

It appears that this week is headlined, once again, by Covid-19 related issues after a few weeks of minimal mention in our updates at least. Fears of a second wave of infection have escalated in a variety of places. China has recently seen increased case numbers in Beijing although latest updates suggest that rapid intervention may well have it under some degree of control, Brazil remains a massive infection centre with over a million cases and over 50,000 deaths reported, the US is reported to have over 2.5 million cases and more than 126,000 deaths, and the UK with more than 43,000 deaths and 300,000 cases is also a headline grabber.

Why are we seeing such ongoing infection and death rates? One theory is that mortality and age are closely related and that younger people (in a big generalisation) have a feeling of immortality and therefore lockdown, social distancing and other such measures are not as relevant to them. Consequently, they are acting as the spreaders of infection to the older generations who are more vulnerable. We have seen evidence of social gatherings without distancing here in the UK, Black Lives Matter protests, recent hot weather tempting people to the seaside, and Liverpool FC winning the Premier League are just some examples of personal safety going out of the window, and it is not just limited to the UK.

Until such time as we see a more stringent effort by all members of the public to contain and control the virus it seems we are doomed to face the trauma that it inflicts, and this is regrettable more so for the older generation than the younger.

Stock markets have taken some heart with the DJ Index some 300 points higher Thursday and the UK's FTSE also stronger. The lure of cheaper money and fiscal stimulus seems to be outweighing any evidence of a global economic calamity and steady stream of bad news.

Commodity markets have not fared so well, with Chicago corn and soybeans lower in late week trade. European wheat markets have continued their trend lower with Paris Sep '20 falling 9% from the late April high to close at €176.50/mt whilst London's Sep '20 feed contract has dropped 7% from the early June high to close at £162.50/mt. Chicago wheat trended sideways through the week looking very much as if it is trying to form a "bottom" as we hinted last week; whether this will become the case given weakness in corn and abundant global supplies remains to be seen.

Interestingly, Chicago Dec '20 corn fell to contract lows yesterday just tipping through the 21 April low although recovering somewhat and closing off session lows. The old crop contract continues to look pressured and this appears to be having an impact upon the nearby cash market with farmers holding onto supplies and forcing cash basis higher. The weak tone is being driven by ongoing negative inputs from weather, which continues favourable for the developing US crop, likely reduced fuel demand from the Covid-19 impacted population, and also competition from ongoing cheaper S American supplies.

Soybeans continue to have a political driver (China, Phase One) but also favourable weather and conditions as well as Covid negativity, which seem to have come to the fore this week as prices eased.

Our stance remains non-bullish; indeed we are leaning bearish corn but cautiously so due to the somewhat oversold nature of the market.