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Effect of Russia Ukraine Grain Deal on Markets

By: www.ProfitableInvestingTips.com

An agreement to allow Ukraine to ship wheat, corn, sunflower seed products, and other agricultural produce across the Black Sea has been signed in Istanbul. Brokered by Turkey and the United Nations, the deal will also allow Russia to export grains and fertilizers. Providing that there are no complications, more than twenty million tons of Ukrainian grain will be exported alleviating looming food shortages across the Middle East, Africa, and Asia. What will be the effect of the Russia Ukraine grain deal on the markets?

Wheat Futures Fall On News of Grain Shipment Deal

In futures trading the immediate effect of the announced deal was a 5% fall in wheat futures prices. Providing that the deal works out Ukraine has twenty million tons of grain to export and needs the silos that currently hold that grain for this year's harvest of winter wheat and corn. Russia will also be exporting grain as well as fertilizers. The deal brokered by Turkey will be monitored by Turkey, the UN, Ukraine, and Russia. Russia insists that ships taking grain out of Ukraine do not bring arms or ammunition back to Ukraine. And Russia insisted on assurances from the US and EU that it could ship grain and fertilizer to foreign customers and use the international banking system to get paid.

War Continues in Ukraine

The grain shipment deal and agreements on prisoner exchanges are the only deals that Ukraine and Russia have reached since the war began. Russia has some of the same problems as Ukraine in that it needs to free up storage space for the incoming harvest and could use the profits from its grain and fertilizer sales. There are signs that Putin's war is grinding on at a slower and slower pace as Russian deaths and casualties continue to mount and stocks of some weapons and ammunition run low. Putin appears unwilling to resort to a draft to replenish forces for his "special military operation." As such there has been speculation that Russia will push for a negotiated truce or even peace deal. Ukraine is highly unlikely to accept any peace deal that leaves Russian troops on what is their sovereign soil. The very realistic concern of the Ukrainians is that Russia will sue for peace or a ceasefire only to resume their attacks in a year or two when they built up their military again and their stocks of ammunition and weapons.

How Will the Grain Deal and Continued War Affect the Markets?

Releasing millions of tons of Ukrainian wheat and corn will help avert widespread famine in Africa, especially the Horn of Africa, and the Middle East. This will also help prevent civil unrest. That, by itself, could help keep the markets from going into panic mode. The grain deal has some thinking that more deals are in the works. This is unlikely although Putin's strategy will be to divide Europe and reduce support for Ukraine. So far that is not happening. Thus, the war will drag on, Europe will have less natural gas for the winter and will be paying higher prices than other nations can afford. Their use of natural gas will divert substantial quantities from its

other purpose which is to make fertilizer. That could lead to another round of food shortage fears. Europe and probably the USA are headed into recession and that is what will finally drive markets down.

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