**GLEADELL MARKET REPORT**

**WHEAT AND OILSEED RAPE**

**Immediate – 11 November 2016**

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

The surprise victory for Donald Trump in the US presidential election produced a sharp fall in equity and commodity markets on Wednesday, although they staged a recovery Thursday morning.

A further surprise followed as USDA sharply raised US closing stocks of corn and soy to levels well above trade expectations, triggering strong selling. Although the US/global wheat numbers were little changed and much in line with expectations, the negative sentiment dragged wheat lower into the close.

Prior to this week’s events, markets had showed signs of consolidation on increased buying activity and continued lack of producer selling.

US managed funds, still holding large short positions in Chicago corn and wheat, have been steadily eroding their exposure, providing underlying support for the US markets.

EU/Black Sea values continued to be supported, driven by the demand for quality wheat as exporters continue to strive to cover recent sales to Algeria, Saudi Arabia and Egypt.

Slow sales from Russian growers have seen prices rise for seven straight weeks. Transport and logistical issues are limiting Ukrainian exports, and German/Baltic quality wheat is becoming harder to source.

Egypt this week purchased 240,000t for December shipment, at prices between $5-$7 above its last trade. When translated into its local currency this equates to almost double the amount spent on the previous purchase, reflecting the severity of Egypt’s recent devaluation.

The UK market is trading about £2 down on the week as sterling soared following Trump’s victory. However, good spot demand from merchant shorts is still apparent, keeping pre-Christmas premiums firm against the deferred positions.

With the UK currently not competitive on export quotations, these inflated spot premiums represent a selling opportunity for growers, as consumption buying activity in the forward positions is lacklustre to say the least.

In summary, Trump’s victory in the US will provide a level of uncertainty in equity and commodity markets as investors brace themselves for increased volatility.

How the new administration goes about the business of current trade deals and the WTO will keep currency dealers edgy, and may have a major impact on global growth, or the lack of it!

Fundamentally, USDA’s report confirmed too much wheat, but the feed/quality imbalance remains. Quantity and quality issues are still relevant with regard to Australian and Canadian crops, and export demand is keeping EU/Black Sea premiums firm.

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

Trump’s victory in the US election stimulated some short covering/risk off in sterling versus the euro, as traders saw increased European political risk following his victory.

USDA’s report on Wednesday raised US soybean production and ending stocks above trade estimates. The market initially sold off aggressively, but all losses were recuperated in the overnight trading session.

In Australia, the first boats destined for Europe should be loaded this month as harvest progresses. In view of the current price structure in the UK, it’s likely some of this seed will find its way into UK crushers.

Matif rapeseed futures have eased on the week in line with Canadian canola and US soybeans. In the UK, the physical market has stayed surprisingly supported, relative to the Matif, as UK merchants and crushers look to cover short positions.

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**Notes to Editors**

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