

KFB Commodity Division Weekly Market Report

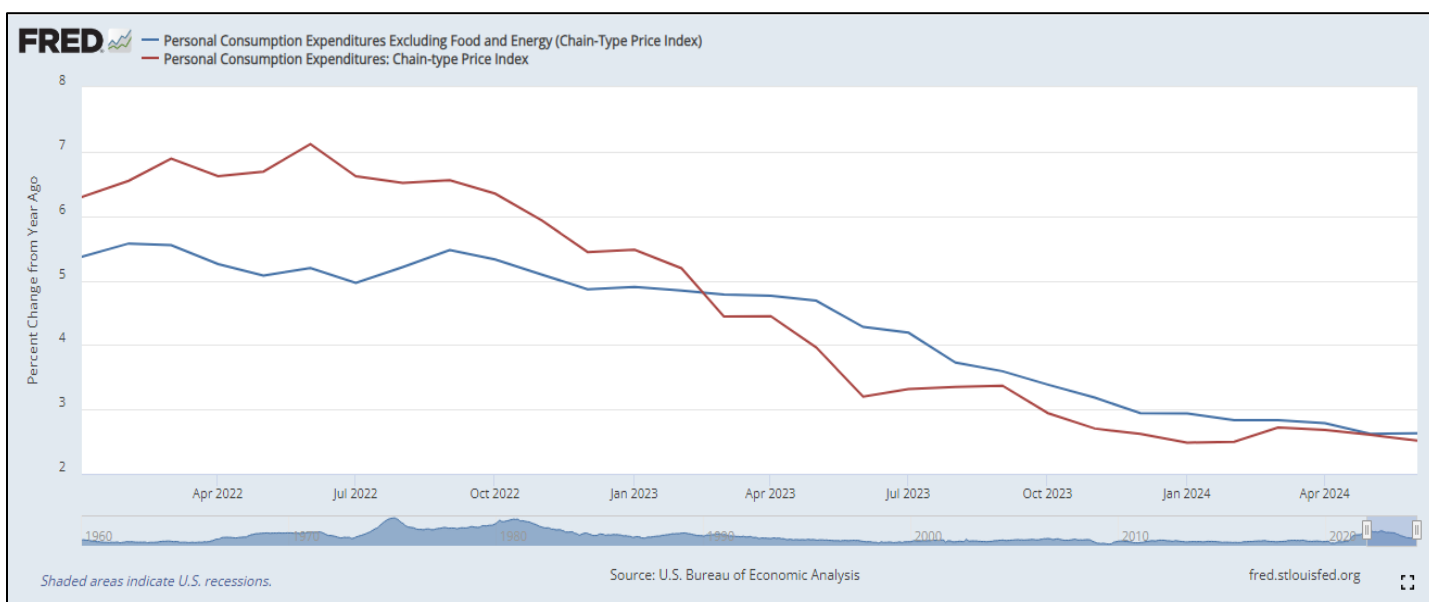
July 29, 2024

Macroeconomic

On Wednesday, the Federal Reserve will release its July interest rate decision. Markets are pricing in a high likelihood that rates will remain at current levels of 525-550 basis points. September 18th is the next Federal Reserve rate decision, and it will certainly be one to watch. Currently, markets are fully expecting rates to be cut by at least 25 basis points, according to the CME FedWatch Tool; though there has been a stir lately around a stronger than expected Q2 GDP number (+2.8%), and inflation that remains stubbornly above 2%. The chart below, from [FRED](#), shows two key inflation readings, PCE (2.5%) and Core PCE (2.6%). Pay attention to how tight the red and blue lines have gotten. Why is this important? As we've talked about previously, the Federal Reserve has been very clear that they want to see long term inflation at the 2% target. If we see inflation hover above 2%, we may see rates remain at current elevated levels through the Presidential election.

Grains and Oilseeds

We saw a lift in corn and soybean prices last week until Friday's sharp decline in the two categories, most notably soybeans. Favorable weather in key growing regions has reentered the picture. Combine that with a poor soybean export outlook, a strong pace for Brazilian corn harvest, and both corn and soybean prices opened lower to start the week. To summarize the current market situation, grain market fundamentals are bearish, but there has also been some weakness showing up in key stock market indices. If investors view too much downside risk in stocks, some of that money may move into grains as a diversification, or hedge, strategy.



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