**Gleadell Market Report**

**Immediate – 22 January 2016**

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

US markets have shed about $2 on the week, despite funds increasing their record short position. US exports are still running 10% behind’s last season pace, and on track for end-season wheat stocks to reach 1bln bushels – a rise of about 1.5mln t from current projections.

There are still no major weather issues in the US, with light rainfall expected next week and temperatures gradually warming. US futures are still open to potential bounces as the funds cover, although most cash markets are trading off a more fundamental agenda.

EU markets continue to weaken, resetting market lows on a daily basis. Export demand remains very thin, especially from oil-based nations whose economies are taking a major hit. The ruble is making fresh all-time lows and its impact on export prices means the differential between US and competing EU/Black sea wheat is not narrowing. EU-granted licences have picked up over the past few weeks, although they are still down 12% on the year. Feed grain is trading into Asian markets at $140fob from other origins, so catching up could be a problem.

Despite the negative fundamentals overhanging the UK grain industry, the recent demise in the value of sterling has seen an increase in export trade. Turmoil in the global economy and weaker-than-expected UK growth led the Bank of England to reflect a gloomy assessment, ruling out an immediate rise in UK interest rates. However, even with the anticipated rise of total exports, the UK is still seen projecting a larger carry-out at the end of the 2015/16 marketing season, leaving the likelihood that prices in the deferred positions will remain under pressure.

In summary, the market is running out of anything that could turn round the current trend. It is cold, but it is winter and crops remain insulated. There are more sellers than buyers, and the Middle East buyers who should be in the market face significant reductions in their oil-based finances. Even a record low in global freight rates, due at least partly to lower Chinese demand and cheaper oil, is not encouraging global importers to extend cover.

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

US soybeans have remained range bound on the week with little new input. The market continues to watch South American weather but at present the conditions appear fairly benign.

Matif rapeseed futures have traded lower, weighed down by weakening crude and a lack of crush demand.

The euro/pound rate has been extremely volatile this week with the euro continuing to gain on sterling. This has helped to support UK domestic markets in the face of a weakening matif.

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**Notes to Editors**

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