



Climatic Factors That Will Influence Winter 2022-23 for Commodities



Introduction

China lockdowns, Russia's war on Ukraine war, fluctuating price moves of the U.S. dollar, collapsing cryptocurrencies and of course, the weather have all played a role in commodity price action in the last few months.

This issue of Climatelligence focuses on the climatic factors that will influence winter weather (South American summer for grains). They are:

- 1. East-based La Niña**
- 2. A major warm block north of Greenland - strong negative NAO index**
- 3. Stratospheric warming some 20-30 miles above the earth's surface**
- 4. The negative Indian Ocean Dipole which has brought record rainfall to Australia**
- 5. The Tonga Volcano**

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Trading futures and options involves significant risk of loss and is not suitable for everyone. Past performance is not necessarily indicative of future results. There is no warranty or representation that accounts following any trading program will be profitable. Sign up for a Free Trial of the premium [Weather Wealth Newsletter](#) for more timely and specific ETF strategies on weather. Questions contact support@bestweatherinc.com.

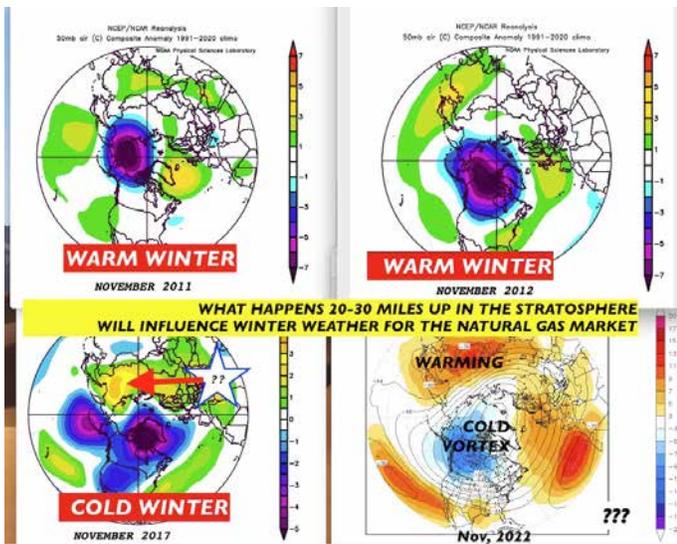
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The main conclusions are for a continuation of our updated forecast three weeks ago for a cold December for key U.S. natural gas areas, a potential continuation of the Plains wheat drought until next spring when it may ease. Generally good weather for west African

cocoa vs. a deepening drought for Argentina corn and soybeans. Finally, good Brazil coffee and soybean crop prospects remain vs. potential major harvest delays to Vietnam's Robusta coffee.

Stratospheric Warming and a Negative NAO Index

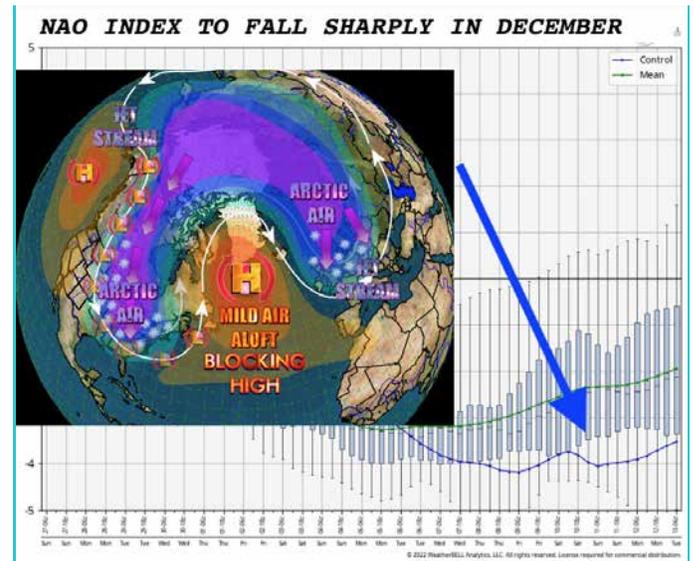
Warming 20-40 miles up in the stratosphere can sometimes deflect a polar vortex south and excite natural gas and heating oil traders. The causes for this warming are complicated but can be partly attributed to autumn snow cover in Eurasia as well as to volcanic eruptions in Oceania.



The result of this warming will be a negative Northern Atlantic Oscillation Index (NAO) for the month of December.

While I am a firm believer of climate change (as 90% of all renowned, global, degreed scientists agree), this does not mean that periods of cold weather can't occur, but certainly, nothing like during historic Florida freezes and record global temperatures in the mid-1970s to early 1980s.

Below are some jet-stream patterns from a few previous La Niña-type Novembers. The current (2022) conditions for November seem to closely match to

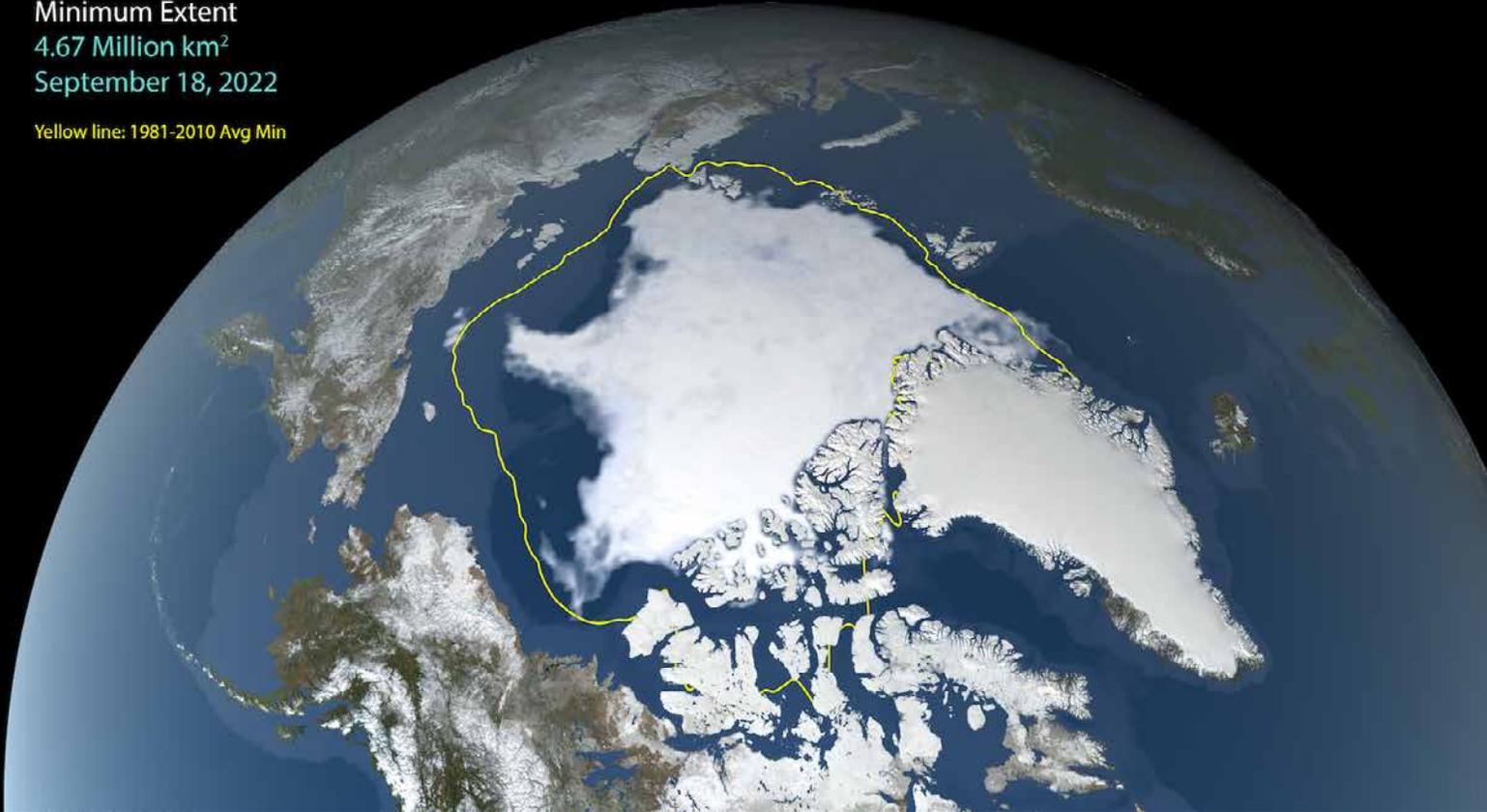


the stratospheric warming aloft that occurred in 2017. "Possibly" adding to this warming is the Tonga volcano, one of the strongest volcanoes in recent memory.



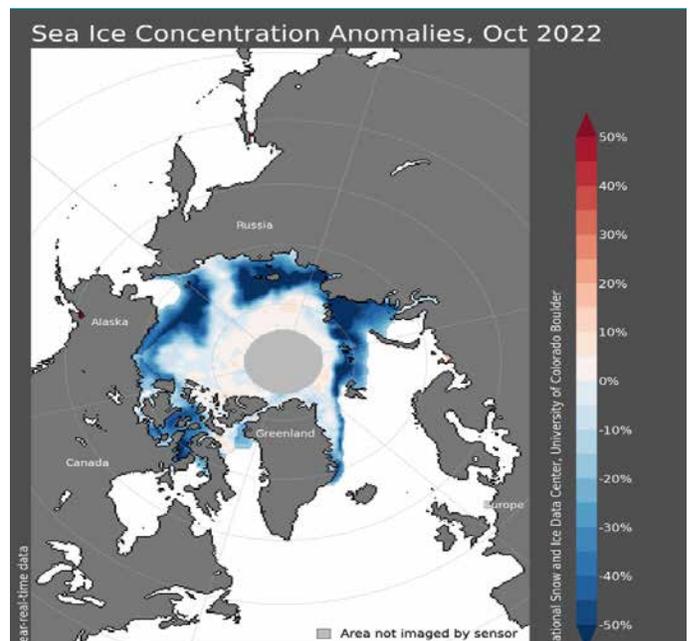
Arctic Sea Ice
Minimum Extent
4.67 Million km²
September 18, 2022

Yellow line: 1981-2010 Avg Min



Arctic Sea Ice is Still Well Below the 40-Year Average

The dark blue areas in the Arctic represent sea ice some 20-40% below the 40-year average. Global warming and climate change have become very politicized over the years. Have there been periods before of intense warming, thousands or even millions of years ago? Of course. However, this was “prior” to man-made carbon and methane release. Yes, volcanic eruptions may have caused temporary cooling of the planet, just as they did during the last ice ages, but the volcanic effects today will be much more short-lived than was the case thousands to millions of years ago.



SOURCE: https://nsidc.org/data/seaiice_index



La Niña, Alive & Well

I was calling for La Niña to continue through the winter (South American summer) very early. Too many meteorologists believe standard computer models that were predicting La Niña to weaken a few months ago. This is not accurate, because, as global ocean temperatures warm, there must be some sort of “equilibrium process” to offset this. So... what is that exactly? It is “upwelling” from the depths of the Pacific Ocean. In other words, cool waters are replaced to the surface.

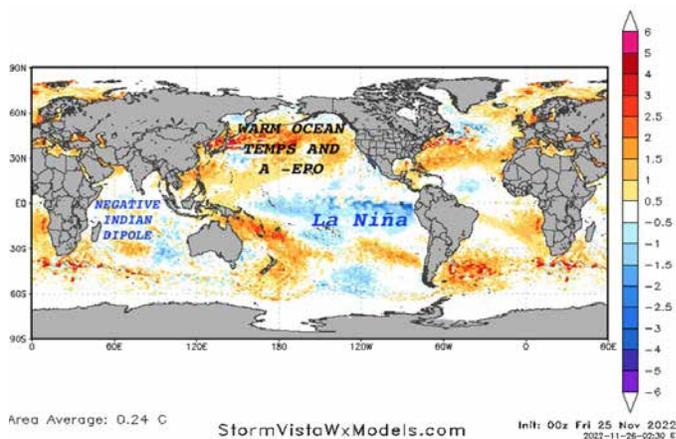


<https://www.youtube.com/watch?v=1nvMag1H44g&t=50s>

The video above discusses how La Niña, coupled with what we call a “negative Indian Ocean Dipole” produced the historical Australian flooding. Still, commodity markets, such as wheat, have not reacted to this news, due to big crops in other countries and concerns about a stronger dollar and poorer demand.



The global effects of La Niña range from droughts in Argentina and the Plains or Midwest grain belt and floods in Pakistan, India, Colombia, and Australia. Most recently, New South Wales has been so wet that kangaroos were being rescued.



The negative Indian Ocean Dipole represents cool waters east of Africa and warm ocean waters around Indonesia.



The Tonga Volcano

In December 2021, a volcano in the Kingdom of Tonga, known as Hunga Tonga-Hunga Ha’apai, began erupting in an event that culminated in an explosion so powerful it sent atmospheric ripples circling the planet multiple times.

This volcano, which erupted in January of 2022 is still spewing and could be one possible effect in producing

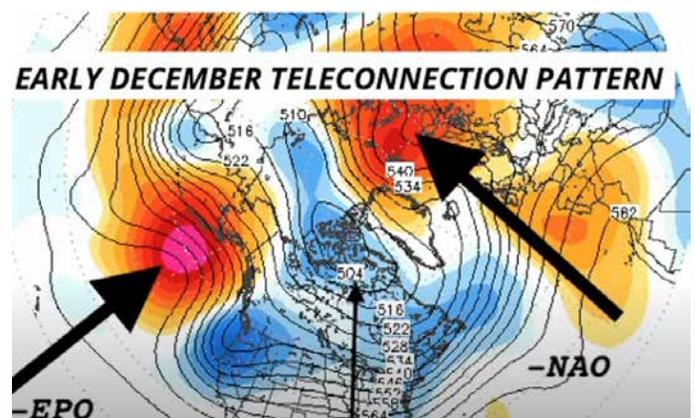
a cold northern Hemispheric winter.

Remember, the last volcanic eruption that was even close to this was 1991’s Mount Pinatubo in the Philippines. The planet actually warmed (not cooled), in the following three years. In fact, this helped to produce a three-year El Niño event until 1994.

Winter Forecast From Our Climate Predict® Software

This video is more for meteorologists, but you will get the idea of how I use teleconnections to predict weather for global commodities. This video talks about the -NAO/-EPO index and potential cold December for U.S. natural gas areas. However, it may not be cold enough to warrant a major bull market in natural gas due to:

- The warming Arctic;
- U.S. natural gas stocks only being slightly below the 5-year average;
- U.S. production increasing;
- Europe needs to see major sustained cold weather to allow LNG demand to increase.



<https://www.youtube.com/watch?v=tTD6vQf3btI&t=8s>

For access to our exclusive Climate Predict software visit: bestweatherinc.com/climate-predict/ You can access the lite version or request full access and demo complete version.



The Historic Buffalo (NY) Snowfall: Clues for Winter?

This picture shows the historic 7 feet of snow in 36 hours in mid-November. However, this was lake effect snow, not a major Nor'easter that covered hundreds of miles of miles.



Is the record snowfall a clue to winter weather? Well... perhaps. The last time this happened was in the record cold winter of 1976-77. However, that was during a time before global ocean temperatures and the Arctic have warmed significantly.

Looking at other strange weather events in 2022 such as the historic hot European summer, record

Australian flooding and Western U.S. drought, seem to point to warmer trends later.

The bottom line is, while we are calling for a cold early winter in much of the U.S., a volatile weather pattern will ensue and a winter as cold as those of the 1970s and 1980s is not likely.

This is a great video showing how the historic lake effect snow event occurred:

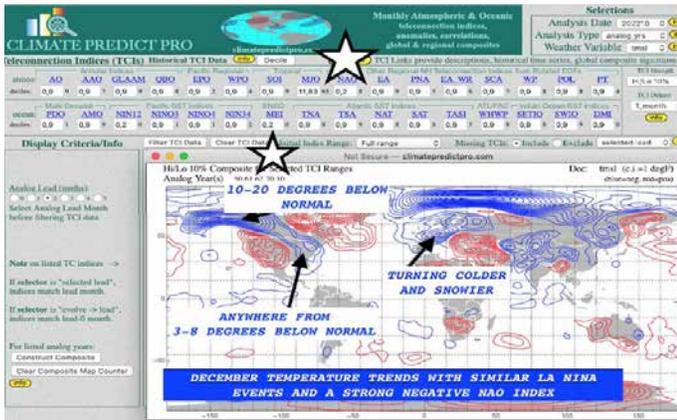


https://www.youtube.com/watch?v=_W7PS7LMEI4

Trade Ideas: Putting it all together (La Niña + Stratospheric Warming + More)

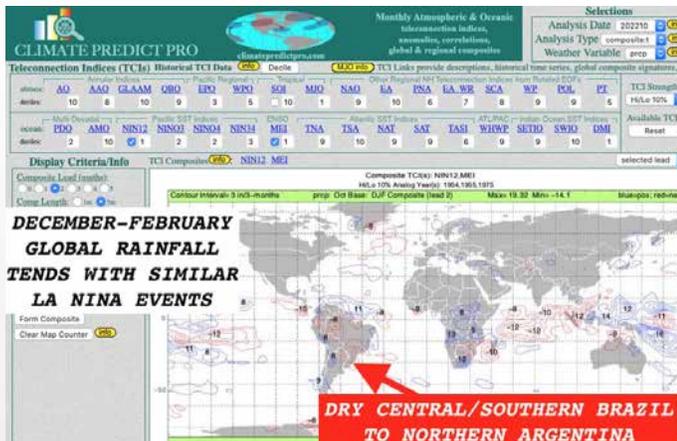
The maps illustrate a weather forecast from our in-house Climate Predict software. They are:

- A colder than normal December for the eastern half of the U.S. and parts of Europe. (However, probably not sustained a major cold.)



West African cocoa mostly in healthy condition

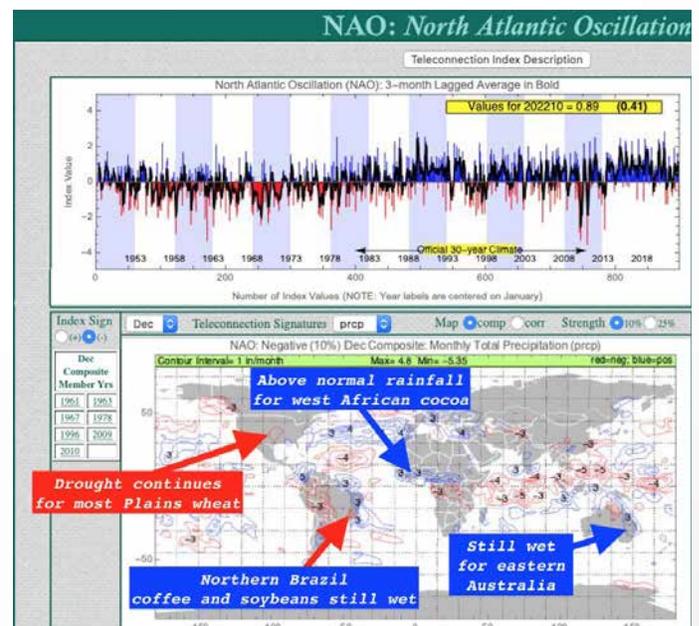
- December-February should be drier than normal for southern Brazil and northern Argentina's corn and soybeans.



- Normal-to-wet weather for most of Brazil's coffee and soybeans with generally big crops.

A negative NAO also suggests:

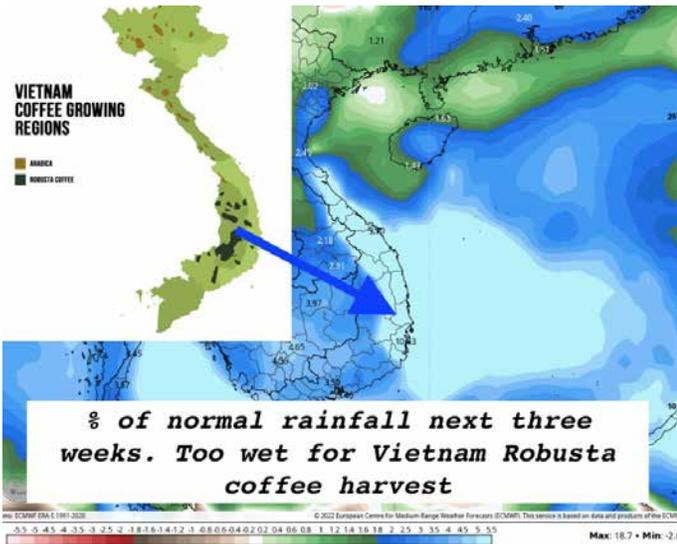
- Above-normal rainfall and good crop conditions for west African cocoa.



Coffee:

My best weather-related trade in the past two months was undoubtedly in the coffee market. **Last September, I recommended a short ETN (JO) position and short deferred call options for more sophisticated investors.** This trade potentially made investors a 20-25% return in less than 2 months.

While many analysts were bullish on coffee at \$2.00 due to tight supplies and strong differentials (strong cash market prices in Brazil vs. the futures market), we disagreed. At that time, notice my Best Weather Spider. The bearishness I had was based on my forecast for the Brazil drought to break. Nevertheless, in my twice weekly newsletter, Weather Wealth, I alerted subscribers, last week, regarding some concerns about recent hail damage in Brazil, and an oversold market. In addition, I emphasized the potential harvest delays for the Vietnam Robusta crop, that could keep coffee prices from falling much further, for now.



This was my old coffee Spider, nearly 10 weeks ago, before the collapse in coffee prices. This is old news now and I will have new trading strategies for [Weather Wealth](#) clients in the coming weeks.



Why Wheat Can't Rally

A few weeks ago, I prepared this video that discusses why wheat prices have not rallied in the midst of recent flooding rains in Australia, the U.S. Plains drought and worsening crop prospects for Argentina. Much of it has to do with the demand side of the equation and recent big crops in Australia and Russia. Also, historically following the third year of La Niña, global wheat crops in Europe and the U.S. improve the following spring.



This could be bearish for wheat prices longer-term.

<https://youtu.be/1nvMag1H44g>

Seasonal Commodity Trades

This table shows seasonal trades in November. We try to combine our weather and trading knowledge with strong seasonals that line up together. When we see several signals that are either bullish or bearish, simultaneously, that is when we have a higher confidence trade.

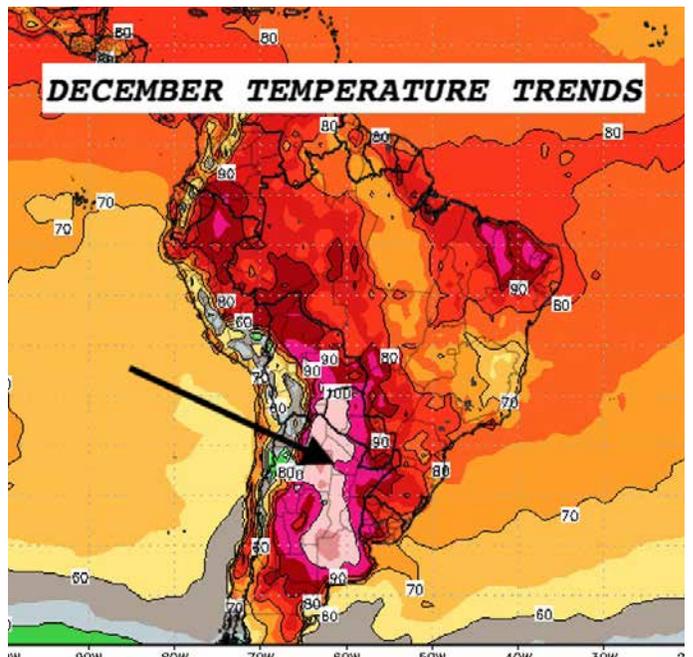
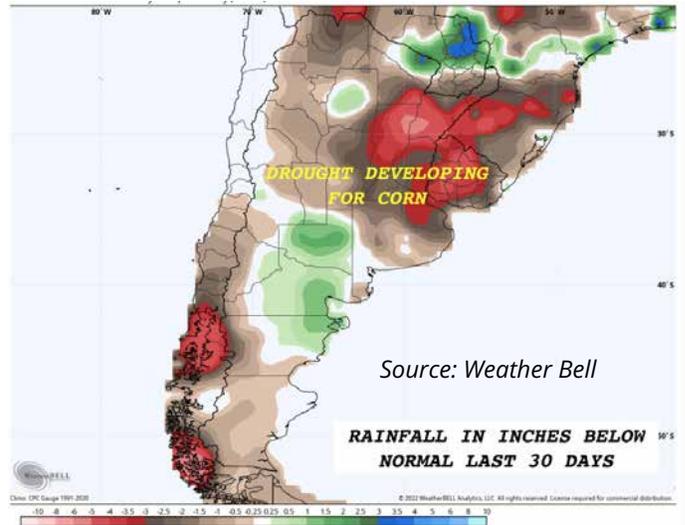
November 2022 Trades									
Seasonal Strategy	Entry Date	Exit Date	Win Pct	Win Years	Loss Years	Total Years	Average Profit	Avg PPD/ Days	
5857 Sell Mar Wheat(CBOT)-WH3	11/14	11/19	87	13	2	15	729	46/16	
5858 Buy Dec Lean Hogs(CME)-HEZ2	11/9	11/26	87	13	2	15	731	43/17	
5859 Sell Mar Sugar #11(ICE)-SRH3	11/11	12/7	87	13	2	15	728	27/27	
5860 Buy Mar E-mini DJIA Index(CBOT)-YMH3 ¹	11/12	12/27	93	14	1	15	1992	43/46	
5861 Buy Mar Corn(CBOT)-CH3	11/16	1/4	87	13	2	15	735	15/50	
5862 Buy Mar Soybeans(CBOT)-SH3	11/16	1/8	93	14	1	15	2988	54/55	
5863 Buy Mar Copper(CMX)-GH3	11/21	1/26	87	13	2	15	3162	47/67	
5864 Sell Mar Natural Gas(NYM)-NGH3	11/25	1/24	87	13	2	15	2807	281/10	
5865 Sell Feb Live Cattle(CME)-LCG3	11/27	1/29	93	14	1	15	1261	97/13	
5866 Sell Jan Feeder Cattle(CME)-FCF3	11/29	1/29	93	14	1	15	1409	128/11	
5867 Sell Mar 30-Year T-Bonds(CBOT)-USH3	11/29	1/5	80	12	3	15	1206	32/38	
5868 Buy Mar Crude Oil(NYM)-CLH3	11/29	1/5	80	12	3	15	1751	46/38	
5869 Buy May Cotton(ICE)-CTK3	11/30	1/4	93	14	1	15	2232	62/36	
5870 Buy Mar Swiss Franc(CME)-SFH3	11/30	1/16	80	12	3	15	2295	48/48	
5871 Buy Agr Platinum(NYMEX)-PLJ3	11/30	1/26	100	15	0	15	4555	79/58	

¹Note: due to number of years trading historical research is performed on a blended full size/mini contract.

For example, notice that buying March corn in mid-November worked in 13 of the last 15 years. Given the Argentina drought, one can see how my Weather Spider is slightly bullish. Why not a +7 to +12 very bullish scale? We may be at some point, but notice how the charts (pattern recognition scale) and the global economic fundamentals are slightly bearish and bring the total rating down.



Notice The Developing Drought For Argentina Corn And The Temperature Forecast For The First Half Of December With Some 100°F Degree Heat.



Source: Stormvistamodels

Trade Ideas

*I'm **still conservatively bearish coffee longer-term** and I like **short out-of-the-money call options**. It is possible that Robusta coffee may rally short-term on Vietnam harvest delays, but the end of the northern Brazil drought should prevent a major bull market.

***Cautiously friendly the corn ETF (CORN) and futures**

***Unsure-to-bearish soybeans** on a big South American crop. However, a strong seasonal to be long soybeans in December and the potential for some dryness later in southern Brazil keeps us from recommending a strong sale in this market.

Learn How to Replicate Jim's Weather Wealth Trade Ideas in Your Own Futures Account

(a note from the Editor)

Here is a unique opportunity to follow Jim Roemer's trade ideas. You can either receive his twice weekly newsletter *Weather Wealth*, or you can participate in a new facility, the *Weather Wealth Trading Program* that replicates his trade ideas in your own futures account.

For more information, please email me directly at scott@bestweatherinc.com or click on [this link](#) and scroll down to "Auto Trade" to register and find out how it works. You will also see the program's performance since inception.

***Natural gas prices should stay in a trading range.**

I do not think it is cold enough at these prices to warrant prices above the \$9-\$10 area. U.S. stocks are not much below the 5-year average. We have advised certain option strangle positions for Weather Wealth clients.

***Cocoa prices** are cheap but without major weather problems am **of the opinion of selling rallies, rather than buying breaks.**

***July KC wheat may be oversold and due for a seasonal bounce** this winter and on Plain's weather problems. Longer-term, next spring, as La Niña eases, we feel prices could drop \$1-\$2 from current levels.



We are really excited about this new program. If you get a moment, be sure and check it out in greater detail.

Wishing you a terrific holiday season to you and yours,

Jim Roemer & Scott Mathews (editor)

Trading futures and options involves significant risk of loss and is not suitable for everyone. Past performance is not necessarily indicative of future results. There is no warranty or representation that accounts following any trading program will be profitable.