

## Weather

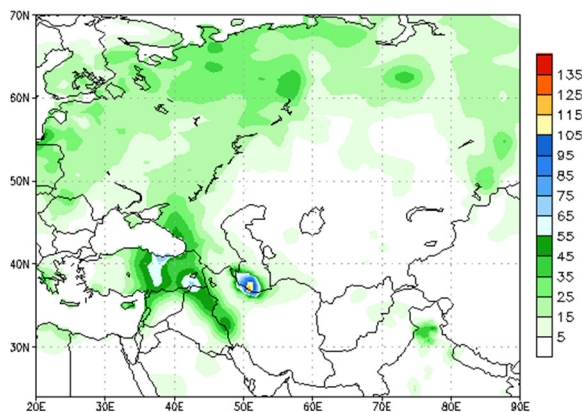
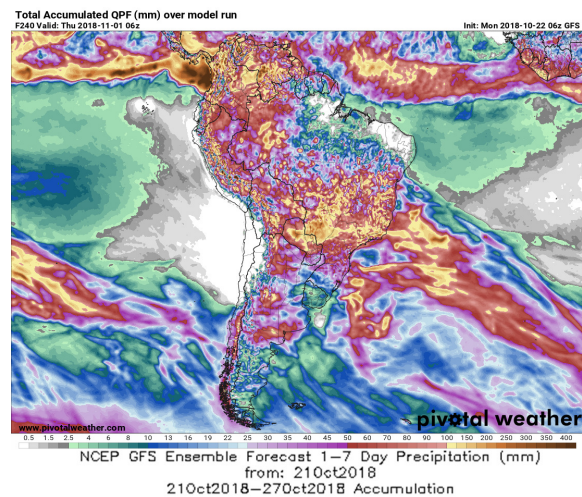
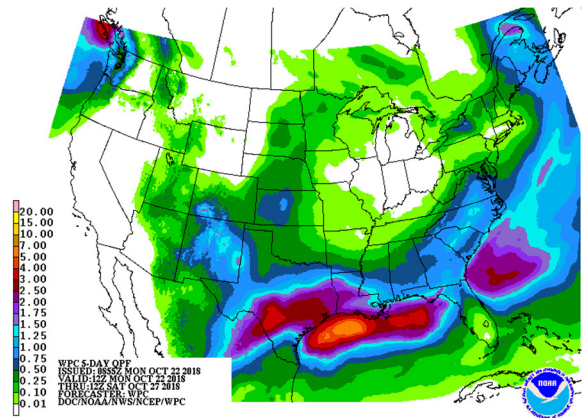
No significant changes to the forecast this morning. The US Corn Belt is looking at mostly dry conditions for the next few days, with light showers expected to develop in the later stages of this week. You can see some of that activity developing in the map to the right, and in the days that follow this map's forecast these light rains will move eastward. Rainfall totals from this event won't be anything huge, probably mostly .5-.75" but some areas with lower amounts and of course some localized heavier totals. It does look like the extended forecast is starting to hint towards a much more active pattern for precipitation chances in the late stages of the 6-10 day period and beyond, so that is something to keep an eye on going forward. Mostly BN temps through the Corn Belt over the next 10 days, with moderation expected in the 11-15 period.

Our own Craig Solberg is estimating today's Crop Progress report will show soybean harvest near 51% complete and corn harvest near 50% complete.

Two week rainfall totals in northern Brazil should average near to above normal. We should see fairly widespread 2-4" amounts during this period, with lesser totals probable in extreme northeastern areas. In southern areas, two week rainfall totals should also run near to above normal. The biggest rains should be in western Parana and eastern Paraguay with 5"+ amounts. RGDS should see potential for 2-4" during the period. A lot of this heavy rainfall in southern areas will be focused in the next 5 days, with lesser amounts beyond that.

Two week rainfall totals in Argentina should average fairly close to normal with a lot of 1-2" amounts likely. Western areas are likely to see the better coverage and heavier rainfall amounts. There will be a portion of northwestern BA and southern Santa Fe that is likely to see less rainfall and coverage. Look for Tues/Wed to be the best period of rainfall this week.

It is worth noting that winter grain areas of the FSU are on tap for some decent precipitation over the next week. These areas have been running BN on precipitation so this is certainly welcome. Western Europe, however, will continue with BN precipitation chances.

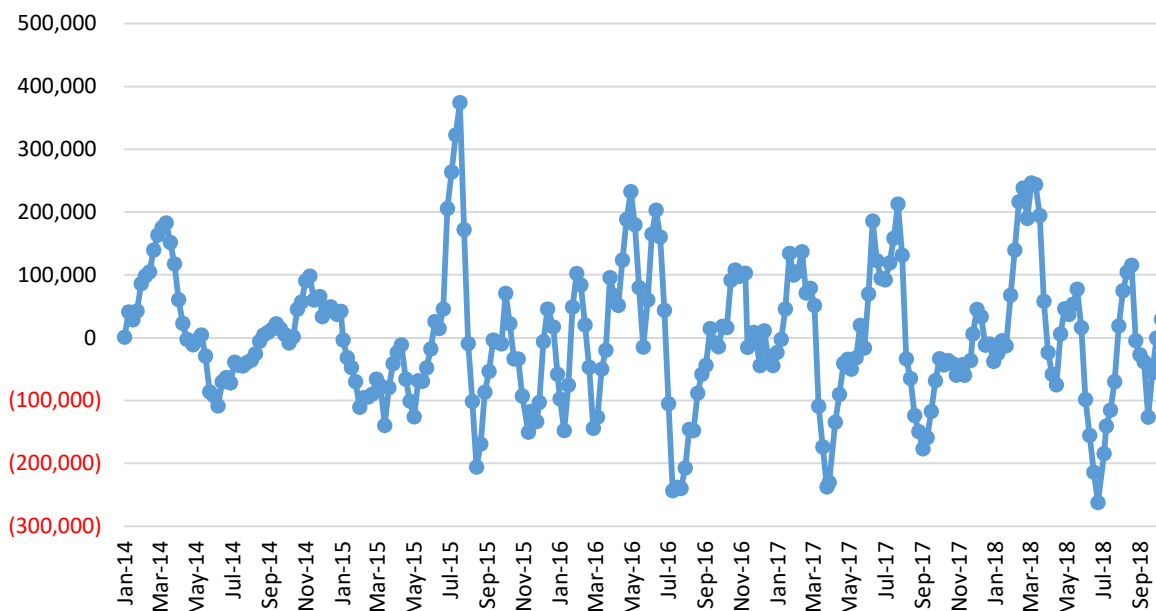


Bias correction based on last 30-day forecast error

## Crops

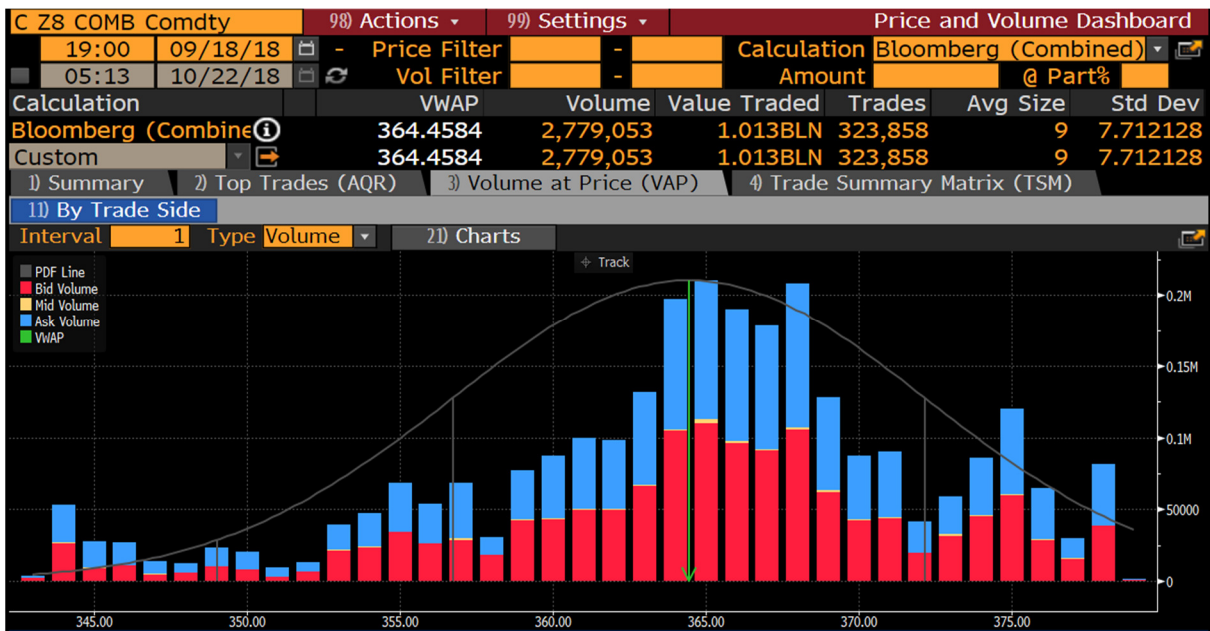
Scrolling through Friday's COT data, I found myself *a little* surprised to see MM now estimated to be net long in corn (futures & options). The position isn't big and really isn't that big of a deal, but it is a quick change from a fairly sizeable net short just a few weeks ago. Looking at the internals of the COT data, it looks that this was mostly driven by short covering rather than adding new longs. Whatever the reason, note that the 4-week overall buying in corn has been fairly significant relative to norms seen over the past few years.

Rolling 4-Week Change in MM Net Position - Corn



I think that level of buying over the past month is important to keep in mind considering the chart technical action we've experienced here lately. There has been a lot of buzz about the corn chart, with everyone and their cousin sending me a chart of the H&S "bottom" and the breakout above the 100 dma. I'll illustrate it below (following page) to show and to show what we've done since. You can clearly see we've reversed the back below the 100 dma and below the H&S neckline that should have acted as support if the breakout were to be believed. The high tick just under 380 was just another in a series of lower-highs, indicating to me that there has been no change in trend at this point. Admittedly, one could argue we're sitting on short-term trendline resistance and of course the 50 dma is sitting just below the overnight lows.

The second graphic that follows on the next page shows the volume-at-price of CZ since 9/18, the day where the recent low was set. Interestingly, this also lines up *fairly* closely with the 4-week period covered in the graphic above. Here you can see that the VWAP since the low was set is roughly 364.50, or right inline with the 50 dma. With that in mind, I wouldn't be surprised to see corn price action get a bit "sticky" here, and we might chop around aimlessly for a few days. However, if that 50 dma and VWAP level are breached, we could be looking at an excuse to move lower and test that Sept low. Thoughts appreciated. Charts follow on next page...

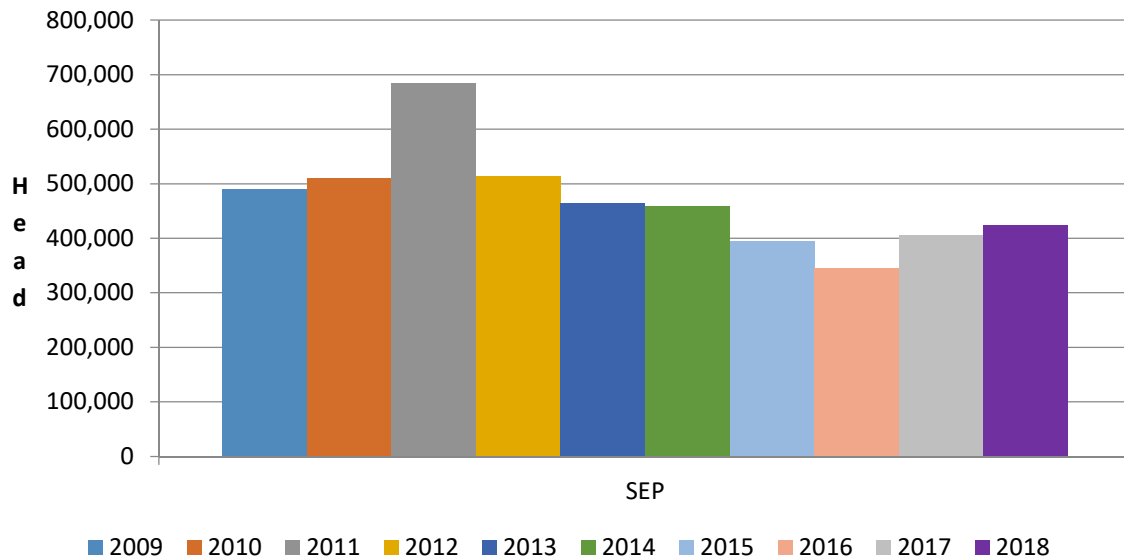


## Livestock

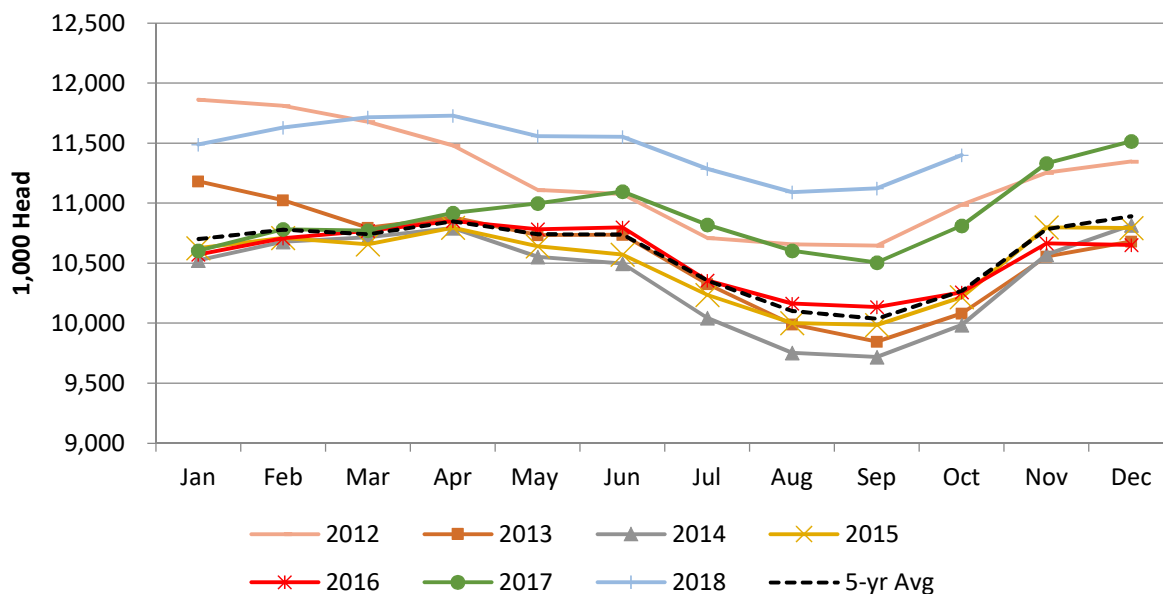
Friday's COF report certainly provided a friendly headline figure, with placements down almost 5% vs. the consensus estimate for a near-unchanged figure. As noted last week, there has certainly been a tendency for placements to exceed expectations so this probably catches more offside than usual. This certainly creates a situation where the market is likely to open higher this morning. That said, I'm still having a hard time getting "fired up" friendly after this report. We have to keep in mind that total COF is a record for the month of

October. We also didn't see much action in the cash market after the report on Friday, or at least not that I'm aware of. I think the early call on cash cattle this week is something very strong...Hales called cash \$2-4 higher this week. That might be so, but if so why didn't we see more action on Friday? One other thing that stands out to me is that placements of light weight cattle are where analysts likely missed this month. In the past few months we've seen big YOY gains in light weight cattle due to the dry weather. Obviously we've seen a relaxation in the drought, which is likely leading to more cattle on wheat. The point is this is simply a matter of timing the cattle and not necessarily a change in trend for cattle supplies. Thoughts appreciated.

**COF Sep Placements - Less Than 600 lbs**

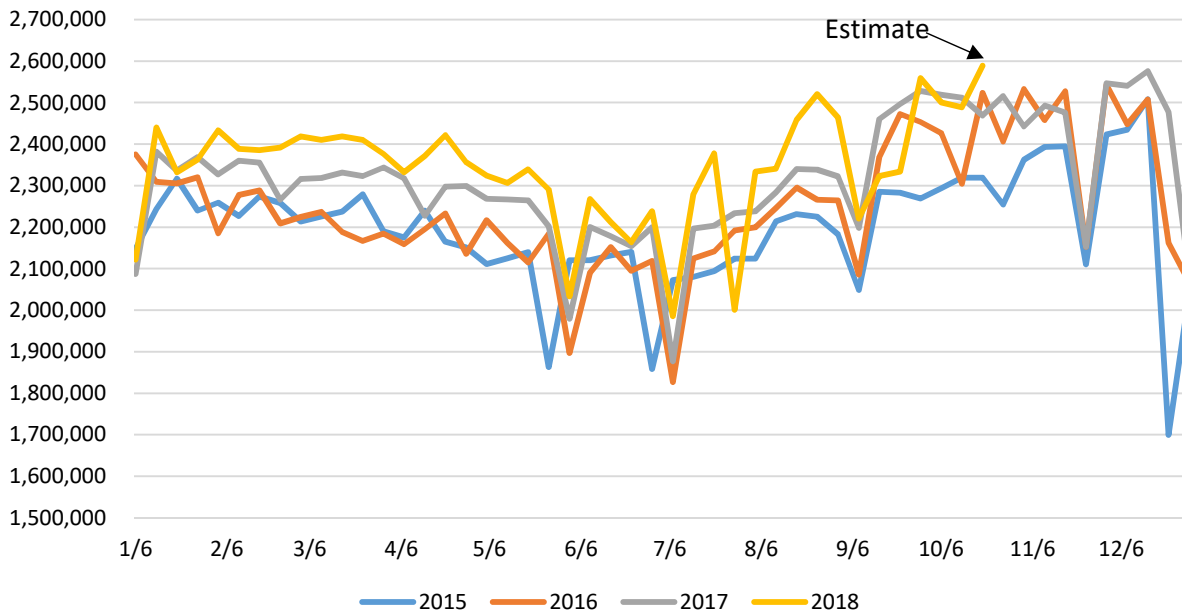


**Cattle and Calves on Feed, Feedlots Greater than 1,000 Head**



Though largely overshadowed by the COF numbers, Friday’s estimated slaughter data is interesting as it showed a record large hog slaughter for the week. Admittedly, this is not yet *official* data, but assuming it stands it is a new peak in hog kill. Combine that with seasonally surging weights and we should be looking at big pork production here. And keep in mind that the H&P inventory figures pointed towards big supplies to end the year, so look for kills to remain elevated going forward.

### Weekly Hog Slaughter - Official Data



### Financials

The “big” news overnight is a sudden 4% surge in Chinese equity markets. This appears to be prompted by a pledge made over the weekend by President Xi for “unwavering” support of non-state firms. This followed other comments made by senior Chinese officials late last week saying they would support private businesses, so clearly there is a coordinated PR campaign by the government here to try to boost confidence. Whether or not this was coordinated with state-buying in equities today...we’ll never really know. Still, the strength in China spilled over into other Asian markets and now European markets and US futures are trading higher this morning as well. In Europe, Italian banks and the banking sector overall are also somewhat supported by the Moody’s report on Italy. Moody’s cut Italian debt to its lowest investment grade level but kept a “stable” outlook meaning no new adjustments are likely in the near future. This, combined with the spillover strength from Asia, seems to be enough to spark a relief rally in Italian and EU-wide equities.

Nothing big on tap today in the US, with a fairly quiet economic release calendar today. We could get some interesting headlines from the UK where PM May is due to talk Brexit with Parliament. May is facing a lot of political pressure, even from her own party, and it remains to be seen whether or not she’ll actually see this through. Headlines here could certainly influence FX action today.

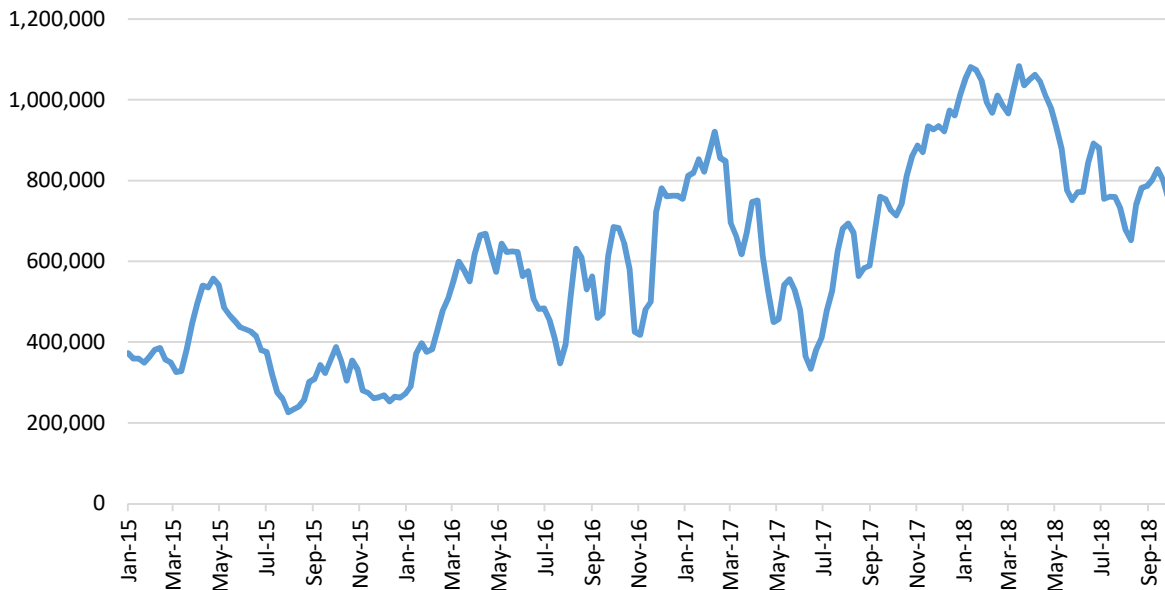


## Energy

Nothing especially new today. The Saudis have finally “officially” admitted Khashoggi died in their consulate, so the market could remain nervous over possible international reactions. The Saudi oil minister was on TV over the weekend, however, trying to sound reassuring and noting that oil production will not be used as a “weapon”.

Friday’s COT data showed specs continue to lighten up their positions, with the combined Brent & WTI net position sitting just off the lows of 2018. This has me asking myself whether the recent weak price action in spreads is truly something reflected in cash markets or simply market-positioning working itself out. I suppose it could be both?

**Combined Brent & WTI MM Net Position**



## Today's Calendar (all times Central)

- Chicago Fed Index – 7:30am
- Export Inspections – 10:00am
- Cold Storage – 2:00pm
- Crop Progress – 3:00pm

Thanks for reading.

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