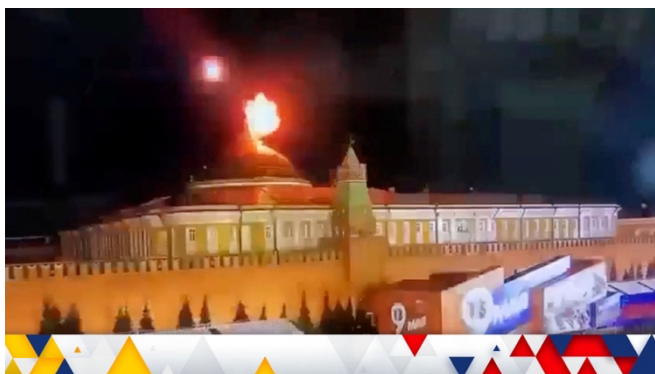


Have markets found a bottom? This is a question we have been asked a number of times this week, and as is always the case there is no easy way in which to provide a definitive answer. Looking at price charts for Chicago wheat, corn, and soybean new crop futures it could be argued that recent declines have been stemmed and that a reversal is in place. However, we have seen such signs before and downtrends have resumed after a short period.

What has changed? The war in Ukraine has not changed materially although the recent so-called attempt on Putin's life in the Kremlin drone attack sparked some jitters. That said on reviewing the video footage of the incident it looks (to our very untrained eye) that it is a poor attempt to put together fake news. The Turkish election is just a few days away on May 14. Kemal Kilicdaroglu, backed by a six-party opposition alliance, says



if he wins, he will bring freedom and democracy to Turkey, whatever it takes. Mr Kilicdaroglu told reporters that he would reorient Turkey, and prioritise relations with the West, not the Kremlin, which is a potentially significant factor. But will Recep Tayyip Erdogan go quietly if he is defeated after 20 years in power, first as prime minister, and now all-powerful president? This is going to be an interesting few days.

Russia said on Wednesday that it will keep talking to the United Nations about the future of a deal that allows the safe Black Sea export of Ukraine grain but would not do anything to harm its own interests. The fact that the current deal expires just four days after then Turkish election might not be entirely coincidental. Turkish state lender Ziraat Bank could work as an intermediary to process payments for Russia's grain exports, a senior Turkish official said earlier this week, adding that the United States and the United Nations would need to approve each transaction. Ziraat Bank would not be involved unless all sides sign off on the agreement adding talks were ongoing regarding Russian grain exports. The official declined to comment upon payment protocols for Russian fertiliser exports. Currently we are seeing a reduction in the number of vessels inbound to load grain from Ukrainian ports based upon the potential risk of being stuck if the corridor deal is not renewed.

The latest Egyptian wheat tender saw an interesting turn of events when Russian prices were universally cut by \$15/mt basis FOB to \$260/mt after lower offers from alternate origins were uncovered. Reports suggest that Russian Government intervention or authority was sought to permit the reduction. The fact that all Russian sellers acted in unison seems highly unlikely to be coincidental as is the fact that new business is now quoted at the original higher price level of \$275/mt. Is the Russian Government now acting as the marketing agency for wheat exports?

The end of next week will see the latest USDA update with many, if not most, expecting bearish US corn and soybean balance sheet updates. It is non-US data that should also be scrutinised closely, Argentine corn and soybean production will be likely candidates for cuts once again leaving global balance sheets to be watched similarly closely. N African grain crops are under performing and will likely lead to greater import requirements keeping pressure of the demand side of the S&D equation. It also remains early in the northern hemisphere grain growing season and any weather hiccups or supply issues will amplify such pressures.

Returning to our opening question, whilst we cannot provide a definitive answer, we would be reluctant to hold a significant short position or be short bought going into what could continue to be a volatile period.