NESVICK
TRADING GROUP, LLC

Wednesday, January 16, 2019
NTG Morning Comments
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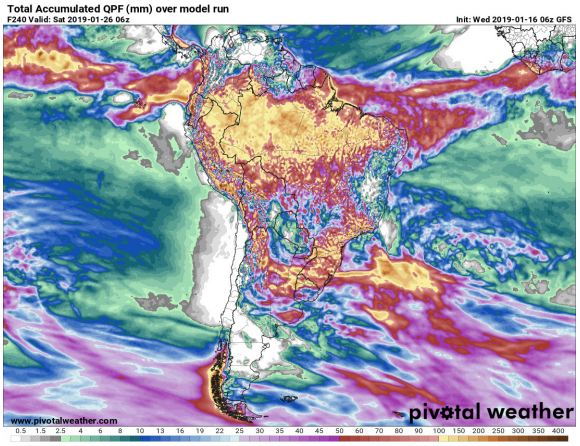
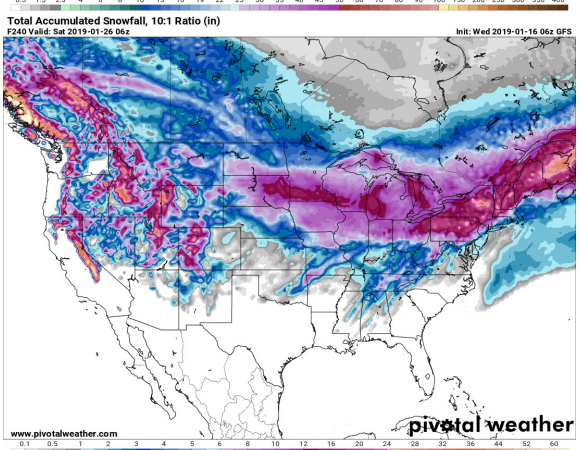
Weather

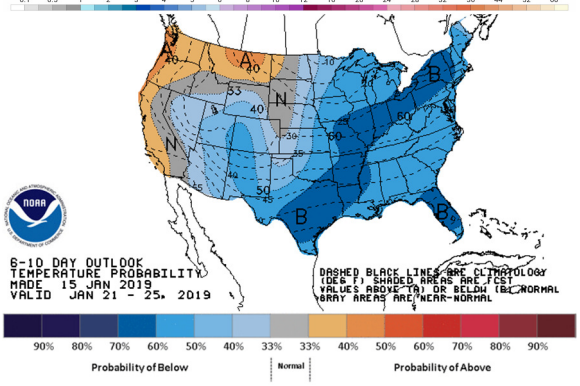
Rainfall in northern Brazil will average BN over the next two weeks. Most areas should see two week totals range between 2-4" though Bahia and Minas Gerais will likely see smaller amounts. The next 5 days should be among the best chances for rain in the area, with lesser amounts in both the 6-10 and 11-15 day periods. Temps should be AN through the end of this week, but should turn slightly cooler next week. We'll likely see warmer temps return for the 11-15 day period.



Southern Brazil will see rainfall average AN in RGDS but near to below normal in the remainder of the area. RGDS should see 4"+ amounts during the next two weeks. Meanwhile, Parana & MGDS will likely see 2-4" amounts during this period. This perhaps modestly drier in Parana & MGDS compared to yesterday. The region should see near daily chances for showers over the next two weeks, though obviously a lot of that will focus on RGDS. Temps should average above normal this week with widespread 90+ readings. We'll see slightly cooler conditions for this weekend but we should see temps turn warmer again later next week.



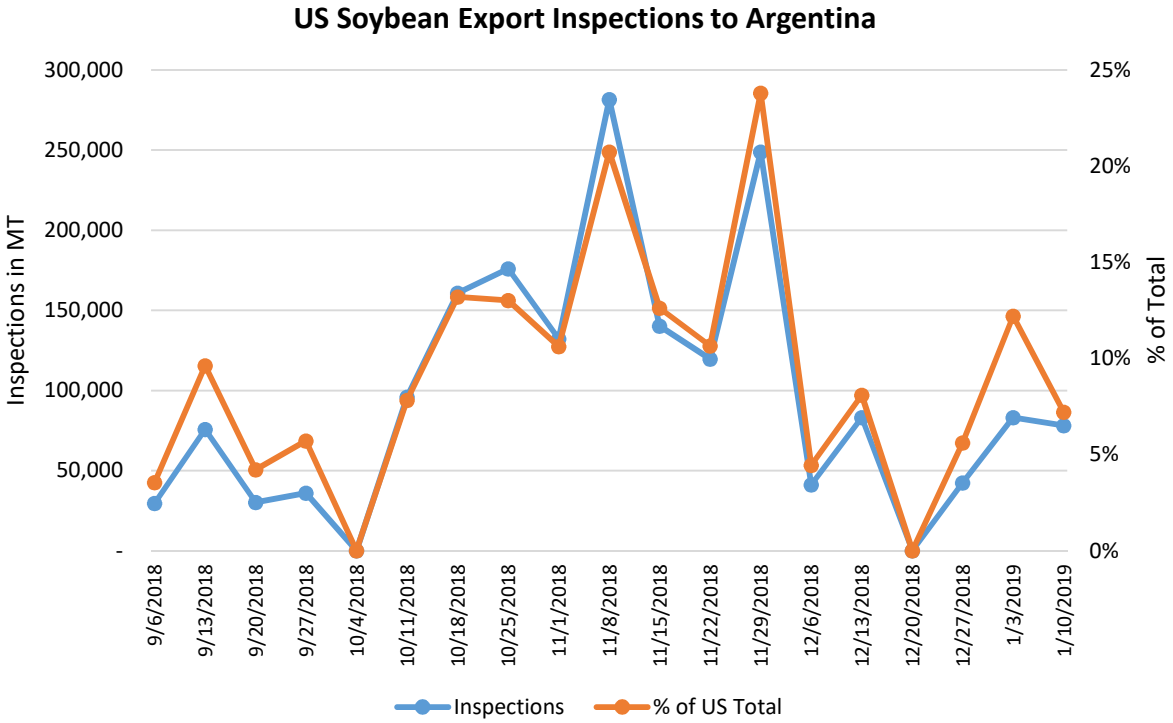
Argentina is looking at two week rainfall totals that should average AN for most of the area. Look for two week totals of 4-6" in the northeast with 2-4" in central areas and .75-2.0" in the southwest. As you can tell, this sounds very similar to every forecast presented over the past several weeks, telling you how much the current pattern is locked-in. Mostly dry right now, but rainfall should develop later tonight and into tomorrow. Temps should be pretty cool with a lot of areas seeing highs only in the 70s.



Active precipitation in the eastern half of the US starting this weekend. The map at the middle right shows the GFS model's 10-day snowfall forecast. You can see that the outlook for big snowfall in the Plains has maybe shifted a bit to the north, but admittedly this is definitely a moving target right now.

Crops

Just a quick update on something we've discussed before. We've been shipping a decent amount of soybeans to Argentina so far this marketing year. Obviously this comes as a result of their drought-reduced crop combined with record global crush margins.



Just some really quick math here and we're done. 18/19 MYTD export inspections to Argentina (through 1/10/19) have comprised roughly 1.9 mmt. This represents roughly 10% of the total US export program MYTD.

The last week of sales data we have available was 12/23. At that time, outstanding sales to Argentina were approximately 300k mt. Since then, inspections data has shown that we have shipped roughly 200k, meaning there is "only" 100k of outstanding sales to Argentina on the books. With Argentina's new crop not far off, the likelihood of new sales is virtually nil at this point.

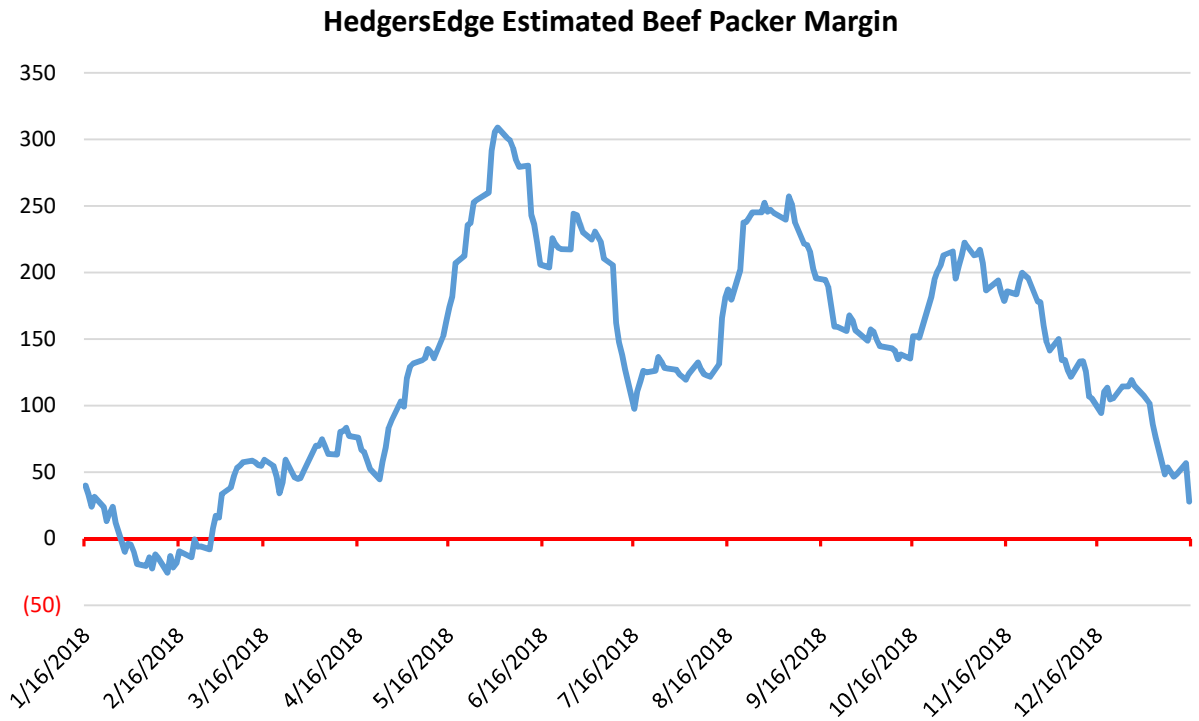
To summarize…10% of this year's export book is now done.

I know what you're thinking…yeah, 10% is done but "China is back". Oh really? Outside of the government purchases, what Chinese *private* buyer is looking at the US? The answer is – not a single one. Brazilian offers are cheaper than the US even if you take off the tariff. And, for now, the tariffs remain in place. I remain unconvinced we have a savior for US export demand in the form of China at this point in time.

Livestock

Just a quick chart with little commentary necessary this morning. Beef packer margins have been hit hard in the past several weeks. There is something of a seasonal tendency to this action. You can see that packer margins bottomed out in Feb last year and if you go several years back you can see there is a tendency for that to happen. With that in mind, this isn't necessarily something "new". That being said, I continue to believe the packer feels "entitled" to a certain degree of margin these days. I would expect the packer to respond to the

current margin weakness with some reductions in kills and certainly a less aggressive stance in negotiated trade. We'll see….



Perhaps worth noting that commercial sources implied we saw a big day of beef sales yesterday. This could be just what the doctor ordered to help support packer margins…and might argue against my thoughts for kill reductions.

Financials

As you surely are aware by now, UK PM May lost the vote to pass her Brexit deal by an overwhelming margin. This has now created a situation where Parliament will hold a no-confidence vote, likely as early as today. I am the furthest thing from an expert on UK politics and political law, so I think it best to simply pass along information I have found helpful. The information to the right I've pulled from Twitter (@hzeffman) from an apparent UK reporter. This details the next steps IF the no-confidence measure passes. That being said, there isn't a lot of confidence in the no-confidence vote passing at this point. Even those in May's party that voted against her Brexit

The path to a general election

There are two ways for a general election to happen before May 5, 2022 (Henry Zeffman writes). The first is if Theresa May asks for one. If two thirds of MPs agree, parliament is dissolved and an early general election called.

The second is via a motion of no confidence. If this passes, the government falls. MPs then have two weeks to form a government that commands the support of a majority of MPs. If that time elapses without a government being formed, parliament would be dissolved and an early general election called.

Parliament must be dissolved 25 working days (taking into account bank holidays, including those that apply in only one part of the UK, such as St Patrick's Day) before polling day. This imposes an effective deadline on MPs who want a general election before March 29 – that is, by March 28.

If the election was triggered by the prime minister then that deadline for dissolution is February 20. If it is precipitated by a confidence vote with the additional fortnight's grace period then the deadline is February 6.

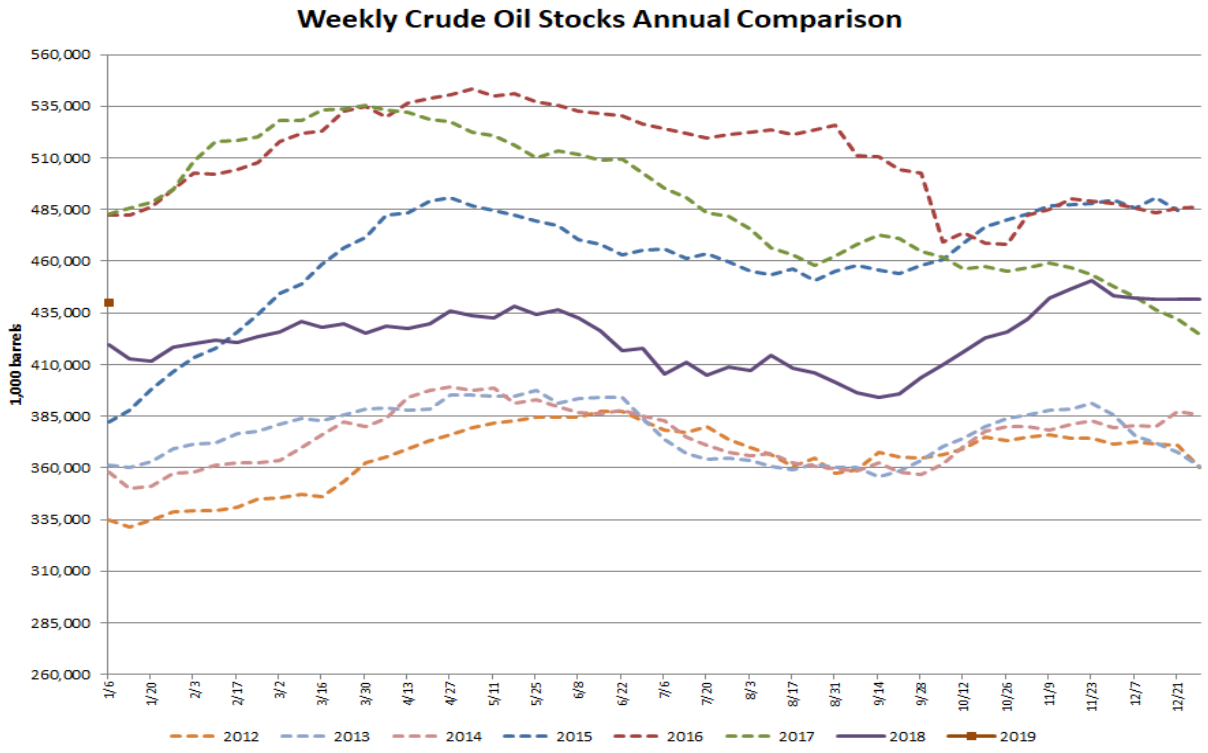
The true deadline might be earlier. Suppose MPs wanted a week to swear in MPs after the election and to mandate the prime minister to extend or revoke Article 50, that would mean polling on March 21 – thus a deadline for a no confidence vote of January 30.

deal have stated they will support her in this no-confidence vote. The early counts seem to imply that she should prevail in this vote today. Without a general election, PM May will remain in charge and I'm not sure what the path forward is from here. I'm seeing a lot of analysts write that this should support BP as it makes the likelihood of a Parliamentary compromise more likely…we'll see.

Otherwise, there really isn't much to discuss this morning. On tap today we have limited economic data, but Minn Fed Pres Kashkari (very dovish) will be speaking later tonight. In terms of earnings releases, we have big reports from GS, BAC, and AA among others.

Energy

WTI futures are steady at the time of writing this morning. We have the weekly inventory data out this morning, with expectations calling for a 2.5 mil barrel decline in US crude oil stocks. Yesterday's API report showed a decline of roughly 560k barrels. While expectations call for a decline in inventories, and inventories have been trending lower in recent weeks, you can see in the chart below that that seasonally the US sees a modest build in crude oil stocks during the first few months of the year. Admittedly, one could argue that last week we simply saw inventories track sideways during this period.



Today's Calendar (all times Central)

- Import Prices – 7:30am
- EIA Petroleum Inventories – 9:30am
- Fed Beige Book – 1:00pm

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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