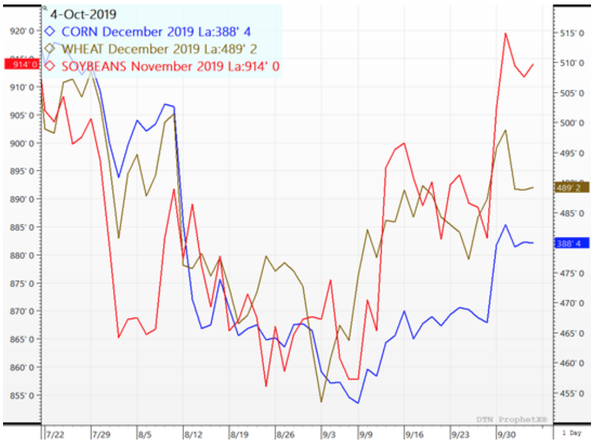
Markets this week appear to have taken some heart from Monday's stocks report, which was construed upon release as somewhat bullish. To illustrate, Nov Chicago soybeans have risen from their 9 September low of \$8.51/bu to a high this week (post report) of \$9.20/bu, a gain of \$0.69/bu or 8.1%. Dec Chicago corn gained \$0.405/bu from their 9 September low of \$3.5225 to this week's high 0f \$3.9275. a jump of 11.5%. And Dec Chicago wheat rose from the slightly earlier low of \$4.505 on 3 September to the high of the week \$5.01, an 11.2% gain or \$0.505/bu. We have been asked the question, "Is this a long-term trend higher?" Our answer was fairly swift in its formulation, and suggested that probably not was our considered view. The simple reason for this being the fact that there are currently plenty of available stocks on hand to meet current demand levels, and that the market was reacting to one of the few bullish inputs seen for a while. For the pattern to become a longer-term change of trend would require a more significant bullish input such as a weather disaster in one or more key production regions or a major geo-political issue of material significance and we have to say, hand on heart, that we do not see any such issues at present.



It is not to say that all is rosy in the garden. There are wheat production issues in Australia as we mentioned last week. Argentine is also in need of some immediate precipitation if their potentially enlarged wheat acreage is to realise its full potential. The latest crop rating shows a further 5% fall in the proportion of the crop rated good/excellent to just 29%. Weather pattern changes are forecast in Australia in the second half of October, but it seems to be too late to be of benefit to their wheat crop. Argentine rain forecasts suggest rain is forthcoming but not in the northern regions of the country where crops seem destined to experience further stress. Potentially we are looking at S Hemisphere losses, whether they will amount to more than a few million mt remains to be seen. However, supplies in Russia, Black Sea, Europe and N America seem sufficient to meet current requirements.

Dry conditions in S America are delaying Brazilian soybean plantings, which could in turn place some question marks on safrinha corn plantings early next year. The dryness is also having an impact upon Argentine corn, which should be emerging now, and we should all be aware of the importance of early crop development and its significance on eventual output. Again, this is noteworthy but as far as significance is concerned, we remain relatively undisturbed at this time. Remember that cumulative US corn exports sit at some 51% below this time last year and stock levels remain ample to say the least.

Soybean markets continue to have the US/China trade dispute as the "Sword of Damocles" hanging overhead, added to this is the Chinese ASF issue potentially reducing overall demand and we are staring at historically large US stockpiles of beans. For soybean markets to recover and change trend to higher for the long term we need to see an end to the Chinese situation(s) and added to this it would also help prices recover if the S American crop was to have some adverse or negative influences. The US crop size is still under question but unless we see a sizeable revision, the balance sheet is still not tight enough to inspire a significant move. The next USDA crop report is due out on Thursday next week.

Of limited note was the latest tender by Egypt's GASC in which they secured only one 60,000 mt cargo of French wheat at a reported price of $219.35/mt, which was more that $8/mt above their prior tender purchase. Interestingly, cumulative purchases by GASC this season are running around a million mt behind the same time last year, perhaps reflecting Egypt's view that prices have little room for significant moves higher.

On balance we continue to see a rangebound market with prices this week moving closer to the upper levels of the range, potentially looking overbought and susceptible to correction lower in coming days.