

Weather

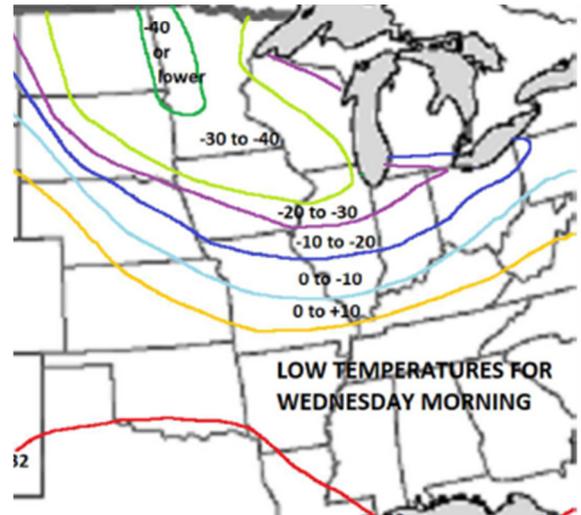
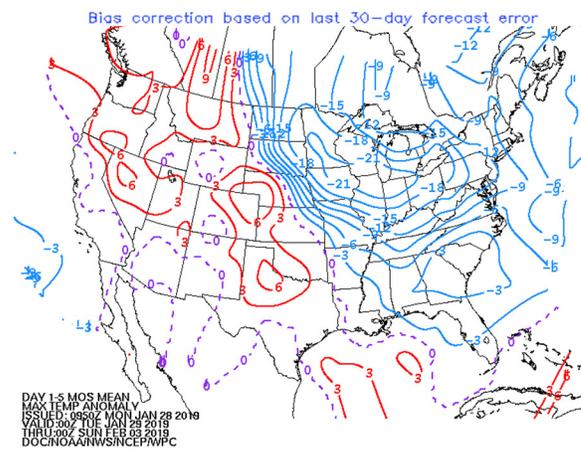
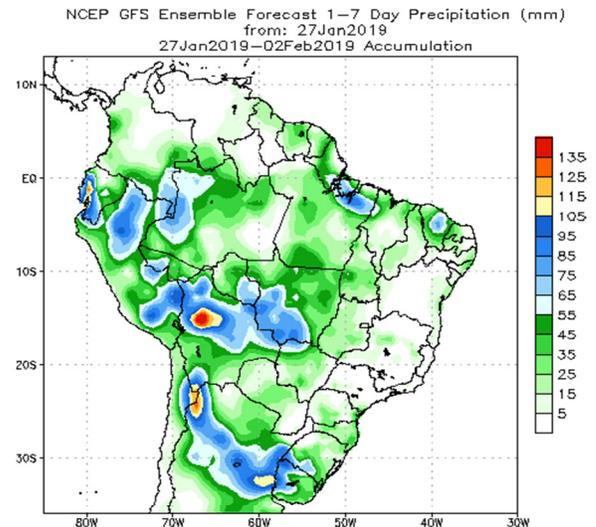
The forecast is little changed from Friday. Northern Brazil will see pretty dry weather this week with some hot temps at times. The good news is we are looking for a potential pattern change in Week 2 of the forecast, where we should see rainfall chances increase in the late stages of the 6-10 day period and increase during the 11-15 day period. Southern Brazil is looking at pretty similar conditions, with BN precipitation and some heat during the first 5 days of the forecast but hope for improved conditions beyond that.

Argentina will see some big rainfall totals in some areas over the next few days. No major rain is expected today, but rains will increase later tomorrow with a lot of 2-4" totals possible by Friday morning in Cordoba, Santa Fe, and Entre Rios. Rainfall chances should turn less active this weekend and this could continue through the 6-10 day period. Rainfall chance will improve again during the 11-15 day period with near-normal precipitation expected during that period. There will be some minor heat at times over the next few days with highs in the 90s and some mid-90s probable.

In the US the big feature of the forecast this week will be the extreme cold moving into the country over the next few days. We're already seeing temps dip very sharply in northern portions of the country this morning and this should spread through the eastern US today. Temps will be brutally cold during this period. The map shown to the right shows the average daily high temp anomaly during the next five days. This shows that over the next five days high temps in the northern US will average 20+ degrees below normal. Some individual days will certainly be colder than that. Low temps through portions of ND and MN could dip as low as -40F and we should see sub-zero lows dip potentially as far south as southern IL on Wednesday morning. The good news is we should start to see temps rebound by this weekend and we should see a lot of AN temps return next week.

Crops

Just a quick update this morning on Chinese meal prices and crush margins. The chart below shows a basket of

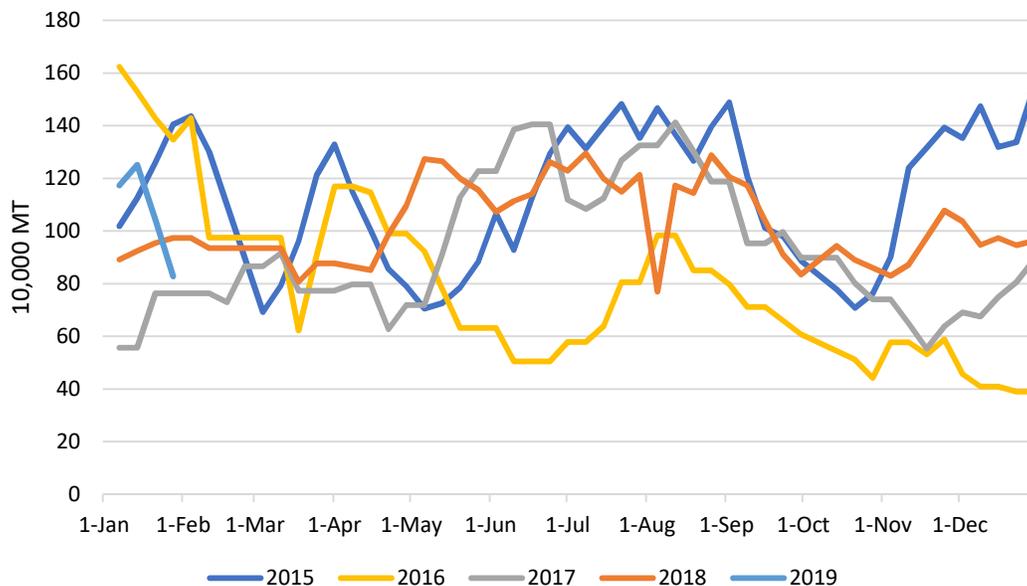


several cash meal prices throughout China. You can see that prices have stabilized in this area over the past week or so. The second chart below shows JCI's estimate for total national meal stockpiles. You can see that meal stocks are starting to decline rapidly as crush rates have slowed down. Surprisingly, this hasn't sparked a rally in meal prices yet, though as we noted prices have stabilized.

China Cash Meal Price Basket



JCI Estimate China National Soymeal Stocks



It'll be interesting to watch if crush rates continue to stay depressed whether or not we start to see some life in meal prices at some point. Note that estimates for crush margins are starting to improve a little. While still lower than we've seen in several years, estimated crush margins are well off their lows. This is mainly occurring due to a sharp rally in soyoil prices. While meal demand remains lackluster due to ASF and whatever other problems might be present, oil demand apparently is still strong and the slowdown in crush is sparking a rally in oil. It will be interesting to see what sort of veg-oil imports China moves towards as a result of this sharp difference in demand for oil vs. meal. I think this might also support the argument for stronger CBOT oilshare we discussed on Friday.

China Cash Soyoil Price Basket

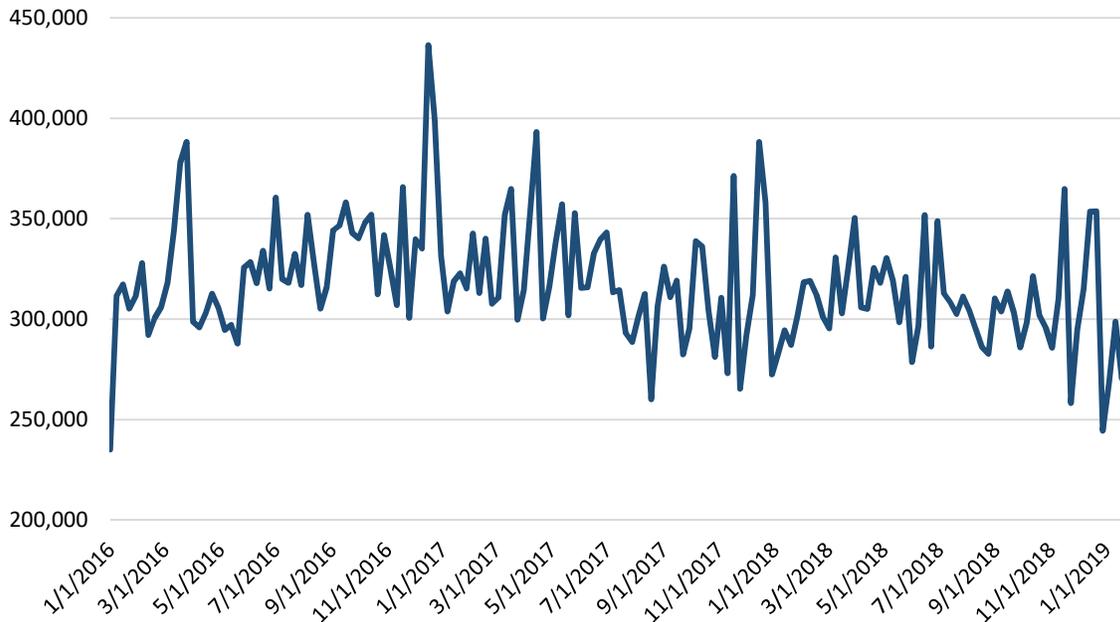


Livestock

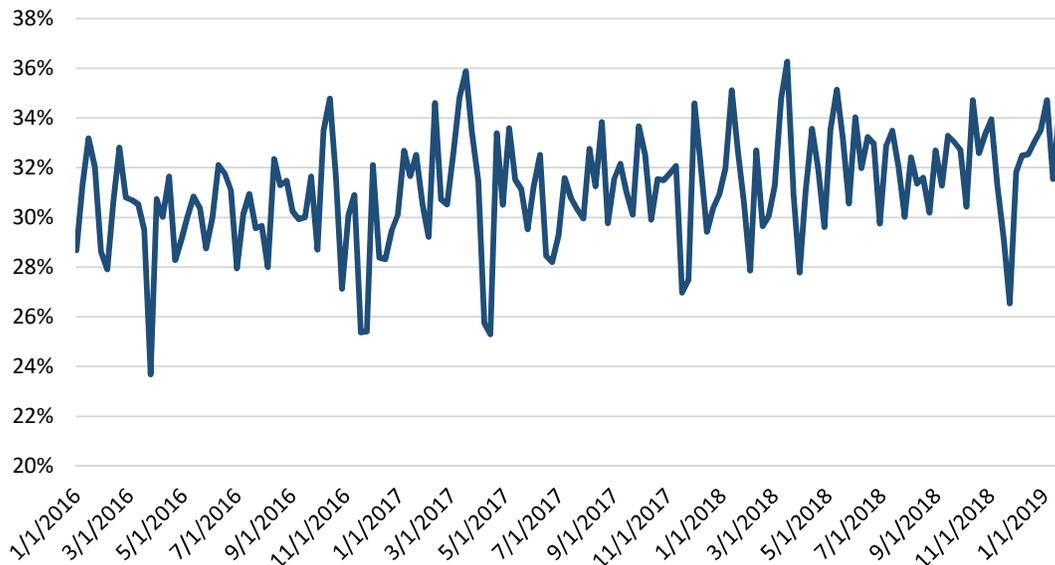
Seems like we saw fairly active cash cattle trade last week. By the time I went home of Friday I had heard of good volume in most areas except TX. I would assume that TX did *something*, so I'd bet that overall MPR volumes are pretty decent size when we get the numbers later today. Generally it seems that most trade was 122-123, with probably most of the volume around 123. That is roughly steady to maybe a smidge weaker than the prior week if memory serves correctly.

I wanted to look quickly at the retail feature data this morning. I'm looking at the USDA's activity index. We've discussed it before, but as a reminder the activity index is a measure of the absolute frequency of feature activity equal to the total number of stores for each advertised item. For example, a retailer with 100 outlets featuring 3 pork items would have an activity index of 300. The combined activity index across pork, poultry, and beef is shown in the first chart below. Interesting to see that feature activity is fairly modest right now and on the lower end of the recent range. In the second chart you can see that the beef component of this total activity index is on the high end of the range, implying retailers are featuring beef a bit more actively than usual.

Combined Poultry, Pork, and Beef Activity Index Total



**Beef % of Total Activity Index
 Beef, Pork, & Poultry Combined**

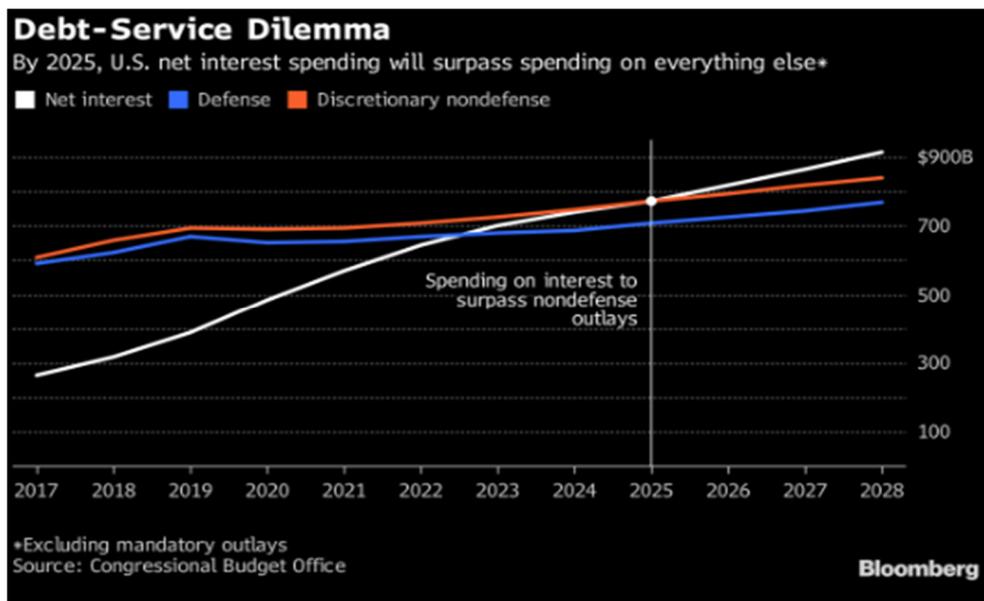


Financials

By now of course you know the US government shutdown has ended. That *should* mean a flurry of economic data to catch up on over the next several days, but as of now I don't know if there is an official word on when we'll start to see all of the data released. As it stands today there isn't anything major on today's economic

calendar. We have the Chicago Fed index, but that usually doesn't create any big waves in the markets. On tap in corporate data today we have a release from CAT and this might be the biggest market-moving data point we get today.

One thing we also know we'll get this week is the US Treasury's quarterly refunding announcement on Wednesday. This is where the Treasury sets how much debt they'll issue over the next quarter. Right now many analysts are expecting that new issuance from the Treasury this year will top \$1 trillion for a second straight year. Net new issuance from the Treasury in 2018 was \$1.34T, which was more than double 2017's \$550B. The fiscal 2018 US budget deficit hit a six year high of ~\$780B and the CBO is forecasting \$973B in fiscal 2019. Over the next decade, the US government will spend \$7T just to service our debt. The chart below is old but still valid, showing how net interest expense will be one of the biggest components of government "spending" by 2025. This of course is happening as the Fed is buying fewer Treasuries for its balance sheet.



Energy

US crude oil futures are weaker at the time of writing this morning, though I don't have major news to pass along. Some are attributing this morning's weakness to Friday's Baker Hughes data which showed a somewhat surprising increase in US rig counts. Nothing new to report out of Venezuela from what I can tell...it seems nobody really knows who is in charge. While we still don't have COT data for WTI futures, data from ICE shows that spec positioning in Brent crude oil futures has started to bottom here slowly. The past few weeks of data from ICE shows that as prices have rallied we are seeing a very modest increase in the net long position of non-commercials.

Today's Calendar (all times Central)

- Chicago Fed Index – 7:30am
- Dallas Fed Index – 9:30am
- Export Inspections – 10:00am

Thanks for reading.

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