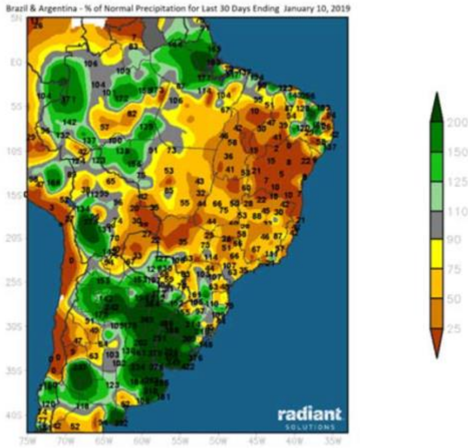
Looking back at the week it seems that we have to return to the political arena for the "real" news once again. In Europe the Brexit debate rages on with Prime Minister May's "deal" looking increasingly unlikely to find favour in the parliamentary vote next week. If this is the case, the Prime Minister has been pushed into a corner to come up with an alternative within three days, which might just be a big ask given the EU's stance on further renegotiation. Is there a chance that the UK will leave with no deal, or will Parliament delay (or even cancel) the withdrawal from the EU? Big questions with no clear answers, and this, as always, is something markets hate and ongoing uncertainty is doing absolutely nothing for the UK currency, economy and future. The sooner a resolution is reached, one way or another, the better.

Across the pond it seems that President Trump is having little better fortune with his funding for "the wall". Mr Trump says the wall, a key campaign pledge, is needed to tackle a security crisis of illegal immigration whilst the Democrats say the wall is an "immorality" and a waste of taxpayers' money. President Trump has refused to sign legislation to fund and reopen the government if it does not include $5.7bn (£4.5bn) for the wall. The row has left the Government virtually shut down for close to three weeks, which if it continues to Saturday, will make it the longest shut down in history, and importantly some 800,000 federal employees remain unpaid. Latest information suggests that President Trump has renewed a threat to declare a national emergency to fund the construction of a wall on the Mexican border. Maybe this will be his way of winning the argument but, if so, this will be extremely unpopular. As with the UK Government position, uncertainty prevails and is unsettling for markets.

Continuing the political theme, the US/China trade dispute has shown some signs of positivity, which have then eroded with limited specific news to suggest that an ultimate resolution is imminent. News that China has reached 5 million mt of fresh purchases, which was seen as a goodwill gesture on behalf of China, was viewed as positive, as was news that two new varieties have been agreed for importation, one from Syngenta and one from Dow AgroSciences. However, we seem to be at the stage of "sell the fact" as further fresh input is limited. Talks seem scheduled to continue into February, which could be viewed as good news, but from a US soybean export perspective this does not seem (to us at least) to be positive.

More fundamentally, the main item impacting prices is S American weather. A weather pattern best described as “stagnant” shows little, if any, signs of changing in the coming fortnight. January’s weather pattern has added to the established trend, which goes back as far as late-November. Brazil has seen below to much below normal precipitation coupled with rising temperatures and a decline in soil moisture profiles. In marked contrast, Argentina has seen precipitation as much as 300-400% of normal across northern regions. Slow moving (or maybe non-moving) warm ocean waters to the east



of S America conspire to keep weather patterns static for the time being. The impact of such a pattern would appear to be that prices are destined to remain volatile with risk premium injected and potentially building until such time as we see material weather change. CONAB published
their monthly estimates of the Brazilian soybean crop showing signs of deteriorating potential output but the cut to production was not as strong as many analysts had expected.

Egypt’s GASC has once again tendered for wheat, this time for late-February to early-March shipment. Russia, Ukraine, Romania, France and the US all put offers forward but the 415,000 mt business all went Russia’s way as freight won the business albeit at a four-year high price with the average reported at $249.60/mt basis FOB. So far, it seems the Russians are making good their intention from the December 21 meeting to export additional feed grains. Additionally, it was reported that the latest Algerian tender was priced some $10/mt over expectations. Our view is that global wheat prices have not yet reached a top and that it would not be unrealistic to see a further $15-25 of upside. If this does prove to be the case, it seems that US prices are currently undervalued and will rise, or that the US will attract some very big buying interest in coming weeks.

Conclusions remain disappointingly similar to previous weeks in that we see upside for wheat prices, potential upside in corn as a result of wheat direction as well as the S American situation, and soybean prices reflecting politics.