

## Weather

In northern Brazil we should see two week rainfall totals average near to mostly below normal over the next two weeks. Rainfall totals will be mostly 2-4" during that period though northwestern MT might do better and the extreme northeast should see a bit less. Rainfall will likely be limited today through Friday, but look for an increase during the weekend and early next week. Next week should then clear out again with limited precipitation chances before we see some limited improvement late in the 11-15 day period. We will definitely see highs in the 90s at times during the next few weeks, but nothing that looks extreme.

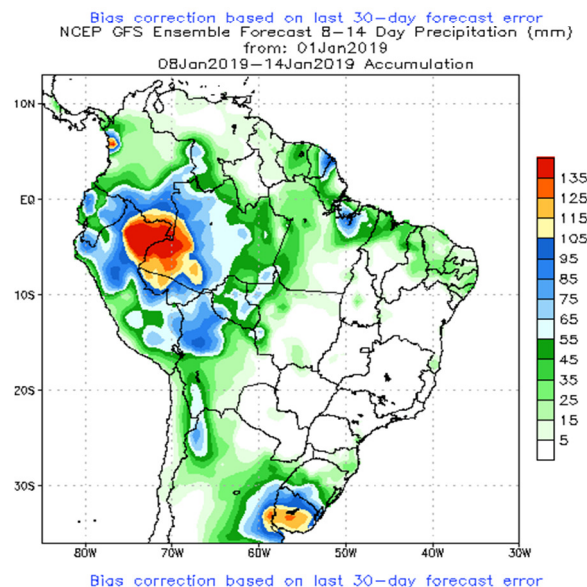
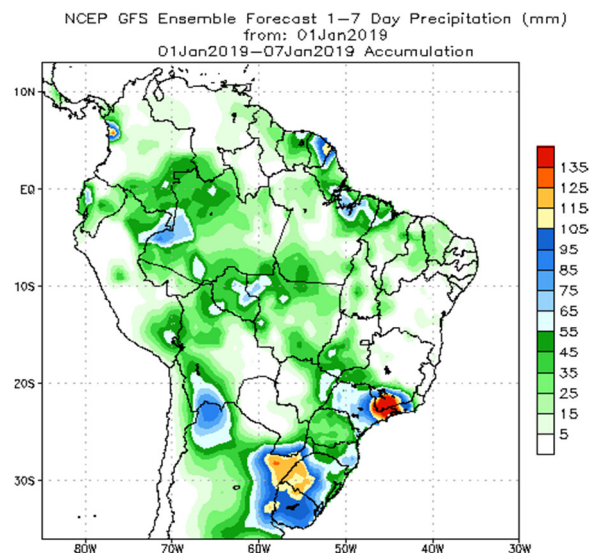
Two week rainfall in RGDS will average easily above normal and in the remainder of southern Brazil we should see near normal rainfall (and Paraguay too). Look for 5-8" in RGDS while the remainder of the area sees 3-5" during this period. Rainfall will be pretty limited today but should pick up tomorrow through Monday with some big rainfall amounts expected in RGDS. We should see another uptick in rainfall chances in the 11-15 day period. Temps will fluctuate from hot to cool over the next few weeks, but keep an eye on late next week for some potentially high temps.

Argentina should see two week rainfall totals average near to below normal in southwestern areas but the rest of the area should see easily above normal amounts. We could see 4-6" rains in northern areas, 2-4" in central areas, and .75-2.0" in southwestern areas. Rains will start to pick up tonight in central and northern areas, but tomorrow through Saturday should be dry. We'll see rains return to the area on Sunday and we should see a continuation of chances in the 6-10 and 11-15 day periods. No major heat is expected.

In the US feedlot areas, look for some precipitation chances in OK/TX today, with it likely being a mix of light snow and freezing rain. Amounts don't look too heavy, but there could be some localized heavy amounts. Otherwise, not a lot of precipitation expected in the region over the next two weeks and a lot of near to AN temps across the US.

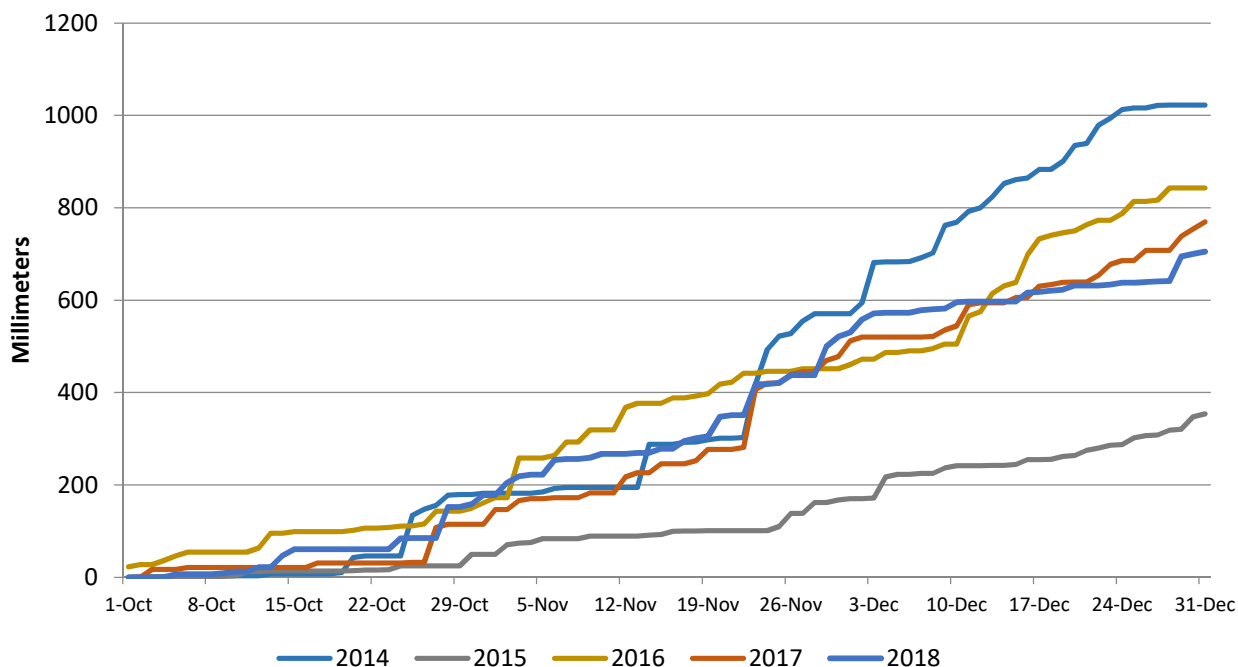
## Crops

Given the outlook for mostly BN precipitation in northern Brazil over the next two weeks, I thought it might be worth a quick look at where we've been so far this year in Brazil. The charts below track cumulative

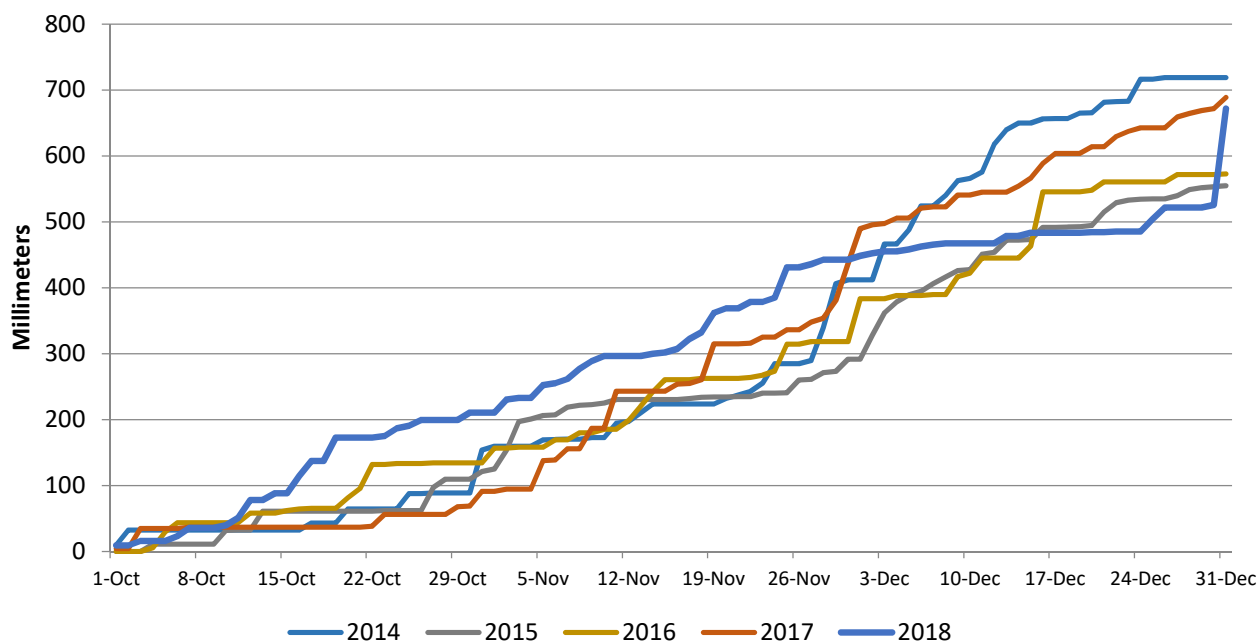


precipitation since early in the growing season in a four spots in the country. Two spots are in northern growing areas and the other two are located in the south. The charts themselves should be pretty self-explanatory.

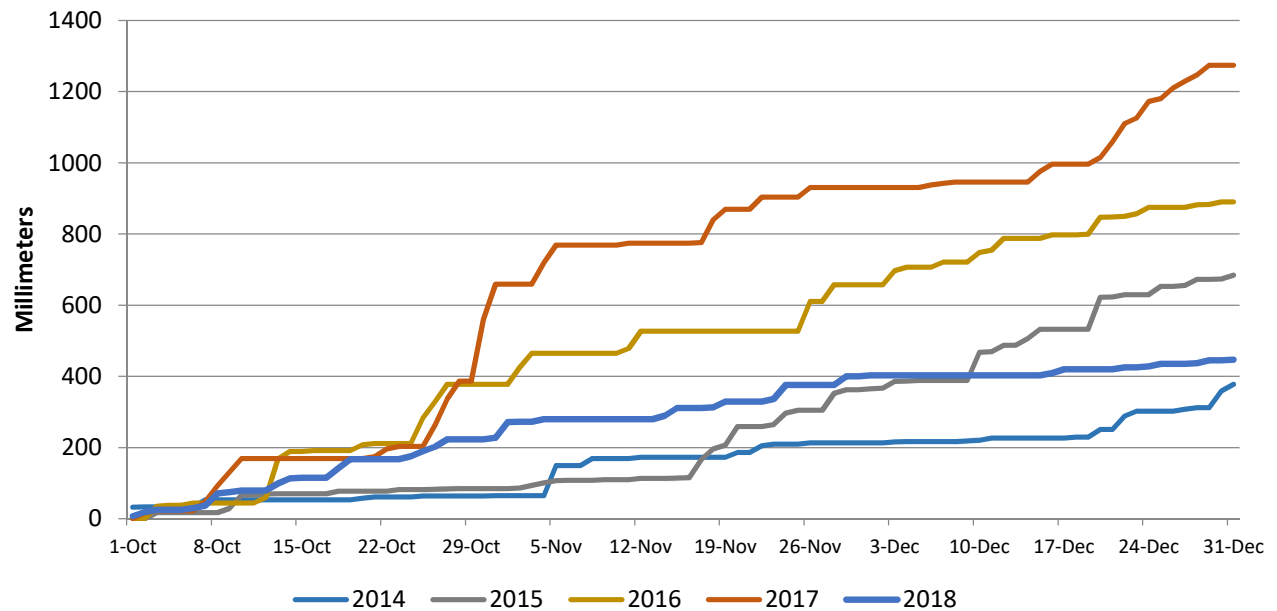
**Sorriso, MT Cumulative Precipitation Comparison**



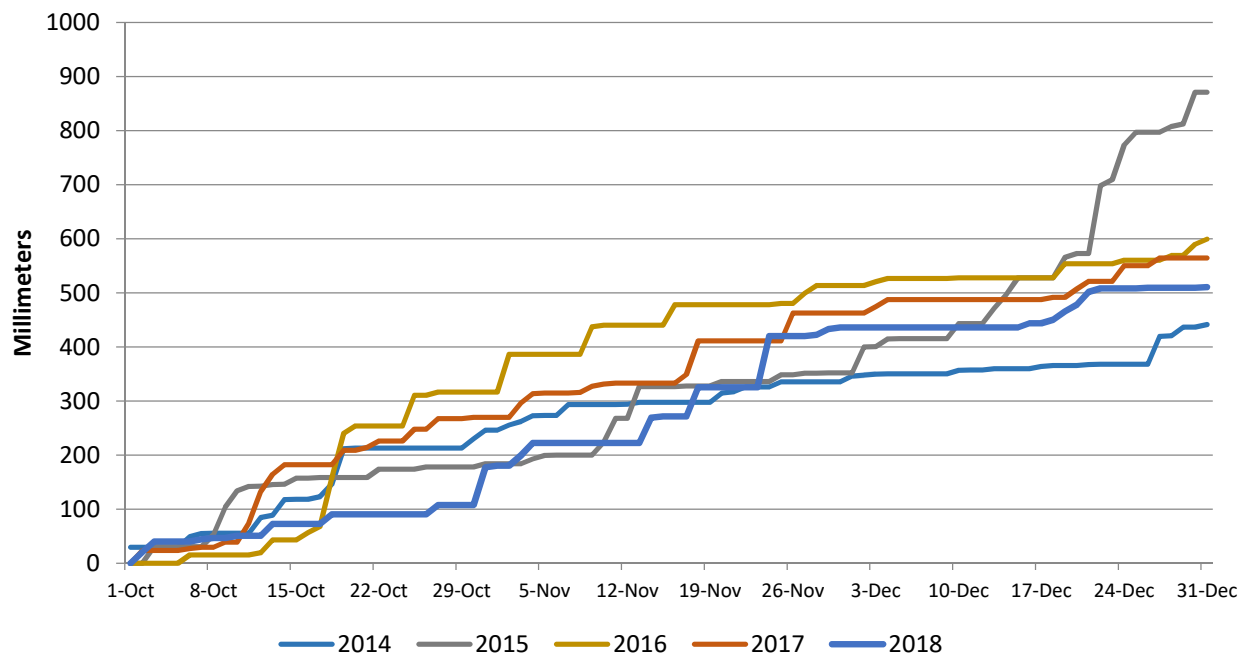
**Jatai, GO Cumulative Precipitation Comparison**



**Cascavel, PR Cumulative Precipitation Comparison**



**Cruz Alta, RS Cumulative Precipitation Comparison**

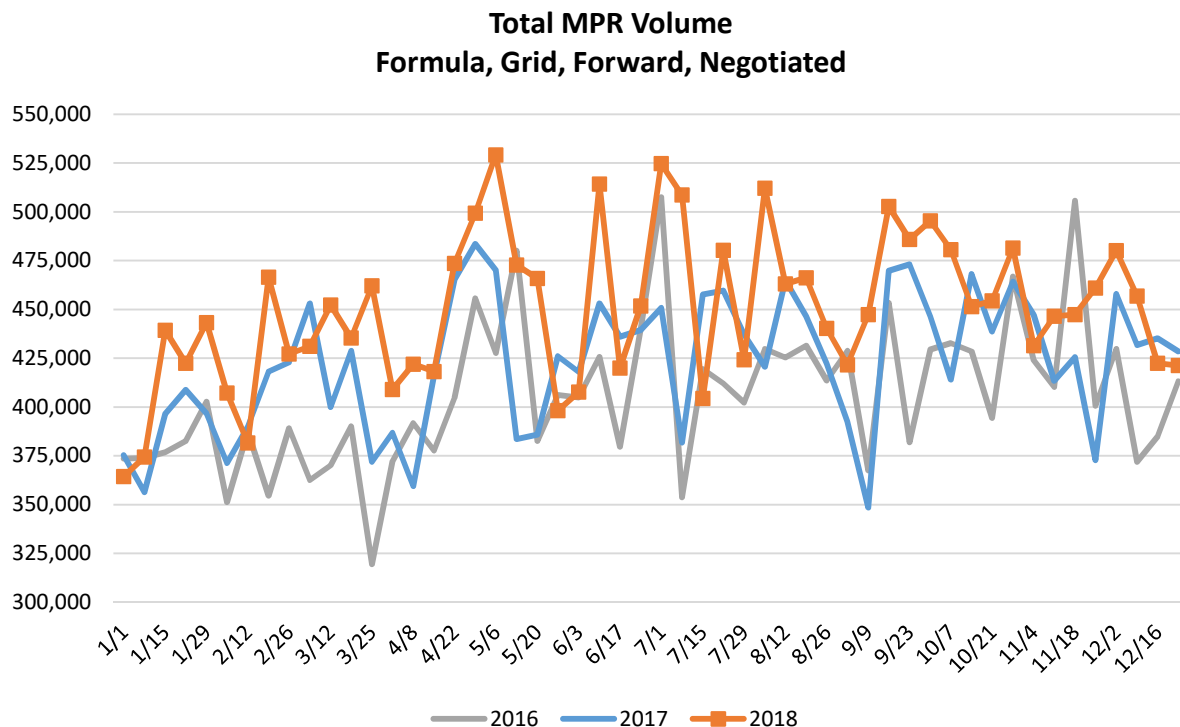


None of this year's precipitation totals really stand out as anything extreme. The Jatai (Goais) total this year was running at its lowest level until some big storms to close out the year. The Cascavel (Parana) total is on the low side of the recent range of history.

There seems to be a growing consensus that we've marked the point we're likely seeing the biggest numbers for Brazil's production total. Given the look of the forecast, I must concede I agree with that sentiment. However, I'm not quite ready to call for significant crop losses yet. The trend in Brazilian production forecast is probably steady or potentially slightly lower from here if the forecast plays out as expected.

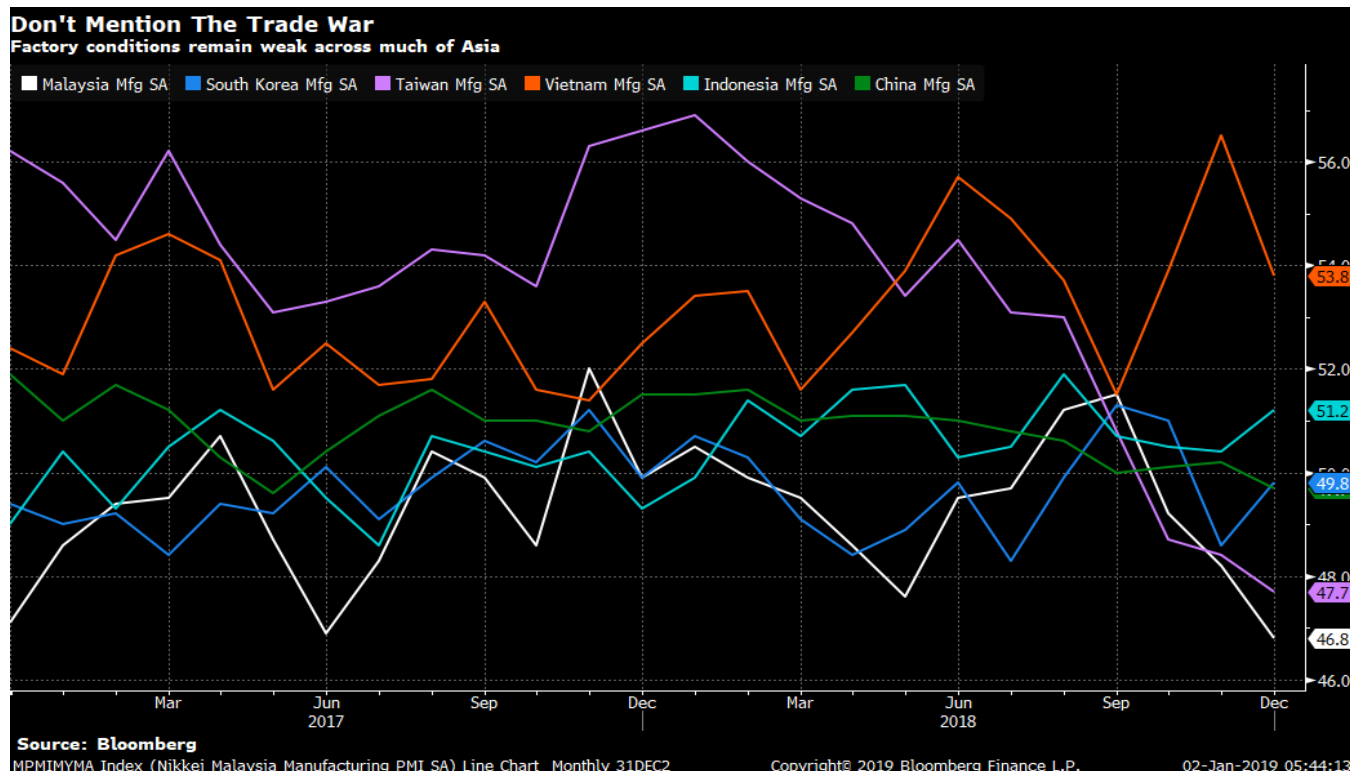
## Livestock

Though not unexpected, we saw another week of light cash cattle trade last week. Considering the kills we've seen and are expecting, it would seem reasonable to expect that the packer feels a bit light on inventory. This would seem to point towards the likelihood that we once again see stronger cash trade this week. It doesn't hurt that the outlook for beef is probably a bit stronger here as well. It seems we typically see a small bounce in beef prices in early January, though admittedly last year that was not the case.



## Financials

World equity markets are starting 2019 on a weaker note. Weak Chinese data has been noted this week. Overnight we got additional PMI data to go along with the official numbers reported on Monday, and they confirmed the manufacturing sector is in contraction with readings under 50. In fact, several Asia countries are now staring at contraction as shown in the graphic below. Vietnam and South Korea show manufacturing PMI still above the 50 level, but elsewhere the numbers look weak.



Of course soft manufacturing data is not unique to Asia, with European PMIs coming in soft as well. The chart to the right shows the latest figures released overnight by Markit. Italy is in contraction for the second straight month and France has joined them now. Germany remains positive, but sits on a new 33-month low reading. Global manufacturing certainly seems to be at least *stalling* a bit here.

#### Countries ranked by Manufacturing PMI: December

Netherlands	57.2	3-month high
Ireland	54.5	9-month low
Austria	53.9	2-month low
Greece	53.8	2-month low
Germany	51.5 (flash: 51.5)	33-month low
Spain	51.1	28-month low
France	49.7 (flash: 49.7)	27-month low
Italy	49.2	2-month high

Nothing new to report in the US this morning. The government shutdown is now in its 12<sup>th</sup> day and there doesn't seem to be any end in sight. President Trump has invited members of Congress from both parties to the White House today so we'll see how that goes. The newly Dem-controlled House is expected to vote on a plan to end the shutdown on Thursday, but it will not include border wall funding. Markit will release their US PMI estimate, but it is rarely market-moving.

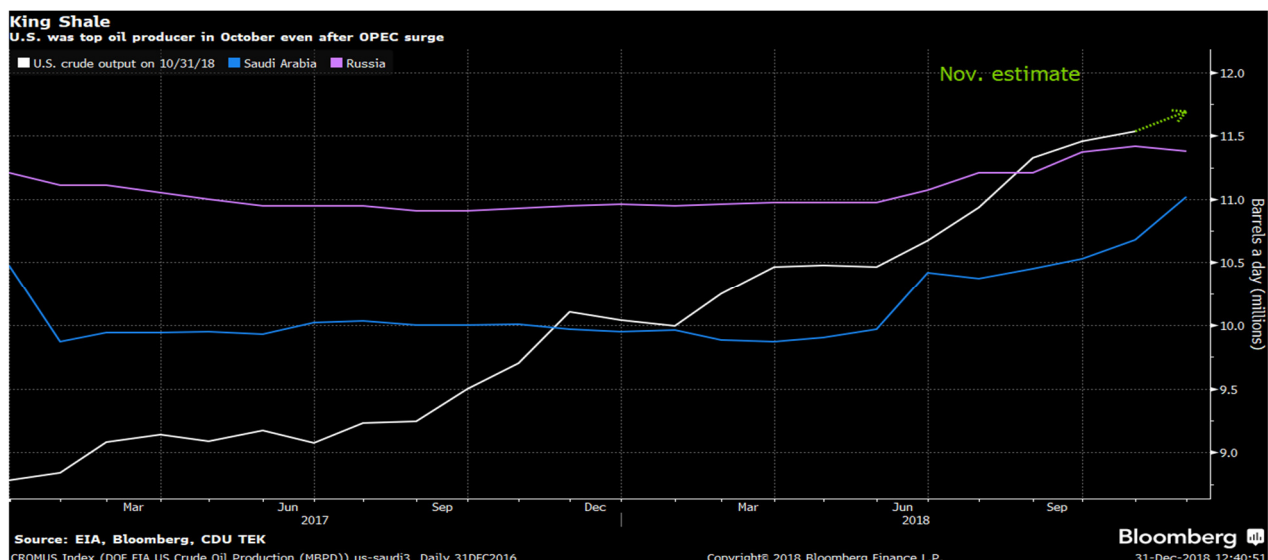
Bond yields around the world are gaining as the market continues to price in more political uncertainty and slowing growth prospects. The yield on German 10s hit their lowest level since April 2017 overnight. A chart of US 10Y yields is shown below. The uptrend certainly has seemed short-lived, at least relatively to the downtrend which lasted decades. I would think the yield would find support somewhere between here and the 2.5 area...but that's just a guess if I'm being honest.



## Energy

Crude oil is starting the New Year lower as it is certainly paying attention to those weak PMI numbers mentioned above. Of special importance is the Chinese data, as China has been a key importer of crude oil in the past few years with a new record high import level noted in November.

Russia is reporting crude oil production for 2018 averaged 11.16 mbpd, which is up 1.6% from 2017 and a new post-Soviet high. Still, despite the growth in Russian and OPEC production in 2018, the US proved to be the new top dog in global oil production. The numbers aren't official yet, but it looks like the US lead over the rest of the producing world is likely to expand to close out 2018. With OPEC and Russia coordinating lower production levels, the US lead will only increase going forward.



**Today's Calendar (all times Central)**

- Markit PMI – 8:45am

Thanks for reading.

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