

# Bubba Trading

## TechnoMental Component Report Grains & Meats



**06/29/22**  
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## Grains

### *Comments:*

CBOT wheat led the way lower over the past two weeks, while corn posted a significant loss. Soybeans also moved to the downside since June 15. December soybean crush spreads at \$1.54 cents per bushel rose 1.50 cents from June 15, which tells us nearby soybean meal and oil prices marginally outperformed the raw oilseed futures. August ethanol at \$2.6300 per gallon wholesale declined 6.41% with corn futures. Corn is the primary ingredient in US ethanol production. The August gasoline-ethanol spread widened significantly from 96.05 cents on June 15 to the \$1.0933 per gallon level, with August NYMEX gasoline at a premium to August ethanol swaps.

The KCBT-CBOT wheat spread fell 15.50 cents to a 61.25 cents premium for the KCBT hard red winter wheat over the CBOT soft red winter wheat since June 15. At 61.25 cents, the spread remains well above the long-term norm of a 20-30 cents premium for the KCBT wheat, a sign that consumers continue to hedge their future requirements because of supply concerns. The spread dropped with wheat's price since the previous report. Aside from feeding the world, corn and beans play an increasing role in powering the world as the demand for biofuels rises. The fundamentals continue to favor the grains, but bull markets rarely move in a straight line. I view the corrections as buying opportunities.

### *Trends:*

Corn, soybean, and wheat futures corrected, and short-term price action remains mostly bearish. Wheat futures rolled to September, with corn and soybean futures rolling to the new crop months, December, and November, respectively. Open interest soybean, wheat, and corn futures fell sharply over the past two weeks during the contract rolls. Longs likely exited risk positions as prices corrected lower.

### *Recommendations:*

- We are long the WEAT ETF product. I rate WEAT a hold at \$9.48 per share.
- We bought the CORN ETF at \$28.54 per share or lower, leaving plenty of room. to add to the long position on further declines. I rate CORN a hold at \$26.25 per share and will look to add another unit at lower levels.

I will be a buyer of the JJG, JJA, and the SOYB ETF products on any significant price corrections, but am flat as of June 29. The ETFs moved lower since June 15, and I will begin accumulating long positions on further weakness over the coming week and in July.

Put ADM and BG on your buying radar as I will be watching these stocks for potential long positions over the coming days and weeks.

## Meats

### *Comments:*

Meat prices continued to move lower since June 15. Nearby August live cattle posted the most significant decline. The feeder cattle's losses were smaller, and lean hog futures posted the smallest decline.

The August lean hog versus live cattle ratio fell to the 1.2761:1 level on June 29 from 1.31130:1 two weeks ago as the spread fell away from the long-term norm of 1.4:1. Pork is historically more expensive than beef as consumers watch their pennies at the butcher counter.

The 2022 grilling season is now in full swing with the July 4th holiday this weekend. The demand for animal proteins in the US tends to move higher during the summer months.

### *Trends:*

The medium-term trends on the weekly charts reflect higher lows and higher highs and are steady. While meat prices edged lower over the past weeks, the weekly trends remain constructive and modestly bullish.

### *Recommendations:*

- We bought the COW ETF product at the \$37.02 level, leaving room to add on declines. I rate COW a hold at \$36.81 per share.

## A Final Note

Markets require caution over the coming weeks and months. Expect some window dressing on June 30, and holiday-inspired conditions on Friday and next week. The summer season could see less liquidity and more volatility in the current environment. Approach markets with a risk-reward plan and stick to the program.

I returned from Florida with a case of COVID and am on anti-viral meds. Be careful in those airports, they are petri dishes for this virulent virus!

Happy Fourth of July!

Thank you for your continued support!

Warm regards,

Andy Hecht

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