We were anticipating something of a market recovery, specifically in the grains, and started to wonder if this was going to be the week when chatter over potential Russian export curbs emerged. In addition, preliminary (low level) talks between Chinese and US officials had the potential to signal a way forward for some sort of easing in the tariff trade war and all that goes with it. However, it seems that we are not quite at the tipping point – yet. Chicago corn, wheat and soybeans continue to point lower and we remain of the view that we are close to a secondary low at least in corn and beans.

It seems that it is the wheat market that has more of a nervousness associated with it, as was evidenced by the bounce in prices, which were keenly expressed in Europe, when fears that Russia would impose some form of export restriction emerged in midweek. The concerns are very real, last year saw Russia produce a record breaking 85 million mt of wheat and exports hit 42 million; this year will see output around 69 million mt and doubtless export volumes will be curtailed significantly, either by government action or simple pressure of availability. Russian export prices have risen around 14% since the start of the marketing year, which started on July 1; domestic wheat prices are also higher in Ruble terms with the AgMin reporting a 10% jump in the south and as much as 13% in the north.

Global wheat balance sheets are at their tightest in six years following the much-reported drought and scorching heat that has depressed output in Europe, Russia, Ukraine and Australia. Under such a scenario there is little wonder that any suggestion of supply restriction has significant price impact. Consequently, we continue to favour a "buy the dips" mentality and trade from the long side; we see limited long-term price downside this season.

Indeed, the longer-term prospects for global wheat supply bear some discussion; for the needed uplift in global stocks there will need to be some expansion in planted acres in the upcoming season. Farmers across the northern hemisphere, Black Sea and Europe, will have to make planting choices between wheat, corn, barley and rapeseed. Prices obviously have a significant impact upon such decisions and we doubt that wheat prices currently have reached sufficiently high levels to drive the required acreage growth. As a consequence, we see a potential scenario with wheat supplies remaining tighter than has been the case in the last few years.

Tuesday this week saw Egypt's GASC purchase 350,000 mt of Black Sea wheat at an average price of $224/mt, basis fob. Russia supplied all but one cargo. Egypt in mid-August paid $231, clearly GASC have stepped in and taken advantage on the latest break in prices to secure additional volume.

Emerging market currencies have been hard hit recently with Turkey and now Argentina falling to sharp losses. The falls have been very dramatic, so much so that their domestic markets are struggling to adjust soaring inflation. The risk is that other emerging countries become involved such as Brazil or Russia. The Argentine Peso has continued its collapse trading at 40:1 or down 6 Pesos or 18% earlier in the week. Argentine bankers are rumoured to be raising lending rates to Argentine farmers to 60-70% with some pulling their lending offers. The dramatic currency movement has caused cash grain trade to come to a halt as farmers don't know where the cash market is trading in Peso terms. The Brazilian Real has declined to 4.20:1 near the 2016 lows. Our point is that currencies are highly likely to add to market volatility in coming months.

Monday sees US markets closed for the Labor Day holiday, and traders are starting to look forward to the September 12 USDA reports release with the latest iteration of data. We await the report, which will only be overshadowed by updates on the tariff situation between China and US, if ever that happens.