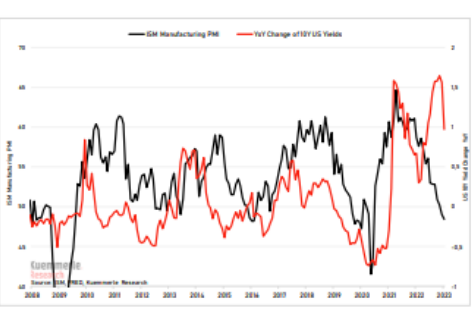
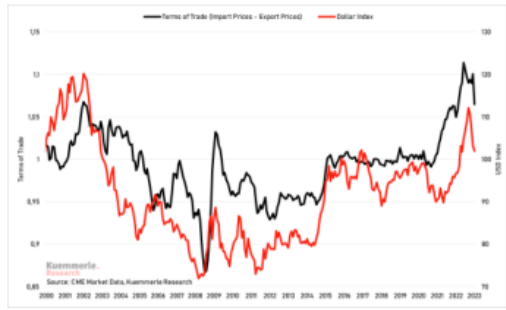
Potential implications would be better margins for producers/refiners of sugar. Perhaps that news also leads to more planting incentive under farmers to actually plant more sugar cane. Therefore, this news could indirectly lead to more sugar cane supply and therefore to more sugar in the future. This 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.



My game plan for the USD and US Treasuries over the next weeks

I'll buy bonds and sell the US dollar. However, it now makes sense to wait for a correction first, as the positioning data suggest that the consensus will already be lower yields and a weak USD over 2023. I agree with the consensus, however, I do not believe that this will happen in a straight line. A positioning washout is what I'm waiting for right now.

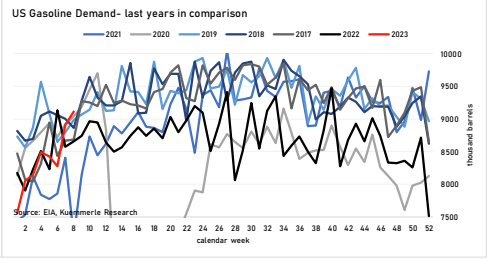
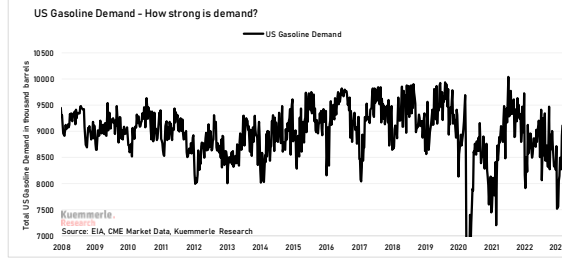
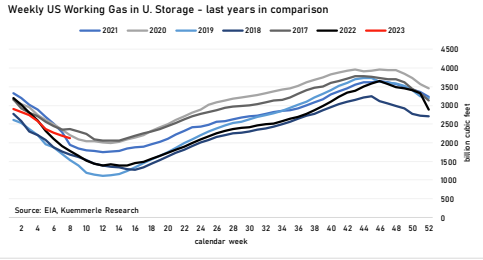
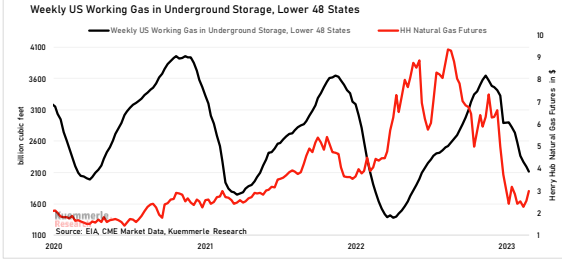
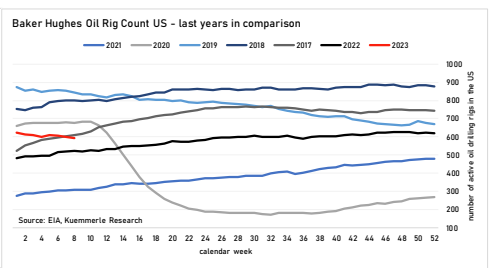
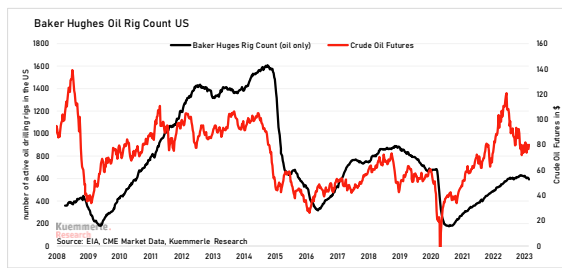
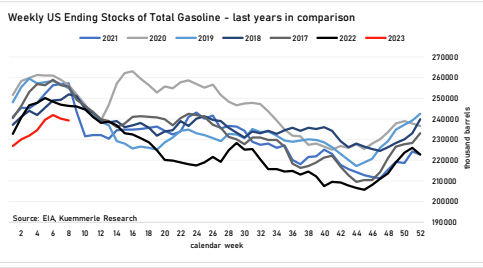
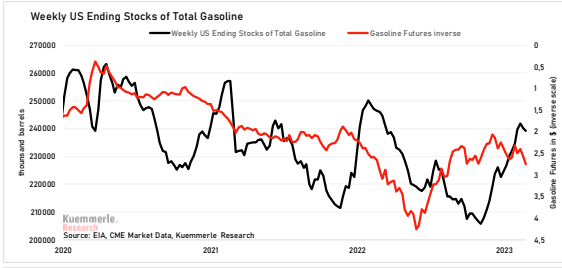
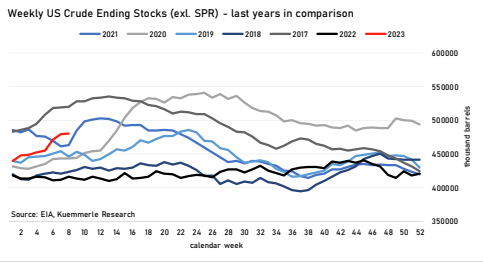
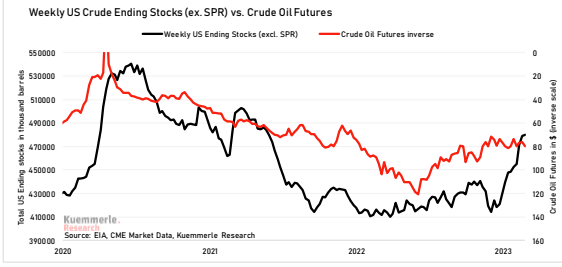
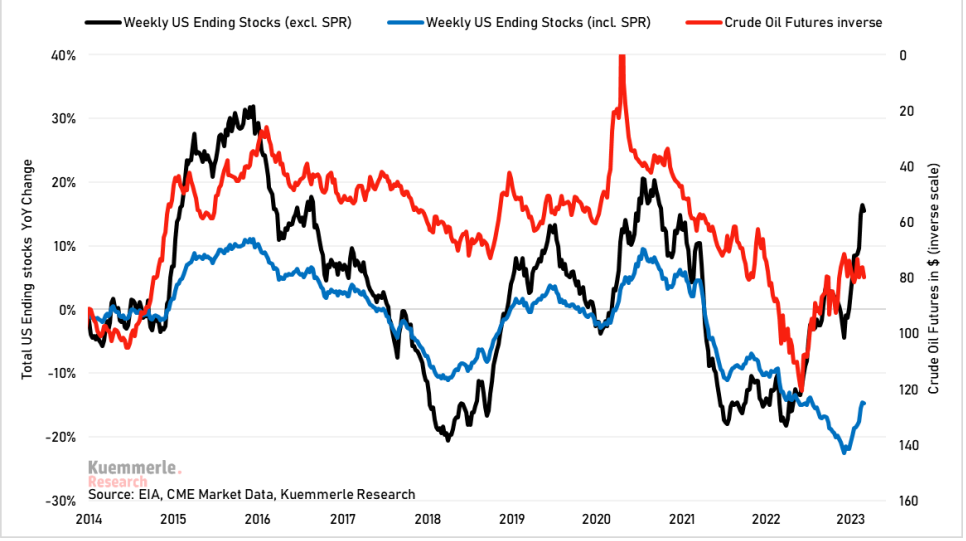
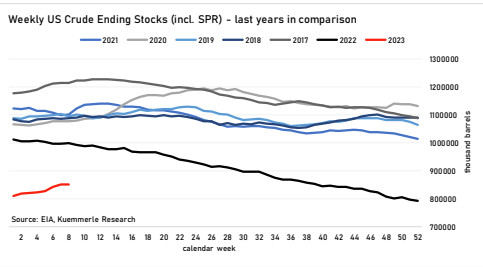
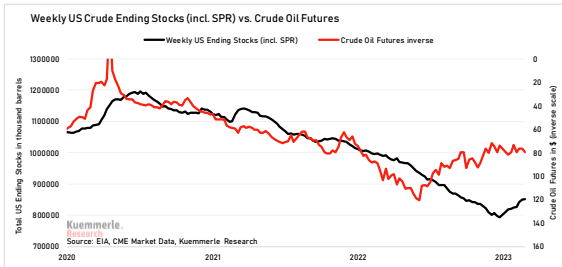
In my opinion the following dollar decline will go hand in hand with lower yields on US treasuries. Even more I do believe that this trade will also go hand in hand with a steepening of the 10Y-2Y Spread – a very popular recession indicator. Therefore I expect that the 2Y yield will fall faster than the 10Y yield.



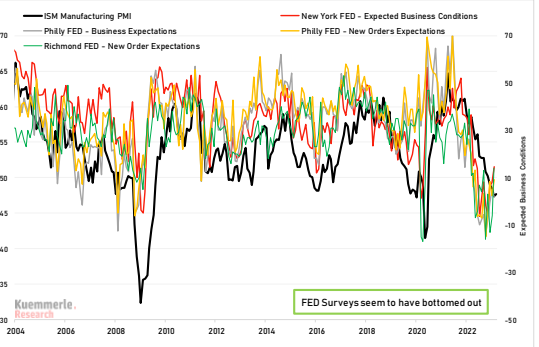
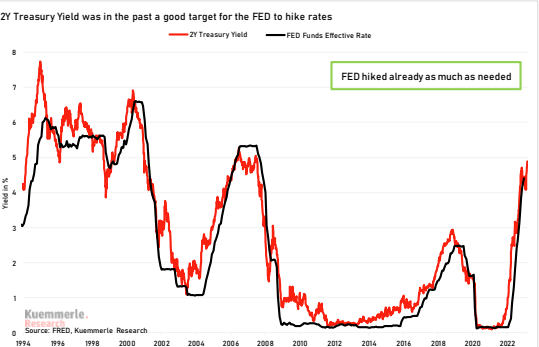
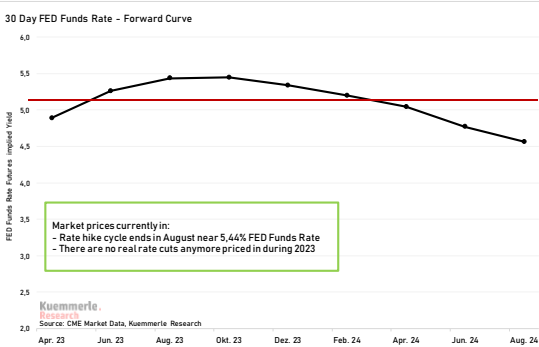
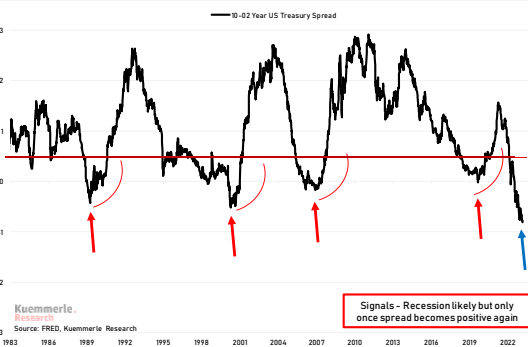
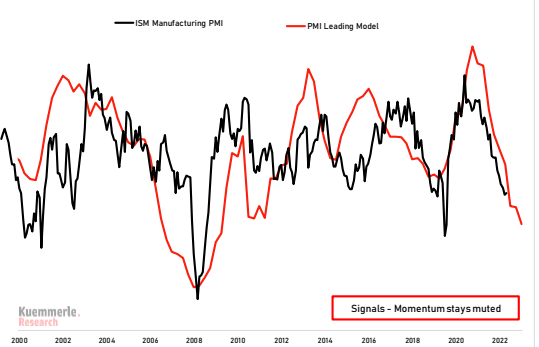
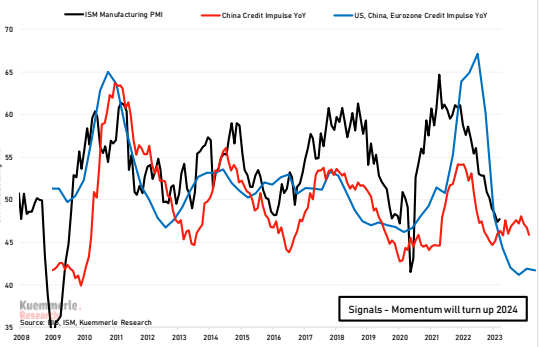
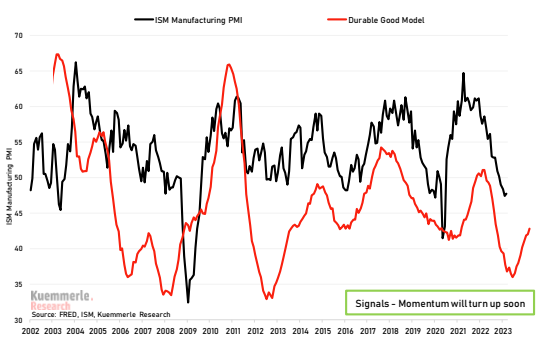
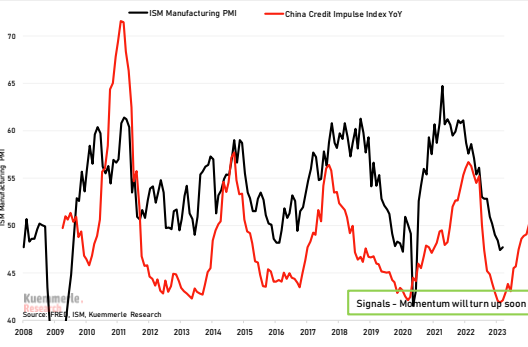
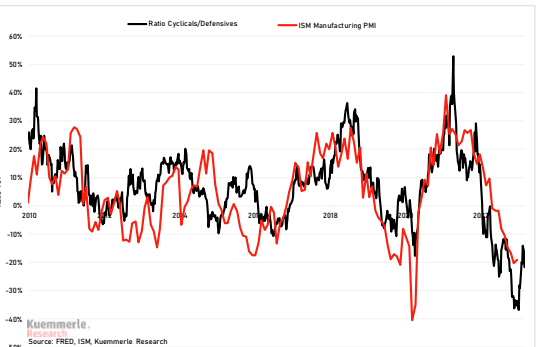
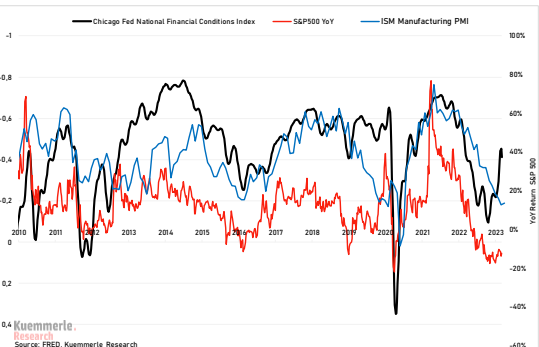
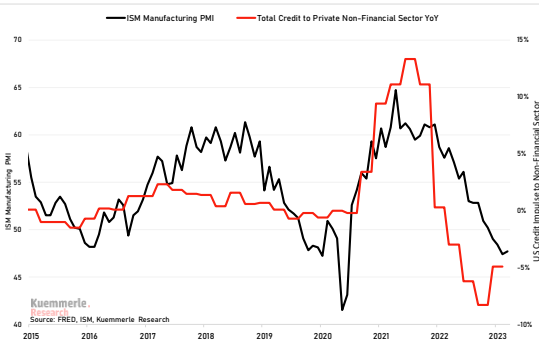
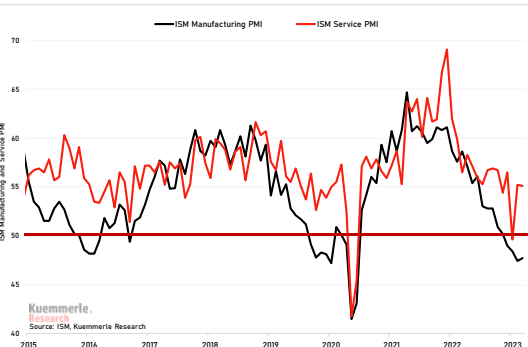
Important Charts and Correlations

Weekly & Monthly Updates that highlight the fundamental environment

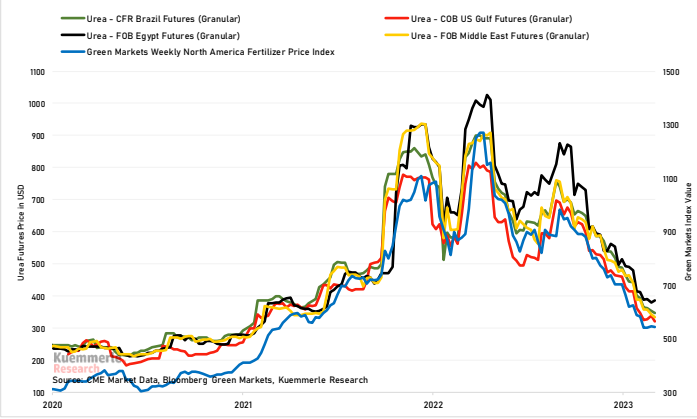
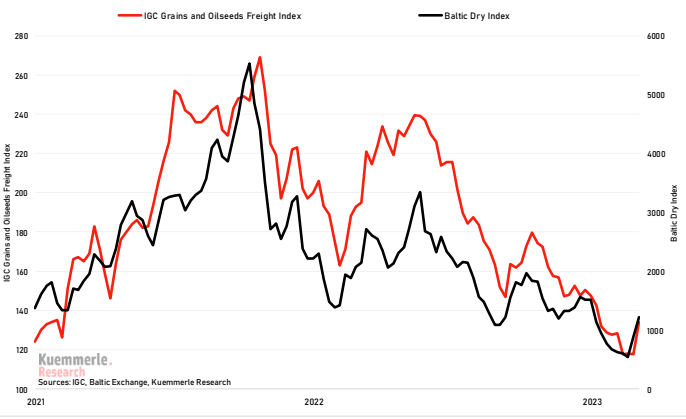
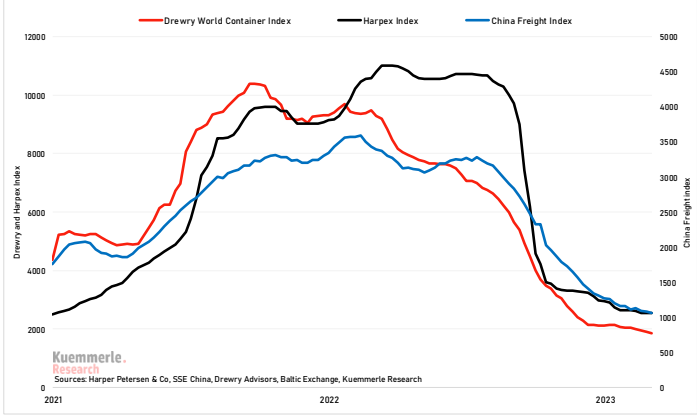
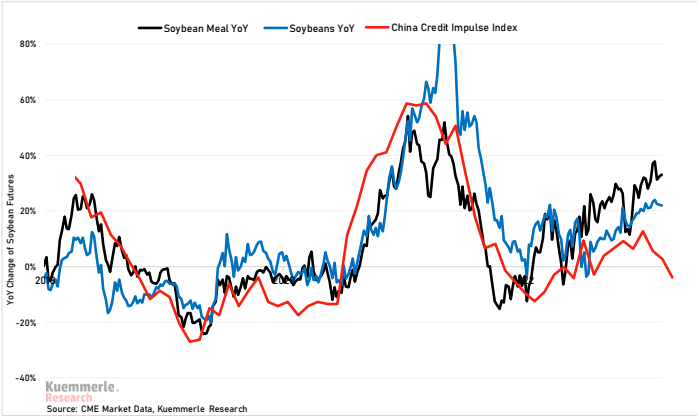
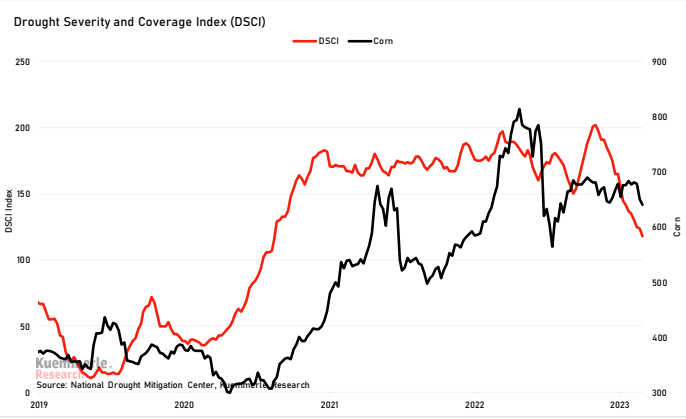
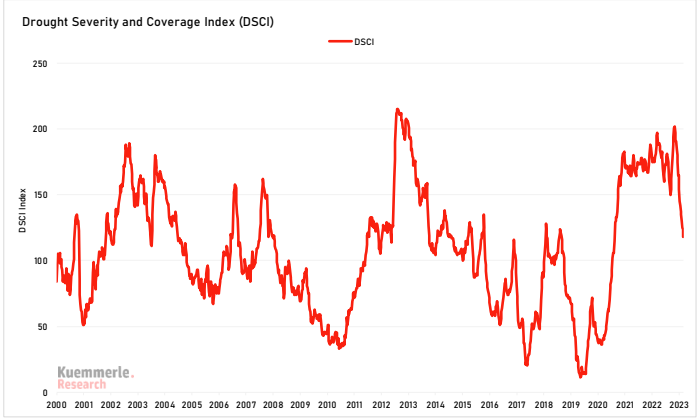
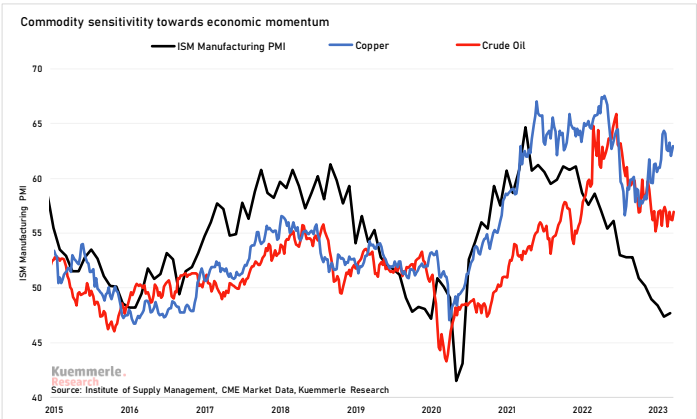
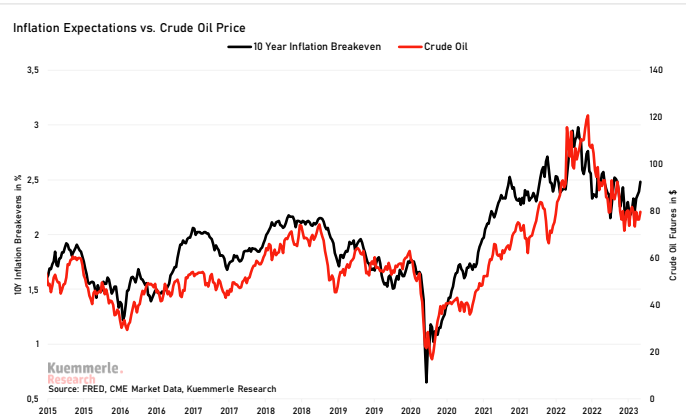
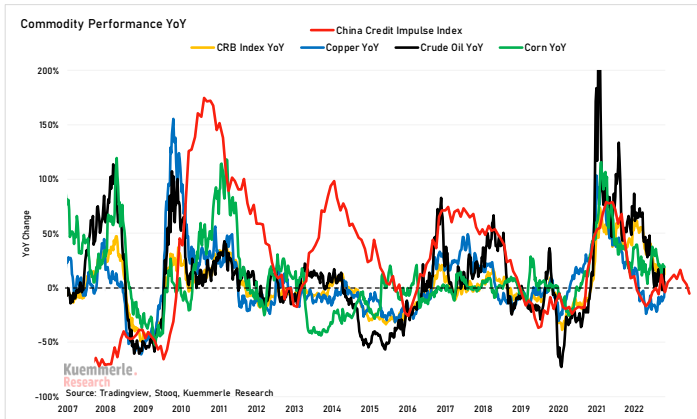
Energy Inventories



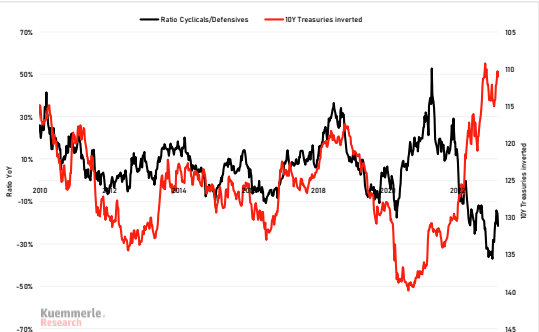
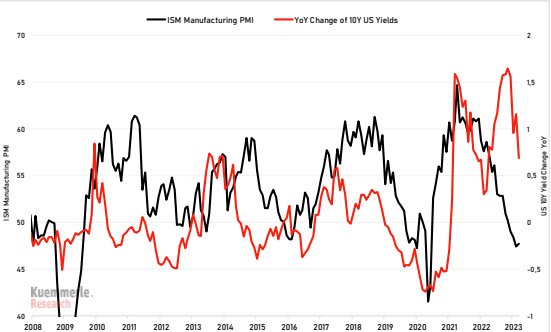
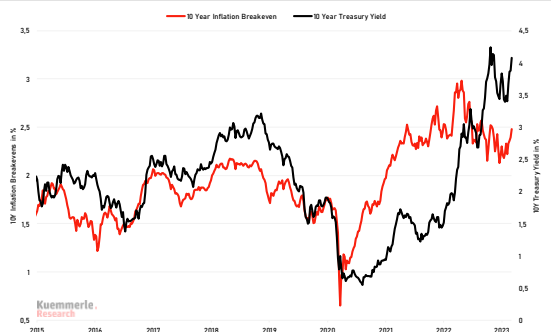
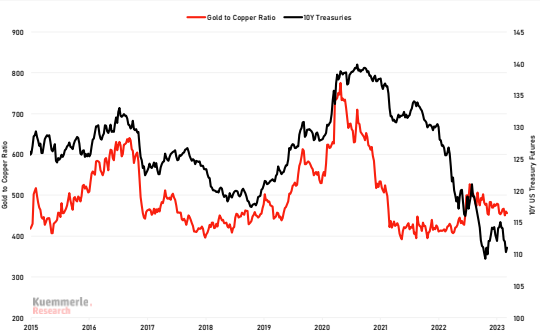
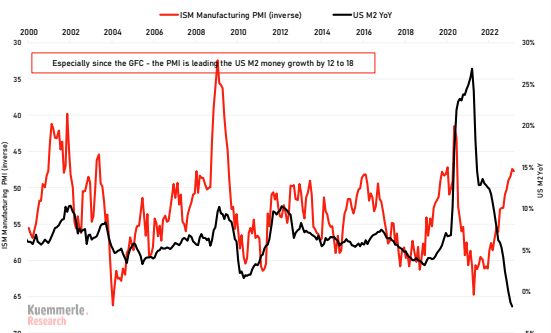
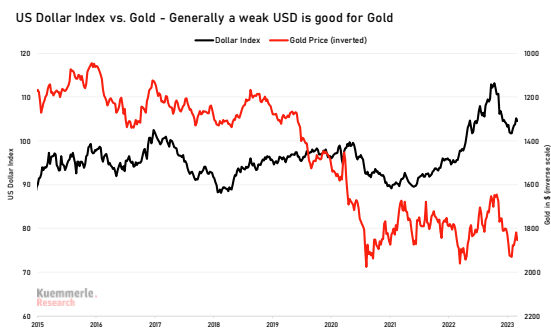
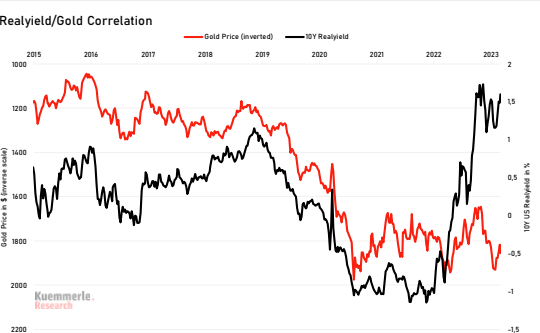
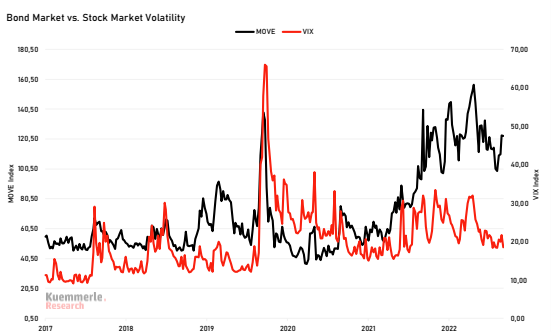
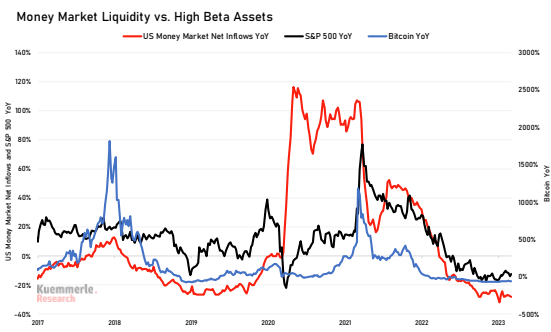
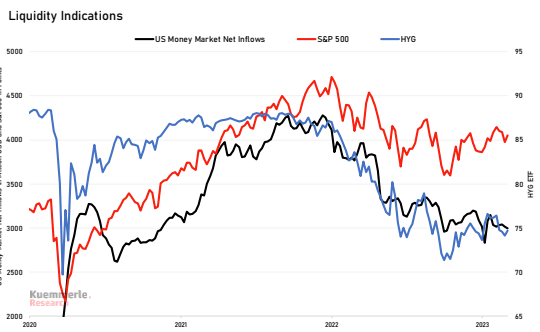
Macro Picture – Economic Momentum



Macro Picture – Commodity Linked



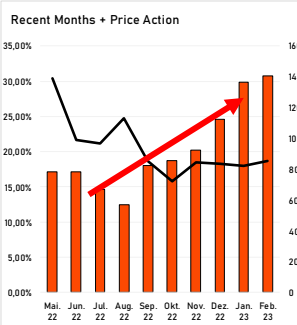
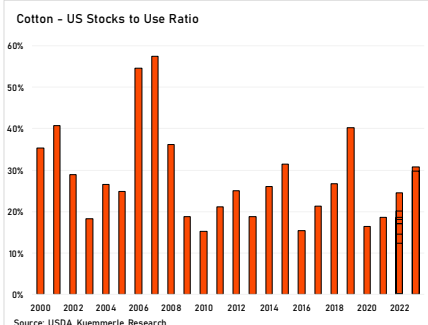
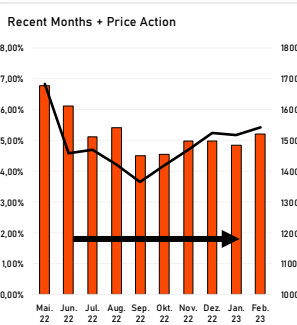
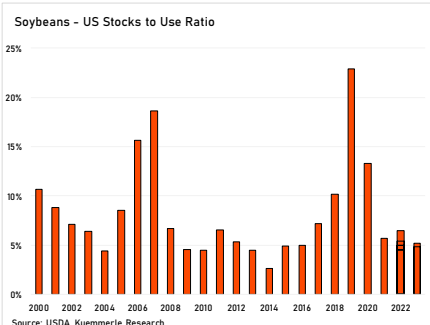
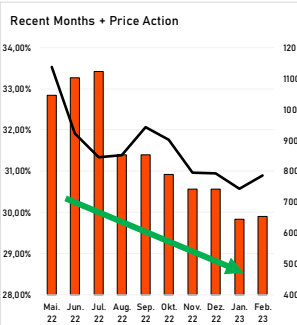
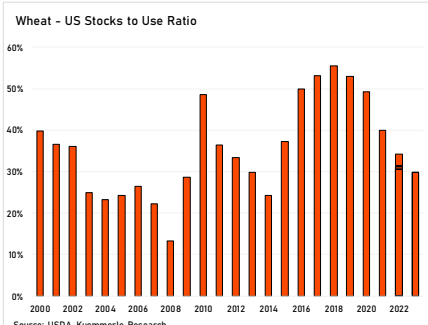
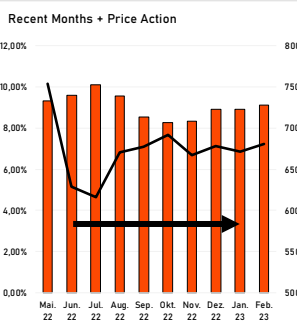
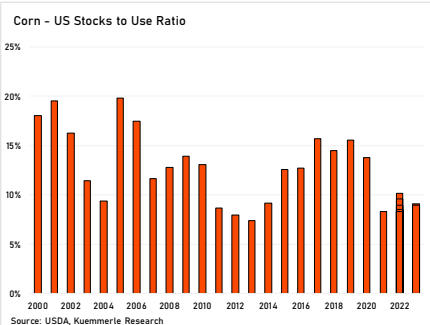
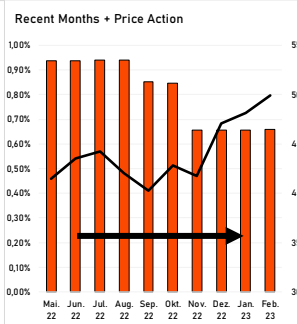
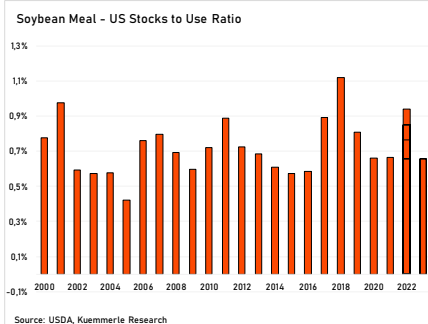
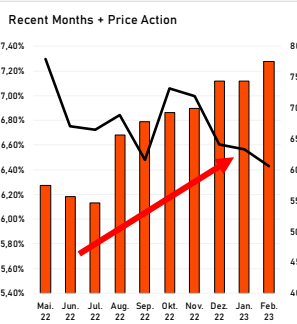
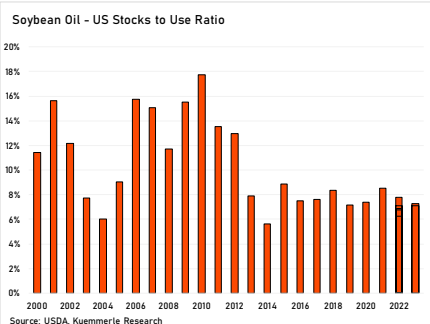
Macro Picture – Bonds/High-Beta/Gold



Stocks to Use Ratio// February 2023

Last week's WASDE report was neutral with a few surprises.

The report highlighted reduced production estimates for South America, but the reality is that even with lower estimates, their production is going to be large. The question is, how quickly can those quantities get to market to satisfy demand or will the U.S. hang on as an origin for a longer period of time.

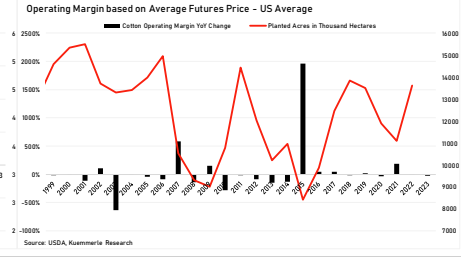
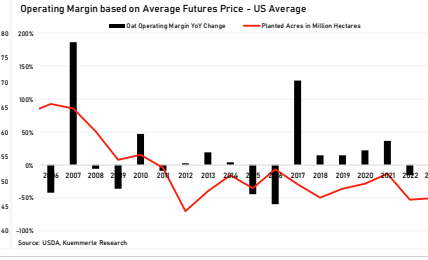
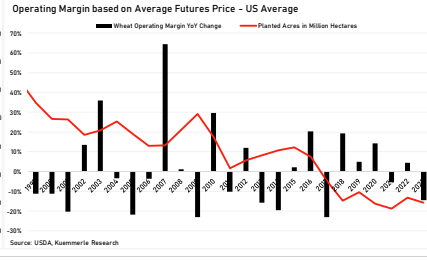
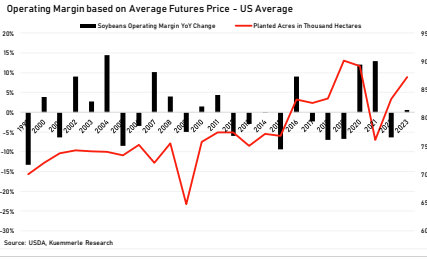
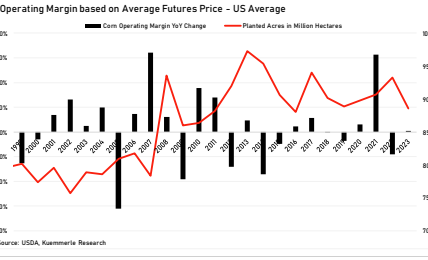
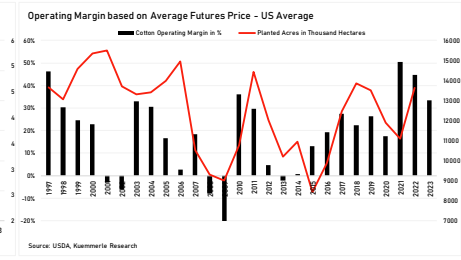
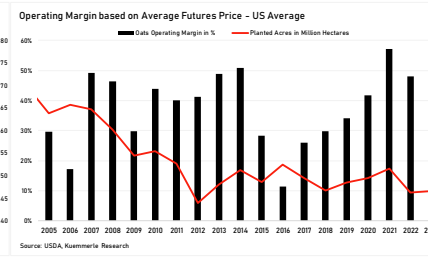
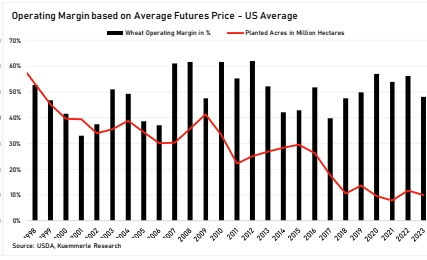
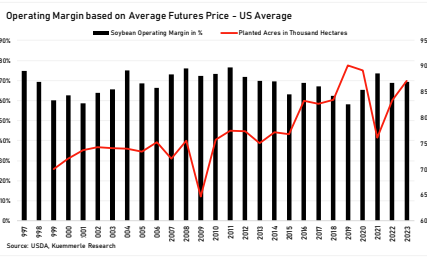
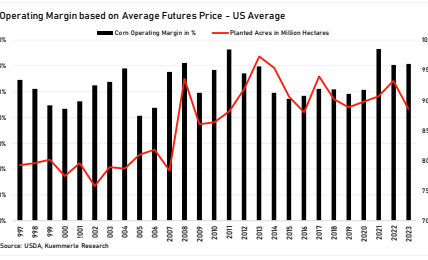
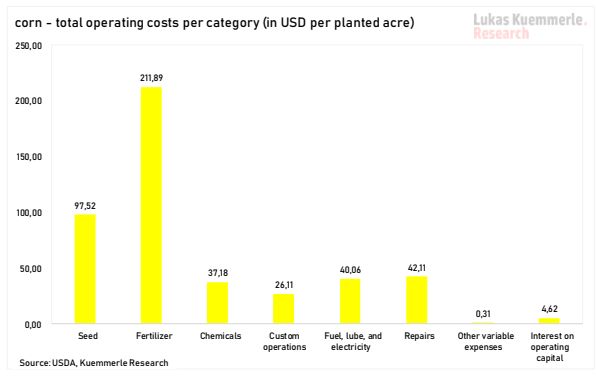
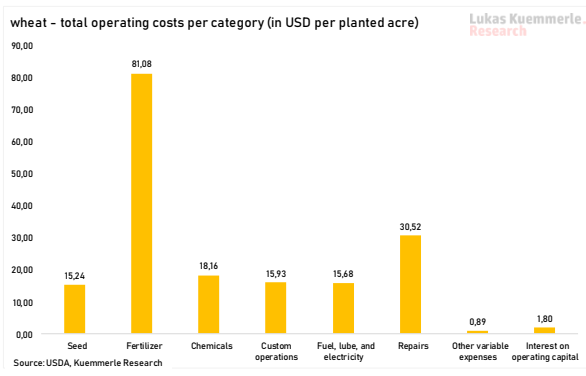
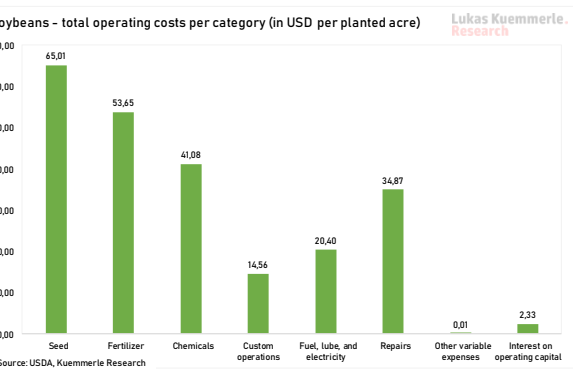
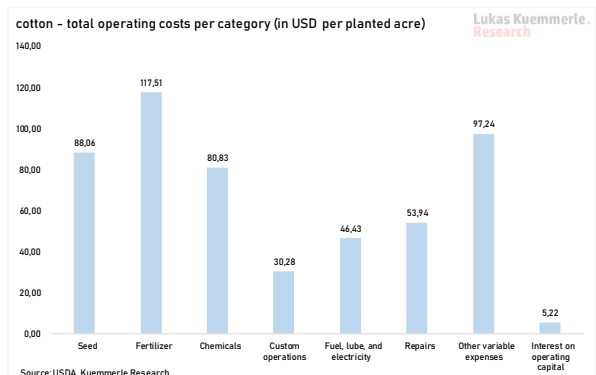
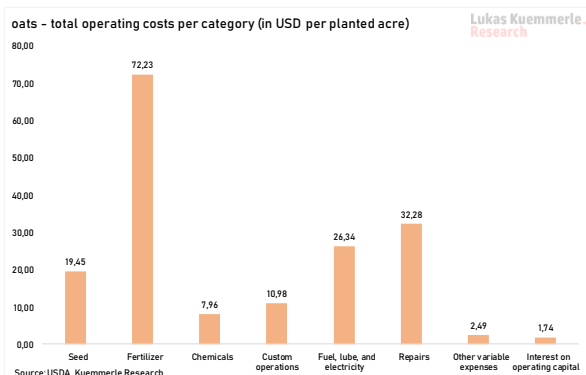
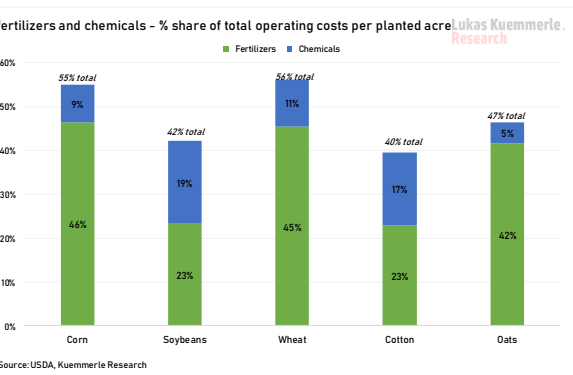


Stocks to use ratios (keep in mind higher ratio means more excess supply and therefore indicates bearish momentum)

- soybeans:** slightly higher - overall ratio stays at the same level for months - no good indication
- soybean oil:** much higher ratio, 7th month in a row - shows that demand stays suppressed
- soybean meal:** slightly higher - another build next month could make the way free for lower prices
- corn:** slightly higher - overall ratio stays at the same level for months - no good indication
- wheat:** slightly higher - but overall ratio remains low - divergence to price action visible
- cotton:** higher for the 6th month in a row - demand stays depressed
- sugar:** slightly lower ratio - but ending stocks data wasn't a reliable indicator for sugar over the last months - in general ending stocks remain high compared to usage - so still a divergence to price action

Ratio is trending **higher** over the last months Ratio is trending **lower** over the last months Ratio is **unchanged** over the last months

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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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WEB: WWW.LUKAS-KUEMMERLE.COM

MAIL: INFO@LUKAS-KUEMMERLE.COM