There is little in the way of major market moving input this week and markets have reacted to Chinese soybean purchasing, fund short covering in corn and US$ declines that triggered Chicago wheat moves higher.

Early in the week we saw Egypt's GASC secure two cargoes (120,000 mt) of Ukraine wheat at an average price of $220.65 basis C&F, which is just over $11.00 below last year's initial purchases. Russian wheat did not feature, which is generally not the case, but this year we are seeing Russian interior prices some way above export prices as their own flour millers continue to buy grain. It is suggested that we may have to wait until after the Russian harvest is done before significant export trade is seen, which would be a very unusual occurrence from an historical perspective as Russia usually leads the early global trade market.

Staying with Eastern European and Russian wheat crops, vegetative health appears to be above average in the key Russian and Kazakhstan regions and recent rains across UK and Europe have taken some of the recent concerns away although a couple of days rainfall is not sufficient to remove the stresses caused by the dry April and May conditions.

US corn has the prospect of making a record 2020 crop, and it will be interesting to see whether next week's WASDE report shows any move away from (higher) than trend yield at 178.5 bushels/acre. We believe it is unlikely to feature significant changes to the supply side of balance sheet, which is not abnormal. The first major revision for yield should be in September. Weather conditions for the crop have been favourable, and time is slowly but surely running out for a major weather-related crop problem, although we happily acknowledge that it is still possible. However, fund short covering that has lifted prices from their recent lows may just have been premature as the technical chart position is indicating the formation of a potential "bear flag". This is best described as a period of rising prices following a decline, and if the move is concluded, prices continue to resume their previous trend lower and make fresh lows. As always, time will tell whether we are in fact witnessing a "bear flag" or we have indeed seen the season lows. Our current preference is to look for lower prices going forward, and our reasons include Covid-19 demand losses, reduced ethanol grind, slower export pace and a potentially higher than anticipated old crop supply onto which a possibly record 2020 crop will be added. The watchpoint for corn will now be temperatures whilst the crop is pollinating.

Political tensions between US and China feel somewhat less strained that this time last week although there is not a great deal of hard evidence to support this statement! China seems to have been enquiring and making soybean purchases almost daily despite the blocking of Chinese airlines flying into the US as reciprocal action following Chinese blocks imposed last week. When all said and done, it seems that Chinese soybean demand is best served my supplies that actually include the US.

To summarise, we remain relatively comfortable being non-bullish on wheat and corn, potentially moving to a bearish view as we see the current price rises unfold.

Given the prospects for US soybean crop development under favourable conditions, the size of old crop stocks and a possible thaw in US/China trade issues we envisage a point at which we could also become bearish despite our nervousness over political matters.