

Weather

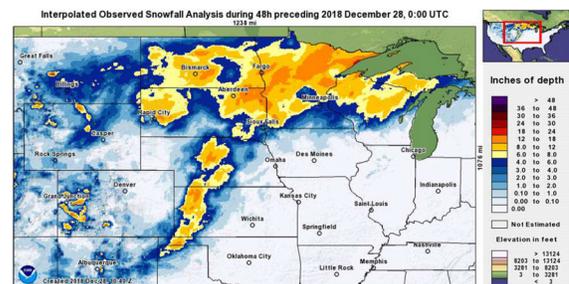
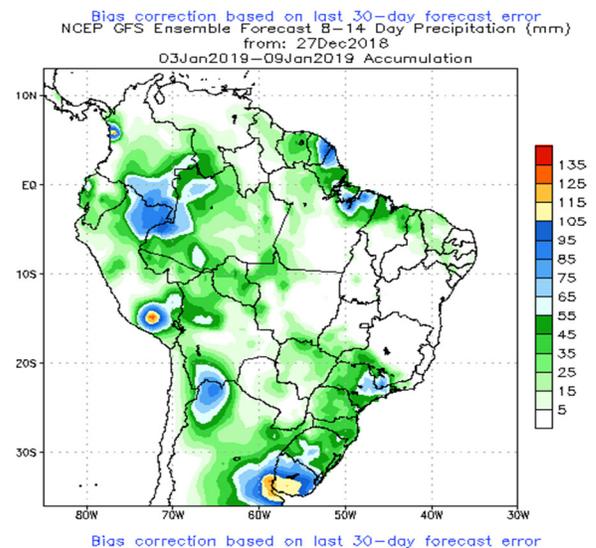
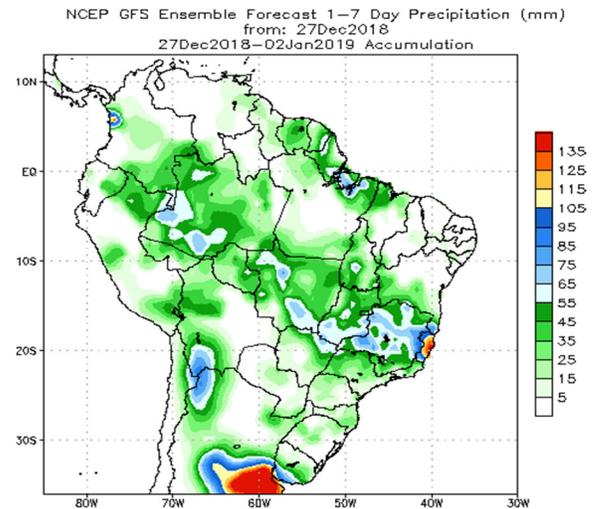
Rainfall in northern Brazil will average near to slightly below normal over the next two weeks. Two week rainfall totals should probably range from 3-6" with some lighter amounts in northeastern areas. The best rains over the next two weeks will fall in the 1-5 day period. In Southern Brazil we should see near normal rainfall amounts with two week totals ranging from 2.5-5.0". In the next few days, there will be a daily threat for rain but rainfall totals probably won't amount to much. It is during the 6-10 and 11-15 day periods when rainfall amounts will really start to increase in the region. No major heat in Brazil during the next two weeks.

In Argentina we should see two week rainfall totals average above normal with 4-7" rainfall totals possible. We should see rains develop later today for a widespread portion of the country and continue through tomorrow night with amounts of .75-3.0" with that event. A break in rainfall will be seen Sun/Mon with another round of rains for Mon-Wed bringing 2-4" rainfall totals. Rainfall amounts will then subside significantly for the duration of the two week period, but it won't be completely dry either. We should see some temps reach into the 90s at times, but nothing extreme is expected.

The map to the bottom right shows 48 hour snowfall totals through the Plains. The good news for the feedlots in the area is that no significant precipitation is now in the forecast for the next 10 days. There may be a modest uptick in precipitation odds in the 11-15 day period, but it doesn't appear this should be anything major.

Crops

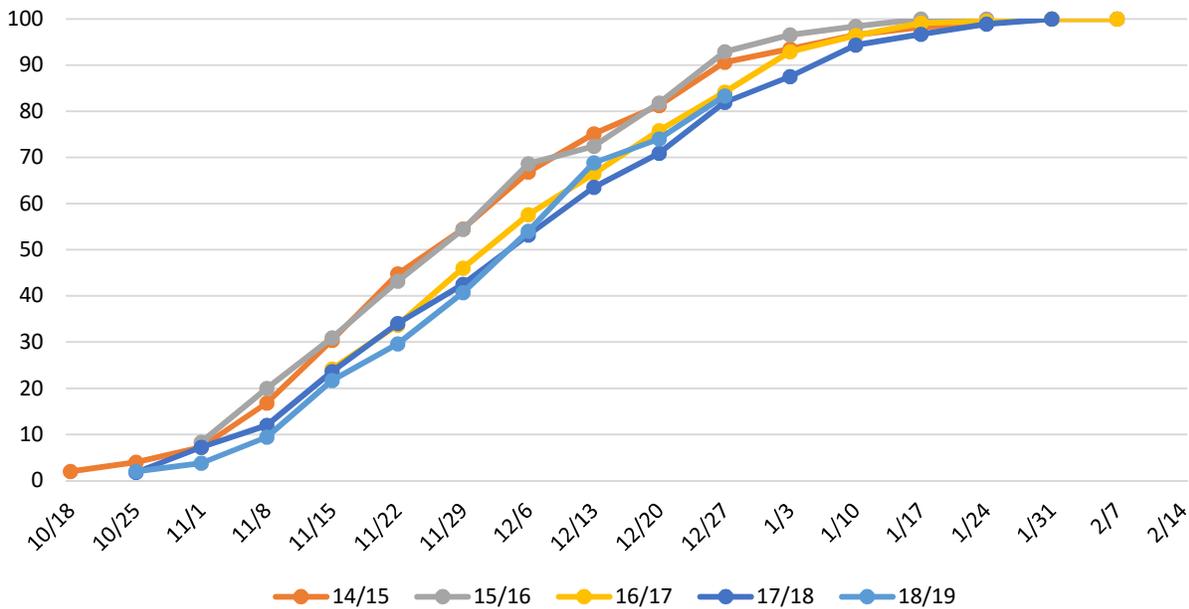
I've heard some concerns raised recently about the heavy rains expected in Argentina in the current forecast and how this could impair further planting efforts and/or hurt the crops already planted. As for the crops already planted...from my experience it is very, very hard (though certainly not impossible) to create significant damage to at crop on a *national* level from too much rainfall. You want to really knock production off on a national level, heat and dryness are your usual culprits. I know that is not *always* the case, but it is a pretty good rule of thumb.



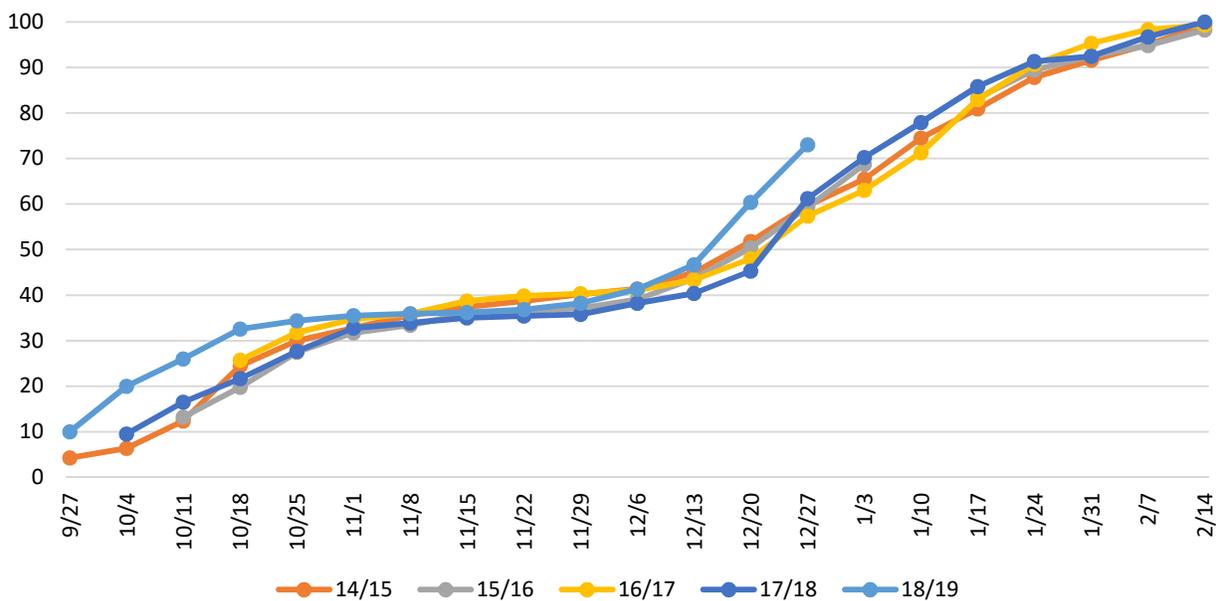
48-hour snowfall totals through 6 PM CST last evening

As for the crops yet to be planted, I don't see why alarm bells are being raised at this time. As shown below, soybean planting is running at an average pace at this point. I would also point out that the spots that still have significant planting left to accomplish are not the areas that are expected to be most affected by the next week of heavy rainfall. In the case of corn, you can see that planting is running well ahead of normal at this point.

Argentine Soybean Planting Progress (BACE)



Argentine Corn Planting Progress (BACE)



I'm persistently amused by the rationale many analysts use to raise alarm bells over Argentine production prospects. Last year the doomsayers proved correct...we'll just have to wait and see this year. I personally see no reason for concern at this point.

Livestock

Obviously the rationale for yesterday's big rally was the snowstorm in the Plains. Not sure why the rally occurred all yesterday as the storm appeared to develop as expected and it has been in the forecast for about a week now, but I suppose the market just needed to see it before responding. Pen conditions are in poor shape throughout a big portion of the region and on top of that we have kills being cut due to the weather. Yesterday was estimated at 108k and I wonder if that might even get revised lower. Considering we have holiday-impacted kills already this week and next, there is a strong argument in favor of higher beef prices ahead.

One thing that bugs me about this is that the government shutdown will temporarily make it difficult to assess the impact. Carcass weights should be hit hard if pen conditions are as bad as we hear, but the carcass weight data and the official slaughter numbers are a casualty of the government shutdown that has no end in sight.

Financials

As noted above, there appears to be no need to the government shutdown in sight. Trump tweeting this morning the southern border will be closed completely without border wall funding, so he obviously isn't backing down from his demands. The Dems likely feel re-empowered with their looming takeover of the House so I don't see them caving easily either. This might last longer than what we've grown accustomed to.

In FX the DX is trading at its lowest levels since November and is flirting with key technical support. Both the DX futures and the BBDXY index are hovering right around their 100-day MAs. As noted on Monday, the market is leaning heavily long the dollar, so a breach of this level might spark additional weakness as some of those positions get offset.

Energy

Crude oil futures are higher again this morning despite a big increase in US stocks shown in yesterday's API report. API reported a 6.9 million barrel increase in US crude oil stocks. Despite the government shutdown, it does appear we'll get the weekly petroleum numbers today. Expectations had called for a 3.4 million barrel *decline* in crude oil stocks but of course the API number does raise some doubt.

Today's Calendar (all times Central)

- Chicago PMI – 8:45am
- EIA Natural Gas Storage – 9:30am
- EIA Petroleum Inventories – 10:00am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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