

We move towards the close of the first, holiday shortened, week of 2018 and before we look at our usual corn, wheat and soybean topics it would be remiss to overlook the spectacular rise in global equity markets. Record highs have been made in recent times as concern over inflationary pressures resume, particularly in the US. This is perhaps as a consequence of returning bearishness to the US\$ with the Dollar Index seemingly poised for a decline to its support level around 85, from current 91-92. The technical chart picture shows a weak close to December and year-end, and weakness in the US\$ is usually associated with support for commodities in general.

The Baltic Exchange's main ocean freight index surged over 6% this week to \$1,341.00. 2018 Global freight rates and indexes have been rising amid strong demand for raw materials, particularly from emerging nations and we see this trend as likely to persist for some while.

From a "big picture" weather perspective La Niña continues to persist with cold ocean temperatures in place across the far eastern Pacific. Models argue for the phenomenon to last into mid-2018, and the potential for limited rains in N Brazil for the next month appears very real, and S Brazil and Argentina also look to remain below average as far as precipitation is concerned. In the shorter term there will doubtless be some rain in Argentina in the coming month but currently soil moisture deficits are in place and the corn pollination phase is fast approaching, this could well have an output limiting impact unless conditions change fast. That said, the weather in Brazil (outside of RGS) has been more favourable since October, and the question really lies in whether or not Brazil's gains (if realised) will outstrip Argentina's losses (if they materialise). Focus lies with a change in the weather pattern slated for next weekend with the potential for better shower activity across most of the drier areas in S America.

The US, having endured freezing conditions, looks to move towards a more seasonal temperature profile before long as the much publicized "polar vortex" moves back into Canada. However, there is little change to the rainfall pattern, which shows further drought expansion. The issue really lies in whether or not rainfall will materialise in time to replenish soil moisture profiles in time for spring planting and subsequent crop establishment and development. Remember that recent years in the US have not started with soil moisture deficit, permitting yields to be maintained. A season starting with soils deficient in moisture may not afford that luxury if weather conditions in the growing season are dryer than average. Time will tell but with the presence of La Niña combined with current conditions puts the risk of spring weather concerns definitively on the table.

Global wheat cash prices are rising as the US\$ weakens and other exporting country's currencies strengthen. French wheat has reached fob prices not seen in six months, although this has not reflected in better export volumes from France or the remainder of the EU amid fierce competition from Russia and Black Sea. However, as weather conditions turn more wintry there

could be a swing towards better opportunities for EU exporters; however, prices will have to be competitive to win business in an extremely competitive market place.

Fund positions, as reported as of 26 December, showed a record large net short combined Chicago corn, wheat and soybean position of over 421,000 contracts. The grains, corn and wheat, are close to but not quite at record net short levels, whilst soybeans remain some way off a record short position. Such large net short positions are not in themselves bullish, but as we have previously mentioned, there is potential for fireworks and sharp price movements if the funds decide to reduce or exit their positions in any substantial manner. Before that, it should be asked, "Who are the current sellers?" The reason for the question, and any answer, would provide some clues or confidence in any price downside, which we are on record as stating that we think, is limited.

In conclusion, it has been an interesting start to the New Year, thankfully; the last weeks and months of 2017 were somewhat lacklustre and, frankly, boring. We are looking forward to watching developments; weather in particular, with interest.