

As we approach the end of the week following the US's Thanksgiving Holiday, we have witnessed a significant market downturn seemingly predicated upon fears that the latest Covid-19 variant would plunge global markets back from whence they came. More recently we have seen an upswing, which has not recovered all of the prior losses but shows encouraging strength and direction. Clearly it will be necessary to monitor these latest moves to establish whether or not they are trends or countermoves.

What has slowed (stopped?) or reversed the not insignificant price downturn witnessed in recent days? Number one on our list would be the standard comment that markets were very overbought and in need of correction, which is not uncommon in either bull or bear markets. We had sufficient triggers to stimulate the downward move and traders took full advantage at a time when timing was almost perfect. We were approaching month end, close to year end and coming up to an extended holiday, all of which could be seen as a catalyst for markets to correct lower.

China had been absent as a buyer of US soybeans and corn at a time when S American export offers were becoming ever more competitive and potentially leaving better than anticipated end stock, which encouraged traders to reduce/limit positions and the subsequent selloff had the desired price impact

Australia's ABARES update, at first glance, seemed bearish with greater than anticipated harvest and potential exports but it should not be overlooked that their figures are derived from satellite analysis, like Stats Canada, and the final yield will have to bear the brunt of yield downgrades as a consequence of crops standing overlong in waterlogged conditions (if they are harvested at all).

Enough of the downside triggers, the uptick has come about in Thursday's trade as US wheat and corn led the way higher on news or rumour that Saudi Arabia's latest wheat tender for Apr-Jun could well be an opportunity for US supplies shipped from the Gulf. Traders have picked up on this and prices have rallied not only in the US but also in the US and EU. Corn has followed suit as China is reputed to be buying Ukraine corn as well as Australian wheat. However, we would be wary of Australian wheat sales to China on the grounds that quality concerns might limit their ability to fulfil contract specifications. Market rumour has China buying up to five Ukraine corn vessels for shipment in late December/early January. Additionally, China is linked to soybean purchases off the Pacific Northwest as well as renewed sorghum buying, all of which is subject to verification.

Egypt's GASC again tendered on the world market for wheat and secured a total of 600,000 mt for mid-January shipment. Romania and Russia were awarded 240,000 mt each with Ukraine the balance of 120,000 mt. The average price reported was \$378.33/mt basis C&F, which is more than \$6.00/mt above the previous tender and yet another season high.

It should not be overlooked that concern is growing over potential drought conditions in Brazil and Argentina, although this has yet to be fully substantiated and forecasts have to verify before concerns are fully justified.

Russian troop movements towards the Russia/Ukraine border should also be on our radar as any escalation would doubtless be a bullish input. Both nations are key in global export markets, Russian activity is currently subdued on the back of their floating export tax and the uncertainty it lends, as we have previously mentioned. Previous Russia/Ukraine geo-political activity has been price supportive, and we see current activity in exactly the same light.

One further point of note should be that Brazilian wheat importers are closely watching Argentine supplies for GMO content. Shipments are scheduled for later in the month and GMO acceptance is by no means guaranteed at this time. This is yet another point to be watched in the coming few weeks.

Overall, we maintain that recent price breaks have provided an opportunity to top up and/or extend cover, maybe that opportunity has now passed by. Our view remains friendly, particularly towards wheat closely followed by corn and minor feed grains. Soybeans will be very much dependent upon what the weather brings in S America closely followed by Chinese buying patterns. One final point to note and watch is what attitude the funds take to ag commodities as the year draws to a close. Historically we have seen commodities, ags in particular, viewed as something of a hedge against inflationary pressures. Such pressures are doubtless growing and there is potential for funds to add to long positions in a protective move, which would likely add market support.