

Weather

No significant changes to the outlook this morning. Northern Brazil should average near to below normal over the next two weeks with rainfall totals ranging mostly between 2-5". The biggest amounts will be seen in the 1-5 day period with limited rainfall expected in both the 6-10 and 11-15 day periods. There are no indications for significant heat at this time.

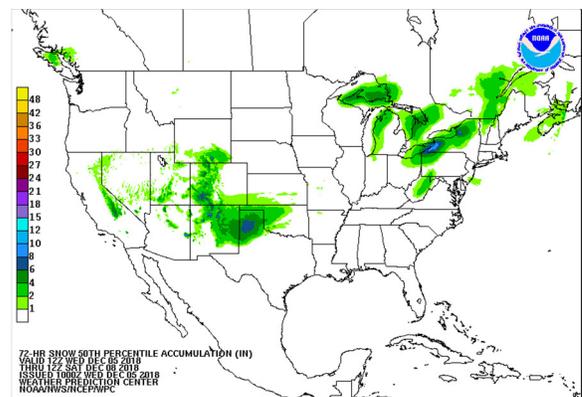
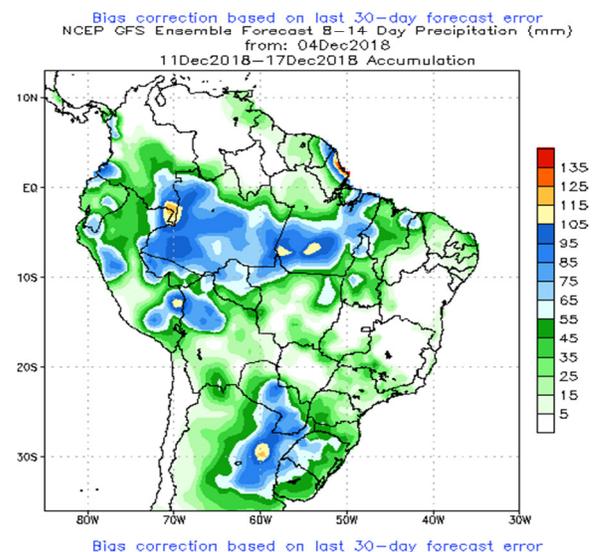
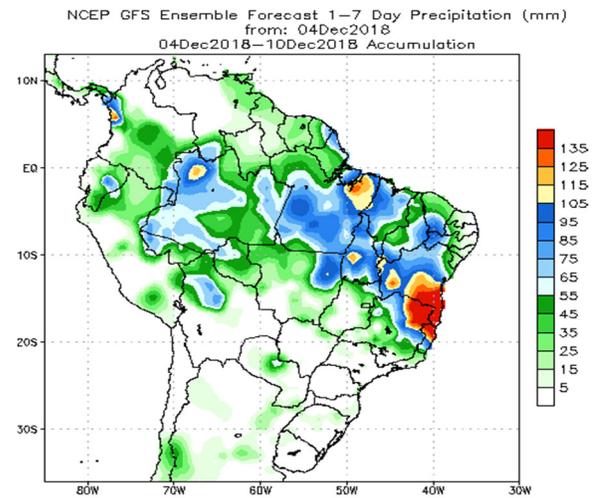
Two week rainfall totals in southern Brazil should range from near normal in parts of southern MGDS to above normal in parts of RGDS. Very limited rainfall will be seen through the end of this week and early next week but we should see a big increase in rainfall chances in the middle of next week and this should continue through the end of the 11-15 period. There should be a lot of 2-4" amounts with some locally heavier totals.

Argentina should see two week rainfall totals average near to above normal over the next two weeks. There should be very little rain now through the weekend, but rains will start to return on Monday night and continue into the 11-15 day period. A lot of widespread 1-2" totals are possible and amounts up to 2-4" will be seen in some areas. No major heat is expected, though highs will reach into the 90s at times (look for 90s early next week).

In the US, the main weather feature to keep an eye on right now is the possible snow event in the Southern Plains which should move through Fri/Sat. The TX Panhandle through OK and into southern MO could see pretty solid coverage of some 4-12" snowfall amounts and there will be some freezing rain mixed in as well. Generally speaking, look for a continuation of BN temps across most of the US for the next 5 days but we should see temps moderate in the 6-10 day period and we might even see a good amount of AN temps in the 11-15 day period.

Crops

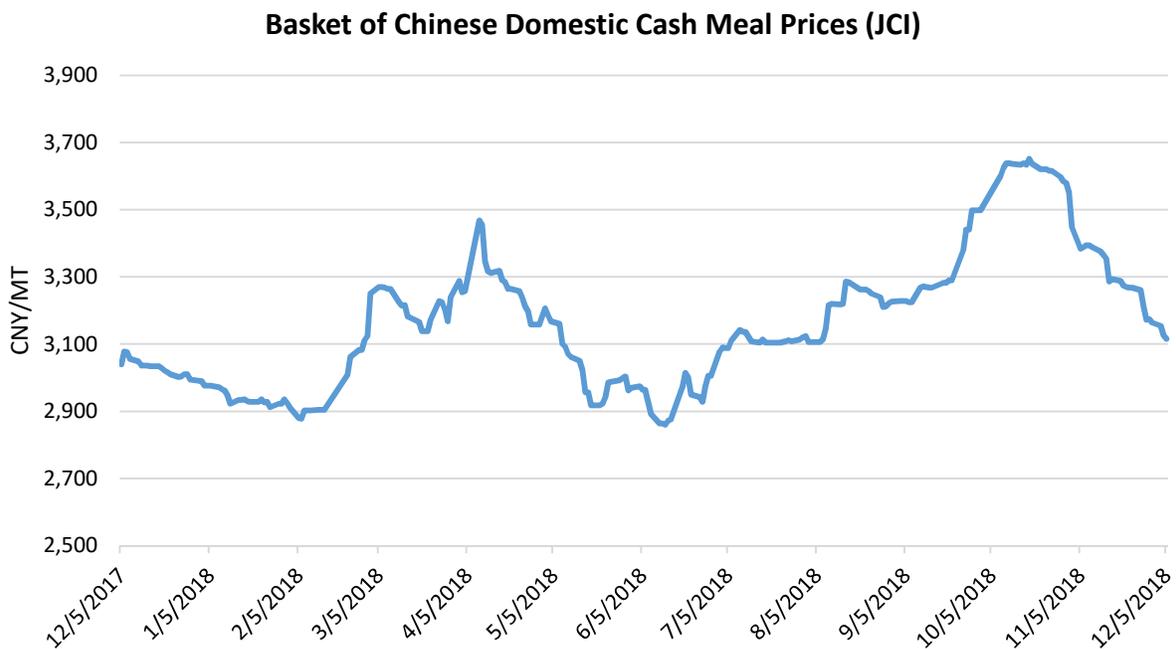
Well, we still don't have much of an idea how this trade "truce" is going to work out. Rumors continue to circulate about significant purchases, with Bloomberg now reporting Chinese officials have begun preparations to buy US soybeans among other items. Where there



is smoke, there is usually fire and I would expect the Chinese to buy *something* significant in the near future. The definition of “significant” is open to debate, of course, we’ll just have to wait and see.

While that will change my prior thoughts on the state of affairs of the US soybean balance sheet modestly, I continue to stand by my comments that the global market for soybeans remains over-supplied. The chorus of those stating Brazil’s old crop production was understated is growing, and the chorus of increased new crop production ideas is growing louder as well. This is very important.

Two food-for-thought charts and we’ll be on our way this morning. Up first is a chart showing a basket of Chinese domestic cash meal prices. You can see this is off sharply in recent weeks, roughly 15% of its highs and it has given back more than 60% of its post-tariff rally. Any purchase of US soybeans for political purposes likely doesn’t positively influence crusher margins in China and likely serves as a drag on their overall demand in the end.



The second chart below shows what Brazilian new crop export premiums have been doing over the past ~6 months. You can see the trend is lower and the weakness has intensified following the trade truce. Anything that China buys from the US in their political moves is just less demand for the Brazilian exporter. Well, I suppose in theory Sinograin and Cofco could buy for state reserves only, leaving private demand as-is. We’ll just have to wait and see. The point here is, Brazil is heading into their new crop harvest (~25 days away?) with potentially a massive crop and they’re now going to be reliant on the ROW ex-China temporarily? We’ve seen how well that works in the US, haven’t we? Brazilian premiums are likely facing significant further downside, which puts all ROW and China private-buyer business there.

Santos Soybean Export Premium - March



Is the looming politically-motivated “significant” soybean purchase the last “significant” business we’re going to do for the rest of the year??

Livestock

Not much new to say here this morning. It seems the cattle board is simply stuck in a range here, and now that I glance back at the chart it seems to have been stuck in this range since the beginning of September. It may have felt like a lot of fireworks over the past few months, but the board really hasn’t done much.

No real axe to grind on the fundamentals this morning. I haven’t had a good feel for cash in the past few weeks, though I’m not convinced anyone else has either so I don’t feel too bad. Packer margins, as least as calculated by HedgersEdge, have been in retreat since the beginning of November. While they’re still historically high, I continue to believe the packer will slow-play their cash needs until the margin situation improves. That said, everyone I hear from is still calling for higher and higher cash trade in the coming weeks...and they should know better than I.

With no strong handle on the fundamentals unfortunately and with the nearby daily charts merely stuck in a range, I’m taking a look at the weekly continuation chart this morning. Shown below, you can see that for now we’re still stuck in a mode of setting lower-highs over the past several years. Interesting, if LCG is at its current price when LCZ expires, it would be modestly above the trendline drawn on the chart and perhaps a bit interesting.



Financials

Everything will be mostly shut-down today, though it sounds like the release of the Beige Book this afternoon will happen. The next two days will be jammed full of important market moving data. Tomorrow we'll have ADP employment, trade balance, ISM, durable goods, and others. On Friday we get NFP and consumer sentiment. We had a speech due from Fed Chair Powell today, but it looks like that has been rescheduled (though I'm not sure what new date/time).

Energy

The weekly EIA inventory data has been postponed until tomorrow, but API already reported overnight and they showed a much larger than expected build in crude oil stocks. They showed a gain of 5.4 million barrels compared to current expectations for a modest decline in stocks. WTI futures were lower in early overnight action due to the big build, but we've seen a bounce in prices in the past hour or so. All eyes are on OPEC+ with ministers and officials starting to arrive in Vienna. It seems everyone is in agreement we'll get some sort of production cut at the event, but nobody is quite sure how it will actually look.

Interesting to see the Saudis cut their oil price to Asia right ahead of the meeting. The Saudis usually charge a premium over the "Middle East benchmark" for their oil. Today it is reported they've cut their premium to 60 cents/bbl for January shipment vs expectations for 70-90 cents. The same differential was \$1.60 for December.

Today's Calendar (all times Central)

- Basically everything rescheduled...

Thanks for reading.

David Zelinski

dzelinski@nesvick.com

901-766-4684

Trillian IM: dzelinski@nesvick.com

Bloomberg IB: dzelinski2@bloomberg.net

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