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Friday, March 15, 2019
NTG Morning Comments
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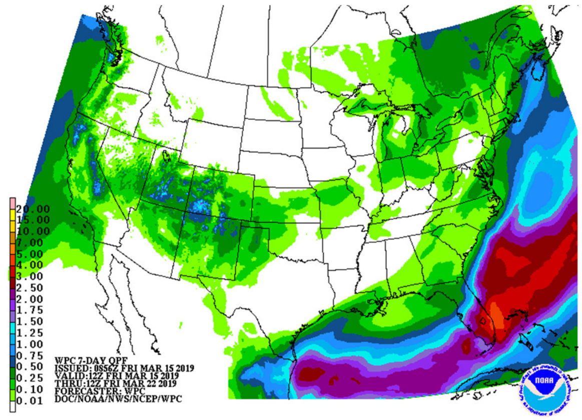
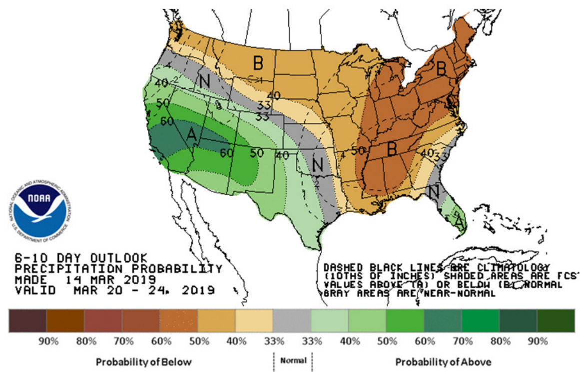
Weather



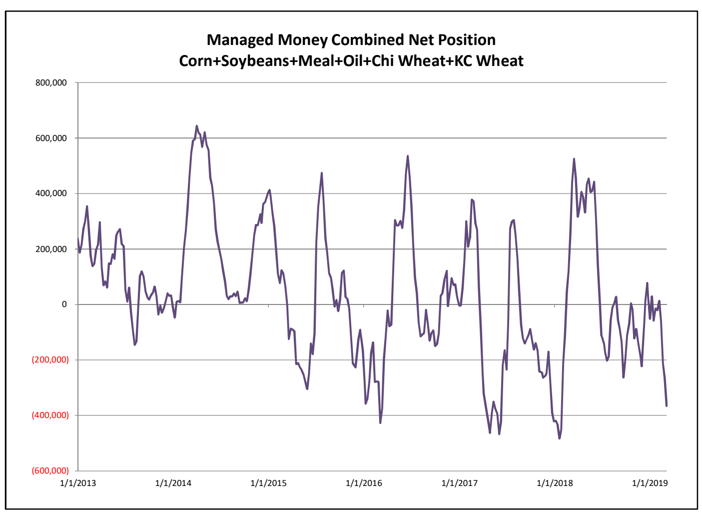
No significant changes to the US forecast this morning. As you can see with the 7-day QPF to the immediate right, there is very limited precipitation expected through much of the country over the next week. The 6-10 day map below it also shows that precipitation odds will remain fairly limited during that timeframe as well in the Corn Belt, but the Southern Plains should start to see some activity push in from the west late next week. The Corn Belt should see precipitation chances increase during the 11-15 day period with the potential for two different rain-makers moving through during that period producing potentially AN precipitation totals.



Temps will be fairly cool across much of the country today and this should continue through the weekend. We should see warmer weather develop early next week and the remainder of the two-week period features a lot of near to above normal temperatures.

Nothing new to report on South America. Brazil will see near normal rainfall over the next 10 days. BN precipitation will be seen during the 11-15 day period in southern areas. Argentina will see some chances for rainfall over the next several days with scattered showers, but beyond that the outlook doesn't call for much precipitation and two week rainfall amounts will likely average BN. Temps should run mostly below normal in Argentina.

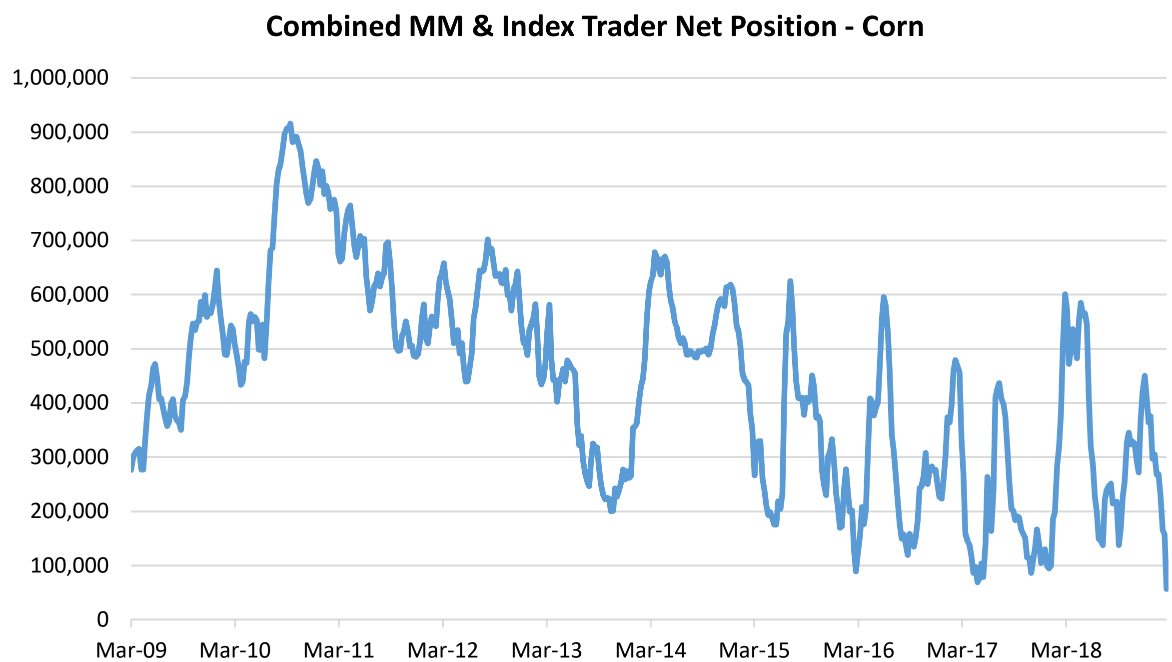
Crops



Today's COT numbers will likely get a lot of attention. As we already know, the spec short positions across several ag markets have grown exceptionally large. The chart at the right illustrates this pretty clearly. It dawned on me this morning that while in the case of LC we've noted the combined total of MM and index traders, in corn (as an example) I've yet only been looking at the MM position. As it turns out, the index trader net position in corn is near its lowest levels in nearly a decade.

I find this outright apathy, or maybe disgust (?), towards corn a bit peculiar at this point in time. While it is still early, there are plenty of people pointing out that weather conditions at present aren't especially helpful for early planting efforts. We are also constantly reminded on a near daily basis of the ongoing "progress" in trade talks with China that may ultimately result in a marked improvement in corn exports (at least temporarily).

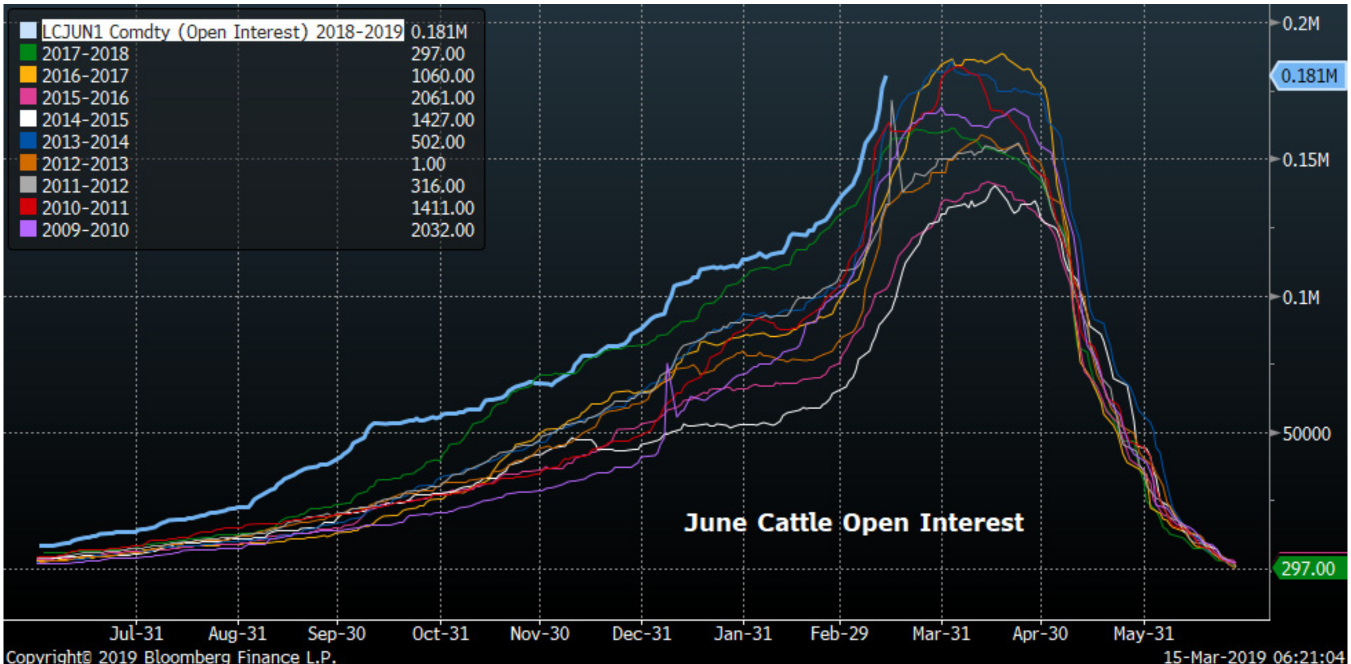
The chart below combines the MM and index trader net positions for corn. Here you can see that the combined sum is still net positive, but it almost always has been since the advent of the index trader. Still, you can see that the combination of the two is the lowest figure in the past decade. In other words, "investment sentiment" towards corn right now is at its lowest level in over 10 years. That's really saying something, in my opinion..

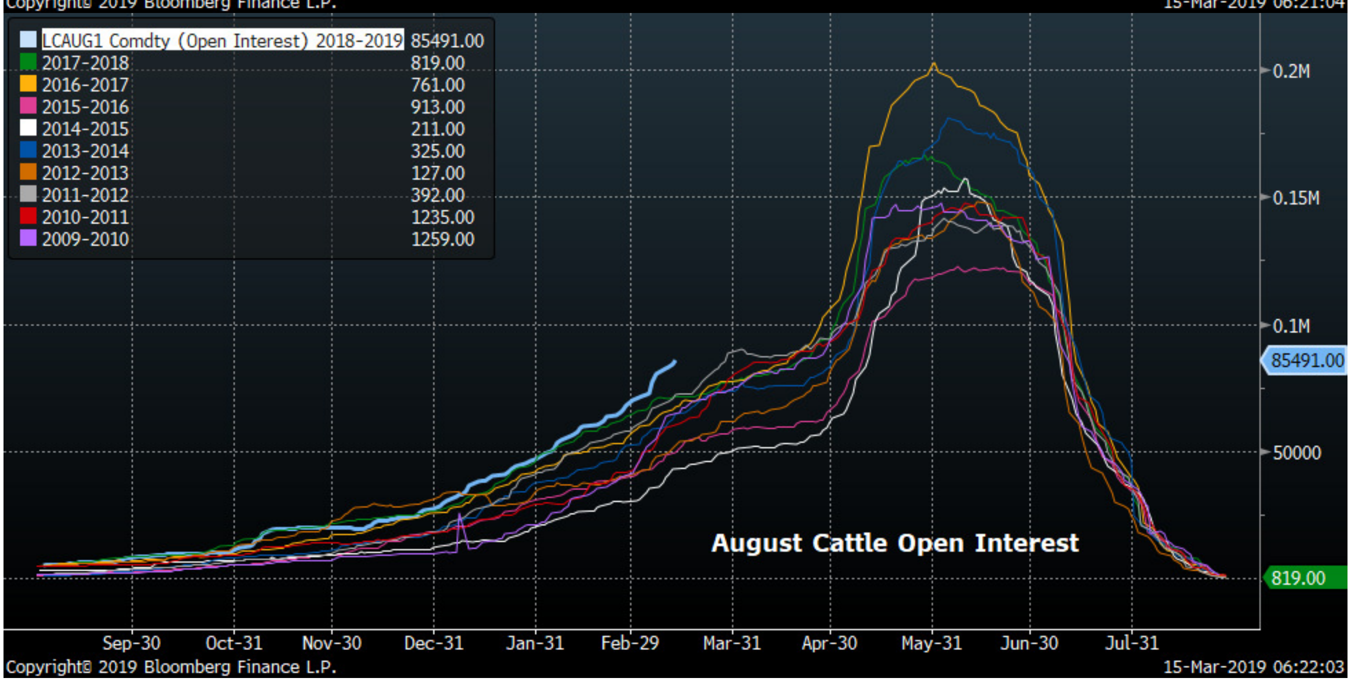


Admittedly, just as the record long combined MM+index trader position in cattle doesn't necessarily mean cattle "must" move lower sooner, none of the above necessarily means a rally in corn is imminent. Still, I think it is worth noting when market leaves things for dead.

Livestock

While I haven't gone through the data completely, it appears likely that LC aggregate open interest is record large at the moment. At present we're barely exceeding what appears to be the prior record levels from late spring 2017. Obviously the roll out of the April contract is already well underway, leading to a recent surge in open interest in the June contract. I think this will be interesting to watch in terms of how big vs. prior years the June contract OI becomes. The chart of the seasonal swings in June OI is shown below. We've seen above average OI in the June contract almost from the beginning, with the large spec position (index & MM combined) hoping to avoid some of the roll pain by spreading their position out across the curve. You can also see in the second chart that follows that August OI is following the same trend…starting out higher than normal in its seasonal ascent. If index and MM funds are looking to keep nationalized exposure the same, do they need to buy more contracts of the lower-priced summer months?



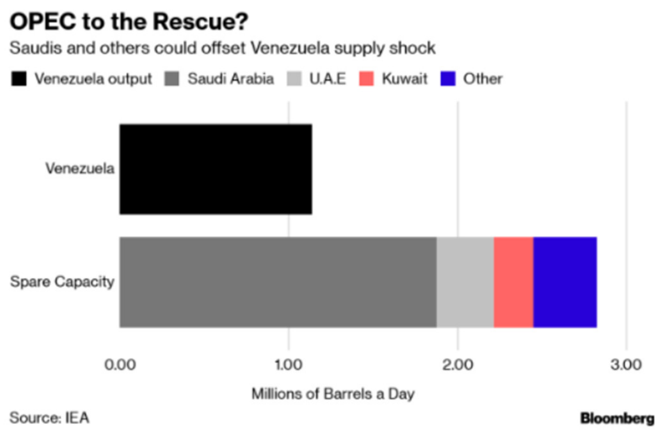


Financials

As I scan around the headlines of the past 24 hours, I really see very little new to report. Still, despite the quiet newsflow (or perhaps, because of it) global equity markets are posting sizeable gains today. Asian markets were higher overnight and European equities and US futures are solidly higher at the time of writing this morning. For now the fifth time since the Fall 2018 meltdown, ES futures are bumping up against major technical resistance near the 2825 level (chart follows next page).

Energy

The IEA's monthly oil market report is out. One key aspect of the report, or at least one that is being picked up by the newswires, is they are noting that OPEC nations have plenty of spare capacity to offset ongoing reductions in Venezuelan supplies. Bloomberg provides a handy chart, which I've attached to the right. Of course the matter of having spare capacity and wanting to use it are two different things. The Saudis have repeatedly signaled they want to keep production levels low to keep supplies in check. OPEC and friends will be meeting this weekend to discuss their production and supply goals, though most analysts are expecting to see no change in their policy.



Today's Calendar (all times Central)

- Empire Manufacturing Index – 7:30am
- Industrial Production – 8:15am
- U of M Consumer Sentiment – 9:00am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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