Markets started the week in something of a defensive mode as last Friday's USDA release left traders with a more subdued feeling and direction felt somewhat less certain. Soybeans gained, and lost, with midweek seeing technical trading around the 20 day moving average; corn futures meandered with the highlight being their inability to follow collapsing crude and metals lower on Wednesday while wheat in Europe started the week with sharp losses, reflecting the USDA numbers in a "catch-up" style although this did not last as US export volumes provided some support.

Maybe the biggest news, or maybe more accurately rumour, is that China is sending a delegation to the US to discuss or negotiate the current trade war and tariff position. Whilst there is no deal, indeed talks have not even begun, but if it happens it will signal what can only be viewed as positive news for global trade and this has put a modicum of confidence into their market.

US weekly wheat export volumes hit their highest since January 2017 at 30 million bu, and confirmation of Black Sea output some 19 million mt or 17% below last year added support. It seems that European pricing is beginning to see a shift in trade patterns towards the US and away from Europe, clearly a good example of how pricing mechanisms work. Whilst Gulf wheat is at parity with Russian origins for early winter, it is our firm belief that once Russian export volumes hit a certain number we will see a marked slowdown and switch of trade to other origins. The old adage that it is foolish to stand in front of an express train (aka Russian grain exporters) seems very true right now. This morning, the Russian Ag Ministry announced a concluded meeting with grain exporters. While different stories are being reported about what was said, the rumour is the Government is looking at curbing wheat exports once they hit the 30 million mt mark. Both the Russian Ag Ministry and the USDA peg Russian wheat exports for the 2018/19 season at 35 million mt today.

Egypt's GASC stepped into the wheat market again, this time securing a sizeable 420,000 mt, mostly from Russia at an average FOB price of $233, which is slightly below their last early August tender, although in line with commercial offers elsewhere. Doubtless GASC's buyers decided to try and capitalise on the dip in global price levels whilst remaining aware of the more broadly supportive global fundamentals. We are of the view that wheat prices very likely made a second "bottom" this week, providing a brief opportunity for end users to add to any gaps in cover.

In the physical market we have seen Russian grain exports show the first signs of slowing as quality concerns raise their head and pushed prices to a five-year high. Weekly grain exports dropped to around 910,000 mt from 1.4 million the week before according to data from the ag ministry. Early pace has left this year some 55% ahead of last year with some 5.65 million mt already exported. Earlier weather conditions, which we have previously described, have left yield lower and seemingly quality levels are struggling to make human food grade leaving rather more feed grade than previously estimated. Of the total grain exports, wheat volume fell a third week on week to 832,000 mt and the cumulative season total stands at 4.63 million mt, 92% ahead of last year although two weeks ago we were looking at a huge 220% year on year increase; clear evidence of the slowdown. There are reports that some already agreed trades are being "washed out" due to lack of available milling grade supplies although this can not be confirmed at this time.

In summary, our grain view remains unchanged as we stay friendly to fundamentals, which show a global supply tightening with demand levels at best unchanged but likely elevated year on year. Soybeans, on the other hand, remain in the grip of the much debated non-fundamental trade dispute, which, if resolved, will potentially ease some of the bearish momentum that arose on the back of lost Chinese trade as far as the US is concerned. Clearly time will tell.