

Markets this week started off with a big spike higher on weekend news that Russia was to suspend its participation in the Black Sea grain corridor. Initially it was wheat and corn that moved sharply higher, but soybeans were also dragged along for the ride. Turkey, one of the initial deal brokers, made positive statements to the effect that it would continue to make “decisive efforts to serve humanity”. Market reaction was, as previously stated, a sharp jump higher although the initial move was tempered quite quickly, and markets generally closed off the highs.

Tuesday saw grains correcting lower as if the initial move higher was an overreaction, which (with hindsight) it seems was the case. Soybeans on the other hand found support from a variety of other directions; Brazilian election results placed Lula in first place which saw the Real strengthen, truckers blockaded Brazilian ports potentially limiting exports and the more stable US soybean export outlook as well as rising markets in vegoils and other oilseeds. All in all, Nov '22 soybeans have held onto the majority of their gains and appear to be targeting an open chart “gap” going back to September 22 at \$14:51/bu.

Clearly this week’s reactive markets show just how jittery market participants are, which is no wonder given the significance and importance of Ukrainian grain supplies to global importers. Significantly, Putin late Tuesday announced that Russian participation in the corridor was “suspended” not ended and Wednesday saw wheat prices move back to pre-suspension levels. It was a short-lived but exhilarating ride nonetheless; we would not be surprised if such a scenario was not repeated before the season is over.

Risk premium continues, albeit at lower levels that witnessed at the start of the week. Until such time as there is confirmation that the grain corridor deal has formally been renewed some degree of premium is likely to remain and nervousness will prevail with markets reacting, potentially sharply, to bullish news. Traders await November 18 and news (hopefully) of a renewed deal.

Looking forward we await US harvest yield confirmation, StoneX estimate corn at 174.5 bushels/acre and output at 14,109 million bu whilst IHS (previously Informa) places yield at 172.9 bushels/acre and output at 13,981 million bu. Soybean crops are estimated by StoneX at 50.9 bushels/acre and 4,413 million bu with IHS at 50.3 bushels/acre and 4,360 million bu.

Argentina’s early planted corn is rated at a dreadful 6% good/excellent which compares with 82% last year although a mere 22% is planted. We are told that some 80% of the crop will be planted in December and likely pollinate in late January or February leaving time for soil moisture levels to be replenished. Argentine wheat output was estimated by BAGE at 13 million mt, a 2 million downgrade which will limit available supplies for export. Argentine exporters have been given the go-ahead by the Government to defer export licences for up to a year without penalty, further reducing likely exports.

We have witnessed the nervous nature of markets this week and whilst the “speed-bump” did not remain in play for long it illustrated just how things could be should geo-political issues come into close focus again in the future. We would not chase rallies or breaks right now and await fresh input before strongly backing a market direction.