

Weather

Our meteorologist noted some interesting weather stats yesterday, and I thought they were worth passing along this morning...

Precipitation the past 6 months (Sept-Feb) in the Corn Belt was EASILY the most ever recorded...17.47", 6.09" above normal (prev. high was 1932 with 15.98")

Only recent year comparable was 2007...14.54"

Winter of 2018/19 for the Nation shows temperatures 1.15F above normal...38th warmest winter

Winter precip for the nation...2.22" above normal to make it the wettest winter ever (barely topped the winter of 1997/98)

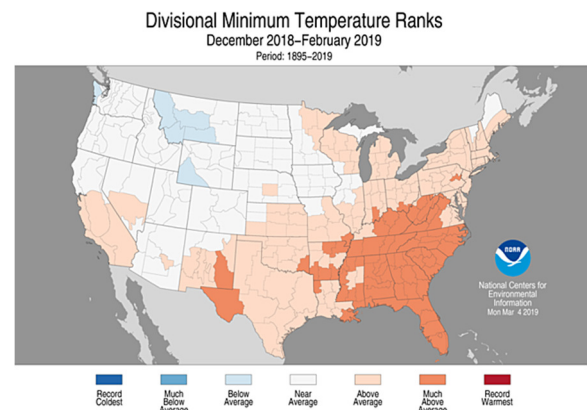
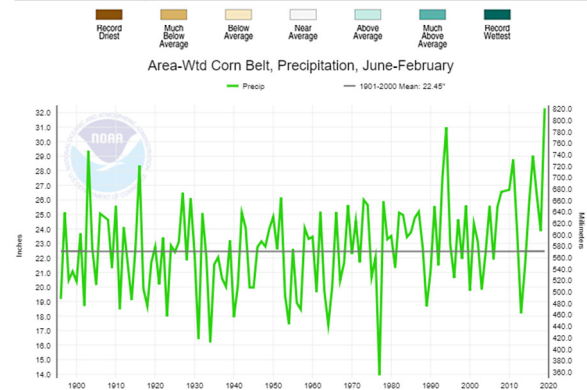
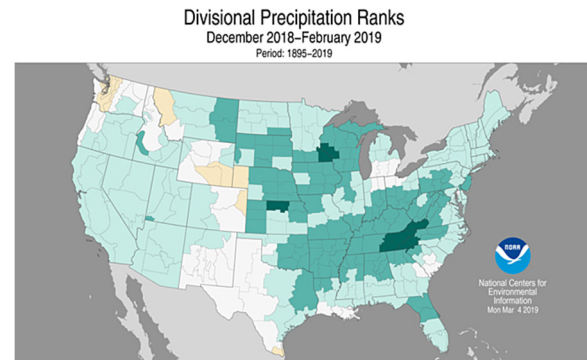
Past nine months (covering the summer, fall, and winter) has also been the wettest on record for the Corn Belt (yes, even wetter than 1993/94)

February data was not as cold as I expected. It would take March temperatures averaging 15.5-16.0 degrees below normal in the Corn Belt to make this one of the coldest December-March periods on record...and we have never come close to having that type of March ever recorded (closest ever was 13.2 below normal)

Crops

Today we'll take a quick look at the corn and soybean balance sheets ahead of tomorrow's WASDE report. I'll look at wheat and world numbers quickly tomorrow. This month's report should be a bit of a snoozer..I'm not expecting WASDE to make any big waves with anything. Shown to the right is the breakdown of Bloomberg survey estimates. US ending stocks is really the only major data we get from WASDE this month, though there will be some world production numbers to watch as well.

Turning our focus first to soybeans, I don't think WASDE will be inclined to make any big changes tomorrow, and you can see at right that most



USDA US Ending Stocks			
	Average of Trade Analyst Estimates	Range of Trade Analyst Estimates	USDA Feb End Stocks
Corn	1,751	1,685-1,835	1,735
Soybeans	904	852-944	910
Wheat	1,019	990-1,050	1,010

others are in the same camp. The average guess is basically calling for an unchanged or slightly lower carryout. Regarding export demand, I think it is likely that WASDE leaves this unchanged for now. We know that WASDE (prior to this year, anyway) has been very focused on the pace of commitments relative to its projection. The current pace of commitments still falls short of their projection, but the gap has narrowed significantly in recent weeks so I think they would be justified to leave it unchanged this week. The crush pace continues to march solidly along, while meal yields remain very poor. I think this will allow WASDE to stair-step its crush projection modestly higher this month. You can see my potential balance sheet changes at the right. Nothing that will stir up big excitement here.

I'm actually a bit more torn on what to expect from corn this month. It is highly unlikely we'll get a F&R revision ahead of the stocks report at the end of the month, so that probably stays unchanged. I think another reduction to the ethanol grind is probably a consensus expectation considering the slow pace of production since last month's report. I've taken the estimate down 25 mb at the right. Some are even lower, but I don't want to get carried away with the downside myself just yet. The big question I have is whether to expect a change on exports? Based on the pace of commitments argument noted above, WASDE would be completely justified in leaving their export projection alone. And, based on the average guess for ending stocks shown on page 1, it seems most expect that to be the case. I wouldn't be surprised to see the number left alone either, but you'll see at the right my baseline scenario I'm assuming WASDE will take a small bite out of their projection. I am of the opinion that the recent drop-off in shipments, relatively low outstanding sales at present, and solid competing exporter crop prospects all point towards an eventually lower export projection. If we don't get it tomorrow, its just a matter of time...

Livestock

Nothing new to point out here this morning. On the following page, you'll see a chart that simply takes the spread between the choice beef cutout and the pork carcass value. It will likely come as no surprise to see that beef wholesale prices are relatively richly priced vs. pork right now. The only time in the past decade where beef was higher vs. pork was in 2015 on the back-end of the PEDv situation. It is a bit interesting to note there appears to be a *minor* seasonal tendency for beef to top-

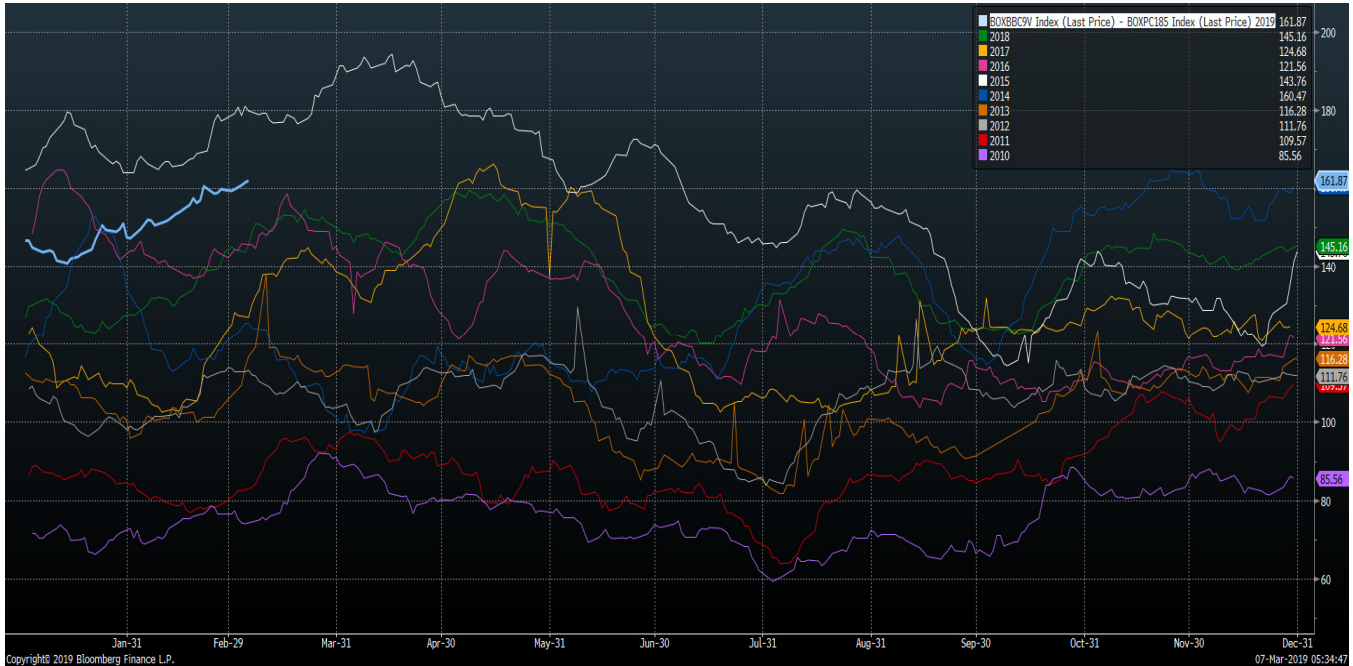
US Soybean Balance Sheet Changes

	2018/2019		
	WASDE Feb	Possible Mar	Change
Planted Acres	89.2	89.2	0.0
Harvested Acres	88.1	88.1	0.0
Abandoned Acres	1.1	1.1	0.0
Yield	51.6	51.6	0.0
Carryin (Sep 1)	438	438	0
Production	4,544	4,544	0
Imports	20	20	0
Total Supply	5,002	5,002	0
Crush	2,090	2,100	10
Exports (Census)	1,875	1,875	0
Seed	96	96	0
Residual	31	31	0
Total Use	4,092	4,102	10
Carryout (Aug 31)	910	900	(10)
Stocks/Use	23%	22%	-

US Corn Balance Sheet Changes

	2018/2019		
	WASDE Feb	Possible Mar	Change
Planted Acres	89.1	89.1	0.0
Harvested Acres	81.7	81.7	0.0
Abandoned Acres	7.4	7.4	0.0
Yield	176.4	176.4	0.0
Carryin (Sep 1)	2,140	2,140	0
Production	14,420	14,420	0
Imports	40	40	0
Total Supply	16,600	16,600	0
Feed and Residual			
Total Feed and Residual	5,375	5,375	0
Food, Seed, and Industrial			
Corn for Ethanol Fuel	5,575	5,550	(25)
Other FSI	1,465	1,465	0
Total FSI	7,040	7,015	(25)
Total Domestic Use	12,415	12,390	(25)
Exports (Census)	2,450	2,425	(25)
Total Use	14,865	14,815	(50)
Carryout (Aug 31)	1,735	1,785	50
Stocks/Use	12%	12%	-

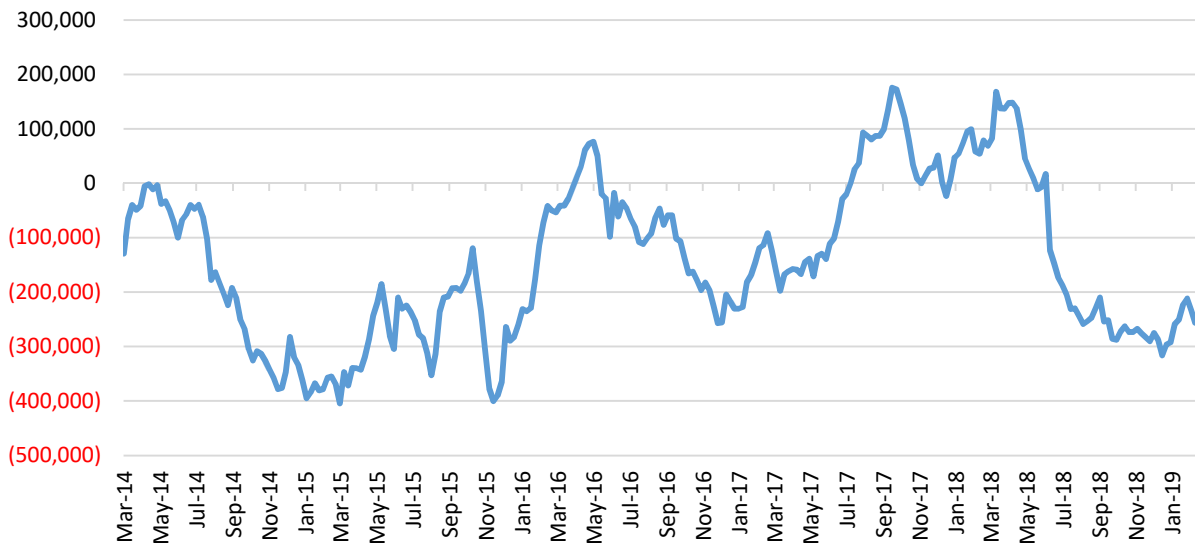
out vs. pork around this time of year before reasserting some price strength later in spring. Otherwise, no major point here other than to note we're in rare territory.



Financials

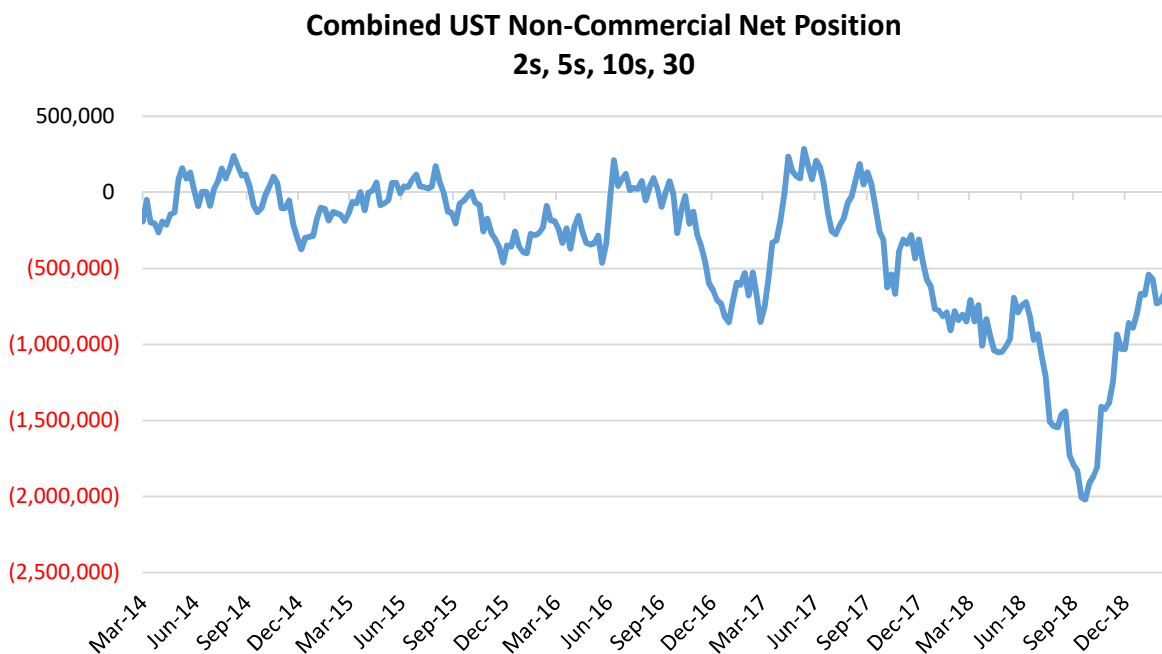
The COT data was finally completely up to date as of Tuesday. The chart below shows the total FX net position across major currencies...

Combined FX Non-Commercial Net Position
 EC, JY, SF, AD, CD, BP



As the line on the above chart pushes further into negative territory, it implies a larger net long position in the dollar (and vice versa). I think what is interesting from the above is that we saw some modest long-dollar liquidation for a brief period of time following the Fed’s dovish pivot, but overall the market still is leaning heavily long the dollar right now.

The chart below is similar, showing the combined non-commercial net position across the UST space. Clearly the short-covering started taking place before the shutdown and we knew it was happening, but I find it interesting that shorts have continued covering over the course of the past several months and we’re looking at a fairly “uneventful” looking position here.



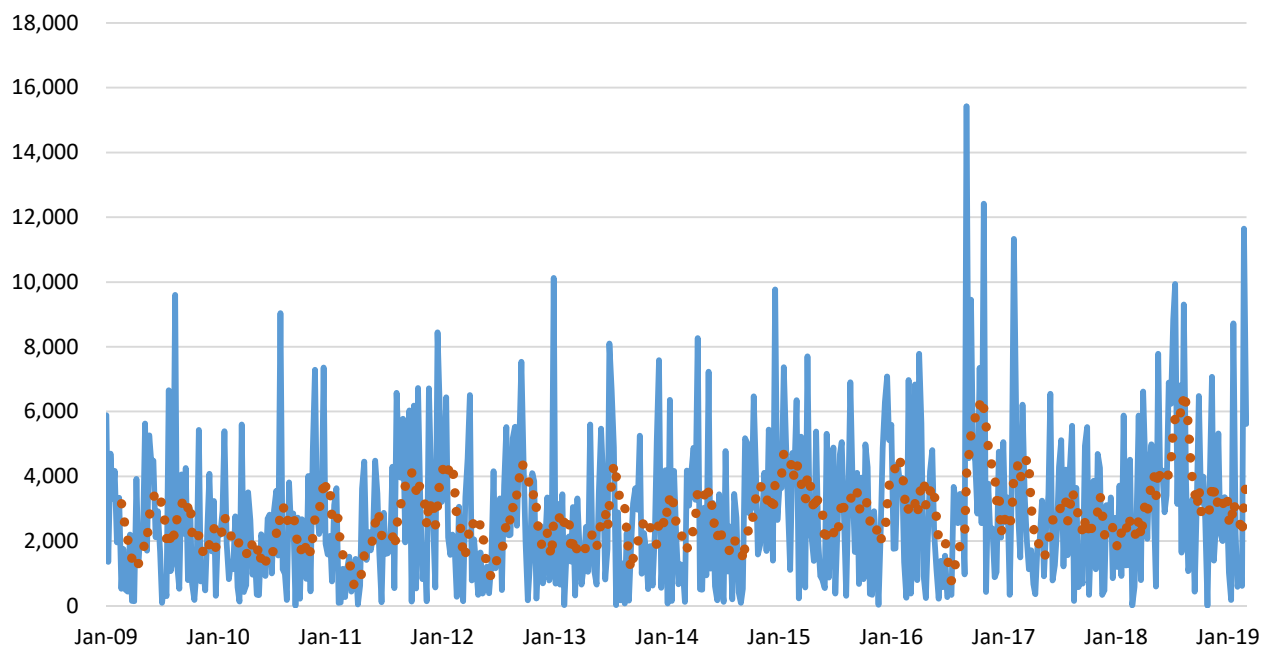
Otherwise, nothing major new to report this morning. We’ll get the latest ECB policy statement later this morning, and that could definitely stir up some excitement in FX. While there is no expectation for changes in rates, we’ll be watching their economic forecasts and looking for tweaks in their forward guidance. No major market-moving data to watch for in the US this morning.

Energy

After the EIA inventory release yesterday morning, I was asked the following question – *“Is it just me or are these crude stocks getting much more erratic?”* My friend was of course referring to the big miss vs. expectations on this week’s crude oil stocks and whether or not they’re getting more unpredictable. Intuitively, it would make some sense. The US has seen its import needs drop and is seeing its export demand pick up. These changes in trade flows can certainly affect the week-to-week volatility in inventories. The chart below takes a look at the difference between the actual change in weekly stocks vs. the consensus estimate (provided by Bloomberg) over the past 10 years. I’m using the absolute value of the difference between the two, because I don’t want higher misses vs. lower misses to offset each other and make the average seem “calm”. The orange

line is an 8-week moving average as an attempt to try to smooth out the data a little. I think what stands out to me from looking at this is that the weekly inventory number has always been erratic. Looking at the orange moving average you can see that in the past few months we've actually seen the difference calm down a little...at least until the past couple of weeks.

EIA Crude Oil Inventory Net Change Actual vs. Consensus Estimate (Absolute Value of Difference)



Today's Calendar (all times Central)

- Jobless Claims – 7:30am
- Export Sales – 7:30am
- EIA Natural Gas Storage – 9:30am
- Cold Storage – 2:00pm

Thanks for reading.

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