

DITSCH TRADING

May 2022 Monthly Commentary

There are entirely too many crosswinds in our Ag markets right now to have any concrete fundamentally strong views at this time, in my opinion. The last time the market felt like this to me was during the US/China trade war. During that time, markets bounced around in huge daily ranges based on the last tweet or headline. I feel we are repeating that now in a lot of ways, with the Russia/Ukraine war driving the most headlines for markets to overreact to in the near-term.

Let's look at the setup. The US crop is off to a solid start and weather has been mostly non-threatening so far, but it is very early in the growing season and we did likely lose some acreage in the northern plains. Grain exports from Ukraine and Russia are expected to decline, but that hasn't necessarily led to any dramatic increase in US business just yet. US cash markets are very firm in corn, beans, meal and oil, but spreads have been backing off despite this strength as market length is rolled from the nearby July out to new crop positions.

In addition to the general statements above, the market has considerable uncertainty coming later this month in the stocks and acreage reports. As mentioned above, I do think we have lost some overall acreage. Macro markets add to the daily volatility, such as strong energy markets, but with wild short-term swings. Ag futures are high historically, but it is difficult to justify a stance that they need to drop given all of this uncertainty.

The bottom line this month is that markets are in a near-term state of confusion with fundamentals seemingly priced in enough to keep markets within their recent ranges for the time being, but it doesn't seem as if the big daily volatility reacting to the latest headlines is going away any time soon. I'd prefer to keep positions small rather than play headline bingo with no edge. Focus will be on the analytical side to monitor for changes and determine where the next opportunity will lie.

Regards,



Mark Ditsch

June 7, 2022

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