

Weather

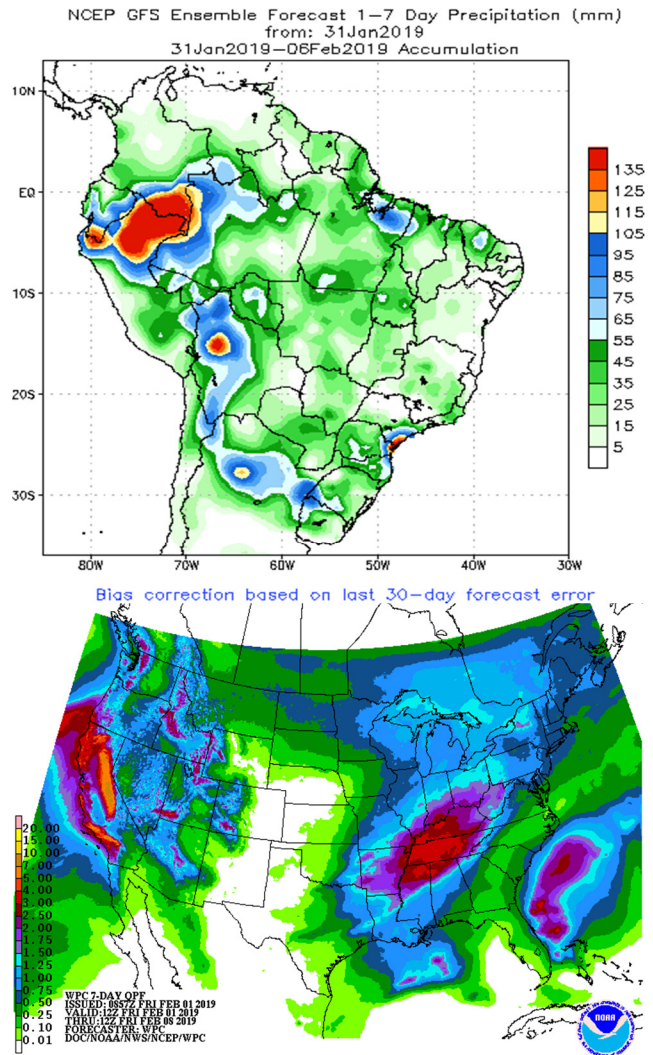
Rainfall in northern Brazil should average near normal over the next two weeks. The entire region should see chances for 3-5" rainfall totals, though some areas should do better and of course some areas will see less. The next few days will still see some stress with limited rainfall and hot temps. Rainfall chances should improve early next week and this should continue through the end of the 11-15 day period and probably beyond. Southern Brazil should see two week rainfall totals run below normal with a range of mostly 1.5-3.0". We should see daily chances for showers from today through early next week. No individual daily totals will be huge but over time they could add up to some decent amounts. The 6-10 day period should see rainfall chances diminish but we could see another improvement during the 11-15 day period.

Argentina should see two week rainfall totals run mostly below normal. Rain in the key growing areas will likely range from .5-1.5" during that period though there will be chances for some locally heavier totals. We have some showers in the region today and these will continue into a part of tomorrow. Rainfall should then become much more limited, with the next chance for precipitation likely coming late next week. Temps will be a bit warm today but generally should be fairly cool going forward.

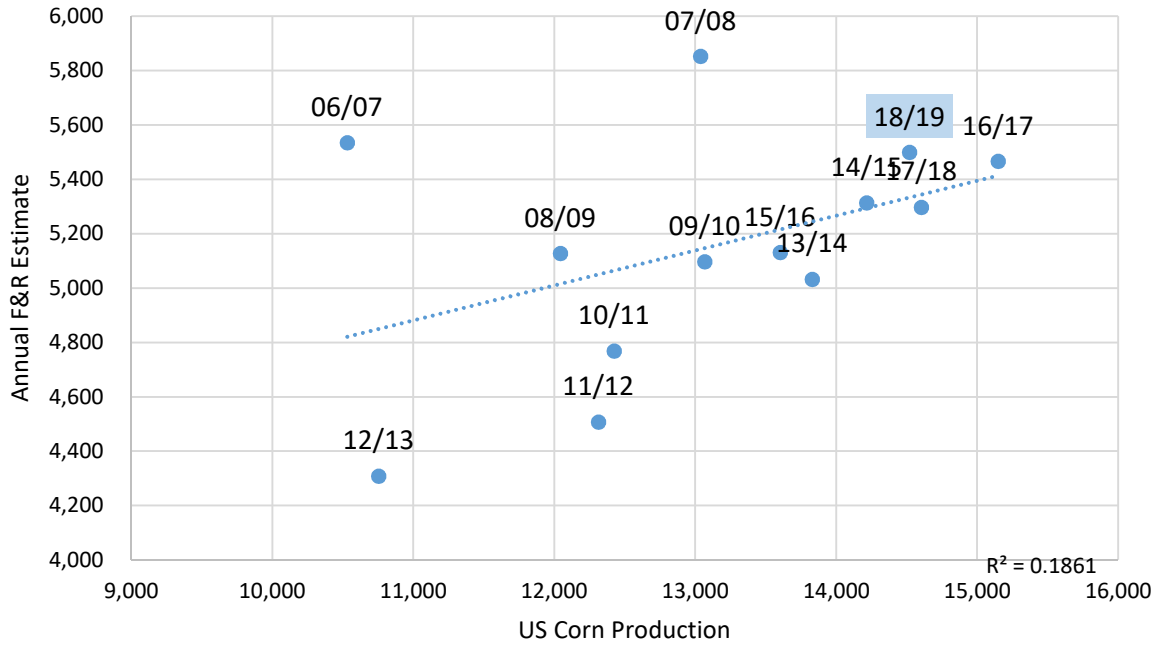
In the US precipitation is fairly limited over the next few days but by early next week we should start to see some big rains affect the Delta and surrounding areas. This will take place as a "battlezone" of cooler air to the west matches up against warmer conditions to the east. The good news is, for now, no significant precipitation in main cattle feedlot areas.

Crops

We'll continue with our look at looming USDA data this morning and take a quick look at Dec 1 corn stocks. There is really no good way of guessing at the corn stocks number, but I'll give it a try. Firstly, let's take a moment to consider the WASDE annual F&R estimate. We know that WASDE's model for estimating F&R has a great deal to do with the crop size. The scatter below shows annual WASDE F&R estimates vs. corn production. You can see 18/19 highlighted as it shows my current guess on production (remember from yesterday, 177.5 bpa & 14,520 mb) vs. the Dec WASDE F&R estimate. The point here is to argue that with the expected smaller production, it is reasonable to assume WASDE should lower their annual F&R estimate, though admittedly the relationship is far from perfectly 1:1.

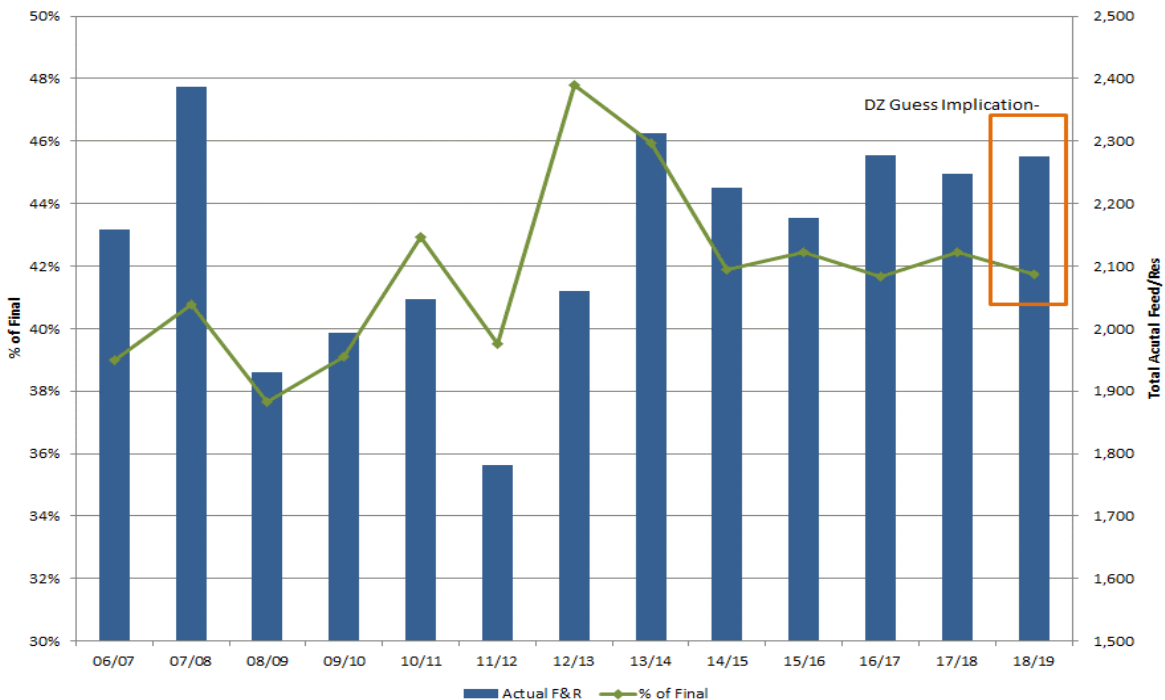


US Corn Production vs. WASDE F&R Estimate



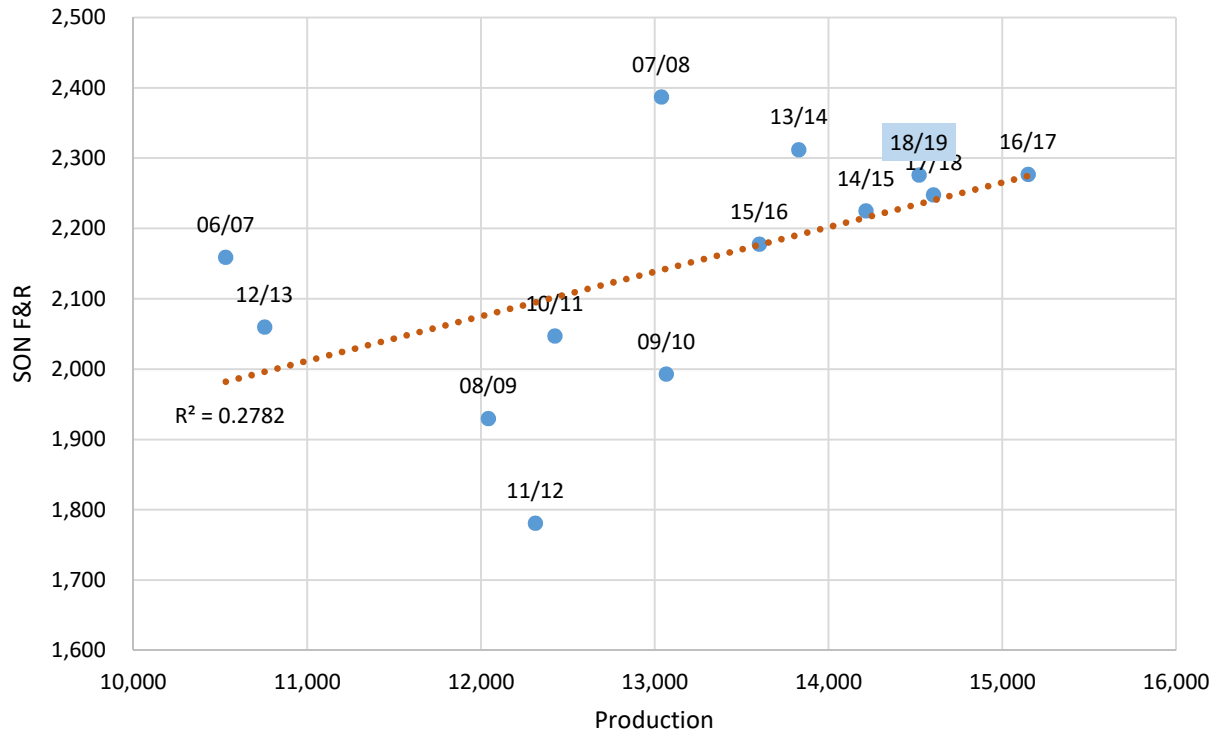
We also know that Q1 F&R usually falls between 40-43% of the final annual total, as illustrated in the chart below. For the 18/19 data, you'll see what I'm currently guessing for Q1 F&R.

Sep-Nov Corn Feed & Residual



In the assumed Q1 F&R figure above, I have personally lowered my estimate for *annual* F&R to 5,450 mb from the Dec WASDE estimate of 5,500 mb. Again, this is partly due to the expectations for smaller production. As shown below, my guess for Q1 F&R and my guess for production would fall relatively close to their “normal” relationship.

Corn Q1 Feed & Residual Estimate vs. Production



When all is said and done, my Q1 balance sheet is shown below. You’ll note my Dec 1 stocks figure is modestly below the average guess (12,093 mb from Bloomberg survey) but not to a degree that would create a lot of market excitement. On one hand I feel I might be overestimating total F&R demand but on the other hand the same problems mentioned yesterday for soybeans (“unconventional” storage & slow harvest) will likely increase the residual component of the calculation.

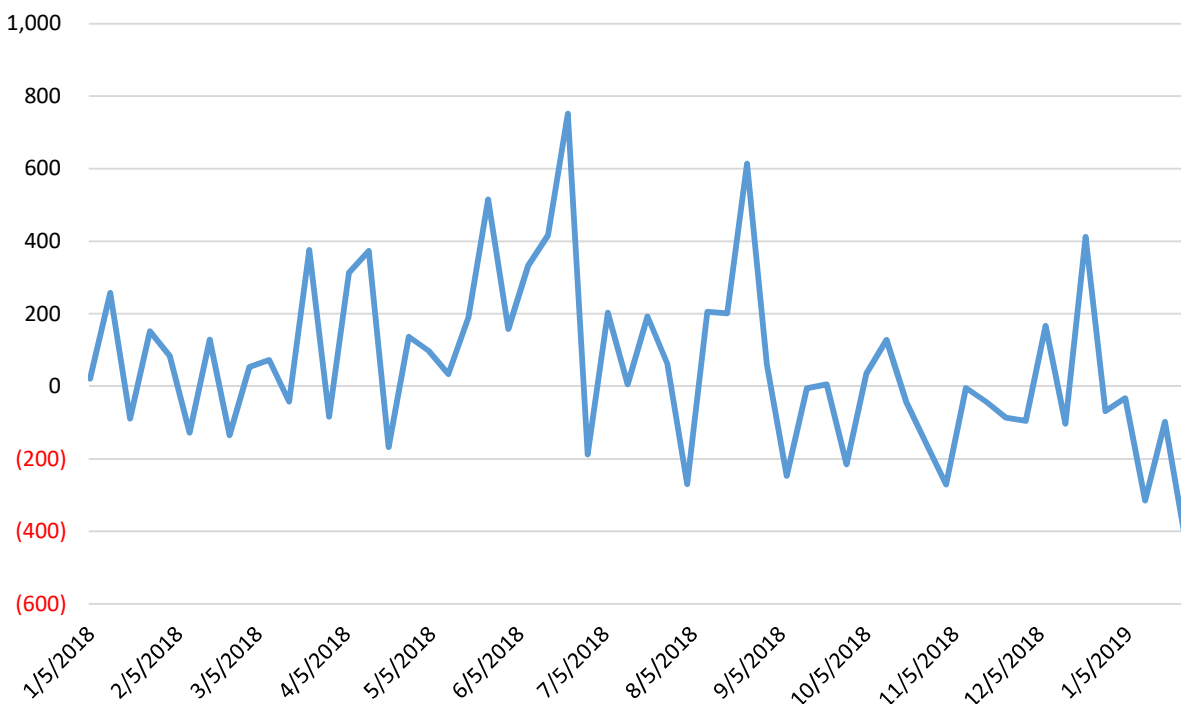
US Corn Quarterly Supply and Demand

	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19
Carryin (Sep 1)	1,967	1,304	1,624	1,673	1,708	1,128	989	821	1,232	1,731	1,737	2,293	2,140
Production	10,531	13,038	12,043	13,067	12,425	12,314	10,755	13,829	14,216	13,602	15,148	14,604	14,520
Sep-Nov Imports	1	2	3	1	5	4	35	15	5	13	14	11	11
Total Supply	12,499	14,344	13,670	14,741	14,138	13,446	11,779	14,665	15,453	15,346	16,899	16,908	16,671
Sep-Nov													
Feed & Residual	2,159	2,387	1,930	1,993	2,047	1,781	2,060	2,312	2,225	2,178	2,277	2,248	2,276
Food/Seed/Ind	811	986	1,219	1,380	1,582	1,612	1,466	1,550	1,615	1,631	1,689	1,744	1,739
Exports	596	693	449	467	452	406	221	350	401	301	548	349	631
Total Use	3,567	4,066	3,598	3,839	4,082	3,799	3,746	4,212	4,241	4,111	4,514	4,342	4,646
Stocks (Dec 1)	8,933	10,278	10,072	10,902	10,057	9,647	8,033	10,453	11,212	11,235	12,386	12,567	12,025
Stocks/Use	250%	253%	280%	284%	246%	254%	214%	248%	264%	273%	274%	289%	259%

Livestock

Yesterday we started to get updates from FAS on export sales, but obviously they're still running well behind. That said, the weekly Comprehensive Beef report provides a glimpse on beef export sales and that has continued to be updated during the government shutdown. The export numbers shown on the report are not especially encouraging. The chart below tracks the rolling YOY change in weekly beef loads for export shown on the report. You can see that during much of 2018 we posted very solid YOY gains in beef sold for export. We posted YOY gains in 32 out of 52 weeks last year, and as you can see at times these weekly gains were very large. Interestingly, most of those YOY weekly increases were skewed to early 2018. To finish out 2018 and so far in 2019, we're posting some significant YOY reductions. Of course we've got a tougher year of comparisons (2018 vs 2017) but the fact is that the outlook on beef prices this year is largely dependent on ongoing increases in US domestic disappearance combined with ongoing increases in demand. While a few weeks don't necessarily set the tone for the year, I think this is worth keeping an eye on in the weeks ahead.

YOY Change in Beef Loads - Exports

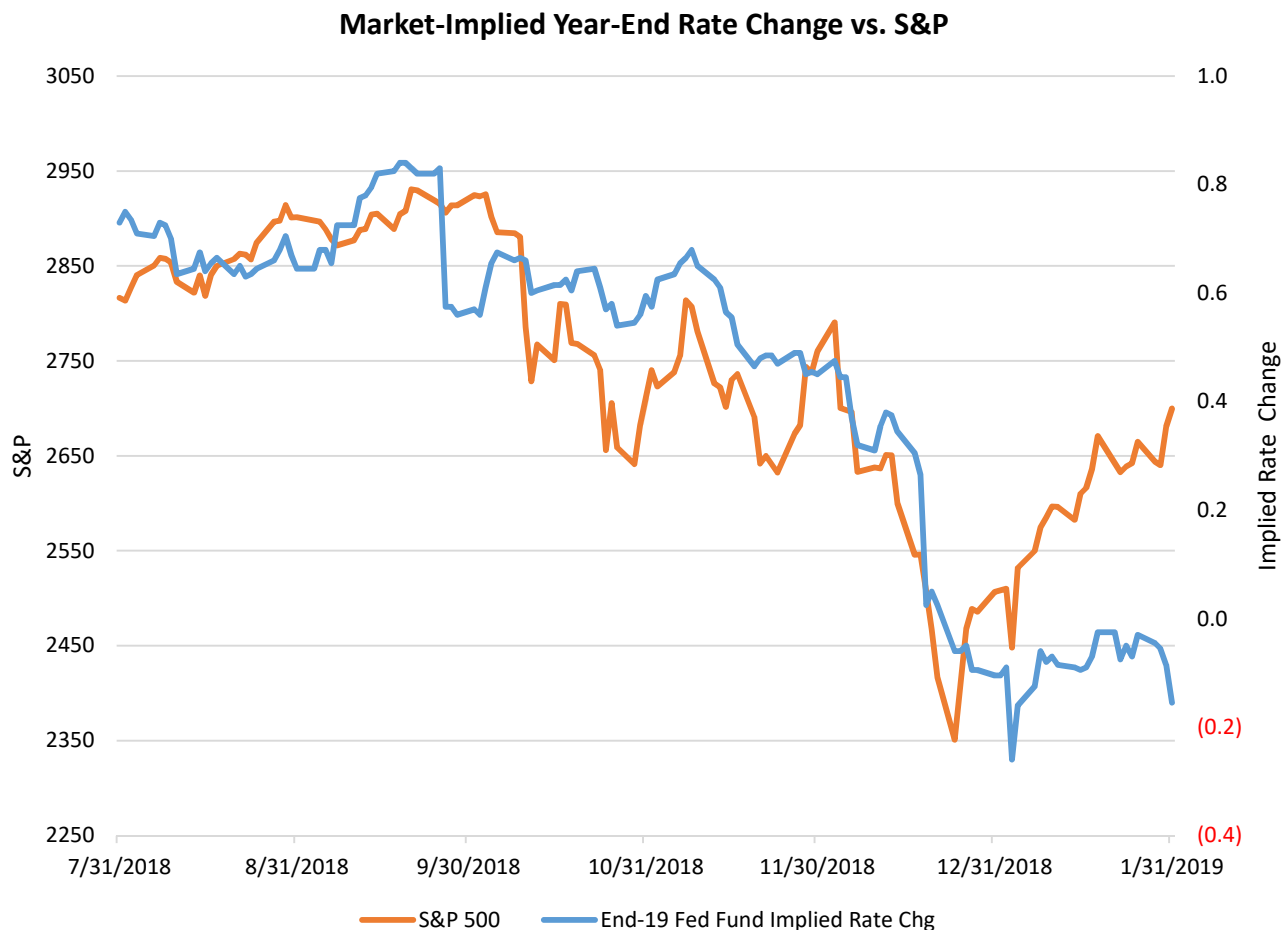


Financials

World equity values are fairly quiet this morning. On one hand, you have a clearly more dovish Fed encouraging a risk-on feeding frenzy. On the other hand, the overnight economic data was hardly anything to be especially encouraged by. China's manufacturing PMI fell to 48.3 from 49.7, lower than expected and the lowest reading since Feb '16. European numbers weren't much better. Italy's manufacturing PMI fell to 47.8 from 49.2 last month and was weaker than expected. France was inline with expectations, but still soft at 51.2 Germany was 49.7 vs. expectations of 49.9. The total Euro-area manufacturing PMI was 50.5, which was inline with expectations but the new orders component of the index fell to its lowest reading since April '13. In the US this

morning we have a lot of data on tap. We have NFP, which the Trump administration has essentially promised will be very good (consensus guess +165k). We have our own PMI and ISM figures to be released as well as consumer sentiment.

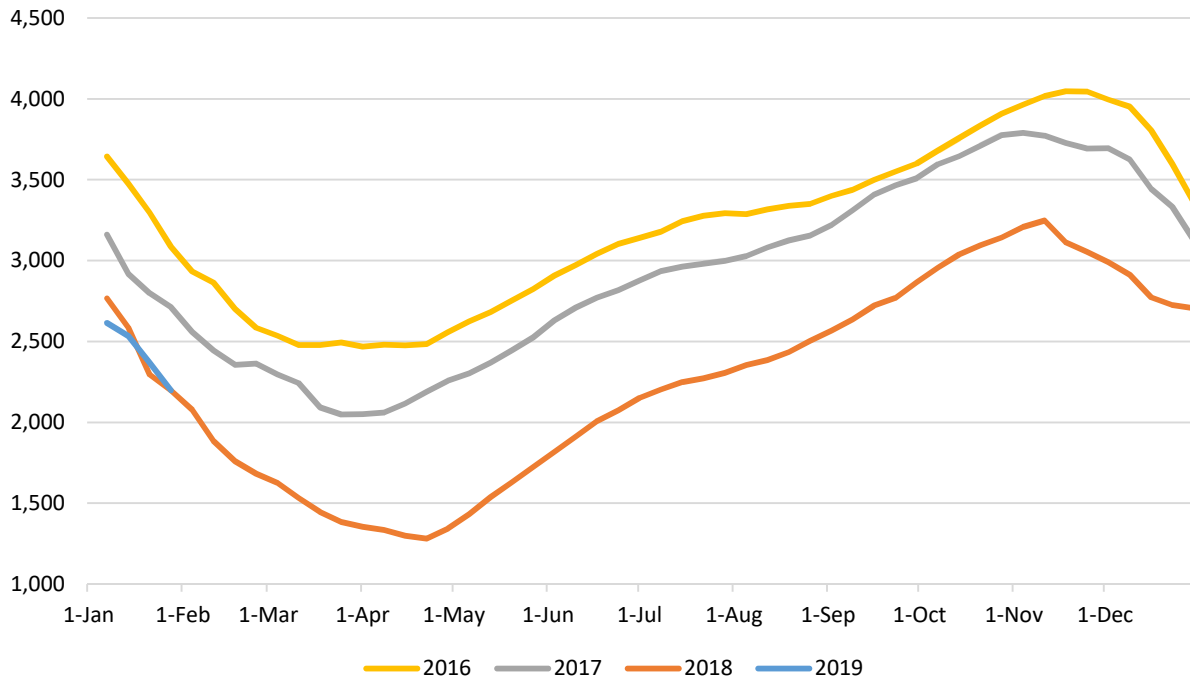
I find the divergence in the chart below a bit interesting. The orange line is simply the S&P 500. The blue line is the market's implied rate change by the end of 2019. This essentially takes FF29 futures against current Fed Funds rate. You can see that as the S&P plunged to end last year, the market also implied less of a rate hike and in fact now is pricing in odds of a rate cut by year end. The S&P has recovered while rate hike implications have not, thanks to the now very clearly pro-equity Fed. I do wonder what level of equities would change the market's sentiment towards rates?



Energy

It'll be interesting to see what we get next week after this recent cold snap, but US natural gas stocks did not decline by as much as expected last week. As you can see below, this year's inventory is running pretty close inline with year ago levels. You can also somewhat notice the seasonal drop in inventories this year has not been quite as sharp as what we've seen in years past.

Natural Gas Storage



Today's Calendar (all times Central)

- NFP – 7:30am
- Markit US PMI – 8:45am
- ISM Manufacturing Index – 9:00am
- U of M Consumer Sentiment – 9:00am
- Baker Hughes Rig Count – 12:00pm
- NASS Fats & Oils and Grain Crushing – 2:00pm

Thanks for reading.

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