



THE KUEMMERLE REPORT



Published March 26th, 2023

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

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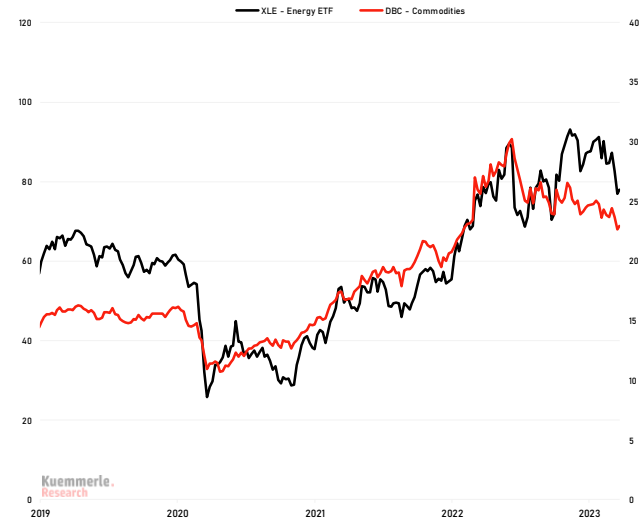
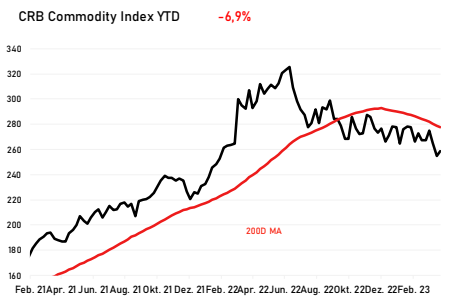
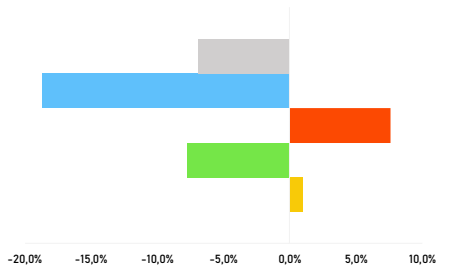
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Last Weeks Commodity Performance

YTD Performance Changes by **Kuemmerle Research**

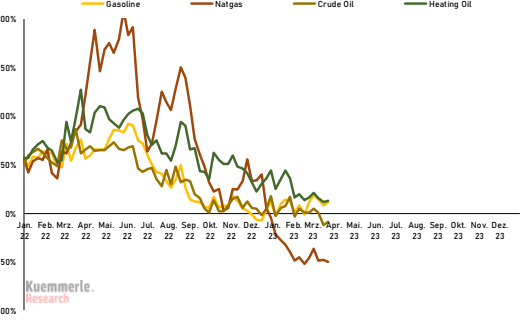
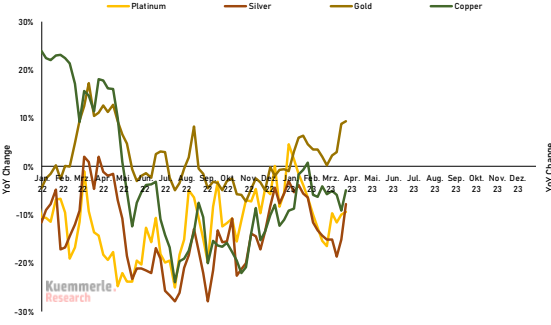
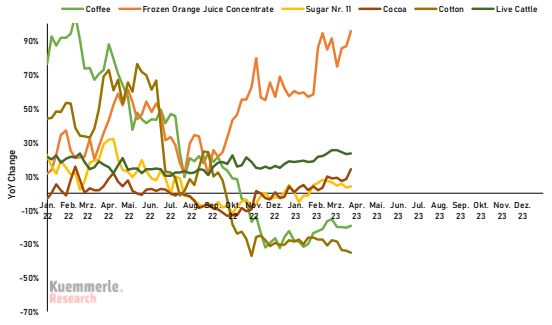
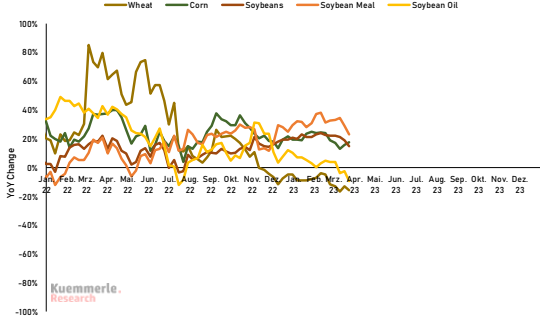
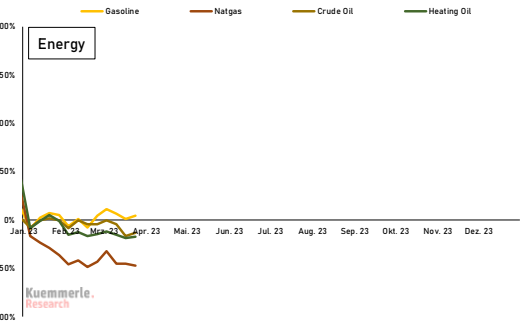
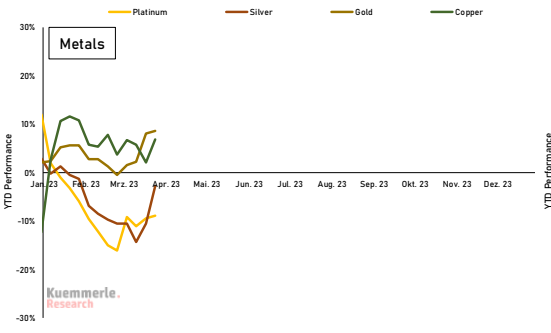
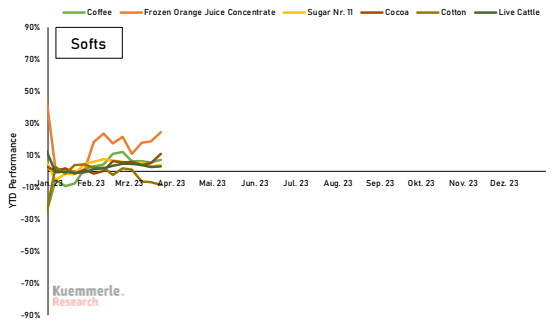
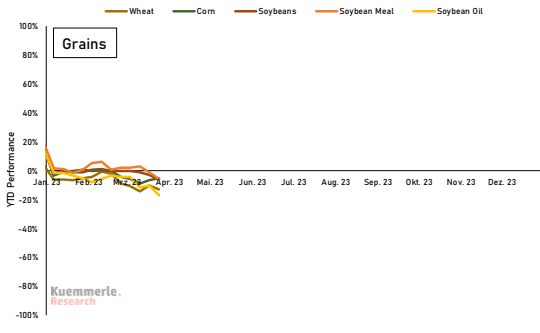


Energy	Metals	Grains	Softs	High Beta
Heating Oil: -17.8%	Gold: 8.6%	Soybean Oil: -16.9%	Coffee: 7.1%	Bitcoin: 63.6%
Natural Gas: -47.2%	Silver: -2.8%	Soybeans: -6.3%	Orange Juice: 24.4%	S&P500: 3.6%
Crude Oil: -13.7%	Platinum: -8.9%	Soybean Meal: -5.5%	Cocoa: 10.9%	VWOW EM ETF: 1.9%
Gasoline: 4.1%	Copper: 6.9%	Wheat: -13.1%	Sugar: 3.9%	
		Oats: 0.3%	Cotton: -8.2%	
		Corn: -5.2%	Live Cattle: 3.3%	

US Dollar Index	10Y Treasury Yield	10Y Break Inflation	10Y Realyield
102.77, -0.5%	3.38	2.22	1.16

Next week's top news events in the US:

- **CB Consumer Confidence on Tuesday**
- **Richmond Manufacturing Index on Tuesday**
- **Pending Home Sales on Wednesday**
- **Final GDP on Thursday**
- **Chinese PMI data on Friday**
- **Core PCE Price Index on Friday**



Weekly Comments

The banking crisis continues. Credit Suisse got bailed out fast, but new challenges become visible in the European and especially German banking sector now. It's way too early to declare this banking crisis over. The crisis trigger is not really comparable to 2008 - where MBS coupled with a negative economic environment pushed the world to the brink of the abyss. The current crisis is a result of long-term low interest rates and a then abruptly rising interest rate environment triggered by high inflation. When bank customers wanted to withdraw higher sums from their mostly regional banks, they had to sell bonds to get liquidity, even though loan rates in 2022 had fallen as never before. Thus, it came to problems. The winners of the current crisis - that's how it looks at the moment - will be the big banks. The big ones will probably become even bigger. We already saw that in large deposit inflows for example at JP Morgan or the merger between the UBS and Credit Suisse which is now one of the largest banks in the world.

Also important to note is that people tend to forget about the inflation dynamics around the world in midst of this evolving crisis which could be a costly mistake. We continue to keep a close eye on the topic – the latest actions by central banks around the world confirm the thesis of above-trend inflation for longer.

Meanwhile we continue to trade our book as usual and entered short positions at the beginning of the week in soybeans and soybean meal as well as a long position in 10Y Treasuries – as we announced last Sunday. Another big focus of ours stays on the soft commodity complex – in detail orange juice, cocoa and sugar where we patiently wait for fundamental confirmation to pull the trigger on the short side. We have introduced you guys to the setup before but will do it again once we get closer to a tradeable top.

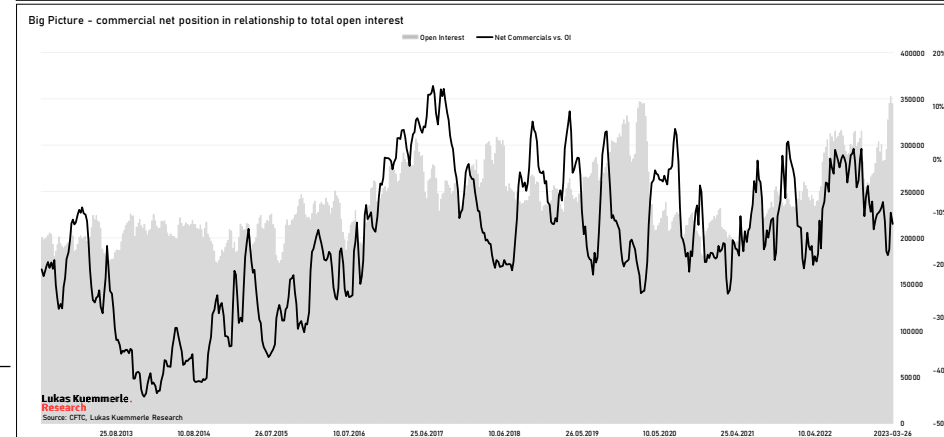
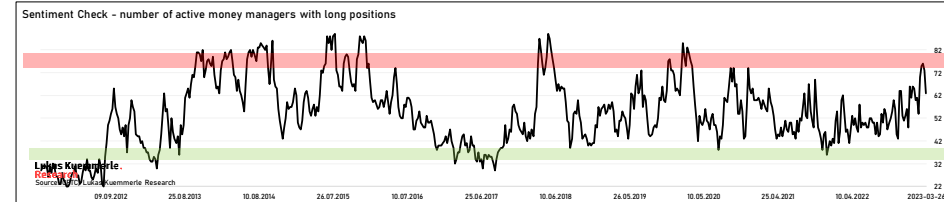
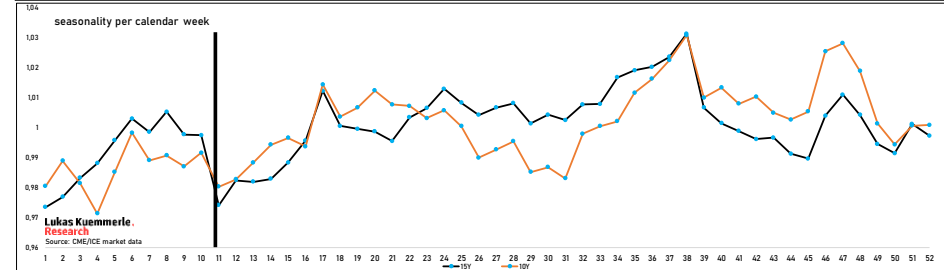
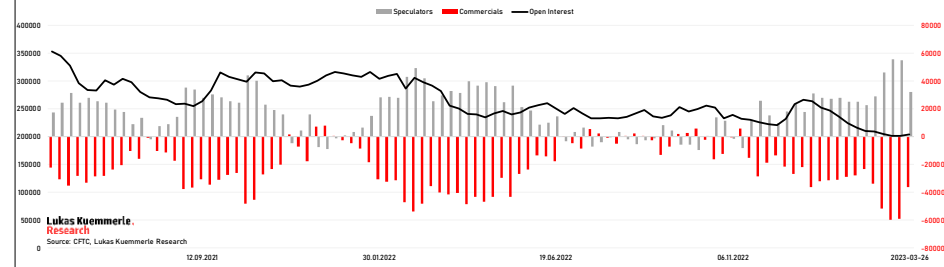
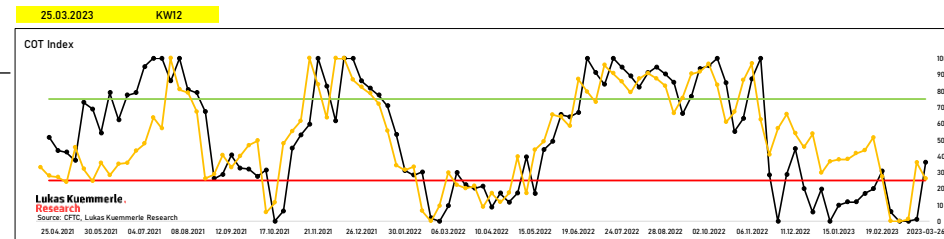
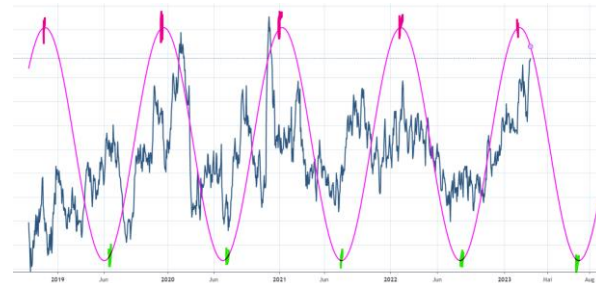
We expect economic momentum to decline further and to rebound towards Q3 of this year. We remain mainly interested in the short side of the market, as we see some markets where the washout of speculative positioning is not yet complete. Meanwhile, Henry Hub gas and wheat have become attractive again 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.](#)

Update on the Short Cocoa Setup

We updated the cocoa setup – we remain focused on the short side of the market and wait for another lower low and therefore confirmation to sell the soft commodity.

A monthly report from the International Cocoa Organization on Friday boosted prices after the report said cocoa exports from the Ivory Coast fell -9.3% y/y to 530,314 MT between October and January, citing "the detrimental effects of cocoa-related diseases like the Cocoa Swollen Shoot Virus Disease." **Nevertheless, the agency still expects global cocoa production to climb +4.1% y/y to 5.017 MMT. So, concerns about the quality of some West African cocoa crops have limited any major declines in cocoa so far. Any changes here will most likely drive prices going forward.**

The market continues to be range-bound. (here a simple cycle overlay on top of cocoa futures over the last 4 years) Nevertheless, we still wait for the 1Y Futures Spread to come down. Moreover, we need to see a significant break of the technical chart picture, as the uptrend remains very strong. Therefore, it could take some more weeks for this setup to play out.



Kuemmerle's Observations

The case for Gold

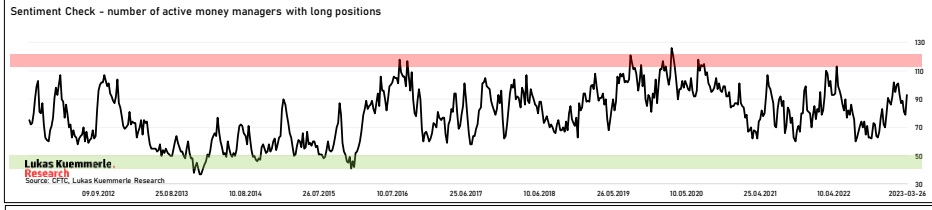
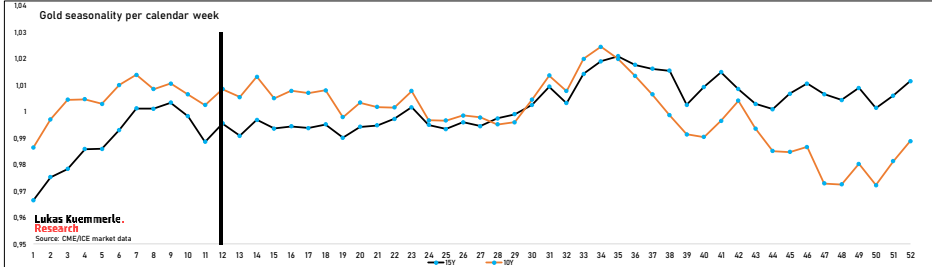
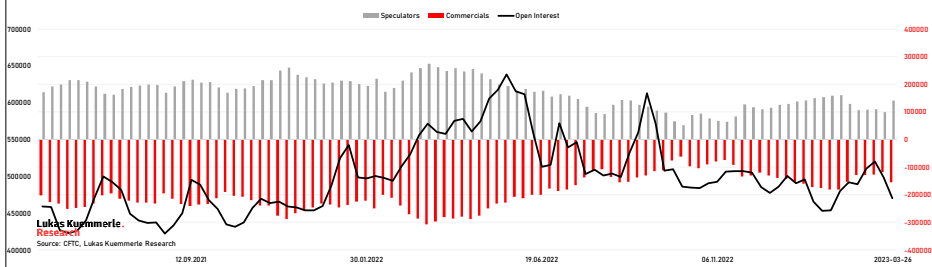
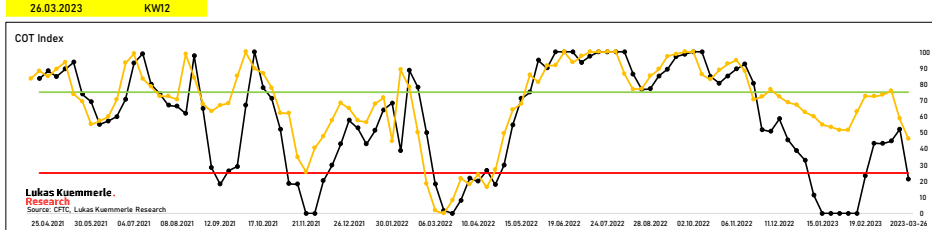
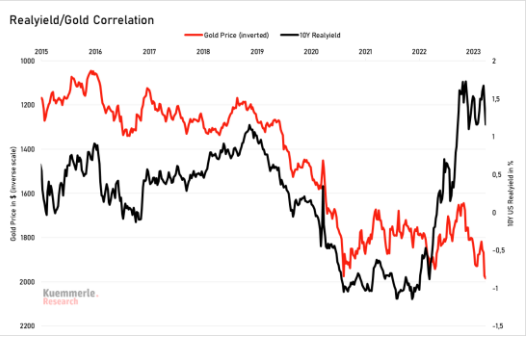
While there isn't a solid setup for gold according to our system – there is certainly the case for having larger gold exposure than normal during the current times. But also, the technical picture looks more like a larger downtrend to us – which needs to be broken first.

First of all, Realyields started to fall again – which is the most important single indicator for gold. While the banking crisis continues, and the FED has to step on the brakes (in one way or the other) Realyields are likely to continue to sink and provide a solid tailwind for the yellow metal.

On the other hand, we have the USD as another important parameter. Here we're a bit divided about the path as the banking crisis could lead to more demand for USD-liquidity even while the important terms of trade model has peaked in November of 2022.

From a cycle perspective we entered a mid-term bullish window for gold, but keep in mind that the short-term outlook is bearish.

This fits to the CoT/positioning data we observe. From this side a long setup isn't confirmed. The data currently says, "look out for lower lows".



Something has changed in the liquidity landscape - BUT

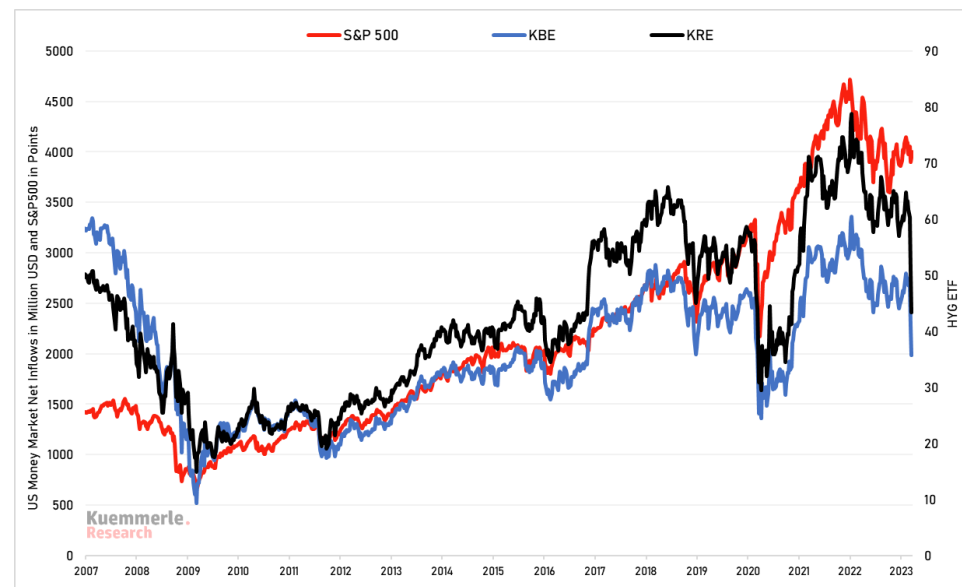
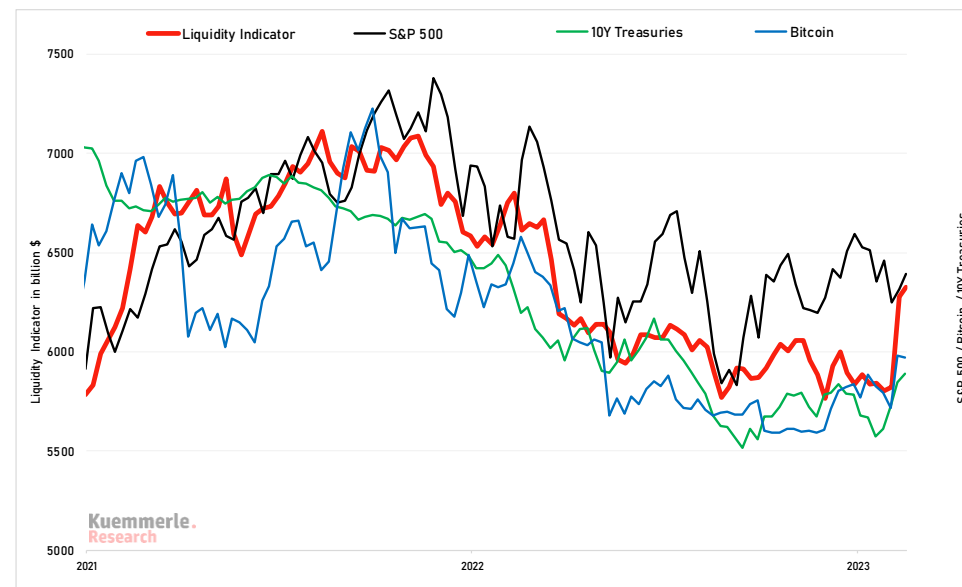
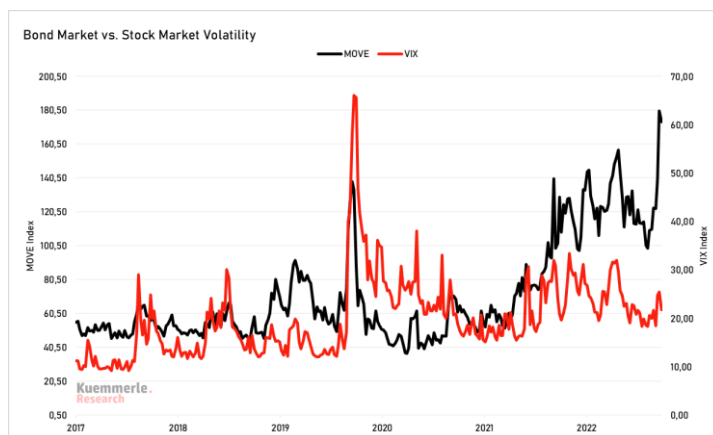
Those developments provide in our opinion at least short-term bullish tailwind for treasuries, equity prices as well as high-beta risk asset prices like bitcoin.

Currently the FED is taking a lot of bonds as collateral to help the banking system. Therefore, the balance sheet of the central bank is increasing again. Important to highlight is that those collateral bonds are designed to be only temporary as the banks will pay of the loans given by the central bank again. (at least that is the plan at the moment) Therefore its not the classic bond buying program we see over 2020 and 2021.

In its approach to help banks to overcome the liquidity crisis, the FED just reversed 11 months of QT in less than 2 weeks. Some people don't like to call it QE but if the added liquidity injections are bigger than the tightening measures (which are still in place – the FED continues to shred 100bn worth of bonds of the balance sheet) than this helps risk assets.

Nevertheless, we stay away from risk assets for now and “only” buy bonds (we highlighted why in detail in several reports) also because of this liquidity correlation. Meanwhile we think that there will be more trouble ahead for equities mid-term. During almost every economic cycle we first saw bonds bottoming out, followed by stock and later by commodities. While we think the bottom for bonds is in – we're not convinced the same can be said for stocks or commodities.

Usually there is not such a big divergence between the banking sector and the overall market. For now, there still is one. We see the danger that this divergence will resolve in form of even lower equity prices over the next few months – a last major washout before a new economic cycle begins during Q3/Q4 of 2023. Also keep in mind the major divergence between the stock market and the bond market volatility.



Portfolio Update

Our Trading Book

(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:

- **3/5 contracts Short** Cocoa @2729USD, SL @2805USD (implemented on 09.03.23)
- **Short** Copper @4,00USD, SL @4,20USD (implemented on 27.02.23) – SL now @ breakeven

Still Active:

- **Short Soybeans** (implemented on 21.03.23) @1,479 , SL@1,500, already closed one @1,450 and put breakeven
- **Short Soybean Meal** (implemented on 21.03.23) @465, SL@485, already closed one @439 and put breakeven
- **Long 10Y Treasuries (ZN)** (implemented on 21.03.23) @115'01, SL@113'27

Markets we're waiting for corrections to implement positions

- *Short Orange Juice*
- *Short Sugar No. 11*
- *Short Cocoa*

CoT data is now complete again – the CFTC provided all missing data

This week

In which direction we trade markets at the moment	
Crude Oil	buy higher highs
Gasoline	buy higher highs
Natural Gas	neutral
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	neutral
Cotton	buy higher highs
Sugar	sell lower lows
Cocoa	sell lower lows
Copper	sell lower lows
Gold	sell lower lows
Bitcoin	neutral
S&P 500	neutral
10Y Treasuries	buy higher highs
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	\$ 96.836

YTD Performance Kuemmerle	-3,2%
YTD Performane CRB Index	-6,9%

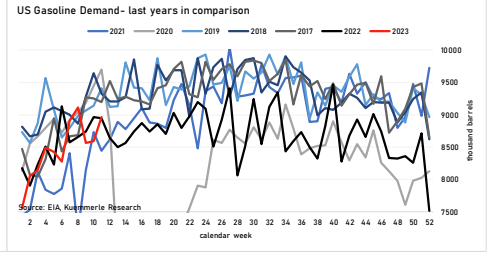
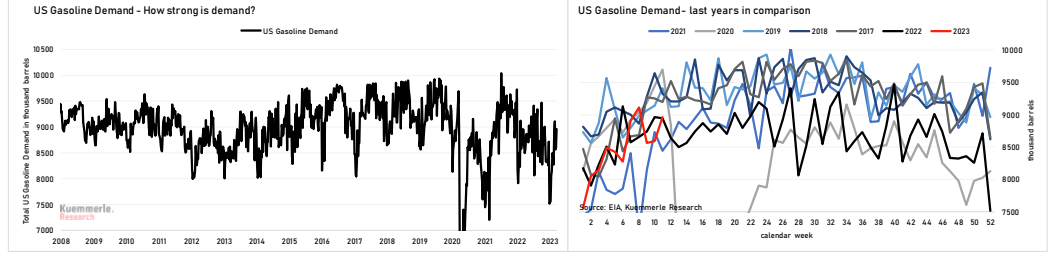
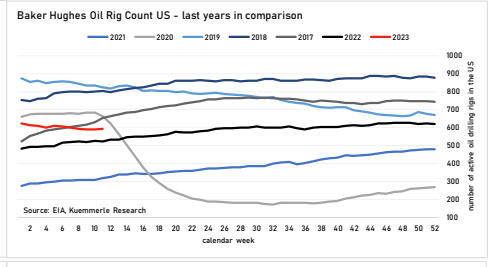
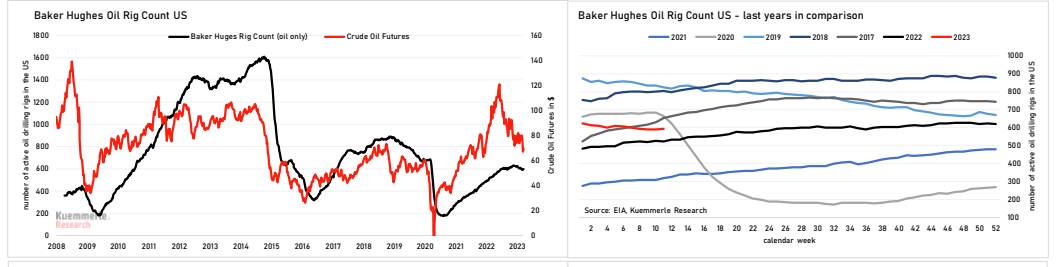
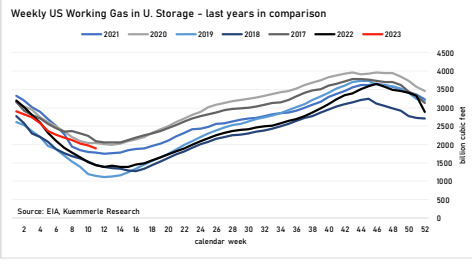
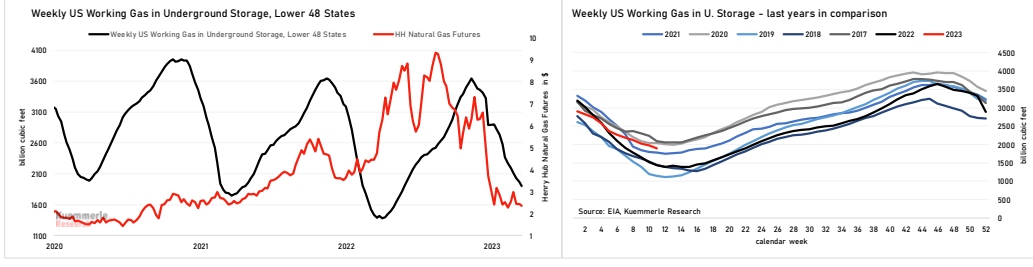
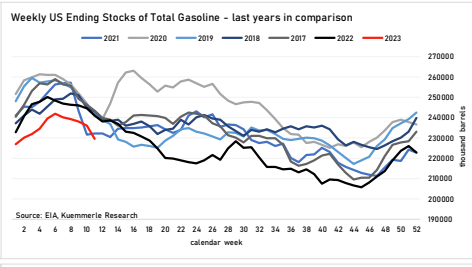
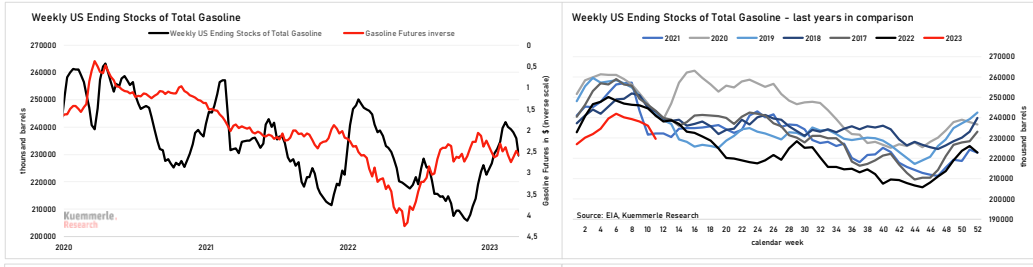
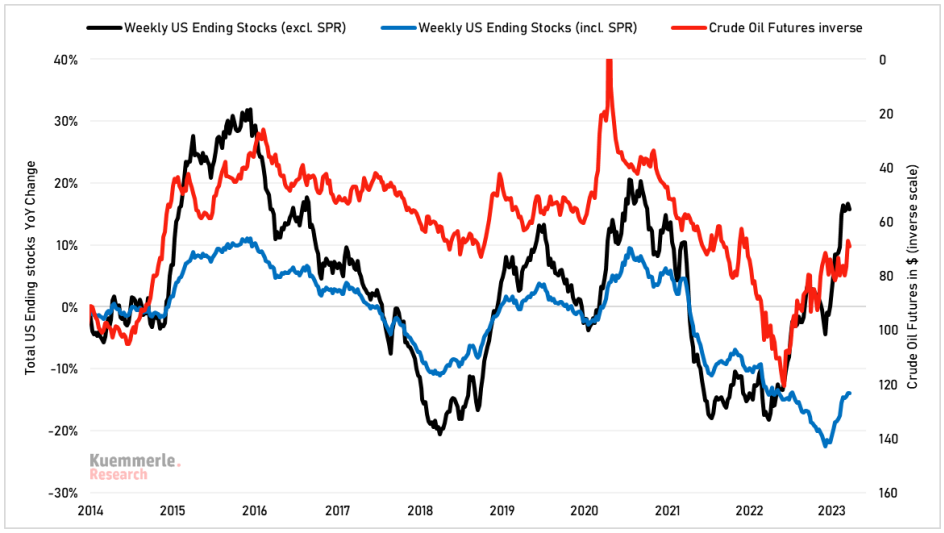
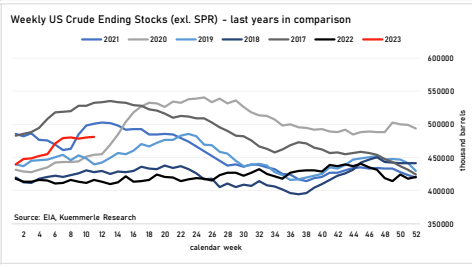
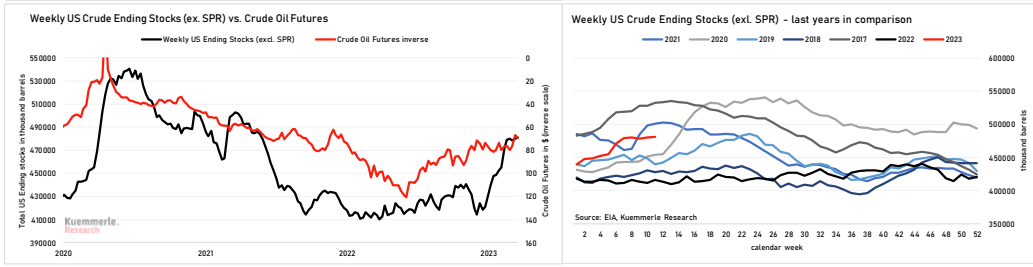
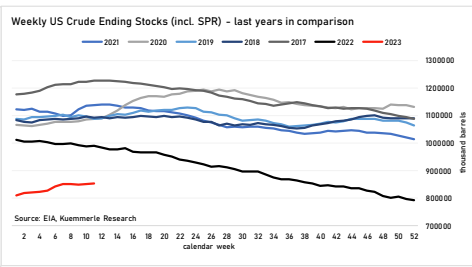
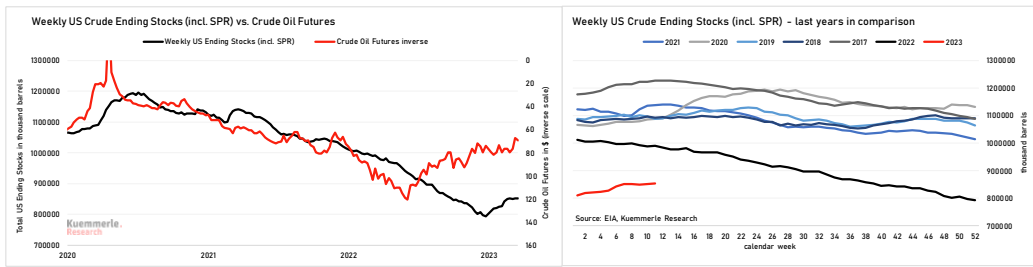
open trade

Date	Instrument	Long/Short	Contracts	\$ Value/point	Entry Price	S/L	SL in \$	\$ PL trade total
21.03.2023	ZS Mini	Short	3	\$ 1.000	1,479	1,5	\$ -3.150	\$ 1.450
21.03.2023	ZM	Short	2	\$ 100	465	485	\$ -4.000	\$ 2.600
21.03.2023	ZN	Long	2	\$ 1.000	115,01	113,27	\$ -2.375	
09.03.2023	CC	Short	5	\$ 10	2729	2805	\$ -3.800	\$ -1.900
28.02.2023	NG Mini	Long	4	\$ 2.500	2,77	2,41	\$ -3.600	\$ -1.800
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	\$ -5.578
22.12.2022	ZL	Short	1	\$ 6.000	6,454	6,7	\$ -1.476	\$ 2.064
18.11.2022	ZL	Short	2	\$ 6.000	7,035	7,476	\$ -5.292	\$ 5.424
11.11.2022	ZN	Long	2	\$ 1.000	112,07	110,12	\$ -3.900	\$ -
12.10.2022	KC	Short	2	\$ 375	209,9	219	\$ -6.825	\$ 33.675

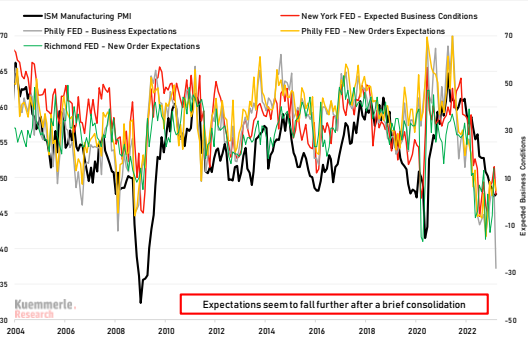
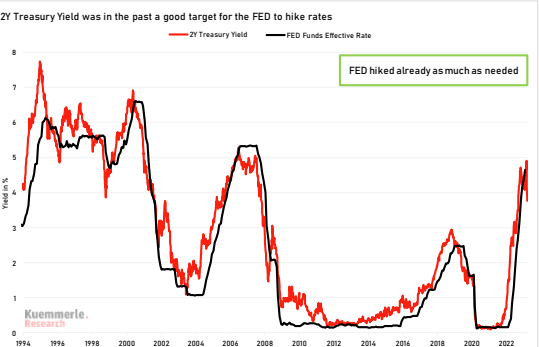
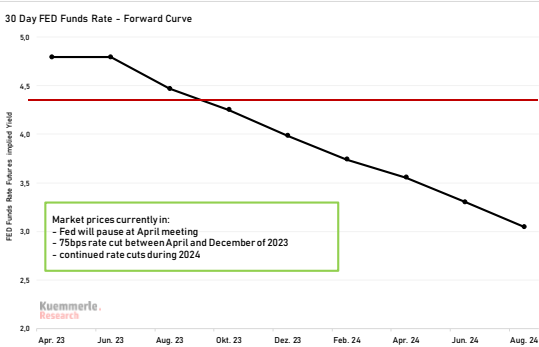
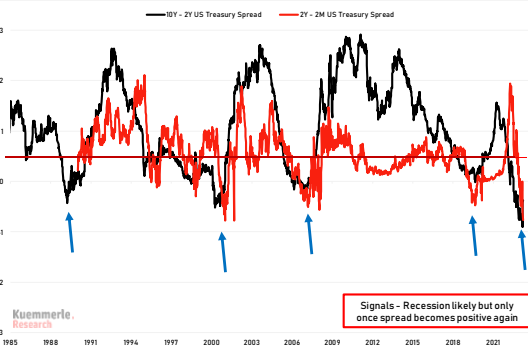
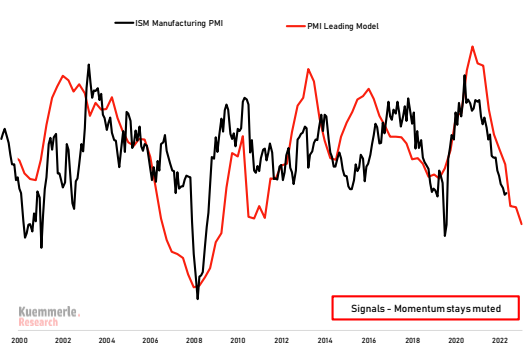
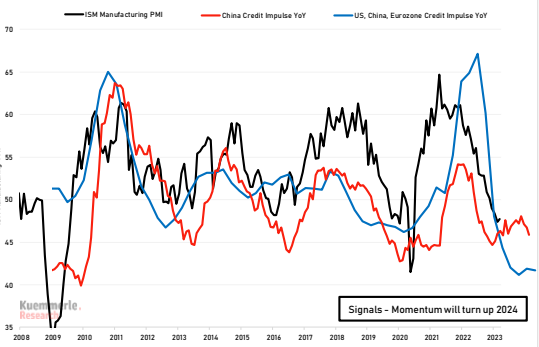
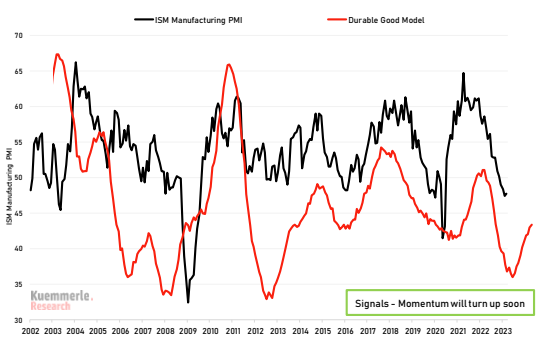
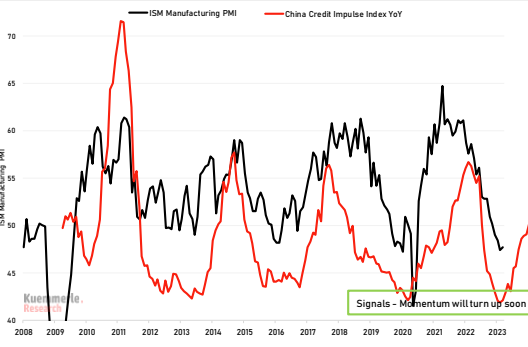
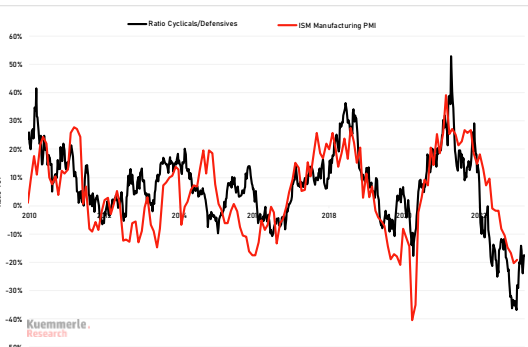
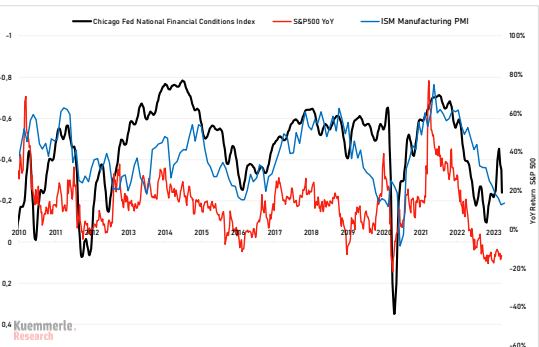
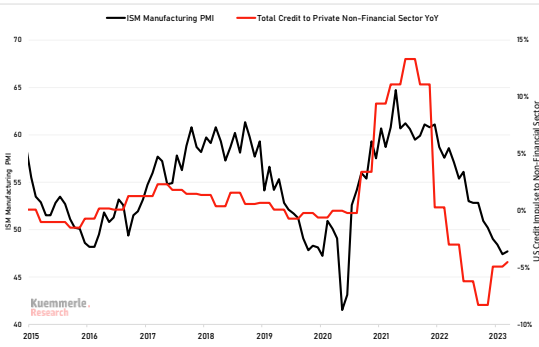
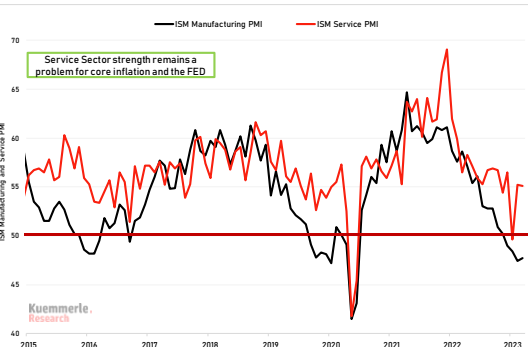
Important Charts and Correlations

Weekly & Monthly Updates that highlight the fundamental environment

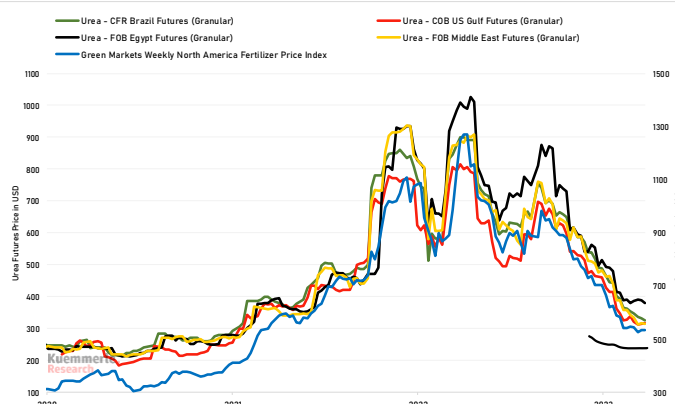
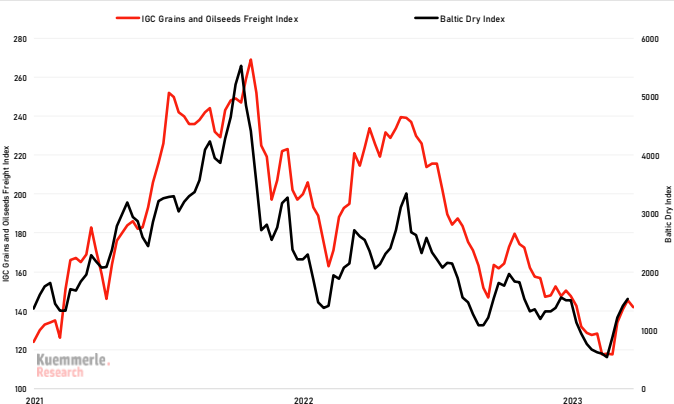
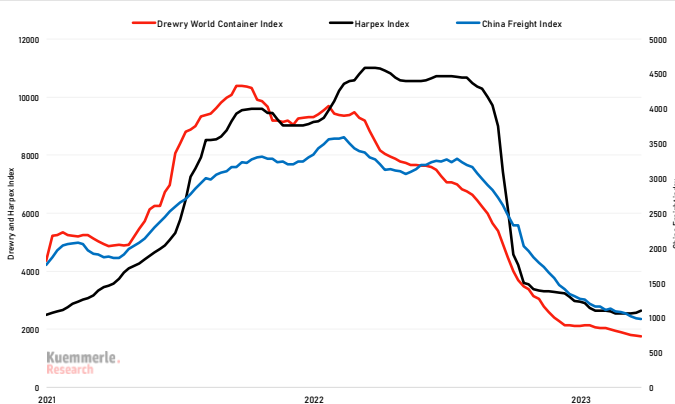
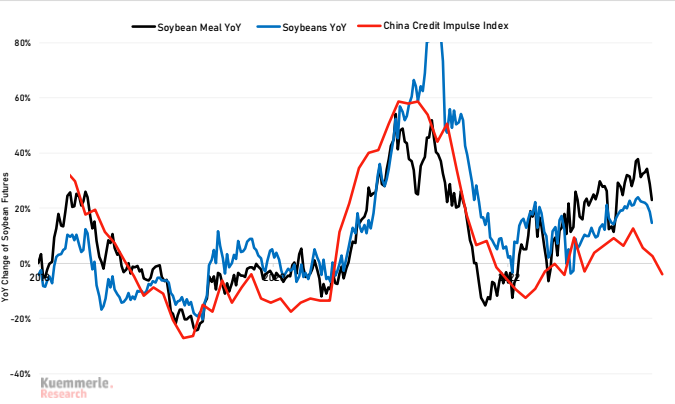
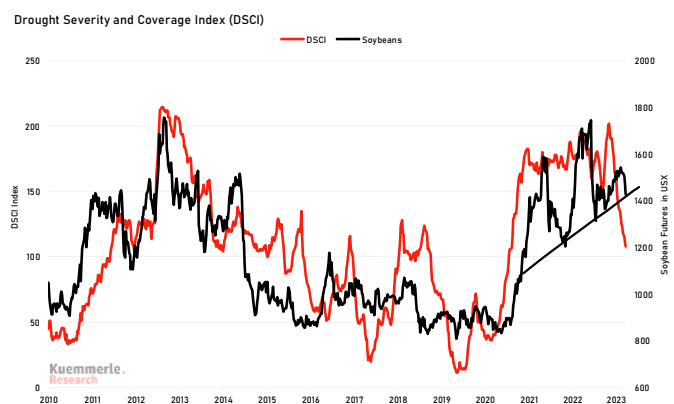
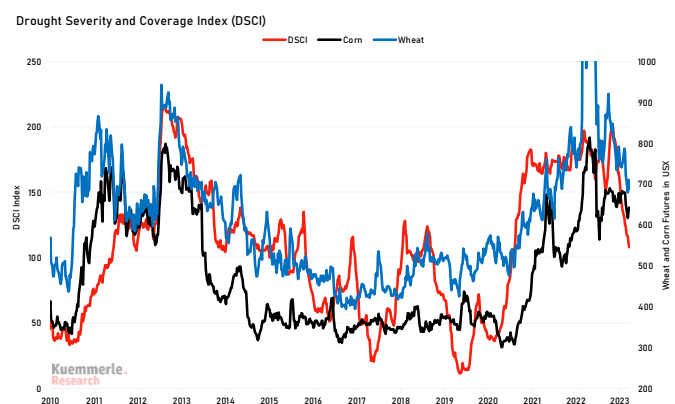
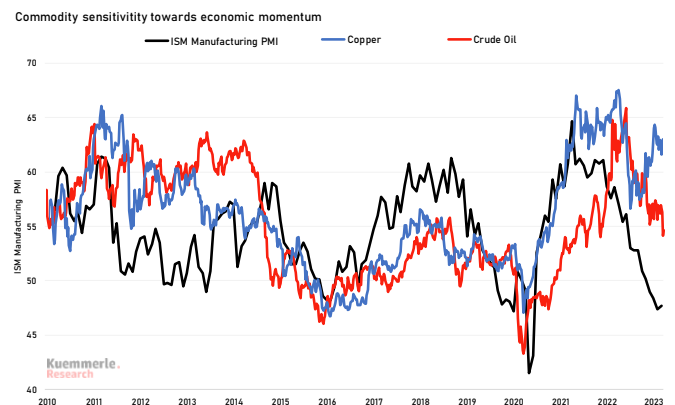
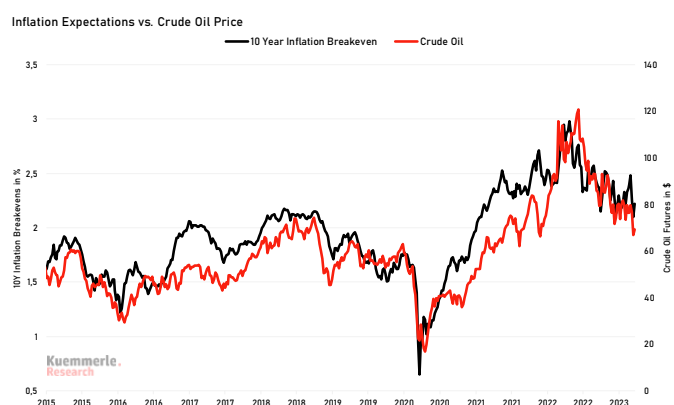
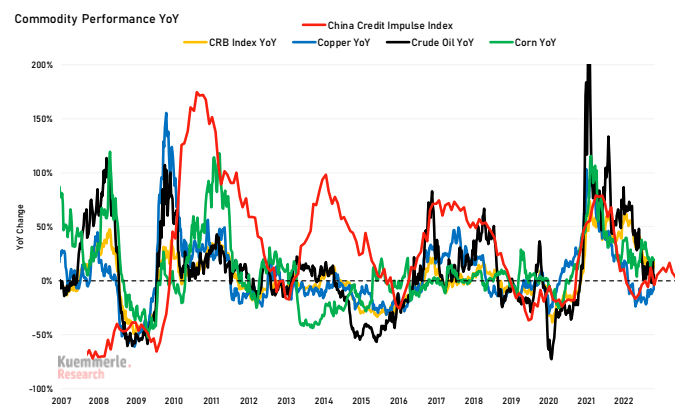
Energy Inventories



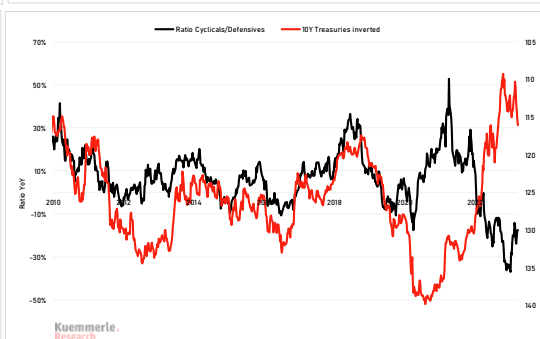
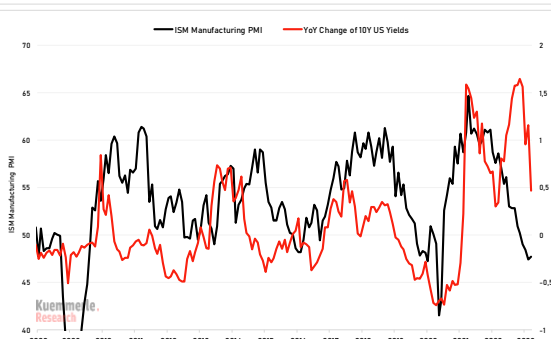
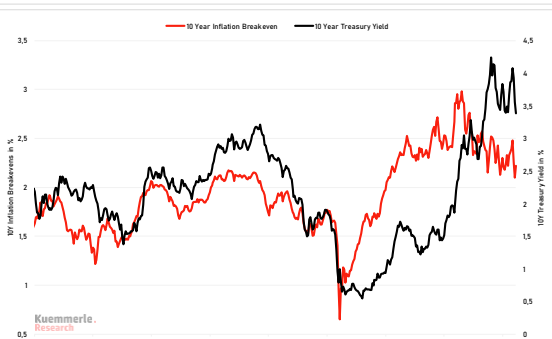
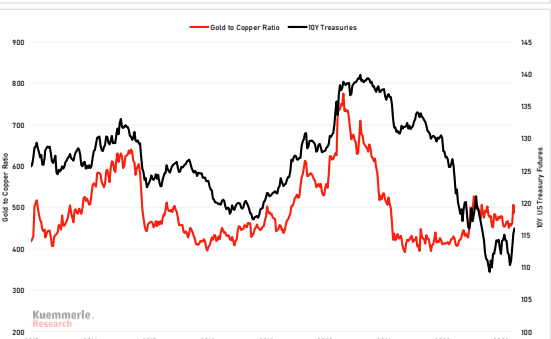
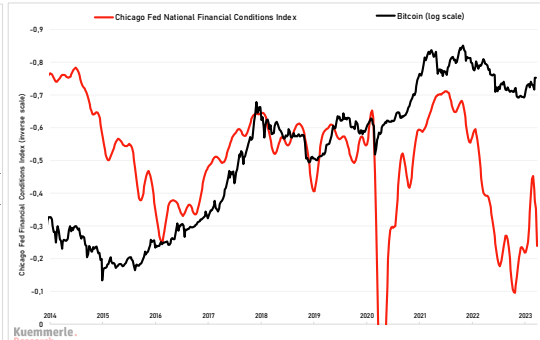
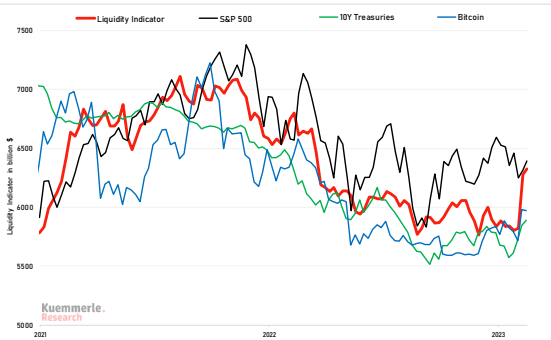
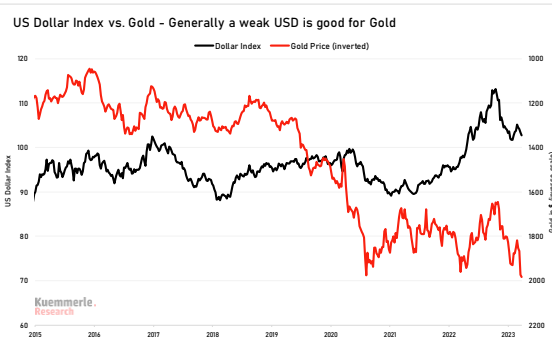
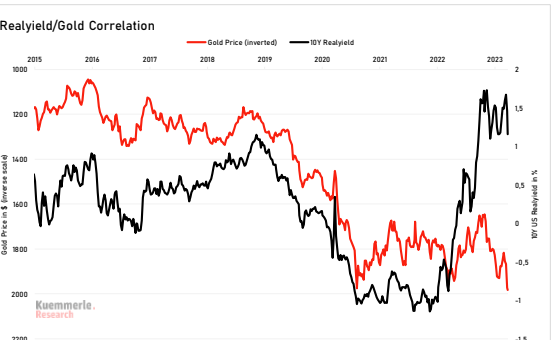
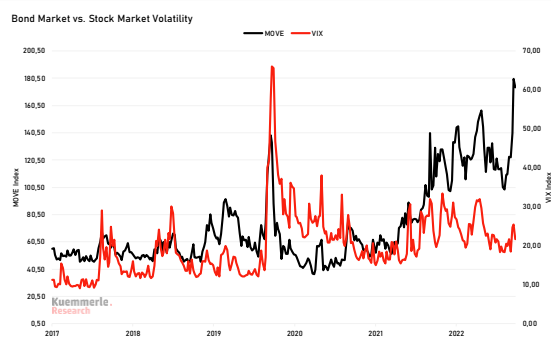
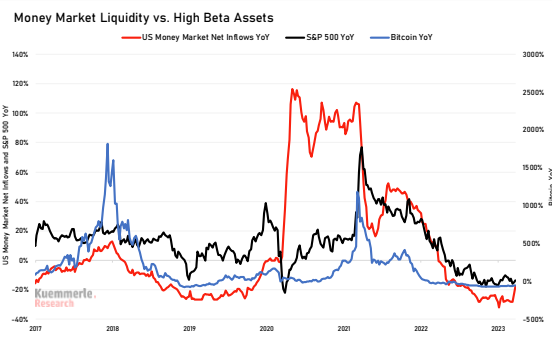
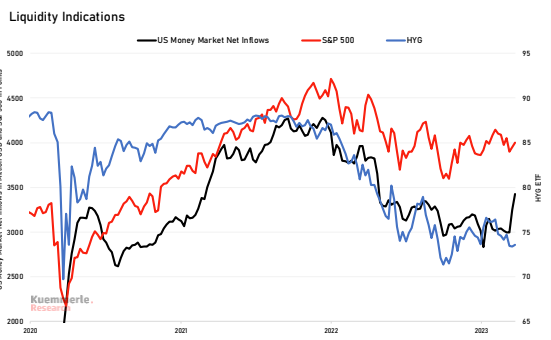
Macro Picture – Economic Momentum



Macro Picture – Commodity Linked

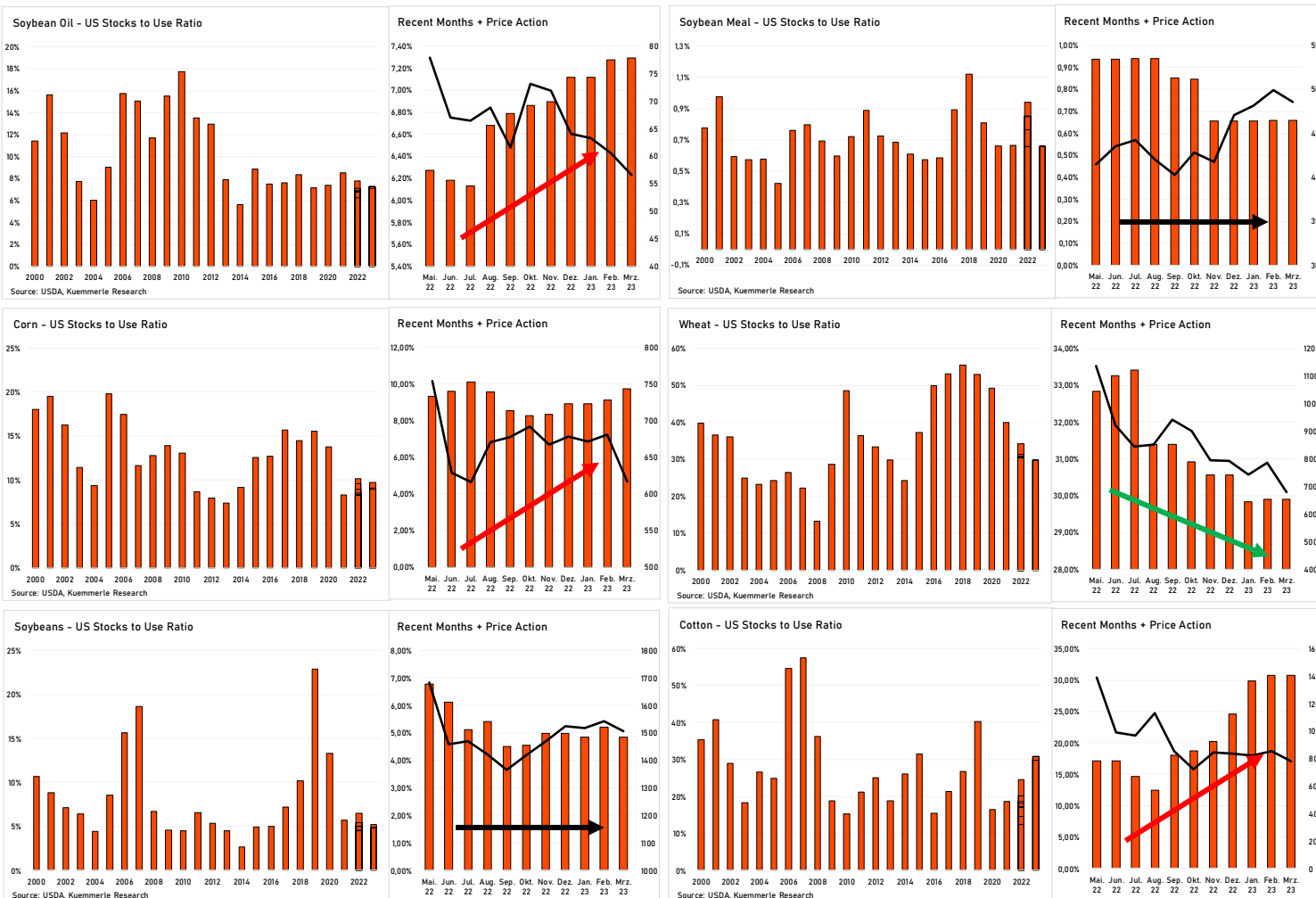


Macro Picture – Bonds/High-Beta/Gold



Stocks to Use Ratio// March 2023

The surprise in this month's WASDE Report was a downside surprise in the harvest forecast of corn and soybeans in Argentina.



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

- soybeans:** slightly lower - overall ratio stays at the same level for months - no good indication
- soybean oil:** another month up, 8th month in a row - shows that demand stays suppressed
- soybean meal:** unchanged – we wait o see a higher ratio to confirm a short trade
- corn:** higher again – confirms the view of lower prices
- wheat:** unchanged - but overall ratio remains low - divergence to price action visible
- cotton:** unchanged - demand stays depressed
- sugar:** 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

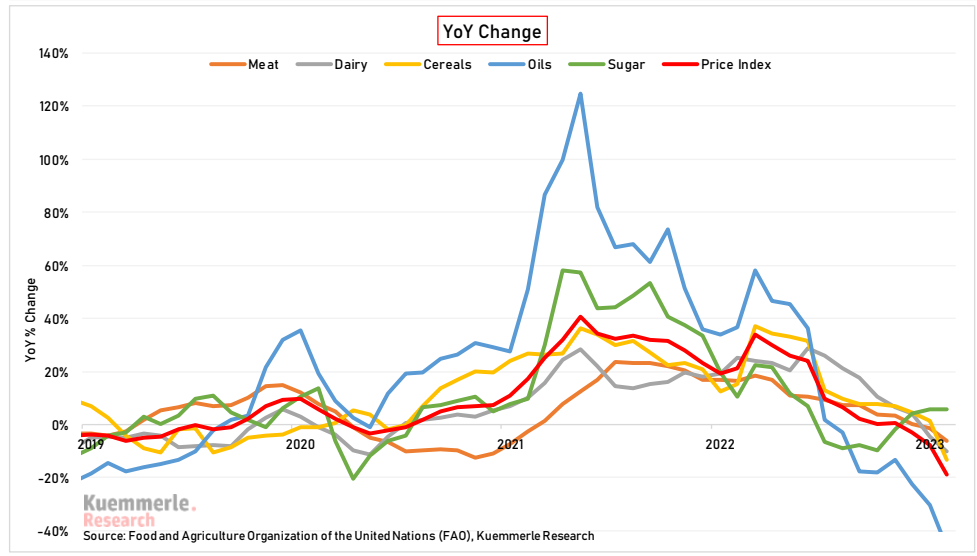
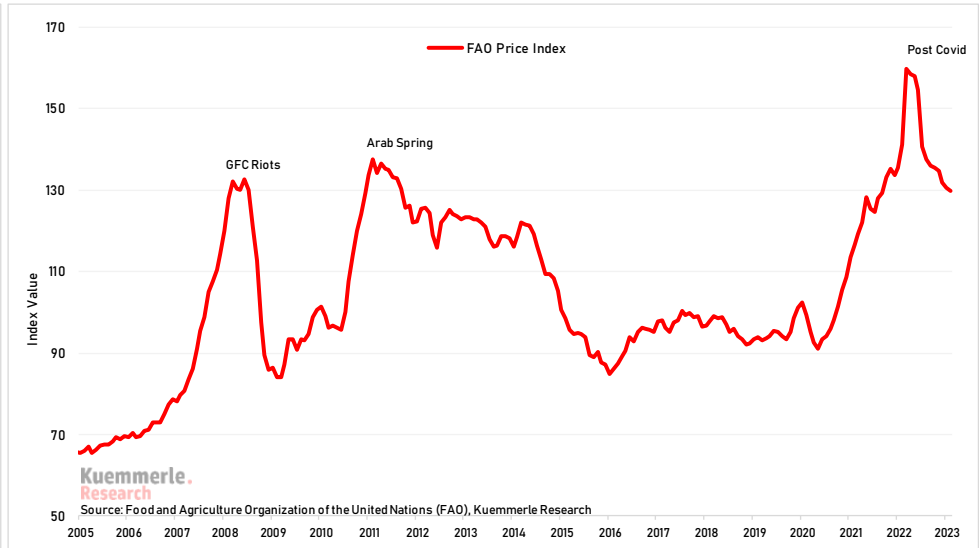
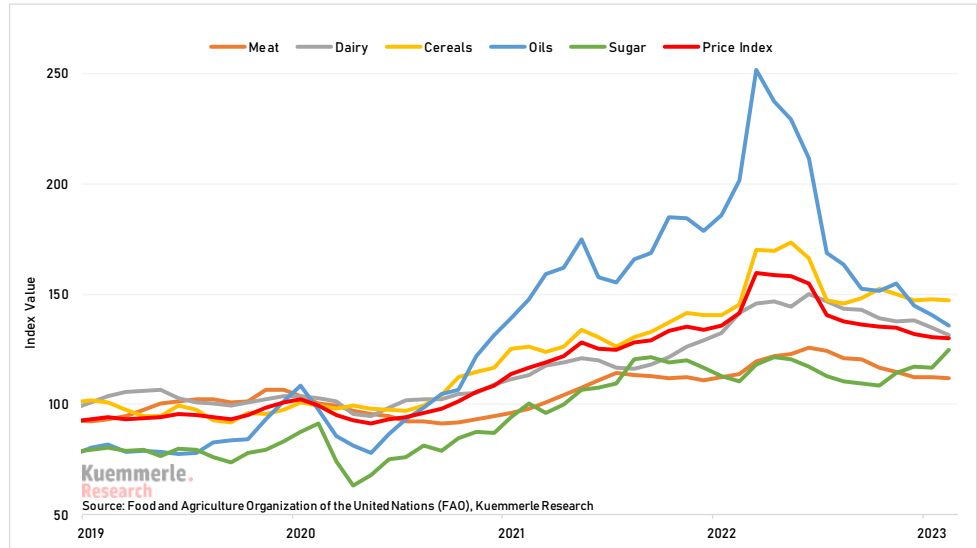
Ratio is trending **higher** over the last months

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

Ratio is **unchanged** over the last months

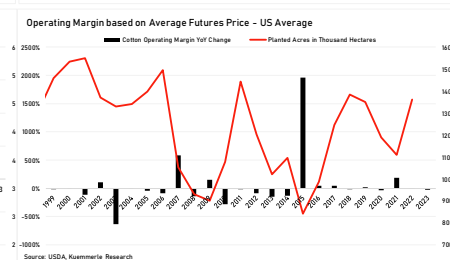
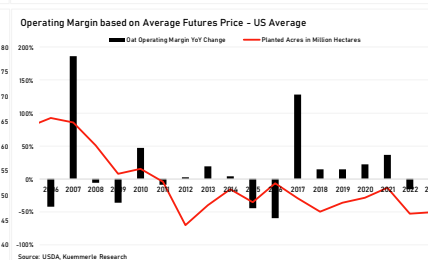
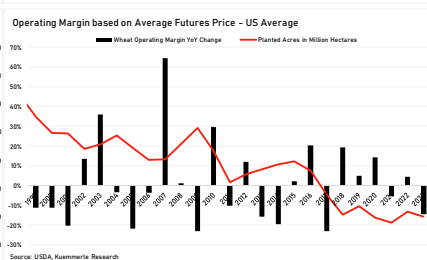
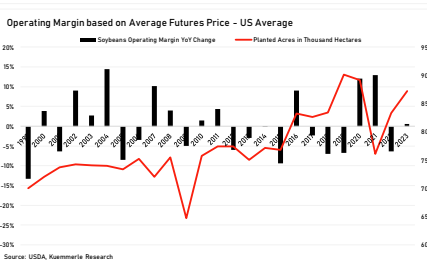
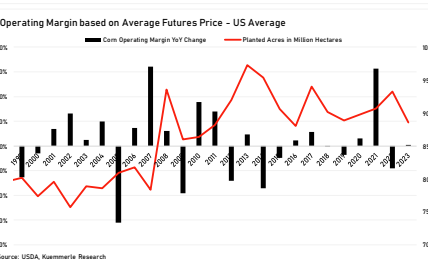
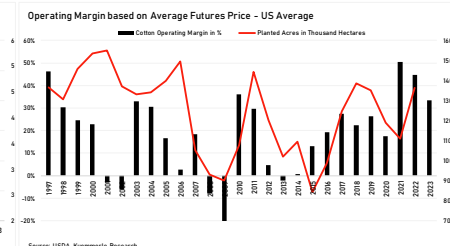
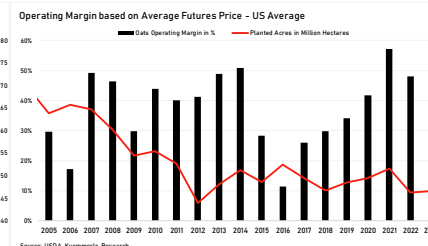
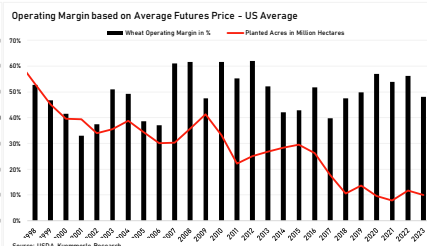
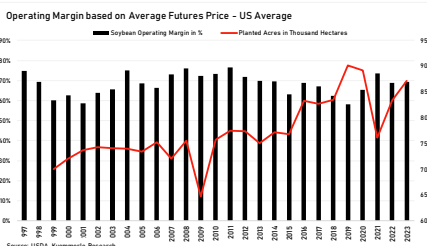
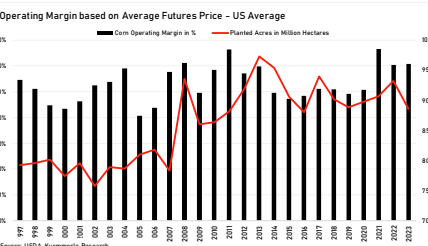
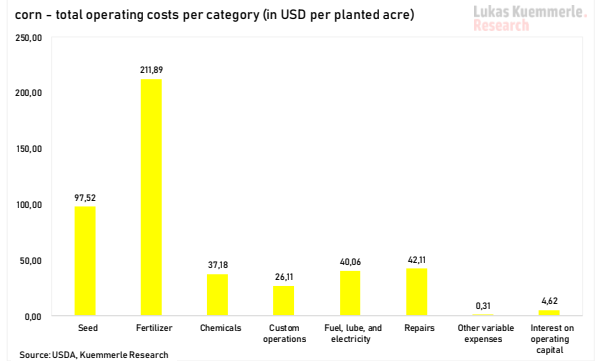
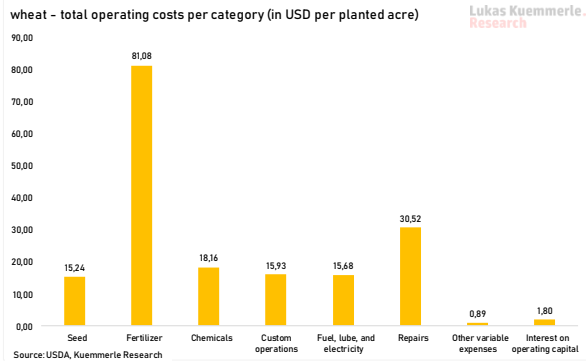
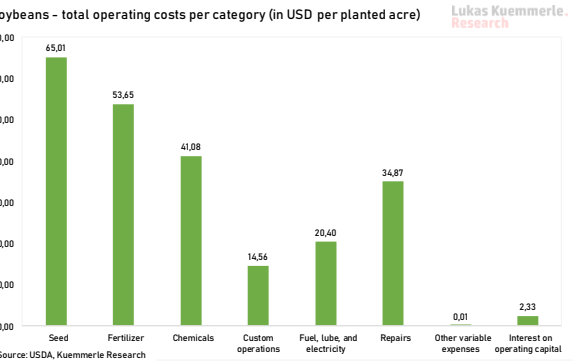
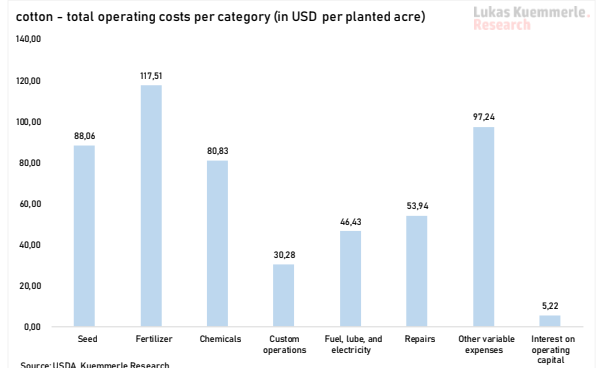
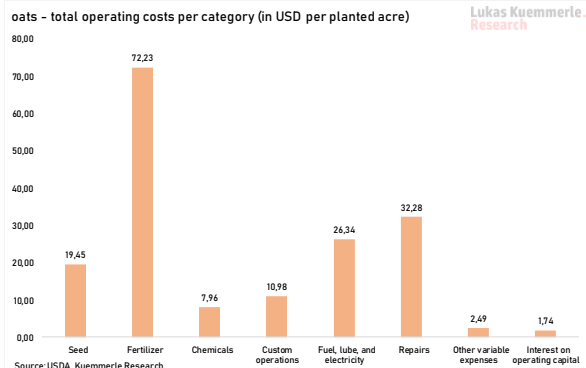
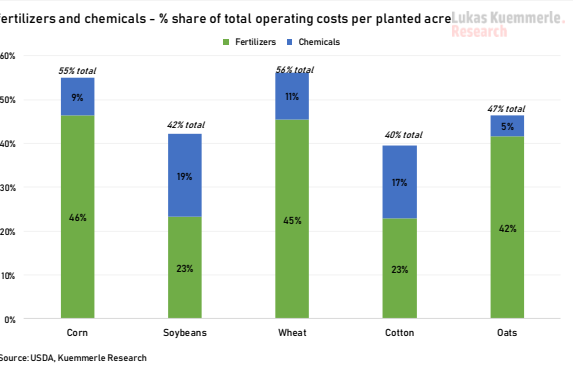
FAO Food Price Development // March 2023

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%

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





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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