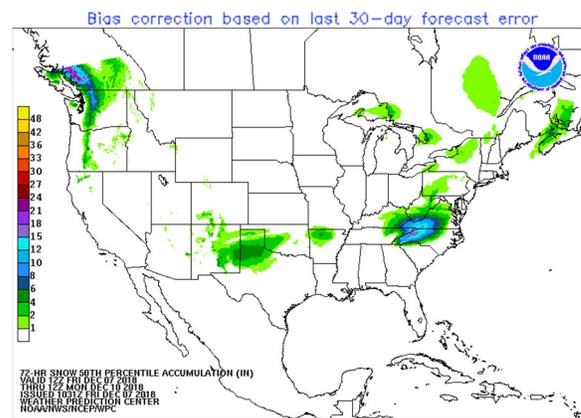
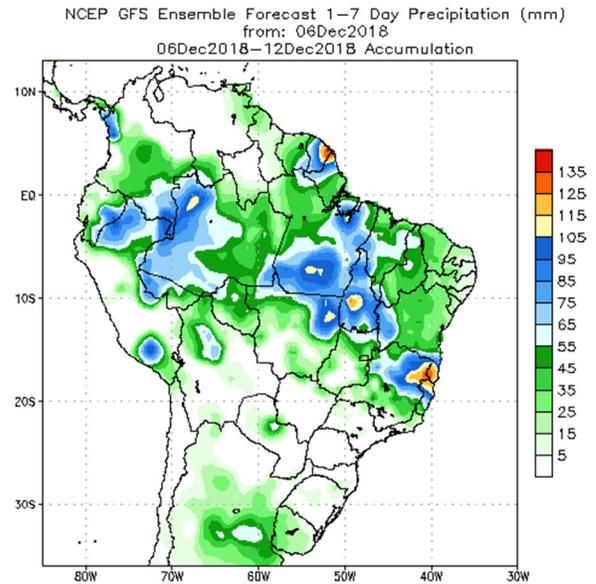


Weather

Northern Brazil should see rainfall average mostly below normal over the next two weeks. Rainfall amounts will range between 1-4" during that period, but the bulk of that will come in the next few days. Southern Brazil will see a mix of AN and BN rainfall during the next two weeks. Look for very little rainfall through mid next week, but late in next week we should see a big uptick in rainfall chances and this should continue into the 11-15 day period. RGDS will likely see the best amounts and could see 2-4" amounts. No significant heat though highs will reach the 90s at times.

Argentina should see two week rainfall totals run near to above normal in major growing areas. Rainfall will be very spotty over the weekend, but rainfall should start to pick up early next week and continue for a few days. It looks like everyone should see at least 1" and some areas could see up to 2-3". There will be additional rainfall chances early in the 11-15 day period. No major heat, though highs will build into the 90s this weekend ahead of the arrival of rainfall.

In the US we're still looking at some snowfall chances through the TX Panhandle feedlot areas. We've got another few days of cool weather but by the 6-10 day period much of the US should be experiencing near to above normal temps.



Crops

As promised this morning we're going to take a very quick look at the RFS and what it might mean for soyoil consumption today. With the ethanol mandate maintained at 15 bil gallons, there isn't much point in spending a lot of time on that. I'm also growing more and more doubtful that the government will get E15 approved in time for this summer.

The breakdown that follows on the next page is a bit complicated, but if you'll trust me on some of the math all you need to look at is the two bottom numbers. On the left, I have a potential soyoil consumption projection that assumes domestic EIA production accounts for 80% of the EPA's RINs. Remember our discussion yesterday noting that as imports have fallen off we have seen domestic production account for a larger share of the EPA's calculations. In the past we've been over 80% at times, but I'm going to start with 80% here for now. On the right, I have the same projection, but only assuming roughly 70% of the EPA's RINs will come from US domestic production. We're running slightly above that level this year, so as long as there are still duties on Argentine biodiesel I would think this should be a low-end projection.

Biomass Biodiesel - Soyoil Scenario 2019

Biomass Diesel Req. (bil gal)	2.100
Biomass RINs (x 1.5)	3.150
Cellulosic Req (bil gal)	0.418
Total Advanced Req. (bil gal)	4.920
"Unspecified" Needed (bil gal)	1.352

"Aggressive" Calc	
Needed EIA Bio Prod (Biomass Req x 80%)	1.680
Estimated Required Inputs	12.348
50% Soyoil Assumption (bil lbs)	6.174

Recent History Calc	
Needed EIA Bio Prod (Biomass Req x 70%)	1.470
Estimated Required Inputs	10.805
50% Soyoil Assumption (bil lbs)	5.402

Additional "Unspecified" Advanced Soyoil Demand Possibilities???

"Unspecified" Needed Bio Prod	0.901
Needed EIA Bio Prod (Unspecified Req x 80%)	0.721
Assumption on Veg-Oil Use	5.300
50% Soyoil Assumption (bil lbs)	2.650

"Unspecified" Needed Bio Prod	0.901
Needed EIA Bio Prod (Unspecified Req x 70%)	0.631
Assumption on Veg-Oil Use	4.637
50% Soyoil Assumption (bil lbs)	2.319

Total Soyoil Use? **8.824**

Total Soyoil Use? **7.721**

The top two boxes show the projections for just the biodiesel component of the RFS, which in 2019 is unchanged from 2018. However, the EPA went more aggressive with their overall "advanced" biofuel requirement. This total advanced requirement is supposed to be made up of the biodiesel component as well as certain other types of biofuels. These other types of biofuels, however, have never seemed to find commercial adoption, meaning biodiesel is what is likely going to be needed to meet this requirement. That is added into with the bottom two boxes in the breakdown above.

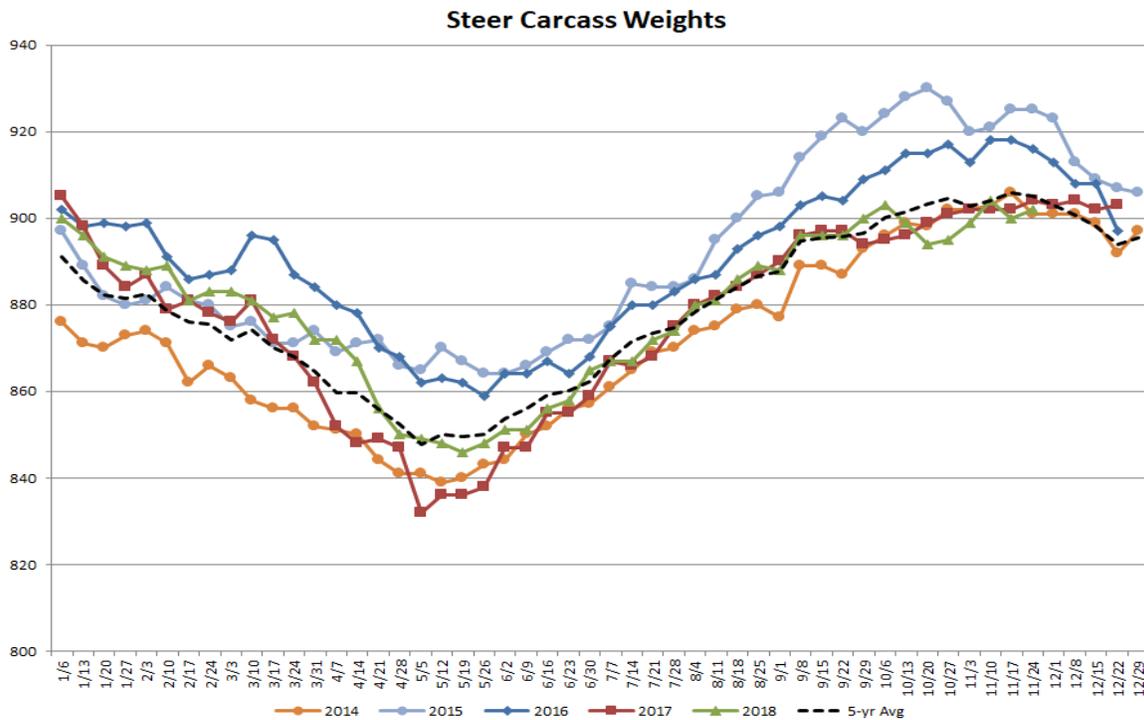
EPA's RFS Mandate Requirements							
	2014	2015	2016	2017	2018	2019	2020
Cellulosic biofuel (million gallons)	33	123	230	311	288	418	
Biomass-based diesel (billion gallons)	1.63	1.73	1.90	2.00	2.10	2.10	2.43
Advanced biofuel (billion gallons)	2.67	2.88	3.61	4.28	4.29	4.92	
Renewable fuel (billion gallons)	16.28	16.93	18.11	19.28	19.29	19.92	
Ethanol Requirement	13.61	14.05	14.50	15.00	15.00	15.00	

Focusing again now on the two numbers at the bottom of the breakdown, at the right you see a somewhat conservative estimate of what soyoil consumption might look like during calendar year 2019. Note that this

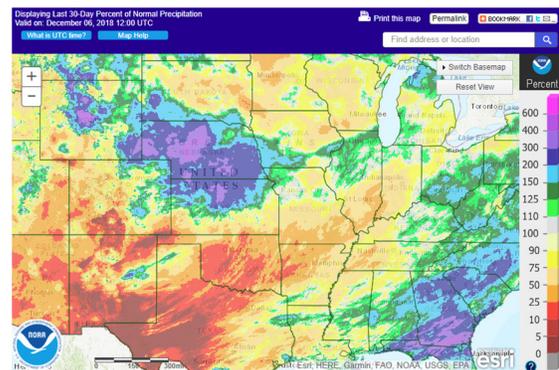
lines up pretty close with what WASDE is projecting for the 18/19 marketing year. Of course, the marketing year and calendar year are two different timeframes, but the figure serves as a pretty good benchmark to show us that WASDE is probably on the right track with their projection right now. The number at the left implies there could certainly be some upside to that figure as long as exports remain minimal. Bottom line – the advanced biofuel requirement for 2019 should keep domestic consumption of soyoil running at a strong pace.

Livestock

Yesterday’s official carcass weight breakdown was a bit peculiar. Steers were +2, heifers were unchanged...and all cattle were +5?. Obviously steers comprised a bigger portion of the kill allowing for the overall average increase but I still find that a bit unusual. As you can see below, steer weights are just hanging on at the lower end of the range seen over the past few years.



The map to the right shows 30-day percent of precipitation. My understanding is that feedlots in and around NE are a mess right now. This should continue to keep weights down. And as mentioned above, we’ve got some potential snowfall with a bulls-eye on the TX Panhandle this weekend. Look for weights to struggle vs. year ago levels in the weeks ahead. This will be important to keep in mind as we’re likely to see large kill numbers, but the overall production totals might not be as large as we’d otherwise expect.



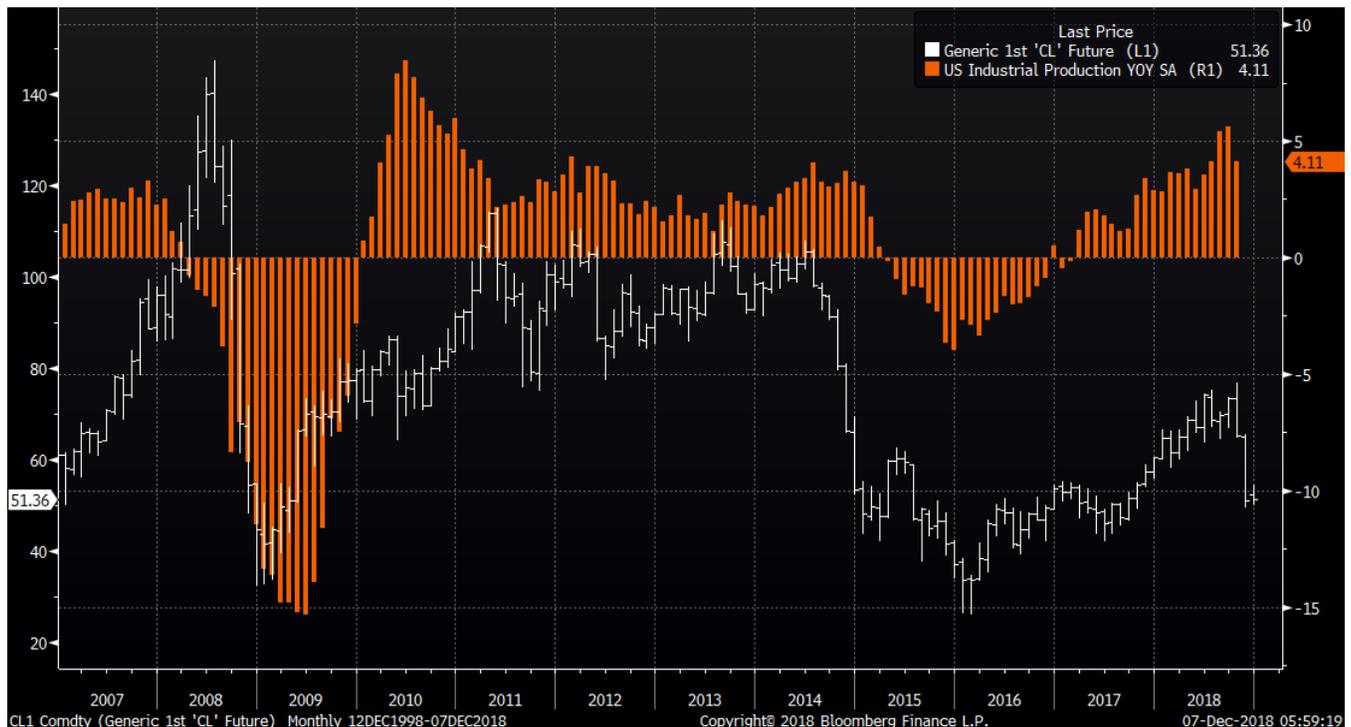
Financials

Rate hike odds seem to be falling fast. For now, Fed Fund futures are still pricing in roughly 70% odds for a December rate hike. I don't remember when the quiet period for Fed speeches starts ahead of the 12/19 meeting, but if they want to convey something to the market to avoid a surprise they better get to it. Interestingly, FFZ9 is pricing in virtually no rate hike for the entirety of 2019 now. That's not entirely true, assuming another 25 bps in December it would be showing roughly 10 bps of an increase for 2019...but that's not a full 25 bps rate hike like we've seen lately. Pessimism in the Fed is getting a bit extreme here. It will be very interesting to see what the dots show this month. We're probably looking at a dovish hike – where the Fed raises rates 25 bps but lowers their projections for 2019 and forward. I would find it highly unlikely the Fed's outlook is as low as the market's implied outlook.

I don't see much new-news to pass along this morning. We managed to avoid a big sell-off in equities yesterday, but we're weaker this morning largely on the same concerns we had yesterday. Trump tweeted a reference to a statement from the Chinese government speaking positively about a trade deal, but I've personally been unable to find the statement nor have I seen anything written on it. This morning we've got the payrolls release and there will apparently be some announcement from the Mueller investigation...and who knows – maybe that is market moving as well?

Energy

Yesterday I challenged myself to look for ways that weaker oil prices might actually hinder US economic numbers. We're now the world's largest oil producer and we're temporarily a net exporter (shown in yesterday's EIA data) so we need to get past the long-dated concept that lower oil prices are a big benefit for the economy. The chart below is one example.



In white you simply have spot WTI futures. The orange is YOY growth in US industrial production. You can see when crude oil prices have been strong recently, this has resulted in strong industrial output. This is likely due, in large part, to all of the capex spent on everything associated with shale oil production. With crude oil prices rolling over and likely profitability in shale production being somewhat squeezed, do we see this capex and industrial production decline from here? Will this weigh on US GDP figures?

Today's Calendar (all times Central)

- Export Sales – 7:30am
- NFP – 7:30am
- U of M Consumer Sentiment – 9:00am
- EIA Natural Gas Storage – 9:30am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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