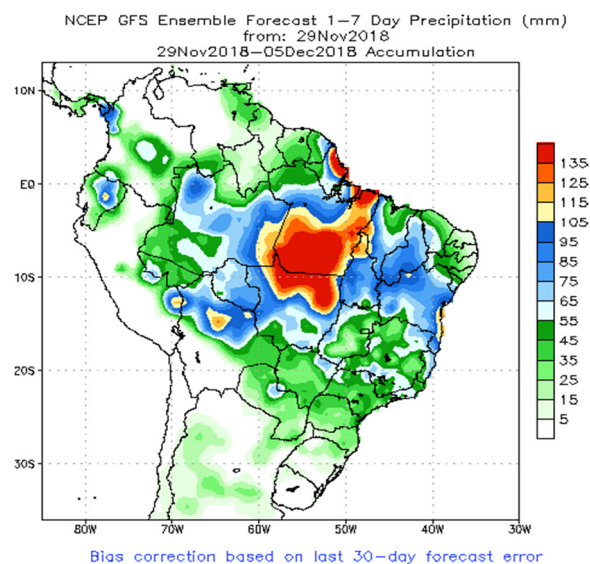


Weather

No significant changes to the forecast. Northern Brazil will see near to above normal precipitation totals over the next two weeks. Two week totals will be 5-8", with the biggest amounts in next 5 days. Southern Brazil should see rainfall amounts run near normal with a lot of 2-4" amounts seen. A good chunk of that should fall in the next 48 hours. Argentina should see two week rainfall totals run near to below normal, with mostly 1-2" amounts seen with some locally heavier amounts. We'll see some rains sweep through the region tonight, but it will not be a "major" event. No extreme heat expected anywhere in South America during the next two weeks. In the US, we're still expected a big snowstorm to develop later tonight and into tomorrow, with SD and mainly NE still the bulls-eye for big accumulations.



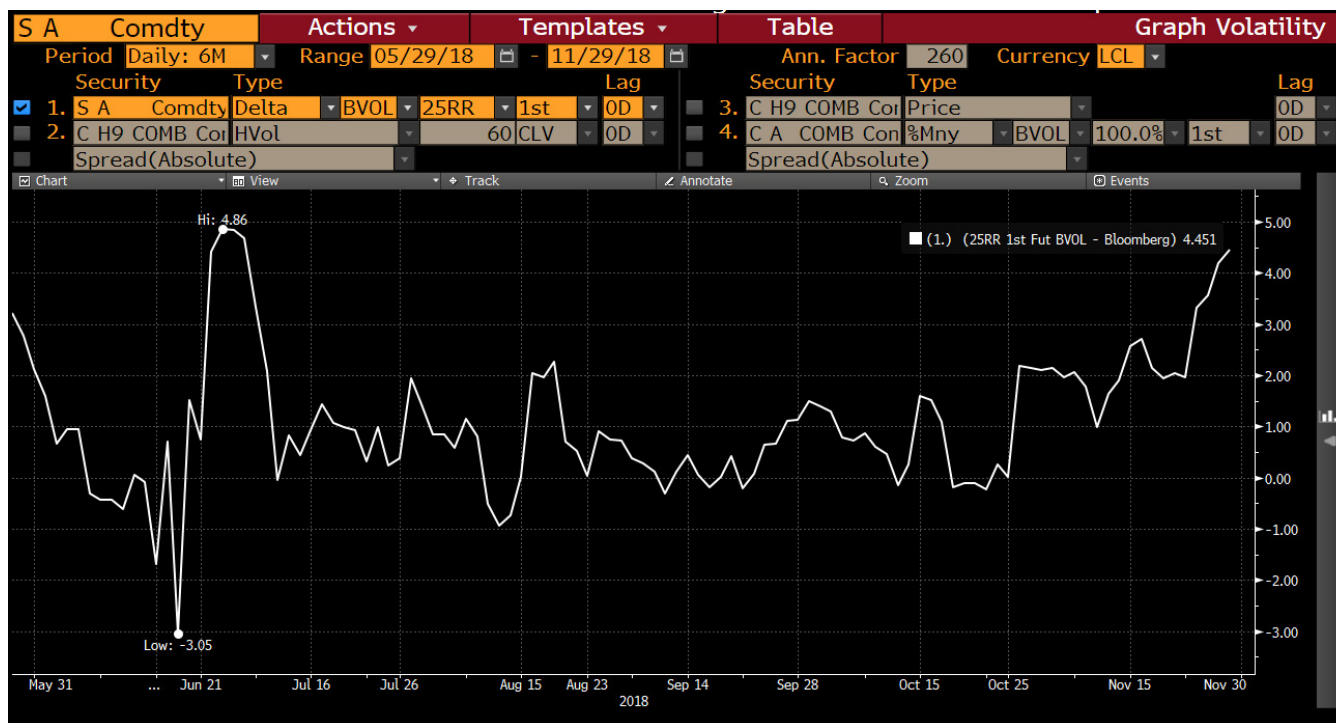
Crops

I said I wouldn't talk about soybeans today, but I do feel I need to briefly review the set-up heading into this weekend. I'm told there is a big event taking place...

We know the spec positioning leans short, or at least it did as of last Tuesday. Here is the option set-up as of yesterday's close. Below is a chart showing rolling 50-delta vol in SF. You can see that vol has spiked *massively* in the past several days leading into this weekend's event.



This chart shows a look at the rolling active contract 25-delta risk-reversal in soybeans. That sounds a bit complicated, I know, but basically all we're looking at here is the difference in vol between 25-delta calls and 25-delta puts. You can see, for reasons that should be obvious, the vol in calls is significant higher than with puts.



My point here is to be careful holding Jan calls going into this weekend. You might get the price direction right (higher) but the vol suck on Sun/Mon is going to be massive and the results might be a bit of a disappointment depending on your expectations. Maybe consider rolling out the curve with long calls you want to hold into the weekend? Yeah, you're paying more theta, but....

50-D vol in corn is much less exciting...I almost wonder if you'd get more bang for your buck there??? If there is a deal, corn will be involved (I would think). If soybeans rally \$1 on a deal (as some have tried to convince me), corn won't just sit here.



Wheat 50-D vol is lower than I would have expected as well...

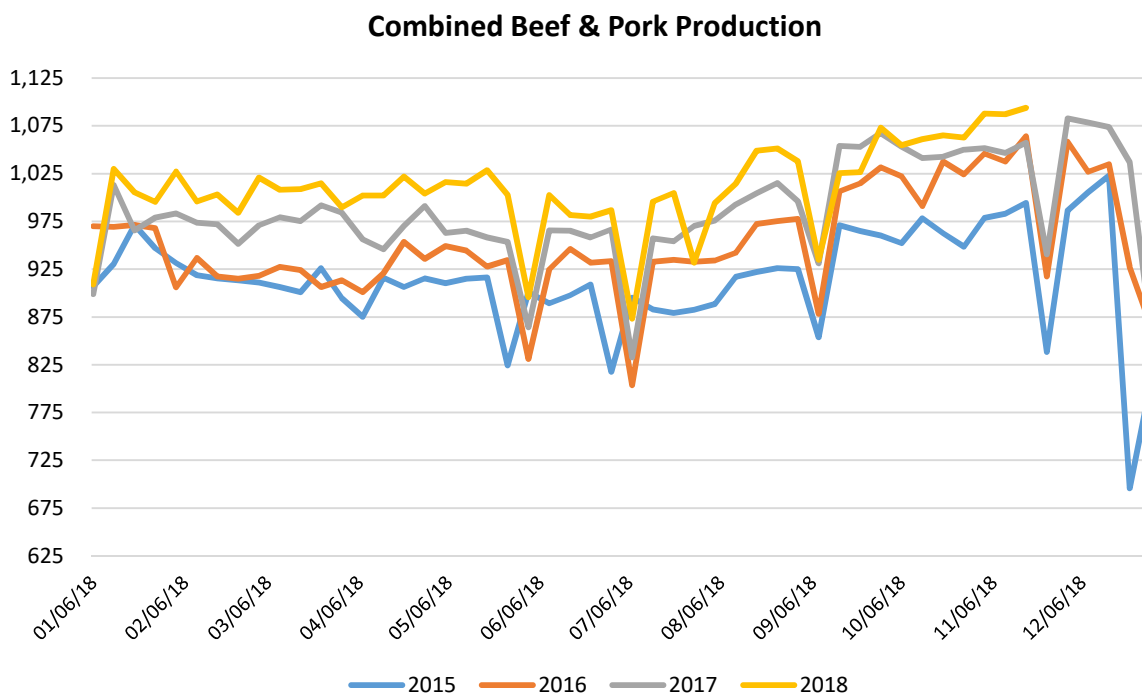


Good luck today and this weekend.

Livestock

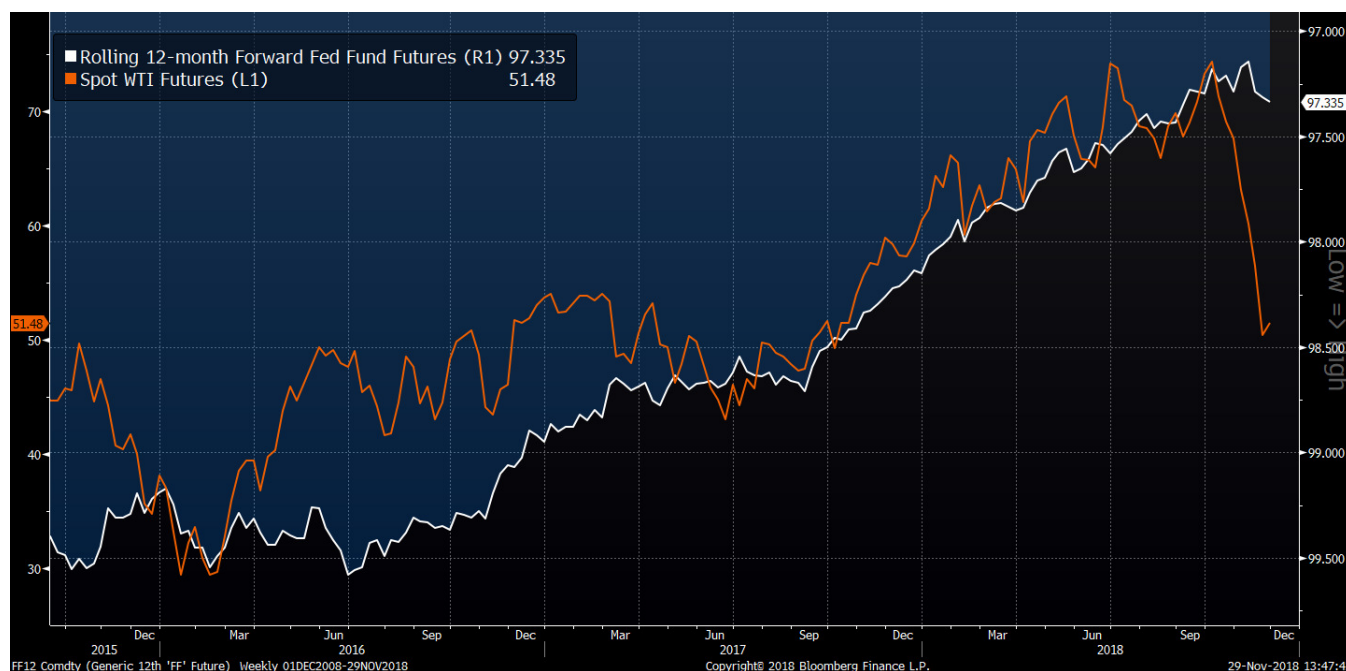
Some cash cattle trade in the north yesterday, but if I'm honest I don't have a good feel for any volume. It doesn't sound like volume was anything significant and I don't think this has yet set the tone for the week. Business in the south was non-existent. Everyone I've heard from this week still thinks cash will be higher vs. last week.

Nothing particularly new here, but ongoing growth in production as shown below. This only shows beef and pork, but obviously chicken production growth continues as well. Of course we'll see a dip in next week's report due to Thanksgiving, but I'd expect this to ramp back up quickly following that.



Financials

Just a quick thought here as the debate over 2019 rate hikes intensifies. The chart below shows rolling one-year forward Fed Fund futures (axis inverted) vs. WTI futures. To oversimplify, what this chart is showing is that as crude oil prices have moved higher, the market has been pricing in more and more rate hikes from the Fed. That might simply be a simple matter of timing, but it also speaks to the inflation element of the Fed's dual mandate. Looking at the recent price action, it probably shouldn't be seen as a coincidence that crude oil prices have crashed and the market is now backing off its rate hike projections. The question from here, I suppose, is where are crude oil prices heading? If you're a BTD-er in crude oil, then you should probably believe that the recent swoon in rate expectations will be short-lived.



It will mercifully be a quiet day in terms of economic data, with only the Chicago PMI due this morning. NY Fed Pres Williams will also speak on the global economy this morning, and that might get some attention, but otherwise we should see a quiet day in terms of data. Obviously we have to be on guard for headlines from the G20, and Sunday night's action should be interesting.

Energy

Crude oil futures are lower at the time of writing this morning, though WTI is maintaining above \$50 for now. Russia's energy minister said Russia will hold production steady through at least the end of this year and he also said that current prices are "agreeable" to both producers and consumers. Obviously that doesn't mean they won't go along with any OPEC plans to reduce supply, but just shows the negotiations will be a bit complex this time around. Russian and Saudi officials will apparently meet in Moscow this weekend, which is in addition to the Putin-MbS meeting at the G20 and the official OPEC meeting next week.

Today's Calendar (all times Central)

- Chicago PMI – 8:45am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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