

Weather

Active showers are moving through the Corn Belt this morning. It is unlikely we'll see the rain activity completely end today, though as usual we should expect to see some weakening of the activity this morning before additional rains redevelop this afternoon. By this evening, look for rains to be found just in eastern and southern areas. Tomorrow through early next week should be a period with very limited rainfall in the Corn Belt. Anything that is seen during that period will mainly just favor eastern areas and rainfall totals and coverage will be light. We should start to see rainfall chances return to the Corn Belt around Tues/Wed next week, though models still have not zeroed in on how exactly this will develop. Those improved rainfall chances *might* continue into the 11-15 day period.

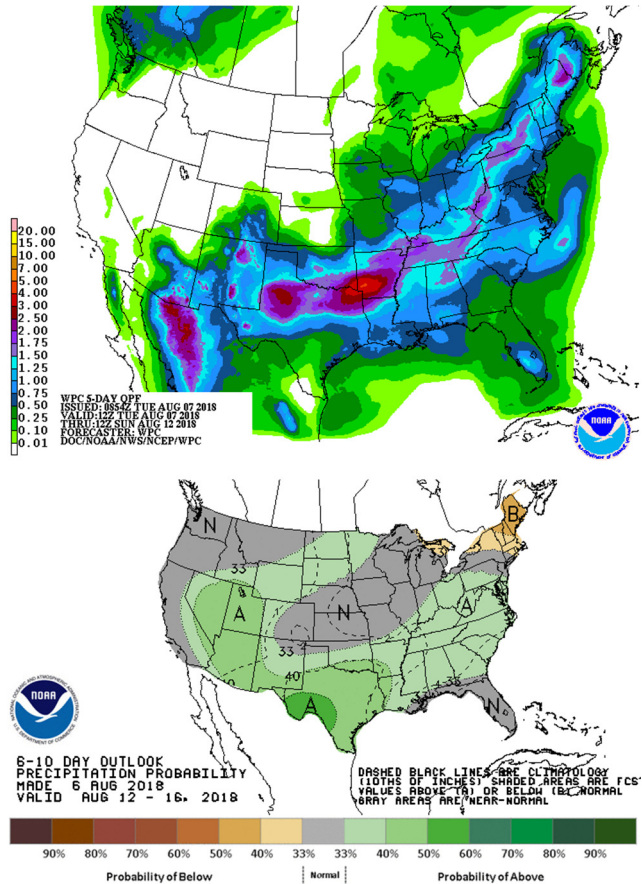
Mostly AN temps are expected through the Corn Belt over the next two weeks, but it doesn't look exceptionally hot either. Look for a lot of highs ranging from the low 80s to low 90s through much of the period.

No change in weather for the FSU, with very limited rainfall expected in the next two weeks in summer crop areas of Ukraine and southern Russia. Minimal rains in Europe today and tomorrow, but after that we should see rains return to Poland, German, France, and England with a lot of .5-1.5" rainfall amounts possible.

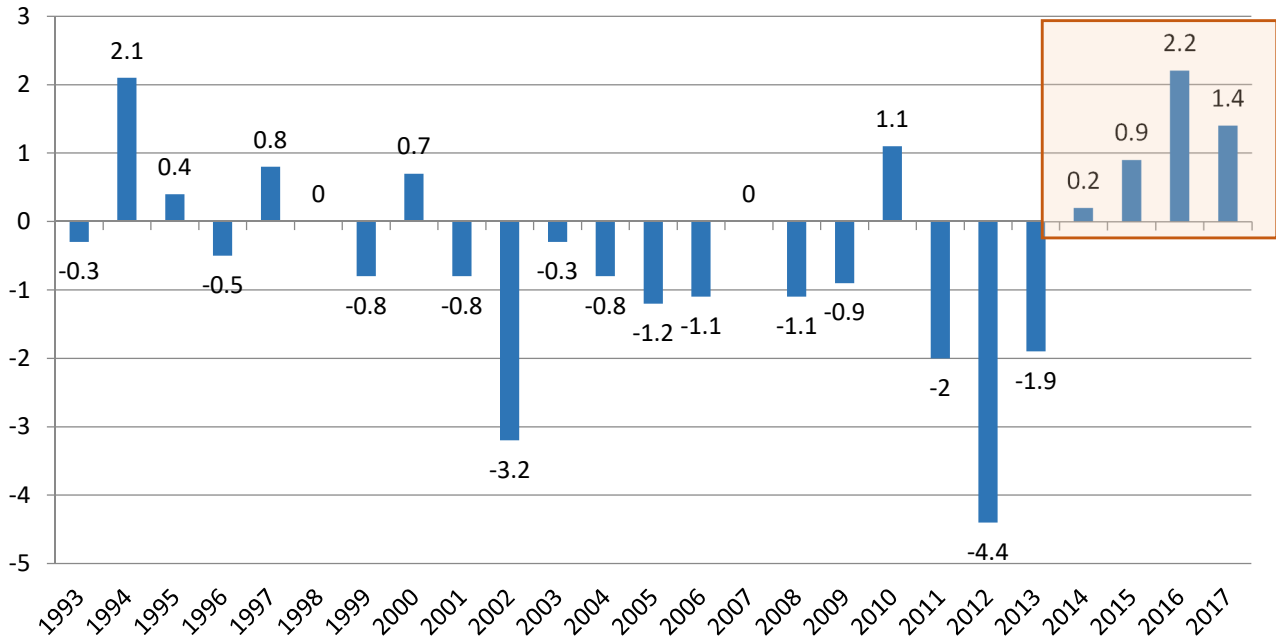
Crops

Today we'll look at yield prospects for Friday's Crop Production report. This is the first NASS survey-based production estimate. The actual objective sample data NASS will have to work with for this report is very limited. There is essentially no objective data available for soybeans and all we have on corn is an implied ear count. The August ear count is almost always revised higher in the September report. We will wait for tomorrow to discuss the ear counts and implied weights, but today, we'll simply focus on some simple tendencies.

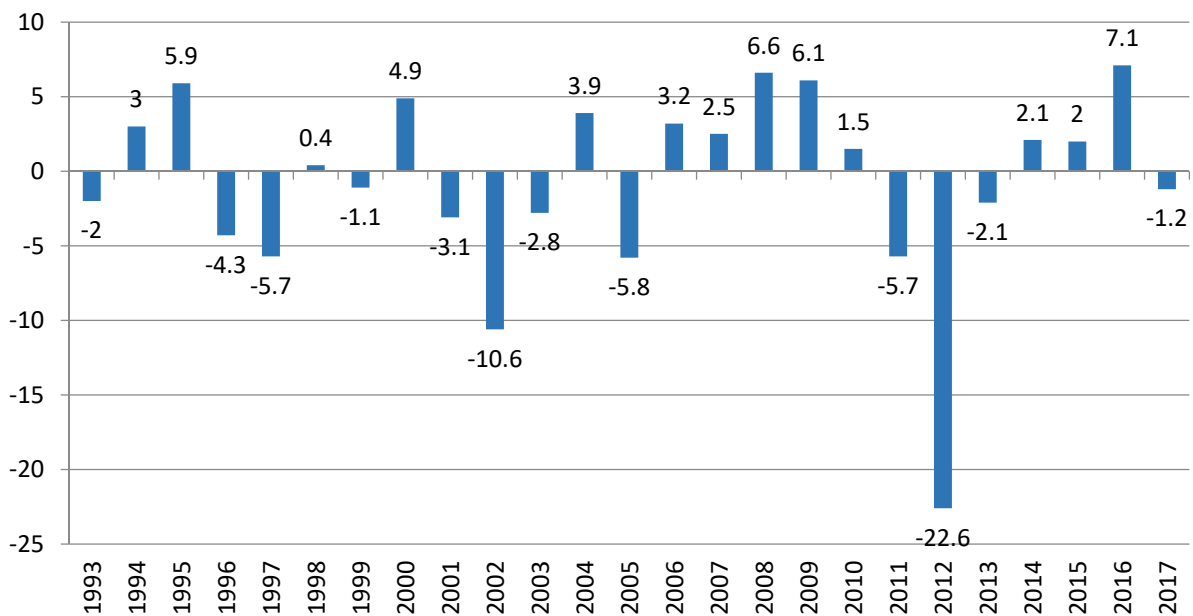
As shown in the following chart, there has been a tendency in recent years for NASS to be fairly aggressive with their August soybean yield relative to the WASDE "trend" yield estimate. I think this argues that NASS believes the WAOB's trendline yield calculation has fallen behind reality. You can argue this is due to improved genetics or farming practices or whatever, but the point is simply that NASS is more "bullish" on soybean yield potential than WASDE's calculation typically. Interestingly, we could maybe have made a similar argument in corn but last year we obviously got a reduction in the August crop report. I almost wonder if NASS feels a little upset about getting faked out in August last year, as we obviously saw yields increase sharply from that level.



Soybeans - Change from July WASDE Yield to August NASS

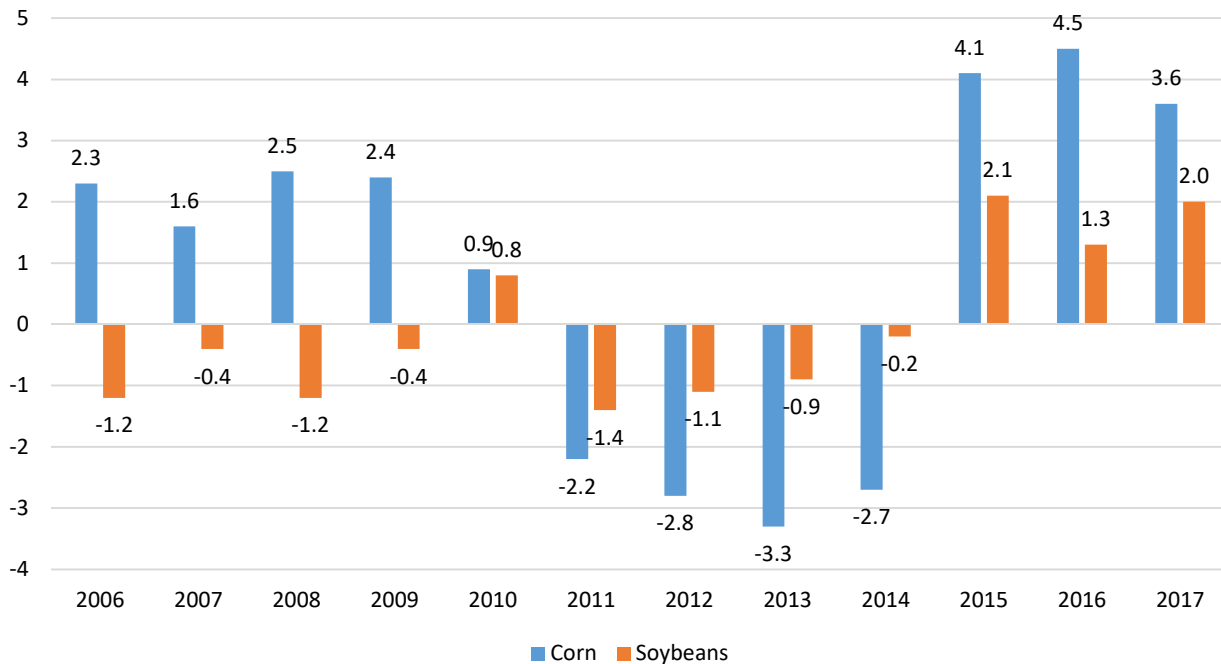


Corn - Change from July WASDE Yield to August NASS



I think it is also worth noting that in recent years there has been a tendency for both corn and soybean yield estimates to exceed the average guess leading into the report.

Actual August NASS Yield Estimate vs. Average Guess

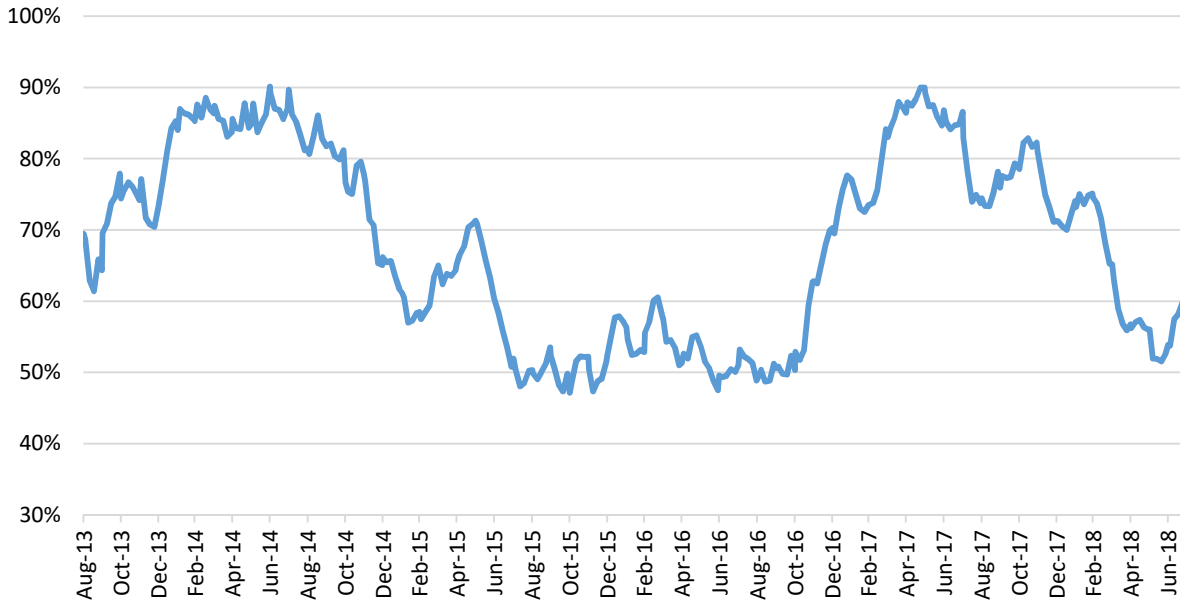


As noted previously, tomorrow we'll look at what condition ratings might imply and take a quick look at ear counts and implied weights. When looking at conditions tomorrow, keep in mind I won't be looking at yesterday's lower condition ratings as NASS's yield estimate is already wrapped up and won't account for the reduction we saw.

Livestock

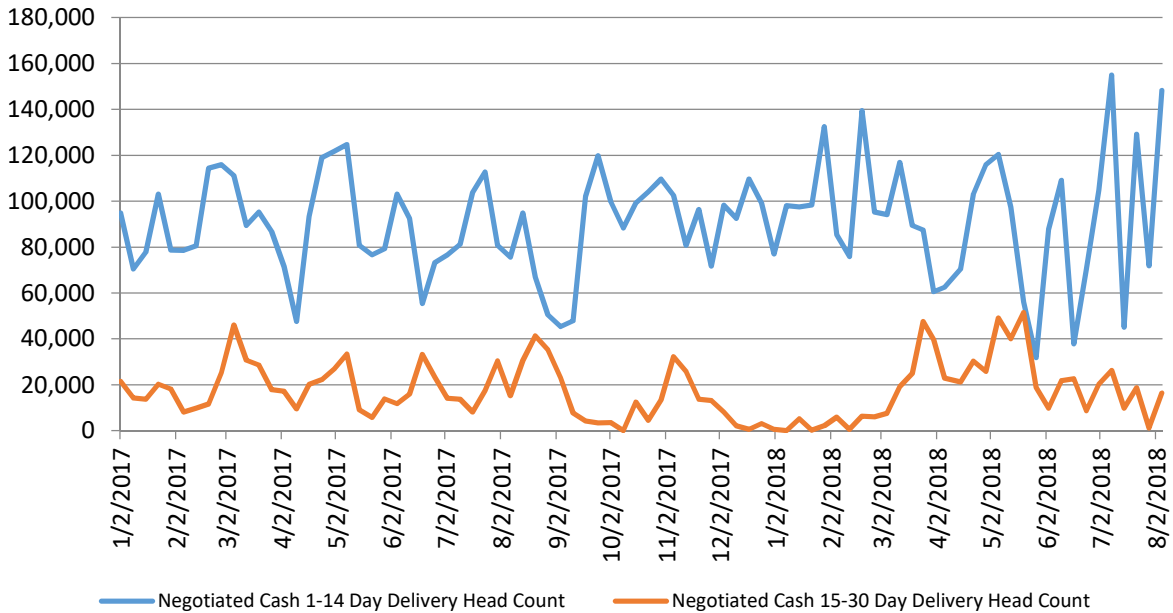
Here is a potentially interesting chart, though I'll admit I'm not entirely sure what it means (if anything). This shows an estimated level of the COF hedged based on the disaggregated data on the weekly COT report. You can see that the estimated level of hedges had been fairly low historically over the past few weeks but as the market has rallied we've seen hedges put back on. Of course that makes sense, but one has to wonder if the level of new hedges is sufficient right now? A friend yesterday pointed out that breakevens on new placements are not exactly encouraging at the moment, so if the board/cash were to break right now without a high level of hedges on place it could be a very negative development for feedlot equity.

Estimated % of COF Hedged



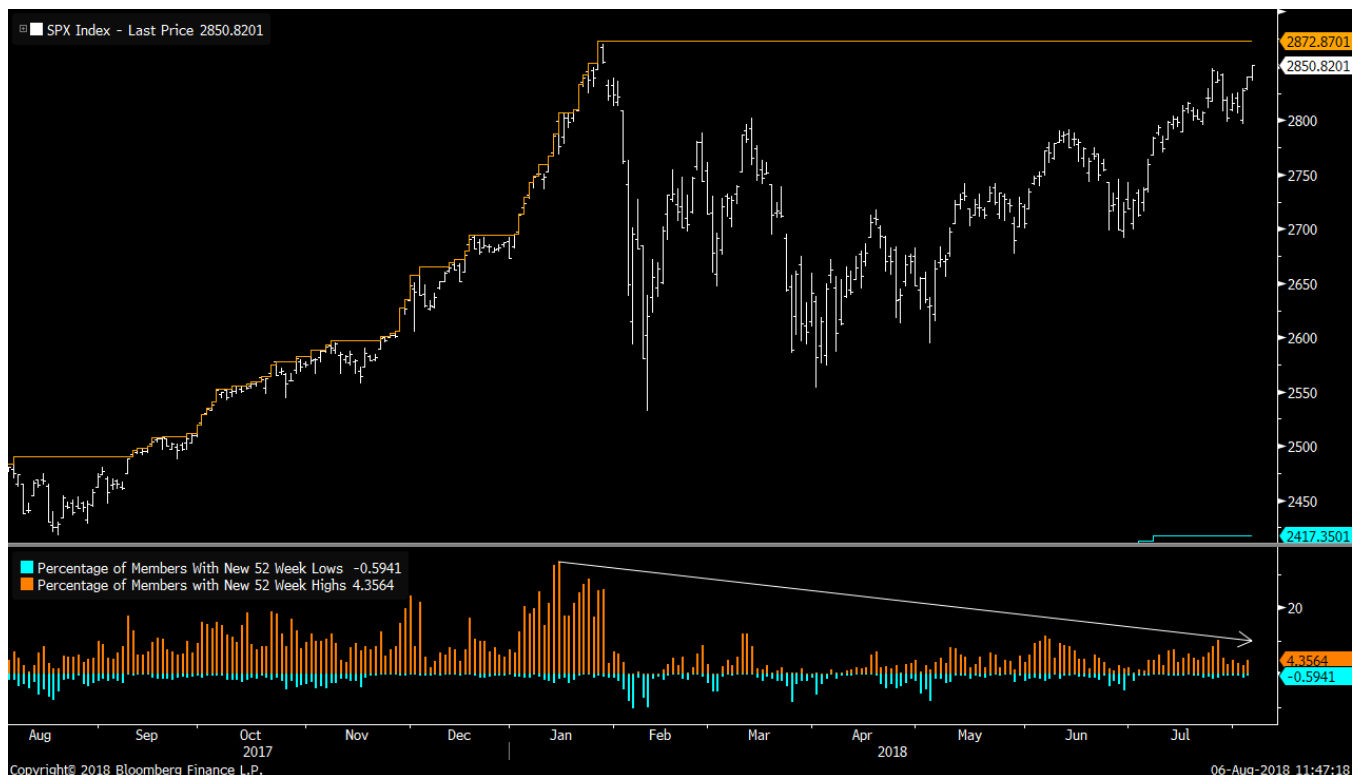
I was surprised yesterday to learn last week's cash volume was very big. I had expected a fairly small negotiated volume last week, with what appeared to be only limited volume on Friday afternoon. I was definitely mistaken, as shown below. Showlists this week were expected to be higher due to the expectations for small trade, but this changed all of that and we saw yesterday that CF reported smaller showlists. This should also tone down concerns on whether we might be backing up any supplies.

National Negotiated Cash Cattle Volume



Financials

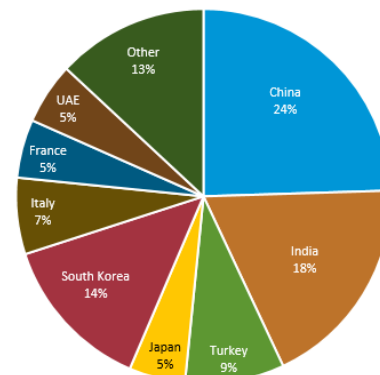
Here is one thing I'll be watching as the S&P makes an assault on its record highs scored earlier this year. Note the chart below that shows the SPX and the bottom portion of the chart that shows the percentage of index members making new 52 week highs/lows. If/when the SPX hits a new high, it'll be interesting to see what the percentage of index components are also setting new highs. As you see from the chart below, roughly 30% of the S&P was making new highs when they were scored earlier in the year. I'm guessing that we'll see a smaller percentage if/when we get back to those levels as few members drive the overall index.



Energy

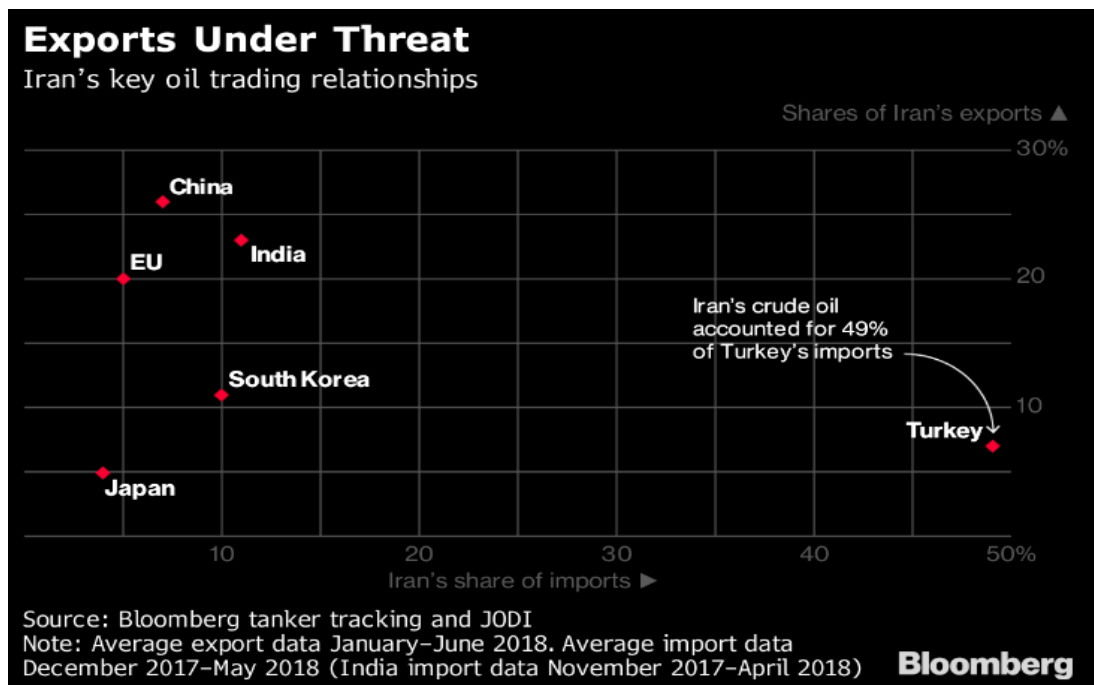
Sanctions on Iran have officially been imposed as of midnight last night. This restores the economic penalties that were lifted under the 2015 nuclear deal. As of right now, we really don't know how this will affect crude oil supplies globally. In theory, we could see Iranian exports decline to pre-2015 levels which typically were +/- 1mbpd compared to current levels of 2.0-2.5 mbpd. However, as you can see to the right China represents a big portion of Iran's oil exports and they have said they will not halt their purchases of Iranian oil. They have, apparently, said they will not buy *more* oil from Iran, which is actually nicer than I would have expected considering the trade war with the US.

Figure 7. Iranian crude oil and condensate exports by destination, 2017



Source: Clipper Data

Bloomberg had an interesting graphic yesterday that I want to share this morning. The graphic shown below shows Iranian oil shipments to various destinations against the percentage that Iran’s oil comprises of total oil imports for that destination. This would seem to be a good indicator of who might be most negatively exposed to the Iranian sanctions. Interestingly, the Bloomberg graphic shows Turkey might be most exposed of this bunch. Keep in mind Turkey’s currency is an absolute mess and US-Turkish relations are not especially strong right now. The US would likely be very happy to come after the Turks for continued imports of Iranian oil. That might be an interesting storyline here. Note that at one point the Turkish lira had put in a new low overnight before recovering.



Today's Calendar (all times Central)

- JOLTS Job Openings – 9:00am
- EIA STEO – 11:00am

Thanks for reading.

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