Having taken a week-long break we would expect to be struggling to sift through the mountain of news that has hit the headlines, but this does not appear to be the case this morning. Yes, we have had the latest data release from the USDA, but this was hardly earth shattering, and is a week old now. In summary, 2015 global end stocks in soybeans were reduced by just under 2 million mt, corn by a more sizeable 6.4 million mt, whilst wheat stocks grew by a touch over 5 million mt. The significance of the data may well be summarised by the report day moves, which saw markets higher on reported fund buying but as the week has progressed it still appears that a downtrend is in place.

Markets have shrugged off news of a sharp freeze in Brazil, potentially having a significant damaging impact upon their wheat crop. Early suggestions, which will take some time to confirm or deny, were that up to 50% of the crop could be damaged. Our take on the lack of market move is that there are sufficient global stocks to cover any potential shortfall as well as the need to confirm the extent of damage. Clearly the market is holding its nerve and not getting spooked by adverse news.

In Europe and FSU the cash markets were reluctant to follow any US rally as demand, or lack thereof, remains the key price driver. It remains to be seen if Black Sea and EU prices will become the global leader and influence Chicago and US markets rather that the more usual reverse position! A further potential cap to EU prices came from Stratégie Grains' latest release, which estimated the EU soft wheat crop at 147.5 million mt, another month on month increase of 3.5 million mt. The latest estimate is a mere 1% behind last year's bumper crop and with export pace lagging, the outlook for an increase in end stocks looks inevitable. Stratégie Grains have estimated EU exports at 27 million mt, behind last year's record 32.5, and if they are correct it would see end stocks grow to 16.1 million mt.

For the record, Brussels issued weekly wheat export certificates amounting to 562,017 mt, the best figure since five weeks ago. This brings the season total to 4,602,268 mt, which is 963,035 mt (17.3%) behind last year.

This week’s US export figures failed to impress once again, and as the US soybean harvest gets going there are some notable yield figures coming in from the Midwest with some expressing surprise that they are above expectation. We have even heard one suggestion that we could even see a record US yield this year although we would discount this as it is a) far too early and b) not supported by yield outlook in other regions yet to be harvested. The key issue remains, and that is the lack of US export sales to date, and the on-going competitiveness of S American supplies when compared with US Gulf offers. Maybe the US market should be thankful that the Fed left interest rates unchanged under the influence of uncertainty over the Chinese economy. A stronger US$ would have made the already hard sales “catch-up” task even tougher.

Finally, Egypt has announced a further wheat tender for late October shipment and we await the results later in the day.

In summary, we have seen a “blip” higher in prices but the overall position seems to be largely unchanged and the longer established downtrend looks to be resuming. We would be reluctant to short this market right now, and continue to look at taking cover at prices that are offering tremendous value when compared with a few short months ago. Barring any surprises in the US harvest and in the absence of any significant disruptive forces we find it difficult to see what will halt or reverse this direction right now. The next significant issue to look out for is S American acres, planting conditions and crop establishment and the outlook for the growing season. The current building El Niño pattern is suggested to end around the turn of the year and maybe switch to La Niña, which may not be so positive for S American producers – as always time will tell.