

13/11/2020

## Wheat Flags

Influence on wheat prices

### US Corn/Soybean Yield & Production Cuts



### Potential US National Lockdown



### COVID-19 Vaccine Development



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This week started with the same market drivers, as traders monitor weather developments and potential crop concerns in the US, Black Sea and South America.

Over the next couple of weeks, parts of the US wheat belt are expected to see welcome rains which will help in aiding crop development. In the Black Sea, forecasts show wetter weather for wheat areas with snow expected in northern Ukraine and parts of Russia in the next 11-15 days. Although there are some rains forecast in Brazil, most of Argentina continues to miss out and the forecast remains dry.

Around the world, markets are still adjusting to a Biden victory in the US election and Trumps refusal to accept defeat, which could result in further uncertainty until the matter is resolved. Financial markets strengthened off the back of positive Covid-19 news that a vaccine had been developed. This helped Sterling to reach highs approaching 1.13 against the Euro before slipping back towards 1.11 in response to reports of deadlock in Brexit negotiations coupled with data that the UK economy suffered much greater than other leading economies.

A big market mover during the week was Tuesday's USDA report with the release of its latest world supply and demand numbers. The trade was given a bullish surprise with larger than expected yield and production cuts for US corn and soybeans which tightens ending stocks. The wheat numbers were much more benign, but futures were dragged higher as a result of corn and soybean strength.

This strength did not last long, however, with futures markets quickly losing their USDA report gains in the latter half of the week. US Markets fell under pressure amid fund selling and demand concerns as Biden's COVID advisor has proposed a 4-6-week national shutdown. The impact of this last time around on gasoline demand and, in turn, corn-based ethanol, was enormous and could completely change the 2021 corn carry-out to a much more burdensome picture. Sentiment in the trade also suggests that support from current weather stories is getting exhausted.

Moving forward, the trade will continue to monitor weather forecasts and demand due to COVID-19, while we will still see volatility in markets until the door is completely shut on the US Election.

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