

MORNING BULLS & BEARS



Thursday, July 22, 2021

Upcoming Reports

USDA Export Sales – Today, 7:30 am
 Commitments of Traders –Friday, 2:30 pm

Indices and Futures

Index Last Change

Dow Fut	34,652	-0.11%
S&P Fut	4,349	-0.03%
Nasdaq Fut	14,843	-0.16%
Nikkei	27,690	-0.23%
FTSE100	6,915	-0.23%
DAX	15,523	+0.75%
Shanghai	5,151	+0.15%

Macro News

Senate Republicans blocked Democrats’ attempt to start formal debate on a bipartisan infrastructure plan Wednesday, saying Democrats are rushing the procedural vote before the final bill has been written. The Senate voted 49 to 51, failing to reach the 60 votes needed to proceed. This could be only a delay for President Joe Biden’s infrastructure plan, as at least 11 Republicans said they would support the vote if it came up again Monday, when an agreement on the final details of the bill is expected. Talks are expected to continue.

Biden extended the restriction on Canadian entry into the U.S. for nonessential travel until Aug. 21, even though Canada will admit U.S. visitors who can prove they are vaccinated against Covid-19 as of Aug. 9. Business travel including farm and agricultural travel between the two countries is permitted. “The Biden administration is refusing to take the steps needed to ensure our southern border is secure, while at the same time maintaining travel restrictions on our northern border, despite Canada’s increasing vaccination rates,” said Senate Agriculture Appropriations Subcommittee Ranking Member John Hoeven (R-N.D.). “This approach is not making our country safer and serves to undermine our economic recovery from Covid-19.”

Jobless claims rose last week to a level last recorded in early June, showing the unevenness in the labor market’s recovery, while the number of people receiving benefits fell sharply at the start of the month. Initial jobless claims, a proxy for layoffs, rose by 51,000 to a seasonally adjusted 419,000 for the week ended July 17, the Labor Department said Thursday. The four-week moving average, which smooths out volatility in the weekly figures, slightly increased to 385,250. The increase returned the level of claims to near levels recorded in early June.

Grain News

T-Storm Weather Summary: Today’s forecast is similar. An impressive upper-level high leaves a wide corn and soybean area warmer to much-warmer than normal over the next 10 days, especially the northwest half where a heat wave closes out the month, but to a lesser extent to the east where a couple cool fronts pass (and heat will be tempered in all areas by smoke from extensive wildfires in Canada and the western U.S.). Some t-storms form along the edge of the high, but leave at least the southwest half much drier than normal, while some form in the northeast half every few days as energies pass. A seasonable (not cool) period likely follows for August 1-5 with some rain as the high shifts westward, but it will remain a threat until weather more than two weeks out can be understood.

While USDA slashed its U.S. spring wheat crop estimate earlier this month, it only shaved just 500,000 MT off its Canadian wheat crop estimate that now stands at 31.5 MMT, despite the country’s spring and durum wheat crops experiencing much the same struggles with heat and dryness, with no relief in sight. Those crops make up around 94% of Canada’s wheat crop. The market was flabbergasted when Canada’s WASDE equivalent report pegged the crop at a similar 31.4 MMT, with yields pegged 1% above the three-year average. Karen Braun, a market analyst at Reuters, comments that if Canadian wheat yields mirrored the 1988 slump of 37% in yields vs. the prior three years, “Canada’s crop would plunge about 11.7 MMT (429 million bu.) from USDA’s latest 31.5 MMT, not considering any possible acreage abandonment.” In 2012, when the country was also dealing with heat and dryness, canola yields dropped around 20% from the average level. If this year was similar, that would drop at least 4 MMT from USDA’s current 20.2 MMT canola crop estimate, Braun says. A significant amount of Canada’s annual wheat and canola output go to exports, and those products are important on the world stage. Top customer China is among those that may need to seek supplies elsewhere, and trade rival Australia could be a good candidate to help fill that gap.

Central China is dealing with major flooding, with the transport and economic hub of Henan province particularly hard-hit. The situation has raised concern about the spreading of disease on farms as well as rising food and electricity costs. Heavy flooding in China’s south last year was blamed for a resurgence of African swine fever. Around 200,000 hectares in farmland have also been hit by flooding. The province produces around a quarter of China’s peanuts, a major source of cooking oil.

Soybean stocks in China fell marginally last week after reaching a nine-month high in the previous week, as the volume of vessel arrivals fell, data from China’s National Grain & Oil Information Centre (CNGOIC) showed on Thursday. Total soybean stocks declined 130,000 mt to 6.97 million mt, but were still up by 870,000 mt month-on-month and 120,000 mt higher than the level recorded in the same week of 2020, CNGOIC showed. “At present, domestic soybean and soymeal inventory are at high levels. It is because the weak hog prices pressure demand from pig feeding, which constrains soymeal consumption,” said CNGOIC. Soybean crush volumes also fell 50,000 mt during the week to 1.73 million mt, down 330,000 mt from the 2.06 million mt recorded in the same period of last year. At the same time, soymeal stocks dropped slightly by 50,000 mt last week to 1.09 million mt, down 80,000 mt on the month but up 190,000 mt on 2020. And soyoil stocks rose by 30,000 mt on the week to reach 890,000 mt, up 60,000 mt from the equivalent week last month but 320,000 mt year-on-year.

Senators Deb Fischer (R-Neb.) and Amy Klobuchar (D-Minn.) reintroduced the Consumer and Fuel Retailer Choice Act, a bill that would extend the Reid vapor pressure (RVP) volatility waiver to ethanol blends above 10%. It would allow retailers across the country to sell E15 and other higher ethanol blends year-round. This comes after a D.C. Circuit court struck down the Trump administration’s waiver permitting year-round sales of such fuels. The measure will likely be rolled into an infrastructure measure; it’s unlikely to clear on its own.

Four major Ukrainian Black Sea ports have restricted grain loading operations due to poor weather, the state seaport authority said on Thursday. The restrictions applied to the ports of Odessa, Chornomorsk, Mykolayiv and Pivdeny, the authority said without elaborating.

A group of bipartisan senators introduced a bill to eliminate the national mandate to blend ethanol into fuel, saying there are better alternatives for blending. Reports are circulating that the Biden administration is delaying the annual EPA proposals on RFS targets.

24-Hour Precipitation Map

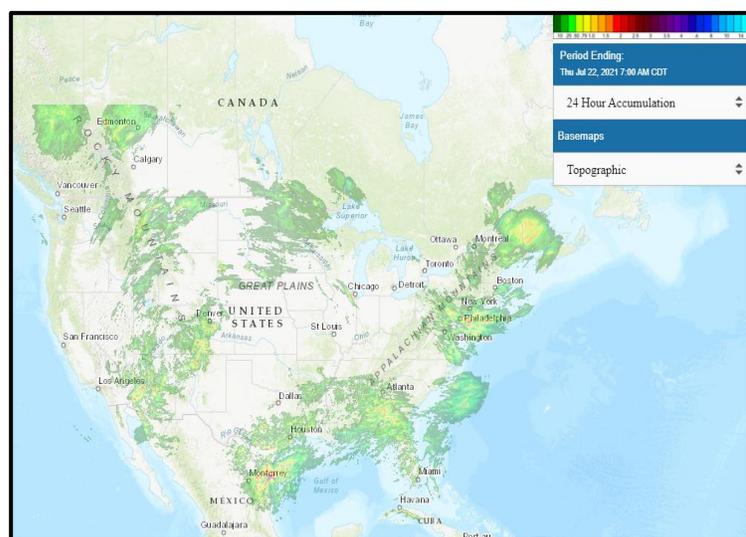


Chart of the Day

