NESVICK
TRADING GROUP, LLC

Tuesday, March 19, 2019
NTG Morning Comments
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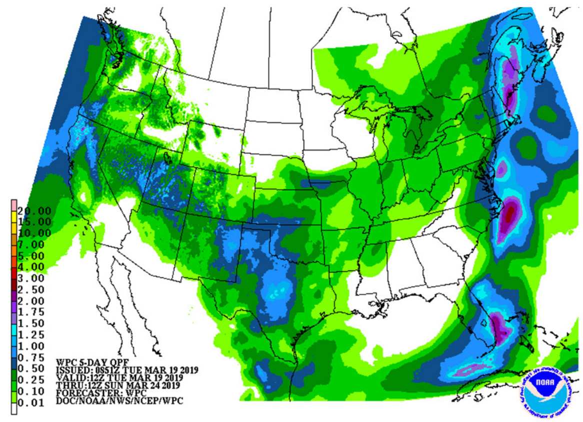
## Weather




The 5-day QPF is shown to the right. Minimal precipitation is expected across most of the country this week. You can see there will be light rains today and tomorrow through portions of the Southern Plains and southern Corn Belt. The heavier rains you see in TX will come later in the period as rains move through TX and eventually into the Southeast as we move into the 6-10 day period. It seems very likely that precipitation in both the 6-10 and 11-15 day periods will average near to mostly above normal for a large portion of the country, though admittedly the forecast models themselves are very different which creates a lot of uncertainty in the projections. Temps should generally average mostly near normal over the next two weeks for most of the country. The exceptions should be the Northeast in the 6-10 day period and the Northern Plains potentially in the 11-15 day period.

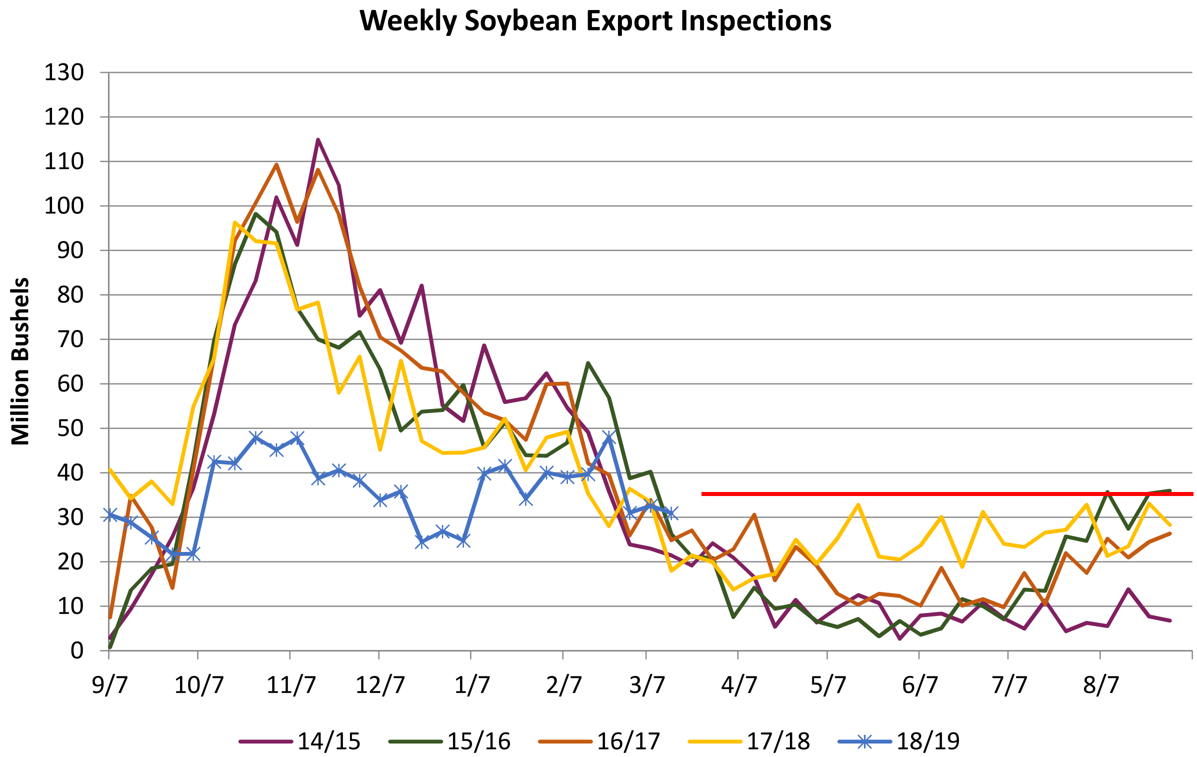
No changes to the South American outlook. Argentina should continue to look for mostly BN precipitation over the next two weeks but cool temps. Northern Brazil should see a lot of near normal precipitation during that period.

## Crops

I'm still catching up on a week's worth of data that I missed while out of the office, but I spent a chunk of time yesterday looking at export numbers. Looking at last week's export sales report, the pace of commitments in corn is starting to fade but for now remains at a level where WASDE is likely to stay put for a while. In soybeans, the pace of commitments as-of last week remains light but we have another 1 mmt of flash sales from last week to add on top of whatever else might have taken place. In other words, for now there is no reason to expect WASDE to change anything for soybeans soon either.

| | Corn | Soybeans |
|---|---|---|
| Sep | 207 | 119 |
| Oct | 224 | 205 |
| Nov | 201 | 186 |
| Dec | 171 | 151 |
| Jan* | **185** | **175** |
| Feb* | **145** | **165** |
| Mar MTD* | **63** | **64** |
| | | |
| WASDE | 2,375 | 1,875 |
| Avg Req Pace | 49 | 34 |

Still, I thought it might be worth a look at what we "need" to see in terms of shipments going forward to match these current projections. The breakdown to the right shows Sep-Dec Census exports with estimates for Jan, Feb, and Mar MTD based on inspections as well. I then take those figures and estimate a weekly average pace required for the remainder of the marketing year (roughly 24 more weeks). What I find is that we should see weekly corn inspections average roughly 49 mb per week to match the latest WASDE projection. Soybean weekly shipments need to average roughly 34 mb. What would that look like relative to the seasonal averages at this point in the calendar? The average pace is plotted on the charts below with the red line. You can see that the soybean pace is clearly something we've never seen at this point in the year. In the case of corn, we've definitely been able to exceed this level before but in those cases we were coming off of significant production losses in South America. If Brazil's safrinha corn crop continues to be treated well, that will really work against matching the pace required I think.


Weekly Soybean Export Inspections
Million Bushels
130
120
110
100
90
80
70
60
50
40
30
20
10
0
9/7
10/7
11/7
12/7
1/7
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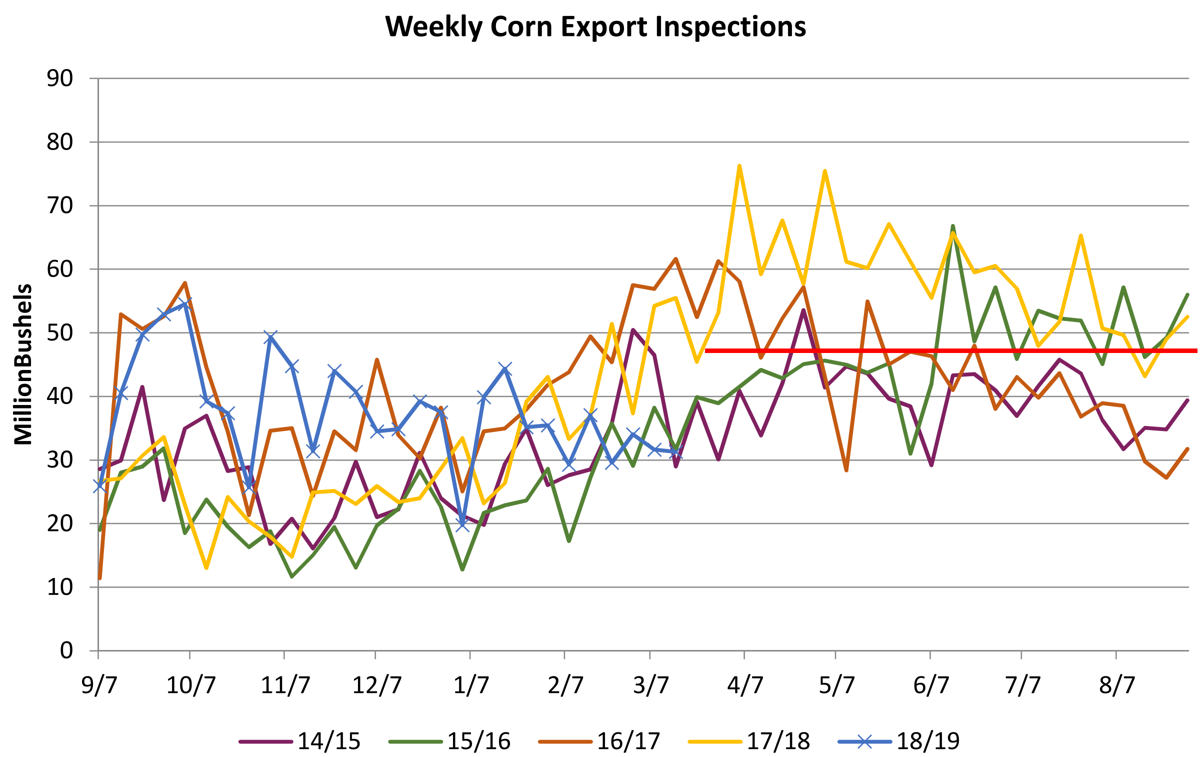
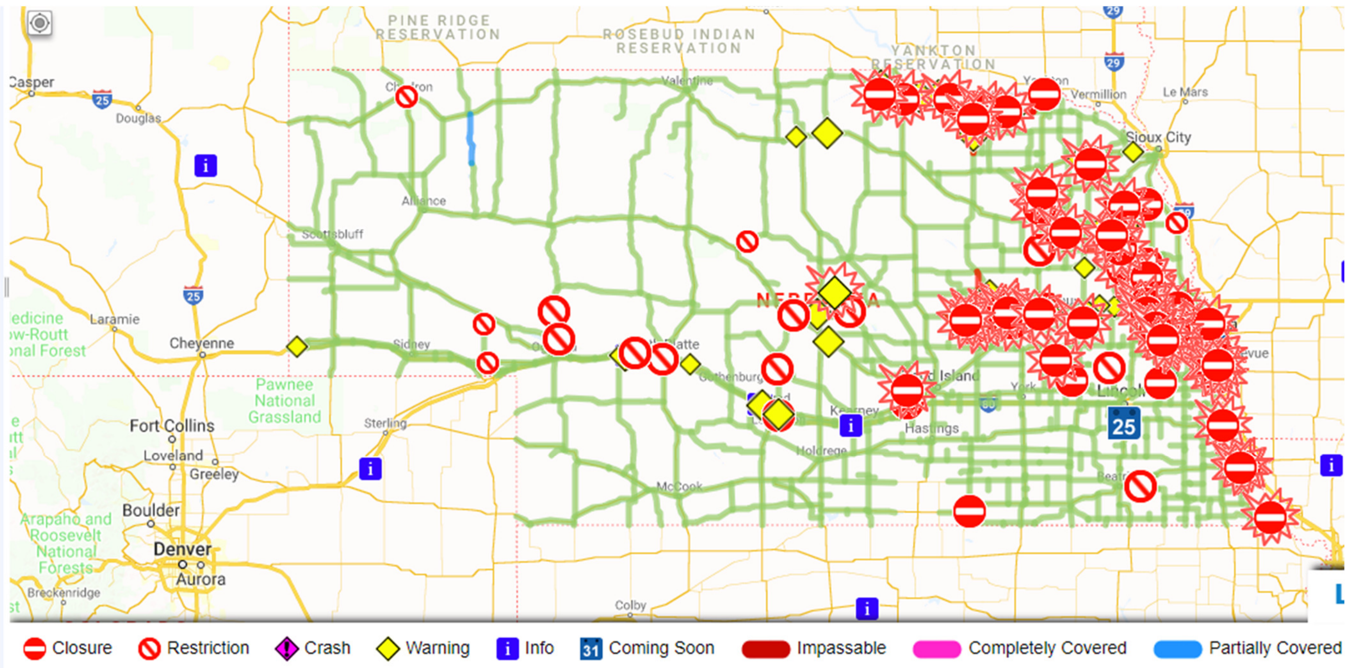
15/16
16/17
17/18
18/19


Weekly Corn Export Inspections
MillionBushels
90
80
70
60
50
40
30
20
10
0
9/7
10/7
11/7
12/7
1/7
2/7
3/7
4/7
5/7
6/7
7/7
8/7
14/15
15/16
16/17
17/18
18/19

I feel like both WASDE projections might have some further downside to them, but unless we see sales pick up for corn, I think WASDE might be quicker to push their corn projection lower again rather than soybeans.

## Livestock

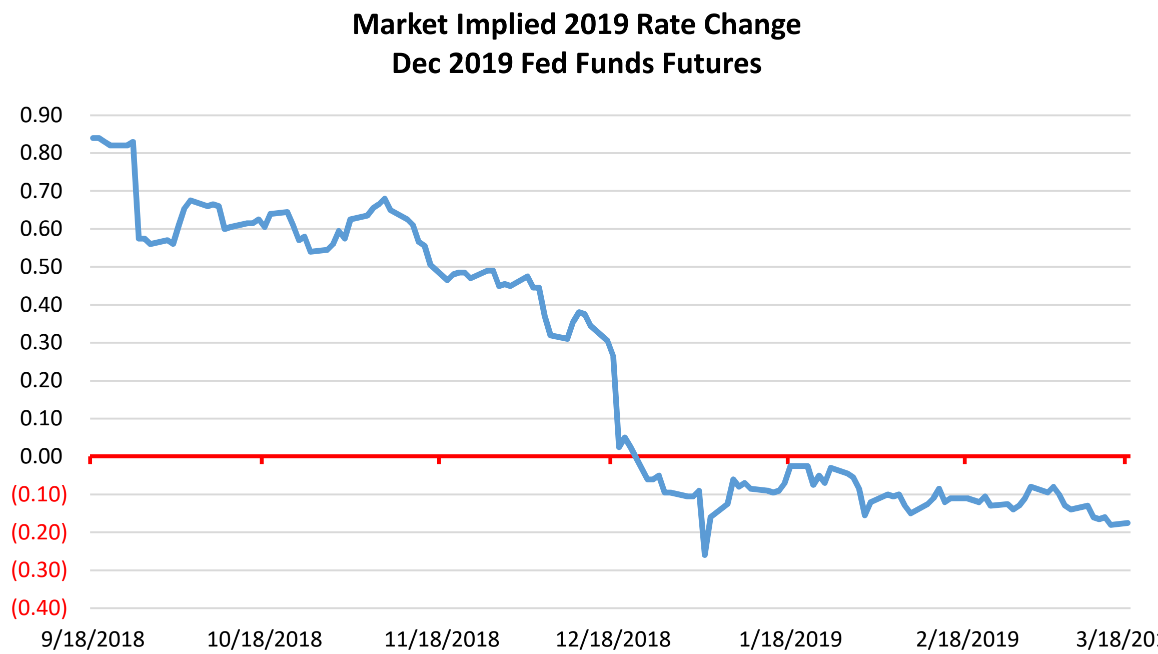
The map below shows a breakdown of road conditions in NE. This is about as good an indication as any other where the state is experiencing major flooding issues. What is important relative to the livestock market here is there are at least two "major" feedlots in the area with all the road closures and countless "smaller" feedlots. I've been reluctant to reach out to some in the area at this point, but one would have to think we're looking at potential significant losses here. At a minimum we know that the road closures could mean feedlots not getting feed supplies delivered on a timely basis (potentially). If you have any insight or thoughts, please let me know.




As for the futures, not much new to say this morning. The J/M spread got hammered yesterday. I know that bull spread had been a pretty popular idea so its likely we saw some forced liquidation on that. The chart there might imply that is as low as that spread will go, but we'll see. Nothing particularly new to report from the weekly MPR data. Cash volume last week was average-ish, nothing special. The comprehensive beef report also showed average-ish beef movement, so nothing sticks out there either.

## Financials

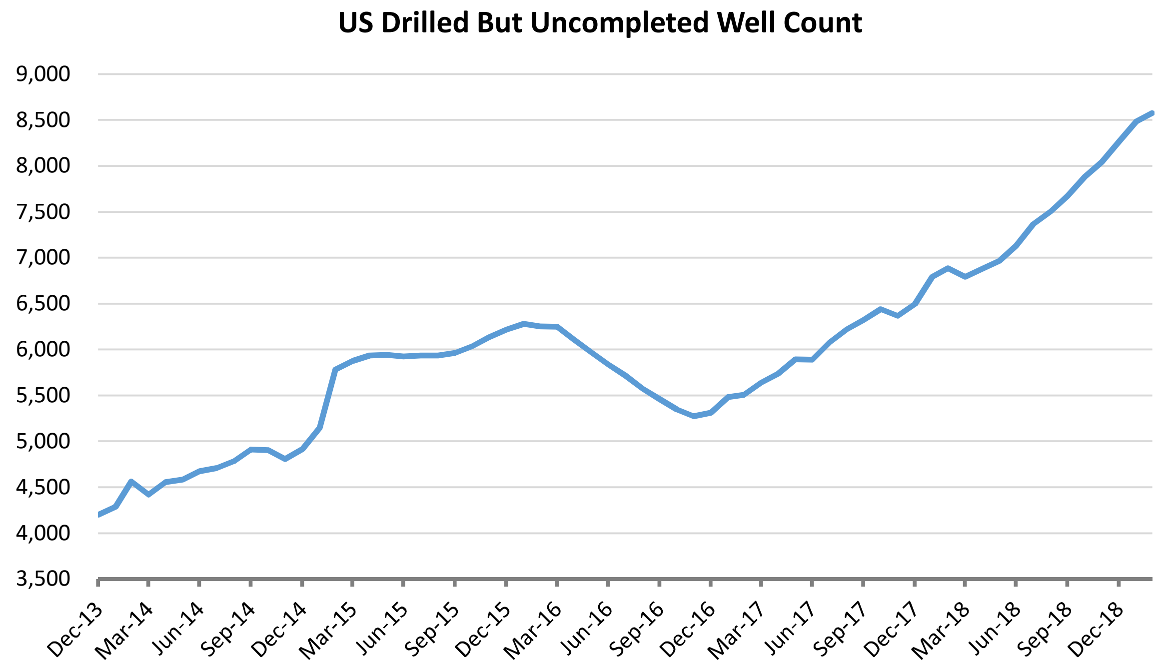
We get the FOMC statement tomorrow afternoon, and this month's statement will be accompanied by updates to the Fed's economic outlook and dot plot projections. This could potentially go a long way in reshaping the market's attitude towards the outlook on rates for the duration of 2019. I feel a refresher on the market's current perception is in order, and below I've charted the market-implied rate change projection for end-2019 below. This is simply taking the FFZ9 contract and calculating what the market is projecting for a year-end change vs. the current Fed Funds rate. You can see that expectations for additional rate hikes fell sharply following the fall equity market meltdown. They further took an additional leg weaker following the dovish pivot by Fed Chair Powell. Right now the market is pricing in a rate cut rather than a hike by the end of 2019. Considering the very dovish lean of Fed commentary of late, I doubt today's statement will dramatically alter the current course. Still…this is something worth keeping an eye on if the economic data starts to perform better vs. expectations.




We have some minor economic releases this morning. Both factory orders and durable goods orders are capable of moving the markets, but we'd probably need to see big misses from expectations for a reaction today. It appears ES has finally convincingly broken through technical resistance and we might be looking at a possible retest of the all-time highs soon…depending of course on the headlines. There is nothing new to report on trade negotiations at the moment. Brexit remains a mess, with the UK almost certainly going to ask for an extension with the EU before leaving (or not).

## Energy

Yesterday EIA released its monthly Drilling Productivity Report, which looks at shale oil production in the US. In the report, EIA revised its projection for March shale oil production higher to 8.51 mbpd from 8.4 mbpd last month. EIA is also now forecasting April shale oil production to increase slightly to 8.59 mbpd from their above-mentioned March projection. The gains in shale production are largely driven by increases to Permian production, but increases are spread throughout most other shale regions as well. What stood out to me most, however, was the ongoing and relentless surge higher in "drilled but uncompleted" wells. You can see the chart showing the past several years of history on this count below. This speaks to the logistical constraints present in terms of rail and/or pipeline capacity to transport oil out of these shale areas (Permian accounts for almost half of these) towards storage or refining areas. Its an interesting dynamic…the growth rate of US oil production is slowed by the logistical constraints, but this would seem to imply production can really still increase *dramatically* if/when there is an economic incentive to eliminate those constraints.




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

- Factory Orders – 9:00am
- Durable Goods – 9:00am

Thanks for reading.

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