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Tuesday, February 5, 2019
NTG Morning Comments
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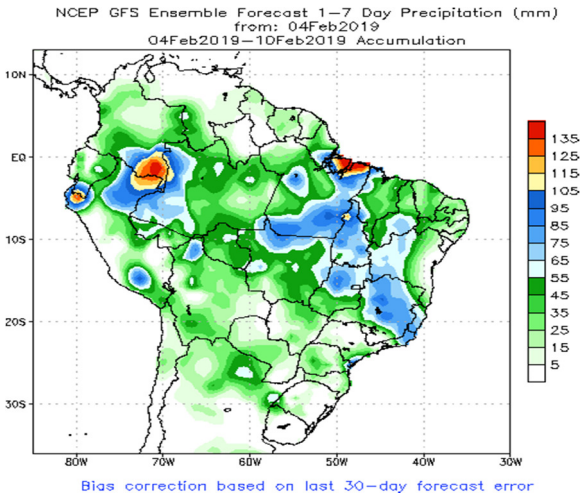
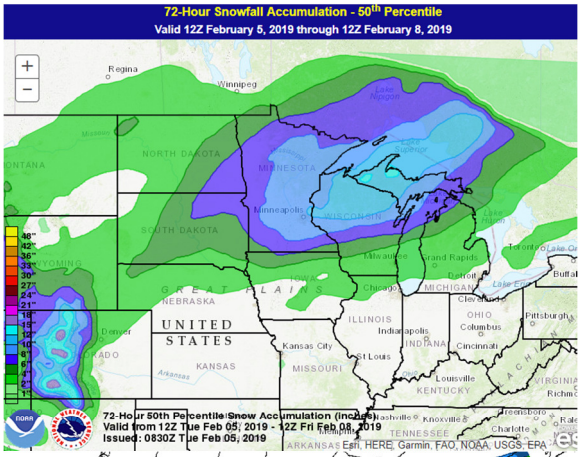
Weather

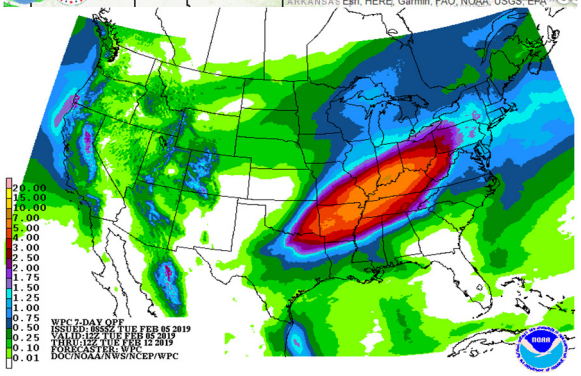
Rainfall totals in northern Brazil will run near to above average over the next two weeks. The entire area should see 4-7" during this period, with daily rains expected. The biggest rains will probably fall in the 11-15 day period. In southern Brazil, look for near to mostly below normal rainfall totals. Look for two week totals to run 2-3". Mostly dry conditions will be seen this week but a cold front will move through early next week that will bring some decent chances at that time. Temps will remain "hot" today, but generally should be fairly normal for most of the two week period.



Argentina should see rainfall run well below normal over the next two weeks. Rainfall totals during the period will probably be no better than .75-1.25". Completely dry weather is expected over the next few days, but some light rains will be possible later this week and during the weekend. Temps generally should run below normal for most of the two week period.

An active pattern for precipitation across the US over the next week. The map to the immediate right shows 72-hour snowfall expectations. There will also be freezing rain to the south of this area. You can see the Delta and surrounding areas still expected to see big rainfall amounts over the next week. Cold temps remain in place in the northwest with warmer (near-normal) temps in the southeast.

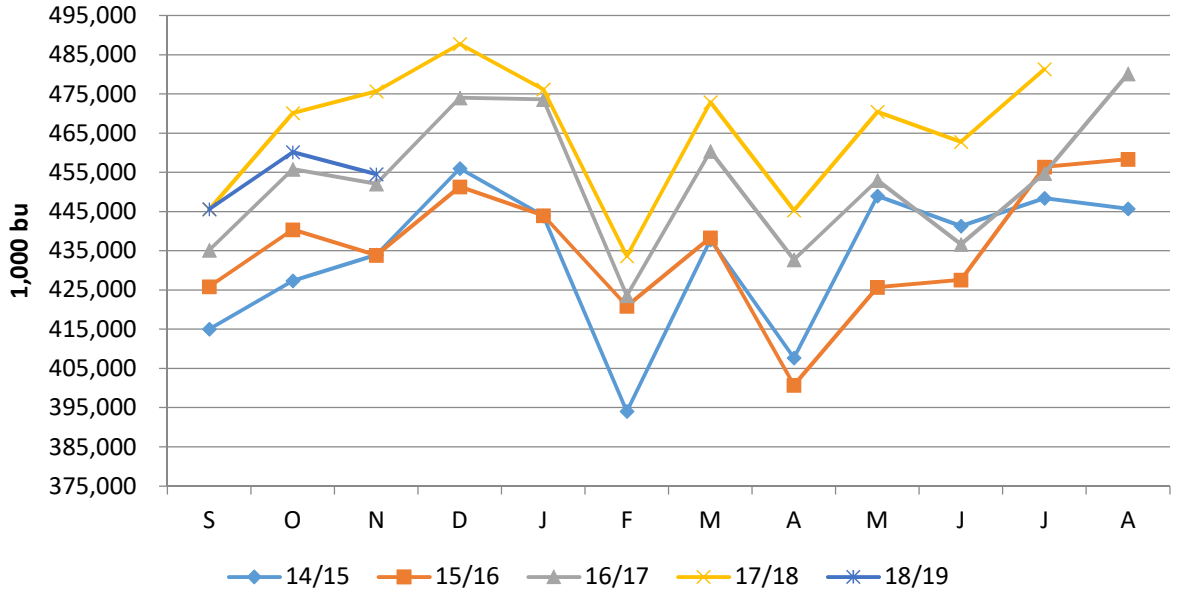




Crops

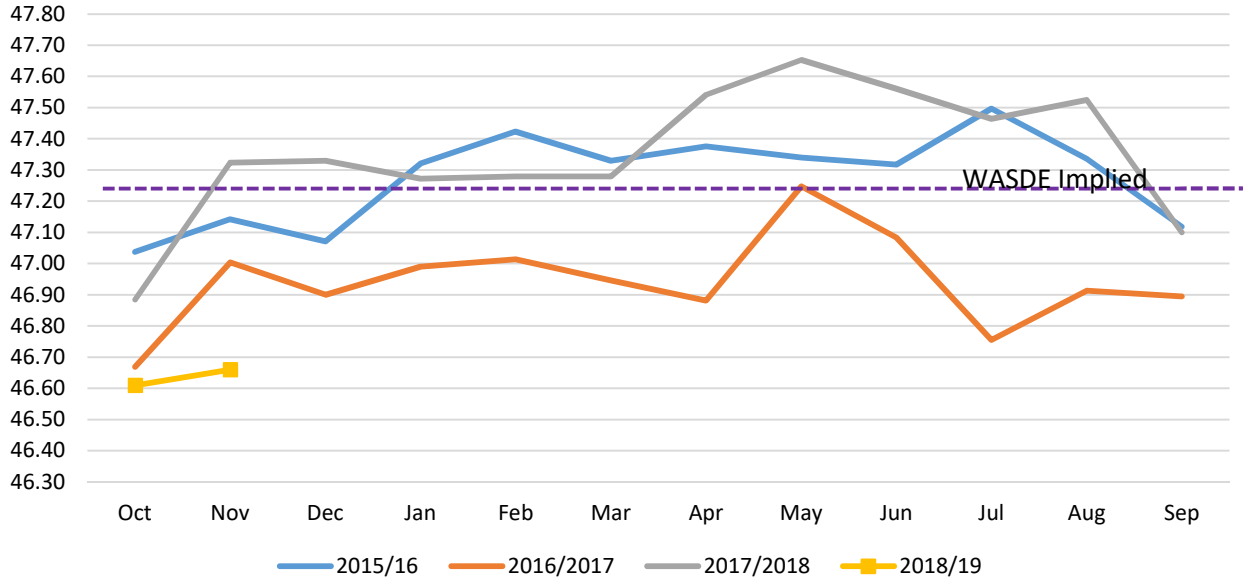
We're going to catch up on some old NASS data this morning before resuming prep work on Friday's reports tomorrow. Yesterday we got the release of the delayed data for November ethanol grind and soybean crush. Looking at ethanol first, the corn grind came in a little bit smaller than I had penciled in at 454 mb. Part of the reason for the likely shortfall (vs. my expectation, anyway) is that sorghum use in ethanol is running at a solid pace. Sorghum grind was roughly 9.5 mb and is running about double what we saw last year (which is inline with WASDE expectations). The soft corn grind number would seem to support the argument that WASDE is likely to reduce their ethanol grind in their report tomorrow. Unofficially through January, the ethanol grind is likely running about 40 mb behind last year, but WASDE is calling for an annual grind unchanged from last year. I wouldn't be surprised to see anything from a 25-50 mb reduction in WASDE's ethanol grind on Friday.

Monthly Corn Grind for Ethanol Comparison



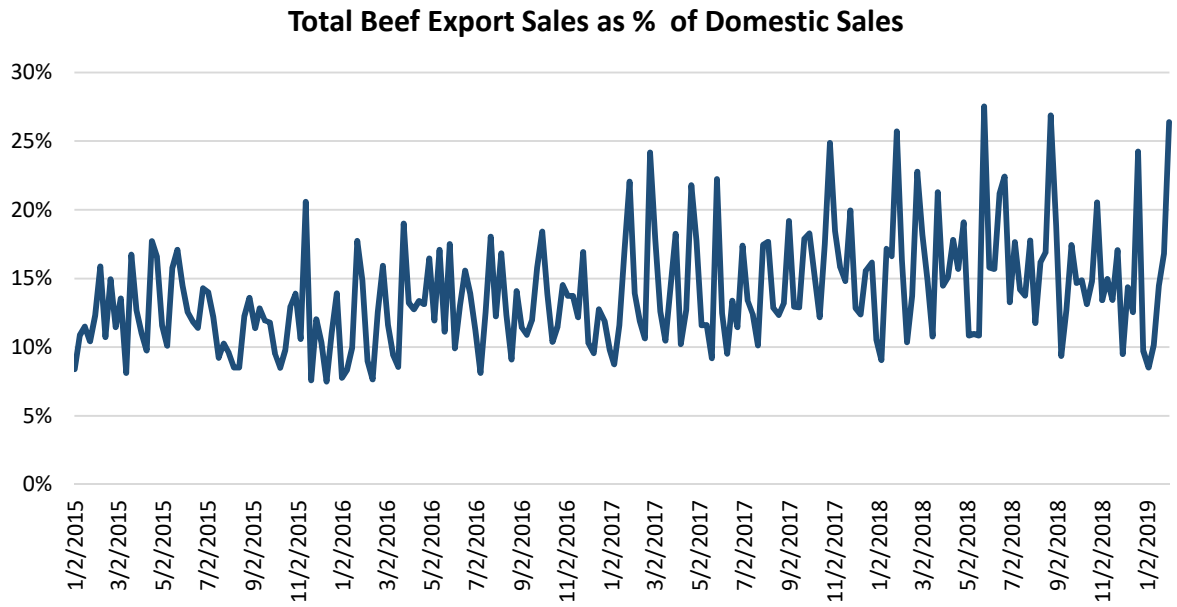
We also got the Fats & Oils report yesterday, updating with November crush data. The Nov crush was 178 mb, maybe 1 mb higher than expectations based on NOPA's report (Oct was also revised slightly higher). It would seem reasonable to think this might be the peak for crush rates for the year, but we'll see. One thing that continues to stand out to me is the poor meal yield, shown in the chart below. Maybe WASDE doesn't make any adjustment on Friday, but if we get another month of a poor yield like this we'll need to see them adjust their meal production lower even if they keep crush unchanged.

Implied US Meal Yield (lbs/bu)

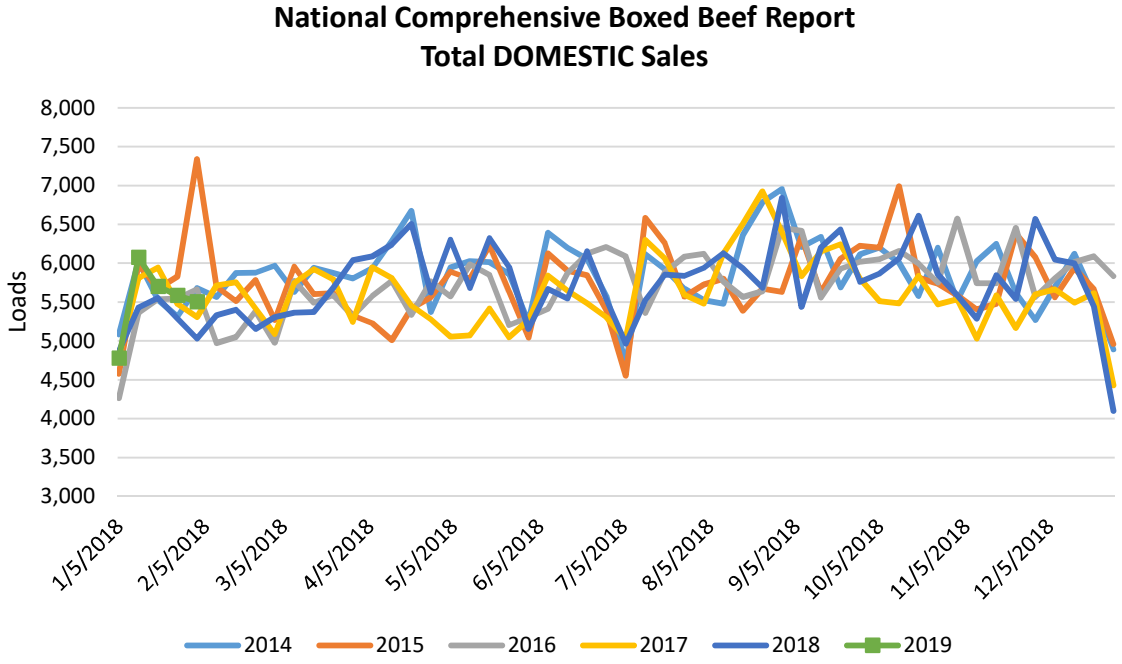


Livestock

I spoke somewhat negatively on beef exports following last week's comprehensive report, but this week's report showed a very big improvement. Exports represented roughly 26% of the total loads on the report, which as you can see is a very strong number.



Exports were solid and overall load counts were up a good bit from last week's report, but I do notice that total domestic sales are nothing that really jumps out at you right now.



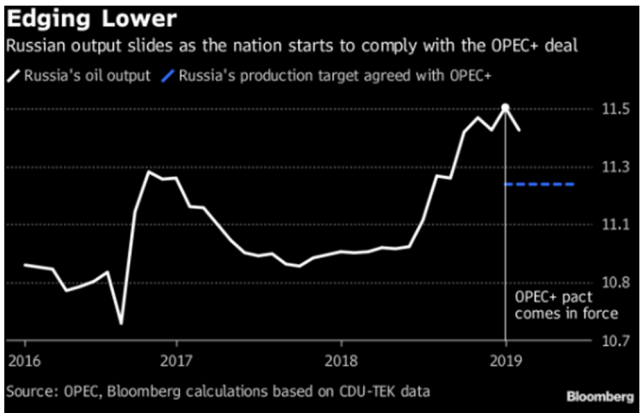
It'll be interesting to see how beef responds this week. Seasonally we're in a somewhat quite time of year. Still, we've seen kill reductions over the past few weeks that could support things and we've got a plant problem in CO that could cut kills further this week. With this small-ish production, we might see beef firm up a bit even before the more typical seasonal surge.

Financials

There isn't much on the economic data calendar today, but there should be plenty of fireworks tonight at President Trump gives the SOTU address. Obviously we'll be focused on whether he'll declare a national emergency in order to fund the border wall. President Trump could also address upcoming meetings with Chinese and North Korean leaders. Of course Trump is in the headlines already this morning for having a meeting with Fed Chair Powell and Vice-Chair Clarida in the White House. Apparently both sides claim that monetary policy was not discussed – and if you believe that you've lost your mind. The meeting isn't unprecedented, but it still feels goofy to me. I don't see any big market-moving companies due to report earnings today…the biggest probably being DIS.

Energy

Bloomberg is running a story this morning suggesting the Russian's have not yet moved to compliance with the agreed upon production cuts. Russia agreed to cuts its oil production by 228k bpd "within the first quarter" and to keep volumes capped in the second. As you can see in the chart on the right, they haven't been especially aggressive yet. For January, the Russian's have cut production roughly 42k bpd from the October "baseline" level.



Today's Calendar (all times Central)

- Markit PMI – 8:45am
- ISM Services Index – 9:00am

Thanks for reading.

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