

Perhaps this week's most interesting news comes from the first interest rate increase in the UK in the last decade, since the financial crisis. A full quarter percentage point was added to the existing Bank of England base rate bringing it back to ½%. In itself this is not a massive, or particularly significant change, but what it heralds going forward is the point. Inflation has risen in the UK following the decline in Sterling's value, which followed in the wake of the vote to exit from the EU, leaving imports more expensive. The Bank of England has at last decided to act upon this and use its discretion over interest rate policy in an attempt to bring inflation rates back closer to the targeted level around 2%. Whether the policy works, or not, remains to be seen but there are clear signals that this is the first in a series of rate revisions.

Once again we see minimal fresh news input although the last couple of weeks have seen significant wheat tender business with Saudi Arabia, Iraq, Jordan, Japan, Ethiopia and Taiwan amongst the bigger buyers. We have seen some (slight) firming of cash prices although there is no evidence of any change in the current trend, which remains lower to flat. The point is that there remains no bull or bear story to direct the market either higher or lower in the short, medium or even long term. The northern hemisphere harvests are done and counted, and we are looking at what is going on in the southern hemisphere. Australian weather woes are well documented; we are just seeing the start of the Argentine harvest, which appears to be showing yields a shade lower at 1.3 mt/ha vs. 1.6 last year. BAGE estimate the crop at 17 million mt, half a million below the USDA's latest figure, and this will still permit reasonable volume exports to take place. We have no bullish or bearish input from the southern hemisphere at this time. The next input will come from northern hemisphere plantings, establishment and overwintering conditions.

Corn prices have seen a slight uplift (if you can call a five cent gain an uplift!) but ongoing competition from S America is seen as a limiting (upside) factor despite improving global feed grain levels. Lack of imminent weather threats in S America are also viewed as limiting the way forward for price increases. One key point to watch out for is the size of fund positions in corn, which have been estimated this week at, or very close to, a record net short, which has the potential to ignite a fire under prices should there be a change of heart (which seems unlikely right now).

Soybeans have seen some recent gains, largely driven by technicals rather than anything fundamental. Some fund short covering and the fact that the 200-day moving average has held for a couple of weeks has been viewed as supportive. However, there is little to shout about at this time and whilst the trading range may have widened a touch, we still seem destined to trade within the range.

Our summary remains broadly unchanged in that we have to look to S American weather, northern hemisphere new crop conditions and any unfolding geo-political issues to trigger a lasting or significant price move.