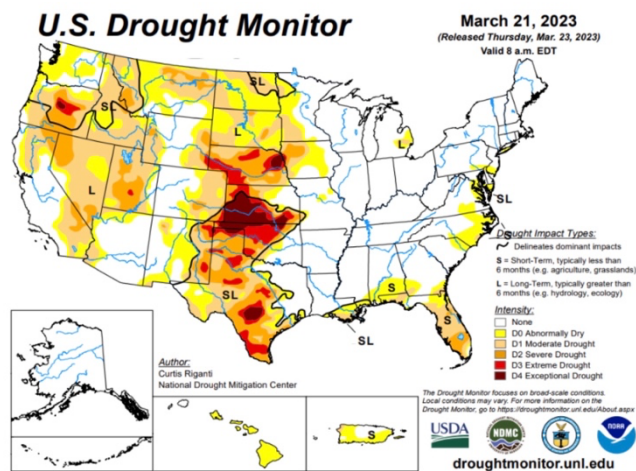


We are once again looking at wheat markets in both the US and Europe displaying continued weakness. Data would suggest that supplies in Europe and Black Sea regions are far from tight, some might describe them as adequate rather than plentiful, but this scenario alone hardly places pressure on prices to rise significantly at this time. That said, the US Plains are experiencing a shortage of soil moisture, which could haunt the market in the remainder of the growing season. Potential tightening of the US wheat balance sheet coupled with pressure on Australian wheat output as a result of forecast El Niño conditions should limit downside.



Corn prices remain pressured in both Chicago and Paris as technical resistance appears to stall rallies at the 20-day moving averages. Fund buyers also appear reluctant to add fresh length amid the current decline that has been in place for some five months. Despite this, US export sales hit a year-long high as China stepped in once again. New crop Brazilian supplies are still some way off and as we have previously commented, Argentine output will be significantly restricted due to their severe drought conditions. There is undoubtedly pressure on US production this season as global balance sheets are tight, and planting conditions, progress and overall acres will act as a pointer to future price direction.

Soybean prices fell sharply on Wednesday and Thursday, continuing a 4 to 5 week-long decline. Fund selling and a reduction in their market long position has been the order of the day. Interestingly, an open chart gap going back to last July has now been filled, a feature the those who follow chart action will be happy to see.

The Argentine soybean harvest is ongoing with early yields reported as dismal. Crop ratings remain poor with the proportion of the crop rated poor/very poor growing a percentage point to 72% week on week. The crop rated as good/excellent stands at a mere 2%. BAGE estimated the crop at 25 million mt, the smallest crop since 1999/2000, and added that further estimates are likely to be smaller rather than larger.

Global inflation remains an issue with central banks upping interest rates once again. European rates rose 0.5%, whilst the US and UK saw a 0.25% hike. The recent bank failures in the US have led to much criticism of Fed Chairman Jerome Powell who warned that the bank might need to raise interest rates further and faster than expected, citing concerns that progress on stabilising prices was stalling. Covid-19 and the war in Ukraine are widely viewed as catalysts for the current inflationary pressure, and it has been interesting to see quite how food and feed prices have been leading the upward trajectory. Looking at a list of global interest rates and directions is interesting to see China, Indonesia, Japan, Russia, and Turkey are the only countries with falling rates.

Volatility looks to be ongoing; prices continue lower despite oversold conditions, and we continue to see current prices as good value with our belief that downside remains more limited than upside. Weather and geo-political risk premium is all but absent in prices today, and we are still very early in the northern hemisphere growing season, which will be critical to maintaining and/or building global stocks.