

It seems that there is just one story this week, and that is the ongoing coronavirus outbreak. What started as a localised viral outbreak in a solitary, albeit vast, Chinese province is now spreading rapidly across much of the world, now covering some 47 countries. This perhaps illustrates only too well the global nature of humanity.

The World Health Organisation has not, yet, declared it as a global pandemic but gut feeling suggests that this is merely a matter of time.

As of 11:00 a.m. ET February 27, 2020



Global case numbers are reported by the World Health Organization in their [Coronavirus disease 2019 \(COVID-19\) situation report](#) ¹. For U.S. information, visit CDC's [coronavirus disease 2019 \(COVID-19\) in the U.S.](#)

We all know that markets hate one thing, and that is uncertainty. Today it seems that markets, agricultural and financial, are gripped by that one condition, uncertainty, and are reacting accordingly. Financial markets have declined significantly, with downside described as worse than the 2008 financial crash. Thursday saw the sixth straight day of declines with the S&P 500 plunging to its worst loss in around nine years. The key here is that investors fear the onset of recession as corporate profits are squeezed. In a perverse turn of fate, the S&P 500 reached a record high just last Wednesday, and has now declined 12%, entering a “correction”, a drop of more than 10% which signals trading conditions worse than a mere pessimistic period. These moves have been replicated in markets elsewhere and despite President Trump advising that the risk to the US was low, investors seem reluctant to heed the advice.

Energy markets have also fallen as travel plans are cut and worries over a slump in industrial and consumer demand levels grow. Interestingly, safer investments (i.e. gold and government bonds) have seen a sharp influx of money as investors seek safety. Bond markets were showing signs of pessimism about the economy prior to the outbreak and this situation has magnified as corporate debt is viewed with caution. Today, Friday, could herald further bad news as investors may well rush to make further sales rather than holding stocks over the weekend, which could bring further bad news.

Agricultural markets have fared somewhat better; soybeans marked a five-month low but optimism remains that China will honour its Phase One Deal commitments. Whether this becomes the case is yet to be seen. The Chinese return to work post Lunar New Year holidays has been slower than expected leading to questions over agri-commodity demand. Staying with soybeans, it is reported that the Argentine Government is planning to increase soybean export taxes by 3% to 33% this weekend, which if imposed will likely lead to switch of soybean acres into grains.

Corn prices were hit by lower energies and sympathy with equities despite limited fundamental input. Upside would appear to be constrained by a combination of

potentially increased US acres, ongoing uncertainty in macro markets as well as what seems to be the onset of a favourable N Hemisphere growing season.

Wheat specific news, as with corn, is minimal hence the focus on global macros and coronavirus, which has led to further declines. Ample N Hemisphere soil moisture levels, vegetative health looking better than last year and lack of crop threats suggest at this time that trend yields or better are possible.

Based upon the above we see limited price upside potential with further decline more likely. Specific positive news on the coronavirus outbreak slowing and market confidence improvement will be required for confidence to return.