# The Hackett
# Money Flow Commodity Report

**January 2, 20233**

**Commodity Market Analysis**
**For Hedgers and Investors**

**Growing Financial Success**

## CONTENTS




-Published By
Hackett Financial Advisors, Inc.
Shawn Hackett, President
8321 Via Leonessa
Boca Raton, FL 33433
561-573-3766
Email: Shawn@HackettAdvisors.com
www.HackettAdvisors.com



ISSN 1937-7207

Subscription includes 24 issues. To subscribe, please contact us via email or phone or register on our website.
https://www.hackettadvisors.com/subscribe.asp


# Executive Summary


**Overall Summary**

**Our statistical and cycle work on climate suggests that the chances for El Nino to form by the Spring/Summer of 2023 is at best remote. Meaning, the odds do not favor El Nino arriving in time for the US growing season and is likely to arrive by late 2023 into 2024. This means that the most probable outcome is for La Nina to end and morph in a neutral state called La Nada.**

**For the US, for droughts to occur you need either a La Nina or La Nada state as El Nino prevents any chance for a major drought to occur. The conclusion by our work that El Nino is not likely to arrive until late 2023/2024 suggests that the 89 years 1 in 100-year Gleissberg cycle is on the table for 2023 instead of for 2024/2025 for the US.**

**This conclusion is based on our statistical analysis stemming from the Multi-Variate ENSO (MEI) reading that was just released for November showing a -1.5 reading and from the Southern Oscillation Index (SOI)**

reading of +30 on the Last day of December. We went back to 1850 and looked at all the cases in which a MEI reading of -1.3 or more negative occurred for the month of November. There were 14 prior examples an only 1 of those years achieved an El Nino by the following year Spring/summer or only 7% of the time. That year was 1975 and even though an El Nino did form in July of 1976 the US still experienced a severe drought meaning even in that year the El Nino came too late.

There was one year where El Nino formed in October of the following year. That year was 1910 and El Nino formed in October of 1911 but the 1911 growing season was a drought year for the US.

So based on historical statistics there is only a 14% chance that El Nino will form in 2023 and there is no example of a wet year occurring.

We went even further. The year 2022 MEI of -1.5 was the 2nd year in a row where a November reading came in at -1.3 or more negative. That condition has only happened three prior times since 1850.

They were the years of 1892/1893, 1909/1910 and 1998/1999. We wanted to see if El Nino arrive 2 years after the 2nd -1.3 or more negative November reading. This occurred only once 2 years after 1910. So that would place the chances of an El Nino for 2024 at 33% given the above metrics.

We went even further and looked at all the years that had a -1.3 or more negative November MEI and looked to see if El Nino formed 2 years later. Out of 13 examples 7 formed El Nino 2 years out or a 54% probability. Given the above the best forecast is for an El Nino to arrive by late 2023 into 2024 with extremely low probabilities that one will occur over the spring/summer of 2023.

Remember, just because something is not likely to occur does not mean it won't occur, but we are in the business of laying out the best probabilities for weather outcomes.

Another metric that is giving us confidence, as mentioned above, that El Nino is not likely to arrive until late 2023 is the Southern Oscillation Index (SOI). When this index is positive it supports easterly winds which promote upwelling in the central pacific and keeps that sea surface temperatures cold in a La Nina state.

When the SOI is negative the exact opposite occurs. We went back and looked at all the El Nino's that have occurred since 1950 and found that by the last day of December for an El Nino to form the following year the average reading was 0 to a +5. The current reading of the SOI index is +30 having strengthened markedly during this past month a sign of strength and not weakness.

This does not support an El Nino occurring by Spring/summer of 2023. Once again this means the 1 in 100-year Gleissberg 89-year cycle is in play. We have verified the Gleissberg cycle going back to the year 955 through the present day. While there is some minor variability above and below the 89-year duration, we have calculated the average through all this time is exactly 89 years which is the most probable timeframe for this cycle to trigger.

^back to top^

**The next question then becomes will this be a long and strong El Nino when it arrives? The answer is highly unlikely. Our work suggests that it will be a short El Nino and very weak.**

**This has to do with the 3rd harmonics nature of the 11-year solar cycle in which you break up each cycle into 3.6-year intervals and treat each with a different amplitude effect on the currents of the central Pacific. There is a weak wave, moderate wave and strong wave. Each of these waves repeat every 11 years and alternate between low, medium and high impacts to El Nino.**

**The current cycle coming up for El Nino is the weak wave and the low portion of that wave which means this El Nino is expected to be very weak and short in terms of its impacts to climate.**

**The worst year of the last Gleissberg cycle in the 1930's dust bowl was 1934. If we move forward 89 years, it places 2023 as the most probable year so long as an El Nino does not form which it does not look like it will for the US growing season.**

**As most of you know, the US has had over the last few years rolling severe droughts out west, western corn belt, northern plains and the southern plains. We have seen the US wheat crops decimated along with cotton, oats and alfalfa. What we have not seen are crop failures in corn and soybeans because the central/eastern grain belt has been able to dodge the drought cycle thus far.**

**We feel that this good fortune is about to end in 2023 and deliver a severe drought to the key states of Iowa, Illinois, Minnesota and Indiana. As these states go, so goes to the US corn and soybean yields.**

**One of the reasons why has to do with the 18.6-year earth-moon nutation cycle where every 18.6 years the wobble of the earth about its axis causes the moon to fluctuate between +5 degrees and -5 degrees from dead center.**

**This exaggerated earth wobble along with the sun/moon gravimetric interactions with the atmosphere of the earth imposes changes in the upper airflow pattern seen over the central US. It just so happens that a very reliable at every 18.6-year interval the central/eastern grain belt tends to have a drought during that growing season of that year. This cycle has been verified going back to the 1700's.**

**2023 is the next iteration of the 18.6-year earth-moon nutation cycle where such an exaggerated wobble will once again reach it maximum. This would go along with the Gleissberg cycle would support that this key region will not dodge the drought bullet in 2023.**

**When looking at the statistics of US corn crop failures beyond the Gleissberg drought cycle, there are reliable 9-year, 27-year and 54-year and 89-year (different than the 89-year Gleissber cycle) cycles for the US that have been verified going back to the 1700's. Not all crop failures are from drought. Excessive flooding, disease and early fall frosts or late spring frosts can also provide crop failures.**

^back to top^

**The period from 2023-2025 represents an amalgamation of the 9 year and 89-year cycles of corn crop failures and is additive to the 89-year Gleissberg cycle of 1 in 100-year US droughts. This is not a time to be sitting on your hands.**

**Remember, we are looking for an early spring with at least initially sufficient moisture to get off to a record early start to the US planning season. This along with record harvests coming out of Brazil should apply pressure on prices heading into March/Early April.**

**The current 1 in 50-year drought in Argentina (which we forecasted 6 months ago) that has been driving corn and especially soybeans higher should end by mid-January as our advanced weather work sees a major pattern change in late January to a wetter pattern. Once that Argentina drought top is in then the bearish large Brazil harvests can take over along with an early planting season in the US.**

**The ideal window for traders and hedgers to be looking at buying corn and soybeans would be March/early April ahead of what should be a developing Gleissberg cycle drought that engulfs the central/eastern grain belt.**

**With regards to overall commodities, we expect a good year ahead for higher prices with a final low and bullish turning point occurring in the first quarter of 2023. This is predicated on our work that typically the first corrections in a new bull commodity cycle typically last one year before the uptrend resumes. The other trigger for us is the idea that with China now finally coming to grips that lockdowns do not work and have finally capitulated to let their entire society get exposed as all other countries have a demand boomerang effect can be expected from the spring of 2023 into year end.**

**This will be dovetailed by large Chinese stimulus and from the Federal Reserve backing away from tight monetary policy as the 2024 presidential elections approach. This view is also based upon reliable commodity inflation cycles that have a bottom occurring in early 2023 and cycling higher into year end. Already gold and silver are starting to rise which tend to be the first movers higher in a new up cycle in overall commodities.**

**When we look at the Chinese stock market, Chinese currency, bitcoin and total open interest for all commodities…. all are showing supportive basing patterns and, in some cases, reversals warning of better times ahead. Remember, that the 53.5-year war cycle peaks in 2026 and has tended to drive commodities higher leading into and out of such war cycle peaks.**

**Also, when looking at the commodity inflation cycle which had 2022 as a year of deflation has 2023 as a year of a return to commodity inflation heading into early 2024. This would be additive to what we see with a major US weather volatility event drought during the upcoming growing season.**

**We are also very fond of the Benner cycle which helps describe historical world events and there impacts to asset markets. These years that are designated offer huge turning points and can drive longer term trends in asset markets including commodities.**

^back to top^

**The year 2023 is the next year of importance from this cycle. We went back and looked at the last 4 interactions of this part of the cycle and in each case the US dollar experienced a major devaluation turning point that led to major changes in asset markets and commodity market pricing as currency inflation reigned supreme.**

**What form it will take this time it is hard to say but we should be prepared and expect a significant event that will alter the current US Dollar valuation status and unleash a currency led inflation cycle in commodities something that was not seen between 2020-2022. We can also expect to see some major geopolitical event to occur in 2023 to accelerate into the peak 53.5-year war cycle that is expected to crest in 2026. Have your eyes wide open to unexpected geopolitical turns and how these turns will shift capital flows between asset classes including agricultural commodities.**

**Lastly it appears very clear to us that the Tonga eruption and the historic water vapor ejected into the stratosphere is having a significant effect of dramatically cooling the upper Stratosphere and hence causing an escalating weather volatility cycle but also has caused a warming effect that has delayed the normal La Nina to El Nino cycle.**

**This condition is likely to be with us for several more years and we will need to incorporate this in making our longer-term weather forecasts until such time that the water vapor dissipates.**

**<u>Goldman Sachs Commodity Index is expected to bottom in the first quarter of 2023 and then see a nice uptrend into late 2023.</u>**


^back to top^

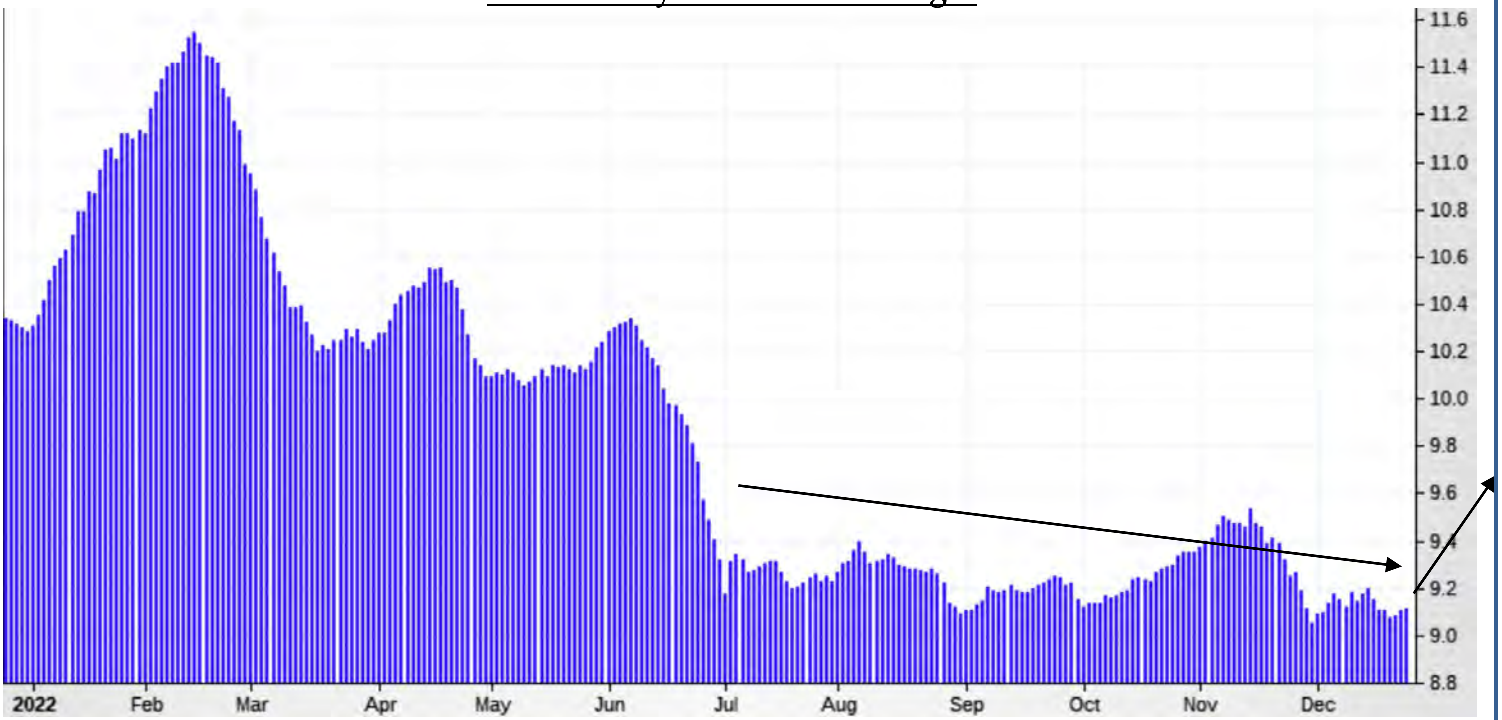
HACKETT
FINANCIAL ADVISORS

# The Hackett Money Flow Commodity Report

January 2, 20233

**Commodity Market Analysis**
**For Hedgers and Investors**

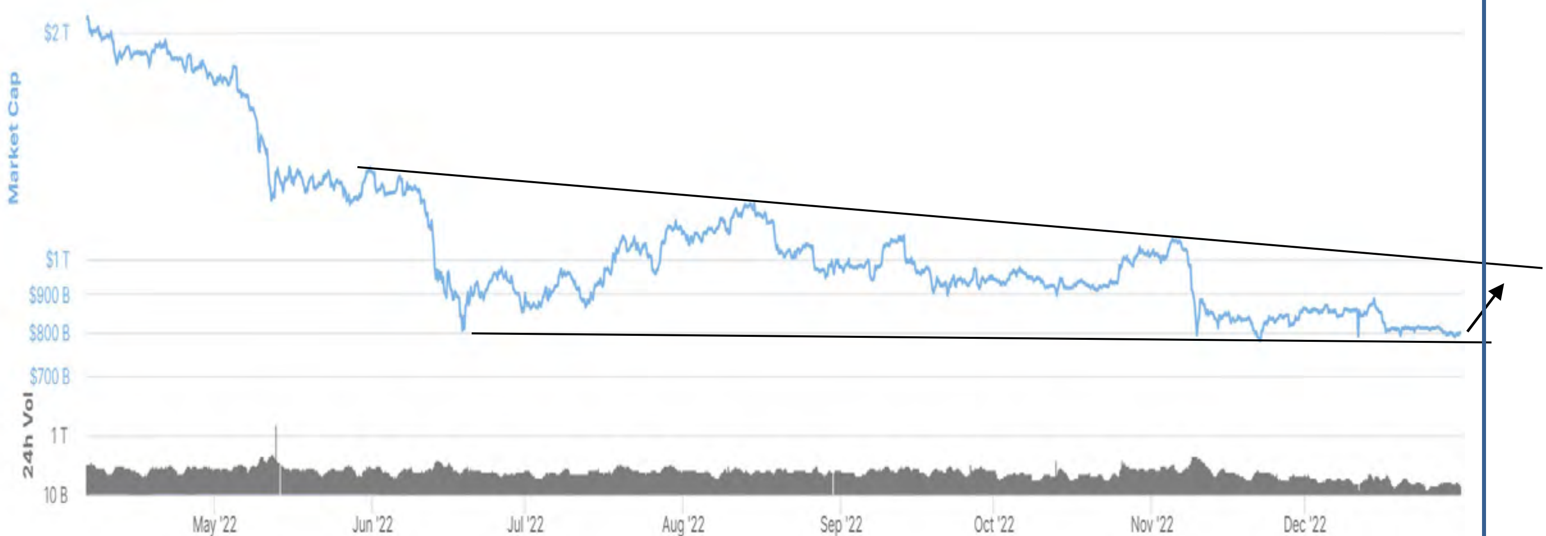
## Total Open Interest in Overall Commodities Remains Flat to Down Suggesting that Capital Flows Remain Absent from the Commodity Asset Class-This will Need to Turn Up to Signal the Next Reflation Cycle is About to Begin




## The US Dollar Has seen a Parabolic Rise that Should Complete a Major Top by the First Quarter of 2023 and Lead to a protracted Multiyear Decline


^back to top^

## Total Cryptocurrency Market Capitalization Has Been Holding Key Support and Should Start to Turn Up-The digital currency Asset Class has been a Great Leading Indicator in Recent Years to Renewed Commodity Inflation by 3 months Hence.




## One of the Key Indicators that China is about to Re-open Their Economy from Covid Zero Policy Setting up a Global Demand Surge Would be a Bullish Turn in the Shanghai Stock Exchange. So far, a Bounce Has Started to Take Hold (ASHR)

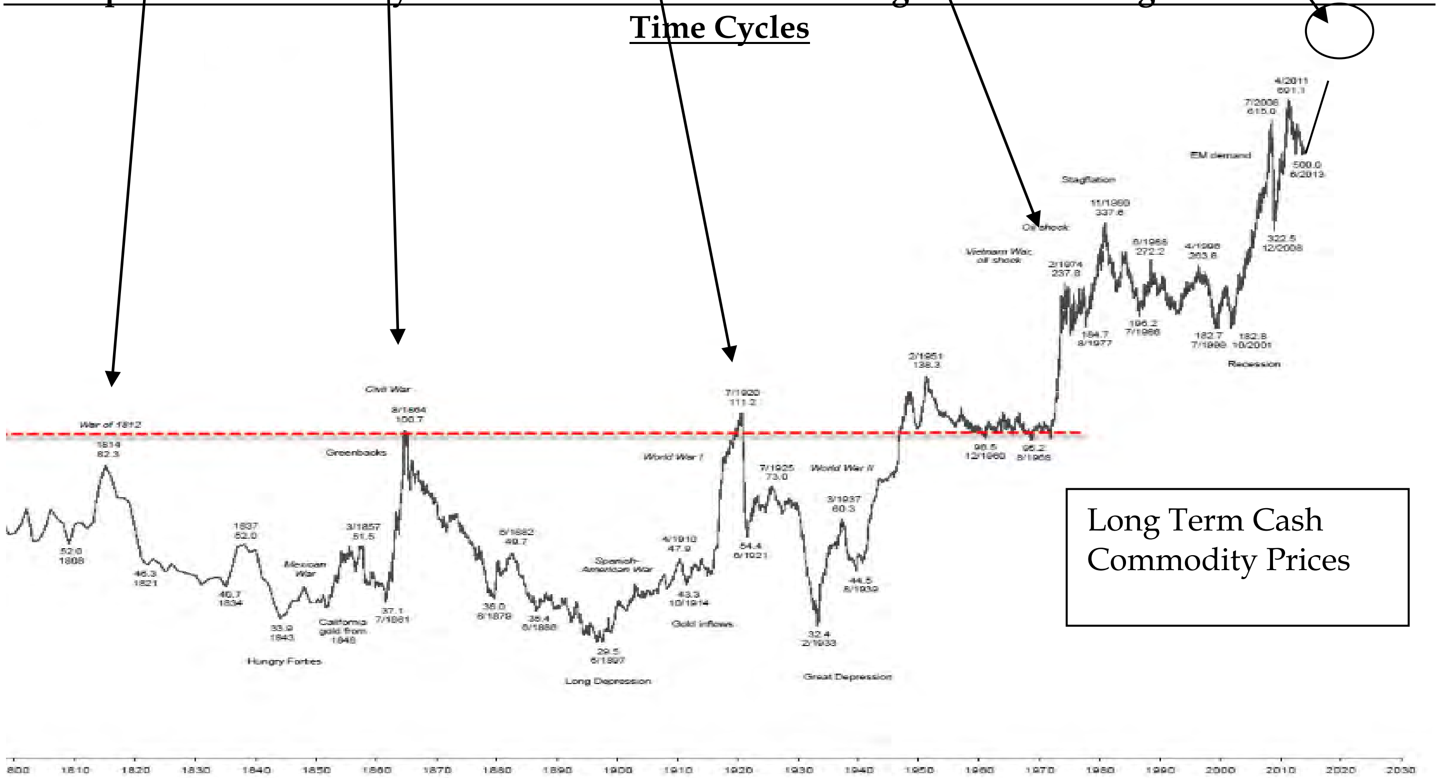

^back to top^

## A Major Quarterly Bullish Doji Candlestick Bar Suggests that a Long-Term Bottom May be Taking Hold for Chinese Stocks (ASHR)


## One of the Key Indicators that China is about to Reopen Their Economy from Covid Zero Policy Setting a Global Demand Surge Would be a Stronger Chinese Currency Showing Incoming Capital Flows-A Break down Failure Reversal Higher Technical Buy Signal Has Been Confirmed-Showing a Long-Term Shift in Capital Flows Back to China


^back to top^

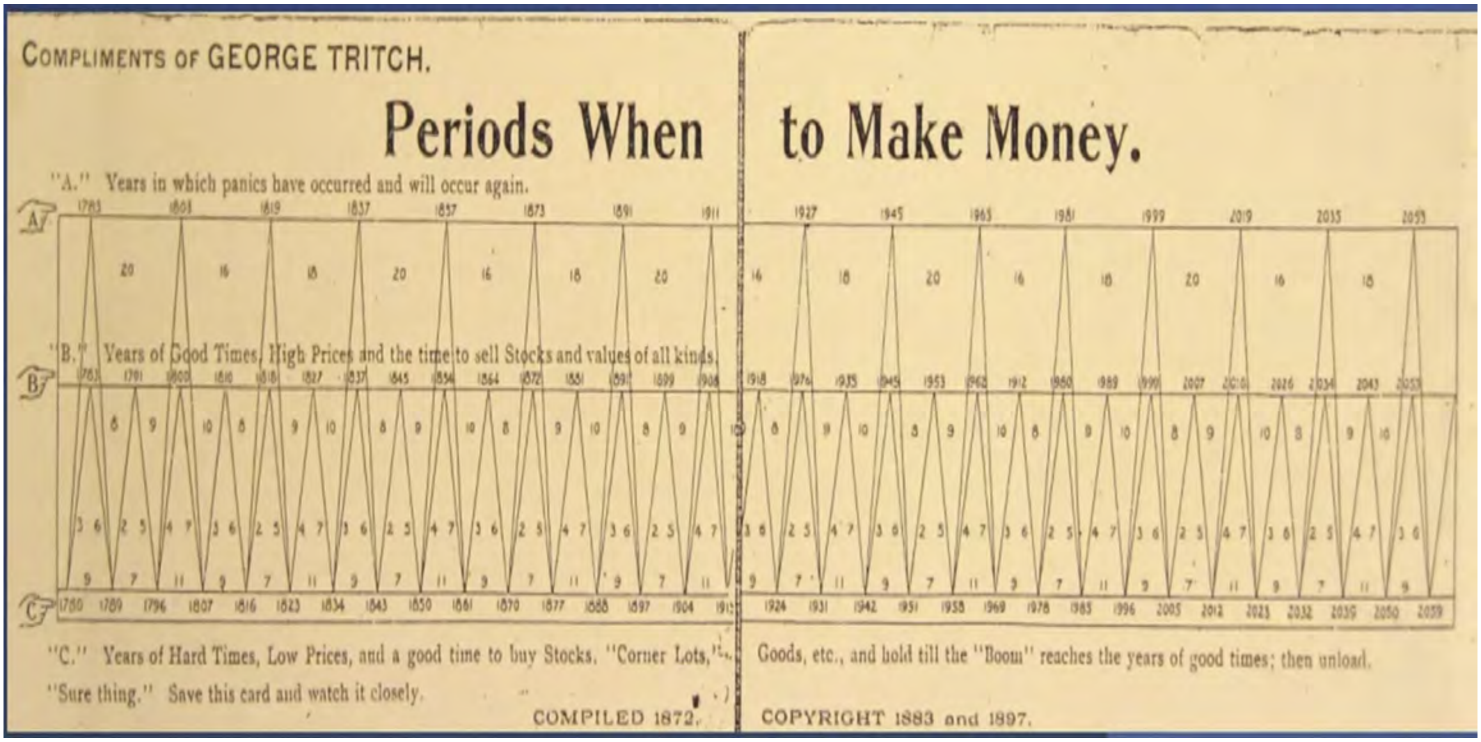

## Wild Spiked in Commodity Inflation Have Occurred Heading into and Through these Peak Warm Time Cycles

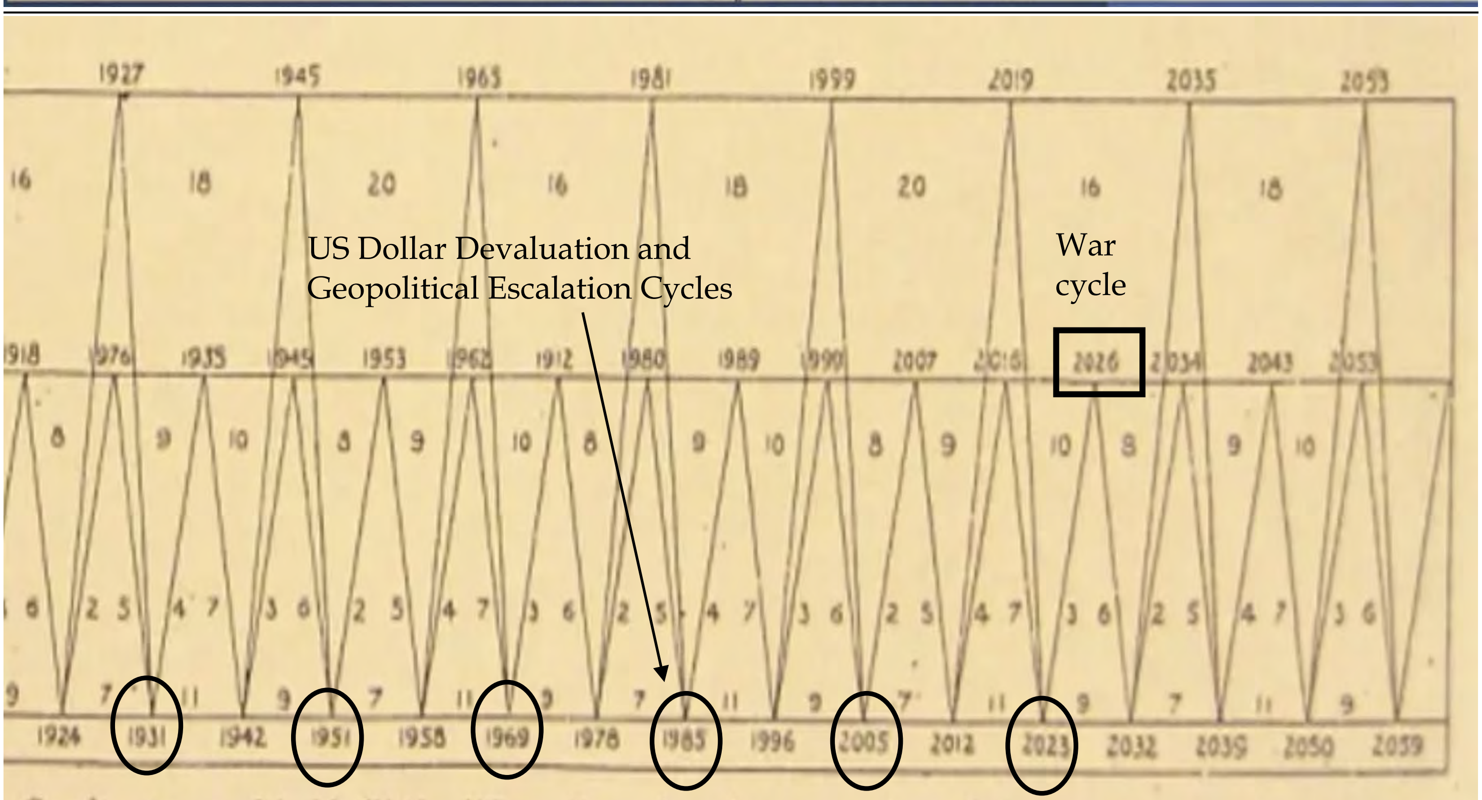




^back to top^

## The Benner Cycle-2023 Set Up for a Major Currency Related/Geopolitical Related Turning Point Especially for the US Dollar to Devalue




^back to top^

## Currency events for past Benner turning point years for the same cycle that 2023 represents:

**1931=The abandoning of the British pound gold standard that led to the devaluation of the US dollar in 1934 via the gold reserve act.**

**1951=The abandoning of the interest rate peg by the Federal Reserve set off by the Monetary Accord of 1951 launched the new era where the US economy would be managed by fluctuations in the money supply instead of through yield curve control.**

**1969= Gold started to trade above the gold window peg for the first time as government spending in excess of gold reserves began speculation of a US dollar devaluation that became reality in 1971 when the US dollar was allowed to trade freely without any fixed conversion factor to gold.**

**1985=The Plaza Accord was signed to devalue the US dollar to stimulate a more balanced global economy.**

**2005=The devaluation of the US Dollar to the Chinese currency peg that led to a realignment of the West versus East economic balance.**

**2023= We believe that 2023 will once again prove to be an important event year for a major change in the US dollar balance to the rest of the world with some sort of devaluation. Time will tell what that looks like and how it manifests in asset markets, but currency driven inflation would be expected to thrive from 2023 heading into the peak war cycle in 2026.**

## Gleissberg Cycle Century Droughts Verified Since the Year 955

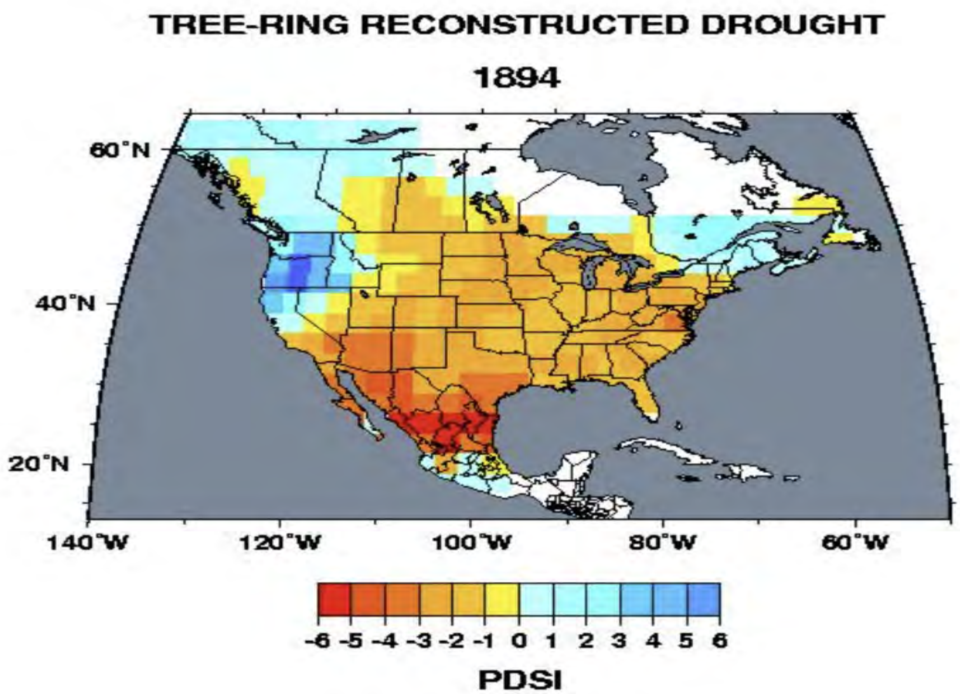
**Avg between Gleissberg Cycles=89 Years**

**955=89**
**1043=89**
**1132=89**
**1221=92**
**1313=88**
**1401=88**
**1489=90**
**1579=91**
**1670=87**
**1757=90**
**1847=87**
**1934 → Avg+89=2023 Target Year…Statistical Possibilities to 2024/2025**

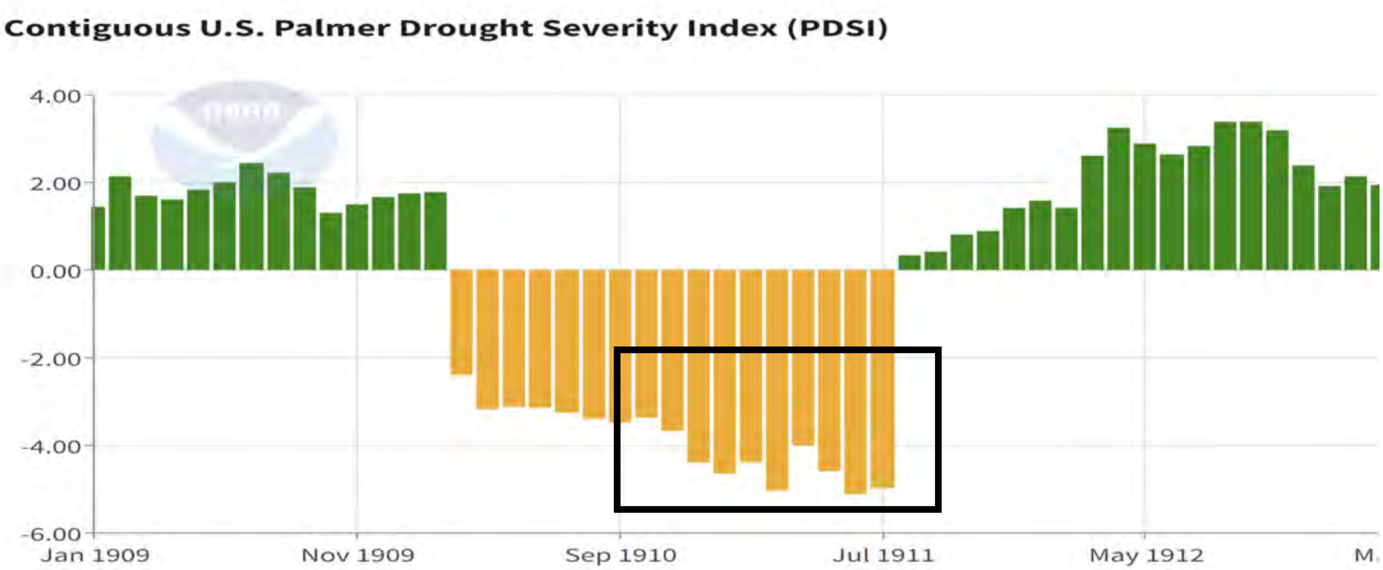
^back to top^

## The Year After the 1892/1893 Double -1.3 or More Negative MEI was a drought Year

## Palmer Drought Index for Summer US Growing Season 1894

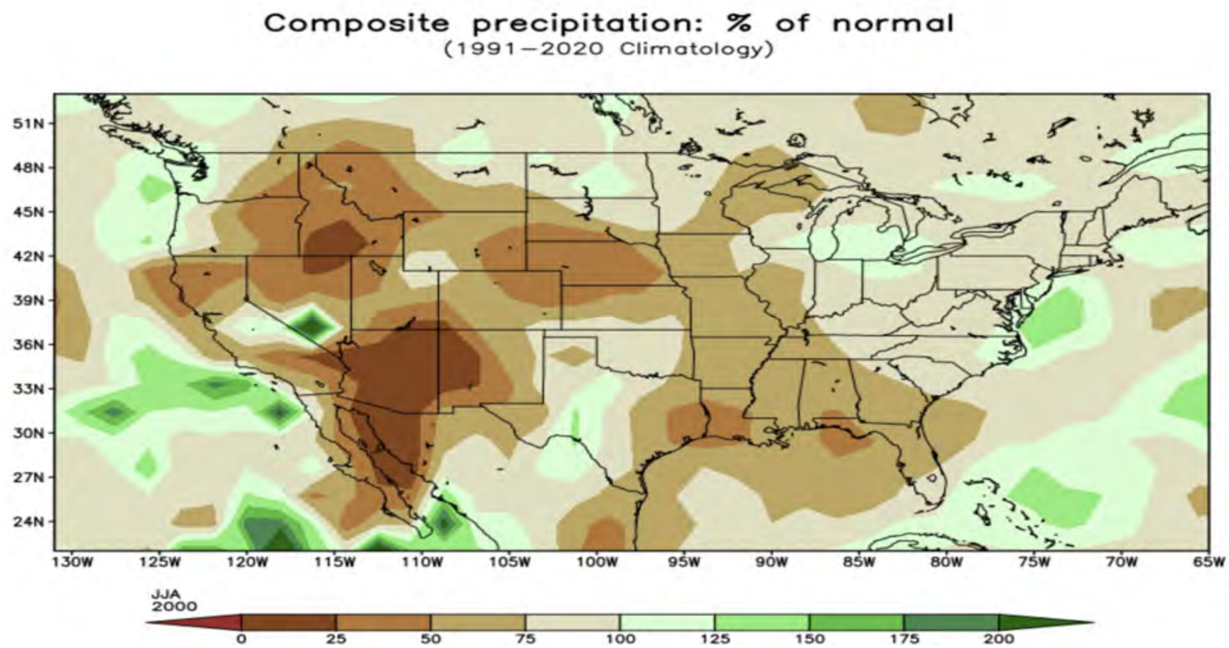



## The Year After the 1909/1910 Double -1.3 or More Negative MEI was a drought Year

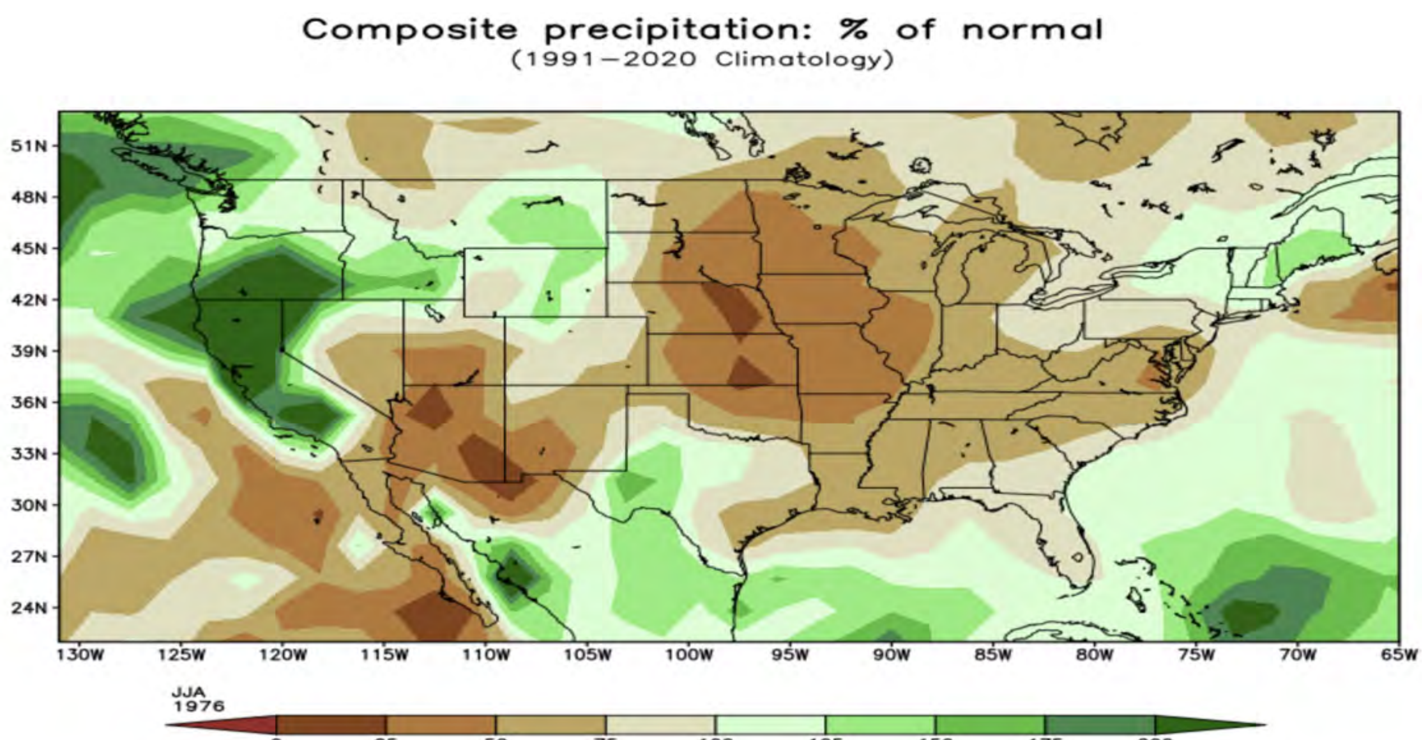



^back to top^

## The Year After the 1998/1999 Double -1.3 or More Negative MEI was a drought Year



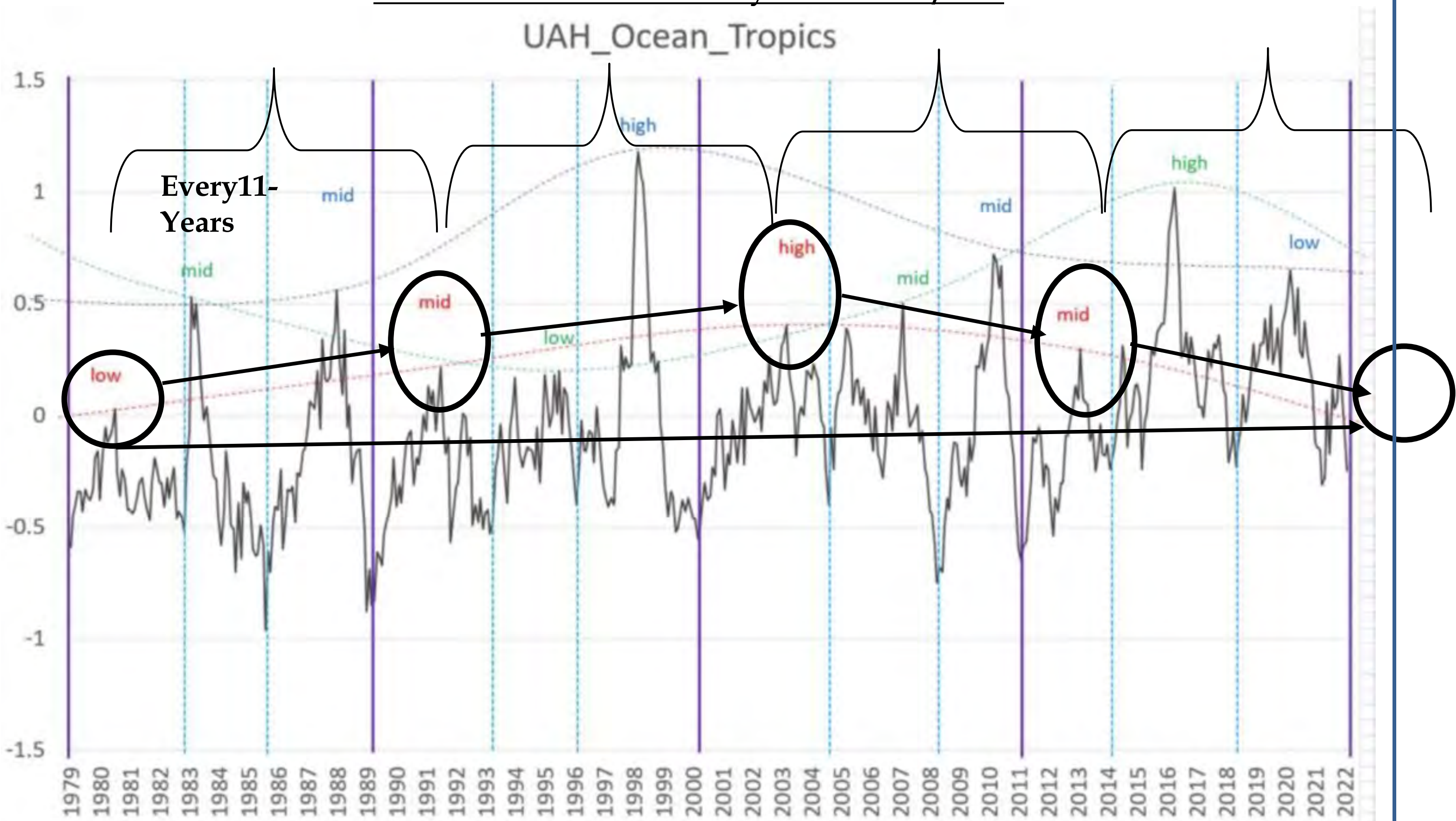

## 1976 US Precipitation the Spring/Summer Growing Season was a Drought Year Despite El Nino forming in July from a -2.19 MEI the Prior November-Meaning it Was Still Too Late to Change the Dry Pattern




^back to top^

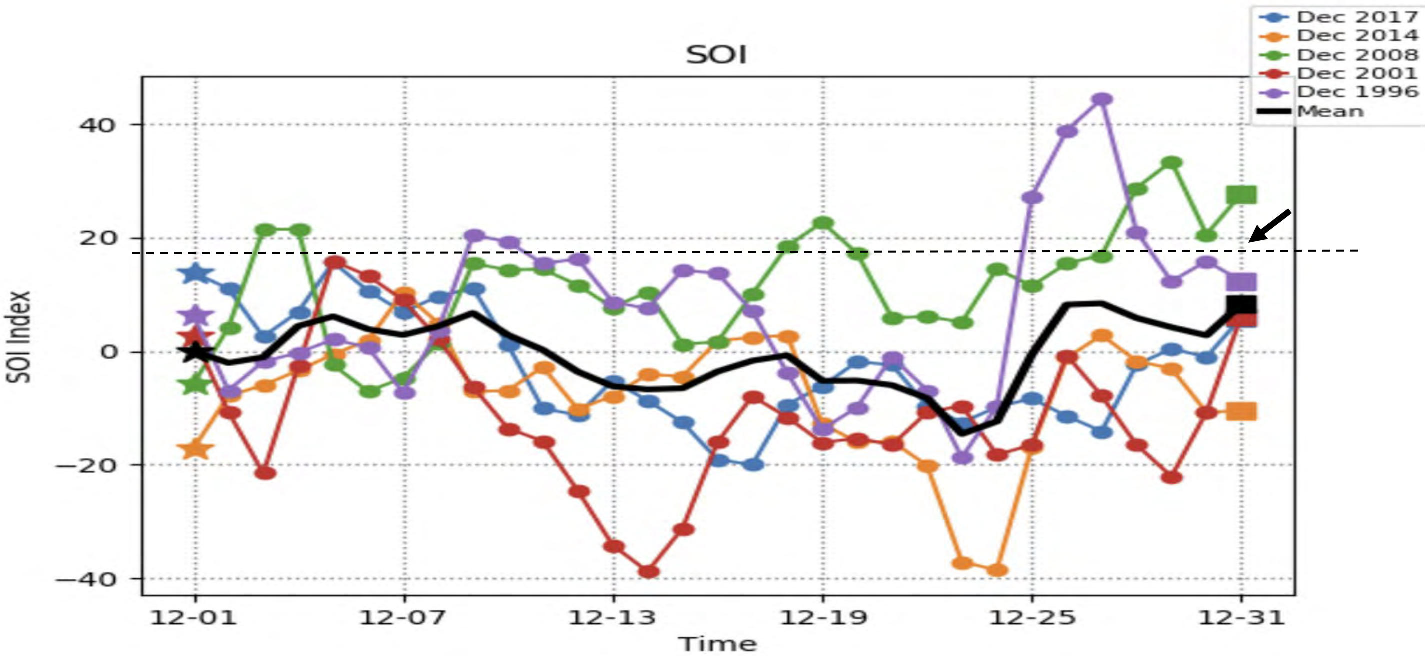
## The 11 Year Solar Cycle Follows a 3rd Harmonic Wave Structure Where every 3.6 Year Interval Has a Different Amplitude Effect on Central Pacific Currents on El Nino Strength

## The Current Iteration of this Solar Cycle 3rd Harmonics Suggests a Very Short and weak El Nino Event When It Occurs Likely in Late 2023/2024

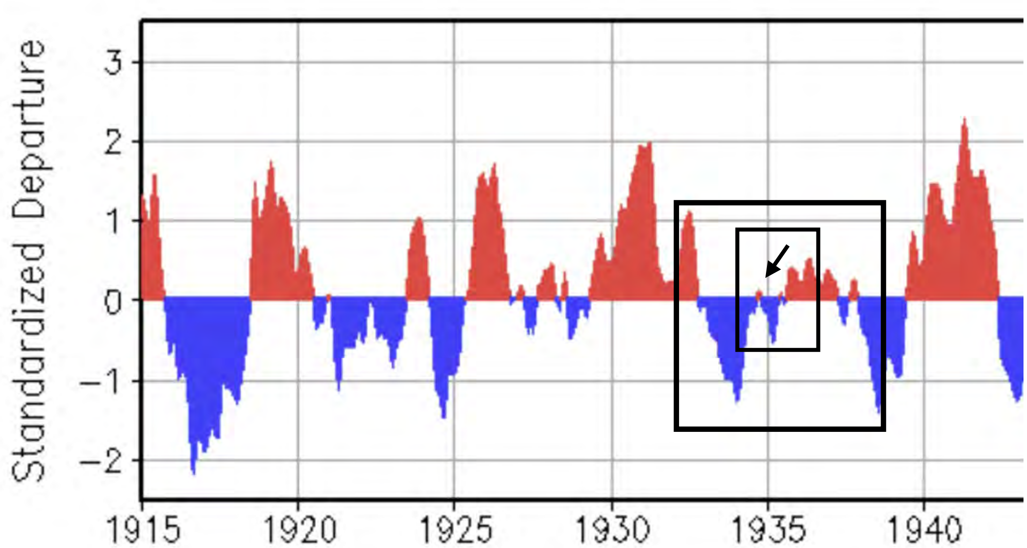



[^back to top^]

**The Southern Oscillation Index for End of December that Led to El Nino Events Averaged 0 to +5. Current Readings are at +30 Strongly Reducing the chances for El Nino in 2023 until end of Year**

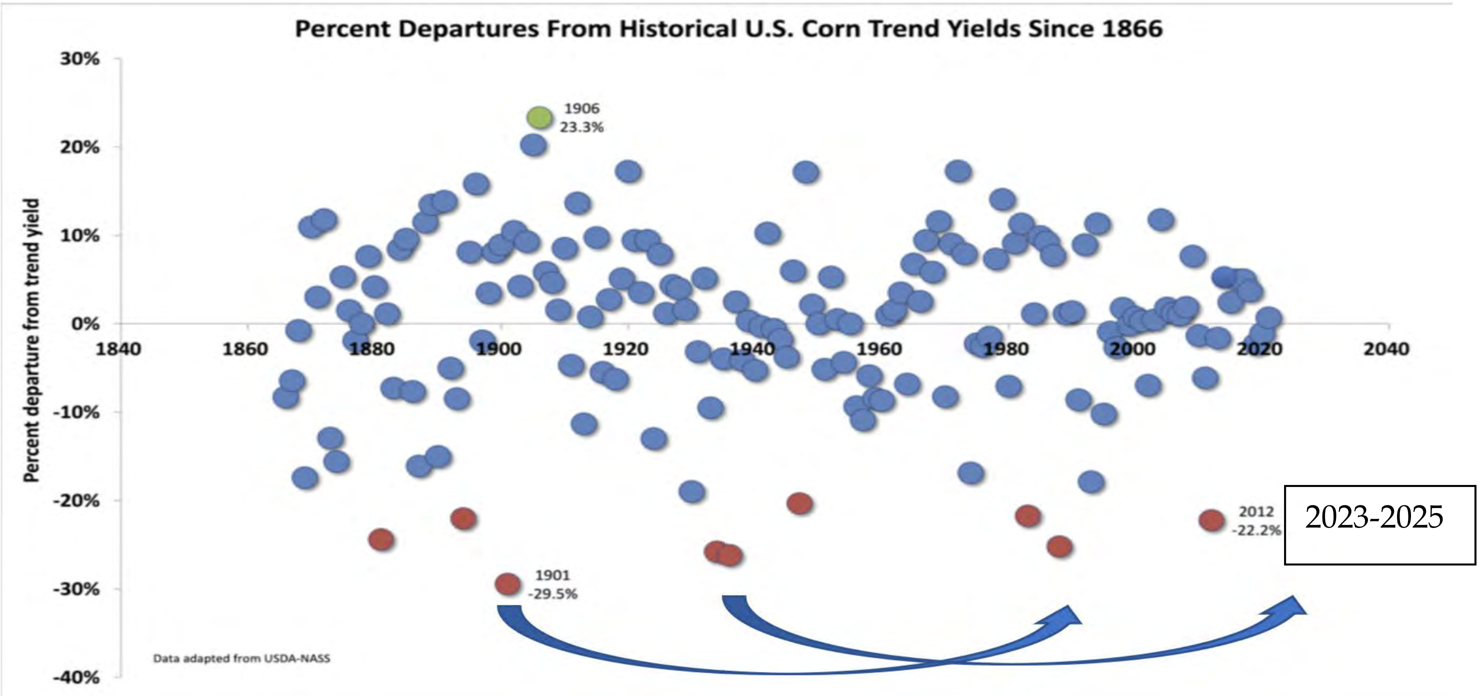



**Multivariate ENSO During the Last Gleissberg Cycle 1 in 100 Year Drought in the Mid 1930's Occurred During a Neutral ENSO Condition Which Would Support the Gleissberg Cycle Potential for 2023**

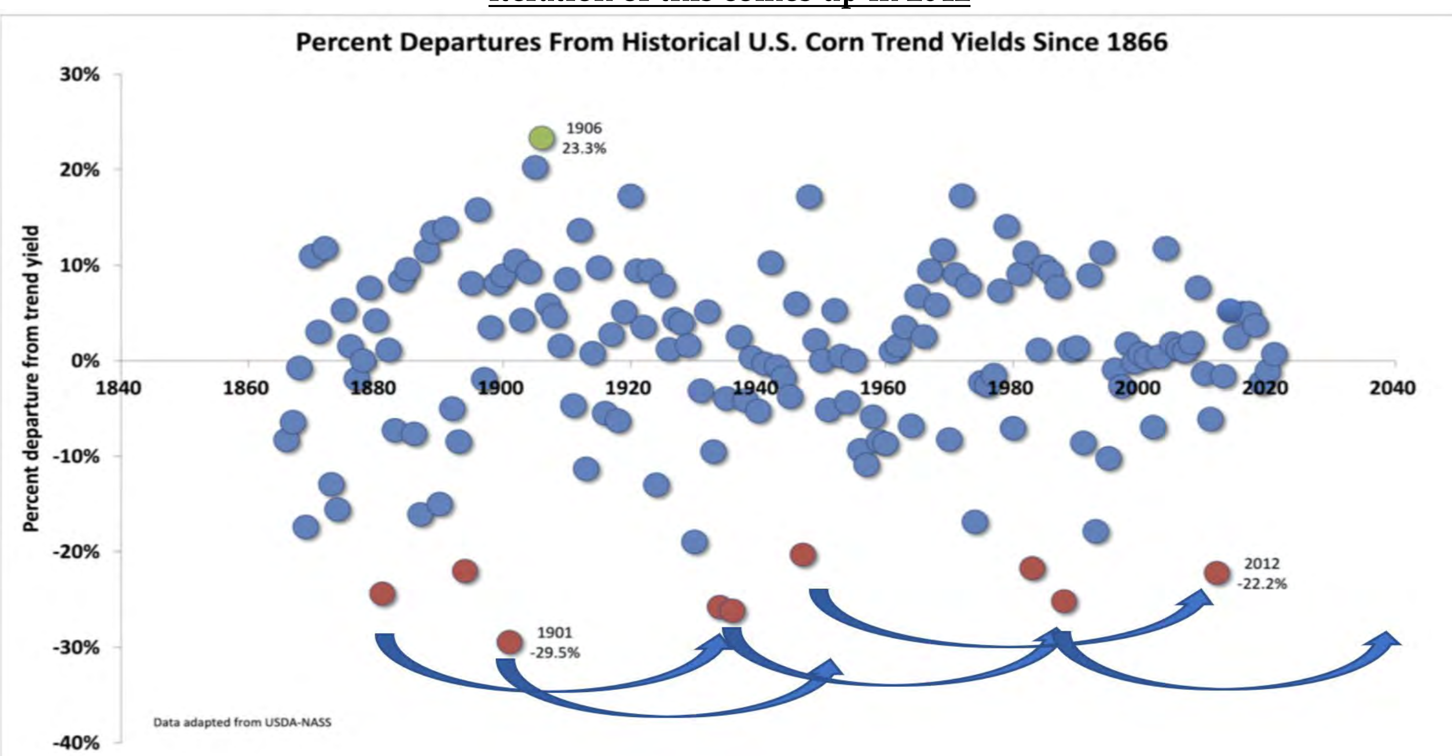



^back to top^

**The 89 Year Cycle of Corn Crop Yield Failures Correctly Identified the Severe crop Failure Year of 1988 Stemming from What Occurred in 1901 and now Projects a Similar Yield Failure in 2023-2025 from the mid 1930's**

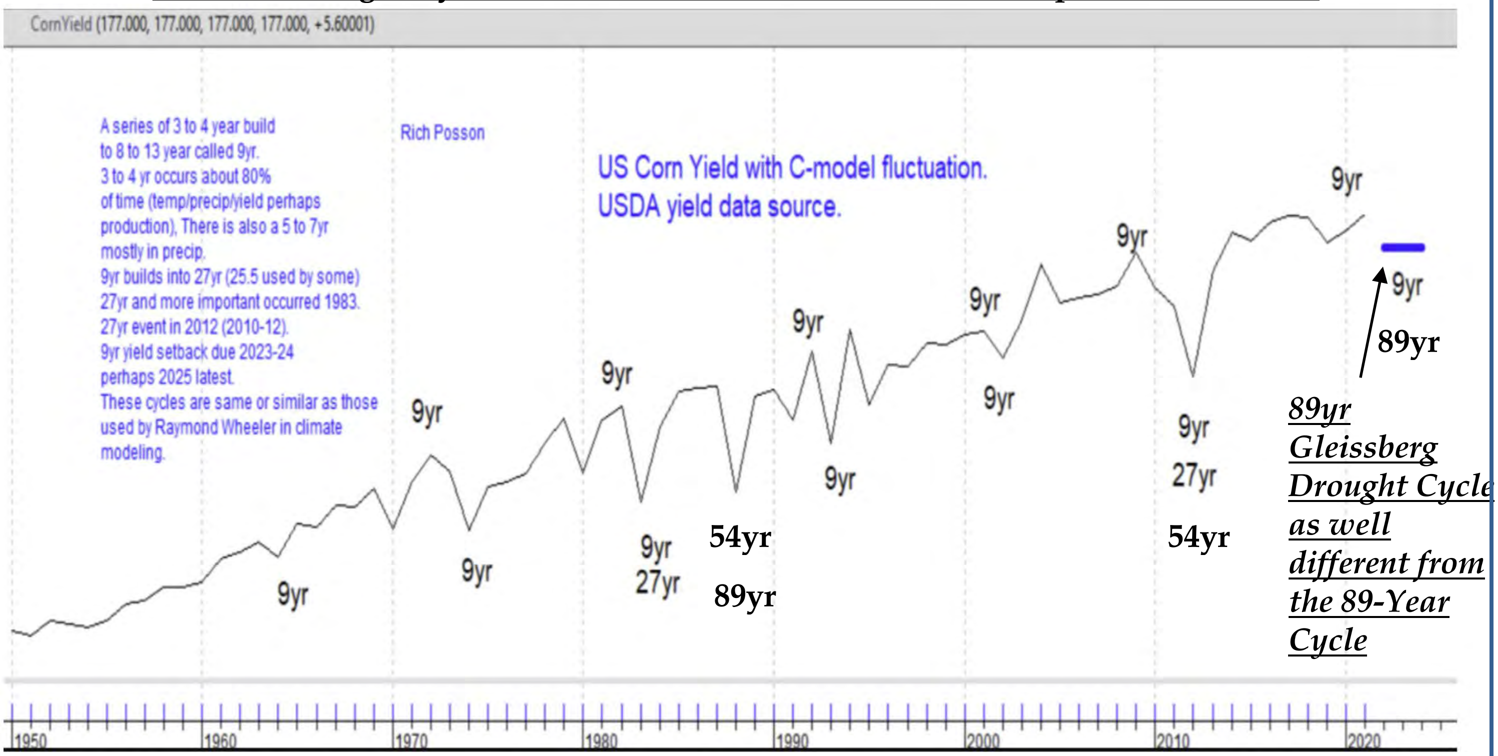



**The 54 Year Cycle of US Corn crop failures Helped Identify the 2012 US Crop Failure. The next iteration of this comes up in 2042**

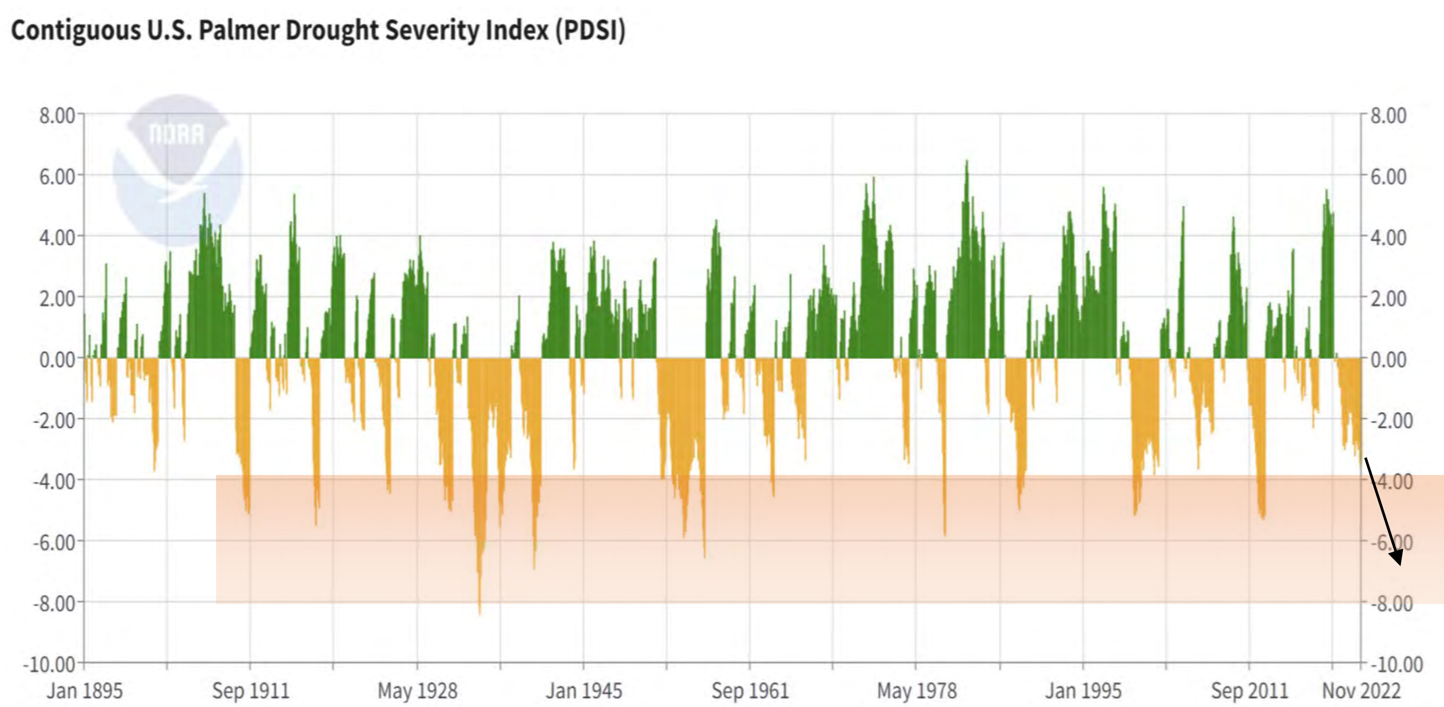



^back to top^

## The 9-Year, 27-Year, 89-Year Cycle of US Corn Crop Failures Additive to the 89 Year Gleissberg 1 in 100 Year Drought Cycle Points to 2023-2025 as the Next US crop Failure Window

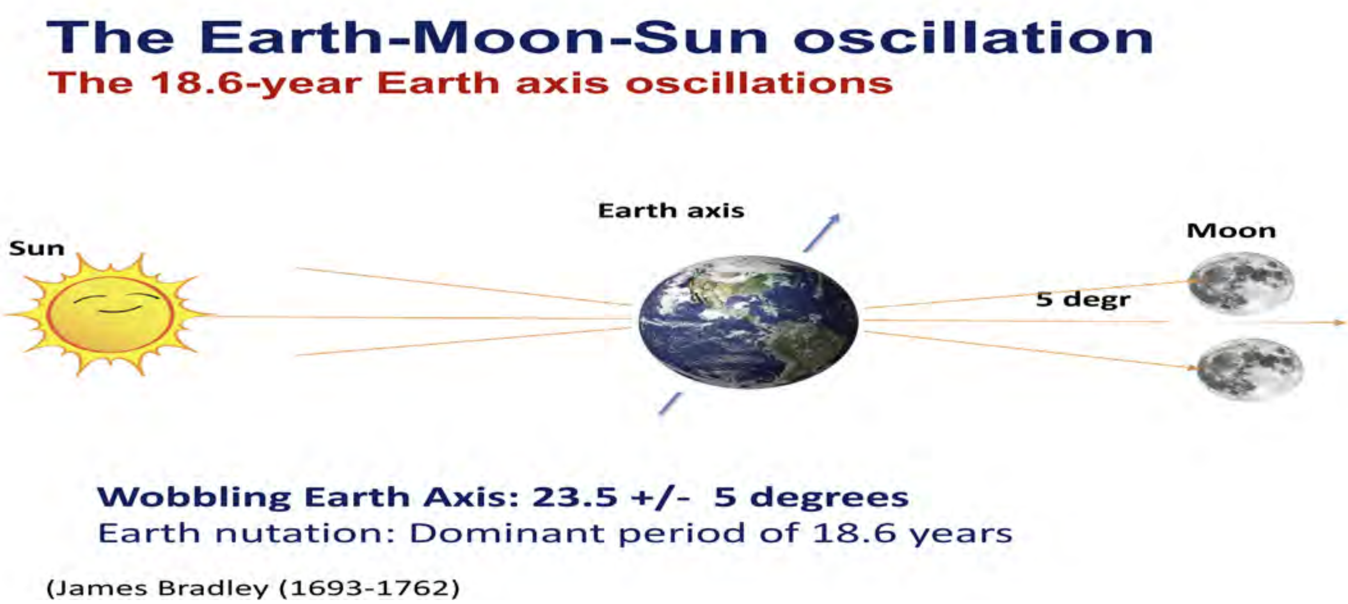



## Thus Far the Current US drought Cycle has Not Yet Reached Expected Extremes-More to Come as Unfinished Business Catches up to the Central/Eastern US Grain belt

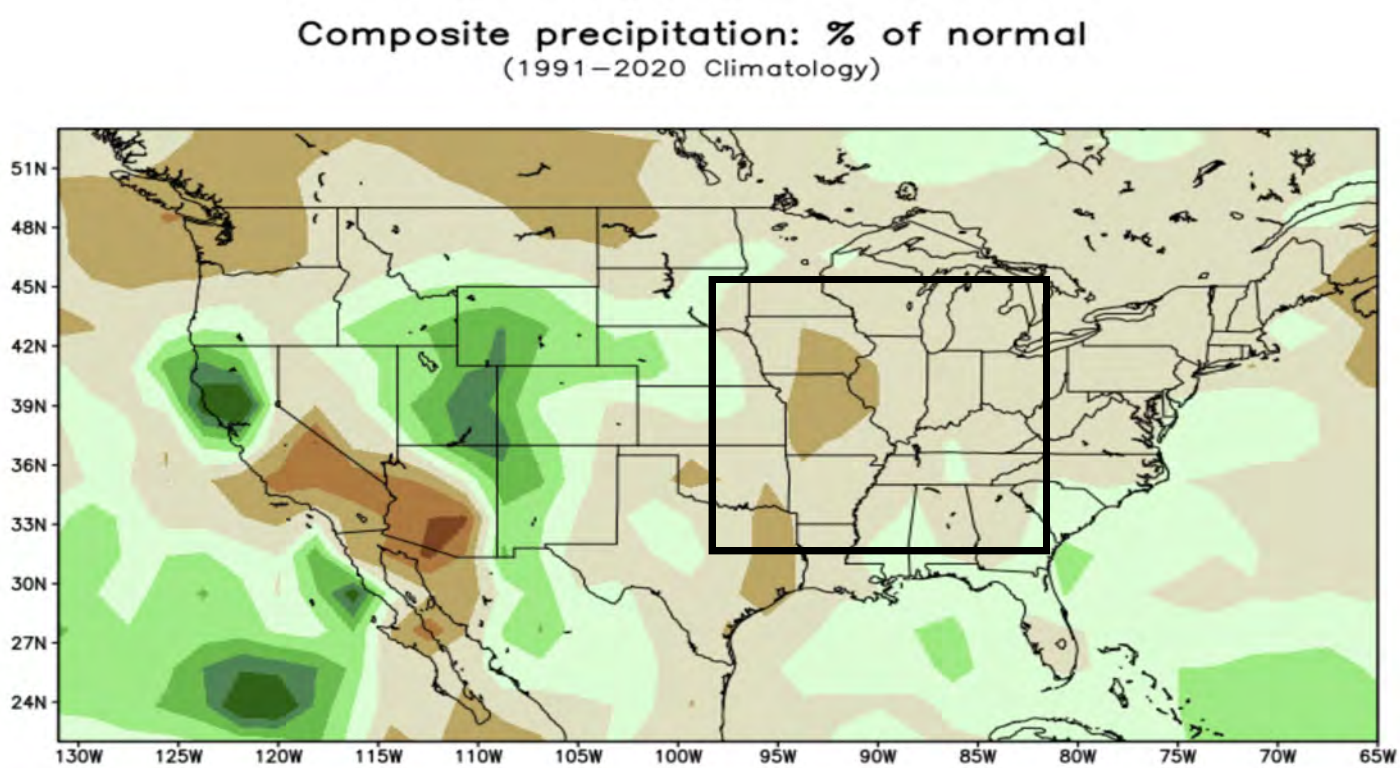



^back to top^

## The Year 2023 is the next Peak in the Earth-Moon Nutation Cycle of Central/Eastern Grain Belt Droughts

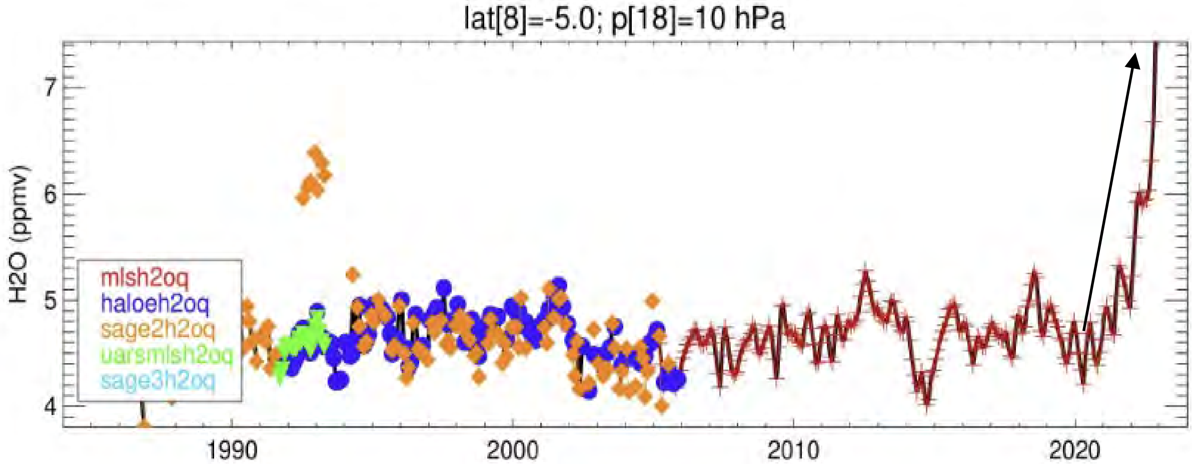



## Peak Earth-Moon Nutation Cycle Years US Precipitation as a Percent of Normal Suggests Risks the Multi Year Drought Cycle Will Enter the Key Central/Eastern Grain Belt this Year is very High in 2023

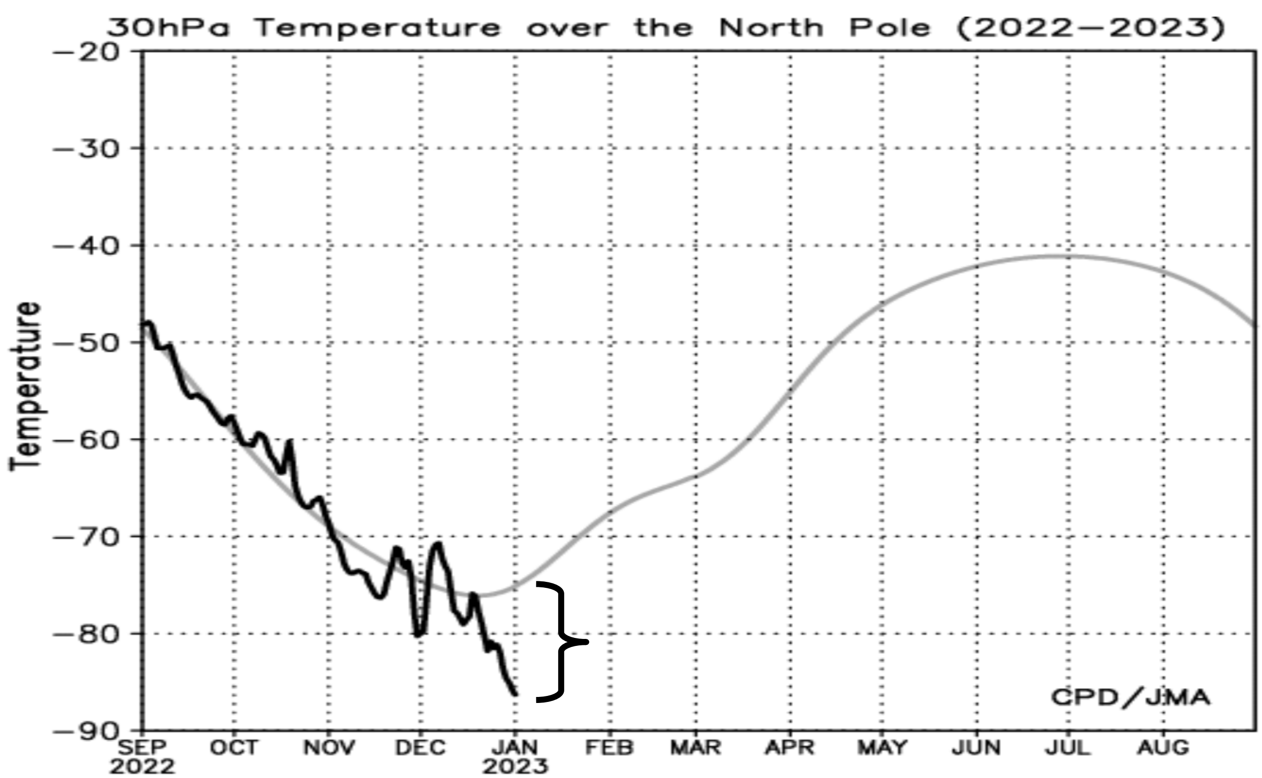



^back to top^

**Water Vapor in the Stratosphere Continues to Mix and Slosh Around and has Yet to Equilibrate Completely-This Extreme Water Vapor Injection Helps Increase Weather Volatility by Dramatically Cooling the Earth's Upper Stratosphere Thereby Contracting the Atmosphere while at the Same Time it Enhances the Entrapment of Heat on Earth from Escaping Causing a Warming Effect-This Impact Will Remain with US for Several More Years Before Dissipating**

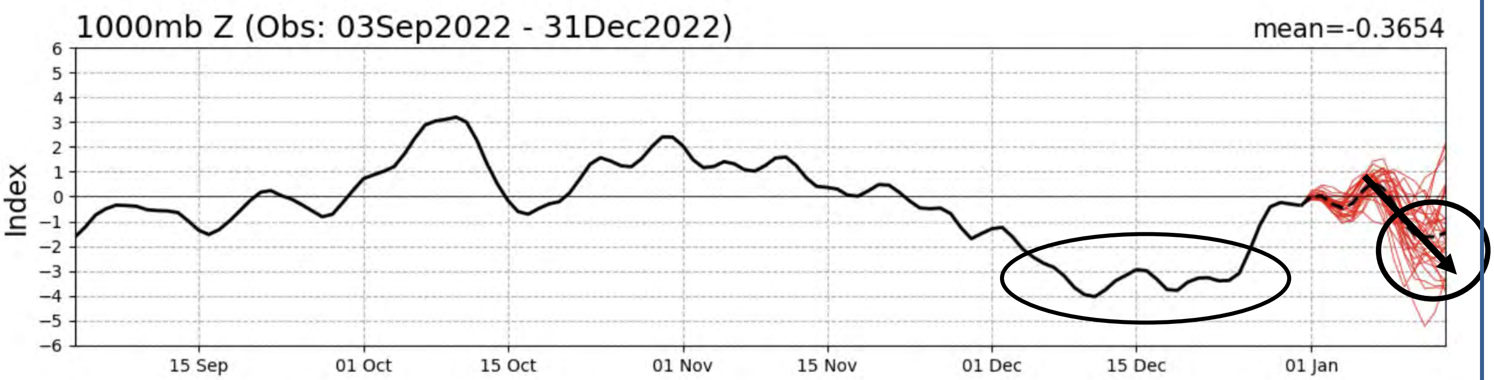



**Stratosphere Upper Air Temperature Near Record Cold as an Offshoot of the Volcanic Eruption Tonga Water Vapor Blocks the Sun Back Out into Space thereby Cooling and Contracting the Outer Atmosphere of the Earth**

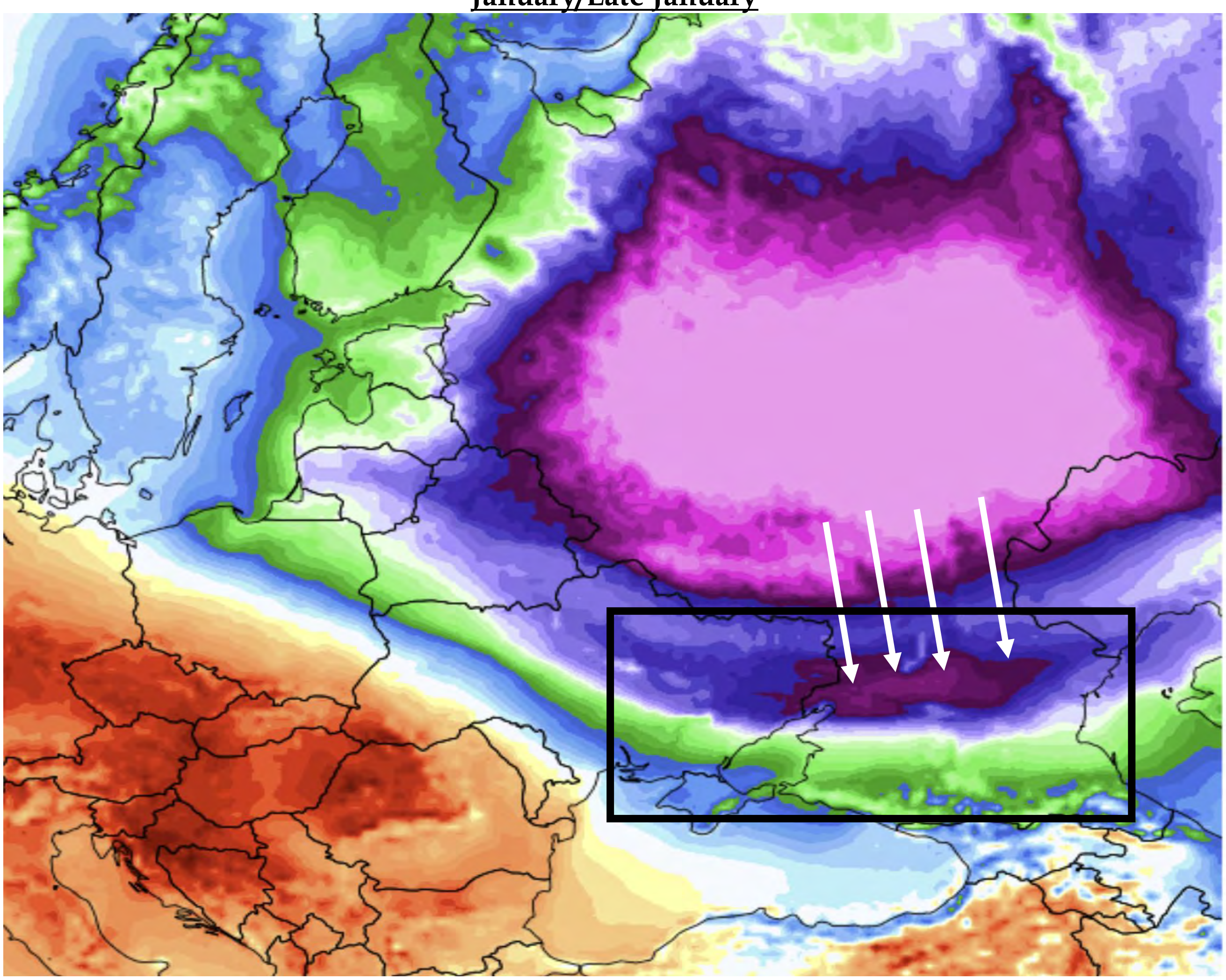



^back to top^

## This Helps Contract the Atmosphere Causing an Amplified Upper Air Flow Pattern and Wild Winter Weather Volatility- More on the Way for Later in January into Mid-February Before an Early Spring Arrives as the Arctic Oscillation Dives Negative Again-Russia Next Up to Receive Some Extreme Polar Air into the Heart of the Winter Wheat Belt

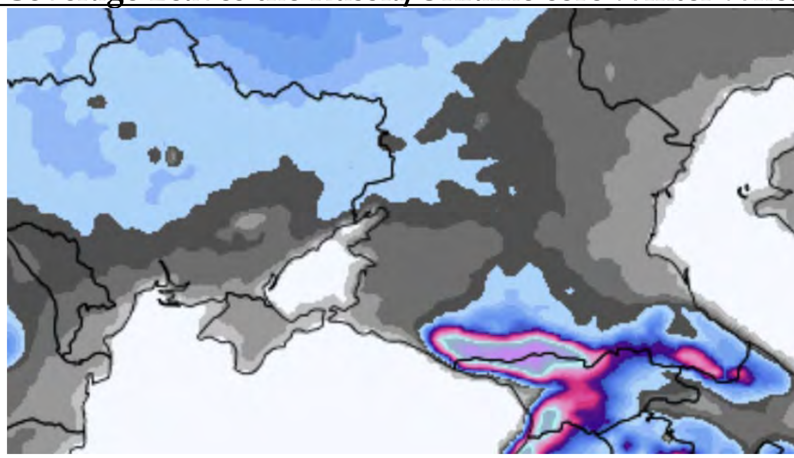



## Winter Kill Risk on High Alert for the Core Winter Wheat Belt in Russia/Ukraine Heading into Mid-January/Late January



^back to top^

**Lack of Snow Coverage Leaves the Russia/Ukraine core Winter Wheat Belt Exposed**



**There is so much misinformation about the recent record cold event in the US.**
**IT WAS NOT A POLAR VORTEX!!!**

**A polar vortex event is when the upper stratosphere warms suddenly pushing arctic air to the lower troposphere that destabilizes the polar vortex sending off a piece of this arctic air mass into the lower latitudes and causing dangerously low temperatures. Once this happened it impacts wintry weather for several months before normalizing again.**

**That is what we had last year. This year we have not seen that and will not likely see that because of the very strong positive Quasi biennial oscillation (West to East Stratospheric winds) which helps mitigate the above mechanism versus last year when we had a negative QBO (east to west stratospheric winds)**

**What we saw this year and will continue to see is polar air coming into the lower latitudes but not arctic air. The Tonga eruption as we had discussed before sent up massive quantities of water vapor into the stratosphere which helps block the sun and dramatically cools the outer atmosphere of the earth.**

**This thereby then contracts the atmosphere and causes an amplification of the upper air flow of the jet stream. The Arctic oscillation is one great way to measure this and when it moves into negative territory it is telling you that amplification has occurred which will help drive extreme weather volatility and the potential for cold polar air to move in like we saw, and Russia will soon see.**

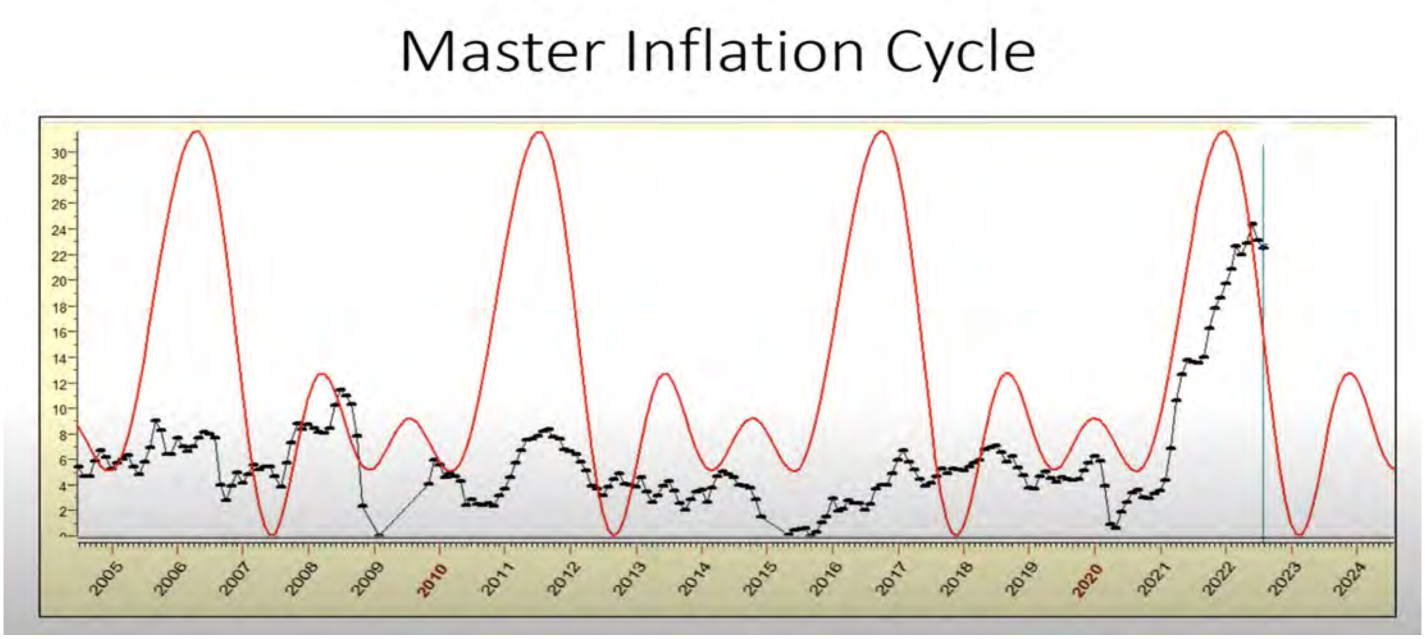
**The reason this polar air mass was so cold is because we are currently seeing a record cold upper stratospheric cold temperature regime stemming from the Tonga eruption. This does filter down to the lower troposphere and what would normally be cold polar air can take on an arctic air characteristic.**

^back to top^

**Because it is not a polar vortex destabilization, these events are short and sweet and not long lasting in nature like we just saw. That is why this winter is going to end early and an early spring will soon be upon us by late February**

**God help us with all this misinformation being spewed out into the public sphere. I hope the above discussion helps provide you with the correct context of how earth's atmosphere works**

**The Commodity Inflation Cycle Bottoms out in the First Quarter of 2023 and Turns up Into Early**




**2024 After Turning Down in 2022**


^back to top^

The Hackett

Money Flow Commodity Report

January 2, 20233

Commodity Market Analysis
For Hedgers and Investors

## CORN PRICE ANALYSIS

**December 23 Corn Prices are Likely Close to Making an Intermediate Top in January from which a Correction into March/Early April is Likely Before the Next Bullish Turning Point Arrives.**


## Corn Synopsis

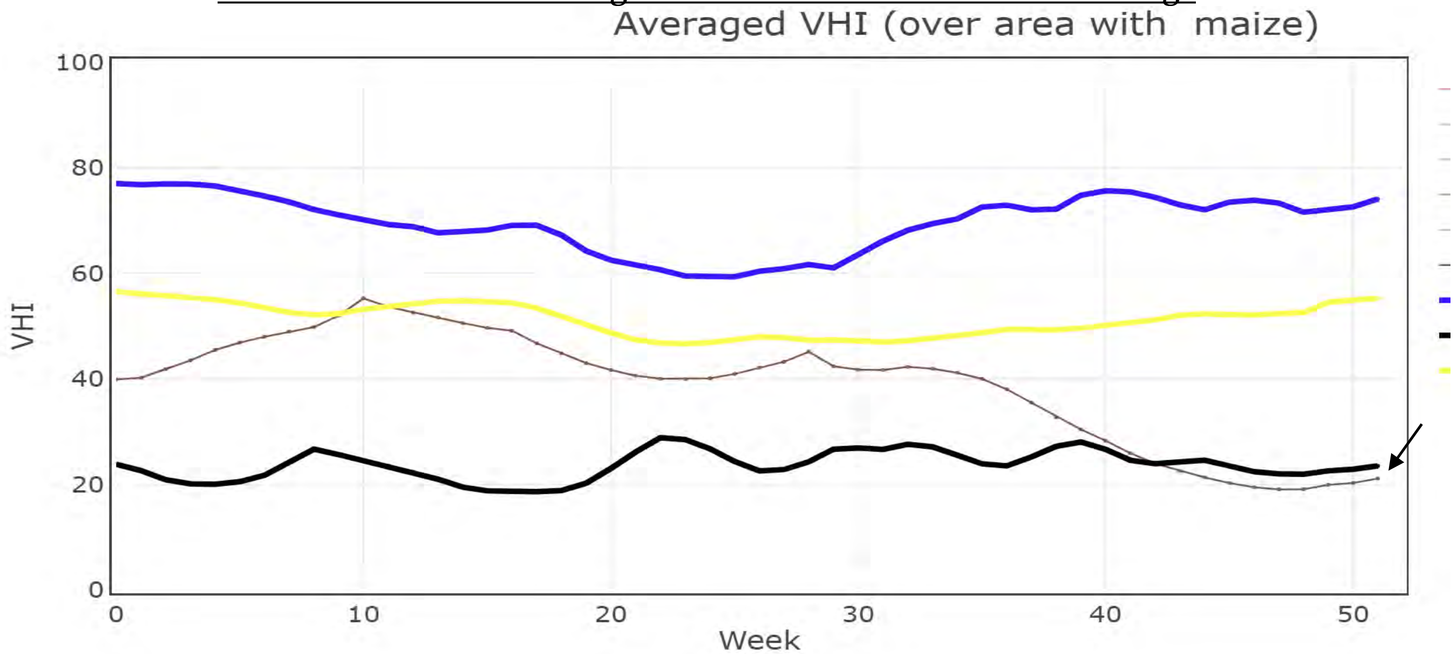
**We believe that the Argentine drought will likely be fully factored into higher Corn Prices in January from which an early Spring in the US when coupled with good prospects for 2nd crop corn in Brazil will likely cause corn prices to correct markedly heading into March/Early April.**

**That would be the time for cash buyers of feed, for producers that want to counter hedge prior cash sales and for traders and investor to position for the possibility for the 1 in 100-year 89-year Gleissberg cycle to kick in which would also dovetail with the 9-year and the 89-year corn crop yield failure cycles.**

**For now, prices are likely reaching intermediate highs by mid-January from which producers should be making additional cash sales.**

^back to top^

**Corn and Soybean Vegetative Health in Argentina are the Worst Seen Sine 1980-Blue, and Black is the Historical Extreme Range While the Yellow Line is the Average**




## SOYBEAN PRICE ANALYSIS

**November 23 Soybean Prices Are Likely Heading for an Intermediate Top in January from Which a Major Correction can be Seen Heading into March/Early April as a Record Brazilian Soybean crop and an early Spring weigh on Prices Before the Next Bullish Turning Point can be seen**


^back to top^

## Soybean Synopsis

**The drought in Argentina has caused a supply squeeze in Bean Meal sending prices higher at a time that the long bean oil and short bean meal spread trade was being unwound from disappointment over US renewable diesel mandates.**

**Also, the chaotic reopening of China and the inability for soybean crushers to operate at normal rates has also caused a supply squeeze adding additional fuel to the fire. Rest assured the plants will come back online, the spread unwind will end and a record Brazilian crop will help calm near term panic cash buyers of meal.**

**This should send soybean prices back down from an intermediate high here in January into a March/Early April low as harvest pressure from Brazil and an early spring put pressure on prices.**

**Despite disappointment over US renewable diesel mandates the demand for bean oil is not going away and the bean oil market should gain premium again over meal as time moves on.**

**Producers should be looking to make some cash sales as this intermediate top completes here in January while buyers of soybeans, meal and oil should look for opportunities to buy in March/early April.**

## Bean Meal-Smart Money

**July Bean Meal Prices Have Caught a Bid from the Argentine Drought and are Expected to Place a Top Later in January with the Next Low Set Up for March/Early April**


^back to top^

# Bean Meal Synopsis

**A combination of a massive unwind for the short bean meal/long bean oil spread trade over the disappointment of the modest US mandates for renewable diesel, an epic drought in the number one exporter of meal in the world in Argentina and a meal supply pinch in China over a chaotic reopening that has left crushing plants unable to operate at full speed has pushed meal prices higher.**

**The problem is that the demand for meal feed from a lower animal global pool is not going to support these higher prices heading into the spring. Like soybeans, we are expecting a combination of the end of the meal/oil spread unwind and a pricing in of the worst-case scenario for the Argentine drought to place a top later in January before a correction heading into Spring occurs on record Brazilian production, improvements in Chinese crushing processors and realization that bean oil demand in the US will still be epic**

**Producers of meal should be looking to lock in prices over the next 30 days whereas feed end users should look for an opportunity to buy heading into the spring**

**<u>Chinese Meal Prices Have Surges Due to Bean Crushing Capacity Problems from COVID Chaos</u>**


^back to top^

## Soybean Prices in China Getting Crushed on Weak Processor Demand from the COVID Chaos


## July 23 Bean Oil Prices Have been Consolidating and correcting from the parabolic move that occurred from 2020 into 2021 over the excitement for strong US renewable diesel demand-Prices should remain elevated with upside price risks once we get to the spring


^back to top^

**The trillion-dollar question is what will the demand for bean oil be over the next 12 month? We know there are huge US subsidies for making renewable diesel as huge demand should come from new plants coming into operation so long as it is profitable to make renewable diesel in the US between prices at the pump and the government payments.**

**Now that the crowded trade of long oil and short meal is close to being unwound bean oil prices should reassert their leadership over meal once drought fears reach their peak here later in January.**

**<u>November 23 Canola Prices Have Been Correcting as they are priced for gaining acres in Canada next growing season-Further Price Weakness can be Expected heading into an Early Spring Before a Bottom Can Be Expected</u>**


^back to top^

## WHEAT PRICE ANALYSIS

**December 23 Wheat Prices Have Reversed Higher and Are Expected to Surge Back Higher as the Russian/Ukraine Conflicts Fires Up Again and on Harsh Realities Over Reduced US Production Prospects from the Recent Severe Winter Kill Event**


## Wheat Synopsis

**The sever winter kill event in the US especially for CBOT SRW wheat (not KC) along with one of the worst rated crops in history in dormancy and the prospects for an eastern based dry spring for SRW wheat along with the likelihood for an escalation of the Russian/Ukraine supply issues/January Winter Kill potential sets the stage for a spirited move higher in wheat prices heading into the Spring.**

**Adding insult to injury is a budding global rice shortage especially in Asia and the two most important food commodities in the world are not priced for the reality of what is needed versus what is available.**

**End users of wheat should be protecting upside price risks at this time as should traders and investors on any near-term corrections.**

^back to top^

## COTTON Price Analysis-Smart Money

**December 23 Cotton Prices Have Tested Value Territory in the 70's and have now been consolidating-With Better Weather Likely for TX in 2023 Prices Should Remain Confined to Sub 90 Cents Until Demand Can Emerge Later in 2023**


## Cotton Synopsis

**Cotton demand will remain very weak in the first half of 2023 before the Chinese reopening kicks in and global central banks ease back monetary policy in the back half of 2023.**

**While drought should worsen for the grain belt overall, Texas should see improved weather prospects from last year providing better yield outlook potential. So, cotton prices will be dictated on what the correct price is needed to plant sufficient acres to provide a surplus production year in the US with strong demand returning later in 2023.**

**Producers should be looking to make cash sales on any rallies to the 90-cent area as prices will likely remain range bound heading into spring. Cash buyers should be looking for opportunities in the mid 70's.**


^back to top^

# COCOA PRICE ANALYSIS-Smart Money

**July 23 Cocoa Prices Continue to Trace Out an Epic Consolidation Wedge Pattern that will Complete by June of 2023-As La Nina Fades and El Nino Approaches the Fireworks to the Upside Should be Lit with a Testing of All-time Highs on the Table**


**Longer Term Charts Show a Potential for All Time Highs to be Tested from the 1970's From an Epic Completion of the 10-Year Wedge Pattern**


^back to top^

## Cocoa Synopsis

**Despite COVID and the EU energy crisis demand has held up and prices have continued to trace out one of the most epic trading patterns one will ever see in a 10 Year wedge pattern that completes by June of 2023.**

**La Nina is a more favorable pattern for West Africa, yet production has stalled due to poor economics and a lack of investments in cocoa plantations.**

**What will happen to production as La Nina fades and El Nino forms later in 2023 which historically has meant that serious drought enters the fray?**

**That would be occurring just as demand begins to surge again from China's reopening getting into full swing and from an easing for central bank tightness.**

**Cocoa represents one of the few markets that remain historically cheap and has some of the most substantial upside prospects as such.**

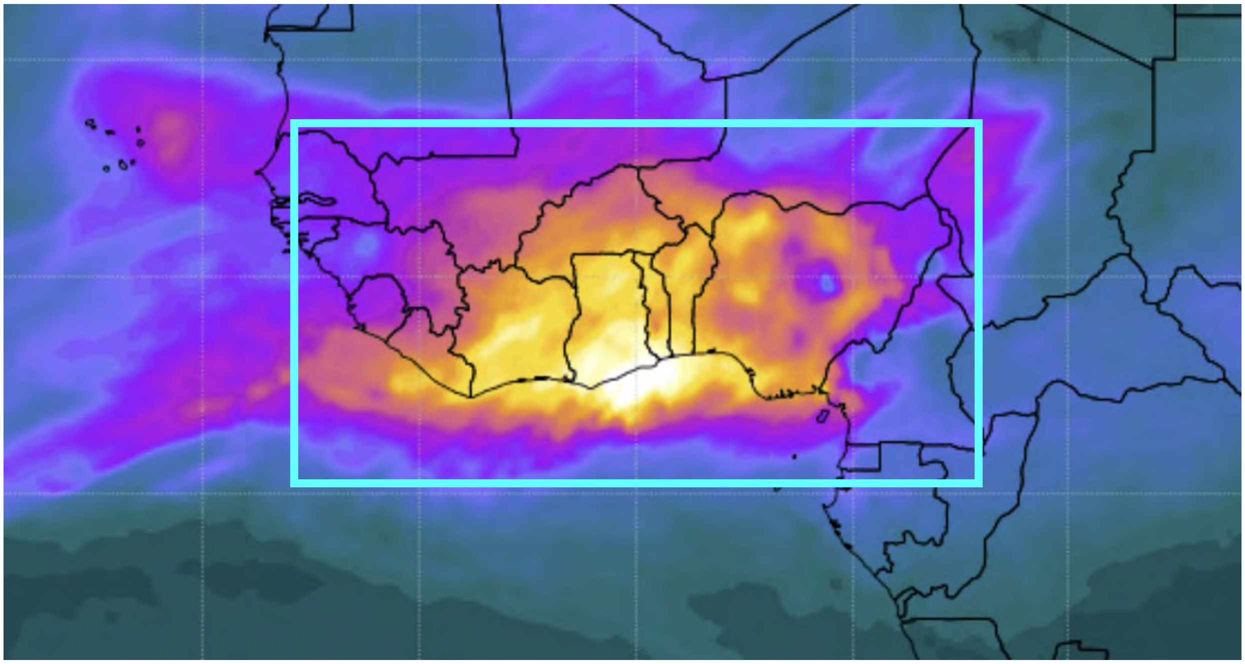
**Saharan dust from Harmattan winds have begun to enter the west Africa cocoa regions as we had forecasted would be the case as we entered the latter part of December. The conditions should remain favorable for waves of this dust to create dry sun blocked conditions that should hurt prospects for the 2023 production potential.**

**End users, traders and investors should be looking for opportunities to position ahead of this epic wedge breakout to the upside pattern by June on any corrections that may emanate.**

<u>Relative Value of Cocoa to All Other Commodities Has Reversed Higher-This Tends to Occur in Advance of Major Bull Market Moves</u>


^back to top^

**Current Saharan Dust from Northeast Harmattan Winds Has Impressively Entered Key West African Cocoa Areas and Should Remain a Repeated Feature Heading into February**



**SUGAR PRICE ANALYSIS-Smart Money**

**July 2023 Sugar Prices Have Reached Key Resistance as an Epic Set of Wedge Patterns Complete Later on in 2023-A correction is in Order Heading into the Spring**


^back to top^

## Sugar Synopsis

**Like cocoa sugar prices tend to be very sensitive to El Nino's hot dry weather conditions in Asia especially India and Thailand. For now, Brazil weather is good, ethanol production in Brazil is weak allowing for more sugar to be crushed and Asia sugar supplies are adequate.**

**For prices to break out above current resistance energy prices would really need to rise. With El Nino arriving later in the year the time to look at this market would be the springtime when the dual wedge patterns complete.**

**Right now, the odds favor a correction heading into the spring.**

## Coffee Price Analysis

**July 2023 Coffee Prices Reached Key $160 support and Have Since Been Consolidating-Prices are Likely to See a Bounce Heading into March Before Harvest Pressure Fears Begin to Kick in**


^back to top^

# Coffee Synopsis

**Good weather in Brazil through the flowering season and now into the bean formation season have provided the backdrop for improved Arabica production from the last 2 very poor years.**

**While a rebound is in order in production in 2023 by no means are we looking at a bumper crop but a crop just good enough to produce a modest surplus.**

**Other countries in central America have also struggled and have seen a reduction in high quality production as well. Bottom line is that supplies are very tight, and it is unlikely that prices can make it to the next Brazilian harvest that starts in May without putting prices higher to keep demand on the lower side of the growth curve.**

**What the outstanding rains have done is cause fantastic vegetative growth and foliage coverage and provided a dramatic increase in nodes that can become the basis for the production potential for the 2024 harvest.**

**Should weather remain favorable for the 2023/2024 crop cycle the production potential could be set for new all-time records for harvest 2024.**

**This potentiality would begin to get priced by the fall of 2023. So, the best opportunity for a move higher would be the period from now heading into the spring where cash supplies will be the tightest.**

**We believe that producers should be looking for a sizeable bounce heading into the Spring to make additional cash sales as $2.00 resistance would be a realistic target.**

^back to top^

## Lumber Price Analysis-Smart Money

**May 22 Lumber Prices are Testing Key Long-Term Support from Which a Major Low Can Take Hold**

## Lumber Synopsis

**Lumber prices lead economic activity in housing a year in advance. We are optimistic that the US economy will be improving by late 2023 which means that lumber prices should be placing an important low now.**

**Also remember that Russia is a major exporter of lumber to the world. That will provide a substantial reduction in available supplies coming out that region so long as the Russian/Ukraine conflict is in flux.**

**End users should be locking in long term supplies now. Investors can be looking at lumber related stocks for opportunities.**

^back to top^

## Relative Value of Lumber Prices to All Other Commodities Has Reached Deep Value Levels from Which a Major Low Is Likely


# Oats Price Analysis

## December Oats Prices Have Crashed to Deep Value Territory and Are Set Up for a Sizeable Rally Heading into the Spa [ring to Secure Sufficient Canadian Planted Acres


^back to top^

## Oats Synopsis

**A huge rebound in oats production in 2022 especially from Canada have caused a huge increase in oats ending stock by close to 50% and has ended the shortage that developed from prior years 1 in 50-year drought in Canada.**

**Oats prices have crashed as would be expected but they have now reached very good economic values relative to competing feed markets and they have the bonus of increased human consumption at these lower prices to help sop up this excess supply.**

**The game changing new demand base for oats milk and oats related additional products is still in the early stages. Too bad this market is illiquid, but the opportunity here is truly amazing for further upside ahead.**

**Prices look to be bottoming and we expect prices to turn up here into the spring and see a solid price rebound to the $5.00 level.**

**End users would be wise to aggressively protect upside price risks and to procure long-term physical needs.**

**Here is a great article on the future opportunity for oats ahead:**

**https://www.graincentral.com/markets/oats-in-strong-demand-so-why-are-hectares-falling/**

^back to top^

# The Hackett
# Money Flow Commodity Report

January 2, 20233

Commodity Market Analysis
For Hedgers and Investors

## Orange Juice Price Analysis

**May OJ Prices Have Tested All Time Highs on the Backs of Hurricane Ian and Historical Tightness Due to the past 2 years of Low Production in Brazil-Prices Should Be Setting an Important Top**


## Orange Juice Synopsis

**We Believe the OJ market is trading the tightest supplies in the market as we speak and should begin to reprice lower as seasonal demand weakens, US imports from an improved Brazil production stabilize US cold storage stocks and US demand continues to crash.**

**With great weather in Brazil the prospects for 2023 production look very good indeed. Producers should be locking in cash sales at current near record high prices.**

^back to top^

## Rice Price Analysis

**<u>May 23 Rice Prices look Set Up to Spike Trade-A Retest of the All-Time Highs Set in 2008 is on the Table</u>**


## Rice Synopsis

**The first Asian rice shortage since 2007/2008 is well underway from last years poor production from lack of fertilizer access and the worst drought in 500 years in China. Asian rice prices have gone parabolic to the upside and US prices have started to follow.**

**In addition, the historical 1 in 50-year drought in Southern Brazil/Uruguay/Paraguay/Argentina a block that exports considerably more rice than the US will not be able to do so in 2023 putting further pressure on already tight US rice stocks by increasing US export demand at a time that Asian rice prices are running away to the upside.**

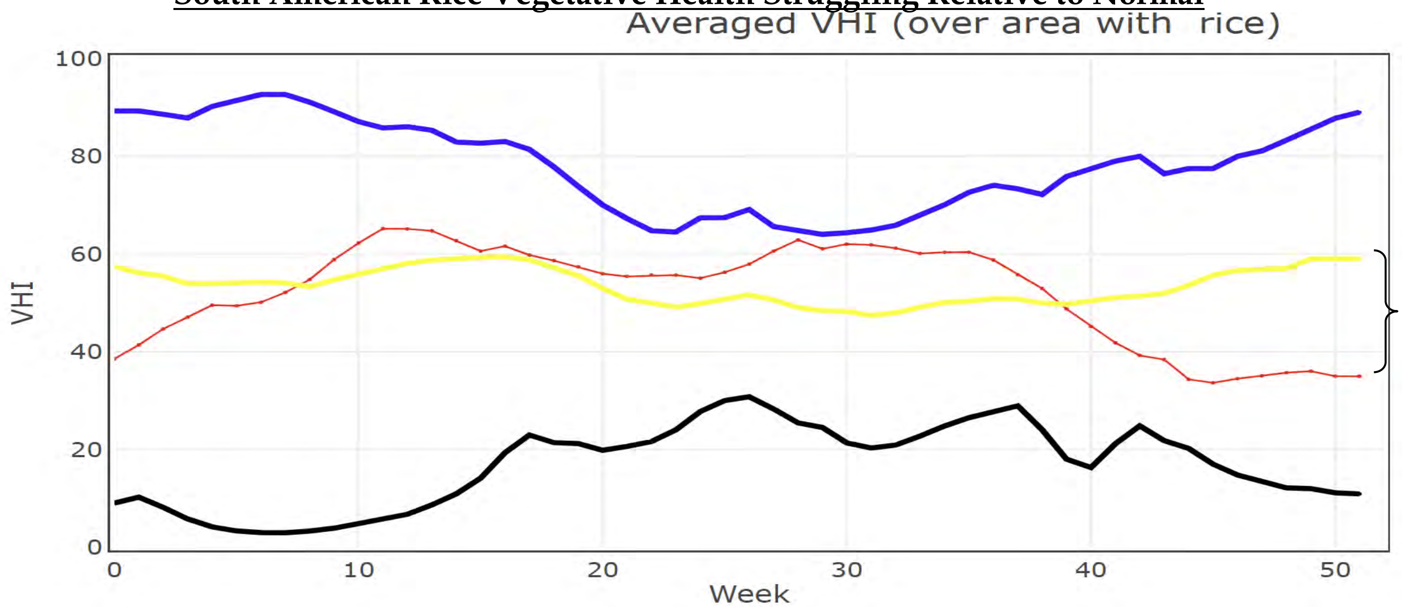
**In addition, La Nina will be be fading and El Nino will be approaching which will only add additional weather problems to an already problematic situation in Asia.**

**US prices look set up for a major spike trade higher in 2023 that could rival the all-time highs set in 2007/2008.**

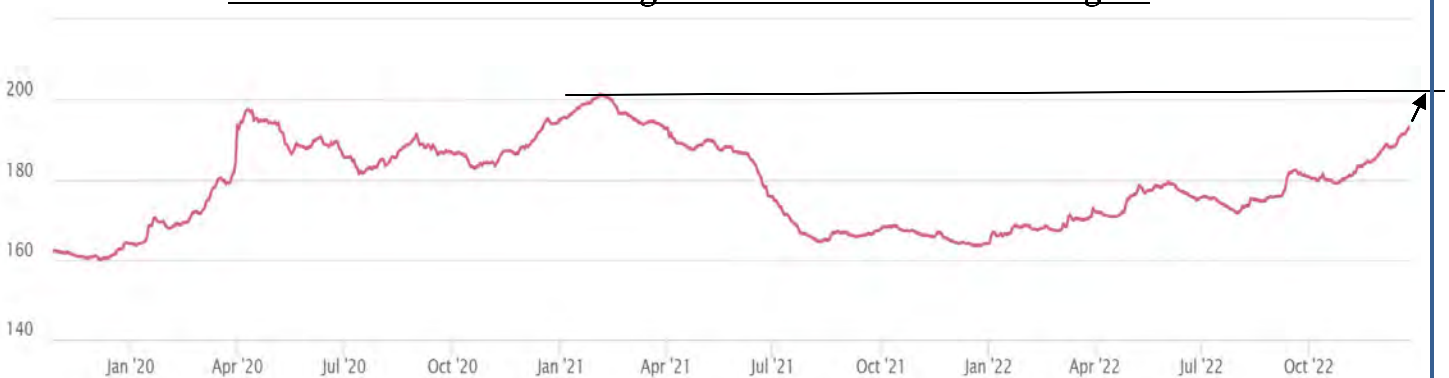
**End users should be protecting upside price risks at this time.**

^back to top^

## South American Rice Vegetative Health Struggling Relative to Normal




## Asian Rice Prices Continuing their Parabolic Ascension Higher




^back to top^

# Milk Price Analysis-Smart Money

**July 2023 Class III Milk Prices are Moving Closer to Key $18 support and May One Final Move Down in January Before Placing a Major Low**

## Milk Synopsis

**While milk price may have a little more weakness in the first quarter of 2023 on weak global demand, we feel a major bullish turning point will occur at that point as China milk demand slingshots back up from Q2 onwards and as global production weakness again surfaces on the current poor economics.**

**Relative prices for milk relative to all other commodities remains very undervalued and leaves the door open to a sizeable spike trade higher later in 2023.**

**For a more detailed analysis and specific recommendations please subscribe to our flagship Hackett Dairy Report by going to the link below to our website:**

**https://www.hackettadvisors.com/subscribe. Asp**

^back to top^

## Relative Value of Milk Prices Relative to All Other Commodities Remains Undervalued and Are Set Up for a Move Higher Later on in 2023


## Cattle Price Analysis

### August 23 Cattle Prices Are Testing All Time Highs and Should be Set up for a Sizeable First Quarter Correction


^back to top^

## August 23 Feeder Cattle Prices Are Testing Initial Resistance from Which a First Quarter Correction is Likely


## Cattle Analysis

**We are very uncomfortable with the demand profile for meat proteins like high priced beef heading into the first quarter of 2023.**

**The delayed economic and demand side bearish effects from current tight monetary policy along with the Chinese chaotic decision to end zero covid policy abruptly suggests a major air pocked for demand at a time where prices are near their highs for the year and at major resistance.**

**No doubt supply constriction later in 2023 will have a levitative effect on prices but we first in our opinion need to enter the valley of the shadow of death here in Q1 into Q2 before we get there.**

**In addition, the increase chances that the 1 in 100-year drought Gleissberg cycle is on the table for 2023 and the high feed prices this would necessitate if verified would not be good for cattle prices in the short run as the herd rebuilding cycle would come to a screeching halt forcing more animals into the market that will not be needed.**

**As such producers need to be protecting downside price risks heading into the spring.**

^back to top^

## Lean Hogs-Smart Money

**August 2023 Lean Hog Prices Are in the Middle of a Wide-Ranging Consolidation Wedge Pattern and Look Set to Correct into Q1 2023**


## Lean Hogs Synopsis

**While the US hog numbers remain low and have not yet shown any sign of rebuilding, we still producing plenty of pork for our domestic needs and for the needs for exports ex-China. If China buys a lot than we have a major shortage. It is just that simple.**

**The chaos surrounding the end of the zero covid policy to domestic demand in China is very concerning in the short run for meat proteins, like pork.**

**Since August Chinese hog prices have crashed as the economic wheels in China have come off the wagon from the massive domestic demand dislocation from fear keeping Chinese citizens afraid to go out and consume.**

**Without Chinese demand it will be very hard for US prices to see a sustainable rise and should retest the recent low in the first quarter of 2023.**

^back to top^

**Until signs show up that the Chinese covid chaos is ebbing the risk will be to the downside here.**

**Like cattle should drought escalate in the US in 2023 and set off a firestorm of higher feed prices then any hope of rebuilding the US hog herd and holding animals back will be thwarted for liquidating the herd instead to save on losses.**

**As such producers need to be protecting downside price risks heading into the spring.**

<u>Chinese Hog Prices Have Crashed on the COVID Chaos to Demand</u>


^back to top^

**Apply for an account online with the following link:**

**https://rraos.rjobrien.com/Account/Register**

**We also put God first in our dealings with you and our approach to the markets. Our heart is in the right place and through his honor and grace wonderful things are possible. We take the view that the more successful you are the more you can give back to those in need. It hardly makes any sense to do it for any other reason.**

Also remember that you can also open an account with us at Hackett Financial Advisors Inc. We clear all our operations through R.J. O'Brien & Associates which is the oldest and largest independent futures brokerage and clearing firm in the United States. A futures commission merchant (FCM), RJO is a full clearing member of the CME Group (founding member of the Chicago Mercantile Exchange) and all its markets; Intercontinental Exchange (ICE); NYSE Life U.S.; and the CBOE Futures Exchange (CFE).

R.J. O'Brien & Associates, LLC is the oldest and largest independent futures brokerage and clearing firm in the United States. A futures commission merchant (FCM), RJO is a full clearing member of the CME Group (founding member of the Chicago Mercantile Exchange) and all its markets; Intercontinental Exchange (ICE) and the CBOE Futures Exchange (CFE).

RJO offers the state-of-the-art in order entry technology coupled with 24-hour execution and clearing on every futures exchange worldwide. Clearing more than 80,000 client accounts, the firm provides a full range of services to the industry's largest global network of introducing brokers (IBs) and to commercial, institutional, international and individual investors These include more than 300 IBs and many of the world's largest financial, industrial and agricultural institutions. We do not engage in speculative proprietary trading; all our business focuses on our valued clients.

Founded in 1914, RJO is one of the last 'boutique' futures firms in the industry. It is a privately held business majority owned by the O'Brien family of Chicago. The O'Brien's have been instrumental in the development of the futures industry and remain committed to the continued growth of the company and our leadership within the industry.

With client assets of approximately $4 billion, RJO is a well-diversified, fully integrated FCM. The firm regularly captures top-tier market share in both agricultural and financial futures products at both the CME and CBOT.

^back to top^

If you have any questions about any of the content in this report, please call me at (888) 535-5525 or e-mail me at **Shawn@HackettAdvisors.com** . Thank you for reading and I hope your future investment decisions turn out to be prosperous ones.

Best Regards,

Shawn Hackett, President



^back to top^

**This material has been prepared by a sales or trading employee or agent of Hackett Financial Advisors Inc. and is, or is, a solicitation**. This material is not a research report prepared by R.J. O'Brien's Research Department. By accepting this communication, you agree that you are an experienced user of the futures markets, capable of making independent trading decisions, and agree that you are not, and will not, rely solely on this communication in making trading decisions.

DISTRIBUTION IN SOME JURISDICTIONS MAY BE PROHIBITED OR RESTRICTED BY LAW. PERSONS IN POSSESSION OF THIS COMMUNICATION INDIRECTLY SHOULD INFORM THEMSELVES ABOUT AND OBSERVE ANY SUCH PROHIBITION OR RESTRICTIONS. TO THE EXTENT THAT YOU HAVE RECEIVED THIS COMMUNICATION INDIRECTLY AND SOLICITATIONS ARE PROHIBITED IN YOUR JURISDICTION WITHOUT REGISTRATION, THE MARKET COMMENTARY IN THIS COMMUNICATION SHOULD NOT BE CONSIDERED A SOLICITATION.

The risk of loss in trading futures and/or options is substantial and each investor and/or trader must consider whether this is a suitable investment. Past performance, whether actual or indicated by simulated historical tests of strategies, is not indicative of future results. Trading advice is based on information taken from trades and statistical services and other sources that Hackett Financial Advisors Inc. believes are reliable. We do not guarantee that such information is accurate or complete and it should not be relied upon as such. Trading advice reflects our good faith judgment at a specific time and is subject to change without notice. There is no guarantee that the advice we give will result in profitable trades.

^back to top^