This week has been marked, from a UK perspective, by the breakthrough in the protracted Brexit negotiations between the UK and EU. Months of fraught toing and froing have, at last, resulted in a draft agreement (albeit at a technical level), which Prime Minister Theresa May announced on Wednesday. Sterling found a new lease of life vs. both US$ and €uro as some glimmer of hope shone over the otherwise bleak picture that has dominated the last eighteen months.

However, such optimism was short lived as criticism emerged from all sides with both Cabinet and Parliament yet to agree the terms of the agreement. In addition, it should not be forgotten that the draft has yet to be ratified by all other Member States. The view that the UK would remain largely under EU control appeared to be a major issue for leading Brexiteers. The debacle collapsed throughout the latter part of the week with a number of high-profile Cabinet members resigning and some calls for a vote of "no confidence" in the Prime Minister. To say that the UK is facing one of the biggest constitutional crises in living memory is probably not an understatement and the way forward is certainly far from clear.

Sterling's recovery was short lived as ground was lost to the US$ and €uro and the FTSE Index gave back most of its earlier gains. Thursday's weaker Sterling saw London wheat futures push higher with the November '18 contract bouncing off lows dating back to July. Clearly the next week or so will be extremely interesting from a political perspective; quite how Prime Minister May moves forward with a new Cabinet, Parliamentary vote and further negotiation with the EU will be a severe test of her authority, ability and determination. Failure in any of these arenas could well see a significant change in the current political scene here in the UK. To that end, we question quite how "United: this Kingdom really is right now.

Away from the UK and its current turmoil, we continue to focus our attention on global feedgrains; combined world barley and sorghum end stocks for 2018/19 are forecast at a record low level of some 22 million mt. Australian weather, particularly rainfall, is becoming yet more important if they are to grow a sufficiently large crop to not only supply domestic needs but also to maintain export volumes. The impact of such a low stock level is not improved in the light of overall livestock numbers, which require feeding. The world has moved from a stock/use ratio of over 20% in 2009/10 to just over 10% in 2018/19, in plain English we are looking at around 40 days usage held as stocks, and that does not include "pipeline" fill, which seems, to us at least, precarious. Price rationing, via higher prices, in barley and sorghum would see some switch to wheat and corn as alternatives, yet this is slow in materialising. This is one arena to watch closely as northern hemisphere winter progresses.

This week saw a close to half million mt hard wheat (12.5% protein) tender by Saudi Arabia for Q1 2019. The quality specifications would appear to rule out Russian supplies leaving Germany, US and Argentina the likely beneficiaries. Few expect Germany to have sufficient higher protein supplies as a consequence of the summer drought to be able to fill the tender leaving the supply route open to US or Argentina. There are question marks over Argentine following recent high rainfall and newly reported sprout damage to their crop, sellers there could well be unwilling to take the risk of making sales with potential rejection and all that goes with it. A switch from milling grade to feed grade in Argentina looks to be on the cards and a downgrade in the overall crop seems inevitable, current estimates are a million lower at 18 to 18.5 million mt. In addition, it should not be forgotten that Brazil takes around half of the 14 million mt exported by Argentina. Under these circumstances it seems the door is well and truly open to the US to fill the tender. If anything, this should put something of a supporting floor into current world prices.

The last week has seen Chicago prices generally trending sideways rather than assuming any clear direction. Further harvest data will assist traders in their decisions as will the outcome of US/Chinese trade discussions towards the end of the month. Until that time, we are continuing to stick to our guns and consider price downside in the grains, corn and wheat to be limited. Soybeans remain the preserve of the politicians.