

As we come to yet another holiday shortened week (or two in the case of the UK), we have seen a continuation of fund short covering in soybeans, which has resulted in further price gains whilst the grains (corn and wheat) have traded in a more sideways to lower direction. It is probably fair to suggest that technical considerations have played a part in soybeans' elevated prices as

Soybean Prices in \$/bu and 200 Day Moving Average



key moving average levels (200 day) basis May '16 contract were breached and resistance has now become support. This is not an insignificant factor and could well prove to be a very relevant issue going forward. However the opposite is also true, and if the moving average support is broken we will be looking at strong price resistance again.

Aside from fund activity, which is clearly influential, the main fundamental inputs are (as ever) weather related and we have seen a turn for the better in Argentina where the harvest is just getting under way amid drying conditions which will allow a rapid early pace. In addition we are also looking at showery conditions across N Brazil, which will keep corn crops in good heart and allow soil moisture levels to build sufficiently for the developing crop. The bottom line right now looks as if S America has little in the way of weather threat in the immediate term. USA conditions have seen some cold conditions that have raised some concerns over hard red wheat crops although the impact is not yet fully known it is unlikely that damage is too significant to impact global prices in a material way.

Perhaps a bigger issue sits with the level of EU old crop wheat stocks and the looming new crop harvest, which based upon vegetative crop maps looks to be improved on last year. Some are talking of a record harvest although it remains a little early for certainty on this matter. We have reported on the potential for EU wheat exports to slow amid sloppy global demand, offered prices also reflect this, and the potential for a growing end stock should not be forgotten. However, the canny feed producer and consumer will doubtless take the opportunity to increase cereal inclusion levels where value allows, and this could see improved off take, mitigating growing stocks. Regardless, the key for an improved EU wheat balance sheet lies in maintaining, and probably growing, export volumes not only this season but next as well. What knock on impact this position will have upon corn imports remains to be seen, but we would expect to see volumes under pressure once again as feed/industrial consumers chase value grain as opposed a specific grain.

Egypt's GASC has once again tendered for wheat, this time for April/May shipment and early reports suggest another limited offer with France the cheapest seller basis FOB. The overall outcome is not known at the time of writing but we would expect the usual suspects, France and Ukraine to be in the running when details are announced although the on-going ergot issue remains.

All in all, the week has been fairly limited in fresh news and the focus has been on funds and their activity. As we approach the month and quarter end it feels as if they have done what they want, for now, and we can go back to a more fundamental analysis driven approach to prices and their likely direction. Without wishing to sound like a cracked record we are now questioning where the fresh buyers come from if the funds have done what they want. It seems that forward cover by the consumer is pretty good and there would appear to be plentiful supplies in, and on their way to, China, which will leave limited immediate nearby demand on the low side. Our continued outlook is for limited upside and the possibility of a choppy drift lower unless we see fresh bullish input, possibly in the form of the USDA Planting Intentions and Grain Stocks reports next week.