Maybe our thoughts on the US/N Korean situation last week were prophetic, "*There are sceptics who believe that denuclearisation may well mean different things to both leaders*". It seems that only days later there are suggestions that planned talks could be in jeopardy over exactly that point and the world stage remains open and watching developments. It was hardly a great move, politically speaking, to suggest that the precedent for the N Korea negotiations should be Libya, which agreed to box up its entire nuclear program and ship it out of the country and that N Korea should receive no benefits, including the lifting of sanctions, until it had surrendered its entire nuclear infrastructure. The ultimate demise of Colonel Gaddafi is hardly a comforting image for the N Korean's leader, Kim Jong-un! Meanwhile, such uncertainty continues to frustrate markets and detract from the "real" drivers. It is almost unnecessary to suggest that this point will be well worth keeping under close watch for developments.

Remaining with the political theme, lack of progress in both the US' NAFTA and China negotiations continues to add to the already frustrated markets. The White House is committed to getting a better agreement with Canada and Mexico, with the latest news that "The NAFTA countries are nowhere near close to a deal", the prospect of rewriting the North American Free Trade Agreement this year appear to have diminished significantly. US trade negotiations with China took a downturn late this week with President Trump announcing that he doubts high-stakes trade negotiations with China will succeed. In his statement on Thursday the status of China, EU and other countries was placed as "spoiled", with them getting one hundred percent of what they wanted from the US, and that this would not be allowed to continue. Clearly there is currently not a trade war at present, and we hope that this will not escalate, but US equity markets dipped on the latest news.

The grain markets, specifically wheat, are holding on to news of continuing dryness in both Australia and Canada and as traders await further certainty over N Hemisphere output. Russian port supplies are clearly coming under pressure in the wake of a strong export season and the dry and warm conditions are somewhat different from recent seasons. The USDA's latest Russian wheat output forecast at 72 million mt is viewed by many as too low assuming (which is always dangerous) normal growing conditions. Summer rainfall will be absolutely crucial to the crop, perhaps more so this year with global supplies in major exporting regions depleting quickly. As Russia is traditionally a bench-mark for global wheat prices, especially early on in the N Hemisphere export trade season, traders will be watching how the crop progresses in Russia and Black Sea growing.

Soybean futures continue to find limited news and funds appear to be liquidating both soybean and meal positions. Argentine harvest progress remains sluggish as BAGE estimated the crop at just 71% harvested vs. 67% a week ago. They also increased their abandonment estimate to 6% from 4% as well as reducing yield estimate a touch. The upshot of all this was a 2 million reduction in the overall output estimate for the country to 36 million mt, 3 million below the USDA's latest figure.

Argentina's corn harvest is also slowed by adverse weather conditions, with it reported that the last four weeks have seen little in the way of harvest activity. The crop is estimated to be 34% complete, very close to the 35% average figure although latest yield figures are reported to be disappointing. However, is seems that the weak Peso is encouraging aggressive export offers.

Political issues aside, as it is all but impossible to trade them with any confidence, we continue to hold onto our views and trade the grains (particularly wheat) from the long side when opportunity presents itself. The issues to watch remain mostly weather related, and it is this that will dictate direction into the mid-summer period.