

Markets this week have been mixed with Chicago Nov '22 soybeans continuing to slide lower from an intermediate "triple top" chart formation and reaching a technically oversold position having traded into, but not filled, a chart gap going back to July of this year. US weekly export sales continue lacklustre, and the ongoing harvest has withdrawn some of the spot demand premium that was also adding some support to forward positions. Overall cumulative US soybean sales, however, stand around 9% above last year and are fourth largest on record at this time of year.

Brazil's CONAB has estimated a record large soybean planting area of 42.9 million hectares, around 3% up year on year with a record yield equating to 52.8 bushels/acre (3.55 mt/ha), which gives a crop of 152.4 million mt, another record. It is too early to pin hopes on these figures, but suggestions are that the planted area could grow, and we would point out that it is too early in the season to place any confidence on yield figures.

Chicago corn (Dec '22) continues its wide-ranging meander sideways although moving towards the lower end of its range. Export numbers disappointed and, as with soybeans, the ongoing harvest has pressured the market. Analysts and handicapping the final corn yield lower, with the lowest estimates down to 169 bushels/acre, which we believe to be too low. However, the sentiment is one of lower than originally anticipated yield.

Corn export commitments stand at less than 50% of last year's numbers, which were a record number. Potentially there is an explanation in the timing of sales activity, but this will only be proved or disproved with the passage of time itself. The relatively strong US\$ is not helping the US export cause at this time either, making importing nations prices higher.

Wheat prices have rolled over the recent "top" based on growing concerns over the global economic downturn and recessionary fears, which would lead to reductions in demand. Major exporter shipment volumes are below last year, and US export volumes are included, as with corn the impact of the strong US\$ is being felt.

The loadout for Ukraine grain out of the export corridor continues to grow amid low price offers and growing confidence in October exports. The wait time to load Ukraine grain has grown to over 10 days. October could produce a strong export program out of the 3 corridor ports. Ukraine corn and wheat offers are highly attractive and continue to find new business as Black Sea freight rates soar. It should be noted that Russia has not made any fresh comments regarding the opening or the closing of the export corridor in 2 weeks time.

The weak global economic situation is expected to be confirmed as the International Monetary Fund will next week downgrade its forecast for 2.9% global growth in 2023, Managing Director Kristalina Georgieva said yesterday (Thursday), citing rising risks of recession and financial instability. Georgieva said the outlook for the global economy was "darkening" given the shocks caused by the COVID-19 pandemic, Russia's invasion of Ukraine and climate disasters on all continents, and it could well get worse.

Continuing the theme, the United Nations has sounded off a warning that the world is "on the edge of a recession" and developing nations like those in Asia could bear the brunt of it. Monetary and fiscal policies in advanced economies, including continued interest rate hikes, could push the world toward a global recession and stagnation, the UN Conference on Trade and Development (UNCTAD) said on Monday. A global slowdown could potentially inflict worse damage than the financial crisis in 2008 and the Covid-19 shock in 2020, warned the UNCTAD in its Trade and Development Report 2022.

It is difficult to counter the negativity of global economic downturn against any crop fundamentals that would suggest longer-term bullishness, consequently we have backed away from our “friendly” feeling towards the grains and look for opportunities to sell rallies. Continuing to add cover as and when prices offer opportunities looks to be a strategy for the time being.