

Weather

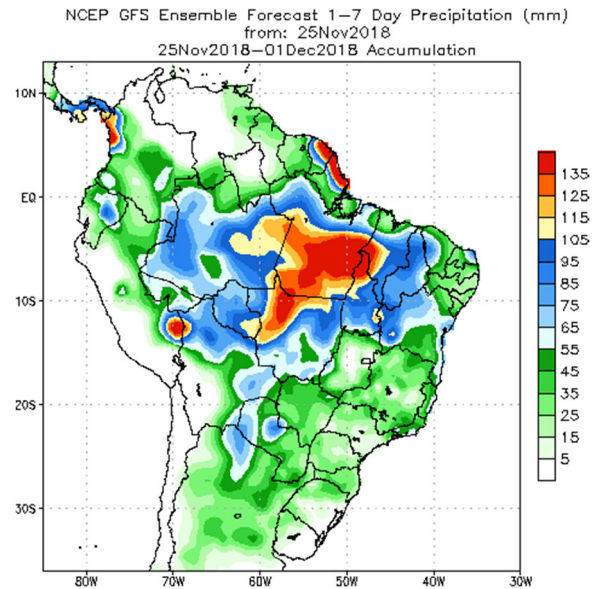
No significant change to the forecast this morning. Rainfall will average near to above normal in northern Brazil over the next two weeks. Two week rainfall totals of 5-9" will be seen in a large portion of the region. The biggest amounts (compared to normal) will be seen in extreme northern areas. Southern areas will see rainfall totals run near normal over the next two weeks with amounts of 2-4" common. At no point is there any abnormal heat expected.

Argentina should see two week rainfall amounts run near to below normal. Most areas should see 1-2" rainfall totals during this period, with some localized heavier amounts possible in Cordoba. No significant heat is expected at any point during the next two weeks.

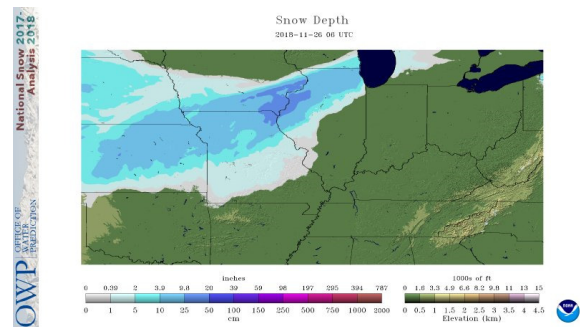
Blizzard conditions in the US in the past 24 hours across portions of NE, KS, southern IA, northern MO, and northern IL. Widespread 4-8" snow was seen in that area but amounts up to 8-12" were reported. Additional snow will be seen in portions of MI, IN, and OH today, but otherwise dry conditions are expected in the Corn Belt through midweek. Another significant storm even should develop for Friday and continue into the weekend, which should make it an easy call for AN precipitation during the 6-10 day period. The Southern Plains should also receive additional precipitation for this weekend, but it looks (for now) that the main feedlot areas will not be the primary target for heavy snowfall. Conditions in the Southern Plains will dry out later in the 6-10 day period and mostly dry weather should be seen during the 11-15 day period.

Crops

I mentioned this last night, but just so we're clear I want to point out that I'll be of very little help on the market for at least this week. We know the Trump-Xi meeting is due at the end of the week, but we don't know what headlines we'll get between now and then nor do we know what the final result will be. This should be a huge price-mover for soybeans of course but for every other ag market as well. While I have a bias for no-deal, I won't pretend that I have any degree of confidence in that. This week will be very choppy and volatile and will probably move around without any logical explanation. Hopefully starting next week we'll have *some* feel on how to proceed going forward, but then again, maybe not.



Bias correction based on last 30-day forecast error



Geopolitical events outside of US-China are getting some attention this morning with some new skirmishes between Russian and Ukrainian forces. If I am reading the newswires correctly, Russia has seized three Ukrainian ships saying they illegally entered Russian territory off the coast of Crimea. Technically the Kerch Strait is an area of “freedom of navigation”, but tensions have been flaring up recently in the area and this is yet another problem. Ukraine opposed the Russian bridge linking Kerch to mainland Russia that was finished earlier this year. Russia has since started inspecting Ukrainian ships that pass through the area saying there is a threat to the bridge by Ukrainian “radicals”. Ukraine recently detained a fishing vessel from Crimea, adding to tensions.



If recent history is any indication, I wouldn’t expect any significant action when the UN Security Council meets later today. I haven’t seen any Trump tweets on the subject yet, either.

As for ag futures, there does seem to be some buzz among wheat bulls that this could be a repeat of the 2014 rally. Here is a chart of WN’14 for some perspective.



Timeline:

Feb 25, white arrow: Several hundred pro-Russian protesters block Crimean parliament and demand a referendum on Crimea’s independence

Feb 27-28, red arrow: “Pro-Russian” gunmen seize Crimea’s parliament and other government buildings on Feb 27 and seize the Simferopol International Airport and local TV stations on Feb 28.

March 3, green arrow: Ukrainian forces inside Crimea are urged to surrender by the Ukraine Defence Ministry

March 6, pink arrow: The new Crimea “Supreme Council” votes to formally re-accede as part of the Russian Federation, setting the stage for a public referendum.

March 16, purple arrow: Crimea holds a public referendum to re-accede as part of the Russian Federation.

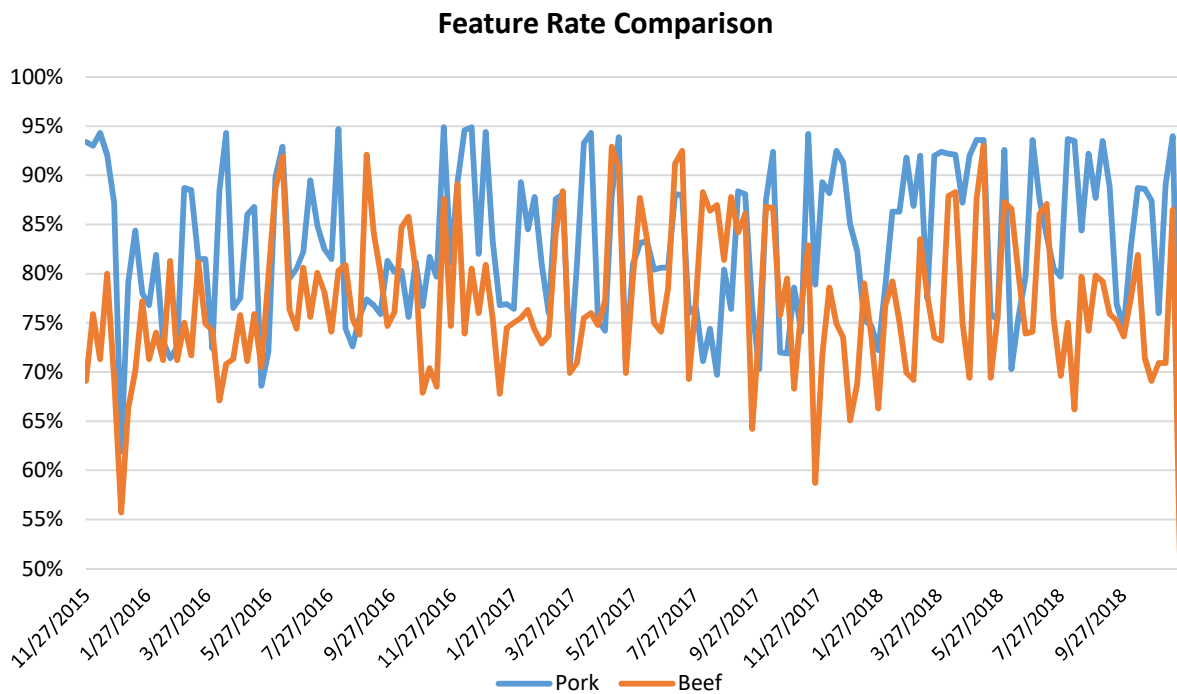
What is the point of this review? Well, for starters it is worth pointing out that this was a very slow-motion event that took place over several weeks. I’ll be honest and admit my memory had me convinced before looking at the timeline that it all happened suddenly.

Over the course of the timeline described above, WN’14 rallied about \$1. Could that happen again with this conflict? Who knows? I double-checked the MM net position for 2014 and it appears to be roughly the same as what we have today. There is certainly potential for the market to get as excited over this event, but as usual I have my doubts.

I guess the only smart thing I have to say about this today is it is just another factor that will provide instability to the market. Just don’t get stuck being short calls in wheat here...that’s my best advice at the moment. I’ll look into more of this over the next few days. Thoughts appreciated.

Livestock

Probably a non-story due to the holiday influence, but interesting to see beef features at their lowest level in several years.



Sounds like cash trade last week featured pretty good volume. Packers are still looking at what should be pretty solid margins after having bounced a bit in the past week or so. This likely will leave them with a pretty solid incentive to kill at a strong pace. Early calls for this week's cash trade are higher.

Financials

US futures and global equity markets in general are starting the week on a very strong note this morning. As I scroll around the newswires, I'm a bit at a loss to explain the optimism to be honest. There is some reason for strength in Europe following reports that the Italian government is now willing to compromise on their budget deficit target. This is leading to a big surge in Italian (and Europe-wide) banking stocks and Italian bond yields have moved sharply lower at the time of writing. I suppose you could also point towards the UK-EU Brexit deal as a reason for some optimism, but there is no guarantee that this deal will pass UK parliament. I see nothing new to report on trade talks between US-China this morning.

No major market-moving US economic data is due out today, but we will have comments from ECB President Draghi as well as comments from Fed Vice-Chair Clarida which might provide some interest.

Energy

Crude oil futures are bouncing this morning as they are caught up in the risk-on attitude. For now the market is dismissing news that Saudi daily output has reached 11.2 mbpd, up from the 10.8-10.9 mbpd estimate from earlier this month. I again suspect this is an excellent way for the Saudis to tell their OPEC counterparts next month that they will cut their production level to support prices...albeit from a new record level. In addition to the looming OPEC meeting, Saudi Prince MBS and Russian President Putin are expected to meet at the G20 this weekend, and that could also produce some interesting headlines.

Today's Calendar (all times Central)

- Chicago Fed Index – 7:30am
- Dallas Fed Index – 9:30am
- Export Inspections – 10:00am
- Crop Progress – 3:00pm

Thanks for reading.

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