

Weather

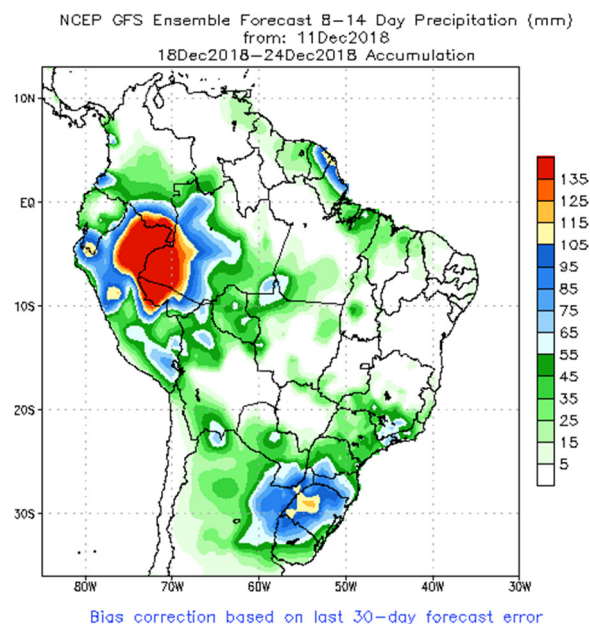
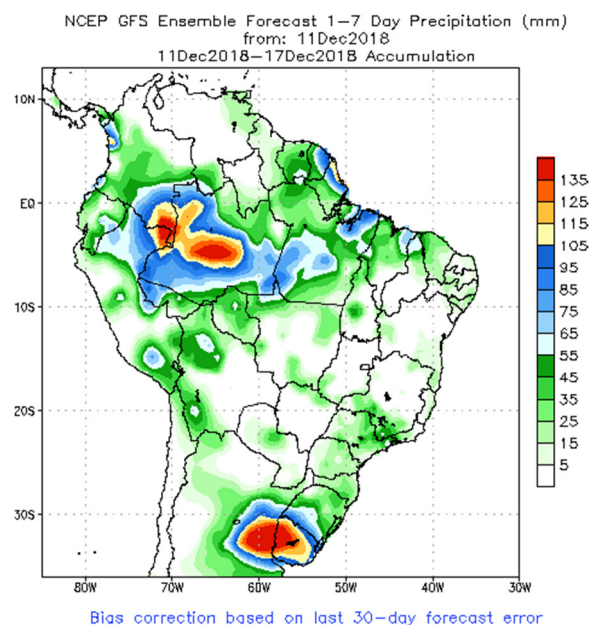
No change to the forecast this morning. Rainfall over northern Brazil will average below normal over the next two weeks, but that doesn't mean nothing. Most areas will see 2-3" amounts during this period and some areas could see locally heavier totals (locally lighter amounts, as well). The best of the rainfall will wait until the end of the 6-10 day period and really pick up during the 11-15 day period. It would seem likely that the upturn in rainfall will continue beyond the 11-15 day period. Despite the lack of rain, temps over the next week or so don't look very extreme.

Two week rainfall totals will range widely in southern Brazil. In RGDS and southern Parana, two week totals could range from 4-6". In MGDS, northern Parana, and Paraguay rainfall totals could range from 2-4". There have been some rains overnight in RGDS, but rainfall today through Friday looks light and we're still waiting for the weekend before really decent coverage starts to spread through the area. In some areas, we might be waiting for the 11-15 day period before good rains arrive. We've got a few more days of "hot" weather in the area, with highs in the 90s through probably Monday. A couple of spotty 100s can't be ruled out.

Argentina should see two week rainfall totals average near to above normal, but most of that rainfall is expected to fall over the next several days. We've got rains this morning in northern portions of the growing areas, and we should see another system sweep through the region tonight and tomorrow. Entre Rios will see big additional totals of 5-7", with Cordoba on tap for 2-4" and other areas likely to see .5-2.0". Rainfall will calm down over the weekend and through the duration of the 6-10 and 11-15 day periods we're not look for significant rains. There will be some warm temps during the weekend in some spots, with highs reaching into the 90s. Overall, however, no major heat is anticipated.

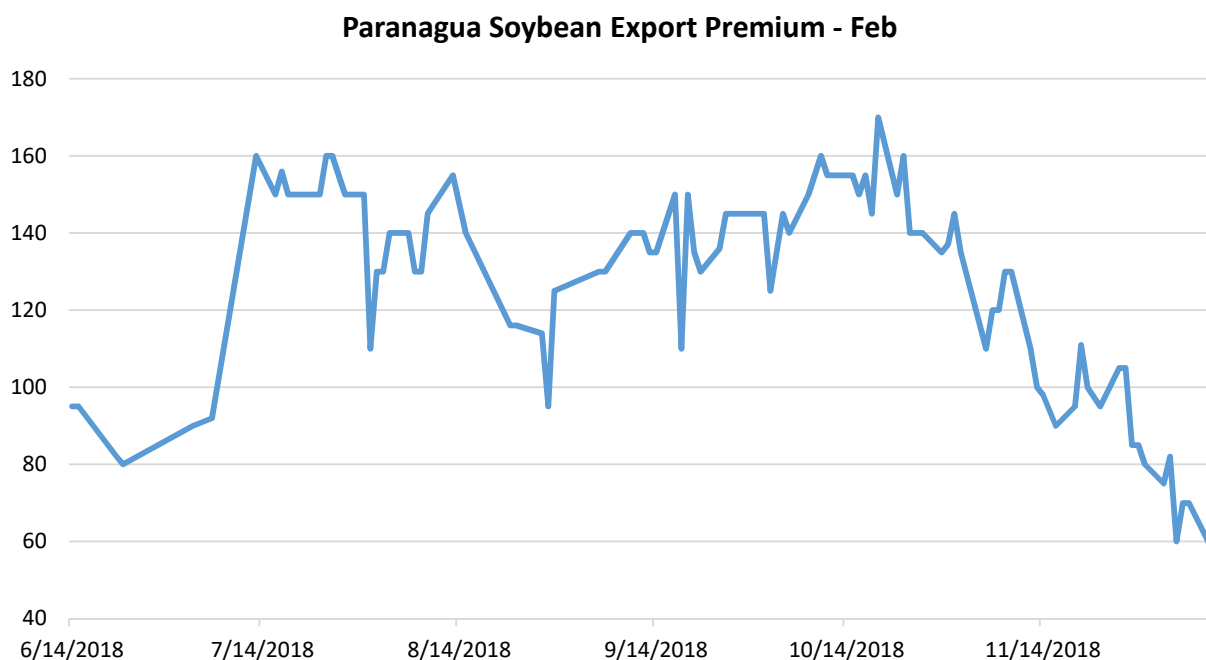
Crops

I don't really want to talk about US soybean export prospects today. However, I *will* talk about Brazilian soybean export prospects briefly this morning. If you haven't been paying attention, and with all the "truce" news it's been difficult, you might have missed Brazilian export premiums have been "smoked". To summarize, note the following regarding Brazilian premiums over the past 5 weeks:



Feb is down 75+ cents
Mar is down 50+ cents
Apr/May is down 40+ cents

That is just over the past 5 weeks. They're off even more from their highs earlier in the fall. A chart of the Feb Paranagua premium for illustrative purposes –

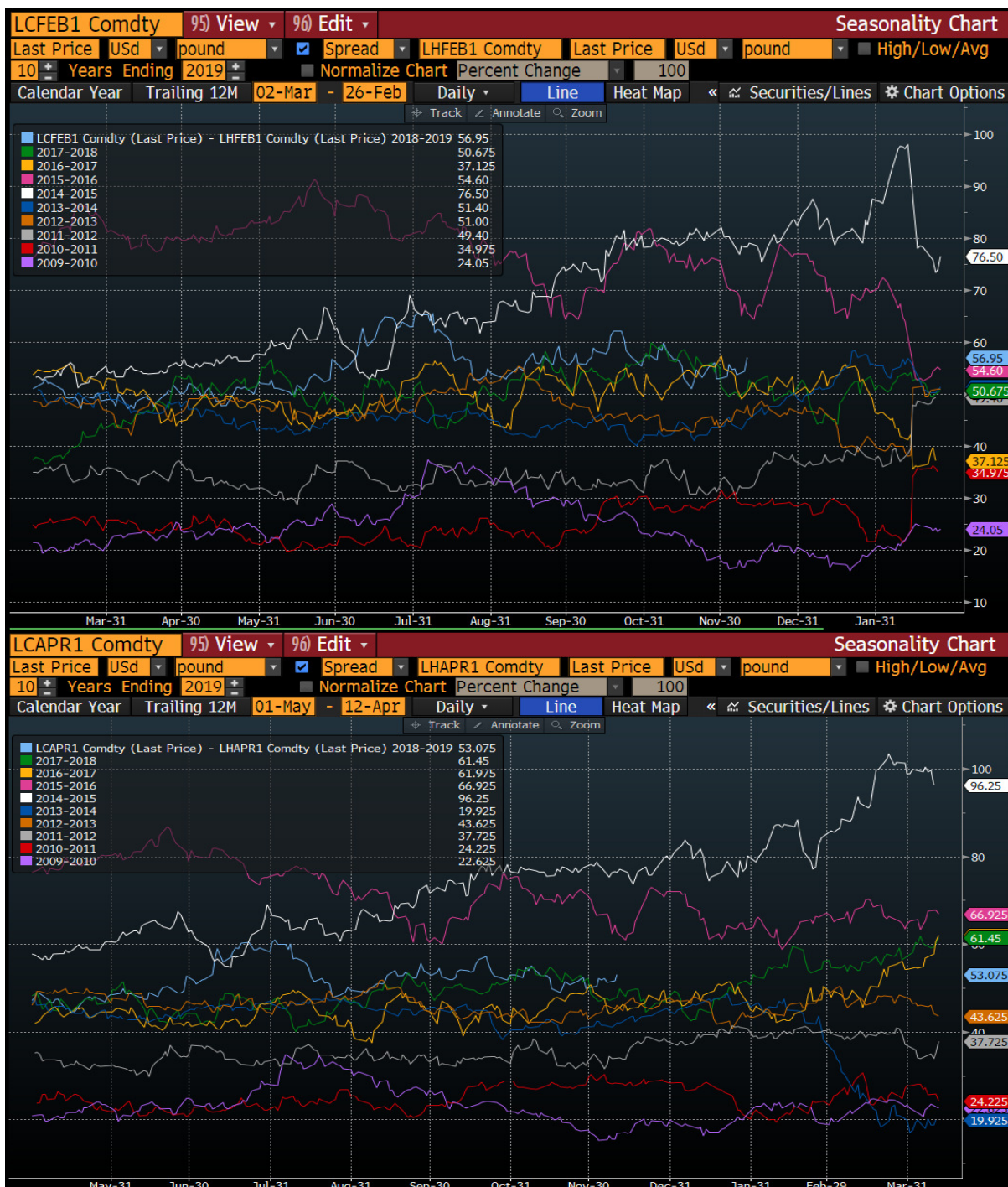


This is all good news in terms of prospects for Brazilian export demand. Feb Brazil is basically at par vs. US values without a tariff. March forward shows Brazil much lower. The point is the entire world, not just China, has turned to Brazil for their export needs while we sit here in the US debating the whether or not we'll see actual Chinese "reserve" purchases. I know I said I wouldn't talk about US export business, but since I brought up the reserve purchases, consider that US CIF values saw their carries grow wider yesterday and we're not seeing any "action" in PNW markets or WCB rail markets that would feed into the PNW. In other words, there are no signs we've done anything close to "big" business yet. Sure, there might have been a few cargoes of business (though I have heard nothing), but there is no way anyone could keep a purchase of anything more than 1 mmt quiet. We're still waiting on this supposed business, but while we wait Brazil gets cheaper (and production prospects grow??) and we lose business.

Livestock

Today is an instance where I'm able to provide little value. I don't have a good feel for expectations for cash cattle this week. Most I read seem to *want* to say it will be higher. Instead of providing info today, I thought I'd just fish for some opinions from you. I was scrolling through charts yesterday and decided to look at cattle-hog spreads. I've got historical charts of the Feb & Apr LC-LH spreads on the following page. It seemed at one point maybe months ago there was some talk about LC moving to a potential record premium over LH. That has

clearly died down since, however, as ASF and strong pork exports have supported hog prices. Looking at both the Feb & Apr charts, the spread has done very little recently, and I'm curious if there is any bias to this now? Some traders/analysts are bullish spring LC on bad weather and weight issues...will that push the spread higher? Or will the nonstop hope for ASF-influenced pork demand just keep things steady? Thoughts appreciated.



Financials

Politics on center stage in the past 24 hours. We've had Stone Cold Don Trump wrestle with Nancy-Undertaker-Pelosi and Macho-Man Chuck Schumer in the White House over funding for the border wall. This definitely intensifies the concern over a looming government shutdown on Dec 21, though I'll be honest and admit I'm not even sure the market cares about government shutdowns anymore. In Europe, we have a confidence vote in UK PM May today, though the BP is trading higher at the time of writing as she is expected to prevail. France is also facing a no confidence vote on Thursday following the "yellow vest" protests and the announced changes to budget plans. It appears, for now, that the ruling coalition will not lose its majority, it might mean that the French PM will have to detail their budgetary plans for 2019. This could put France on a collision course with EU rules...unless of course those rules only apply to Greece, Italy, and the other southern European countries. Italy will present its revised budget proposals to the EU today, and they are thought to be a bit closer to EU requirements but I'll admit I haven't seen details yet.

None of that political chaos seems to matter to the equity market this morning. President Trump continues to talk optimistically about his relationship with Chinese President Xi and continues to paint a picture of a deal coming together. His administration, however, continues to move forward in aggressive ways to "counter" China, with a report on Chinese hacking and cyber threats due later this week. President Trump seems to want a trade deal to keep the stock market on track, but the administration continues to pursue other anti-China policies. I'll go out on a limb and suggest that even when an actual "deal" is announced, the "economic cold war" with China is just getting started.

On tap today we'll have CPI, and this will be given a close look as the market continues to back down on rate hike expectations for 2019. I'm more interested in the results from the 10Y Treasury auction later this afternoon. The results of the UK confidence vote will be released this afternoon.

Energy

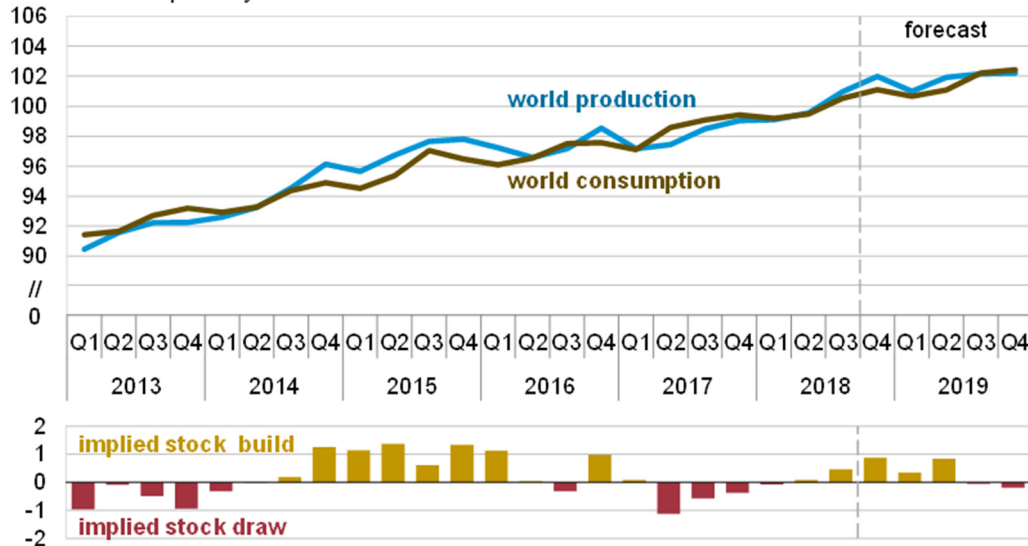
EIA's STEO released yesterday, and I always find this interesting to skim through. I'll simply note some of their highlights and present a few of their graphics and we'll be on our way today.

EIA estimates that US crude oil production averaged 11.5 mbpd in November, up 150,000 bpd from October levels because of platforms resuming normal operations after hurricane-related outages in October. EIA expects that US crude oil production will average 10.9 mbpd in 2018, up from 9.4 mbpd in 2017, and will average 12.1 mbpd in 2019.

EIA expects production growth in the United States to be partially offset by declining production elsewhere, notably in the Organization of Petroleum Exporting Countries (OPEC), where EIA forecasts that liquid fuels production will decline by 0.9 bmbpd in 2019. EIA expects global liquid fuels consumption to increase by 1.5 mbpd in 2019, with growth largely coming from China, the United States, and India.

Charts follow on the next pages...

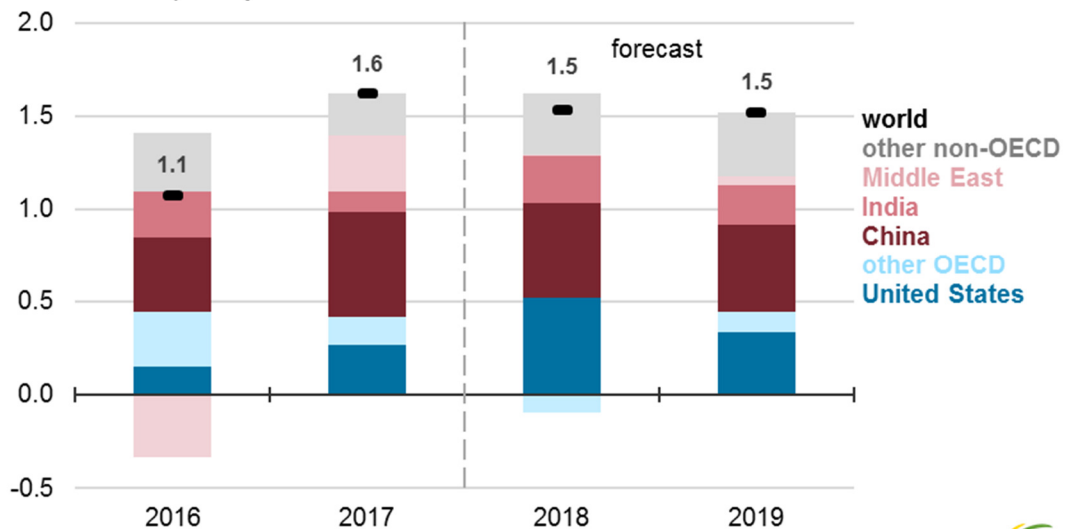
World liquid fuels production and consumption balance
 million barrels per day



Source: Short-Term Energy Outlook, December 2018



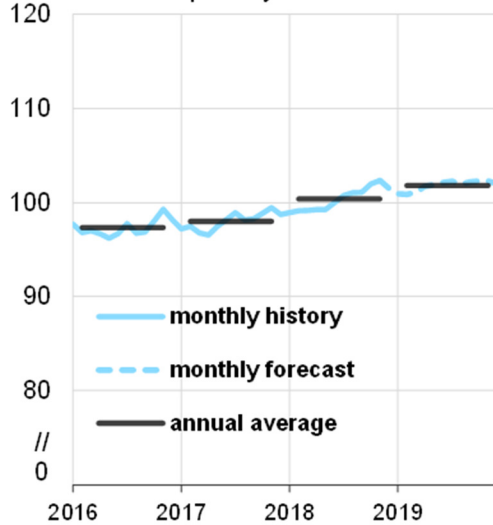
Annual change in world liquid fuels consumption
 million barrels per day



Source: Short-Term Energy Outlook, December 2018

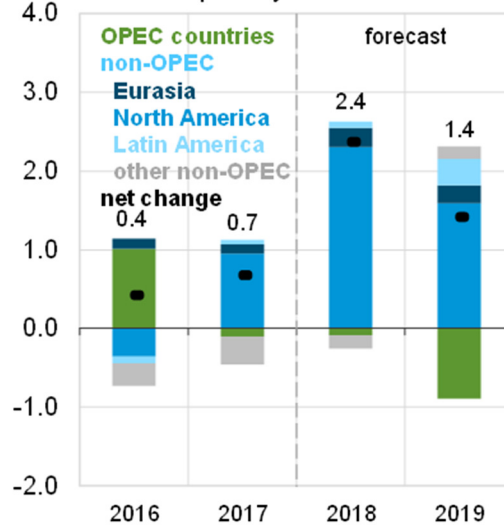


World crude oil and liquid fuels production
 million barrels per day

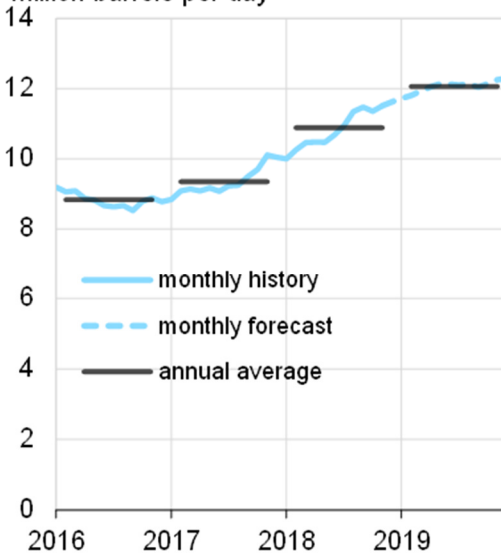


Source: Short-Term Energy Outlook, December 2018

Components of annual change
 million barrels per day

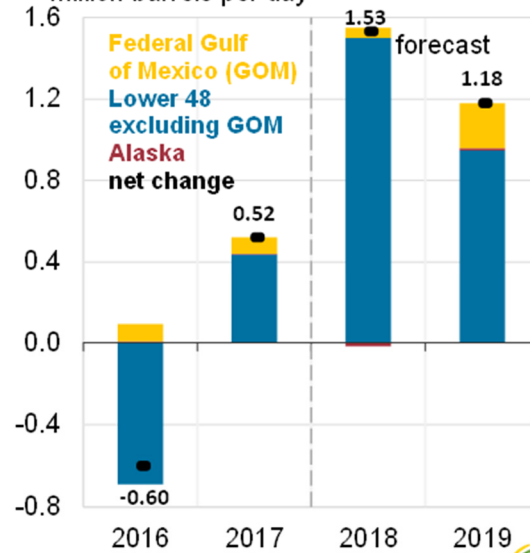


U.S. crude oil production
 million barrels per day

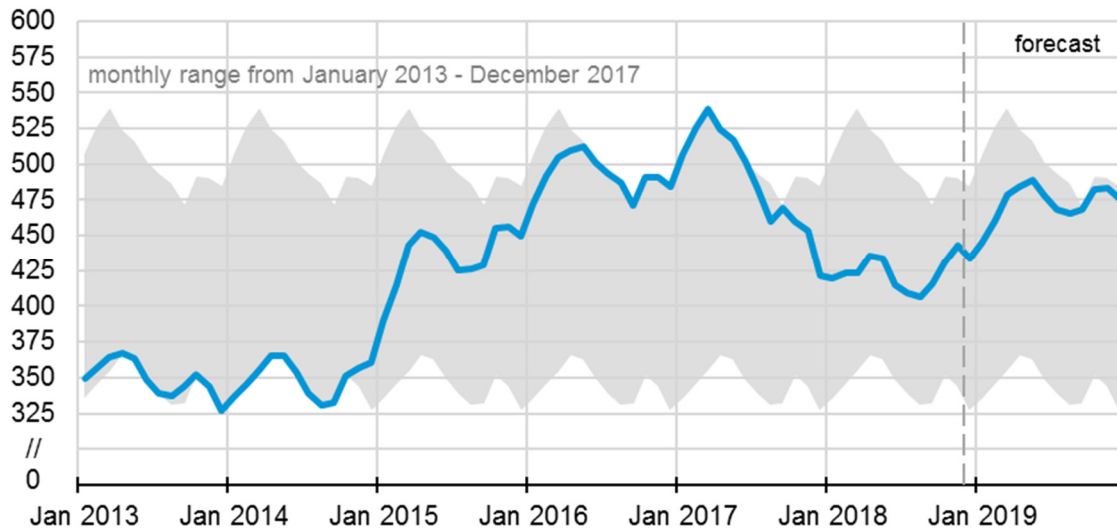


Source: Short-Term Energy Outlook, December 2018

Components of annual change
 million barrels per day



U.S. commercial crude oil inventories million barrels



Source: Short-Term Energy Outlook, December 2018



Today's Calendar (all times Central)

- CPI – 7:30am
- EIA Petroleum Inventories – 9:30am
- 10Y Auction – 12:00pm
- Monthly Budget Statement – 1:00pm

Thanks for reading.

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