**Gleadell Market Report**

**Immediate – 15 January 2016**

**David Sheppard, Gleadell’s managing director, comments on the wheat market**

* USDA did little to suppress the bearish fundamentals overhanging the old crop market in its recent report, raising global wheat stocks 2mln t to a new record 232mln t. US stocks were also raised, mainly as a result of lower domestic demand, although the export projection was left unchanged.

The only surprise was the release of the initial US winter wheat plantings, which at 36.309mln acres (down 7% year-on-year) were lower than expected. This triggered some short covering after the release, leaving US supplies even less competitive against other origins.

* EU futures, supported by the initial bounce in CBOT, fell back to trade at contract lows. A firmer euro, favourable weather for new crop and waning export prospects are all weighing heavily on the market, especially the cash market.

News that Russian wheat had traded into Spain was deemed as negative. FranceAgriMer raised its figure for French wheat ending stocks to 5.8mln t, based on lower export expectations.  With signs of increasing export completion, the projected EU tonnage still look 4-5mln t overstated.

* Despite the negative tone, the UK market has to some extent been buffered by a sharp decline in sterling, leading to increased export interest. Official data still placed the UK as a net importer to the end of November, with exports reported at a disappointing 137tmt. LIFFE traded at contract lows during the past week so additional export volume would be beneficial, but getting interest and actually trading remains difficult.

* In summary, it is like a recorded message – too much wheat chasing too little demand. Old crop wheat fundamentals remain and are getting increasingly bearish as the weeks progress. Record wheat stocks together with the need for key exporters to offload supplies will keep the cash markets honest, and economic concerns, mainly linked to ‘oil-based’ nations, are deemed negative.

The scale of the US fund short and lower US plantings may provide bouts of short covering, but at present this is only an apparent concern to the US futures market, not the non-US cash markets.

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**Jonathan Lane, Gleadell’s trading director, comments on the OSR market**

* US soybean futures have ticked slightly higher on the week as some short covering occurred after the USDA report. That report slightly lowered global ending stocks and last season’s US production (by around 1.4 mln t) but this didn’t change the overall fundamental picture of large stocks. Brazilian weather continues to be a talking point but prices are not reacting.
* MATIF futures have fallen with weak EU crush demand weighing on prices. Farmer selling in mainland Europe remains very slow with futures now circa €45 off the season’s highs.
* The euro has continued to strengthen against sterling and is now through the long-term down trend. If the market can hold near current levels for the next week or so we can look for the euro to continue to move higher in the medium term (1-3 months)

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**Notes to Editors**

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mln t = million tonnes, t = metric tonnes, kg/hl = kilogram per hectolitre.