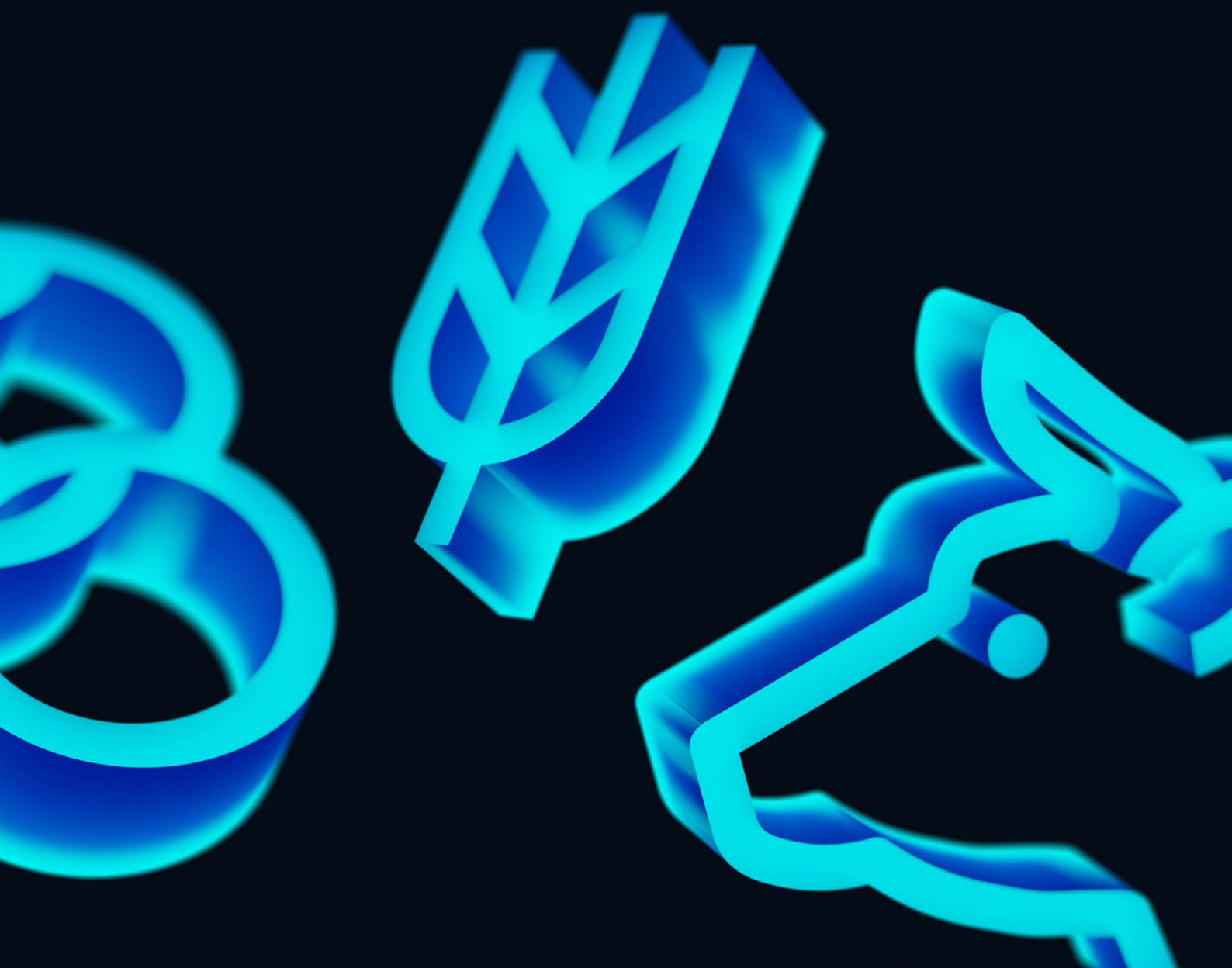
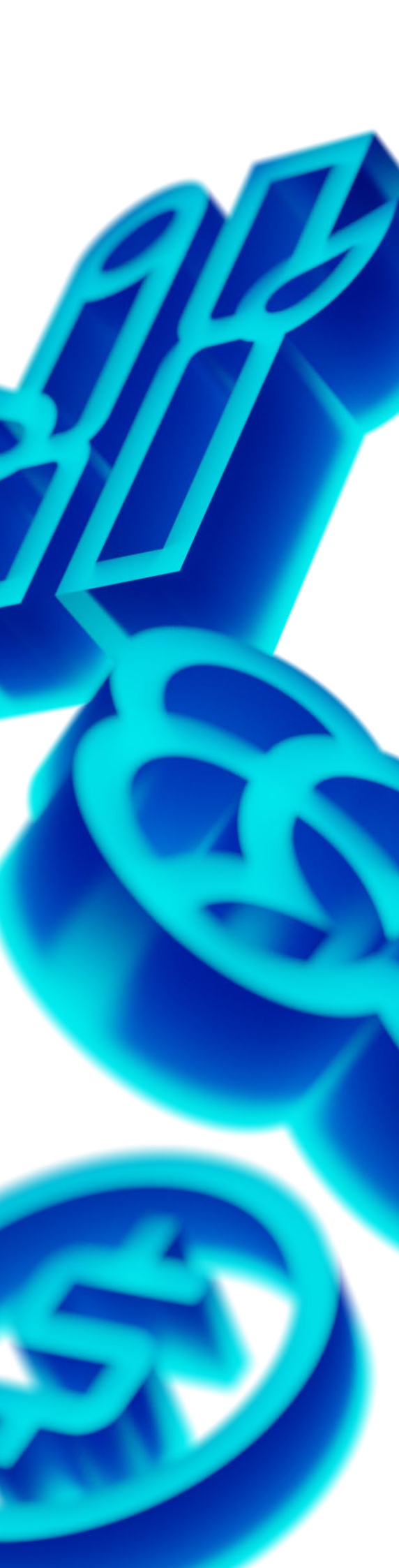


StoneX Outlook 2026

Oct - Dec

Edition 37





Editorial



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37th Edition

The normalization that appeared to be taking shape in energy markets last quarter has proven more fragile, and more asymmetric, than prices at the time suggested. Crude flows through the Strait of Hormuz have returned to near prewar levels, but refined product exports from the Persian Gulf remain at a fraction of their pre-conflict volumes, shifting the center of gravity of the crisis from production to refining. Diesel has become the main channel of this tightness. Years of shrinking European refining capacity, combined with Russian restrictions on fuel exports, have driven prices to record highs on both sides of the Atlantic and prompted a coordinated G7 stock release in early October, with Brent back around the \$100-a-barrel mark.

Because this is a supply shock, the squeeze in oil product markets has diffuse and persistent effects on inflation, from logistics costs to the operation of farm machinery, and central banks in advanced economies have chosen not to wait for it to fade. In September, the European Central Bank, the Federal Reserve, and the Bank of Japan raised rates within little more than a week of one another, in a synchronized tightening cycle that few anticipated at the start of the year. For commodities, more expensive capital works through two channels: it raises the cost of carrying inventories and financing supply chains, and it increases the opportunity cost of holding positions in real assets relative to better-paying fixed income.

Brazil is moving in the opposite direction. With the presidential election commanding market attention, the Central Bank's Monetary Policy Committee (Copom) cut the Selic rate in the same week the Fed resumed hiking, narrowing the rate differential that had underpinned the real throughout 2026. On top of these domestic drivers, the country faces a twofold exposure to external risks: as a diesel importer, it is absorbing the squeeze in refined products in the middle of the summer crop planting season; and as an agricultural powerhouse, it has a wide range of crops and regions exposed to El Niño.

With a peak expected between October and December, and a real chance of becoming the strongest event since records began in 1950, El Niño is likely to play out in Brazil as a contrast between a wetter South and a drier, hotter Center-North during the establishment of the 2026/27 crop. Potentially lasting at least through the first quarter of 2027, the event raises risks to agricultural output across multiple regions of the globe and, by extension, to food inflation, an additional source of pressure on central banks already operating in restrictive mode. It is at this intersection of energy, interest rates, and weather that the outlook for the various commodity complexes takes shape, as summarized below:



Grains & Oilseeds

The combination of growing soybean oil demand from the biofuels sector and stronger Chinese purchases of U.S. soybeans points to a tighter U.S. soybean balance. In corn and wheat, escalating conflict in the Black Sea is hampering exports from Russia and Ukraine, which, against an already tighter global supply backdrop, also helps support prices.

Fertilizers

Phosphate and potash prices may ease as Brazil's soybean-related buying winds down, although supply constraints should limit steeper declines. Nitrogen remains in the spotlight, with prices potentially supported by demand for Brazil's second-crop (safrinha) corn, geopolitical uncertainty, and the lack of transparency around Chinese exports. Potash remains the most stable and competitive option.

Energy

Over the past quarter, geopolitical tensions and supply disruptions once again hit key crude- and product-producing regions, keeping the outlook complex and pointing to a global deficit. Saudi and Iraqi use of alternative routes bypassing Hormuz and Bab el-Mandeb should help contain part of the risk premium, provided there are no new attacks on the region's export infrastructure. On the products side, the supply bottleneck is most pronounced in middle distillates in the fourth quarter, which should keep the diesel crack spread supported.

Softs

In the fourth quarter of 2026, cotton and sugar should remain supported by supply concerns and weather risks, while coffee is likely to seek balance amid larger Brazilian supply. Cocoa should stay volatile, with more comfortable stocks limiting the upside but prices still underpinned by weather and production uncertainty.

Metals

Supply risks for copper, zinc, aluminum, and nickel will shape the outlook for these markets next quarter, offsetting a macroeconomic backdrop that is more restrictive for industrial activity and less favorable for base metals. For precious metals, safe-haven demand, as a hedge against both inflationary pressures and geopolitical tensions, along with monetary policy and the outcome of the U.S. midterm elections, should remain the key drivers.

Brazilian Real

Brazil's elections, with both rounds taking place in October, should be the main domestic driver of the real in the final quarter of 2026. The balance between the executive and legislative branches, with two-thirds of the Senate and the entire Chamber of Deputies up for election, should shape expectations around governability, institutional stability, and the direction of economic policy in the years ahead.



Among global factors, the highlights are persistent inflationary pressures, fueled by geopolitical tensions and the potential impact of a very strong El Niño, and the prospect of higher-for-longer interest rates in the United States and other advanced economies.

About the report

Now in its 37th edition, the Quarterly Commodity Outlook has been produced since 2015 by StoneX's Market Intelligence team in Brazil, in partnership with our colleagues in the United Kingdom, Paraguay, Argentina, China, and the United States. Our aim is to deliver objective, accurate analysis with global reach, highlighting the factors likely to shape the agricultural, energy, and metals complexes, along with emerging-market currencies, in the near term.

This report is a snapshot of the moment in which it was written and reflects our team's expectations and views in that context. Given the high volatility across markets and the frequency with which impactful events have been unfolding, both the current landscape and the forward-looking scenarios presented here can shift quickly. Following market developments closely is therefore just as important as reading this publication at a given point in time. That ongoing coverage is what StoneX offers its clients: timely, relevant information to support commercial decisions and the strategic positioning of their businesses.

Acknowledgments

This publication is the result of close collaboration between StoneX's Market Intelligence and Marketing teams, bringing together the work of dozens of people over several weeks. My thanks go first to the analysts behind the sections of this edition, for turning deep expertise and constant market coverage into clear, actionable insight.

To the design and layout work led by Lívia Gurgel, and to the coordination, communication, and support provided by Ana Prado, Carolina Barboza, Caroline Carvalho, Deborah Carvalho, Djone Pereira, Letícia Guimarães, Sérgio Xavier, Vitor Pizol, Vinícius Moraes, and the rest of the Marketing team – thank you.

I am especially grateful to Glauco Monte, Dom Birch, Renato Rasmussen, Eileen Stein, and Arlan Suderman, whose continued support and encouragement have been instrumental to the development of this initiative. From continuous, up-to-date market coverage to customized studies, speaking engagements, and training programs, we offer a broad range of services and solutions for you and your business. [Visit our website](#) to learn how StoneX Market Intelligence can support your commercial operations and your strategic expansion and investment projects.

Enjoy the read and have a great quarter!

Summary



Soybean

For the fourth quarter of 2026, the soybean market is expected to remain focused on Chinese purchases of U.S. soybeans and on the development of South American crops under El Niño influence. Chinese demand and the biofuel sector continue to support prices, while the influx of the U.S. harvest caps gains. Weather conditions in Brazil remain the main risk factor for the market.

Wheat

Q4 2026 wheat market expectations remain supported by the geopolitical risk premium linked to the Black Sea conflict. While global supply is still comfortable, logistical disruptions involving Russia and Ukraine continue to support prices. Weather conditions across Argentina, the United States, and Europe will remain crucial to the global supply outlook ahead.

Vegetable Oils

Biofuel demand continues to support prices for the major vegetable oils, but rising fourth-quarter supply limits gains. Soybean oil is under pressure from higher US crush, while palm oil is weighed down by high global stocks. Meanwhile, Black Sea logistical bottlenecks continue to support sunflower oil, keeping global volatility elevated.

China

China is expected to maintain ample supplies of soybeans, corn, and feed inputs during the fourth quarter of 2026, reducing supply risks. At the same time, weakness in consumption, investment, and real estate limits demand recovery. Trade tensions, economic stimulus, and the pace of grain purchases will remain key drivers for the Chinese market.

Corn

Tighter global supply is likely to keep the corn market supported during this fourth quarter. Lower production in the United States, export restrictions from Ukraine, and rising ethanol consumption in Brazil reinforce the bullish bias. At the same time, weather in the Southern Cone, under El Niño's influence, will be decisive in sustaining price behavior.

Cotton

The cotton market is expected to remain supported by concerns over global supply. Weather issues in major producers, such as the United States, China, and Australia, sustain the bullish outlook, while high oil prices favor fiber competitiveness versus polyester. Still, speculative moves and macroeconomic factors may moderate further gains.

Fertilizers

In the fourth quarter of 2026, phosphate and potash prices may ease as Brazilian soybean-related purchases wind down, although supply constraints should limit sharper declines. In nitrogen fertilizers, Middle East uncertainties and increased Chinese supply will keep the market in focus. Potash remains the most stable and competitive option.

Precious Metals

Metals are expected to close out 2026 under the influence of U.S. interest rates, geopolitical risks, and investment flows. Gold continues to be supported by safe-haven demand, while silver faces pressure from increased supply and weaker industrial demand. Platinum and palladium, meanwhile, find support from the automotive sector and the growing adoption of hybrid vehicles, keeping market volatility elevated.



Base Metals

Base metals are expected to remain in a highly volatile environment throughout the fourth quarter of 2026. Copper, aluminum, and zinc stay supported by tight inventories and supply restrictions, while nickel and lead reflect weaker global demand. China's slowdown, a strong dollar, and geopolitical tensions maintain a neutral-to-bearish outlook.

Oil Products

Geopolitical tensions and the global refining crisis are expected to keep upward pressure on the oil products market. Restricted diesel supply maintains crack spreads at elevated levels, while gasoline tends to weaken seasonally. Still, Middle East risks and logistical constraints continue to support volatility and sector prices.

Ethanol

For Q4 of 2026, the ethanol market in Brazil is expected to maintain stronger demand. Supply remains abundant, driven by corn ethanol production, which continues to limit price recovery. Competitiveness against gasoline, developments in the sugar market, and the effectiveness of subsidies will be key factors in determining price levels during the inter-harvest period.

Cocoa

By year-end, the cocoa market is expected to remain more balanced than in recent years, although volatility is likely to persist. Increased stocks and higher bean availability tend to limit sharp rallies. Meanwhile, delays in the West African harvest, climate risks, and uncertainties surrounding 2026/27 production sustain a risk premium.

Crude Oil

In the final quarter of 2026, the oil market should stay supported by geopolitical risks in the Middle East and a continued global supply deficit. Despite a partial recovery in export flows, uncertainties surrounding the Strait of Hormuz maintain a significant risk premium. Volatility should remain high, with prices supported by reduced inventories.

Sugar

The sugar market is expected to remain supported in the last quarter of the year by weather concerns in producing regions and a slower crushing pace in the Center-South. This scenario favors a more sugar-focused mix at mills and supports prices. Global supply, weather, and impacts on ethanol will remain in focus through December.

Coffee

After the correction seen throughout the year, the coffee market is expected to close 2026 seeking balance. Anticipation of greater supply, driven by the Brazilian crop and favorable weather, maintains a bearish bias on prices. Nevertheless, climate risks linked to El Niño, regulatory uncertainties, and constraints on specialty coffee supply sustain volatility.

Brazilian Cattle

Brazilian cattle markets should remain supported by a combination of tighter supply and resilient demand. Retention of breeding stock and the ongoing cattle cycle turn are limiting animal availability, while exports remain strong and diversified. This should support firm prices and a positive outlook for the sector in the coming months.

Dairy

Global dairy markets are expected to remain relatively balanced through late 2026. Milk production growth is slowing across key exporting regions, while resilient import demand and risks such as El Niño continue to support prices. However, stronger-than-expected production in recent months and the possibility of slower stock-building purchases may limit upside potential.

Argentine Peso

The Argentine peso is expected to remain relatively stable, supported by a trade surplus, stronger reserves, and Central Bank intervention. However, election risks, high external financing costs, and a stronger U.S. dollar continue to challenge the outlook. Currency volatility should stay limited, although a gradual depreciation trend is still expected.

Brazilian Real

The real should remain sensitive to developments in Brazil's elections, U.S. interest rate trends, and Central Bank decisions at year-end. While high U.S. rates tend to strengthen the dollar, trade surpluses and potential domestic inflation risks may support the Brazilian currency. The outlook remains marked by volatility.

Brazilian Weather

Global weather will be shaped by a very strong El Niño combined with a positive Indian Ocean Dipole and a warmer Atlantic. This scenario heightens the risk of excessive heat, drought, and heavy rains in various agricultural regions. More than rainfall volumes, the distribution and timing of rainfall will be decisive for major crops.



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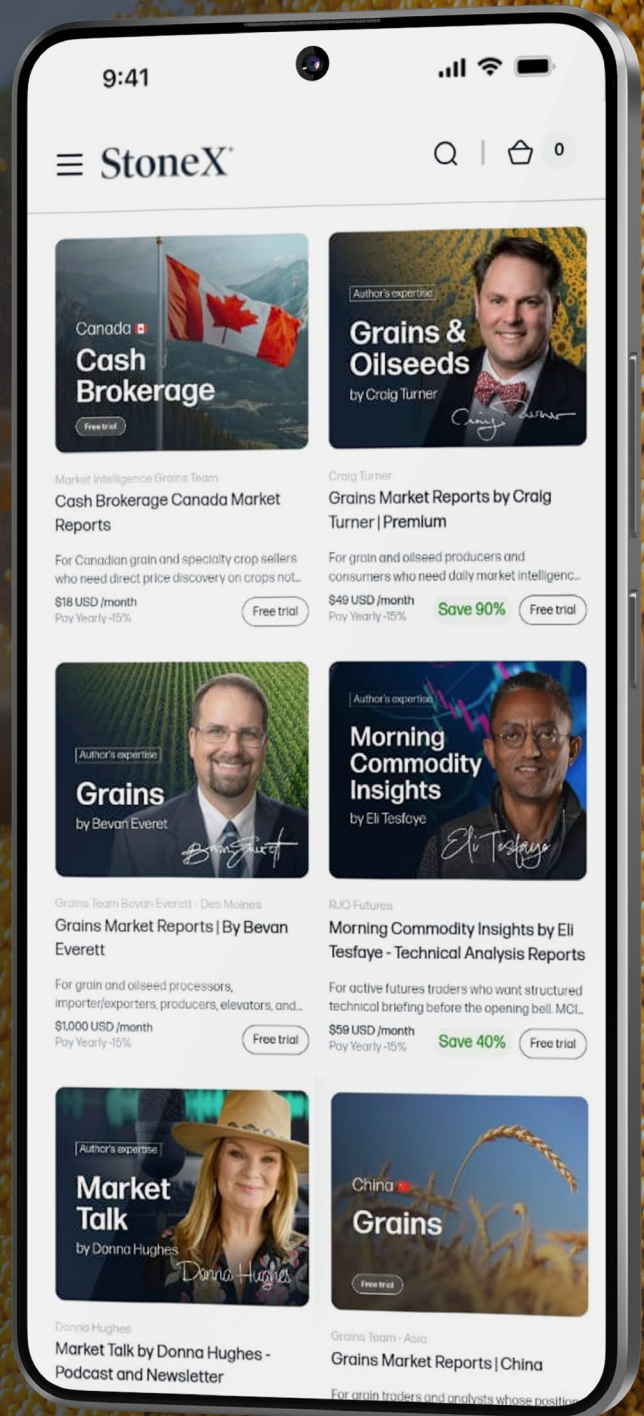
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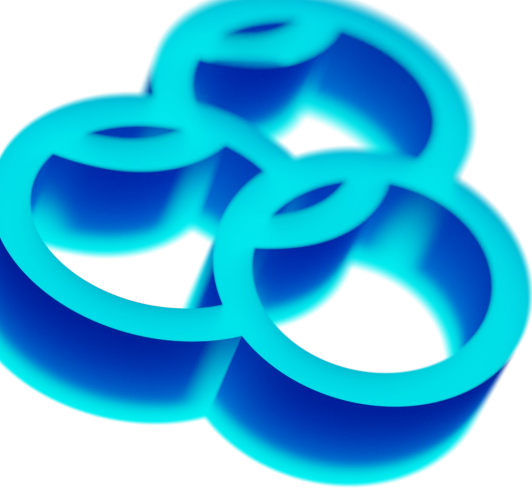
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Soybean



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Bullish Factors

- ▲ China following through on its commitment to purchase 25 million tonnes of U.S. soybeans;
- ▲ Stronger U.S. demand driven by biofuels;
- ▲ El Niño risks to planting and crop development in some Brazilian states.

Soybeans head into the fourth quarter still benefiting from the price recovery seen throughout September, when market attention turned to the trade rapprochement between the United States and China. Against this backdrop, Chicago futures approached their highest level in nearly three years and, despite giving back part of those gains since then, are up 14.8% for the quarter. In the coming months, relations between the two countries should remain a key driver for investors, along with the development of South American crops under the influence of El Niño.

This price move stands out because it breaks from the pattern seen in previous quarters, when soybeans traded in a narrower range, anchored by Brazil's record crop and favorable prospects for US production. On the demand side, the US picture remained robust, largely due to biofuel incentives and the use of soybean oil as the preferred feedstock over imported inputs, but this was not enough to give prices real momentum.

Bearish Factors

- ▼ Harvest progress in the United States against a larger crop;
- ▼ Estimates pointing to robust South American crops;
- ▼ China's 10% tariff on U.S. soybeans remaining in place, limiting larger purchases by the private sector.

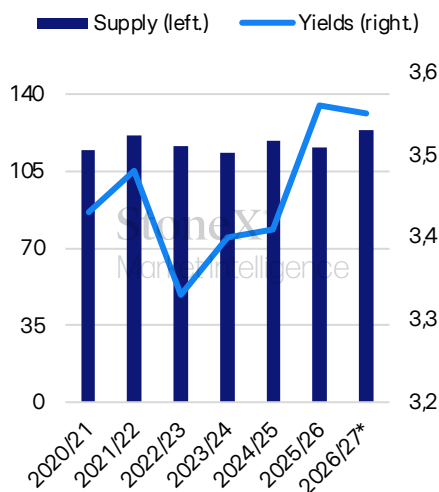
Soybean prices in Chicago (US\$/bu)



Source: CME. Design: StoneX.

In recent months, the good development of the US 2026/27 crop weighed on prices at times. The US Department of Agriculture (USDA) estimates production at 123.4 million tonnes, up 6.4%, driven by an expansion in planted area and the absence of significant yield setbacks. However, the key question hanging over the market, whether China would honor its agreement to purchase 25 million tonnes of US soybeans through 2028, received a significant boost at the end of the quarter, with signs that the commitment may materialize.

U.S. | Planted Area (million hectares)



Source: USDA. *Estimate. Design: StoneX.

In the weeks leading up to the second meeting of the year between Xi Jinping and Donald Trump, China stepped up its purchases of the US 2026/27 crop, with volumes estimated at up to 13 million tonnes by the end of September. If confirmed, this would represent half of Beijing's commitment for the season, in contrast to the absence of purchases over the same period in 2025/26, when the deal had not yet been reached.

It is worth noting, however, that this buying has been led mainly by state-owned companies. Crush margins in China remain under pressure despite the recent recovery, which keeps private crushers away from US-origin beans, still burdened by the additional 10% tariff. Moreover, these are purchase intentions that have yet to translate into actual exports, which carries the risk of cancellations.

Despite these risks, market participants have come to price in the impact of Chinese purchases on the US 2026/27 balance sheet as a given. Combined with still-strong demand from the biofuels sector, this has cemented expectations of lower US ending stocks, at 8.4 million tonnes (-4.6% y/y) for the season, a figure the USDA has been revising down in its most recent reports, with room for further changes.

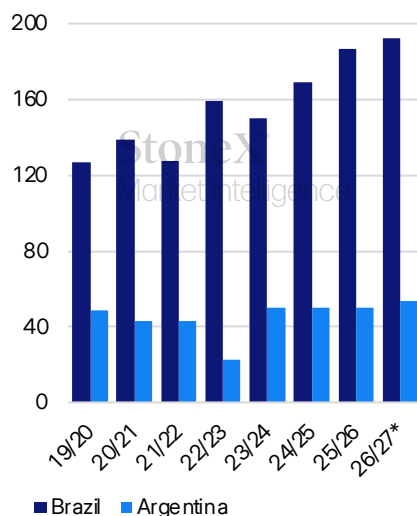
Beyond factors specific to the oilseed itself, the renewed rally in crude oil prices is also worth highlighting. With the energy complex pushing toward new highs amid escalating conflicts in the Middle East and Eastern Europe, part of that strength has been passed through via soybean oil. This is not a decisive fundamental for price formation in Chicago, but ongoing geopolitical risk tends to fuel volatility across other agricultural markets, with no sign of an easy resolution before the end of 2026.

Beyond the US-China trade relationship, weather will need to be watched closely in the coming months as planting and crop development advance in South America under a very strong El Niño. According to the US National Oceanic and Atmospheric Administration (NOAA), the chance of a "very strong" event extends through February 2027, with a gradual loss of intensity and a return to neutral conditions only in the second quarter of next year.

For now, estimates for Brazil still look solid. StoneX projects production at 183.4 million tonnes, a modest 0.4% increase from the 2025/26 season, supported by a slightly larger planted area but tempered by uneven yields across states under El Niño.

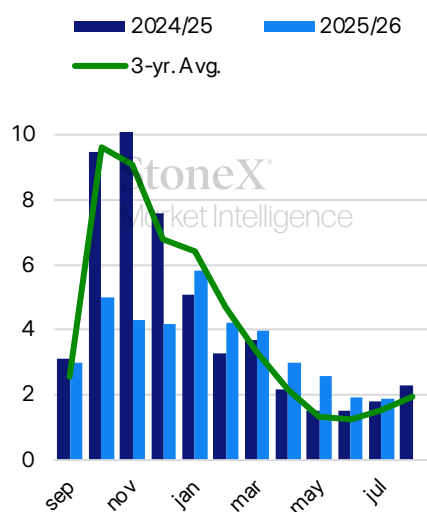
In general, the phenomenon tends to bring mixed results for Brazilian production. Higher rainfall in Rio Grande do Sul benefits crop development, while regions further north face a heightened risk of drought. In the recent strong events of 2015/16 and 2023/24, Mato Grosso posted yield declines on both occasions, of 8.3% and 15.8% from the previous cycle, respectively. In 2015/16, the epicenter of losses was the North and Northeast, with a 28% decline. In Rio Grande do Sul, results ranged from stability in 2015/16 (-0.7%) to a 43.3% increase in 2023/24, which offset part of the national loss. As a result, market participants will be closely monitoring Brazilian planting and crop development.

Brazil and Argentina | Soybean Production (million tons)



Sources: BCBA and StoneX. Design: StoneX.

US | Monthly Soybean Exports (MMT)



Source: MDIC. Design: StoneX.

Early surveys point to a positive start to sowing, in line with previous years, but yield revisions could still change the outlook for production growth and support prices. In the short term, during the off-season, Brazilian exports are slowing, which opens more room for US-origin soybeans in international trade.

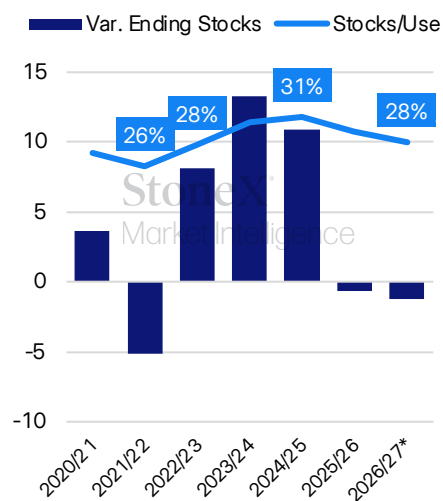
For Argentina, the outlook points to a large soybean crop, among the biggest in recent years. The Buenos Aires Grain Exchange (BCBA) projects production rising to 53.6 million tonnes in 2026/27 (+7% y/y). This would reflect an expansion in planted area from 16.8 to 17 million hectares, supported by lower corn planting intentions in favor of the oilseed.

In addition, weather conditions tend to be more favorable for Argentina, since El Niño has historically brought more rainfall and reduced drought risk during crop development. In 2015/16, the country harvested 59.1 million tonnes of soybeans, the second-largest crop in its history. That said, this relationship should be viewed with caution, as a strong event can lead to excessive rainfall, especially during the planting window.

With these factors in mind, investors are monitoring the global soybean balance. USDA projections for 2026/27 point to a deficit for the second consecutive year (-1.2 million tonnes), though still not enough to put stress on global stocks. The arrival of the US harvest may weigh on Chicago prices through year-end, but the pace of Chinese buying acts as a moderating force, as does demand from the US crushing sector under the biofuels program (crush growth of 4% y/y).

For South America, the coming months call for greater caution, with investors monitoring weather and its effects on yields. The prospect of a good crop in Argentina draws attention, although the country carries less weight in global soybean exports. The key question, therefore, is Brazilian production, since drought risk in the northern areas could undermine 2026/27 performance and fuel bullish sentiment.

World | Global soybean balance (MMT) and stock-to-use ratio (%)



Source: USDA. *Estimate. Design: StoneX.



Corn



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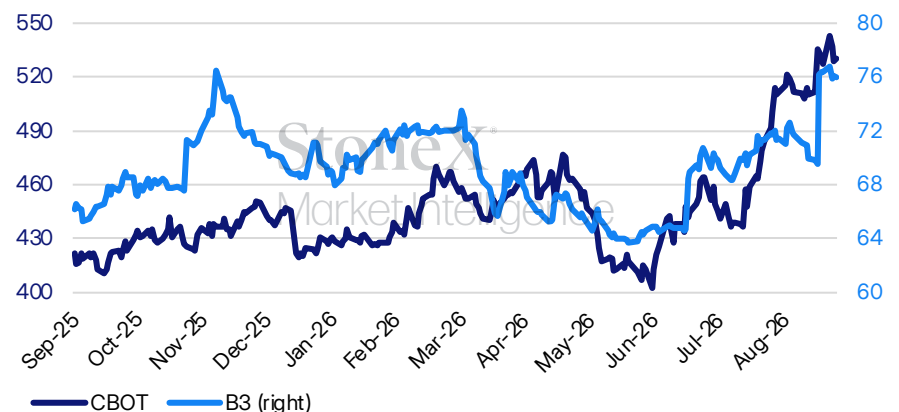
Bullish Factors

- ▲ Lower production in the United States;
- ▲ Black Sea conflict adding risk premium to the market;
- ▲ Outlook for smaller exportable surpluses from Brazil.

The past few months have been marked by high volatility in international corn prices, and we are heading into the end of 2026 with firmer prices than at the start of the year.

It is worth recalling that the 2025/26 season was marked by a significant expansion in global corn production. Driven above all by record planted area and output in the United States, global stock building came in at around 30 million tonnes, taking world ending stocks – excluding China – in 2025/26 to their highest level.

Corn prices on CBOT (US\$/bu) and B3 (BRL/bag)



Source: CBOT, B3. Design: StoneX.

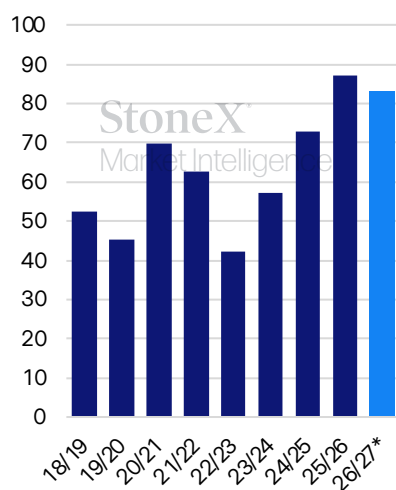
Bearish Factors

- ▼ Argentina harvesting record volumes, offsetting the drop in Brazilian exports;
- ▼ Global market with good stocks.

This movement opened the way for the downtrend in international prices that brought us to the current scenario. Poor returns made corn less attractive than soybeans for the American grower in 2026, weighing on planted area. Beyond prices, costs also factored into that equation: with the outbreak of the war in Iran and the closure of the Strait of Hormuz between February and March, urea prices rose in the global market, squeezing margins for producers who had not yet bought fertilizer for the 2026/27 crop.

Weather through the Northern Hemisphere summer added its own dose of uncertainty to the market. In the United States, despite a relatively normal rainfall pattern, very high temperatures during tasseling should leave 2026/27 yields short of what is needed to keep the market well supplied. In its September report, the USDA placed the U.S. crop at 401.3 million tonnes, a drop of more than 30 million tonnes from 2025/26.

U.S. | Corn Exports (million tons)



Source: USDA. *Estimate. Design: StoneX.

Even though StoneX is more optimistic on this crop – currently projected at 409.3 million tonnes – the fact remains that the U.S. market will go through a drawdown in stocks.

In a context of quite elevated U.S. exports, it would be natural to assume that lower production would be a bearish factor for shipments. What we observe, however, is that global trade flows are likely to become even more dependent on U.S. supply going forward, and there are several reasons for that.

The heat of recent months was not exclusive to the United States. High temperatures combined with a significant drought in Europe and produced one of the continent's largest crop losses, which should widen the European bloc's need to import corn.

Under normal conditions, Europe could turn to origins such as Brazil and Ukraine to meet that demand. Each of these players, however, currently faces particular constraints on its ability to stay more active in global exports.

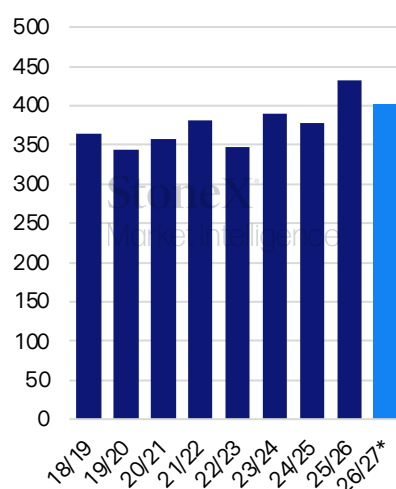
Ukraine is in no position today to serve the global market with its corn exports. The unprecedented escalation of the conflict with Russia has turned commodity logistics infrastructure into a target for attacks from both sides. The destruction of ports and railways, and even direct attacks on bulk carriers, has all but halted export flows through the Black Sea. The country can still tap alternative routes, such as the westbound railways and the Danube River waterway, but these are more expensive options and make shipping slower.

On the other side, South America maintains robust corn production: Brazil harvested a very large crop in 2026, which adds to Argentina's record crop – an origin that also became more competitive following the cut in corn export taxes early in the year. This strong supply should ease the market in the short term, but the future holds a number of uncertainties for the Southern Cone.

Although Brazil continues to post growing supply, growth in 2026/27 is under threat. On the area side, high production costs, combined with greater competition for acreage from other second-crop options – such as cotton and sorghum – should leave safrinha corn area little changed from 2025/26, something quite unprecedented against the historical trend. In addition, with the coming months under El Niño influence, weather risks intensify, with a greater chance of reduced – and poorly distributed – rainfall across Brazil's Center-West, along with higher temperatures. This, however, is not the main point of attention at this moment: first-crop soybean planting is advancing well, which tends to build optimism around planting safrinha corn within an ideal window.

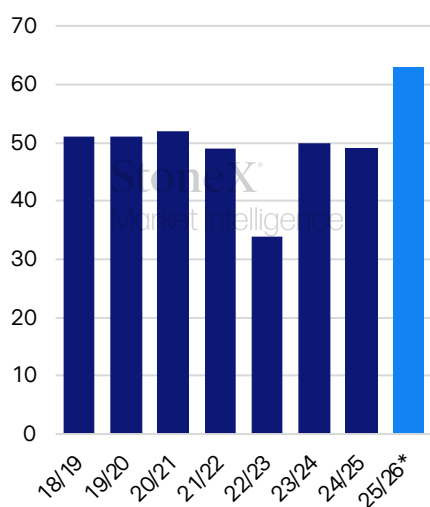
Even though the risks to the safrinha deserve attention, they remain fairly abstract at the time of writing. A more tangible risk to Brazil holding its position as the world's second-largest corn exporter is the acceleration of domestic consumption. Corn use by the ethanol sector should grow by more than 5 million tonnes in the 2026/27 crop year, approaching 30 million tonnes consumed by the segment. More corn consumed domestically means smaller exportable surpluses, which represents one more risk to international flows.

U.S. | Corn Production (million tons)



Source: USDA. *Estimate. Design: StoneX.

Argentina | Corn Production
(million tons)

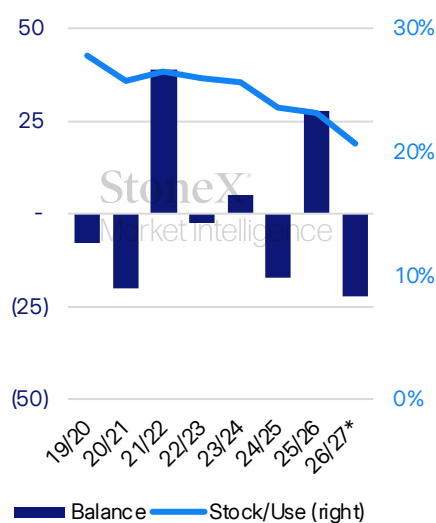


Source: USDA and BCBA. *Estimate.
Design: StoneX.

Argentina works in the opposite direction. The expectation is for stable area in 2026/27 compared with the record area of 2025/26 and, given greater optimism around rainfall in the country during El Niño years, there is room for somewhat better yields relative to the historical average.

On balance, the international corn market enters the final quarter of 2026 with elevated risk. Lower U.S. production reduces the stock cushion precisely when Europe needs to import more, Ukraine operates with limited export capacity, and Brazil directs a growing share of its supply to domestic consumption. Good harvested volumes in South America support supply in the short term, but do not eliminate dependence on U.S. supply. In this arrangement, weather in the Southern Cone between December and March and the pace of corn consumption by Brazil's ethanol sector are likely to be the decisive variables in determining whether prices remain appreciated through 2027 or find room to ease. Either way, the market should continue to be influenced by a higher risk premium in the short term, supporting prices.

World | Global corn balance (MMT)
and stock-to-use ratio (%)



Source: USDA. *Estimate. Design: StoneX.



Wheat



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Bullish Factors

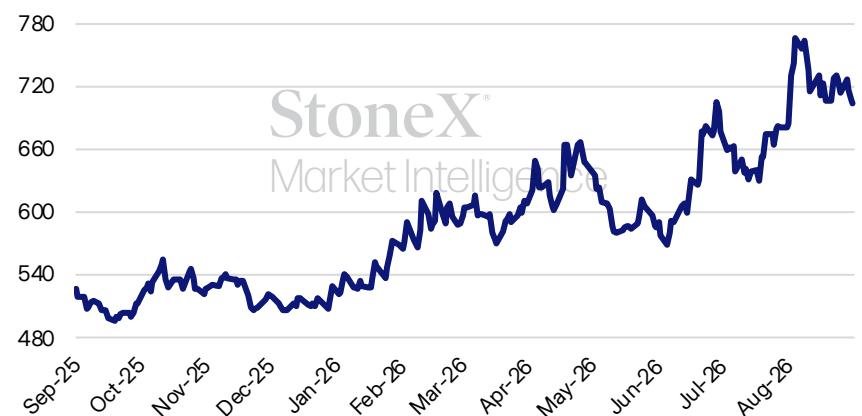
- ▲ Black Sea conflict sustaining risk premiums;
- ▲ Lower U.S. ending stocks;
- ▲ Weather risks for the next winter crop in the northern hemisphere.

Bearish Factors

- ▼ Good wheat crops in Argentina, Canada and Australia;
- ▼ Potentially firmer dollar amid rising U.S. interest rates;
- ▼ Improving barter ratio may encourage planting in the next season;
- ▼ Greater risk aversion related to geopolitical factors.

It is impossible to discuss the recent context of the wheat market without talking almost exclusively about geopolitics. The escalation of the conflict between Russia and Ukraine has been the decisive factor pushing global prices higher, particularly in Chicago. After ending June at 580.75 cents per bushel, the continuous contract moved back toward 770 cents per bushel by late August, a gain of more than 20% over the quarter.

Wheat quotes in Chicago (US¢/bu)

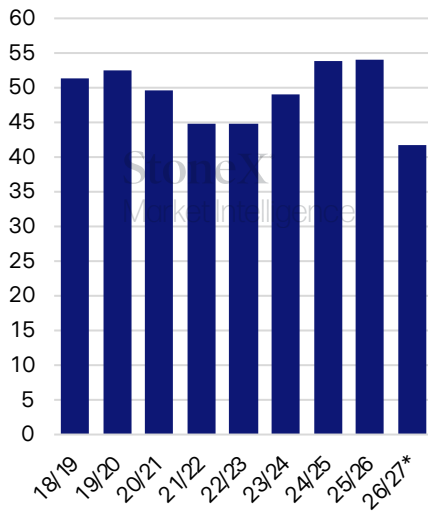


Source: CME. Design: StoneX.

The escalation of the war could not have come at a worse time. The estimate for U.S. wheat production in 2026/27 is one of the smallest in recent years, heavily influenced by the drought that hit the Plains during the winter cycle and by the lowest planted area on record, according to USDA data. The department held the U.S. crop at 41.7 million tonnes in September, with ending stocks at 19.5 million tonnes. More relevant than the numbers themselves is the position the United States now holds – or no longer holds. The country is projected as only the fifth-largest exporter worldwide in 2026/27, with shipments at their lowest level in three seasons.

The contrast between the U.S. and the global balance sheet, however, has helped keep prices well behaved in recent years. While the United States scaled back its wheat production, the world remained adequately supplied. Countries such as Canada, Australia, Ukraine and Argentina are expected to post good crops in 2026/27, which should keep the global stocks-to-use ratio relatively comfortable.

U.S. | Wheat Production (million tons)



Source: USDA. *Estimate. Design: StoneX.

It would seem counterintuitive for a market to reach three-year highs against a backdrop of balanced supply and demand at the global level. The problem, though, is not a shortage of wheat, but the difficulty of moving it. Black Sea shipments slowed from August onward, the result of port infrastructure damaged by the escalation of the war between Russia and Ukraine. Attacks on ports in the Sea of Azov and on the port of Novorossiysk, in Russia, as well as on civilian vessels in the Kerch Strait, have made the flow of Russian wheat considerably more complicated during a window that is usually the peak of Russian export activity. Despite ample wheat availability in the world's largest exporter, that supply is bottled up, lifting the risk premium and redrawing international trade flows.

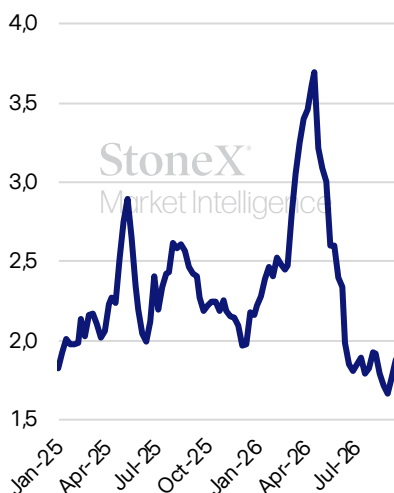
The European Union could, in this context, benefit from a larger market, but it faces challenges of its own. As is well known, the bloc went through a rather adverse summer in weather terms, and as we move into the winter planting window, weather risk remains elevated. The continent continues to record below-average precipitation, with high temperatures also weighing on soil moisture – a risk to planting, even if still a very early one.

One clear winner from this shift is Argentina, for several reasons. The first is that the country harvested an excellent crop – around 23.4 million tonnes, below the 27.8 million of the previous record cycle, but a recovery from early-season estimates. In addition, since May of this year the government has been cutting retenciones, supporting more competitive FOB prices relative to other major players in the global market, which should underpin the country's shipments.

Brazil is heading in the opposite direction and is set for one of its tightest periods in years. Conab estimates the 2026/27 crop at 5.8 million tonnes, down 26.2% year on year, the result of a 20.4% contraction in planted area, to 1.95 million hectares, and average yields close to 3 tonnes per hectare. The decline reflects margins that have been squeezed for several consecutive seasons, a factor that gained further weight in the first half of this year, when reduced flows through the Strait of Hormuz drove up fertilizer costs, particularly nitrogen. Weather also weighed on yields in Rio Grande do Sul. Excess moisture in the state through much of the cycle compromised both yield and quality, and the maps over recent weeks have continued to point to rain during harvest, which keeps a downward bias on the current figure.

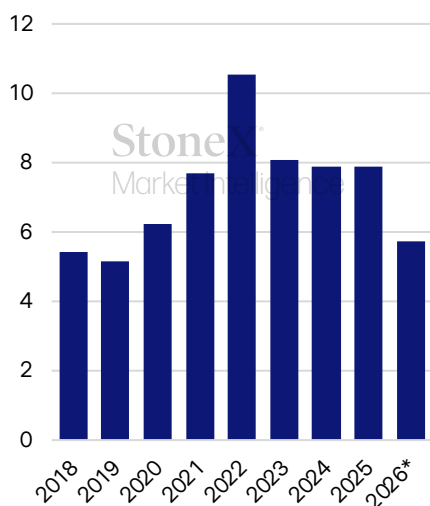
The direct consequence is a jump in imports. Conab projects foreign purchases of 7.1 million tonnes in 2026/27, the largest volume since 2006/07. With international prices running higher, this greater reliance on imports could weigh on the margins of Brazilian mills. Quality is another consideration: El Niño years tend to bring a wetter summer to Argentina's wheat-growing regions – historically the main origin for Brazilian wheat imports – which can affect crop quality. That makes it an even more relevant risk factor, since it would translate into a premium for higher-quality wheat. As if these layers of risk for the Brazilian buyer were not enough, the currency will also be a significant factor heading into the final quarter of the year. The approaching Brazilian election calendar tends to bring greater FX volatility, which could make imported wheat more expensive still.

NOLA FOB urea x CBOT wheat (t of wheat/t of urea)



Exchange ratio. Sources: StoneX and CME. Design: StoneX.

Brazil | Wheat Production (million tons)



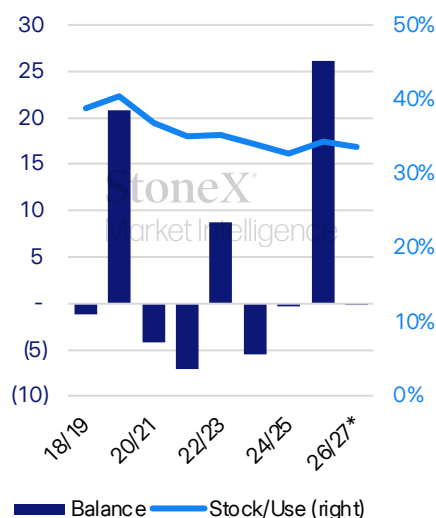
Source: Conab. *Forecast. Design: StoneX.

On the subject of currencies, the influence of FX markets on wheat prices is substantial and should likewise be on the market's radar. As the FOMC shifts from signalling steady rates toward a hike in a more challenging inflation environment, a firmer dollar could also move Chicago wheat quotations.

In short, the global wheat market enters the final quarter of 2026 with mixed fundamentals. While the global stocks-to-use ratio does not represent a major threat at this point, the geopolitical risk premium is likely to take centre stage, raising the prospect of higher prices in the near term.

A resolution to the Black Sea conflict does not appear to be on the radar, which should continue to support the risk premium in the region, with repercussions across the entire global market. From a supply standpoint, the final quarter will be defined by the Argentine harvest and by winter crop planting in the United States and the European Union. The improvement in the fertilizer barter ratio over recent months may encourage planted area, which adds to optimism around supply for next year. Even so, hot and dry weather remains a significant concern as northern hemisphere winter planting gets under way. Almost diametrically opposite, the prospect of heavier rainfall is raising concern in Argentina, as the country prepares to advance with harvest over the coming days.

World | Wheat balance (MMT) and stock-to-use (%)



Source: USDA. *Estimate. Design: StoneX.

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Cotton



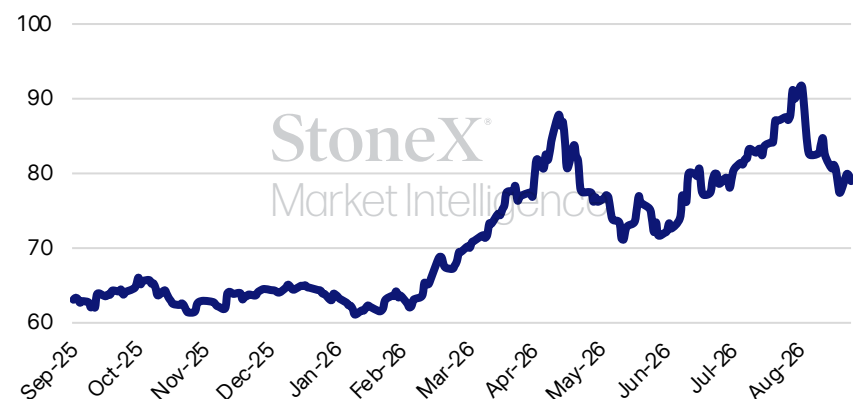
Raphael Bulascoschi
raphael.bulascoschi@stonex.com

Bullish Factors

- ▲ Lower U.S. yields on the back of adverse weather;
- ▲ Firmer crude oil prices, lifting polyester prices;
- ▲ Decline in Australian production.

Over the past quarter, cotton prices extended the predominantly bullish trajectory seen since the start of the year. Between the final days of August and the first days of September, lint futures hit their yearly highs and, at the same time, the highest levels since January 2024. The move was driven by a series of factors that gradually stitched together a bullish patchwork for the natural fiber this year specifically. Between higher crude oil prices, geopolitical tensions, concerns over global supply and a speculative move that amplified all of this bullish groundwork, the lint market enters the final quarter of the year with prices trading at levels considered high from a historical perspective.

ICE/NY cotton front-month contract (US\$/lb)



Source: ICE/NY. Design: StoneX.

Bearish Factors

- ▼ Good Brazilian crops, with the country expected to retain its prominent role in global trade;
- ▼ Risk of economic slowdown amid higher interest rates;
- ▼ Global consumption subject to downward revisions.

Crude oil prices are one of the factors drawing the most attention. In September, the energy commodity traded back above US\$100 per barrel. An escalation of the conflict beyond the Strait of Hormuz – with attacks also reported on Saudi pipelines and vessels in the Red Sea – heightened market concerns over global oil supply, while pushing any peaceful resolution to the conflict in Iran further out of reach in the near term. Higher crude prices also helped lift polyester prices – the fossil-based fiber that competes with cotton in the textile industry – which raised expectations for cotton demand and pointed to more bullish behavior on the demand side of the global balance.

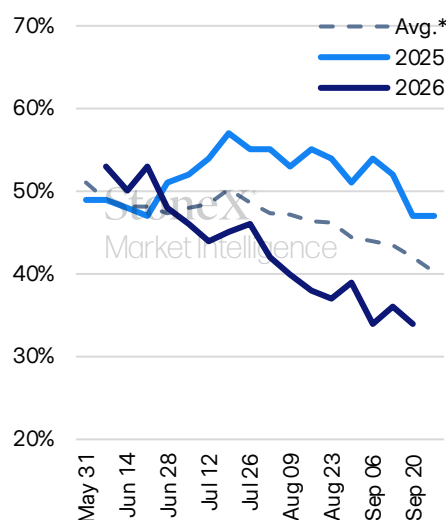
Still on the geopolitical front, the ongoing tensions in the Black Sea, between Russia and Ukraine, are also feeding the bullish dynamic across the energy and agricultural segments, adding further layers of geopolitical risk premium

Brent crude oil | front-month
(US\$/barrel)



Source: ICE/London.Design: StoneX.

US | Cotton crop rated
good or excellent (%)



Source: USDA/NASS. *2021-2025 average.
Design: StoneX.

to the commodity complex. Attacks on Russian refineries and on rail and port infrastructure have increased the risk to these countries' ability to sustain normalized export flows of diesel, corn and wheat, with knock-on effects across the chain and greater speculative interest in the commodity complex.

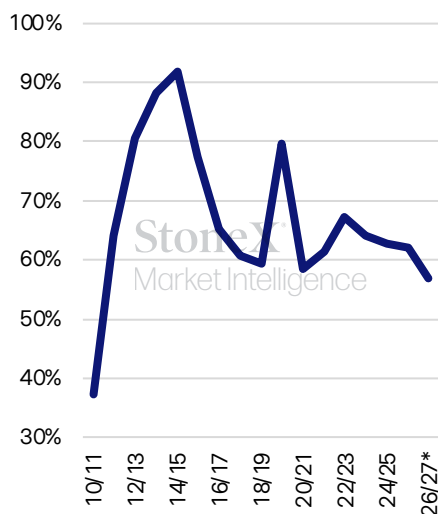
Ultimately, however, geopolitical risk would matter less to the market if the global balance were in a position of stability. That is not what we are seeing. The world stocks-to-use ratio, as estimated by the USDA, is set to be the lowest since 2010/11 in the 2026/27 season, a move underpinned by growing consumption and tightening supply.

On the production side, the decline is fairly evenly distributed across the main producers. In the United States, output is expected to fall 5.3% from last season, as excessively dry weather across the country should leave yields 2.8% below the 2025/26 reading. According to NOAA, rainfall between August and September ran 20% to 60% below the historical average across virtually the entire cotton-producing region, including northwest Texas and the Mississippi River Delta. At the same time, between July and September those same areas recorded temperatures 2°C to 4°C above normal. The result was that cotton crops developed under considerable stress. According to the USDA, only 34% of the crop was rated good or excellent through the last week of September, 13 percentage points below the same period in 2025 and 8 percentage points below the historical average.

Beyond the United States, weather challenges to cotton crops are also present in China and Australia. In the former, USDA estimates continue to point – as they did in June – to production of 650 thousand tonnes, 33.7% below the 980 thousand achieved in 2025/26, as El Niño is expected to significantly reduce rainfall and weigh on local planting decisions. In China, production is seen at 7.79 million tonnes, 6.4% below the previous season, with room for further cuts to estimates given that weather in Xinjiang, the country's main cotton-producing region, remains quite hot and dry.

In India, the USDA estimates 2026/27 production at 5.23 million tonnes, 0.8% above the previous season. Even so, there appears to be room for downward revisions, as rainfall in the central-south region, where most of the country's crop is concentrated, is running below historical averages. This scenario contributes to water deficits and, consequently, hampers crop development in the country. On a cumulative basis, precipitation anomalies in Gujarat and Maharashtra, states that account for roughly 48% of production, stood at -8% and -18% respectively versus the historical average between early June and the end of September, the planting and early development window. Further south, in Karnataka and Andhra Pradesh, which account for 14% of production, rainfall came in nearly 30% below the historical average. This stands out as a risk that could move the market again in the short to medium term – particularly considering the possibility of continued adverse weather tied to El Niño. Any production losses could lead India to cut cotton import tariffs once again, which would be meaningful for global flows given that the country is the world's second-largest consumer.

World | Cotton stock-to-use ratio by crop year (%)



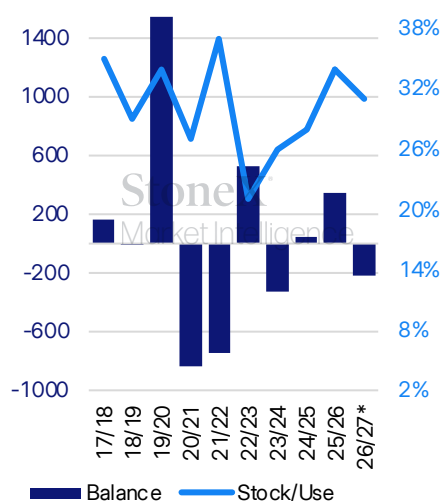
Source: USDA. *Estimate.Design: StoneX.

In Brazil, the 2025/26 crop, harvested only recently, delivered impressive results in terms of yields. Even so, production faced the challenge of a smaller planted area, leaving the crop, estimated at 4.09 million tonnes, below last year's figure, according to StoneX estimates. The outlook for 2026/27 is for a larger planted area. The current, more favorable price environment has made cotton quite attractive in terms of profitability for the Brazilian grower. That said, 2025/26 yield levels were very high. As such, it is not a given that next year's Brazilian crop will match 2026 levels, despite the area gain, which should come in at around 5%.

Finally, lint demand from Bangladesh, Pakistan and Vietnam, which together account for 47% of world imports, is expected to rise 4.9% over the 2026/27 season compared with the previous period. In Pakistan, excessive heat has also added uncertainty around crop development, where the impact of El Niño may be felt in much the same way as in India's producing regions.

As is quite clear to anyone following the market closely, we are entering the final quarter of the year with meaningful upside risks to the global balance. As the harvest advances and the off-season sets in, bullish risks tend to intensify, with particular attention on the pace of Chinese imports and on the development of the Indian crop. Even so, it is worth noting that inflationary risks, an exit of funds from their long position on the exchange and a possible unwinding of the geopolitical risk premium across the commodity complex are factors that lean toward more balanced prices for the fiber.

Brazil | Cotton production by crop year (thousand tons)



Source: Conab and StoneX (24/25 to 26/27)
*Estimate.Design: StoneX.

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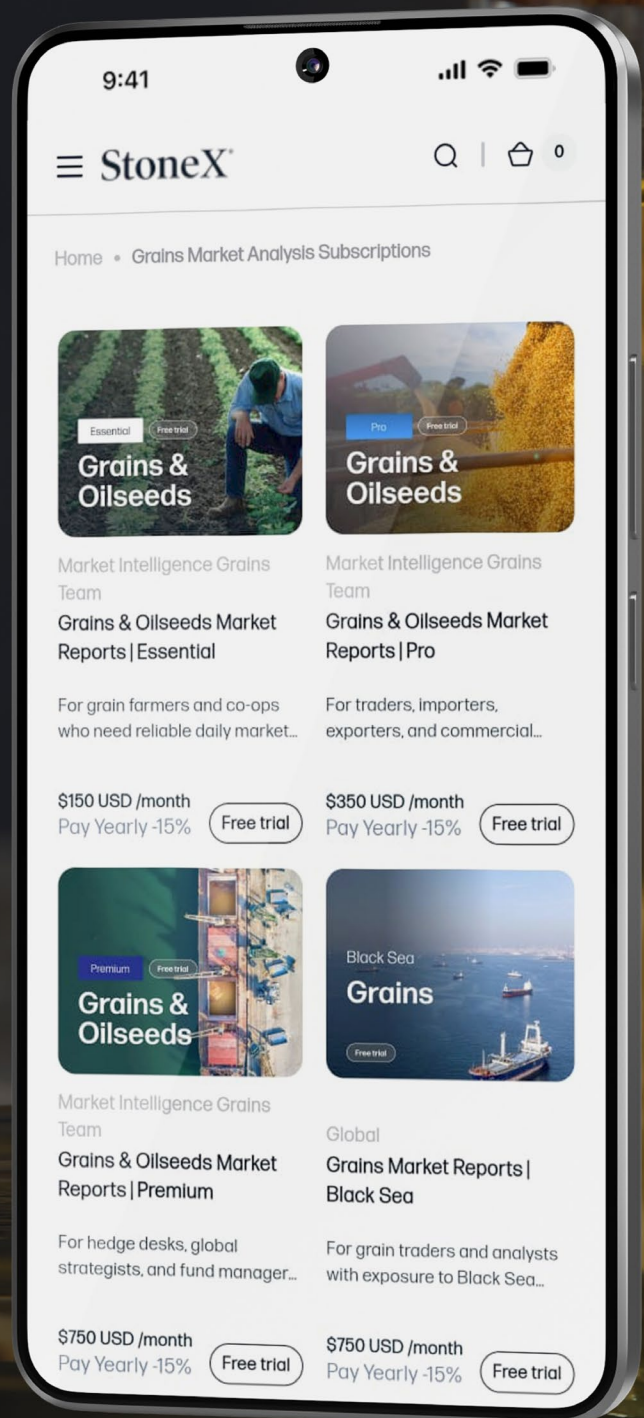
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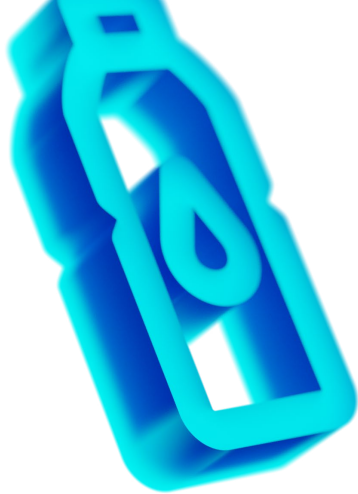
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Vegetable Oils



Isabela Garcia
isabela.garcia@stonex.com

Bullish Factors

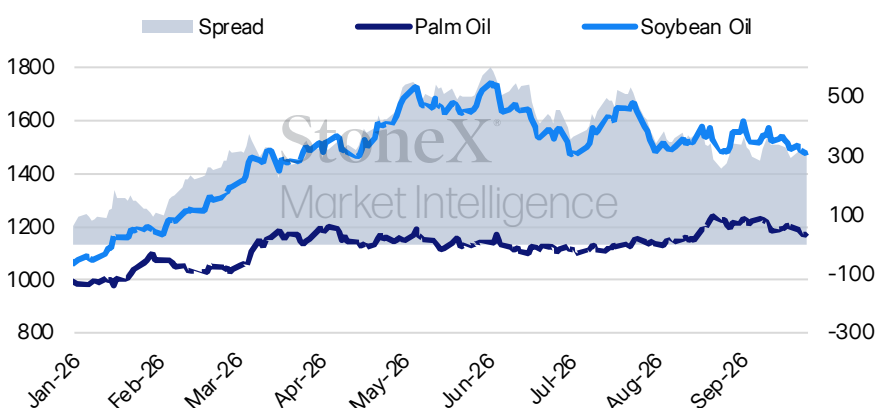
- ▲ A significant share of global refining capacity remains offline;
- ▲ Attacks on refineries in Russia, Saudi Arabia, and the United Arab Emirates;
- ▲ Russia's ban on diesel exports and the possibility of an extension through 2027;
- ▲ U.S. middle distillate inventories below the five-year average.

Bearish Factors

- ▼ A gradual decline in scheduled maintenance from late October onward;
- ▼ U.S. refiners maximizing middle distillate output (diesel);
- ▼ Seasonal demand slowdown in the United States and Europe (gasoline).

The third quarter of 2026 made clear that the world is currently facing a refining crisis. While Brent alternated between gains and losses in response to the pace of negotiations in the Persian Gulf, refined products maintained a steady upward trend. The 3:2:1 crack spread reached its highest level since 2001, while the spread between Heating Oil and Brent exceeded USD 100/bbl for the first time on record. Gasoline followed the same path, with the RBOB-Brent spread reaching USD 44.29/bbl in mid-September, even after the end of the driving season. The key takeaway is that the restoration of crude oil flows does not address the main issue facing the fuels market: refined product supply will remain constrained as long as a significant share of refining capacity remains offline.

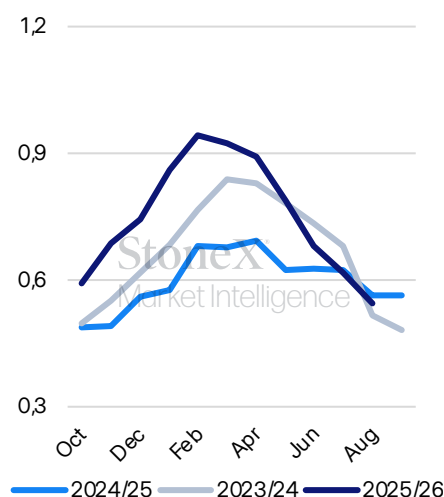
Soybean oil and palm oil prices and spread (USD/ton)



Source: CME, Bursa. Design: StoneX.

The crisis is concentrated in Eastern Europe and the Middle East. The share of global refining capacity offline approached 14% in September, and what sets the current situation apart from previous years is its composition: unplanned outages accounted for 44% of the total during the month, with Russia representing the largest share. Ukrainian attacks on Russian refineries have taken more than 50% of the country's processing capacity offline in recent months. Russia's suspension of diesel exports, announced in July, added another layer of tightness to the global balance. The measure will remain in place until at least the end of October, but Moscow has already approved the possibility of extending it into early 2027, with the final decision depending on the country's ability to supply its domestic market.

U.S. soybean oil stocks - million tonnes



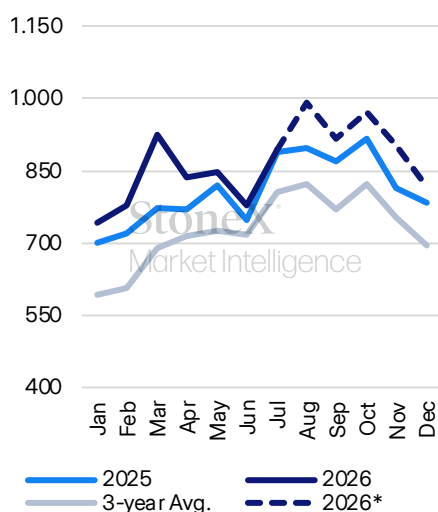
Source: NOPA Design: StoneX

In the Middle East, Saudi Arabia and Kuwait began recording unplanned outages following Iranian and Houthi attacks, with both countries struggling to restore operations amid the unpredictability of the regional conflict.

In Asia, lower refinery utilization emerged as a second source of market tightness. The region accounts for the largest share of capacity offline due to scheduled maintenance, with China representing roughly 38% of that total. Any reduction will depend on the availability of crude oil deliveries to refineries. It is worth noting, however, that higher Chinese crude imports over the past two months have supported stronger refinery activity, although throughput remains well below historical levels.

The United States provided the counterpoint. Refineries operated at 98% utilization in late August, the highest level since 2018, taking advantage of exceptional margins to maximize middle distillate output and expand overseas sales. The result was a sharp draw in domestic diesel inventories, which stood near 108 million barrels in September, compared with a five-year average of around 123 million barrels. This imbalance has sustained discussions over government-imposed restrictions on U.S. fuel exports. Combined with the absence of Russian diesel, such a move would deepen the global crisis, leaving very few alternative sources of supply.

Monthly biodiesel sales in Brazil - thousand m³



Source: ANP, StoneX.
Design and *estimates: StoneX.

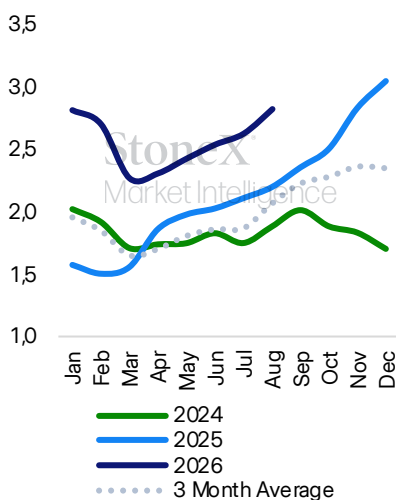
For Brazil, the effects are already visible in prices and trade flows. The gap between imported product parity and Petrobras' selling prices reached a new record high, with StoneX estimates pointing to a level near BRL 3.90 per liter at the end of September, driven by crude oil prices and the diesel crack spread. Imports fell 11.4% year over year between January and August, to 9.73 million m³, as purchases of Russian product virtually disappeared and only part of the volume was replaced by supplies from the United States and India. By contrast, domestic diesel A output rose 7.2% year to date, to 29.1 million m³, as Brazilian refineries sought to increase middle distillate production to supply the domestic market.

For the coming months, we expect diesel crack spreads to remain supported, alongside stronger competition for available product volumes in the global market. A resumption of Russian exports before the end of October—which we consider unlikely—could temper this outlook, while a ban on U.S. exports would further deepen the crisis observed at the end of 3Q26.

For gasoline, the RBOB-Brent crack spread has posted a modest seasonal decline, reflecting the end of the driving season in the Northern Hemisphere and the shift in U.S. gasoline specifications. Nevertheless, the indicator remains historically elevated, with the September average running 181% above the five-year average. Even as demand softens, refining margins remain high due to geopolitical factors and the global refining crisis.

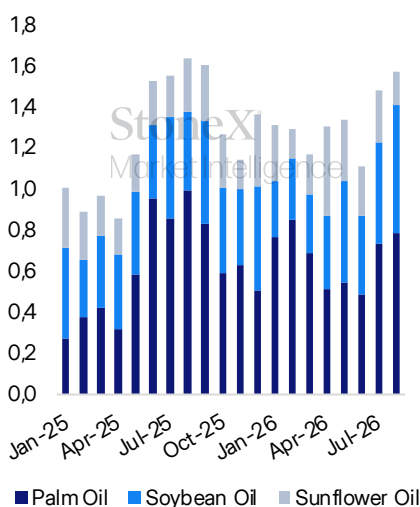
In the United States, inventories reached 206 million barrels in mid-September, 5.7% below the five-year average, reflecting resilient demand, average export volumes, and lower imports. The country moved through the driving season relying more heavily on domestic production than in recent years, amid reduced global product availability and lower European flows into the U.S. market. Meanwhile, inventories at the ARA and Singapore hubs

Palm Oil Stocks in Malaysia
(million tonnes)



Source: MPOC. Design: StoneX.

Vegetable Oils Imports
in India (million tonnes)



Source: SEA. Design: StoneX.

recovered over the past month, narrowing crack spreads, but not enough to reverse the decline in global stocks.

Against this backdrop, an even higher gasoline crack spread might have been expected during the period. That did not materialize: the peak was USD 57.3/bbl in late August, nearly half the diesel refining margin. Why?

The answer lies mainly in gasoline demand seasonality. The end of the driving season in the United States and Europe in September leads to fewer summer trips, while higher ethanol blending into gasoline sold at U.S. pumps also reduces petroleum-based gasoline demand across the Northern Hemisphere. At the same time, the prevailing view is that the global refining crisis is likely to affect middle distillate production more than light products in the short term, since the regions hit by refinery attacks—such as Eastern Europe and the Middle East—primarily export this class of products, especially diesel.

In Brazil, domestic gasoline A production fell by roughly 8%, as refiners prioritized other products offering more attractive margins. As a result, imports increased from 1.6 million m³ between January and August 2025 to 3.3 million m³ over the same period in 2026. The price increase has been contained by subsidies, which are expected to remain in place for as long as global market stress persists. Nevertheless, retail prices reached BRL 6.69/L in mid-April, around BRL 1.00/L above the level recorded in the same month of 2025. This trend has reversed since July, with prices settling at BRL 6.35/L in the latest month, while cumulative gasoline C demand in 2026 is up 4%.

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Fertilizers



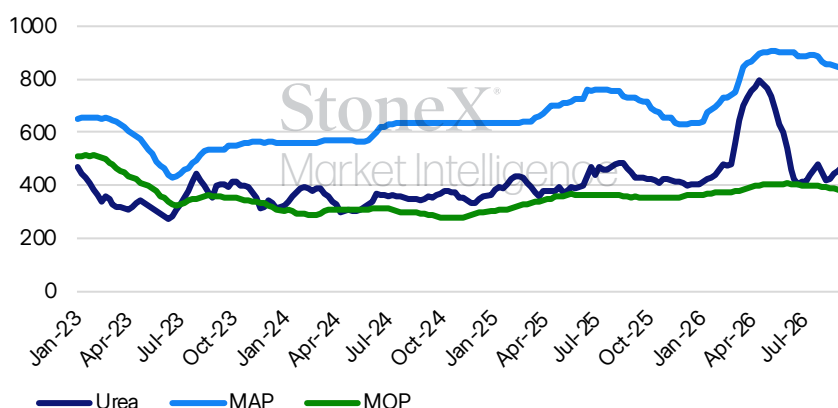
Tomás Pernías
tomas.fernias@stonex.com

Bullish Factors

- ▲ Preparations for Brazil's second corn crop (safrinha);
- ▲ Persistent geopolitical risks in the Middle East;
- ▲ Sulfur market is expected to remain under pressure through year-end.

The start of the soybean planting season, as sowing advances across Brazil's various states, marks the close of the fertilizer import window for this crop. Since soybean fertilization accounts for over 40% of fertilizer deliveries in Brazil, Brazilian importers' activity is expected to ease in the coming weeks, at least for phosphates and potash.

Brazil CFR prices (USD/tonne)



Source: StoneX. Design: StoneX.

Bearish Factors

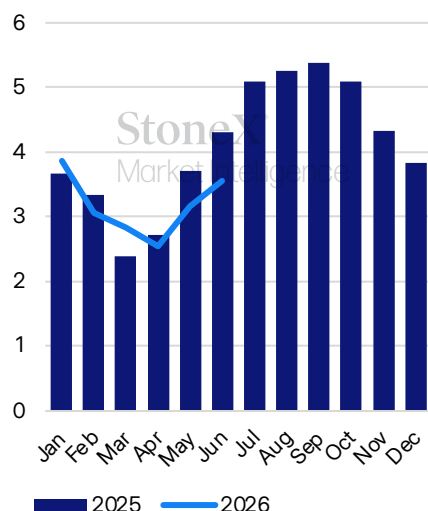
- ▼ Seasonal slowdown in demand for phosphates and potash in Brazil;
- ▼ Buyers are expected to maintain a cautious stance throughout much of 2026;
- ▼ Lack of urgency in potash purchasing;
- ▼ Expansion of Chinese urea supply.

This seasonal slowdown in demand for these two fertilizer types in Brazil is usually accompanied, to a greater or lesser extent, by softer prices at the ports. This trend is expected in the fourth quarter, but against a backdrop of war, uncertainty and turbulence in the international market, any decline in prices will largely depend on the specific supply-and-demand conditions of each market, in a year marked by unusually low predictability.

It is worth noting, however, that a potential retreat in MAP or TSP prices, which have remained elevated for much of the year, could have a limited effect on the Brazilian market over the fourth quarter. With soybean fertilizer demand largely covered, any such price decline will likely come too late to ease conditions for producers who, since mid-February 2026, have been grappling with high production costs and tight margins.

As a result, any correction in phosphate and potash prices would tend to benefit only producers who still have uncovered input needs for 2027.

Brazil's fertilizer consumption (MMT)



Source: ANDA. Design: StoneX.

Nor is it certain that safrinha buyers will be able to benefit from this movement. Given Brazil's lengthy fertilizer import logistics chain, it may take weeks for a decline in FOB Morocco prices to be passed through to buyers in inland Mato Grosso.

It is also important to temper optimism about a decline in phosphate prices. Slowing Brazilian demand, on one hand, and resistance from buyers in other countries to elevated prices, on the other, are both meaningful bearish factors. However, any sharper correction would likely run up against still-limited supply from the Middle East, should talks between the US and Iran fail to progress. It could also be constrained by low availability of Chinese cargoes, if China does not ease its export restrictions on MAP/DAP, and, above all, by tight global sulfur supply.

Although there are signs that the worst of the global sulfur shortage may be behind us, following reports of greater sulfur availability from Russia and Kazakhstan, this market is expected to remain out of balance through the end of 2026, with buyers seeking cargoes but unwilling to accept sellers' offers. Without a consistent drop in sulfur prices, it remains unclear whether phosphate producers will have the financial flexibility to ramp up production, raise utilization rates and boost global supply.

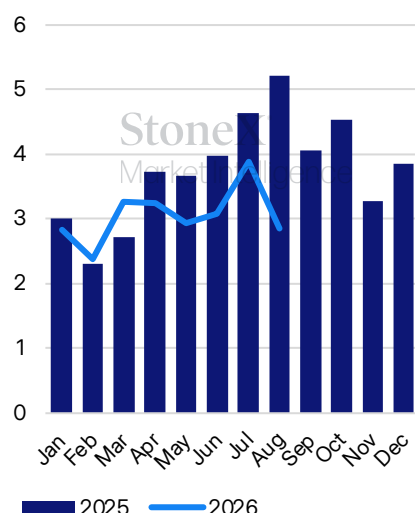
The outlook for the nitrogen market is a bit more sensitive, and possibly less predictable. In this segment, there are some factors that could lend support to the sector, reinforcing bullish sentiment for urea, ammonium sulfate and ammonium nitrate prices. On the other hand, however, elements have recently emerged that have shifted investor sentiment and could push prices lower.

Among the bullish factors, it is worth noting that the fourth quarter is seasonally a period of stronger nitrogen imports in Brazil. As one of the world's largest nitrogen importers, Brazil relies heavily on foreign markets, and local buyers are expected to keep seeking cargoes in the months ahead of the corn safrinha to secure stocks, which should lend some support to prices.

Second, the geopolitical uncertainty surrounding the conflict in the Middle East could remain a bullish factor as well. If peace talks between the US and Iran fail to advance, the odds increase that shipping traffic through the Strait of Hormuz will stay constrained, hampering the flow of urea and ammonia produced in the region. Moreover, an escalation of the war would tend to push up prices for energy commodities such as natural gas, a key feedstock for nitrogen fertilizer production.

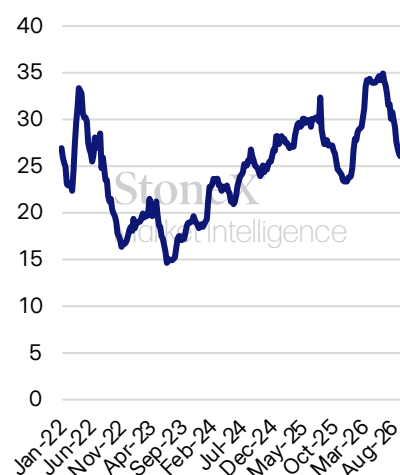
If the war reaches a resolution early in the fourth quarter, the reduction in shipping risks through the Persian Gulf would be an important bearish factor for both the nitrogen and phosphate markets. But absent a decisive move by the US and Iran to end the conflict, the uncertainty surrounding US foreign policy and the constant threat of worsening maritime logistics around the Middle East will continue to keep prices firm.

Fertilizer imports in Brazil (MMT)



Source: Comex Stat. Design: StoneX.

Soybean x MAP trade ratio
(bag/tonne of fertilizer)



Source: StoneX. Design: StoneX.

There is, however, another element that could weigh on nitrogen prices. The release of a new Chinese urea export quota should expand global supply and help stock key markets such as India, easing competition for cargoes among buyers. If China proceeds with further easing of export restrictions toward the end of 2026, expanding its overseas sales beyond expectations, there is consensus that this would act as a bearish factor.

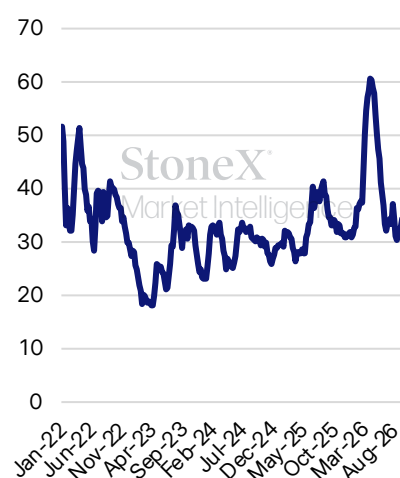
India, meanwhile, is another element that complicates the sector's outlook. In the fourth quarter, the country is typically active in seeking nitrogen cargoes, and this buying activity could lend some support if unexpected new tenders catch investors by surprise. For now, however, India's efforts to build up nitrogen stocks in response to the Middle East conflict appear to have been successful. As a result, with reserves presumably more comfortable heading into the rabi application season, the odds of the country returning to the market for further cargoes are reduced, which tempers the upward pressure suppliers could otherwise expect, even as import flows suggest India could remain active in the last months of 2026.

Finally, there is also uncertainty surrounding corn prices, given the crop's nitrogen-intensive production. The recent increase could reinforce optimistic expectations for nitrogen demand, lending some support to urea, but without a more vigorous rally that meaningfully shifts terms of trade, this effect may not be enough to trigger a bullish move, and an eventual decline in corn prices would, conversely, tend to foster bearish sentiment.

The nitrogen market, therefore, should remain in the spotlight, sensitive to how events unfold in the Middle East, affected by shifts in Chinese trade policy, and influenced by stronger demand in Brazil or any substantial improvement in terms of trade with agricultural commodities. In previous years, the expectation of additional demand from Brazil and India in the final months of the year would have supported a more consistent bullish view for the nitrogen market. However, with several elements still subject to change in 2026, such as China, the Middle East and El Niño, which should bring even more caution to buyers and reinforce the selective stance already seen throughout the year, there is a considerable chance that the bearish elements of the current landscape will outweigh the bullish views that had gained traction in recent weeks.

In contrast to phosphates and nitrogen fertilizers, potassium chloride is expected to remain the product offering the most favorable cost-benefit relationship in terms of purchasing power. The sector is not facing any significant supply concerns in the coming months and, with inventories remaining comfortable, the likelihood of abrupt price movements is relatively low. As a result, corn and soybean producers are expected to continue taking advantage of more attractive purchasing ratios for potash, whether to secure volumes for the safrinha crop or to cover future requirements. For the time being, potash also appears to be relatively less exposed to a deterioration in the Middle East conflict. Among the major fertilizer products, therefore, potash is expected to remain the most stable segment through the end of the year.

Corn x urea trade ratio
(bag/tonne of fertilizer)



Source: StoneX. Design: StoneX.

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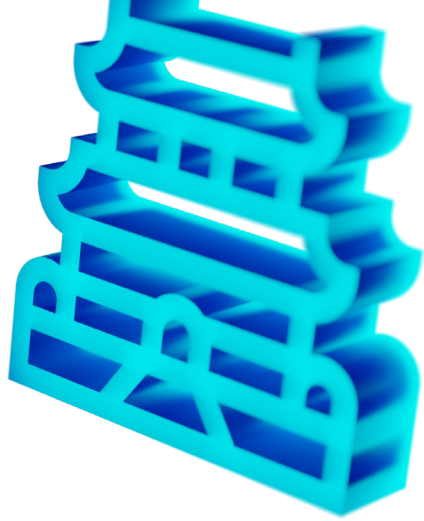
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China



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Bullish Factors

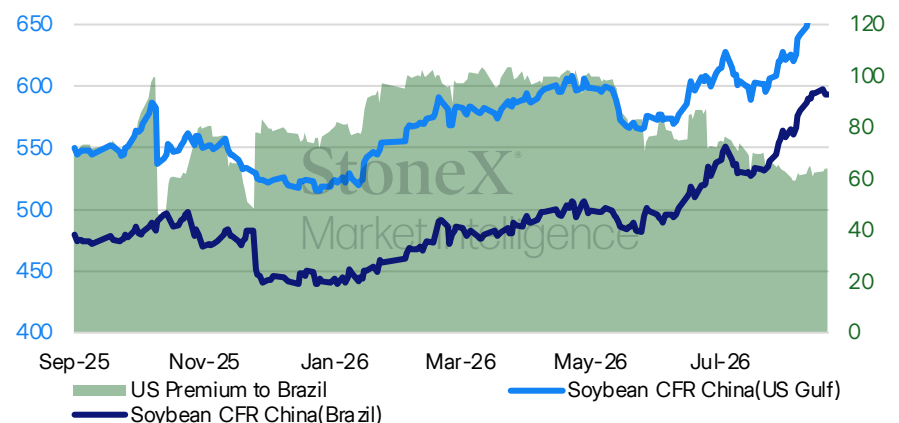
- ▲ A U.S.-China trade truce and constructive EU-China meeting could lower trade and market-access risk premiums;
- ▲ Thin December-February soybean coverage could trigger catch-up buying and sharpen nearby basis;
- ▲ An El Niño shift from forecast to adverse weather could add a meaningful weather premium.

Bearish Factors

- ▼ Elevated, volatile energy costs could erode consumer spending during Golden Week and Singles' Day;
- ▼ A larger-than-expected corn harvest and abundant imported feed substitutes could extend post-harvest selling pressure;
- ▼ Persistent heavy hog supply, weak producer margins and reduced pork demand could keep pig prices under pressure.

China enters Q4 with a comfortable soybean supply profile. Large Brazilian arrivals have kept nearby supplies ample. Latest industry survey data put soybean inventories at port near record 9.4 million MT and soymeal inventories near 1.17 million MT. As the CFR soybean price chart shows, Brazilian cargoes retained a price advantage over U.S. Gulf beans, keeping Brazil competitive for prompt buying. However, the U.S. premium to Brazil narrowed to roughly \$70/MT by mid-July, improving the economics of U.S. purchases. This gave Chinese buyers a more commercially defensible window to purchase U.S. beans while also aligning with reported trade commitments.

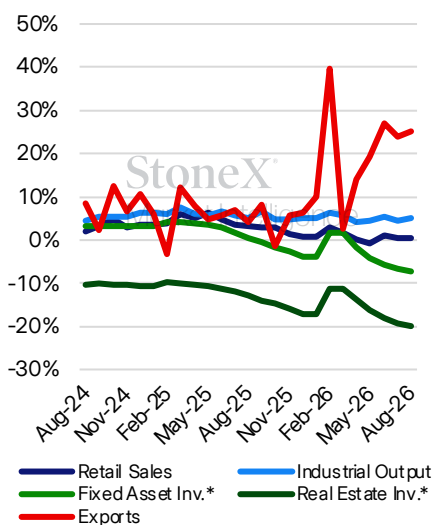
Soybean CFR China Prices



Source: Agricensus. Design: StoneX.

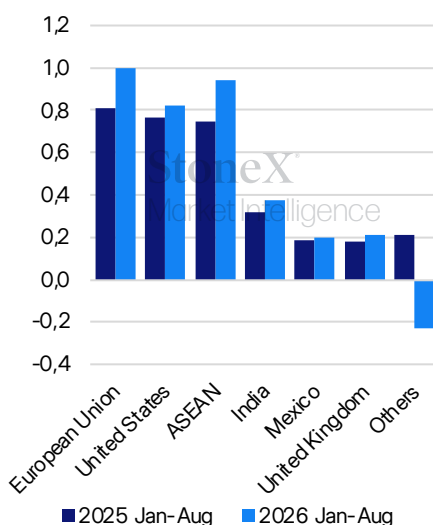
Market sources reported that Chinese state buyers booked substantial U.S. volumes for October-November shipment. The central question is now not whether or where China can source beans, but when it must cover specific arrival windows and at what origin premium. Forward coverage is thinnest from December through February, especially January. The U.S.-China tariff truce has been extended by two months, through January 10, 2027. However, U.S. soybeans were excluded from the additional tariff relief under the new "30-for-30" framework, leaving China's 10% retaliatory tariff in place and disappointing market expectations. Despite the lack of additional tariff relief, the extension of the trade truce should provide a more stable environment for further U.S. soybean purchases for winter arrival as China works toward fulfilling its 25 MMT purchase commitment for 2026. Any concentrated Q4 shift toward U.S. cargoes could lift the U.S. origin premium further while reducing the risk of a January coverage squeeze.

China's K-Shape Economy



Source: Wind, NBS China, China Customs. *Data is reported as year-to-date cumulative % change.

Avg Daily Trade Deficit with China



Source: Wind, China Customs. Design: StoneX.

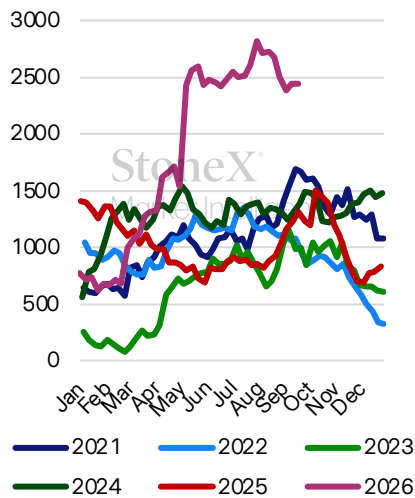
Meanwhile, competitive rapeseed and rapeseed-meal flows continue to offer feed mills an alternative protein source. High energy prices and a weather-risk premium tied to El Niño expectations have also supported vegetable-oil prices, lending support to the broader oilseed complex.

China's macro backdrop is increasingly K-shaped. Exports are the clearest source of momentum in 2026, where technology, EVs, and advanced manufacturing dominate global sales, while household consumption, fixed investment, and property remain weak. In August, exports rose 25.0% YoY in U.S.-dollar terms and industrial output increased 5.2% YoY. In contrast, retail sales rose just 0.4% YoY, fixed-asset investment declined 7.2% YTD, and real-estate investment fell 19.9% YTD. This divergence has persisted through the year and now represents a clear economic pattern. The implications for commodities are important. Export-facing manufacturing can sustain industrial, freight, and packaging demand, but it is not a substitute for broad consumer-led growth. It therefore offers only limited support for a durable recovery in edible-oil and meat consumption. Elevated and volatile energy prices create a difficult trade-off: they raise freight and processing costs, which can support vegetable-oil and biofuel values, but they also erode household purchasing power around Golden Week and Singles' Day. Overall, the net demand impact is undoubtful negative. The Q4 outlook is therefore not broadly bullish. With consumption, investment, and housing still weak, the data do not point to a rapid, broad-based recovery in Q4. Commodity markets will remain more sensitive to external demand, trade developments, and policy support than to a meaningful domestic consumption rebound.

China's expanding bilateral trade surpluses are becoming an increasingly important policy risk. As the chart shows, the EU's average daily goods deficit with China reached about \$1.0 billion in January-August 2026, roughly one-quarter larger than in the same period last year. The chart also shows wider deficits with the United States, ASEAN, India, Mexico, and the United Kingdom over the same comparison period. The U.S.-China tariff truce has been extended by only two months, which avoids an immediate tariff escalation, but its short duration leaves the policy framework beyond the winter period unresolved. That uncertainty can continue to affect trade flows, market access, and origin premiums. Europe is the other major variable to watch. In her September 16 State of the Union address, European Commission President Ursula von der Leyen said the "second China shock" was "already here." She also noted that China's softer domestic demand makes the European market more important, before warning: "Words are good. But deeds are better." The scheduled October 8-9 China-EU Trade and Investment Consultation (TIC) in Beijing is therefore a meaningful policy-risk milestone. Concrete progress could reduce market-access and origin-risk premiums, making commodity trade more predictable in Q4. Limited progress would keep trade-defense measures and supply-chain diversification in focus, potentially redirecting commodity flows, widening regional basis, and changing the relative winners and losers across sectors.

Feed-grain fundamentals are loose heading into harvest. Crop-tour in China points to a broadly adequate Chinese corn crop: yield losses in parts of the Northeast are offset by better yields and quality in North China, leaving the national outlook stable to slightly higher. New-crop deliveries are already pressuring prices, while the market has ample alternatives.

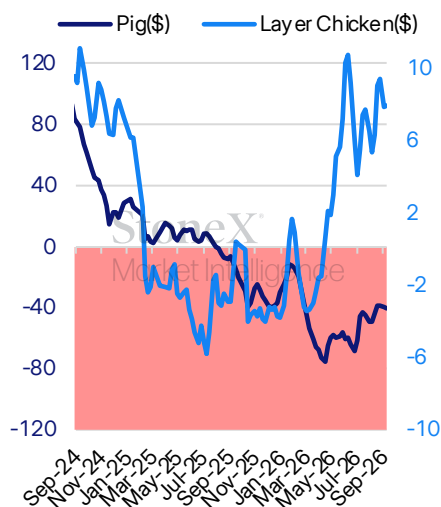
China Sorghum + Barley Stocks at Southern Ports



Source: GDCorn. Design: StoneX.

As the chart shows, combined sorghum and barley stocks at southern ports remain near 2.4 million MT - the highest level on record. That gives coastal feed mills readily available substitutes and pressures corn replacement economics. Low-quality wheat from earlier in the year provides an additional feed option. Brazilian sorghum has already begun entering Chinese trade flows. Any additional U.S. sorghum purchases would further expand China's already ample pool of feed-grain substitutes. The new "30-for-30" framework could also improve U.S. grain competitiveness, with corn, wheat, barley, and sorghum all included on the list of U.S. products being considered for reduced Chinese tariff treatment. This comes alongside China's earlier commitment to purchase at least \$17 billion annually of U.S. agricultural products, excluding its separate soybean commitments. Into Q4, corn prices could stabilize after the main harvest rush if farmer selling slows, coastal substitute inventories draw down, imports ease, or feed demand improves. Clearer policy support or a weather disruption would provide additional support. Without one or more of these developments, the recovery is likely to remain limited and post-harvest price pressure could persist.

China Farm Margin: Pigs & Layer Chicken (USD)



Source: Wind, NDRC. Design: StoneX.

China's hog market enters Q4 2026 in a deep cyclical trough after roughly 11 months of losses and cash-flow pressure. JCI national-average spot hog prices near CNY10.4/kg (about \$0.70/lb) remain below estimated breakeven near CNY14/kg (about \$0.94/lb), leaving producers with losses of roughly CNY390 per head. The pig-to-corn ratio near 4.7:1 reinforces the severity of the downturn. The chart shows the key divergence: pig margins remain deeply negative, while layer-hen returns are still positive, supported by stronger egg prices. Beef cattle also see gains, with tighter supplies and firmer live-cattle values providing more support than hog. Neither poultry nor cattle, however, is large enough to offset weak hog sector feed demand. The defining Q4 supply trend is accelerated sow liquidation. The national breeding-sow herd stood at 37.8 million head at the end of Q2, close to the revised 37.5 million-head target, while third-party data show August destocking of 1.6%–2.9% month over month—the steepest decline of this cycle. Persistent losses and weak piglet prices reinforce the incentive to cull inefficient sows. That adjustment matters primarily for 2027, not an immediate Q4 shortage: it takes roughly 10 months for sow reductions to affect market-ready hog supply. Heavy slaughter weights, potential releases from secondary fattening, frozen pork inventories, and still-ample marketings will restrain any rally. Our base case is a Q4 rebound rather than a full reversal, with sustained industry profitability unlikely before post-Spring Festival 2027. The key indicator is whether Q3 official sow data confirm deeper cumulative liquidation, strengthening expectations for a genuine H1 2027 upcycle.



Gold and Silver



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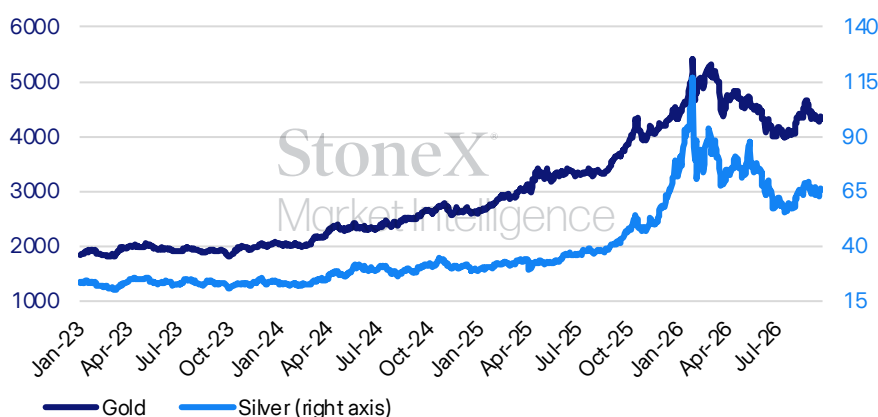
Head of Market Analysis
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Bullish Factors

- ▲ Fed sits on its hands (unlikely);
- ▲ Congress is hung, or Republican majority in both houses;
- ▲ Sustained official sector interest taking headline coverage.

We approach the fourth quarter of 2026 with gold and silver both marking time. Gold has responded to changes in external forces rather than any tangible changes in the physical fundamentals; silver has been similar, but tinged with growing talk about the oversupply in the solar sector and the encroachment (albeit small so far) of copper as a partial substitute for silver in the cells themselves.

Spot gold and silver



Source: Bloomberg. Design: StoneX.

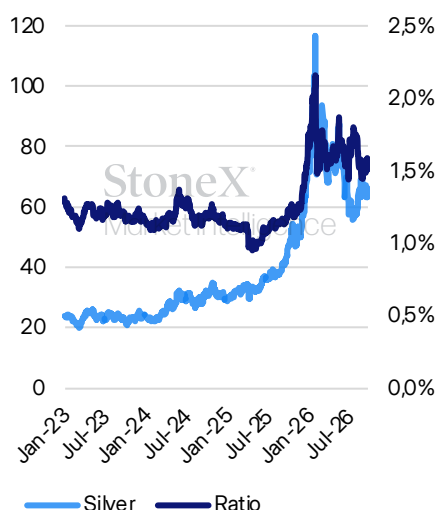
Bearish Factors

- ▼ Gulf supply chains improve;
- ▼ Risk of further equity weakness (Big Seven risk);
- ▼ Central Bank tightening; hawkish Fed (likely).

As we write (mid-late September) gold has traded a moderately narrow range of 18% from an opening low (intraday) of \$3,960, trading flat in July, rising to \$4,697 in late August before easing towards \$4,300 in late September. Silver was similar, although more vulnerable with an early attempted rally proving fragile and while gold opened the quarter on the lows, silver's low was mid-July at \$54.78 before improving to \$71.14 a couple of days after gold in late August. As we write it is in the region of \$65. Silver thus traded a 30% range, in keeping with its beta over gold. Typically, when gold trades a range of 8%, we can expect silver to range between 2.08% and 2.58%. The metals' topping out in August was essentially a response to the failure to achieve any détente between the US and Iran, which sent oil and yields on an upward path.

These key influences will remain important in Q4: (i) any Gulf-related energy-driven inflation (although Brent is currently in a defined downward trend that has taken it from \$109/bbl to \$100, via a foray towards \$97); (ii) supply chain flows; (iii) monetary policy, not just in the US; (iv) any developments over Fed independence (although

Silver and the gold/silver ratio



Source: Bloomberg. Design: StoneX.

Kevin Warsh is clearly his own man); (v) plus the mid-term elections and the subsequent conformation of the two Houses of Congress.

Probably the most important element is US monetary policy. Kevin Warsh, relatively tight-lipped in his first press conferences, was more forthcoming in mid-September, when the FOMC unanimously voted for a 25-point hike; the dot plot and subsequent statements from other FOMC members made it clear that they are comfortable with a solid labour market. The focus is on containing inflation and anchoring inflationary expectations. He has described inflation as having been too high for too long (and noted previously that at his count the US had had 65 consecutive months of missing the target).

The president is still arguing for fed funds rates at 1% and the Treasury has implemented a mini Operation Twist (selling the short end to buy the long) in the bond market by more than doubling the amount spent in buying bonds in the 10-20 year and 20-30 year sectors. This is currently comparatively small (\$6Bn per operation) and scheduled to run for just eight weeks, as of 9th September. How effective this would be remains to be seen; certainly there was a knee-jerk reaction in the bond market immediately after the announcement, but that was unwound in less than two days as yields continued to climb.

While it is arguable from one standpoint that 25 basis points is a drop in the ocean, the cascading effect of underlying inflationary forces and a more combative Fed will keep upward pressure on yields.

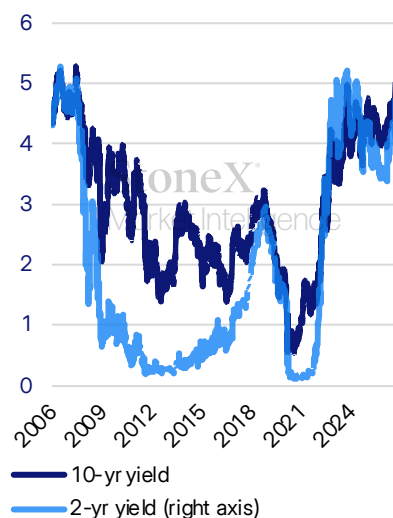
This puts pressure on fiscal policy as it becomes increasingly difficult to finance the deficit (and not just in the States), even if the deficit itself is static.

It also concerns the private credit sector, something that has been on our radar for a long while; the rate hike has increased the pressure on some stressed elements in the sector, as most private credit is floating rate and so, while reaping the rewards in terms of interest earnings, borrowing costs also rise, and many of these companies are leveraged, which adds to the risk as it reduces cash flow and refinancing capacity. Further, some of these funds borrow against their loan portfolios and if these costs rise faster than their loan rates, net investment income and dividend coverage come under pressure, while Net Asset Value can be compressed and this almost becomes a vicious circle as it can increase redemption requests. Redemption pressure is largely a mismatch, in that investors can request quarterly liquidity while the loans held by the funds are generally intended to run for years. The practical consequence is that non-traded BDCs (Business Development Company) generally permit 5% repurchases, but the requests are outstripping that limit.

Fitch has raised its Private Credit Default Rate to a record 6.3% for the trailing twelve months ended August.

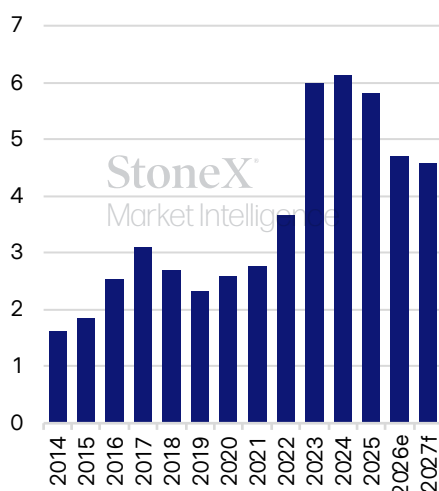
In late September the swaps markets are pricing in an 80% probability of a 25-point December hike so gold has probably already priced this in. The US Monetary policy is obviously very important, but so are the bond markets overall; in current circumstances this comes back to the Gulf, and for how long – even on a swift settlement, which looks somewhat remote – supply chain disruption continues to feed through to upward pressure on prices.

US 10-year and 2-year Treasury yields



Source: Bloomberg. Design: StoneX.

Silver use in solar cells
(thousand tonnes)



Source: Bloomberg. Design: StoneX.
e: Estimated. f: Forecast.

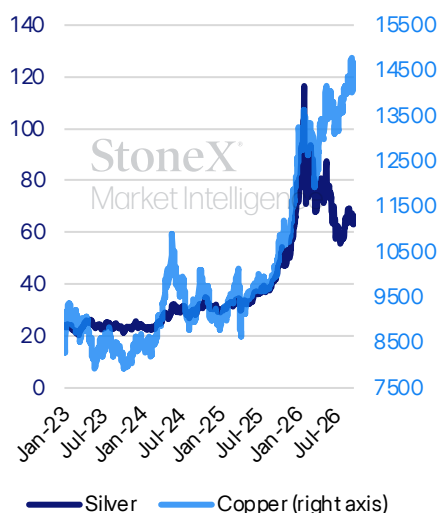
The mismatch between the US PPI and CPI is currently two full points (5.4% and 3.4% respectively) suggesting that inflationary forces will take time to quell as prices are passed through, or that margins will have to be compressed.

Europe is battling inflation, with the August HICP posting 3.2% and core at 2.4%; while China's inflation rate, mirroring the comparative weakness in the economy, was just 0.8% in August.

This brings us on to retail demand; jewellery offtake in China, the world's largest gold jewellery market, is flat on its back - and it's not much better in India, which vies with China for jewellery supremacy. Fabrication for the latter will start to pick up in Q4, ahead of the auspicious purchasing season (Diwali and wedding seasons) boosting the physical markets. Coin and bar investment in China, however, is strong and underpinning China's import levels, which are reported at 1,000t in the year to August (although some of this may be allied to the push to develop Hong Kong as a clearing centre). For context, world mine production is roughly 3,700tpa.

Europe investment is relatively buoyant, but silver coins in the States are still trading at a discount to spot on a total lack of interest. The ETFs vary; gold was under liquidation pressure earlier this year but has now picked up, while silver has been under constant liquidation; while ETFs absorbed roughly 4,500t last year, they have sold almost 2,000t so far in 2026 - a big swing. Global mine production is ~26,500t.

Silver and copper



Source: Bloomberg. Design: StoneX.

This may be because investors are aware of silver's industrial complexion with 70% of fabrication going into industrial uses. The knowledge that silver cells are currently oversupplied, and that some companies are looking at copper substitution, has contributed, as the solar sector is the largest silver industrial component, with 20% market share last year; we are expecting a 19% contraction this year, and for the overall market to post another pre-investment surplus; at the current rate, it will also remain in surplus this year once investment, or the lack thereof, has been taken into account.

Overall, gold looks well supported but, absent a Black Swan, it is hard to see the \$5,000 level under successful attack. If the mid-terms generate a hung Congress, then this would be supportive because of the associated uncertainty; a full swing towards the Democrats would be bearish and a Republican Congress would be bullish. Silver would move with gold in any volatile moves, but the fundamentals suggest that the ratio should widen.



Platinum and Palladium



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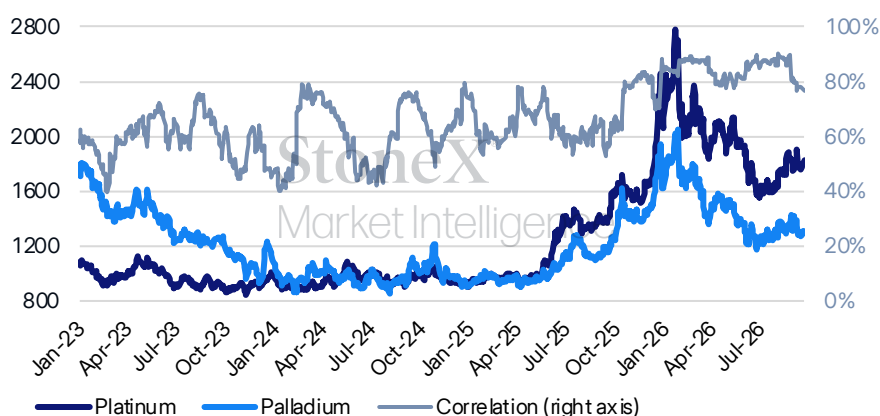
Head of Market Analysis
EMEA & Asia

Bullish Factors

- ▲ Nor Nickel's palladium demand development programme;
- ▲ Rolling back of EV programmes, corporate product mix changes;
- ▲ Fresh investment in green hydrogen projects.

Here are the key elements that have affected platinum and palladium: (i) Relative price action driving industrial flexibility in the auto sector; (ii) Net zero CO₂ on a retreating horizon; (iii) Geopolitics and the Gulf; and (iv) Investment activity and ETFs – the swing factor.

Platinum and palladium outright prices



Source: Bloomberg. Design: StoneX.

Bearish Factors

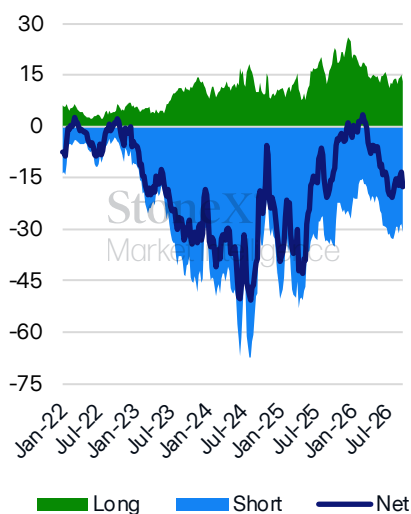
- ▼ The Pt:Pd price spread may help Pd in the auto sector, at platinum's cost;
- ▼ Recent oil surge likely to stimulate EV vs ICE vehicles;
- ▼ Longer-term impact of EV development.

What has changed within the markets' fundamentals over the year-to-date is two-fold:

The first element, which benefits all three metals platinum palladium and rhodium, is the reduction in the rate of growth of Battery Electric Vehicles (BEV) in favour of Plug-in Hybrid Electric vehicles (PHEV), which use a combination of battery and internal combustion engines (ICE) – which actually need heavier PGM loadings than conventional ICE vehicles because the ICE engine is running intermittently and therefore may not always reach the usual light-off temperature (which is the point at which the catalyst kicks in). Autocats typically account for 37-40% of gross platinum demand and approximately 80% of gross palladium demand. Jewellery has roughly the same platinum market share as autocats while electronics is the second largest palladium sector.

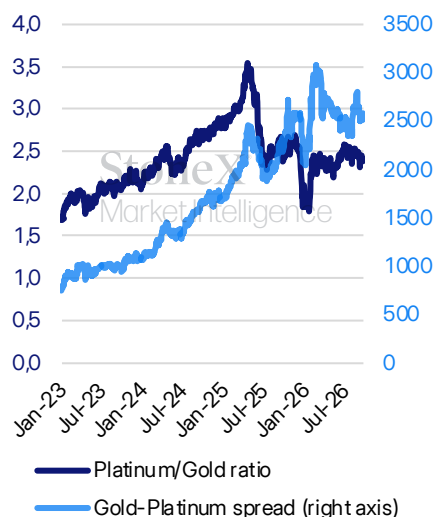
The second is the turnaround in the relative prices of palladium and platinum. At the start of the decade palladium prices were sky-high (and at a ratio of over 3:1 at one stage and between 2.0 and 2.5:1 for two years) and this resulted in a programme between refiners and auto companies to substitute palladium

Palladium CFTC positioning
(tonnes)



Source: CFTC. Design: StoneX.

Ratio and spread between
platinum and gold



Source: Bloomberg. Design: StoneX.

with platinum into the autocats. With platinum at a \$500 premium to palladium for much of 2026 (and at a rising ratio – currently of 1.4:1, give or take), the process is being partly reversed and this is clearly helping palladium demand.

External factors, which inform the outlook for the rest of the year, include the receding of net zero targets, the macro implications of the Gulf war and these have, in turn, affected investment activity. Taken together they point to overall uncertainty about the outlook for prices, leading to volatility in the near term. On balance, we continue to assert that palladium still has a long-term battle to fight, although its prospects are better than they had looked. Platinum has been consolidating after an investor-driven price decline in the earlier part of the year, has been consolidating, in all likelihood underpinned by buying interest from the automotive industries, although any fresh strength may be tentative in the near term.

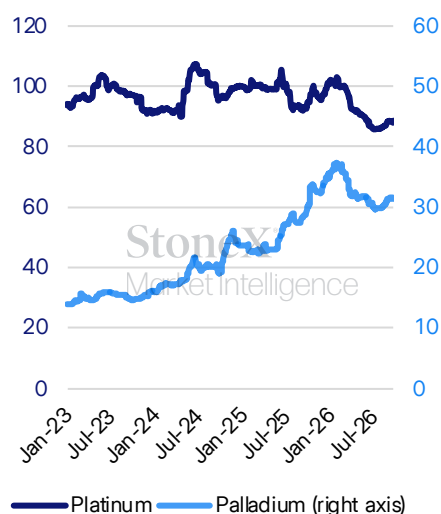
China is a key issue here. Platinum imports were strong earlier this year as jewellers thought that the rampant gold price would see a switch towards platinum jewellery and bought metal accordingly; however, a combination of the fact that many purchasers are loyal to either gold or to a white metal for their adornment and the reluctance to indulge in discretionary spending has undermined jewellery demand overall. When the Chinese economy starts to revive then we are likely to see the unleashing of pent-up jewellery demand as well as a recovery in the auto sector – and this will help the PHEV sector and thus give support to all three metals.

The macro environment

The Gulf War has not had the same geopolitical impact on the PGM that it has on gold and by association silver. Heightened economic uncertainty has indeed generated something of a reluctance to purchase big ticket items and of course passenger vehicles fall into this category, but the picture is not what one might expect under these circumstances. Over the year through to end of July 2026 sales of light vehicles are believed to be approximately 50 million units, which is down almost 4% compared to the first seven months of 2025. The weakness is concentrated in China, which has less exposure to the economic impacts of the Gulf War than the Western hemisphere, while light vehicle sales in the United States are relatively bright. Although electric vehicles are making inroads into the sector ICE vehicles continue to be relatively solid and this has underpinned PGM demand in that region. In Europe sales are also healthy with January to August. Registrations are up by 5.3% against the same period of with BEV taking up 22% of the market and PHEV 10%, against 16% and 8% ,over the equivalent period last year.

New registrations of heavy-duty vehicles (which use platinum in the tail pipe system as a diesel particulates trap) are also mixed, according to region. In the first half of this year China posted gains of 21% and Europe of 11%, which more than offset a double digit fall in North America, although that trend now appears to be turning. So on balance it looks as if this sector is up by somewhere between 8% and 10% globally so far. Diesel prices (particularly important for farming and haulage) have been affected more than gasoline prices but either way the increase in fuel prices “at the pump” has become an increasingly important element in the political arena in the United States.

Platinum and Palladium
ETFs (tonnes)



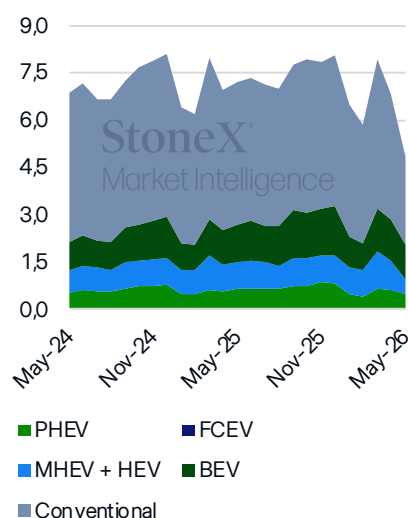
Source: Bloomberg. Design: StoneX.

The outlook for Gulf hostilities remains in the balance. As we write the United Nations General Assembly is taking place and clearly there are talks going on behind the scenes but for the time being at least the oil price is discounting continued hostilities and Iran is again threatening to close the Straits of Hormuz.

Investment activity can arguably be regarded as the key swing factor in both platinum and palladium so far this year at the start of the year. These two metals, along with silver, benefited from investor rotation away from gold after that metal's meteoric rise but sentiment was never really positive on a fundamental basis; platinum saw very scattered light buying in January and February but then the sellers took over and it was not until August that some fresh bargain hunting interested started to appear. As we write the ETF Holdings as recorded by Bloomberg are down by 13.5t for the year to date which is a drop of 13%. Palladium is an even sorrier tale, which given the long-term prognosis is perhaps unsurprising. Of the 190 trading days through to late September only 64 days posted net additions and the drop in the year has been 3.4t or 10%. Holdings are 88t of platinum and 31t of palladium. In the physical retail market Coin and bar has remained solid, especially in China.

While less significant in terms of fundamentals, the Managed Money positioning on NYMEX also tells its own story, with net platinum longs declining sharply in February, recovering over the next two months but broadly stable thereafter. Palladium has been in a net short since mid-March, which expanded through to late July before it, too, started to stabilise.

Global auto sales by segment



Source: Bloomberg. Design: StoneX.

We expect platinum to throw off a surplus next year even though South African mine supply is expected to recover slightly after a cost-related contraction in 2026 plus problems at Impala, while Northam's announcement of a "non-binding, unsolicited" expression of interest has effectively pointed to Valterra, although a full merger might fall foul of the regulators on an anti-trust basis. Northam remains open to alternative interests until 9th December. Nor Nickel's output is down slightly this year due to a change in ore grades. Palladium is expected to post a small deficit of fewer than two weeks' global demand next year after a similar shortfall in 2026.



Base Metals



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Bullish Factors

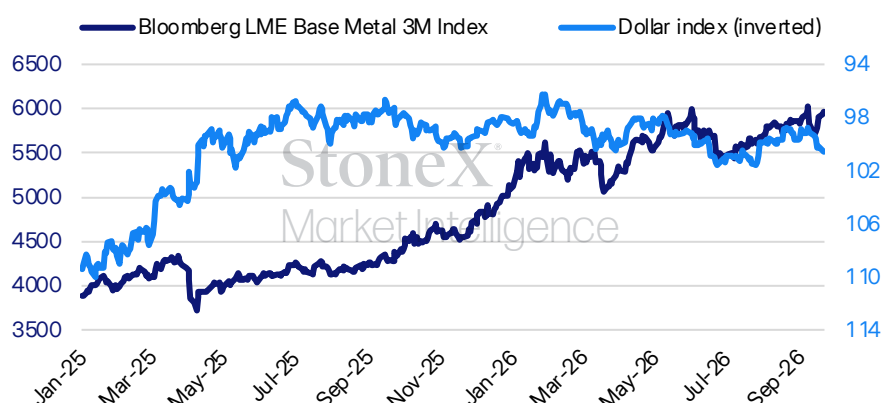
- ▲ China's H2 policy push, and the seasonal "Golden September, Silver October" demand window, should provide a near-term cushion for industrial metals demand into Q4;
- ▲ Decarbonisation efforts and AI-related capital expenditure should reinforce medium-term demand, particularly for copper, tin and aluminium;
- ▲ Middle East disruptions have increased energy, freight and raw-material costs for miners and smelters. Resource-protectionism risks from the US to Indonesia has prompted further downward revisions to refined-production forecasts.

Bearish Factors

- ▼ Persistent above-target inflation across major Western economies is reviving expectations of tighter monetary policy. Higher borrowing costs could weigh on industrial metals demand.
- ▼ The Iran-related energy shock, higher freight and raw-material costs, has prompted downgrades to 2026 global GDP forecasts. The World Bank now projects global growth at 2.5%, its weakest rate since COVID-19.
- ▼ China's Q2 Y/Y GDP growth slowed to 4.3%. Growth remains concentrated in exports and high-tech manufacturing, while domestic demand, property activity and pricing pressures remain subdued.

The base metal index has more than doubled its quarterly pace of gains over Q3, rising (at the time of writing) by 8.3%, to post its highest level on record by 9th September. However, this bull rally has been driven by outperformances in just a handful of metals in the suite (copper, zinc and aluminum), all which share a common theme, historically low LME stocks. Indeed, by 9th September, while zinc posted its highest level since 2022, copper rose to a new record high. Meanwhile, at the other end of the scale, base metals holding a large exposure to traditional demand markets (e.g. nickel and lead), saw gains capped at or below 3% over the period, with rising inflationary pressures, a strong US dollar and slowing Chinese growth limiting upside potential.

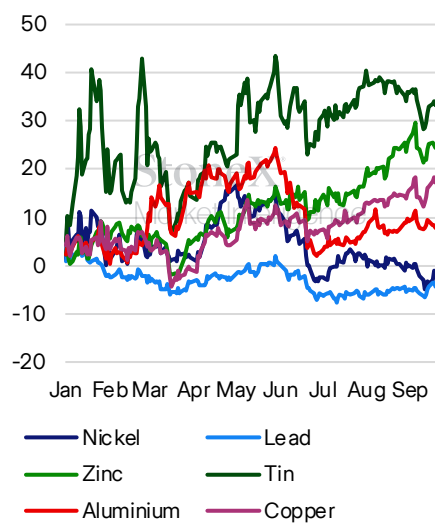
Bloomberg LME Base Metal 3M Index vs. U.S. Dollar



Source: Bloomberg. Design: StoneX.

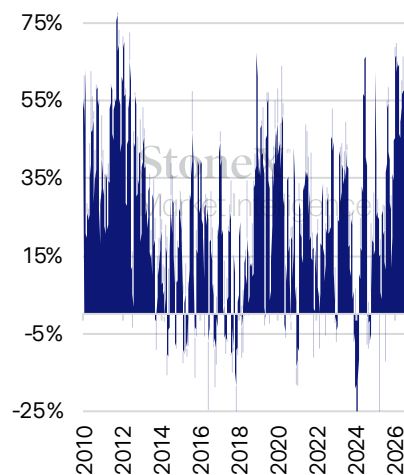
Focusing on the macroeconomic backdrop for the complex, it appears to have soured over the course of the year. Firstly, failed talks of peace between the US and Iran (and Russia and Ukraine) keep geopolitical tensions fraught on a global basis, with the reality of high energy, freight and raw materials costs starting to bite, with both the ECB and Federal Reserve tilting towards a tightening bias in the months ahead. In our base case, following sticky inflation readings of late, we expect the Federal Reserve to increase rates by a further 25bps by December, underpinning the dollar. Meanwhile, despite global manufacturing having proven resilient over the year, we suspect front-loading and stockpiling in reaction to the Iran war a key driver, with risks skewed to the downside towards year-end.

LME 3M Base Metal Price
Performance 2026



Source: Bloomberg. Design: StoneX.

LME 3M Copper Price &
Nasdaq 100 Index Correlation



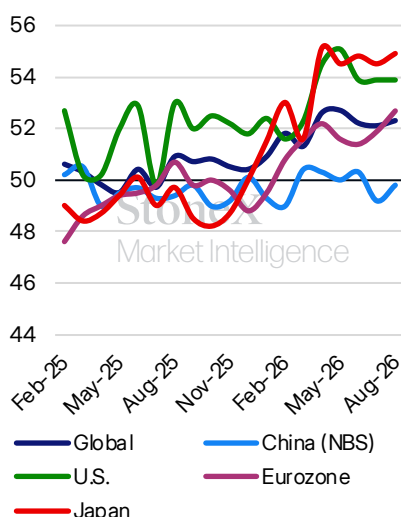
Sources: Bloomberg and StoneX. *Forecast.

Looking to China, our largest market for base metals, August hard economic data readings have signaled the country's ongoing struggle to boost domestic demand, and heavy reliance on AI-related exports, with weaker YTD Y/Y readings for GDP, industrial production and retail sales, while deepening declines were posted for property sales and fixed-asset investment. Despite this backdrop having prompted a broad range of policy announcements over the past two months, covering consumption, investment, housing, mortgage lending, developer financing and liquidity support, we suspect their main purpose is to stabilise growth, support selected areas of demand and prevent further deterioration in the property market, rather than generate a powerful acceleration in activity. For base metals, this should provide a floor under demand and reduce the risk of a sharper slowdown, but it is unlikely to trigger a broad-based recovery without clearer evidence of improving property, construction and household confidence. As a result, we retain a near-term bearish-to-neutral view on market sentiment.

Zinc is on track to be the best performing base metal of Q3 with gains (at the time of writing of 10.5%), placing zinc as the second best performing base metal YTD (25.9%). Price support has been driven by tightening supply conditions, with mine production from major mines (such as Antamina in Peru and Red Dog in Alaska) declining on falling ore grades, late-life production and mine plan adjustments. Meanwhile, despite record output at the world's highest-grade zinc mine, Kipushi in the DRC, natural disasters, extreme weather and geopolitical disruption in the Middle East, India and Australia have limited output. As a result, tightening ore availability has resulted in RCTCs falling into negative territory, to their lowest level on record, with imports of ore into China declining 15.1% Y/Y in July. However, despite this, Chinese refined production has accelerated, supported by by-product credits and high metal prices. Looking to the months ahead, we suspect that the risk premium for zinc will start to ease in line with rebuilding LME stocks, although this will depend on the pace of Chinese exports. Indeed, with LME stocks remaining around 100,000t, and the forward curve having posted a record backwardation in the last month, it is no surprise that bull funds have yet to exit long positions.

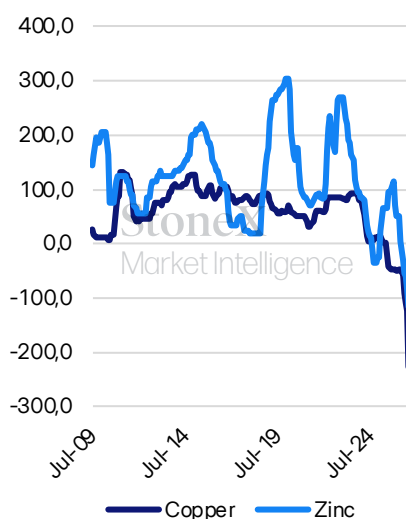
Copper is set to close Q3 as the second-best performer, up 9.6%, with the red metal posting a new record LME 3M high on 9th September of \$14,768/t. We see copper's price performance as being driven by three key factors. First, uncertainty over potential US Section 232 tariffs, which has driven more than 1.4Mt of copper into the US since February 2025, leaving over two-thirds of visible global inventories in US-based warehouses. Ex-US availability has consequently fallen to historic lows, contributing to widening LME backwardations. Second, mine supply remains structurally constrained by permitting delays, environmental pressures, declining ore grades, underinvestment and recent operational, weather and political disruptions. The ICSG reported a 1.1% decline in H1 mine supply, raising the possibility of an outright annual contraction. Third, copper's appeal as a hard asset and beneficiary of electrification, digitalisation and AI has attracted substantial speculative investment. In the months ahead, we remain constructive for copper, supported by supply risks, seasonal Chinese demand and continued tariff uncertainty. However, downward risks remain in the form of weaker Chinese manufacturing, sticky inflation and hawkish central banks.

PMI Manufacturing Readings



Source: Bloomberg. Design: StoneX.

Treatment & Refining Charges



Source: Bloomberg. Design: StoneX.

Meanwhile, we expect that volatility will remain at historically elevated levels, given overcrowding to the long side by speculative money (note copper's all-time high on 9th September correlated to an all-time high in net longs on COMEX).

Aluminium is on course to close Q3 as the third best performing base metal with prices up 5.8% at the time of writing. We believe that aluminium is one of the better-supported base metals to year-end, with 3M LME prices consolidating above \$3,200/t after a volatile summer. Current prices are reflective of tightness within the underlying fundamentals, with the market set to post ~650,000t deficit, while global inventories have fallen to ~42 days of consumption (their lowest since before the financial crisis). Furthermore, with 95% of LME stocks Russian in origin, there remains little deliverable cushion for readily available material ex-China. In the months ahead, with the Strait of Hormuz still effectively closed and energy costs elevated, the near-term balance of risks sits firmly to the upside with any re-escalation in the Gulf, or slippage in Middle Eastern smelter restart timelines set to underpin prices, against such thin inventory.

Tin is on track to be the third worst performing base metal in Q3 (+4.5%), although remains on a YTD basis the best performer (+32.9%), having posted a record high of \$57,960/t on 2nd June. Over the course of the last quarter, price support has largely stemmed from disappointing mine supply in key producing regions, set against stable demand, in which strong semiconductor and AI-related activity offset weakness in traditional end use sectors. Indonesia has been a focus point, with January-July exports down ~20%, while refined production is set to fall by ~10% this year. Despite limited evidence of an acute shortage of tin on a refined basis (with the LME forward curve in contango), visible exchange stocks have fallen sharply from their early June peak, with the market set to post a third quarter in deficit.

Lead continues to sit in the middle of the group in Q3 (+2.8%); however, it holds the position as the worst performing base metal YTD. Lead's price performance reflects a souring backdrop for traditional industrial metal demand, set against a somewhat protected supply outlook, given lead's unique fundamentals in which two-thirds of supply comes from secondary sources. As things stand, global lead stocks are hovering around their highest level since 2012, and it is the only base metal to hold net short speculative positions across the LME and SHFE.

Nickel is on track to be the weakest base metal in Q3, with prices falling into a lower range \$16,500-\$17,00/t over the period, down from the Q2 average of \$18,100/t. Bearish sentiment has primarily arisen from rising visible exchange inventories posting 10 years highs this month, while tightening Indonesian ore policy (RKAB) and high sulphur cost support, only provided a floor. The largest swing factor for price direction remains the size and timing of Indonesia's RKAB supplementary quota, in addition to the impact of El Nino.

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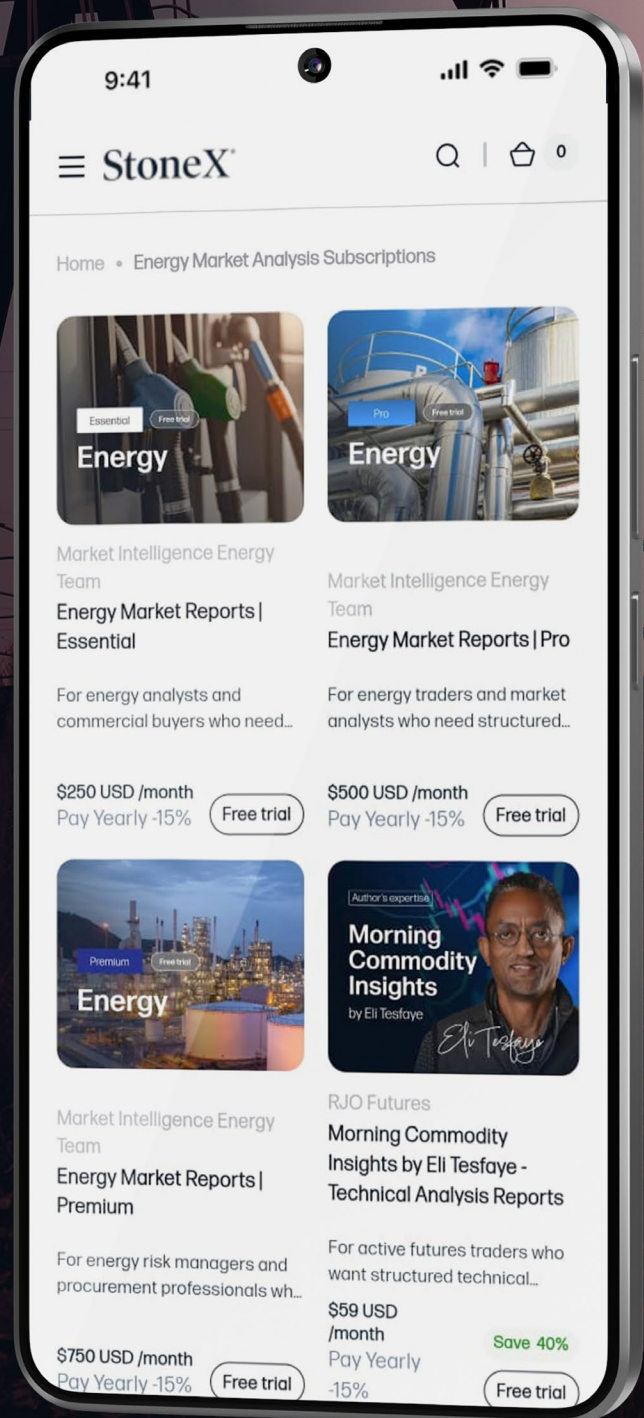
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Crude Oil



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Bullish Factors

- ▲ Attacks on tankers and severe restrictions on traffic through the Strait of Hormuz;
- ▲ Houthi advances along Yemen's Red Sea coast;
- ▲ U.S. crude oil inventories at historical lows.

Bearish Factors

- ▼ Resumption of indirect contacts between Washington and Tehran;
- ▼ Saudi and Iraqi exports redirected to alternative routes;
- ▼ Demand destruction in Asia;
- ▼ North American refining operating close to maximum capacity.

The third quarter of 2026 continued to show the impact of geopolitical factors on oil markets. After ending June around USD 72/bbl, the most active Brent contract resumed its upward trajectory in July, reaching the quarter's high of USD 108.75/bbl in mid-September, also the highest level since May 19. The move was not linear. Each attempt at diplomatic de-escalation gave back part of the risk premium, while each new offensive in the Persian Gulf rebuilt it at an even faster pace. The quarter ends with Brent trading slightly above the three-digit mark, amid a partial recovery of Middle Eastern flows and the opening of an indirect channel between Washington and Tehran during the UN General Assembly.

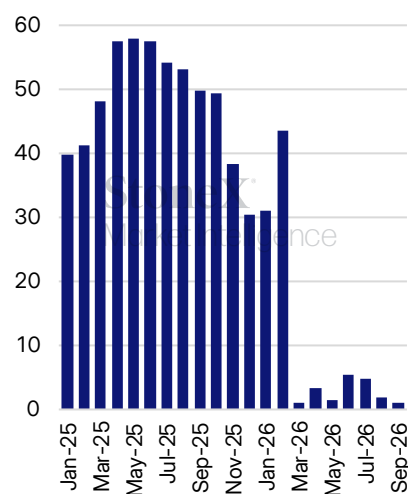
Evolution of Brent oil prices - USD/bbl



Source: StoneX. Design: StoneX.

The escalation began with the resumption of clashes in late August, after a one-month truce between Washington and Tehran. The sequence of offensives that followed was continuous, with U.S. strikes on Revolutionary Guard targets, Iranian retaliation against bases in Jordan and, on September 9, the largest wave of attacks on shipping since the beginning of the conflict, with Tehran claiming to have hit ten vessels near Hormuz after the U.S. sank five Iranian tankers. Brent responded with a nearly 10% gain in a single session, moving above USD 107/bbl. A few days later, the attack on Saudi Arabia's East-West pipeline, attributed by Riyadh to Iran-backed militias, removed from the market the main alternative route to Hormuz, responsible for moving between 4 and 5 mbpd toward the Red Sea port of Yanbu.

Average monthly tankers crossing Hormuz



Source: PortWatch. Design: StoneX.

The key point of the quarter, however, is that the disruption was no longer merely logistical, but once again physical. Trackable traffic through the Strait of Hormuz fell to four vessels per day in mid-September, compared with around 125 daily crossings before the conflict. At the same time, the Houthi advance toward ports near Bab el-Mandeb put the channel under direct threat, simultaneously compromising the two main outlet routes for Middle Eastern products. Saudi Arabia reached the point of operating with exportable supply limited to only a few days of stocks in Yanbu, while the country's production fell to 7.2 mbpd in August.

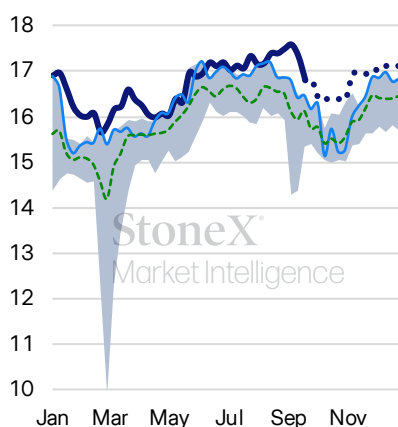
The response came through logistical flexibility. Throughout the second half of September, Aramco increased shipments via Hormuz to an average of 2.9 mbpd, from just 0.7 mbpd in August, offering cargoes to Asian refiners through ship-to-ship transfers off Sohar and Fujairah. Iraq raised exports to more than 3 mbpd, with aggressive discounts, while the United Arab Emirates recovered part of the volumes seen before the conflict. Even so, around one third of Gulf crude remains outside the global market.

The U.S. crude oil balance captured the dynamics of the quarter, with production and refining at record levels and inventories near their lows. U.S. crude output reached new records, approaching 14 mbpd, amid an increase in shale producers' operating margins, as companies took advantage of higher prices to expand supply. In contrast, refineries operated with utilization rates above 98% in late August, the highest level since 2018, supported by exceptional refining margins, with the Heating Oil crack spread against Brent surpassing USD 100/bbl for the first time in history. At the same time, the U.S. continued to export significant volumes of crude into a global market that remained broadly undersupplied, with commercial inventories falling to 423.4 million barrels in mid-September, while the SPR reached 284.5 million barrels, the lowest level since 1982, with roughly 120 million barrels released since the beginning of the conflict. The country remains the main supplier of last resort, but with reduced capacity to supply other regions of the world in a lower-inventory environment.

On the Asian side, demand destruction remained the main counterweight to the rally. China imported 8.9 mbpd in August, showing gains compared with July and August, but still 23% below the level observed in August 2025. India showed a less explicit adjustment, with imports falling more than 11% month over month in August to 4.5 mbpd, while domestic consumption declined 6.3% to the lowest level since September 2024. This reflects demand elasticity in response to high prices, a factor that limits additional upside, but which also represents an upside risk once restocking becomes necessary.

For the fourth quarter, my view is that the global balance will remain in deficit. The rebuilding of Saudi and Iraqi flows through alternative routes should continue to contain part of the risk premium as long as there are no new attacks on export infrastructure, but the near-total dependence on a single route concentrates a significant risk, since any additional restriction in Hormuz would have an immediate and amplified effect. At the same time, Donald Trump's own confirmation that the conflict could only be resolved after the U.S. midterm elections in November increases concerns over a prolonged war.

US crude oil consumption (mbpd)



Source: DOE. Design: StoneX.

Total US crude oil stocks
(billion barrels)

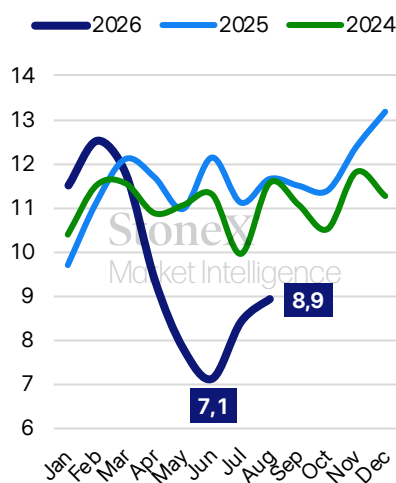


Source: DOE. Design: StoneX.

An alternative, lower-probability scenario would involve an agreement on navigation rules in Hormuz, currently the main point of contention, with Washington rejecting transit fees and the removal of sanctions on Iranian oil. In that case, the gradual normalization of flows would open room for a swift correction and a potential surplus as early as the first quarter of 2027, although prices would likely remain above pre-war levels, given the sharp decline in global crude inventories and the need for restocking in the meantime.

Regardless of the path ahead, the most likely bottleneck for the fourth quarter is not in crude oil, but in refined products, especially middle distillates. With a large share of global refining capacity offline, Russia's export ban extended through the end of October, U.S. diesel stocks below the five-year minimum, and the Northern Hemisphere winter season approaching, the diesel crack spread is still expected to remain at historically elevated levels.

China's monthly crude oil imports (mbpd)



Source: GACC. Design: StoneX.



Oil Products



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Bullish Factors

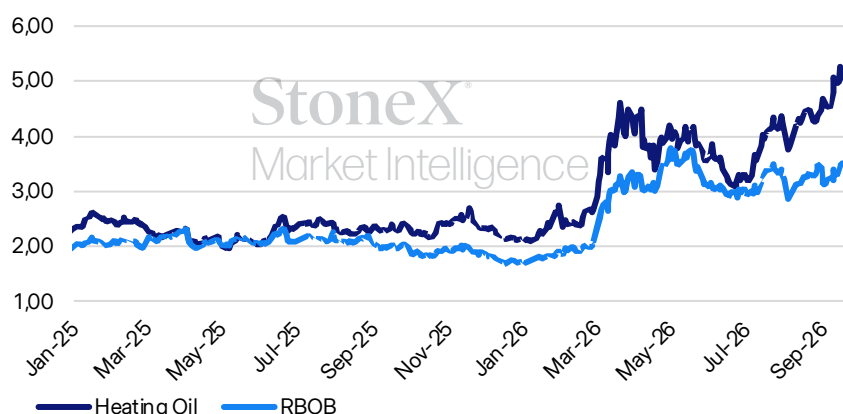
- ▲ A significant share of global refining capacity remains offline;
- ▲ Attacks on refineries in Russia, Saudi Arabia, and the United Arab Emirates;
- ▲ Russia's ban on diesel exports and the possibility of an extension through 2027;
- ▲ U.S. middle distillate inventories below the five-year average.

Bearish Factors

- ▼ A gradual decline in scheduled maintenance from late October onward;
- ▼ U.S. refiners maximizing middle distillate output (diesel);
- ▼ Seasonal demand slowdown in the United States and Europe (gasoline).

The third quarter of 2026 made clear that the world is currently facing a refining crisis. While Brent alternated between gains and losses in response to the pace of negotiations in the Persian Gulf, refined products maintained a steady upward trend. The 3:2:1 crack spread reached its highest level since 2001, while the spread between Heating Oil and Brent exceeded USD 100/bbl for the first time on record. Gasoline followed the same path, with the RBOB-Brent spread reaching USD 44.29/bbl in mid-September, even after the end of the driving season. The key takeaway is that the restoration of crude oil flows does not address the main issue facing the fuels market: refined product supply will remain constrained as long as a significant share of refining capacity remains offline.

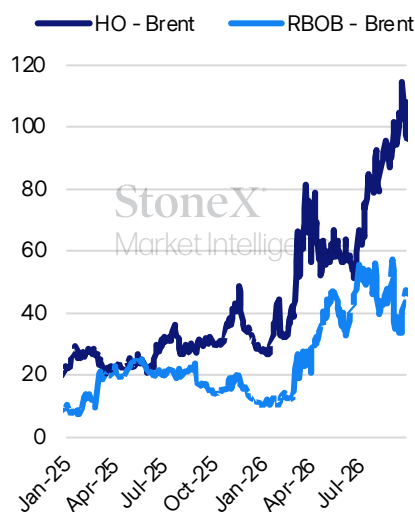
Diesel and gasoline price evolution (USD per gallon)



Source: NYMEX. Design: StoneX.

The crisis is concentrated in Eastern Europe and the Middle East. The share of global refining capacity offline approached 14% in September, and what sets the current situation apart from previous years is its composition: unplanned outages accounted for 44% of the total during the month, with Russia representing the largest share. Ukrainian attacks on Russian refineries have taken more than 50% of the country's processing capacity offline in recent months. Russia's suspension of diesel exports, announced in July, added another layer of tightness to the global balance. The measure will remain in place until at least the end of October, but Moscow has already approved the possibility of extending it into early 2027, with the final decision depending on the country's ability to supply its domestic market. In the Middle East, Saudi Arabia and Kuwait began recording unplanned outages following Iranian and

Evolution of diesel and gasoline crack-spread (USD/bbl)



Source: NYMEX. Design: StoneX.

Houthi attacks, with both countries struggling to restore operations amid the unpredictability of the regional conflict.

In Asia, lower refinery utilization emerged as a second source of market tightness. The region accounts for the largest share of capacity offline due to scheduled maintenance, with China representing roughly 38% of that total. Any reduction will depend on the availability of crude oil deliveries to refineries. It is worth noting, however, that higher Chinese crude imports over the past two months have supported stronger refinery activity, although throughput remains well below historical levels.

The United States provided the counterpoint. Refineries operated at 98% utilization in late August, the highest level since 2018, taking advantage of exceptional margins to maximize middle distillate output and expand overseas sales. The result was a sharp draw in domestic diesel inventories, which stood near 108 million barrels in September, compared with a five-year average of around 123 million barrels. This imbalance has sustained discussions over government-imposed restrictions on U.S. fuel exports. Combined with the absence of Russian diesel, such a move would deepen the global crisis, leaving very few alternative sources of supply.

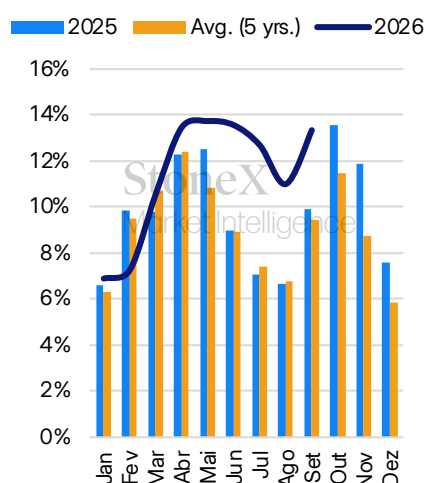
For Brazil, the effects are already visible in prices and trade flows. The gap between imported product parity and Petrobras' selling prices reached a new record high, with StoneX estimates pointing to a level near BRL 3.90 per liter at the end of September, driven by crude oil prices and the diesel crack spread. Imports fell 11.4% year over year between January and August, to 9.73 million m³, as purchases of Russian product virtually disappeared and only part of the volume was replaced by supplies from the United States and India. By contrast, domestic diesel A output rose 7.2% year to date, to 29.1 million m³, as Brazilian refineries sought to increase middle distillate production to supply the domestic market.

For the coming months, we expect diesel crack spreads to remain supported, alongside stronger competition for available product volumes in the global market. A resumption of Russian exports before the end of October—which we consider unlikely—could temper this outlook, while a ban on U.S. exports would further deepen the crisis observed at the end of 3Q26.

For gasoline, the RBOB-Brent crack spread has posted a modest seasonal decline, reflecting the end of the driving season in the Northern Hemisphere and the shift in U.S. gasoline specifications. Nevertheless, the indicator remains historically elevated, with the September average running 181% above the five-year average. Even as demand softens, refining margins remain high due to geopolitical factors and the global refining crisis.

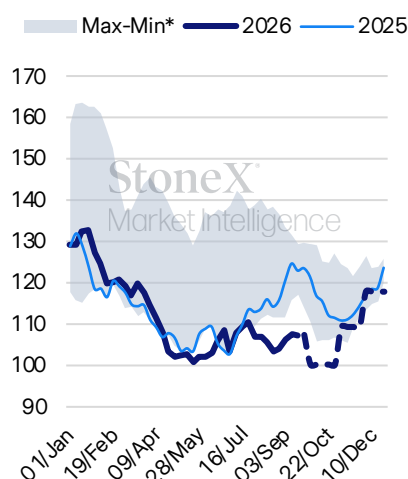
In the United States, inventories reached 206 million barrels in mid-September, 5.7% below the five-year average, reflecting resilient demand, average export volumes, and lower imports. The country moved through the driving season relying more heavily on domestic production than in recent years, amid reduced global product availability and lower European flows into the U.S. market. Meanwhile, inventories at the ARA and Singapore hubs recovered over the past month, narrowing crack spreads, but not enough to reverse the decline in global stocks.

Global refining capacity offline*



Source: Platts, DOE. Design: StoneX.
*% of total installed capacity.

US Diesel Stocks (million barrels)**



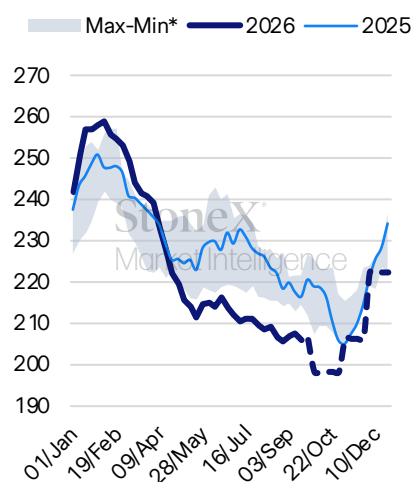
Source: DOE. Design: StoneX. *Last 5 Years.
**STEO projections.

Against this backdrop, an even higher gasoline crack spread might have been expected during the period. That did not materialize: the peak was USD 57.3/bbl in late August, nearly half the diesel refining margin. Why?

The answer lies mainly in gasoline demand seasonality. The end of the driving season in the United States and Europe in September leads to fewer summer trips, while higher ethanol blending into gasoline sold at U.S. pumps also reduces petroleum-based gasoline demand across the Northern Hemisphere. At the same time, the prevailing view is that the global refining crisis is likely to affect middle distillate production more than light products in the short term, since the regions hit by refinery attacks—such as Eastern Europe and the Middle East—primarily export this class of products, especially diesel.

In Brazil, domestic gasoline A production fell by roughly 8%, as refiners prioritized other products offering more attractive margins. As a result, imports increased from 1.6 million m³ between January and August 2025 to 3.3 million m³ over the same period in 2026. The price increase has been contained by subsidies, which are expected to remain in place for as long as global market stress persists. Nevertheless, retail prices reached BRL 6.69/L in mid-April, around BRL 1.00/L above the level recorded in the same month of 2025. This trend has reversed since July, with prices settling at BRL 6.35/L in the latest month, while cumulative gasoline C demand in 2026 is up 4%.

U.S. Gasoline Stocks (million barrels)**



Source: DOE. Design: StoneX. *Last 5 Years.
**STEO projections.

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Sugar Market Reports

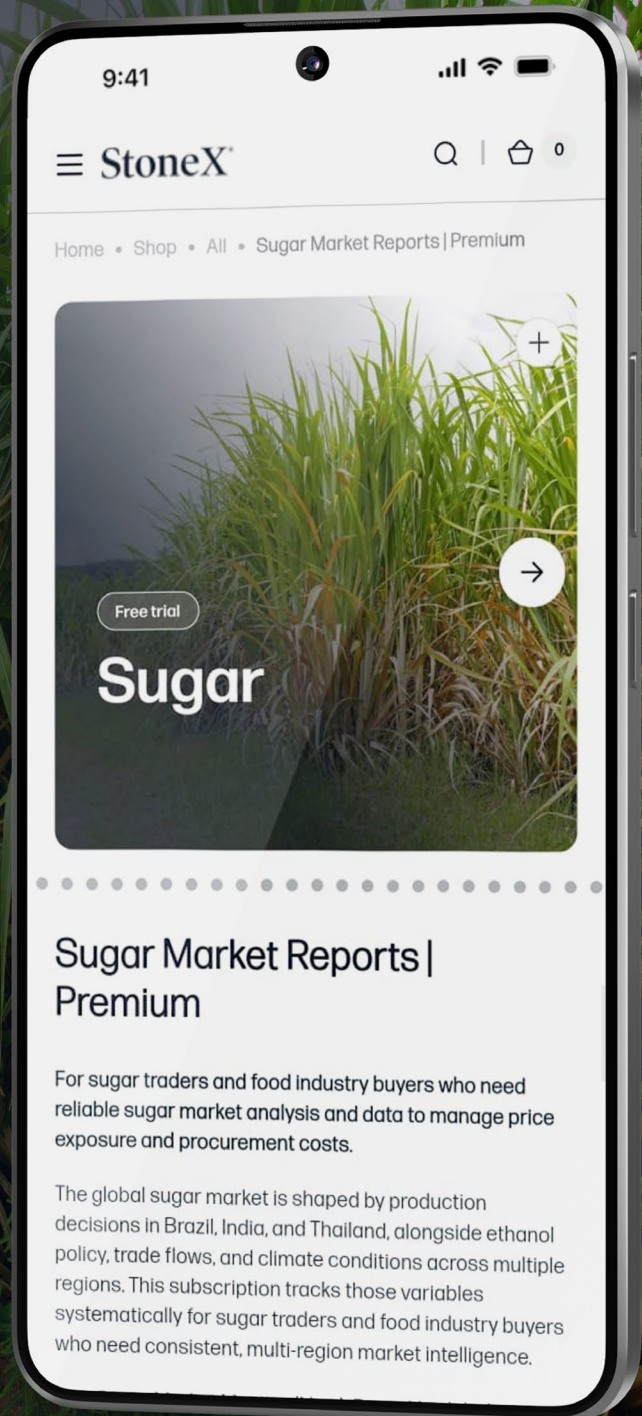
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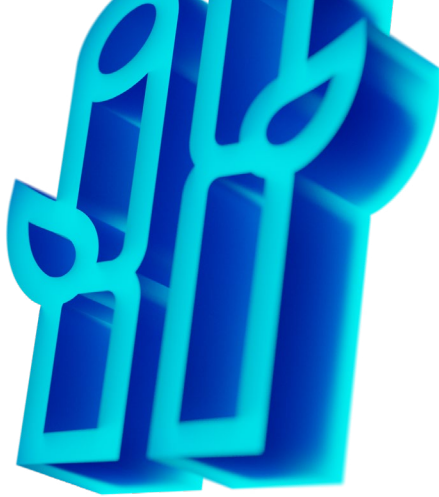
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Sugar



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Bullish Factors

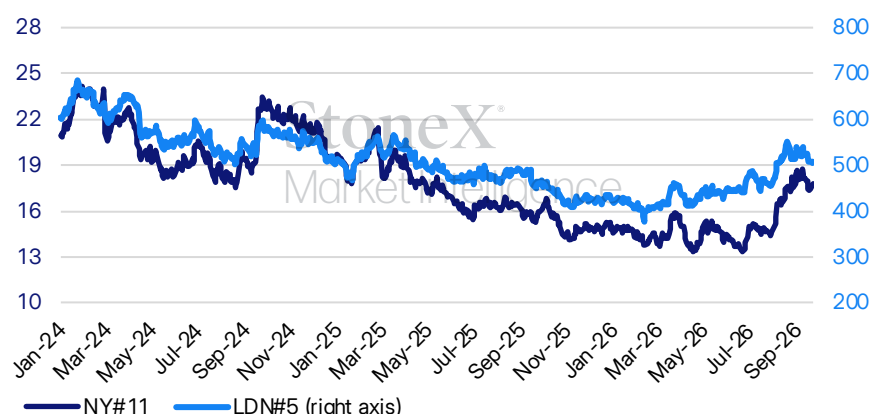
- ▲ Delays in the 2026/27 crop in Brazil's Center-South due to heavy rainfall in the second half of 2026;
- ▲ Outlook for a 900,000-tonne deficit in the 2026/27 global crop year (Oct-Sep);
- ▲ Crop shortfalls in the European Union, Thailand, and India.

Bearish Factors

- ▼ Import demand still sluggish at the end of 2026;
- ▼ Surplus outlook for the trade-flow balance in the fourth quarter of 2026;
- ▼ Expectations of record crushing in Brazil's Center-South in 2027/28 (Apr-Mar).

Between January and July 2026, raw sugar in New York traded at an average of US\$14.48/lb, briefly breaking through the “15-cent” threshold during periods of greater pressure from the conflict between the United States and Iran, such as in March and May. The first seven months of the year were also relatively low in volatility, and the market consolidated a narrative that had almost become repetitive: international flows of the commodity faced an oversupplied backdrop that had carried over from 2025, a year in which prices fell by 22.1%, and culminated in the lowest levels since 2020, at US\$13.31/lb, on April 17 of this year.

Raw sugar prices NY#11 (US\$/lb)
and refined sugar LDN#5 (US/tonne)

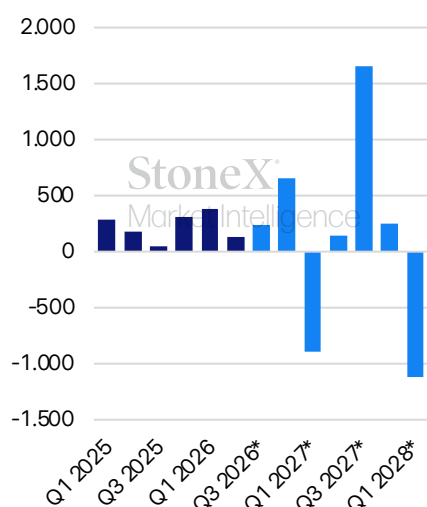


Source: ICE, cmdtyView. Design: StoneX.

Price behavior during this period was extremely important in shaping the sugar mix for the 2026/27 crop year (Apr-Mar) in Brazil's Center-South (CS). Between January and March, the months preceding the start of the crop cycle, hydrous ethanol in São Paulo was paying more than US\$2.70/lb above export sugar, encouraging a highly ethanol-oriented start to the CS season. Through June, according to UNICA, the accumulated sugar mix was only 42.5%, down 7.5 percentage points year on year.

In addition, the current CS crop saw rainfall between April and September 93% above the 10-year average, with significant delays in harvest progress throughout June, in the second half of July, and in the first half of September. The weather backdrop has been weighing on both ATR levels and the sugar mix, while also reducing the crushing potential of the crop itself.

Global sugar trade flow balance (thousand tons)



Source: GTT, StoneX.
Design & *Estimates: StoneX.

As a result, we estimate 2026/27 sugar production at 38 million tonnes, down 2.2 million tonnes year on year.

While sugar prices had remained weak through July, trading below production costs at most Brazilian mills, a clear trend reversal emerged from August onward, strongly supported by the Brazilian backdrop. During the month, the October/26 #11 contract rose by more than 20% and reached its annual high of US\$18.73/lb on September 10, when it had accumulated a gain of 407 points, or 28%, in a month and a half. This move was largely driven by speculative fund activity, as funds appeared to anticipate the risks of an approaching global deficit cycle. The new price level encouraged mills to increase their sugar mix, which reached 51.8% in the second half of August.

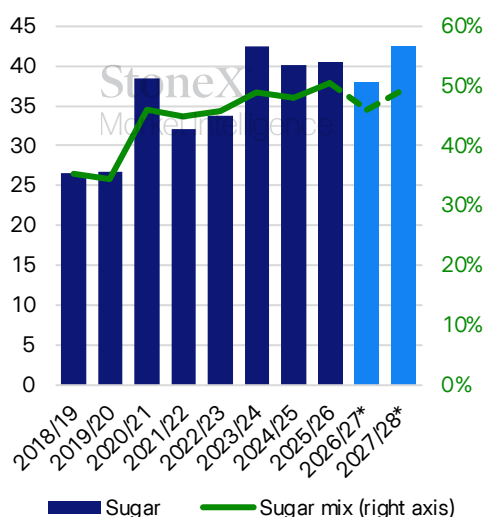
Against this backdrop, despite operational delays, we understand that the 2026/27 season (Apr-Mar) will extend through December, expanding the sugar mix as much as possible, which should place above-average crushing and sugar production volumes in the fourth quarter of 2026. Even with the harvest being extended, we see 32 million tonnes of cane being carried over in the current cycle – that is, cane that will only be harvested next year, from March onward. [Human review suggested: “carried over” was used for “bisado”, but depending on the intended technical nuance, “left over for the next crop” or “rolled into the next cycle” may be preferable.]

The Brazilian context in recent weeks has outweighed the pessimism surrounding international crops. The European Union and the United Kingdom experienced successive heatwaves and below-normal rainfall between June and August, a critical period for sugar beet development. We believe sugar production in the EU-27 will reach only 13.3 million tonnes, the lowest level since the 1980s, once again positioning the bloc as a net sugar importer, which should put pressure on trade flows in the first half of 2026.

In India, our estimates point to total sugar production of 29.0 million tonnes, with 1.0 MMt diverted to ethanol. However, several market participants have been working with a “zero diversion” assumption, understanding that the government will prioritize domestic sweetener supply. This connects to the fact that, in August, India resumed sugar imports for the first time since 2016, serving as a relevant bullish fundamental. The Indian sector is facing two consecutive seasons of tight ending stocks, while monsoon rainfall 15% below normal reinforces the bearish outlook for 2026/27. Because we believe white sugar production (28.0 MMt) will fall short of consumption (28.5 MMt), our working scenario is that India will return to the import market, probably in the second half of 2027, with at least a new 1.0-million-tonne quota.

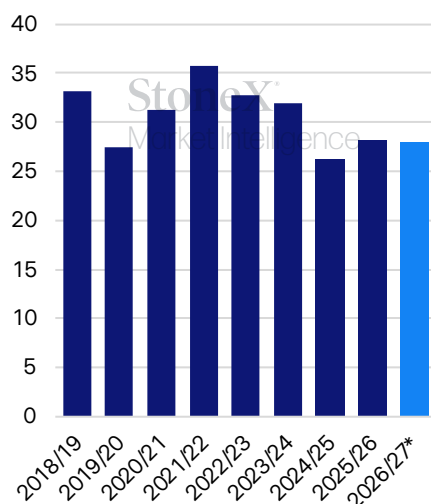
Still in Asia, Thailand is going through a rainy season running 15% to 30% below average, depending on the region, and is heading toward sugar production of 9.6 MMt in 2026/27 (Oct-Sep), down 20% from 2025/26. Thai mills are important regional suppliers of refined sugar, and the decline in the next cycle, combined with the pessimistic outlook for the EU-27, supports the view of a 900,000-tonne global deficit next season. Taken together, Thailand and the European Union are expected to account for an annual decrease of 3.0 million tonnes of net white sugar exports across the 2026/27 crop year (Oct-Sep), which should mainly affect the first half of 2027.

Sugar production in CS (MMt) and sugar mix (%)



Source: UNICA. Design & *Estimates: StoneX.
Crop calendar April-March.

India white sugar production
– MMt (Oct-Sep)



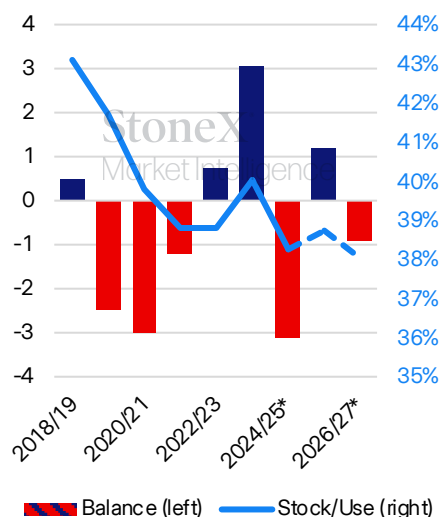
Source: ISMA. Design & Estimates: StoneX.

During this period, we estimate a 340,000-tonne white sugar deficit in the trade-flow balance, reflecting 1.4 MMt less in net exports from these two aforementioned players; in other words, this is a volume that will need to be sourced from elsewhere.

This is important for the fourth quarter of 2026, as it could increase appetite for raw sugar imports by tolling refineries in the Northern Hemisphere. Considering the reduced flow through the Middle East due to the war in Iran, this demand may possibly come from North Africa and India's port refineries. Despite this pressure, given the prolonged CS crop, the export side still looks comfortable in 4Q26, with a surplus trade flow.

However, the first half of 2027 carries a pessimistic outlook for trade flows, not only for white sugar, as already mentioned, but also for raw sugar, mainly because Brazil will not have enough volume to meet all potential import demand during that period, due to the start of the off-crop period and the decline in sugar production in 2026/27 (Apr-Mar). Therefore, I believe there is upside risk for the fourth quarter if market participants decide to continue anticipating the global deficit scenario.

Global sugar balance (MMt)
and stock-to-use ratio (%)



Source: StoneX.
Design and *Estimates: StoneX.

Keeping sugar's recent bullish momentum in check, we see record sugarcane crushing in the Center-South in 2027/28 (Apr-Mar), at 662 million tonnes, compared with 635 MMt in 2026/27, supported by a 3.1-percentage-point increase in the sugar mix, to 49.3%. With sugar production rising to 42.4 million tonnes in 2027/28, the Center-South is set to place firm volumes into the global trade flow, especially in the second half of 2027. I believe that only the optimistic outlook for next year acts as a cap on the upside, something that has already been reflected in the futures curve, with the July and October 2027 contracts trading at discounts of 85 to 75 points versus March/27. Therefore, if funds are anticipating the global deficit in 2026/27 (Oct-Sep), which will materialize as a deficit of available supply in trade flows in the first half of 2027, these same participants may, at some point next year, start anticipating a potential surplus in the second half, driven by Brazilian exports.



Ethanol



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Bullish Factors

- ▲ Hydrous ethanol demand response already materializing in 2026;
- ▲ Anhydrous ethanol blend reaches E32, with potential E35 rollout in 2027;
- ▲ A sugar oriented mix restrains sugarcane ethanol production.

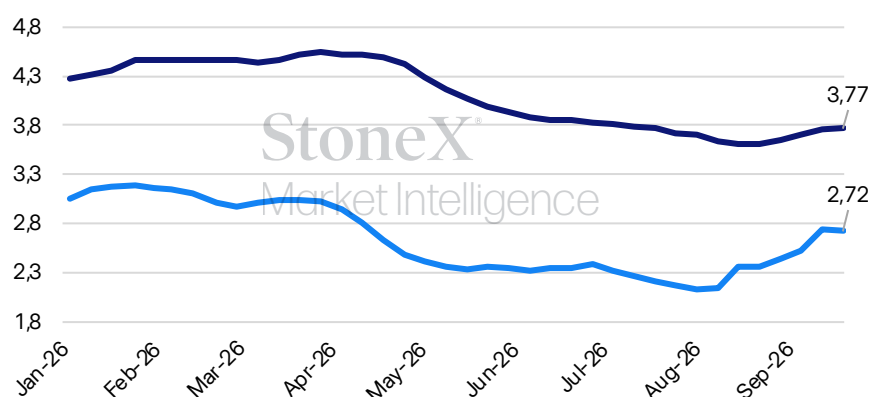
Bearish Factors

- ▼ Record ethanol supply in the 2026/27 crop year, at 37.8 million m³;
- ▼ Corn ethanol expansion, with 15 new plants expected to start operating by the end of the 2027/28 crop year;
- ▼ Potential decline in international gasoline prices and rollback of light-cycle fuel subsidies.

Has the Recovery Finally Arrived for the Ethanol Sector?

The third quarter of 2026, particularly August, was marked by a meaningful recovery in ex-mill level ethanol prices. After hitting the annual low of BRL 2.13/liter (Paulínia, SP) in the first week of August, the benchmark climbed to BRL 2.72/liter by mid-September, an increase of nearly 28% in a month and a half.

Retail hydrous ethanol (SP) vs. hydrous ethanol ex-Paulínia (SP) (BRL/liter)



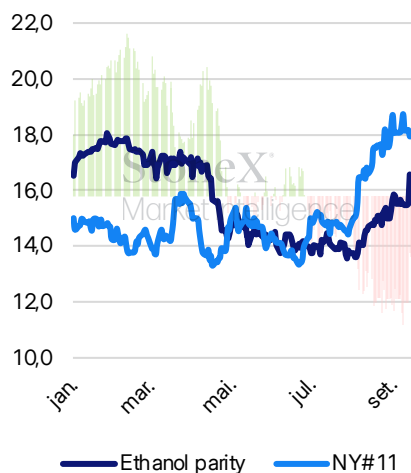
Source: ANP and CEPEA, Paulínia (SP) without taxes. Design: StoneX.

Pump prices in São Paulo, meanwhile, kept falling until early September and have since placed consecutive increases, indicating that the pass-through of higher ex-mill prices to end consumers is already underway.

This rally, however, did not stem from a structural tightening in the ethanol balance; rather, it was underpinned by factors such as above-average rainfall in the Center-South, bullish sugar expectations, and legislative developments involving the blend mandate and fuel subsidies.

Although hydrous ethanol sales are recovering – ANP's preliminary data for August show volumes surpassing 2 million m³ sold in Brazil, roughly 18.8% above August 2025 – the year-to-date sales figure remains modest, up just 2.73%, putting hydrous ethanol's share of national light-vehicle fuel consumption at 24.3%.

Hydrous ethanol in parity with NY #11 sugar, based in São Paulo



Source: ICE. Design: StoneX.

Sugar dynamics were one of the key supporting factors. The rally in raw sugar prices, linked to weather concerns in Europe and Asia, shifted the sugar/ethanol parity curve and again encouraged mills to favor a sugarier mix, giving them room to defend higher ethanol prices even against elevated supply. According to the Ministry of Agriculture and Livestock (MAPA), biofuel production totaled 21.2 million m³ through the second half of August, 13.2% above the same period of the previous crop year. In addition, heavier rainfall across the Center-South delayed cane crushing, reinforcing support for both sugar and ethanol.

Beyond its ties to sugarcane sector dynamics, ethanol also depends directly on gasoline behavior, acting as a substitute fuel in the case of hydrous ethanol and as a complementary product in the case of anhydrous ethanol. At the São Paulo retail level, the hydrous-to-gasoline C parity stood at around 59% in the third week of September, still well below the 70% reference. Even so, the recent move in pump prices shows that the pass-through of higher mill prices has started to reach end consumers, although moderately. This matters because, should the pass-through continue, part of the competitiveness that has been supporting demand could erode.

Against this backdrop, the fiscal measures approved over the third quarter act as a support factor for hydrous ethanol, though with an uncertain net effect. The full PIS/Cofins (federal social contribution taxes) exemption, equivalent to BRL 0.1922/liter, has a direct impact on the supply chain, but does not guarantee that the benefit will be passed through to consumers – it could instead be captured by mills as margin recovery, a dynamic that already appears to be playing out given the recent price rally. The additional subsidy of BRL 0.2519/liter, meanwhile, underwent a significant change in recent days, shifting from a more consumer-oriented design to one that essentially props up mill economics.

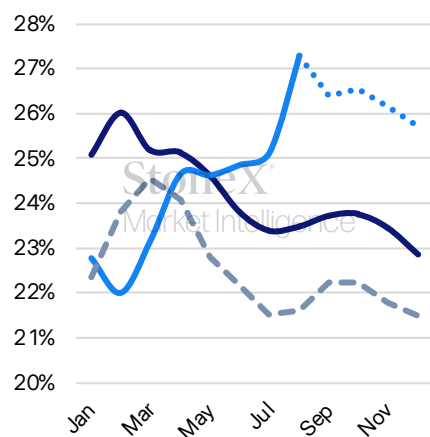
As such, subsidies may help preserve hydrous ethanol's competitiveness, but their effect tends to be limited, temporary, and contingent on effective pass-through as well as on the trajectory of international gasoline prices.

For anhydrous ethanol, August 2026 marked an important step forward for the sector with the approval of E32 (the mandatory 32% anhydrous ethanol blend in gasoline C). The measure is expected to generate additional demand of roughly 628,000 m³ in 2026 and is already reflected in the decline of anhydrous ethanol inventories, which have fallen 25.6% since implementation.

In addition, E35 has entered the agenda – even though official publication is still pending, the Ministry of Mines and Energy has already filed the requests needed to begin testing, which is expected to be more complex than in previous blend-increase rounds.

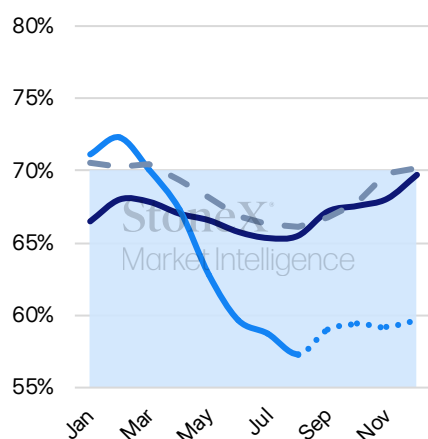
Should E35 take effect in August 2027, anhydrous ethanol demand would rise by 1.52 million m³ in 2027 relative to 2026. On the other hand, since the E32 authorization is temporary in nature, failure to complete E35 testing before the measure expires could reopen the door to a return to E30, cutting demand for anhydrous ethanol by 93,000 m³.

Hydrous ethanol share in Otto Cycle fuel demand (Brazil)



Source: ANP. Design and projections: StoneX.

Hydrous ethanol and gasoline ratio (%) – São Paulo



Source: ANP. Design and projections: StoneX.

So, What Could Disrupt Ethanol's Outlook for the Rest of 2026?

The main drivers for the sector over the coming months will revolve around whether elevated demand is sustained and around the expansion of corn ethanol, both in the off-season and in the 2027/28 crop year (Apr-Mar).

Despite the recent improvement, cumulative hydrous ethanol sales remain low relative to the volume produced: our estimates point to production of 37.8 million m³ in 2026/27. In addition, recent weeks have already shown rising ethanol prices at the pump, particularly in São Paulo, which could erode part of the competitiveness that has driven the demand recovery.

It is worth remembering that consumers were slow to respond to low parity levels. Fuel-choice behavior for flex-fuel vehicles has become increasingly subjective and less rational. Consumer response to low parity tends to occur with a lag, and the 70% reference threshold is not always enough to trigger an immediate shift from gasoline to ethanol. A more evident economic advantage is often required; the strongest sales response only materialized when parity fell nearly 10 percentage points below that level – that is, when ethanol's price advantage became unmistakable.

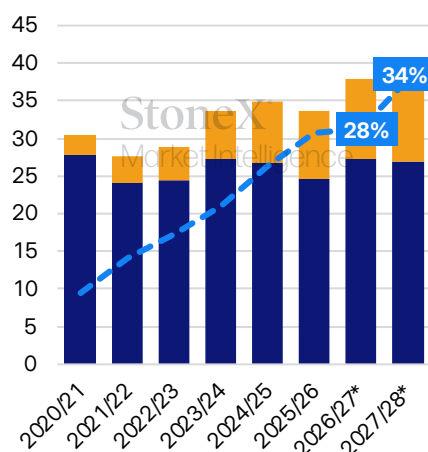
For the remainder of this year, we expect parity levels to stay very low, taking hydrous ethanol's share in Brazil to 24.90% on a year-to-date basis.

Looking ahead to 2027/28 (Apr-Mar) in the Center-South, StoneX projects a new production record of 40.5 million m³ of ethanol, led by corn ethanol (13.6 million m³), while cane ethanol output falls 1.5% amid a sugarier production mix. Corn ethanol capacity is expected to add 12 new plants by the end of the crop year, bringing the national total to 74 plants and 20.3 million m³ of production capacity. The pace of ramp-up at these new plants is the key variable to watch for the supply curve in the next cycle.

In summary, the fourth quarter of 2026 and early 2027 should be marked by tension between demand that is finally responding – supported by low parity and regulatory progress on anhydrous ethanol – and structurally elevated supply, with hydrous ethanol inventories still comfortable and corn ethanol expansion accelerating. The recent price rally was significant, but it remains more closely tied to competition with sugar, fiscal measures, and regulation than to a genuine tightening of the ethanol balance. Sustaining this move will therefore hinge on the evolution of the international sugar market, the effectiveness of the subsidies, and the ability to preserve hydrous ethanol's competitiveness at the pump.

The ethanol sector remains exposed to a range of external factors – from sugar to gasoline – and ends up hostage to fundamentals over which it has little control. Caution is warranted around the price swings imposed by these external vectors, which could ultimately undermine the biofuel's own development.

Ethanol production (billion liters) and corn share (%)**



Source: UNICA. Design and *Estimates: StoneX. ** Center-South Brazil.

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Coffee Market Reports

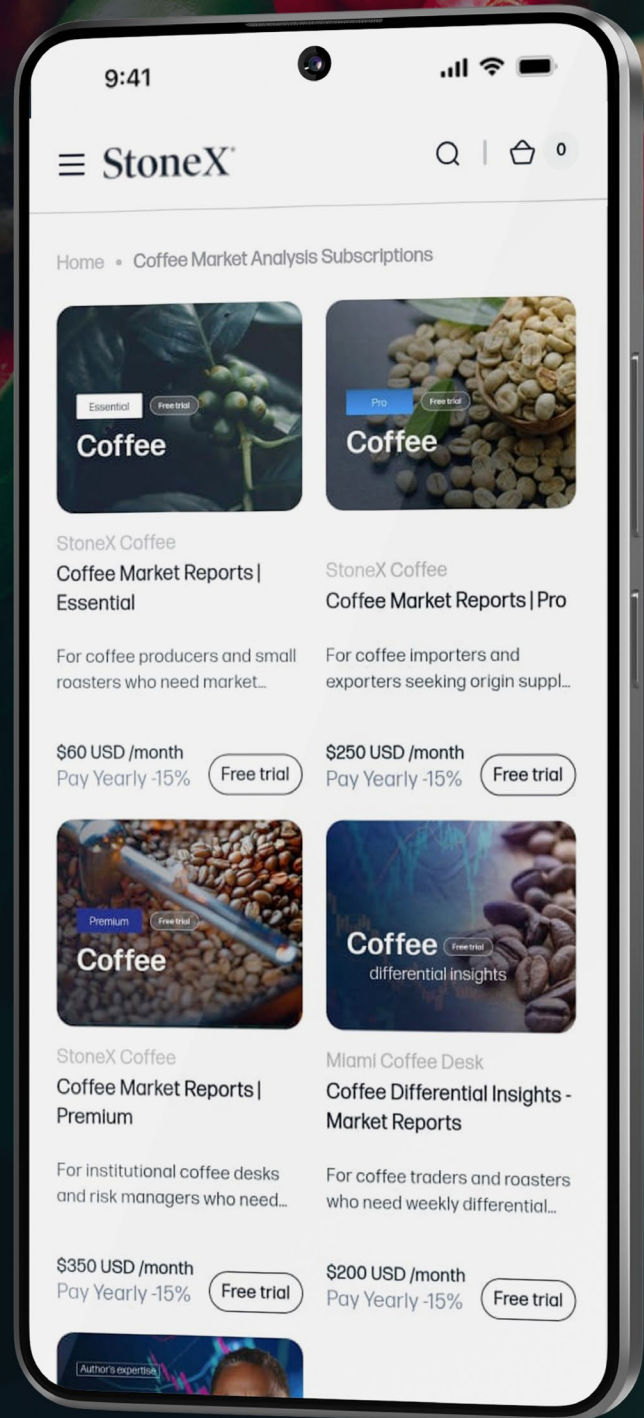
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Coffee



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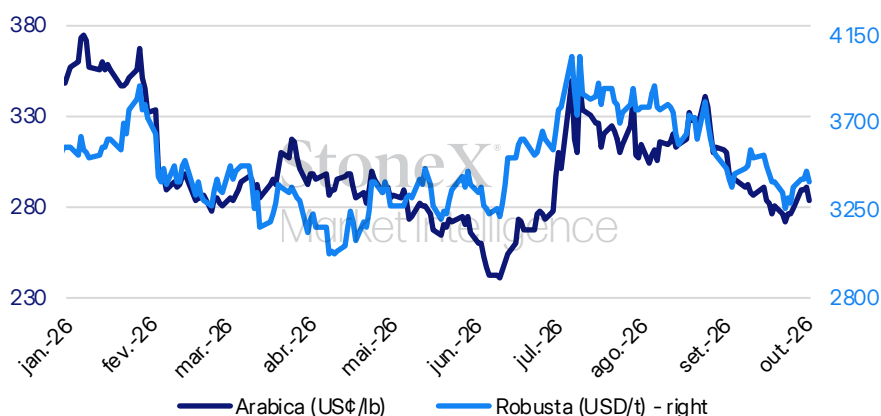
Alexis Rubinstein
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Bullish Factors

- ▲ The most intense phase of El Niño is expected in Q4;
- ▲ Unstable weather and production risk in Central America and Indonesia;
- ▲ Certified stocks remain at historically low levels in NY.

After a first half marked by a sharp correction, the coffee market entered the second half searching for a new equilibrium point. In arabica, New York futures fluctuated between concerns over immediate availability and a more comfortable reading of global supply. In July, delays in the Brazilian harvest, slow selling by producers, and certified stocks at historically low levels supported the price recovery, taking the continuous contract from lows of US\$ 240/lb in June to US\$ 341/lb in mid-August.

Coffee Futures Prices



Source: ICE. Design: StoneX.

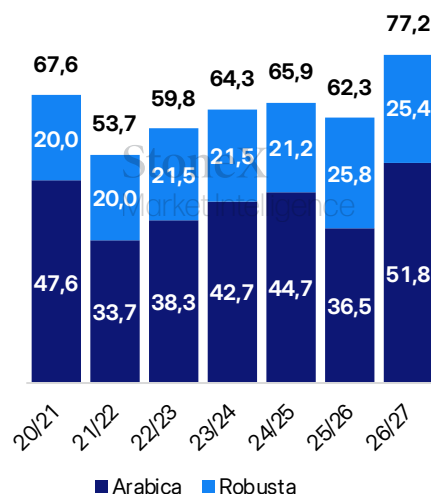
Bearish Factors

- ▼ Record harvest in Brazil's 2026/27 crop;
- ▼ Good rainfall volumes across Brazil's coffee belt during flowering;
- ▼ Vietnam's exports up 19.6% in the season.

However, as the harvest advanced and volumes reached the physical market more consistently, fundamentals began to favor a more bearish scenario. The perception of a record crop in Brazil was reinforced by the strong export performance, which totaled 4.16 million bags in August, up more than 30% year over year and a record for the month. In addition, rainfall during Brazil's flowering period improved the initial outlook for the 2027/28 production potential. In this environment, arabica fell sharply again, ending September at US\$ 290.7/lb, down 6.7%, but still ending the quarter with a 6.0% gain.

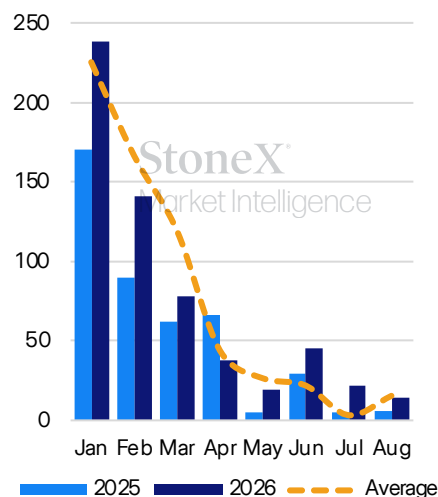
In robusta, the main pressure factors came from Vietnamese exports, which were nearly 20% higher in the season, favorable weather in Vietnam for the upcoming crop, and adequate supply in Brazil. In addition, flowering in the producing regions of Espírito Santo, Bahia, and Rondônia reinforced the perception of greater future availability. As a result, the decline in exchange-traded robusta prices was even sharper, with a 6.5% drop in

Brazilian coffee production estimate (million bags)



Source: StoneX. Design: StoneX.

Monthly Rainfall in South Minas Gerais (mm)



Source: Inpe. Design: StoneX.

the quarter to USD 3,445/t. In early September, after extensive sample collection across different producing regions and a post-harvest yield study conducted by StoneX's field team, the results indicated better-than-expected productivity in most of the areas assessed. As a result, we revised our estimate for the 2026/27 crop from 75.3 to 77.2 million bags. The adjustment mainly reflected the performance of arabica crops, supported by favorable weather conditions between December and March, as well as the maintenance of conilon production at historically high levels, with declines in Espírito Santo offset by strong growth in Rondônia.

It is important to distinguish volume from quality. Although the rains in June and July favored vegetative development for the next crop, they also hampered drying, increased the risk of fermentation, and raised the share of coffee dropped on the ground. Together with below-expected production in Colombia, an important origin for fine coffees, this helps explain the high differentials for washed coffees in the main producing countries and highlights the constraints on global supply in this category.

The main topic for the coming months, however, is no longer the crop currently being harvested, but the production potential of the 2027/28 season. As a result, the market's focus has shifted to weather behavior in Brazil and in the main producing countries, guided by the consolidation of a strong El Niño. Historically, the impacts of El Niño on Brazilian coffee production have not followed a single pattern. In some cases, the phenomenon was associated with favorable moisture conditions during the flowering period; in others, it contributed to episodes of excessive heat and irregular rainfall.

So far, however, signals in Brazil's main producing regions have been predominantly positive, especially in terms of precipitation. Rainfall recorded across the coffee belt during August and September increased soil moisture levels, supported flowering, and sustained a positive initial expectation for the 2027/28 crop. This was one of the main bearish pressure factors on prices in September.

Thus, although the strengthening of El Niño remains a relevant risk factor for 2027/28, the short-term scenario remains relatively positive for Brazilian production. In the coming months, attention should be especially focused on November and December, a crucial period for fruit expansion and the consolidation of production potential, when episodes of excessive heat could negatively affect crops. If soil moisture remains adequate and no significant crop losses occur in other origins, this scenario could become an important factor in keeping average coffee prices at lower levels through the end of the year, potentially extending into early 2027.

Beyond Brazil, the global coffee market enters the fourth quarter facing a complex mix of supply, demand, regulatory, and weather-related developments that could significantly influence price direction. While the improvement in Brazilian production prospects has eased some of the concerns that dominated the market over the past two years, the broader global balance sheet remains sensitive to disruptions in several key producing origins.

Average Washed Coffee
Differential Indicator (US\$/lb)



Sources: StoneX.Design: StoneX.
*Average of 11 origins.

On the demand side, coffee consumption has continued to prove more resilient than many market participants anticipated despite historically elevated retail prices in major importing countries. Although evidence of consumer downtrading remains visible in some markets, particularly through increased purchases of private-label products and lower-cost blends, overall consumption has remained relatively stable. Importantly, many roasters and traders continue to operate with lean inventories after several years of supply uncertainty. As a result, buying activity is expected to remain active through the final quarter of the year, limiting the potential for a sharp deterioration in demand even if economic growth slows in key consuming regions.

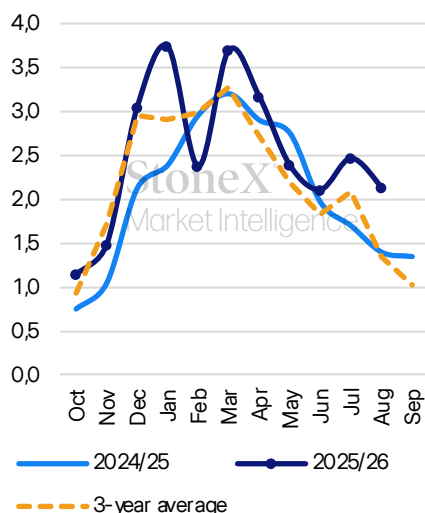
Weather remains another critical variable. In Vietnam, attention is shifting toward harvest conditions and the development of the upcoming crop. Recent weather patterns have generally supported production prospects, reinforcing expectations for another season of strong robusta availability. However, excessive rainfall during harvest could affect both quality and logistics, while any change in precipitation patterns during the current El Niño cycle would quickly attract market attention. Indonesia, another key robusta supplier, also enters a period in which weather conditions will be closely monitored following several years of production volatility.

At the same time, Central America presents a more uncertain picture. Countries including Honduras, Guatemala, and Nicaragua are entering important phases of crop development, with weather forecasts suggesting the potential for increased variability associated with El Niño. Although no major production problems have emerged so far, the market remains sensitive to any signs of stress in these origins because of their importance to the supply of washed arabica coffees. This segment remains particularly tight following quality issues in several producing countries and lower-than-expected production in Colombia.

Regulatory changes represent another important source of uncertainty. The European Union Deforestation Regulation (EUDR) is expected to become an increasingly important factor influencing trade flows and procurement decisions in the coming months. While substantial progress has been made in developing traceability systems and compliance procedures, readiness varies considerably among producing countries and exporters. Market participants will therefore be closely watching for potential disruptions, shipment delays, or temporary shifts in buying patterns as European importers continue to refine their sourcing strategies ahead of full implementation.

Taken together, these factors suggest that although the futures market is increasingly focused on larger global supply availability, volatility is likely to remain elevated. Any combination of weather concerns in Asia or Central America, continued tightness in high-quality washed coffee supplies, regulatory disruptions associated with EUDR, or stronger-than-expected consumer demand could slow the market's transition toward surplus conditions. Consequently, while the broader trend may remain more bearish than that observed over the past two years, the path lower is unlikely to be linear, and periods of renewed price strength should not be ruled out during the quarter.

Monthly coffee exports in
Vietnam (million bags)



Source: Vietnam Customs. Analysis: StoneX.

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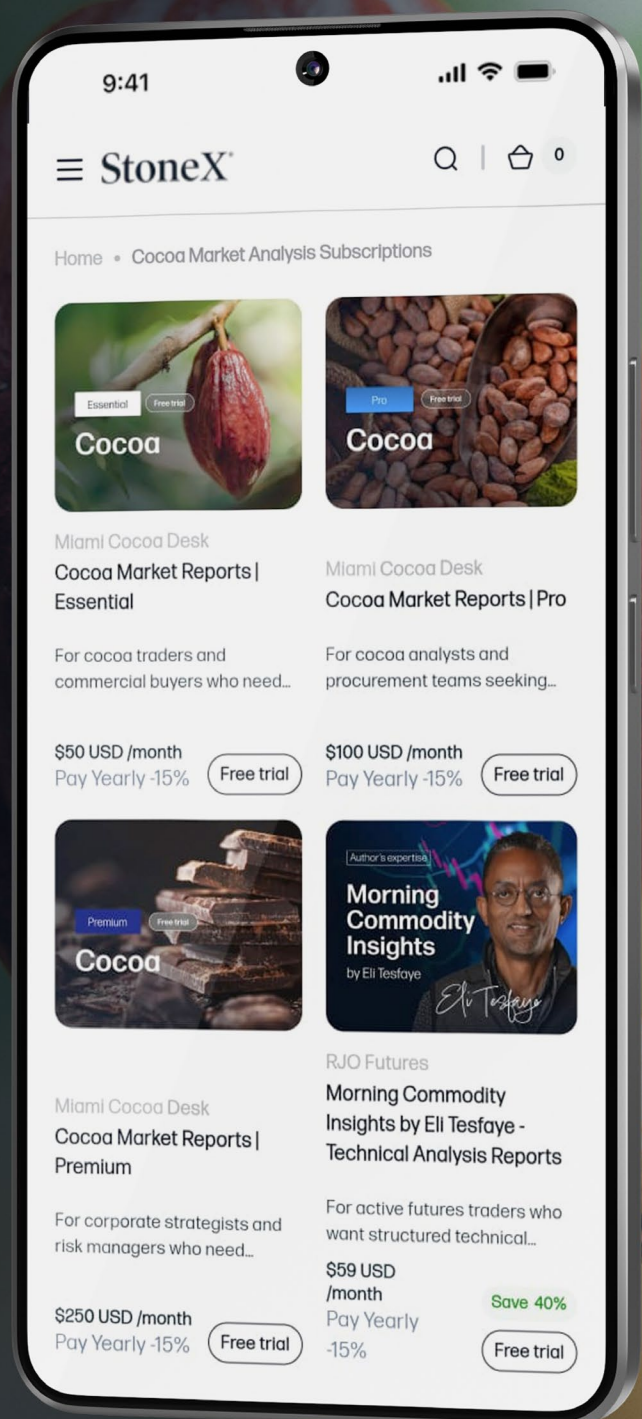
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Cocoa



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Bullish Factors

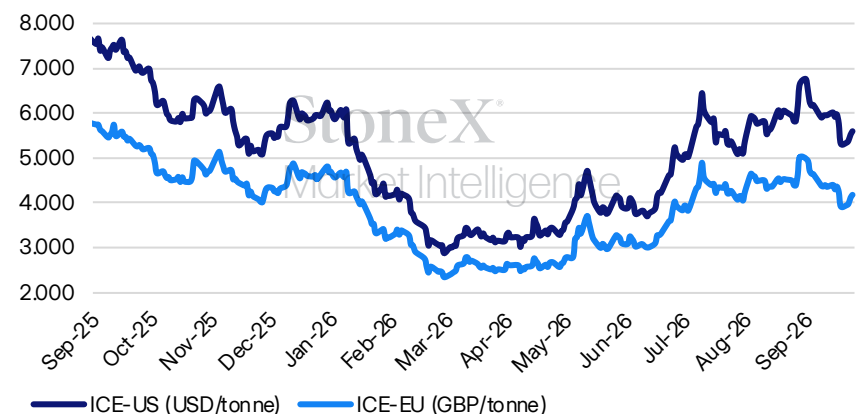
- ▲ Potential delays to the Côte d'Ivoire harvest;
- ▲ Low farmgate prices in Côte d'Ivoire and Ghana may encourage bean retention;
- ▲ El Niño-related weather risks and reports of weaker pod formation;
- ▲ Funds' net short position may support short-covering moves.

Bearish Factors

- ▼ Certified stocks on international exchanges continue to recover;
- ▼ Rainfall in West Africa has eased back toward historical averages;
- ▼ Grindings show some recovery, but demand for cocoa butter and processing margins remain relatively weak.

The cocoa market enters the fourth quarter with more balanced fundamentals than those seen during the most acute phase of the supply crisis, although significant questions remain over whether this improvement can be sustained throughout the new season. The production recovery in 2025/26 increased bean availability, supported stock rebuilding, and reduced the urgency of coverage that had kept prices at extreme levels. At the same time, early indications for 2026/27 point to a later West African crop, with lower production potential and greater exposure to weather risks. This combination should continue to guide the market through year-end. Available supply is likely to limit sustained upside moves, while reduced visibility on the next harvest preserves a risk premium and keeps volatility elevated.

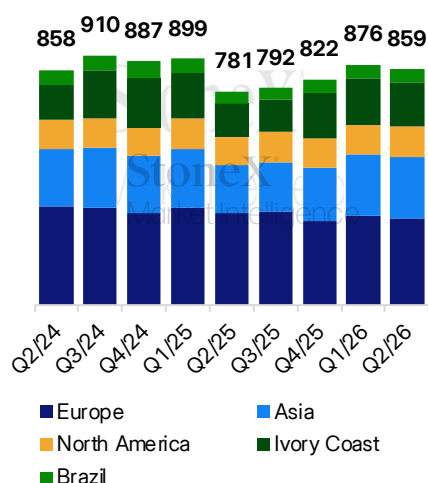
Cocoa Futures, second continuous contract



Source: ICE. Design: StoneX.

Côte d'Ivoire remains at the center of this discussion. The recently completed crop performed far better than the previous two seasons, driven mainly by the strength of the mid-crop. The increase coincided with still-weak industrial demand and led to a relatively rapid rebuilding of availability across the supply chain. Part of this improvement is already visible in certified stocks on international exchanges, which have resumed growth after two years of contraction. The recovery in stocks provides buyers with greater protection during the transition between crops and reduces the risk of an immediate squeeze. Even so, the exceptional volume recorded in the country should not be automatically expected to be repeated in future seasons. Ivorian authorities themselves indicated that production exceeded what would normally be

Grinding in main processing regions (000 ton)



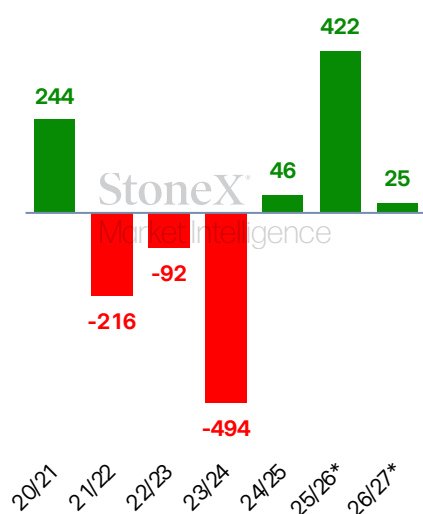
Sources: ECA, CAA, NCA, AIPC and GEPEX.
Design: StoneX.

expected on agronomic grounds, suggesting that commercial factors and the increased formalization of deliveries also contributed to the outcome.

The outlook for 2026/27 incorporates a normalization of supply, with African production declining from the previous season's high base. Pod counts indicate slower development in Côte d'Ivoire and Ghana, particularly among fruit closer to maturity. The improvement seen in early-stage pods offers some relief for the later months, but does not fully offset concerns about a weak start to the season. The most likely scenario involves lower bean flows during the first part of the fourth quarter, followed by a gradual acceleration from late October into November. This distribution could create periods of tighter conditions in the physical market, even without an equivalent decline in annual volume. The key benchmark will be the strength of the recovery in deliveries throughout November. If the expected increase materializes, much of the current concern should be interpreted as a seasonal shift. Continued weakness would bring the market closer to a more effective supply constraint.

Producer remuneration adds uncertainty to the assessment of West African volumes. The Ivorian system had to absorb a larger-than-expected crop amid falling international prices and weaker demand, which raised support costs and led to a reduction in the farmgate price. The subsequent recovery in futures prices once again widened the gap between the exchange and domestic remuneration. This difference could reduce investment in crop management, encourage bean retention, and support cross-border flows into neighboring countries. Ghana offers relatively more attractive prices and may receive part of this volume, particularly in areas near the border. Ghanaian purchases and Ivorian deliveries should therefore be assessed jointly. Shifts in where cocoa is marketed may alter each country's official data without producing the same change in the region's aggregate supply.

Global cocoa balance (000 ton)

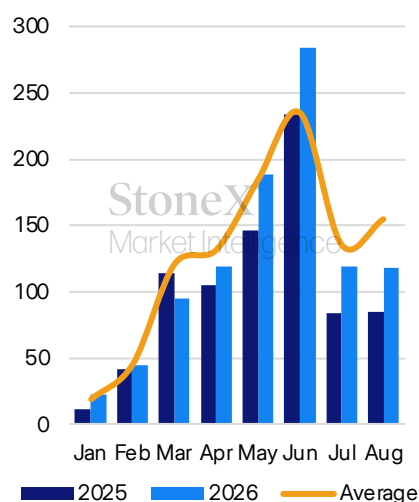


Source: ICCO and StoneX.
*Elaboration and Estimate: StoneX.

Weather should also become increasingly important as the quarter progresses. Heavy rainfall in June restored soil moisture in West Africa, but also increased reports of disease and losses during the early stages of pod development. In the following months, rainfall moved closer to normal and moisture levels declined again, leaving crops more dependent on regular precipitation during the filling of late pods. Attention should gradually shift toward the Harmattan around the turn of the year. Warmer, drier winds are part of the region's seasonal pattern, but more intense episodes can reduce bean weight, accelerate ripening, and impair mid-crop development. A strengthening El Niño increases this exposure, although the scale of any losses will continue to depend on the conditions actually observed across producing regions.

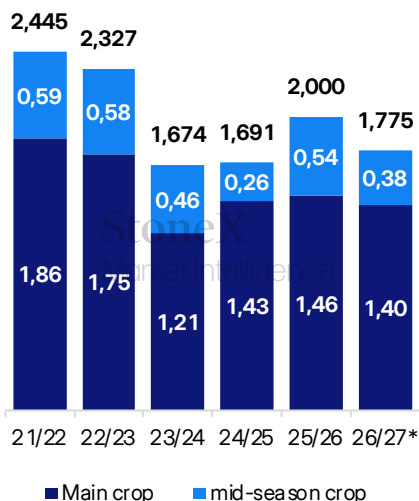
Outside West Africa, performance across the main origins is likely to be more mixed. Ecuador continues to expand its share through area growth, productivity gains, and the broader adoption of technology-intensive commercial production systems. This trend provides some stability to the balance and gradually reduces the concentration of global production, alongside more moderate gains in countries such as Brazil and Peru. Growth in these origins improves the responsiveness of global supply, but they still lack sufficient scale to fully offset a potential crop failure in the two largest African producers. Indonesia presents the most concerning weather outlook, with lower rainfall, high temperatures, and declining moisture across

Monthly rainfall in Ivory Coast (mm)



*Estimate. Source: StoneX ComdtyView.
Design: StoneX.

Production by season in Ivory Coast (000 ton)



Source: GEPEX. Design: StoneX.
*Estimated.

producing areas. The duration of this pattern will be decisive in determining how much of the recent recovery can be preserved during the next crop.

On the demand side, the latest signals indicate that the period of the steepest processing contraction is probably behind us. Grindings have resumed growth in several regions, supported by greater bean availability and costs below the peaks of the crisis. However, the improvement still appears to combine a partial recovery in activity with the rebuilding of industrial stocks. During the shortage, processors reduced inventories of cocoa products to maintain contracts and commercial flows. With raw material more readily available, part of the recent increase in grindings may be rebuilding this inventory cushion. This process is supportive of bean demand in the short term, but is likely to lose momentum once stocks return to adequate levels.

Trade in cocoa products still offers limited support for a stronger recovery in end consumption. Butter and liquor continue to face weak offtake, while powder has performed relatively better. This divergence constrains the expansion of grindings because butter and powder are produced jointly. Stronger demand for powder increases butter supply, putting pressure on inventories and margins when the chocolate industry does not absorb the same volume. The changes implemented during the period of high prices are also likely to persist. Pack-size reductions, reformulations, and greater use of alternative fats required industrial and commercial adjustments that will not be reversed quickly. Demand is likely to recover gradually as lower prices are passed through to consumers and the competitiveness of cocoa products improves.

Price formation should continue to reflect the gap between current availability and forward production risk. Larger stocks, moderate demand, and a more sizable recently completed crop, on the one hand, reduce support for prices. On the other hand, the delayed African crop, the possibility of a more intense Harmattan, and weather signals in Indonesia limit the scope for a deeper correction, especially while visibility remains low on the volume expected to reach ports during November and December. In addition, financial factors and speculative positioning may amplify market volatility, as the current balance supports the case for lower prices while the next crop remains subject to revisions.

Our outlook for the fourth quarter remains moderately bearish, accompanied by elevated volatility. Accumulated supply should be sufficient to bridge a slower start in West Africa, particularly while demand for cocoa products remains weak. A more consistent recovery in African deliveries would favor a renewed easing in prices toward the end of the year. Persistently low volumes, combined with deteriorating weather conditions, would quickly erode the buffer left by the previous season. The market is moving beyond the most critical phase of the shortage, but it still needs to confirm whether the production recovery will prove sustainable. Secondary producers are helping to diversify supply, while West Africa continues to determine the direction of the balance. In this environment, the fourth quarter should consolidate prices below recent extremes, although they are likely to remain supported by a premium associated with limited visibility on the new crop.

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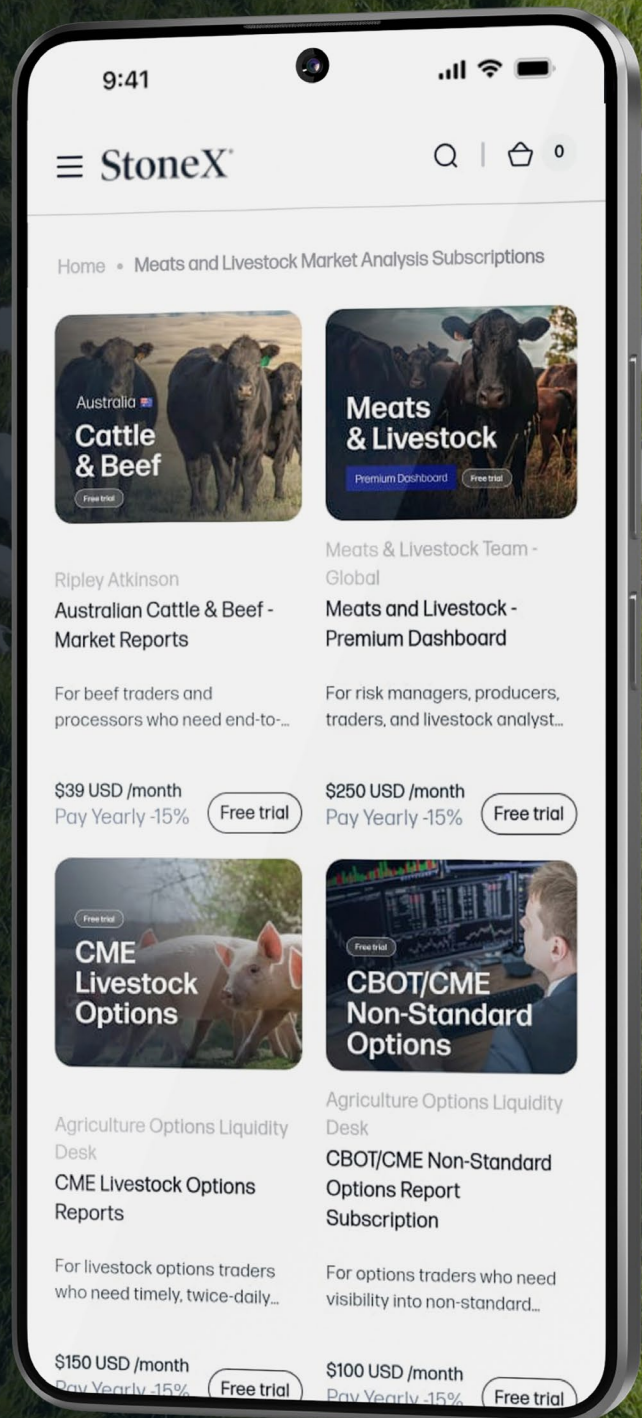
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Brazilian Cattle



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Bullish Factors

- ▲ Lower slaughter volumes and continued female retention;
- ▲ Resilient and increasingly diversified export demand;
- ▲ Consumer trends increasingly supportive of animal protein consumption.

In a world with growing protein demand, Brazil is expected to further consolidate its position as the world's largest beef exporter. Nevertheless, export growth is likely to moderate as cattle supplies tighten due to the ongoing transition in the cattle cycle. More than a competition for markets, the coming quarter will be shaped by how the supply chain adapts to a new supply-and-demand environment, both domestically and internationally.

On the demand side, the most significant development of 2026 was the implementation of China's import quotas. More than a quantitative restriction, the measure represented a structural shift in how trade flows are distributed throughout the year. For the first time in nearly a decade, the first half of the year became the period with the highest export volumes, reversing a historical pattern in which a large share of exports was concentrated in the final months of the year.

Live cattle continuous index on B3 (BRL/@)



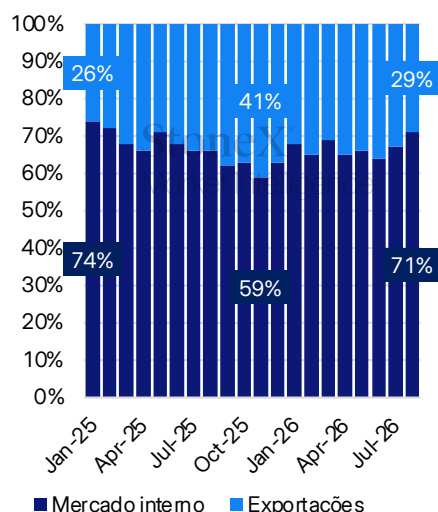
Source: B3. Design: StoneX.

Bearish Factors

- ▼ Growing sanitary and traceability requirements among importing countries;
- ▼ Uncertainty surrounding the evolution of China's trade policies;
- ▼ Greater competition among exporters for market share displaced by Chinese import quotas.

This new dynamic affects more than just slaughterhouse procurement schedules. It also changes how feedlots organize production. As delivery windows move earlier in the year, replacement purchases are expected to occur sooner as well. The ripple effects extend across the broader agricultural sector. Feedlot placement decisions directly influence the purchase timing of key feed ingredients such as corn, DDGs, sorghum and, depending on the region, citrus pulp and cottonseed. In other words, changes in export seasonality are likely to reshape planning decisions, cost structures and profitability expectations throughout the cattle supply chain.

Brazilian beef supply allocation



Sources: IBGE and SIF. Design: StoneX.

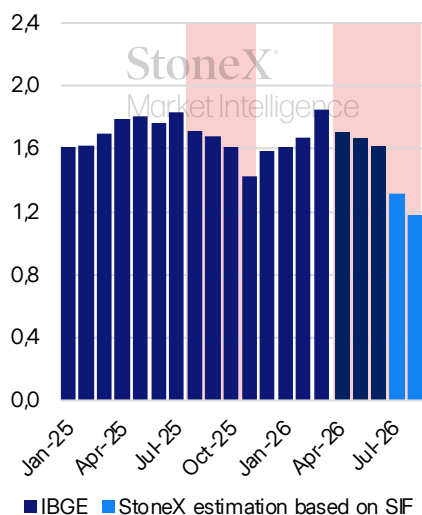
Despite the increasing adoption of intensive production systems, most Brazilian cattle are still raised on pasture. As a result, weather conditions remain a key determinant of cattle availability. While recent years were marked by concerns related to La Niña, particularly regarding forage availability and reproductive performance, the current El Niño cycle shifts attention toward rainfall distribution across key producing regions.

According to StoneX weather projections, Southern, Southeastern and parts of Central-Western Brazil should experience favorable pasture conditions. In contrast, Northern Brazil may face a more restrictive environment, despite being one of the regions responsible for much of the country's recent herd expansion.

While demand has undergone important structural changes, supply is also beginning to show increasingly clear signs of transition. The first half of 2026 recorded the largest first-half slaughter volume in Brazil's history, with more than 21 million head processed according to data from the Brazilian Institute of Geography and Statistics (IBGE). However, more recent figures suggest this expansion is beginning to lose momentum.

Data from Brazil's Federal Inspection Service (SIF), along with StoneX estimates, indicate that female participation in slaughter has declined for five consecutive months. In August, just over one million females were slaughtered, the lowest level since late 2024. In practice, this provides further evidence that cow retention is intensifying and that the cattle cycle transition is already well underway. With the arrival of spring and the beginning of the breeding season, this retention trend is expected to strengthen further, limiting future supplies of finished cattle.

Female cattle slaughter (million head)



Sources: SIF, IBGE, StoneX. Design: StoneX.

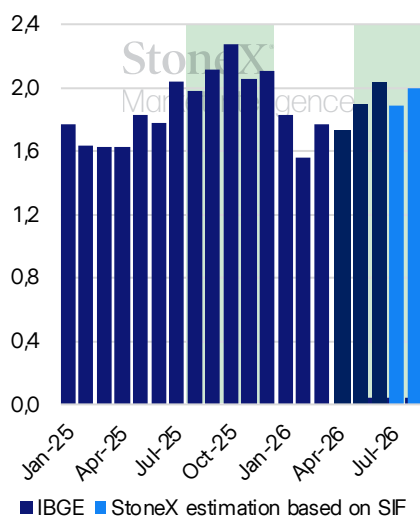
Although much of the attention remains focused on exports, Brazil's domestic market continues to be the primary consumer of Brazilian beef. Unlike its Mercosur peers, Brazil benefits from a consumer base capable of absorbing more than half of national production, a characteristic that has historically provided an important source of demand support.

When China announced its import quotas, the key question was how long it would take Brazil to reach the established limit. Last year, the equivalent volume was only reached in September. In 2026, however, our estimates indicated that the quota had already been filled by early July, even before official confirmation from Chinese authorities. Considering that some shipments made at the end of 2025 only cleared Chinese customs in 2026, the pace at which the quota was filled became even more evident.

The measure reflects China's attempt to support domestic beef prices after years of growing competitive pressure from imports. Even so, uncertainty remains regarding the ability of other suppliers to fully replace Brazilian volumes. Uruguay, for example, has already indicated difficulties in fully utilizing its share of the quota.

While China sought to support domestic prices through import restrictions, the United States moved in the opposite direction. After operating with the smallest cattle herd in decades and facing elevated beef prices, the market shifted from what became known as the "tariff shock" to a temporary exemption for ground beef made from lean trimmings.

Male cattle slaughter
(million head)



Sources: SIF, IBGE, StoneX. Design: StoneX.

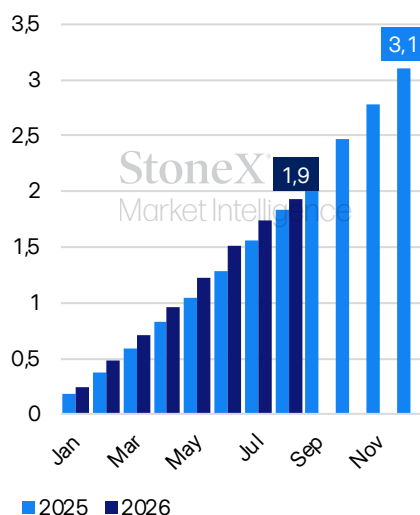
Although limited in duration, the measure highlights concerns about consumer food budgets and raises questions regarding how quickly these benefits may be passed through to retail prices.

The European Union also became a major topic following restrictions linked to antimicrobial-use traceability requirements. The announcement accelerated shipments ahead of implementation and once again highlighted the growing importance of robust control and traceability systems for access to higher-value markets. Although negotiations are ongoing, adapting the beef supply chain is expected to require additional time due to its complexity.

At the same time, recent developments reinforced the fact that international demand for Brazilian beef extends far beyond China. Markets across Latin America, the Middle East, Asia and Eurasia continued expanding their participation. The message is clear: China and the United States remain Brazil's two most important beef trading partners, but the growing diversification of export destinations further strengthens the competitiveness of Brazilian beef in global markets.

Another trend worth monitoring is the transformation of consumer habits driven by the growing adoption of GLP-1-based medications. Early signs point to reduced consumption of ultra-processed foods and increasing demand for products with stronger nutritional profiles. In this environment, the protein sector emerges as one of the main beneficiaries, with meat and dairy products occupying a central role in diets focused on higher protein intake.

Total Brazilian beef exports
(million metric tons)



Source: Comex Stat. Design: StoneX.

In my view, Q4 2026 is likely to consolidate two trends that have been developing throughout the year. The first is a gradual tightening in cattle supply, driven by female retention and the progression of the cattle cycle transition. The second is the ability of international demand to continue absorbing significant volumes of Brazilian beef despite increasing trade restrictions and evolving global consumption patterns.

This combination of tighter supply and resilient demand helps explain the firm tone observed in both the physical and futures markets. With 2027 contracts already trading near BRL 390 per arroba, market participants continue to price in a scenario of tighter cattle availability in the months ahead. As such, fundamentals remain supportive for the Brazilian cattle sector. The combination of female retention, tighter future supplies, more diversified export destinations and structurally growing global protein demand suggests a continued favorable environment for the industry. It reflects a cattle sector entering a new phase of the cycle, characterized by reduced cattle availability and an international market that continues to require increasing volumes of Brazilian beef.

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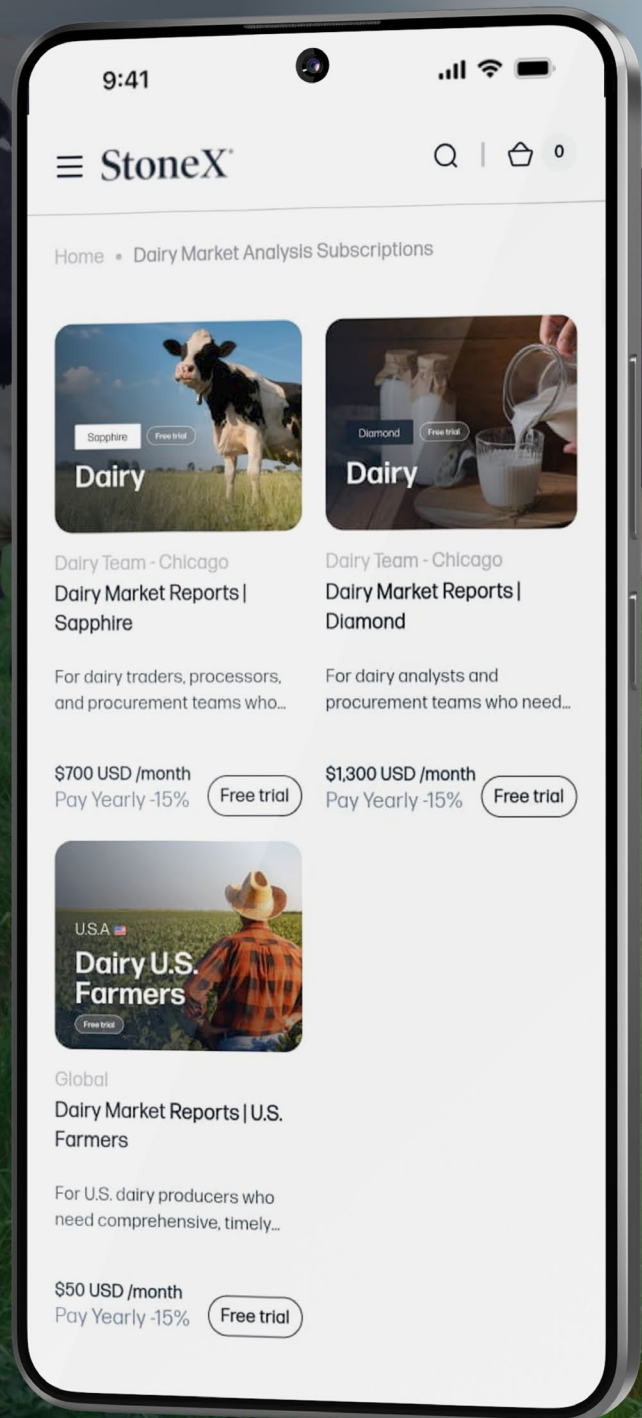
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Dairy



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Director
Dairy Market Insight



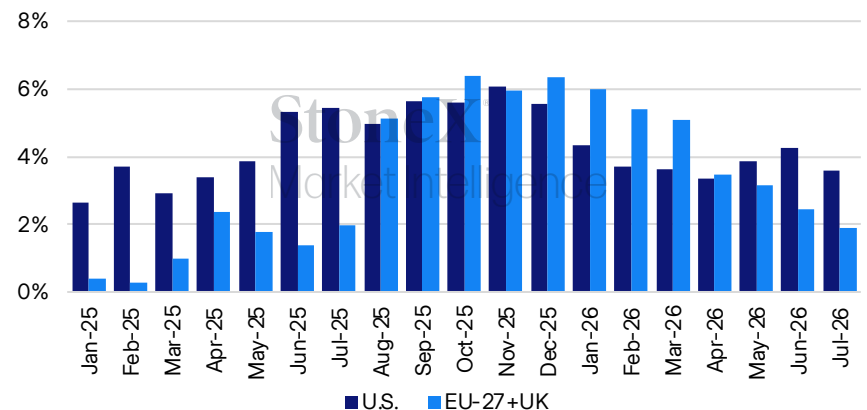
Juliana Torres
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Bullish Factors

- ▲ Dairy demand has remained exceptionally strong in recent months;
- ▲ Rising production costs, particularly feed costs, are expected to pressure producer margins;
- ▲ El Niño and animal health-related issues continue to put risks for milk production.

Global dairy markets generally firmed during the third quarter, led by Europe. Hot and dry conditions in Europe have amplified concerns about tighter feed supplies and a bigger slowdown in milk production. The strengthening El Niño is also a concern for milk production in the Southern Hemisphere in coming months too. However, the recent milk production numbers (July/August) have generally been better than expected and are still up significantly from last year which has applied some downward pressure to dairy prices in mid-September.

Milk Production Growth – U.S. and EU (Adjusted to 4.0% fat/3.4% Protein, 30 Day Months)



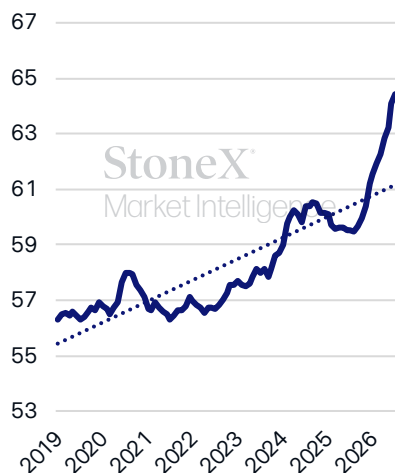
Source: USDA, Eurostat, Defra, StoneX Calculations and Estimates.

Bearish Factors

- ▼ Global milk production exceeded expectations in July and August;
- ▼ Some buyers have already built inventories and may delay additional purchases;
- ▼ European inventories remain elevated, particularly for butter;
- ▼ Seasonal milk supply is increasing in Brazil.

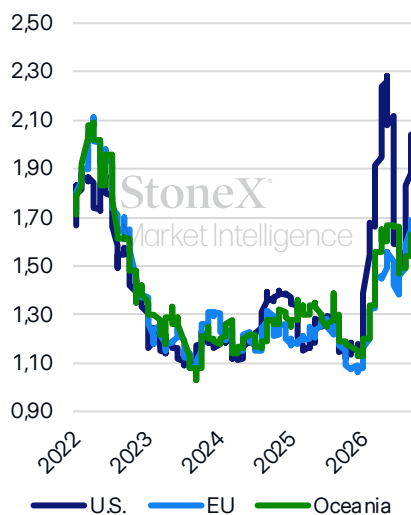
Hot and dry weather hit parts of Europe during June, July and August which dented crop yields and reduced milk production. Milk production growth, after adjusting for components, slowed from 5.1% in March to 1.9% in July. With that said, the growth in July was stronger than forecast and the early indications for August and September are holding up better than expected as well. Anecdotally some are saying that high quality feed from the '25/26 season is still being fed and we won't see the impact of lower quality '26/27 feed showing up until possibly January. However, we're lapping over huge growth from September onward and we still expect production to be down a little from last year from September through the first quarter.

World (minus China) Milk
Equivalent Imports (12 Month
Rolling Total, Million MT)



Source: GTT. Design: StoneX.

Nonfat Dry Milk/Skim Milk
Powder Prices (USD/lb.)



Source: CME, GDT, EEX. Design: StoneX.

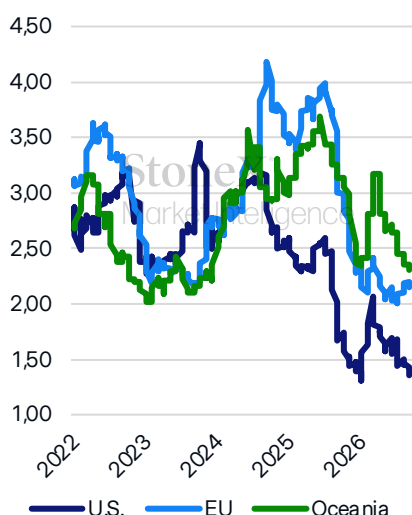
The U.S. dairy herd is at its highest level since early 1992. Over the past two years a record number, 388,000 head (+4.3%) have been added to the milking herd. Farmers are reacting to record high margins in 2024/2025 which were helped along by increasing prices and sales of dairy-beef crossbred calves as well as new milk processing capacity coming online. While calf/slaughter prices have pulled back from their record highs, margins for farmers continue to look like they will be above average. There are also a slew of new plants and expansions that will be coming online over the next two years which should support further production growth. With margins moving lower, we have seen milk production growth slow from 5.5% growth in December to 3.6% in July (after adjusting for components), but the larger herd should keep milk production growing compared to last year.

New Zealand is off to a strong start. Milk solids production for the first three months of the season were up 4.3% from last year (on top of 4.4% growth last year). The weather through mid-September was close to average and pasture growth has been at normal levels. El Nino continues to strengthen and is a downside risk for production later this season, but so far the season is off to a strong start. Global demand has been amazingly good. Global milk equivalent imports by countries other than China were up 8.3% over the past 12 months with imports of all the major dairy products (WMP, SMP, cheese, butter/AMF) up. Some of the import surge has likely been driven by stockpiling in importing countries, particularly for butter which could quickly limit import demand if butter prices rise quickly. It feels like demand has backed off again in mid-September as milk production has been better than expected across the major exporters, but if the data starts to come in weaker than expected or concerns about El Nino negatively impacting milk production flare-up, then buyers could continue to stockpile even as prices firmed.

Brazil enters the fourth quarter with a seasonal increase in milk production. While output in the South was already recovering during the third quarter, improved rainfall across most producing regions has supported forage availability and milk supply. Even so, production growth remains well below last year's pace, with milk collections rising only 1.0% year-over-year in the second quarter, compared to 10.2% growth a year earlier. El Niño remains an important risk factor: drier and hotter conditions in the Northeast and parts of the Southeast could reduce milk production and forage availability, while heavier rainfall in the South may increase the risk of extreme weather events that could disrupt milk collection and farm operations.

Farmgate milk prices remained supported through most of the year, averaging close to BRL 2.88/liter in July and August. However, market conditions began to shift in September as milk availability increased and dairy product markets weakened. UHT milk and mozzarella prices have already started to soften due to growing supply, higher inventories, and more cautious buying activity. Whole milk powder prices remained largely sideways, constrained by high stocks and strong competition from imports, although a recovery in purchasing activity could provide some support later in the quarter.

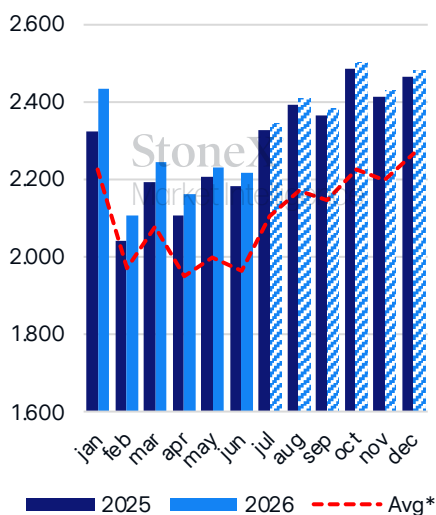
Butter Prices (USD/lb.)



Source: CME, GDT, EEX. Design: StoneX.

On the demand side, Brazil market performance has remained relatively positive throughout 2026. Despite last year's strong increase in milk production, dairy products have generally maintained favorable price levels, suggesting that the market has absorbed much of the additional volume. As a result, the extent of price declines during the fourth quarter will largely depend on demand's ability to keep pace with the seasonal increase in milk supply. With supply and demand appearing more balanced than in 2025, unexpected production shortfalls could have a more pronounced impact on the market.

Brazil I Milk collections
(millions of liters)



Source: IBGE. Design and Estimates: StoneX.
*5 year average.

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Brazilian Real Market Reports

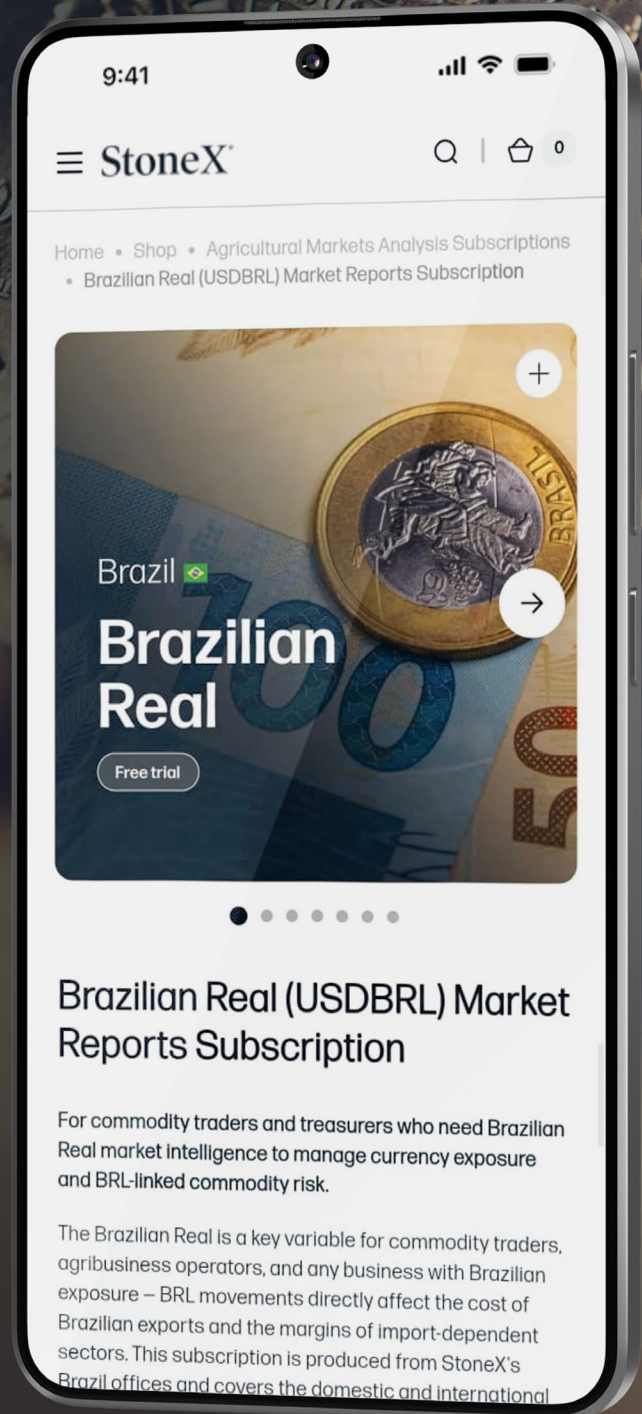
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Brazilian Real



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Bullish Factors

- ▲ Higher-for-Longer U.S. Interest Rates;
- ▲ Potential for further cuts to Brazil's Selic policy rate;
- ▲ Possibility of the current federal administration being re-elected.

The outlook for the Brazilian real in the fourth quarter of 2026 includes risk factors pointing in both directions. On one hand, expectations that U.S. interest rates will remain higher for longer, the possibility of additional cuts to the Selic rate, and the prospect of the current federal administration securing re-election could weigh on the Brazilian currency. On the other hand, elevated inflation risks and uncertainty in Brazil, the possibility of a change in government, and expectations of continued trade surpluses could support a stronger real in the months ahead.

USDBRL (R\$/US\$) and Dollar Index (points)



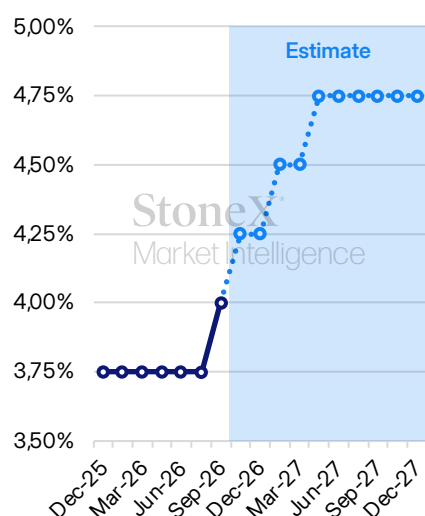
Source: StoneX cmdtyView. Design: StoneX.

Bearish Factors

- ▼ An environment of elevated inflation risks and uncertainty in Brazil;
- ▼ Possibility of a change in government following the election.

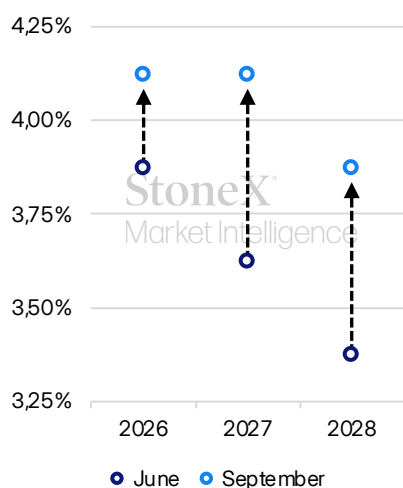
The main driver of the Brazilian currency in the final quarter of the year is likely to be the presidential election in October. Recent market movements suggest that investors favor a change in administration, viewing a new president as potentially more fiscally conservative and better positioned to improve the long-term sustainability of Brazil's public debt. Although Flávio Bolsonaro's recovery in voting intentions during September boosted investor optimism, both Luiz Inácio Lula da Silva and Flávio Bolsonaro were statistically tied in virtually all major polls by the end of the month, making it nearly impossible to predict the outcome. As a result, the election is likely to have a significant impact on the real. A victory by Flávio Bolsonaro would probably ease concerns about Brazil's fiscal outlook, reduce the risk premium demanded by investors, encourage foreign capital inflows, and strengthen the currency. A Lula victory would likely have the opposite effect, putting downward pressure on the real.

Federal funds rate expectation (% p.a.)



Source: CME Fedwatch – highest probability on 09/24/26. Design: StoneX.

FOMC members' median projections for US interest rates at the end of each year (% p.a.)



Source: Federal Reserve. Design: StoneX.

Internationally, U.S. monetary policy is expected to remain the primary driver of the dollar's global performance. Recent economic data continue to point to a resilient U.S. economy, supported by robust growth in both consumer spending and business investment. The labor market remains stable, with unemployment still near historically low levels. Hiring and layoff rates are both subdued, consistent with a labor force that is expanding only gradually following the sharp decline in migration flows into the United States.

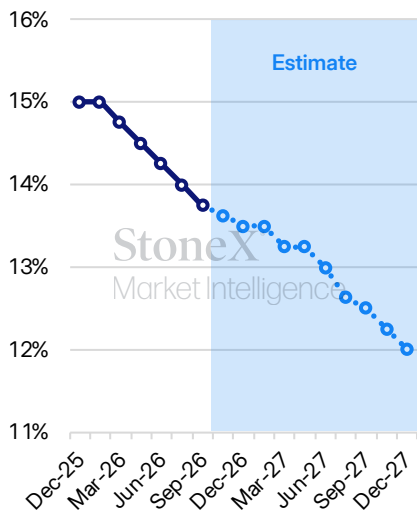
Inflation, however, remains a challenge, driven both by stronger domestic economic activity and by global price pressures. Geopolitical tensions in the Middle East remain elevated and continue to disrupt maritime trade throughout the Persian Gulf region. With little prospect of near-term improvement, supply constraints are likely to persist in key commodities and intermediate goods, including crude oil, natural gas, fertilizers, and petroleum-derived products such as fuels, petrochemicals, and plastics. In addition, there are signs of a global semiconductor shortage, reflecting the rapid expansion of investment in artificial intelligence-related infrastructure.

This combination of a stable labor market, stronger economic activity, and broader, more persistent price pressures leaves the balance of risks in the U.S. economy tilted toward inflation. As a result, investors had already been pricing in a higher-for-longer interest rate environment. Those expectations intensified as the Federal Reserve adopted a firmer stance in its effort to bring inflation under control. At its September meeting, the Fed unanimously raised interest rates for the first time since 2023, and Chair Kevin Warsh indicated that the move could mark the beginning of a new tightening cycle. In the economic projections released alongside the decision, 16 Fed officials anticipated at least one additional rate increase before year-end. The median projection also pointed to higher policy rates in 2026, 2027, and 2028 compared with the forecasts published in June. The prospect of higher U.S. interest rates for longer increases the expected returns on U.S. assets and supports capital inflows into the country, strengthening the dollar globally and, in turn, creating headwinds for the Brazilian real.

In Brazil, the outlook for monetary policy is more uncertain. On one hand, the Monetary Policy Committee (Copom) has already reduced the Selic rate by 1.25 percentage points, and the median estimate in the Focus Survey points to an additional 1.75 percentage points of cuts by the end of 2027. Expectations for lower interest rates reflect a slowdown in economic activity, suggesting that monetary policy is already restrictive. Growth has moderated, particularly in sectors most sensitive to the domestic business cycle, such as manufacturing, retail, and services. Household consumption fell by 0.4% between the first and second quarters of 2026, while credit demand has also lost momentum, especially in longer-term lending segments that are more sensitive to borrowing costs. Inflation readings for June, July, and August were relatively subdued, bringing both headline and core inflation over the previous 12 months back within the central bank's target tolerance range.

Expectations of additional Selic cuts, combined with the prospect of further rate hikes by the Federal Reserve, reduce the expected interest rate differential between Brazil and other economies.

Median estimate for the Brazilian interest rate (% p.a.)

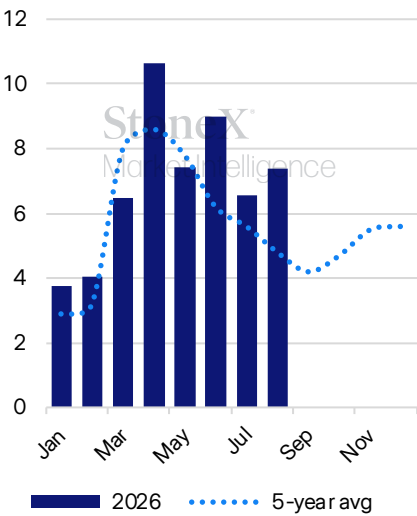


Source: Central Bank of Brazil - Focus (09/18/26). Design: StoneX.

Because foreign investment in fixed-income securities represents a significant source of capital inflows, a narrower rate differential could discourage foreign investment and contribute to a weaker real.

That said, the Central Bank has adopted a more neutral tone and has refrained from signaling its next steps, emphasizing the unusually high degree of uncertainty and the still-challenging inflation backdrop. Among the factors warranting caution is the outlook for higher oil and refined-product costs resulting from the prolonged geopolitical impasse in the Middle East discussed above. In addition, expectations of a very strong El Niño event could reduce the supply of several agricultural products and keep food prices under upward pressure through mid-2027. The irregular rainfall patterns associated with the phenomenon could also require greater reliance on thermoelectric power generation at a time of elevated fuel costs, adding to inflationary pressures. The Central Bank has further noted that long-term inflation expectations remain unanchored among market participants, affecting the credibility of monetary policy. Finally, while job creation and wage growth have stabilized in recent months, the labor market remains historically tight. Taken together, these factors increase inflation risks and, if they materialize, could lead to a slower pace of Selic rate cuts. That, in turn, would improve expectations for Brazil's interest rate differential, support capital inflows, and strengthen the real.

Monthly Brazilian trade balance



Source: Secretariat of Foreign Trade (Secex). Design: StoneX.

Finally, expectations of another strong trade surplus could provide additional support for the Brazilian currency. The Central Bank projects a trade surplus of US\$75 billion in 2026, up US\$15 billion from the previous year, driven by higher export volumes and prices for oil and refined products, as well as continued growth in agricultural exports. This strong trade performance should offset part of the projected current account deficit and contribute to a stronger Brazilian real during the fourth quarter of 2026.



Argentine Peso



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StoneX Argentina Fixed Income

Bullish Factors

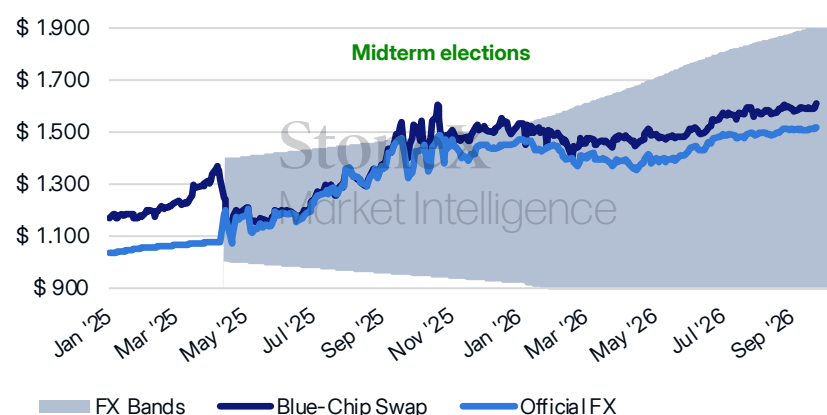
- ▲ Trade surplus at USD 18.2bn year-to-date, strongest in real terms since 2009;
- ▲ USD 14.3bn purchased year-to-date, plus untapped swap lines and futures capacity;
- ▲ Dollar lending flexibilization could mobilize roughly USD 6bn of non-agro supply.

Bearish Factors

- ▼ Sovereign spread decoupled from peers toward 525bp as global rates tighten;
- ▼ USD 11bn Bonar target looks hard to complete in a saturated local market;
- ▼ Reserve firepower will be diverted from FX defense toward debt service.

The peso has finally cleared the line the authorities spent August defending. Holding the official rate below ARS1,500 took a visible combination of levers: short peso rates pushed sharply higher, peaking near 26.5% against a July average closer to 22.6%; dollar-linked paper placed into the secondary market; and a wider short futures book at the BCRA. Once the ceiling gave way the rate settled at ARS1,514 and peso rates promptly retreated toward where they had opened the month, confirming the defense was tactical rather than structural.

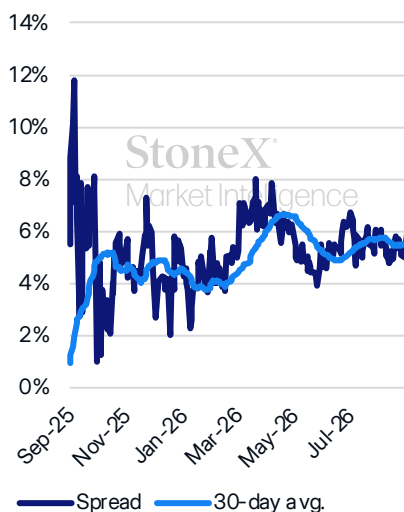
FX Band, NDFs and Carry-trade FX breakevens



Source: StoneX Research Argentina from A3 data and Refinitiv.

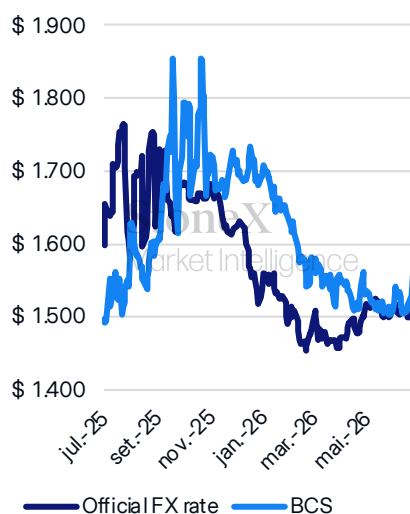
The FX complex has yet to confirm any rebuild in outflow pressure. The official-to-MEP gap has widened only to 1.2-1.9% from recent lows near flat, and the MEP-to-BCS spread closed at 4.1%. We see that spread struggling to break back below 4% and lateralizing near current levels absent a catalyst in either direction. More telling than the spot move is what has happened to the official bid. Daily BCRA purchases have collapsed to USD8-12mn, leaving the month-to-date tally near USD203mn—the weakest monthly accumulation of the year—against USD14.3bn bought year-to-date, the largest for a comparable stretch on record. We read this as deliberate. The program has been carrying two objectives simultaneously, anchoring the nominal rate to keep disinflation intact and rebuilding the reserve stock, and the seasonal trough between August and October has resolved that tension decisively in favor of the former.

Official FX rate vs. BCS spread



Source: StoneX Research Argentina from A3 data and Refinitiv.

FX rate at constant prices



Source: StoneX Research Argentina based on BYMA and Refinitiv data.

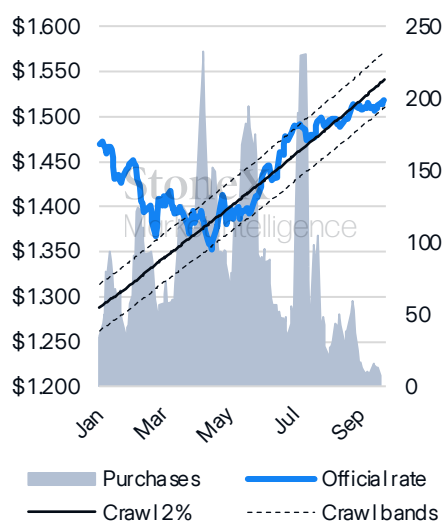
The counterweight continues to come from the external accounts. August delivered a USD2,187mn goods surplus, taking the 2026 cumulative total to USD18,249mn—in constant prices the strongest since 2009—underpinned by export prices running 16.0% higher y-o-y and by an energy complex that has already contributed USD7,864mn, or 43% of the annual balance. That composition matters. This is a price- and energy-led surplus rather than a volume-led one, which makes it durable while terms of trade hold near highs but leaves it hostage to the same commodity cycle now driving developed-market inflation. A second, less discussed supply channel has begun to operate through the banking system. With private FX deposits near USD41.6bn and dollar lending to the private sector at USD25.9bn and still grinding higher, the August decision to let banks lend dollars to corporates without dollar revenue, against up to 15% of FX deposits, could mobilize roughly USD6bn. To the extent those loans are settled locally, they arrive as incremental supply.

The binding constraint, however, is not the flow but the stock and the calendar. The 2027 Budget put a number on the refinancing strategy that the July program had not: Bonar issuance of ARS19.1tn, roughly USD11bn, against the USD5bn previously flagged. That is demanding in any year and particularly so in an election year, set against a domestic market already showing signs of saturation. Finance has now gone three consecutive auctions without placing the Oct-29 Bonar, and this year's USD6bn target is still USD774mn short. The offshore alternative has grown more expensive, not less. Since August the sovereign spread has decoupled from comparable credits, widening from roughly 400bps to 550bps while peers compressed or held flat; polling did the initial damage and activity did the rest, with second-quarter GDP contracting 0.6%.

The global backdrop compounds it. A year that opened pricing two Fed cuts will likely close having delivered two hikes, with the most recent move leaving the door open to another before year-end and the ECB and BoJ leaning the same way. Ten-year Treasuries have reached 5%, the highest since 2007, driven by energy prices now understood as persistent rather than transitory, by developed-market fiscal deficits, and by the competition for long-duration funding coming from AI-related capex. For Argentina that means a firmer dollar, wider risk premia across emerging markets, and a higher risk-free rate arriving precisely as the 2027 maturity wall comes into view. The official response is explicit and, on its own terms, coherent: minimize financial cost and postpone the return to international markets until the sovereign spread and global rates allow materially better terms.

Our concern is what that implies for the FX reserve stock. Accumulation has been the firmest and most positive feature of 2026 and has bought the market a great deal of relief. It has cleared what was required by some distance, and whether it proves sufficient turns on the financing assumption rather than on the stock itself. Absent new issuance, and with amortizations and coupons paid in cash, the sovereign falls short of what we think it will need. Refinance or restructure those maturities and the margin the administration has built leaves it comfortable. Net reserves stand near USD11.4bn, supplemented by the USD20bn Treasury facility defended before Congress, the USD18bn PBoC line and the roughly USD15bn of futures capacity the administration has now referenced as a ceiling—lines that can be drawn on both to build reserves and to meet FX needs.

BCRA FX purchases (right, USD millions) and Official FX in 2026

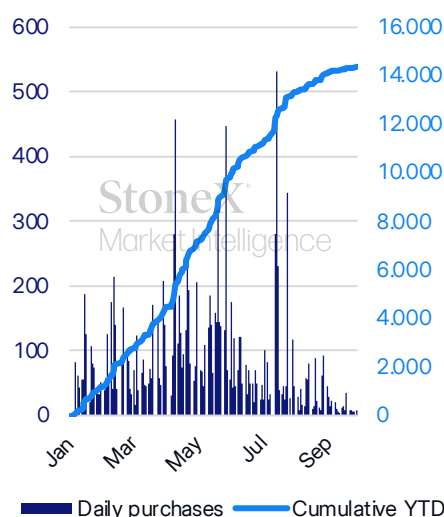


Source: StoneX Research Argentina based on BYMA and Refinitiv data.

The problem is allocation: ammunition earmarked as FX firepower for the electoral cycle will have to be partly redirected toward servicing maturities. We see the primary surplus landing near 1.3% of GDP this year, scraping past the IMF target by 0.1ppt of GDP, and moderating in 2027 while staying positive—an anchor, but not one that buys additional balance-sheet room.

Into the fourth quarter we do not expect nominal depreciation to run materially ahead of prices. Our estimates point to monthly CPI tracking a broadly linear path between 1.6% and 1.8% if current conditions hold: no further compression of consequence, but no step-change either. The internals support that. Core has been stuck at 1.8% and services at 2.0% against goods at 1.4%, so the relative-price correction still underway caps how quickly the trend can fall, even with the three-month geometric average printing its fifth consecutive decline. Passthrough from the late-August adjustment looks contained, though the firmness in high-frequency food readings through September argues against extrapolating the deceleration linearly. On the currency we estimate an average near ARS1,530 in September and ARS1,630 by December. That implies nominal drift running only modestly ahead of the monthly CPI clip, leaving the real exchange rate broadly where it sits rather than materially cheaper. Our base case has the BCRA closing the year with roughly USD16bn purchased, net reserves near USD10bn and the sovereign spread lateralizing in a 480-620bps corridor. The asymmetry there is worth flagging: given the beta the credit carries, any widening in the emerging-market risk premium would be amplified locally rather than absorbed.

BCRA FX purchases in spot market (USD millions)



Source: StoneX Research Argentina based on BCRA data.

Beyond December the question becomes one of supply, with an electoral overlay. The direction of the real exchange rate next year will be settled by how much foreign exchange actually reaches the market and by how early portfolio dollarization begins. Two variables dominate the first: crude, which now cuts both ways for a surplus this dependent on energy, and soybeans. If 2026's pattern repeats and a large share of the crop is held in storage, the flow reaching the market thins regardless of how strong the headline balance looks, and the most probable official response is the 2025 playbook—cutting export duties to pull liquidation forward, which converts a currency problem into a fiscal one. Consensus already sits at ARS2,016 by December 2027, a 23.7% move that would deliver outright real depreciation, and we see the balance of risks tilted in that direction rather than toward the constant real-exchange-rate path the Budget assumes. The setup is consistent with a stable currency through the fourth quarter and a deteriorating asymmetry as the electoral and maturity calendars converge.



Brazilian Weather



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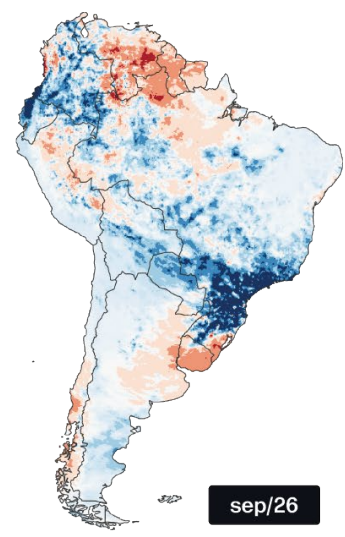
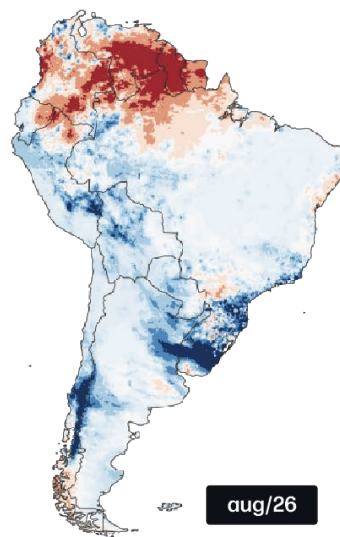
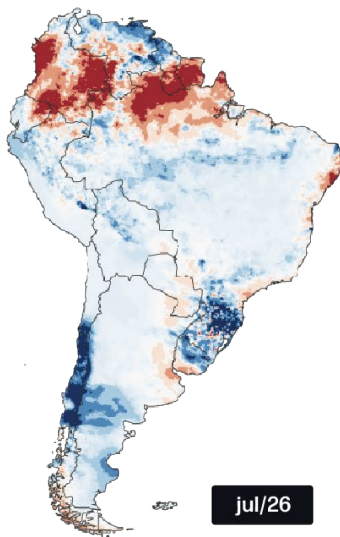
Recent **Conditions**

- Regular rainfall across southern South America, especially in Argentina, Paraguay, and Uruguay, could benefit soybean and corn crops. In Brazil's Center-South, moisture is supporting the recovery of sugarcane ratoons. This scenario could increase supply and ease upward pressure on prices.

The outlook for the fourth quarter of 2026 points to a highly contrasting weather scenario, shaped by a very strong El Niño, a potential positive phase of the Indian Ocean Dipole (IOD), and a warmer-than-normal tropical Atlantic. Together, these factors may alter rainfall and temperature patterns across major producing regions. For agricultural commodities, the main risk is not simply whether conditions become wetter or drier, but rather the timing, intensity, and persistence of rainfall and heat, as well as the crop development or harvest stage during which these conditions occur.

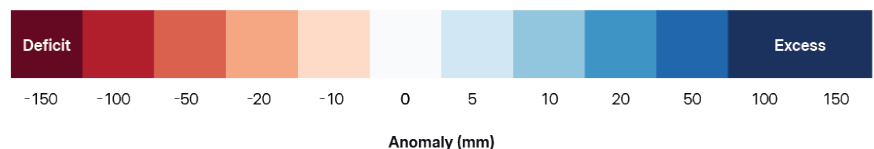
The World Meteorological Organization (WMO) has confirmed that El Niño is firmly established and is expected to continue strengthening, with a near 100% probability of persisting through February 2027. The agency also warns of an elevated risk of extreme heat, droughts, and heavy rainfall events.

Monthly accumulated precipitation

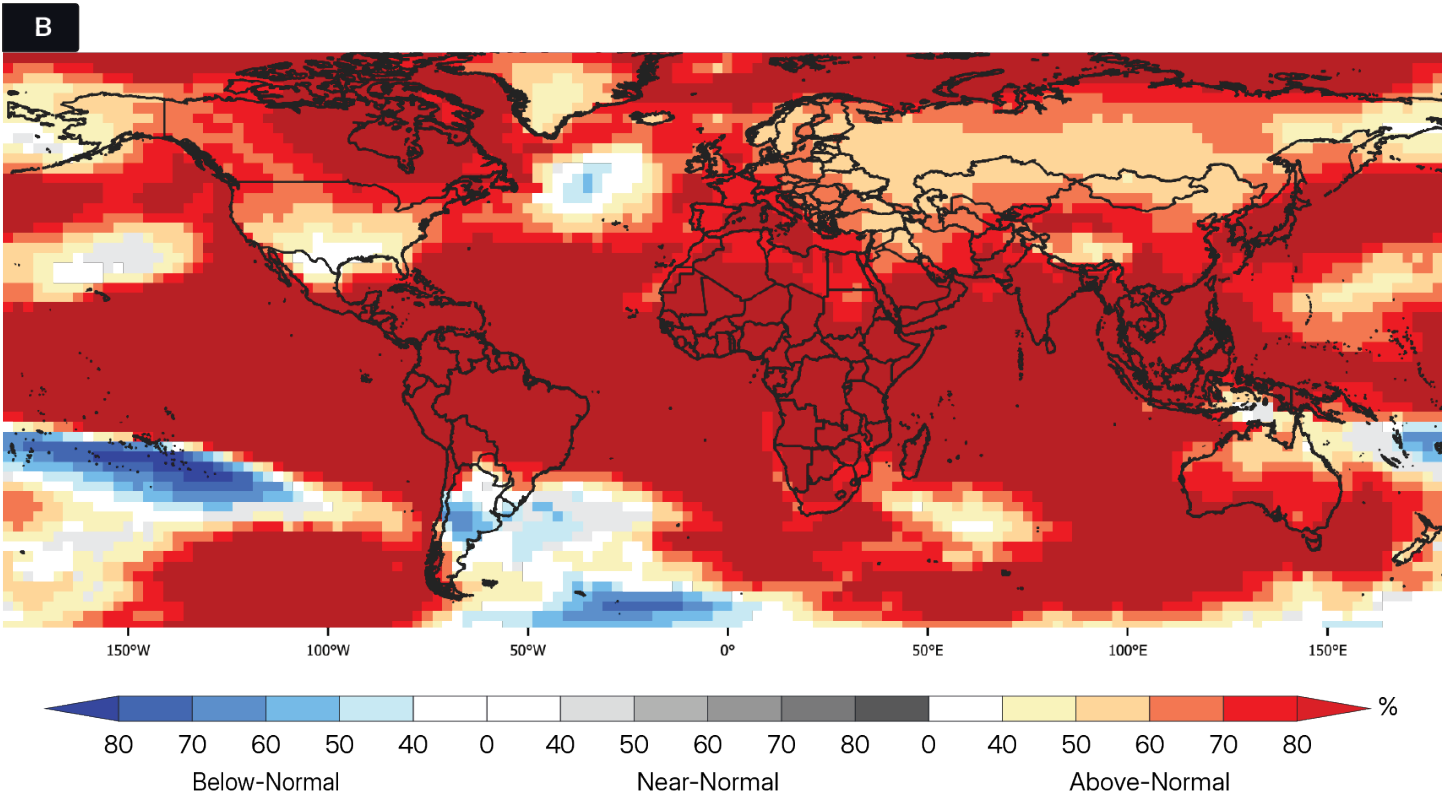
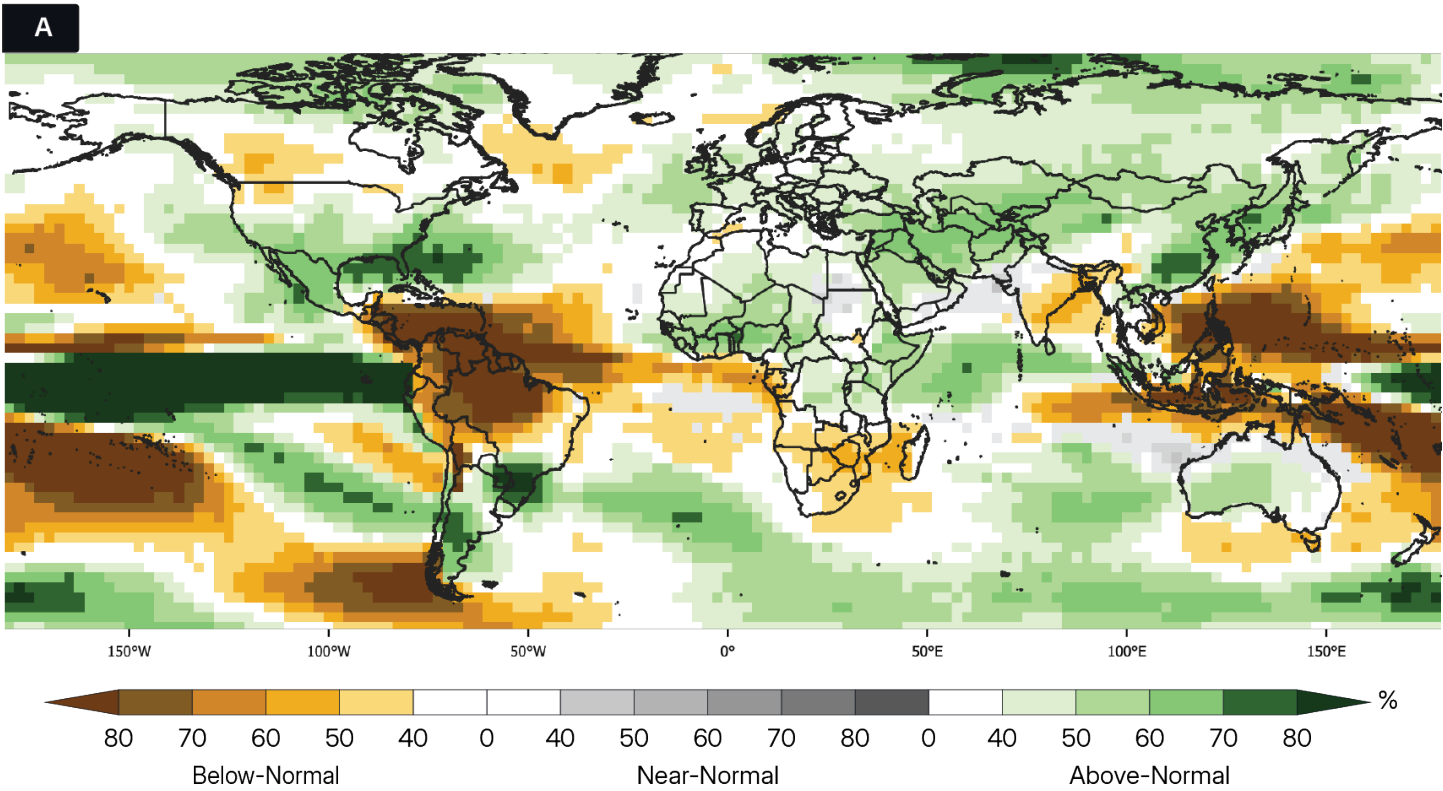


Source: INPE, data obtained using the MERGE technique, which combines observations from weather stations with satellite estimates.

Design: StoneX.

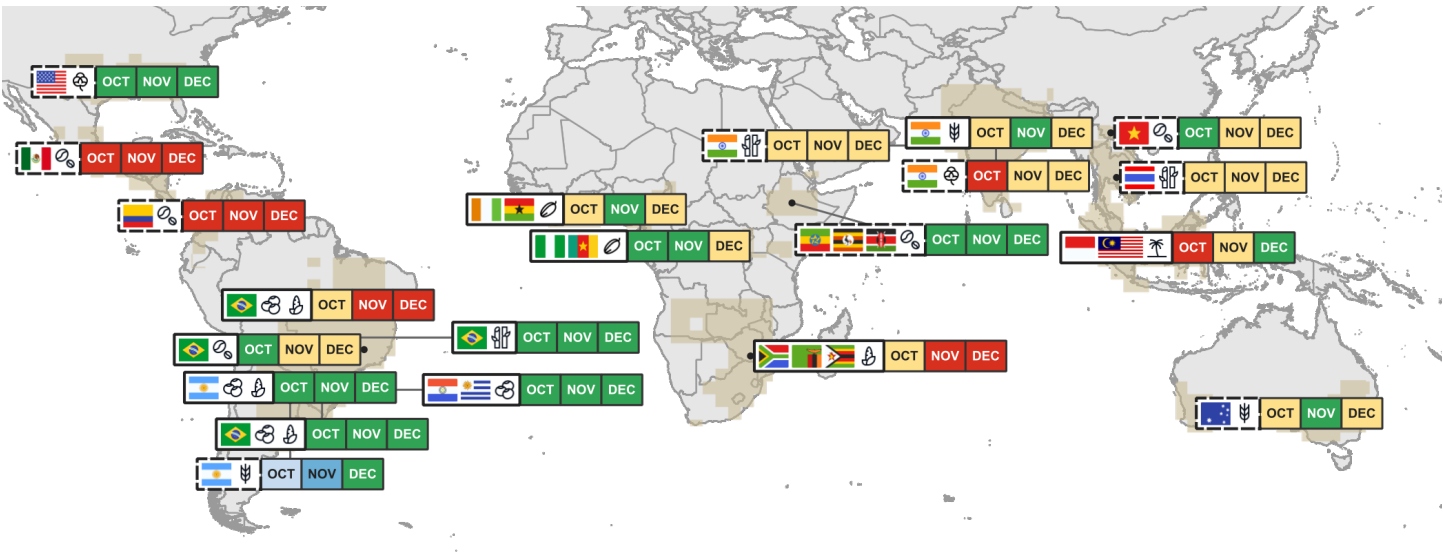


Multimodel probabilistic forecast (ensemble), in percentage, for October, November and December



Based on the following centers: CMCC, CPTec, ECMWF, Exeter, Melbourne, Montreal, Moscow, Offenbach, Seoul, Tokyo, Toulouse, and Washington.
Variables: precipitation (A) and 2-meter air temperature (B). Edition: October, November and December quarter. Design: StoneX.

Rainfall and Temperature Trends in Key Growing Regions: October, November and December



How to read the map

The **flag** shows the country

Box color: shows the expected condition for the month, based on temperature and rainfall combined

Icon shows the commodity

Dashed box outline: marks crops that are being harvested. During harvest, rain can disrupt fieldwork

Growing area: prevailing condition for the quarter

Predominant condition

Stable or wet temperature → near normal ↑ above rainfall ↑ above	Cool and wet temperature ↓ below rainfall ↑ above
Hot and dry temperature ↑ above rainfall ↓ below	Cool and dry temperature ↓ below rainfall ↓ below
Dry temperature → near normal rainfall ↓ below	Warm temperature ↑ above rainfall → near normal
Cool temperature ↓ below rainfall → near normal	No clear signal temperature → near normal rainfall → near normal

Commodities

Coffee	Cotton	Soybean	Corn
Wheat	Cocoa	Sugarcane	Palm Oil

Above or below normal: the upper or lower category is the most likely outcome, with at least a 40% chance. Near normal: the middle category is the most likely outcome, or no category exceeds 40%. Sources: WMO seasonal forecast (multi-model ensemble) and MapSPAM 2020 planted area. Design: StoneX.

Forecast

- Heat and water stress in the Cerrado and Matopiba could delay planting and limit the yield potential of soybean and corn crops. In some coffee-producing countries, drought threatens the next flowering cycle, raising the risk of lower supply and firmer prices.



However, the strength of the phenomenon alone does not determine its impact on each region. Outcomes depend on the time of year, conditions in the Atlantic and Indian Oceans, and the way moisture is distributed across the continent.

The WMO also projects the development of a positive Indian Ocean Dipole (IOD), averaging close to 0.9°C between September and November. Meanwhile, the tropical Atlantic is expected to remain warmer than normal. These factors may reinforce, weaken, or modify the typical effects of El Niño across different regions.

In South America, July and August generally followed the pattern typically associated with El Niño, with above-average rainfall across the southern portion of the continent and reduced precipitation farther north. Compared with the 1998-2020 average, Rio Grande do Sul received 42% more rainfall in July and 65% more in August. In Uruguay, rainfall totals were 28% and 117% above average, respectively. Argentina recorded surpluses of 41% in July and 70% in August. In contrast, Colombia received 41% less rainfall in July and 33% less in August.

In September, however, the core of the rainfall shifted. During the first 23 days of the month, São Paulo received 273% more rainfall than normal, nearly 3.7 times the historical average, while Paraná recorded 181% above normal, or roughly 2.8 times its typical accumulation. At the same time, Uruguay received 83% less rainfall, with only about 17% of the volume usually expected. This represented the lowest accumulation in the 29-year record for the same period.

This transition between August and September has precedent but remains unusual. According to the historical analysis used in this report, the strongest reversal occurred in 2026, followed by 2015. In that year, Uruguay also shifted from an exceptionally wet August to a dry September, while Brazil's Center-South experienced the opposite pattern. Among the years analyzed, only 2015 displayed a comparable evolution. The events of 2002, 2004, and 2009 were weaker, while 2023 followed a different trajectory. This suggests that the strength of El Niño may have contributed to the shift, but the sample remains too small to establish a typical pattern.

The passage of cold fronts, moisture transport from the Amazon, and Atlantic Ocean conditions likely contributed to these outcomes, but they do not appear sufficient on their own to fully explain the observed rainfall volumes. The persistence of precipitation suggests that El Niño may also have altered large-scale atmospheric circulation, favoring repeated rainfall systems across Brazil's Center-South region.

Analysis of Fourth-Quarter Conditions

For the fourth quarter, monthly temperature and rainfall forecasts were analyzed alongside their respective historical averages. This combined assessment helps identify potentially favorable conditions and areas of greater risk for each crop. The interpretation also considers the crop development or harvest stage, as the same weather conditions may benefit one crop while harming another.

When rainfall exceeds normal levels and temperatures remain close to or slightly above average, conditions tend to be favorable, provided moisture does not become excessive.



This scenario is projected for sugarcane in Brazil's Center-South region and for soybeans and corn across southern Brazil, Paraguay, and Uruguay. In these areas, attention should be given to the risk of excessive rainfall, which may hinder planting operations, machinery traffic, and other field activities.

The combination of heat and below-average rainfall represents one of the most concerning scenarios. In Brazil, this risk is concentrated in soybean and corn producing areas of the Cerrado and Matopiba, particularly during November and December. The same pattern may affect corn production in Southern Africa during November and December, as well as palm oil production in Indonesia and Malaysia in October. Higher temperatures increase crop water requirements and, when rainfall is insufficient, may deplete soil moisture and impair plant development.

There are also regions expected to experience predominantly warmer conditions without a clear rainfall trend. This is the case for coffee in southeastern Brazil, particularly during November and December; cocoa in Côte d'Ivoire and Ghana; coffee in Vietnam; wheat in India and Australia; and sugarcane in India and Thailand. In these regions, elevated temperatures may increase crop stress even when forecasts do not indicate a well-defined rainfall deficit.

In harvesting regions, the interpretation changes. Above-normal rainfall may disrupt cotton harvesting in the southern United States and coffee harvesting in Ethiopia, Uganda, and Kenya. Drier conditions may facilitate harvest operations for coffee in Central America, Mexico, Colombia, and Vietnam, as well as cotton harvesting in India. However, because coffee is a perennial crop, prolonged moisture deficits, especially when combined with high temperatures, may reduce soil moisture, weaken plant reserves, and negatively affect the next production cycle, including flowering, fruit set, and bean development.

Finally, some regions face more mixed scenarios. In Argentina, wheat could experience a cooler October, a cool and wet November, and stable to wet conditions in December. For cocoa production in Nigeria and Cameroon, forecasts indicate stable to wet conditions during October and November, followed by higher temperatures in December. These situations require close monthly monitoring, as their impact will depend on the interaction between temperature, rainfall, and crop stage.

In summary, the fourth quarter does not present a single, uniform pattern across producing regions. Heat and below-average rainfall may increase risks for soybeans and corn in Brazil's Cerrado and Matopiba regions, corn in Southern Africa, and palm oil in Southeast Asia. At the same time, excessive rainfall may disrupt planting, harvesting, and transportation activities across southern Brazil, Argentina, Paraguay, and Uruguay. For coffee, drier periods may support harvest progress in the short term, but persistent heat and moisture deficits could compromise the next production cycle. The combined influence of El Niño, the IOD, and Atlantic Ocean conditions reinforces the need to monitor not only quarterly averages, but also monthly developments in rainfall, temperatures, and soil moisture.

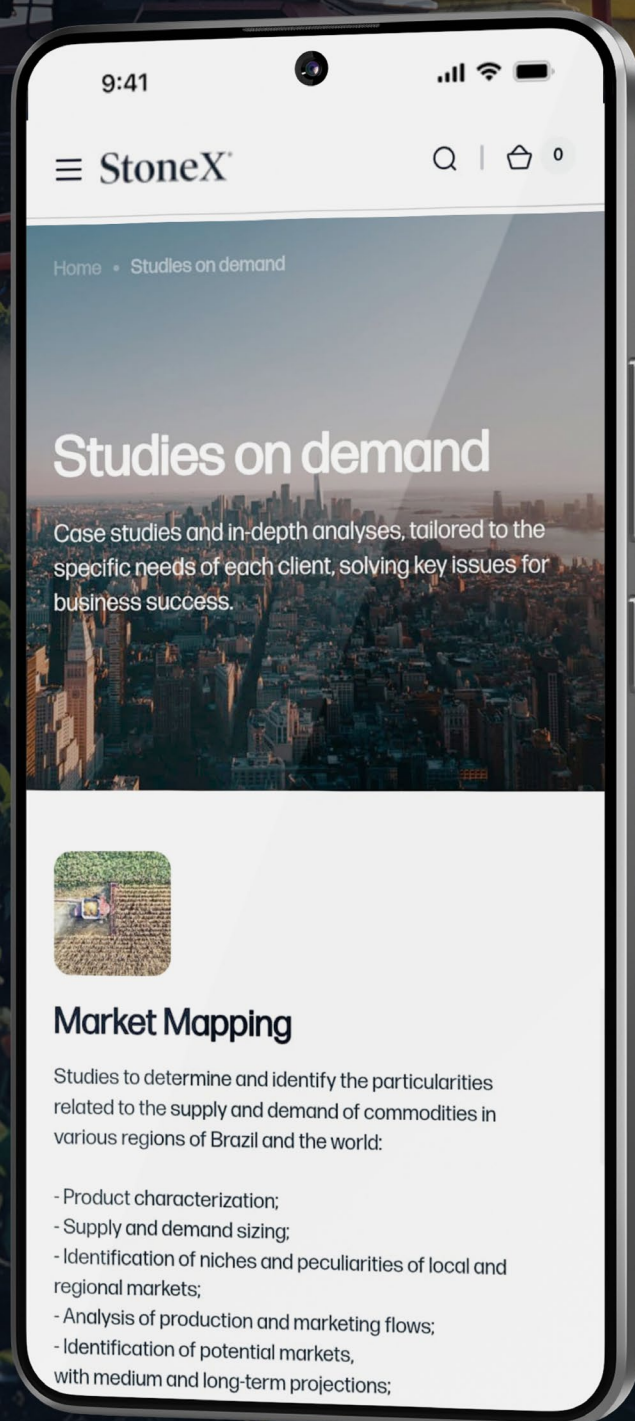
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