In the UK we come to the end of a holiday shortened week, which saw further decimation of commodity prices as fund liquidation, strong US$ and an ongoing upbeat momentum regarding US corn and soybean yield and output dominated trader's minds. This trend was halted somewhat on Thursday as sellers disappeared, supply positions were almost fully digested and thoughts turned to the demand side of the equation. This change of direction saw follow through in early Friday trade ahead of the Labor Day holiday shutdown in the US.

Egypt's GASC made its third wheat tender of the season at the end of last week, securing 180,000 mt exclusively from Russia at a reported price of $185.52/mt basis C&F, which is some $8.00/mt above their 12 August purchases. Their subsequent tender on 31 August was cancelled due to a significant lack of offers, doubtless on the back of their latest announcement that a zero tolerance policy on ergot contamination would, once again, apply to imports. Exporters are on the back foot again as far as shipments to Egypt are concerned, the costs incurred upon a cargo rejection are out of proportion to the margins made on such competitive business and unsurprisingly few are willing to take the risk.

This season, where EU output is significantly reduced year on year, and quality remains debatable, the key historic exporter to Egypt (France) has so far taken a back seat as far as offers are concerned leaving the way open for Russia and Black Sea sellers who have greater volumes to ship this season. However, the zero tolerance policy news saw cash prices weaken, presumably on the back of the perceived lack of sales opportunity to Egypt. Recall there was a similar position last season with Egypt vacillating over ergot tolerance levels, even between their own government departments, which left the market struggling to know the facts. As we all know, one thing markets hate, and that is indecision!

Further news from this side of the "Pond", this time Russia's AgMin proposed that their wheat export tariff should be eliminated on 15 September. Whilst the actual tariff, in terms of cost to exporters, is not significant, it is a big step as far as market messages are concerned. The Russian crop is expected to be large and their ability to store it is limited, as is their ability to use government funds to buy intervention stocks (read cash constraints). Therefore the requirement for large volume exports is growing and any means by which these can be achieved or aided appears to be the order of the day.

The question upon which we would end the week is, "Have we seen a bottom in grain markets?" Added to which we would also question quite how close this position might be in soybeans. It seems that we all but know the likely US crop position, the counting has been done and potential damage from an early freeze looks to be limited in view of the advanced state of the corn crop. Given that scenario, the next key marker to watch is S American weather and any impact that a developing La Niña may have upon crops, yield and ultimate output.

We continue to feel fully justified in our non-bearish positioning and have yet to bite the bullet as far as turning fully bullish at this time. However, we are keeping a very close eye out for signals that might make us change this. Such triggers might include significant fund short covering, S American weather threats or a material policy change by Russia. Clearly there are always "Black Swan" events that cannot be forecast or predicted and we have to deal with those as and when they arise. In the meantime our seat "on the fence" seems fairly comfortable for now.

Managed money position in Chicago wheat. (middle graph is price)