

DITSCH TRADING

June 2022 Monthly Commentary


I wrote last month that the crosswinds in the ag markets were making trading with any confidence very difficult. I will say today that these crosswinds are even more prevalent, leaving us with even less confidence regarding any fundamentally strong views. In June, markets pushed to or near new highs early in the month, only to set back significantly later in the month. The macro influences have produced volatile daily and weekly swings, often without much tied to the fundamental value of ag commodities. When this happens, it becomes very difficult to define value. Markets continue to play headline bingo, violently reacting and overreacting to the latest headline – everybody in or everybody out.

So with that being said, I still think it is a good time to keep positions small, focus on the analysis, and wait for the opportunity to move in with more confidence at a later point in time. I honestly do not know when or what that opportunity will be. Macro markets have moved from worries about rampant inflation to more concerns that we are moving into a recession. The US Fed has made it clear that fighting inflation will be their primary focus. This actual and verbal tightening has spooked equity and commodity markets. Energies remain firm, but that has not done much positive for the ag markets. Speculative interests have been caught long and wrong at least for the time being. The US dollar is firm and that has resulted in increased farmer selling from other countries, particularly Brazil. The US farmer seems undersold. Now, on top of the macro influences, US weather has turned quite non-threatening. All of this has resulted to a significant break in ag futures.

The question now is whether we are moving into a further bear market or if prices have over responded to the downside – just as they did to the upside earlier in June. As mentioned above – my confidence level is low in calling for either at this time. We have lost some acreage in the US, particularly in soybeans, where USDA cut their acreage estimate considerably. US and world stocks can still be tight for all commodities with a trend crop, but much depends on Chinese demand and Ukraine/Russia ability to supply grains for export. It still feels like a wait and see situation to me, but it also feels as if buying a further dip in a controlled way could make some sense.

Markets remain in a state of confusion. Nobody seems to have much confidence in terms of value. I will continue to keep positions small with so many crosswinds and no real edge.

Regards,



Mark Ditsch

July 5, 2022

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