Midsummer's day has finally arrived and, as usual in the UK, the ancient monument at Stonehenge was packed with a mixture of New Age hippies, Druids and the like who were disappointed to be unable to see the sun rise amid low cloud and general gloom. It looks like another typical British summertime scene!

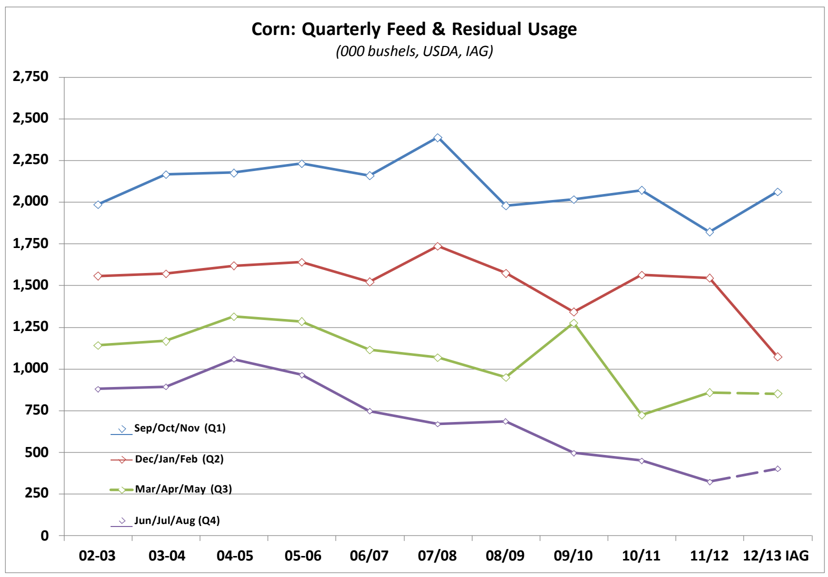
Turning to more serious subjects, the Chinese economy was once again questioned late in the week as their manufacturing index hit a nine month low, the inference being that there is a slowdown in manufacturing and a potential decline in the overall economy is in progress.

Federal Reserve Chairman, Ben Bernanke, also helped set the tone by announcing a phase out of the quantitative easing programme, which is currently in its third phase. The trigger for the change in direction was reported to be signs that moderate economic growth, improved employment data and inflation moving closer to the target 2% level. The phase out is expected to commence later in the year with a target completion in mid-2014.

As a consequence of the news, equities took a dive, as did energies and metals, which in turn took some of the wind out of the sails of agri and soft commodities, which had shown some signs of strength earlier in the week. To compound matters, respected investment bank, Morgan Stanley announced this week that it is to follow in the footsteps of Barclays by largely exiting trading in agricultural commodities. The decision was blamed mostly upon a reduction in investor interest in the sector. Barclays Bank withdrew from the sector blaming "moral cause" and the impact that speculator activity had upon food prices in an increasingly hungry world.

China had reportedly purchased 200,000 mt of wheat from France for August '13 delivery. This followed hot on the heels of a further 150,000 mt wheat sale by Australia to China prompting speculation that Chinese crop data has been overestimated. There is a feeling that further purchases are in the offing at prices just below current levels, and trade speculation is that China could be a purchaser of as much as 7 million mt. If this proves to be the case we have a new market dynamic, which could well change the cautiously bearish outlook we hold at present.

Having been absent from the wheat market for some months we received reports that Egypt's GASC is to tender for the first time since February. In contrast their AgMin continue to report that stocks are sufficient to last until year-end and imports will not be required until 2014. It is difficult to draw conclusions from such mixed messages, particularly in the wake of the suggested lack of foreign exchange reserves required to back up prospective purchases.



In summary, we have seen a volatile week with markets see-sawing on relatively small news items, which highlights the nervous state of the trade. Next week's stocks and seeding report is likely to be highly influential, although probably more so in relation to stocks as the market appears to have a pretty good handle on the acreage numbers. In the past we have seen significant market moves following publication of the June report and there is little reason to believe this year should be any different!

The author is taking a (well earned?) break and the next report will be produced on 12th July.