

MORNING BULLS & BEARS



Friday, June 11, 2021

Upcoming Reports

Commitments of Traders –Friday, 2:30 pm

Indices and Futures

Index	Last	Change
Dow Fut	34,558	+0.28%
S&P Fut	4,246	+0.19%
Nasdaq Fut	13,975	+0.11%
Nikkei	29,046	+0.25%
FTSE100	7,133	+0.71%
DAX	15,659	+0.50%
Shanghai	5,225	-0.89%

Macro News

U.S. budget deficit grew to a record \$2.1 trillion during the first eight months of the fiscal year. The government’s spending surge has propelled a rapid recovery from the pandemic-induced economic slump while also helping send the federal debt as a proportion of the economy soaring to levels not seen since the end of World War II.

The U.S. economy’s rebound from the pandemic is driving the biggest surge in inflation in nearly 13 years, with consumer prices rising in May by 5% from a year ago. The Labor Department said last month’s increase in the consumer-price index was the largest since August 2008, when the reading rose 5.4%. The core-price index, which excludes the often-volatile categories of food and energy, jumped 3.8% in May from the year before—the largest increase for that reading since June 1992. May’s jump in prices extends a trend that accelerated this spring amid widespread Covid-19 vaccinations, relaxed business restrictions, trillions of dollars in federal pandemic relief programs and ample household savings—all of which have stoked demand for Americans to spend and travel more. Overall prices jumped at a 9.7% annualized rate over the three months ended in May. On a month-to-month basis, overall prices rose a seasonally adjusted 0.6% and core prices rose 0.7%. The Fed expects the inflation rate to rise temporarily this year. A sustained, large increase in inflation could compel the central bank to tighten its easy-money policies earlier than it had planned, or to react more aggressively later, to achieve its 2% average inflation goal.

Grain News

T-Storm Weather Summary: Our forecast is similar, while GFS and European model outputs wobble with unlikely scenarios in 10 to 15 days. The most likely scenario is for very warm and hot weather to ease in the Corn Belt Mon.-Tue., followed by a puff of heat Wed.-Thu., and then a larger and stronger cool-off for several days across a wide area starting next Thu.-Sat. T-storms will have affected ~25% of U.S corn and soybeans over the 24 hours ending tonight, after which a dry period follows / continues until minor rainfall within the central U.S. when the cool front passes June 17-19. Confidence remains only low to moderate, but a much warmer period is probable to unfold for June 21-27 as upper-level high pressure forms in the south with only mixed (not heavy) rainfall as some energies pass.

Mills in Brazil’s center-south produced a record-high 2.62 MMT of sugar the second half of May, topping market expectations and surpassing year-ago by 2.6%, according to the industry group Unica. Ethanol production (including corn-derived) climbed 9.1% to 1.98 billion liters. Nicolle Monteiro de Castro, S&P Global Platts senior price specialist, says the rise in sugar production “can be mostly attributed to the strong dry weather in the CS region, which has been converted in an increased recoverable sugar.” Anhydrous ethanol production surged 47%, with mills working to lay to rest the possibility of any cuts to ethanol in fuel blends.

Americans are going to drive this summer like the pandemic never happened, if U.S. ethanol production is any gauge. Output rose last week to the highest level since February 2020, which was shortly before U.S. shelter-in-place orders began. The boost in production is going to help when consumers start hitting the road during the upcoming vacation season, according to Renewable Fuels Association President Geoff Cooper. Ethanol production should remain strong as makers of the biofuel “try to catch up to where demand feels like it is moving,” Cooper said in an interview.

Faced with mounting pressure from labor unions and lawmakers from his home state, President Joe Biden is considering ways relieve U.S. oil refiners of their blending mandates under the Renewable Fuel Standard, according to an exclusive report from Reuters. In recent weeks, Democratic senators Chris Coons and Tom Carper of Delaware have held at least two discussions on the matter with Michael Regan, head of EPA, according to the three sources cited by Reuters. At these meetings, Regan and the lawmakers discussed options like a nationwide general waiver exempting the refining industry from some obligations, lowering the amount of renewable fuel refiners must blend in the future, creating a price cap on compliance credits and issuing an emergency declaration, according to two of the sources. Nick Conger, an EPA spokesperson, confirmed Regan met with the lawmakers, but did not comment on the discussions.

Mexico is holding up import permits for GMO corn, the head of the country’s main farm lobby told Reuters, saying the government intended to apply a GMO ban to the grain used in animal feed despite contrasting comments by a top U.S. official. In an interview, National Farm Council President Juan Cortina said among hundreds of agricultural product import permits awaiting a resolution are at least eight for genetically-modified corn even though the ban is not set to go into effect for three years.

Yesterday, USDA’s Natural Resources Conservation Service announced it will offer \$41.8 million through the Environmental Quality Incentives Program (EQIP) to help ag producers in Arizona, California, Colorado and Oregon ease the immediate impact of drought and other natural resource challenges on working lands. NRCS will make this funding available through the EQIP’s new Conservation Incentive Contracts. Signup is underway and NRCS will accept applications through July 12, 2021. These 5- to 10-year contracts “address high-priority conservation and natural resources concerns, including drought.”

The Sioux Falls chapter of the United Food and Commercial Workers reached a tentative agreement with Smithfield Foods on a four-year contract for union employees. Members will vote on the proposed contract next week. Workers had threatened to strike if contract negotiations fell through. The Sioux Falls facility produces nearly 5% of U.S. pork.

24-Hour Precipitation Map

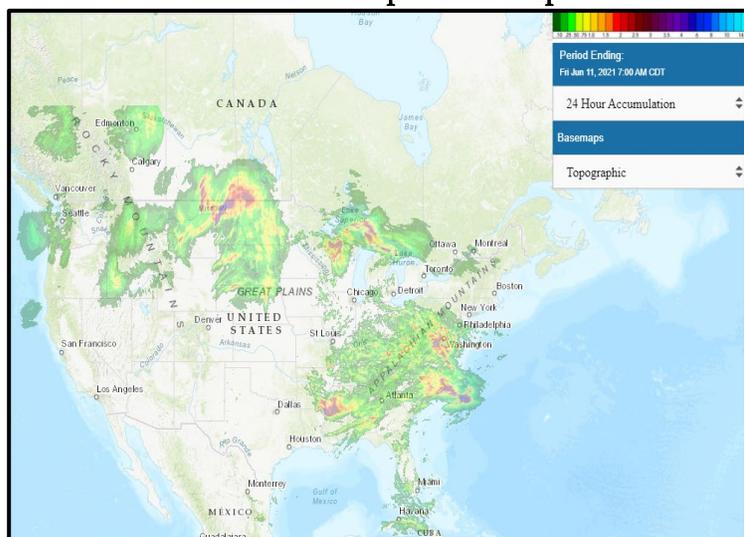


Chart of the Day

