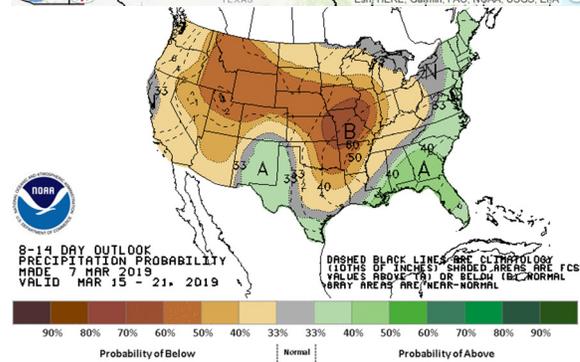
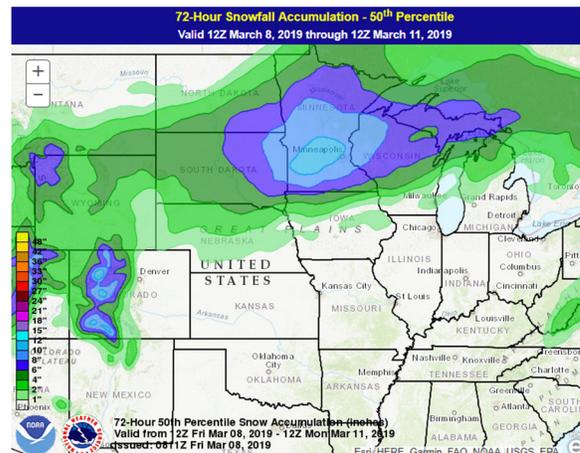
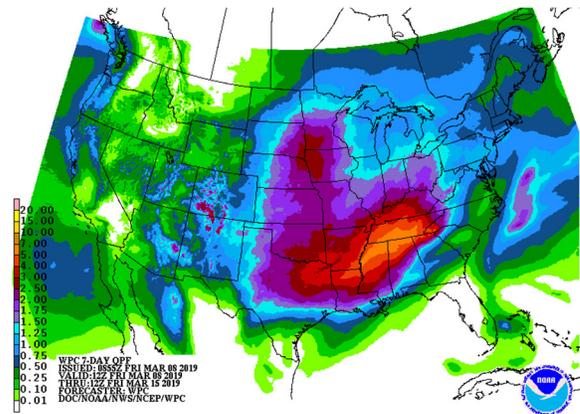


Weather

No major change to report in Brazil this morning. Northern areas should see near normal rainfall with totals of 2.5-5.0" with some locally heavier amounts. Southern areas should see above normal rainfall in some areas with amounts ranging from 3-5" during the next two weeks. Temps will probably average near to below normal in the south, near to above normal in the north (but nothing extreme).

Argentina should see two week rainfall totals run close to normal. Northern areas should see amounts of 2-3" during the next two weeks while southern areas will probably see .75-2.0". Rains are seen this morning in northern areas and will continue in the same areas today/tonight with drier conditions tomorrow. Some additional light rains will be seen early next week. Rainfall in the 6-10 day period is pretty minimal with some modest rainfall expected in the 11-15 day period. Temps should average mostly below normal over the next two weeks.

No changes in the near term forecast for the US. As you can see in the 7-day QPF map at the top right, we're looking at a lot of precipitation in the middle of the country over the next few days. Rains will slowly pick up today but should really get more active tomorrow. An additional system will develop in the Southern Plains early next week and this will push eastward into the Delta and of course affect some areas to the north as well. The map at the middle right shows the 3-day snowfall outlook for the Northern Plains. It is worth noting that this only shows one of the snowfall threats for the area, with additional snow likely during the period following this map. We should see very big snowfall totals develop in portions of SD, MN, and IA. The good news is that week two of the forecast period is showing drier conditions through the middle of the country, as shown at bottom-right. Temps will remain BN for the duration of the two week timeframe (and probably beyond), but even BN temps are starting to warm up at this time of year of course. It still looks likely that the pattern will remain "active" and that additional precipitation might develop at the very tail end of the two week forecast.



Crops

Quickly looking at the wheat balance sheet this morning ahead of today's WASDE. Of course keep in mind we don't get the new crop figures until May, so this month and next could be somewhat unexciting. There is little reason to expect any change in food or F&R use right in front of the quarterly stocks report. Seed use was already cut last month following the Winter Wheat Seedings report. That leaves exports alone as a possible source of change in this month's balance sheet. I find myself waffling a bit here...

On one hand, we've definitely seen an uptick in the pace of new sales. Yesterday's export sales release was larger than expected and outstanding sales are definitely larger than they normally are at this time of year. On the other hand, WASDE has been counting on this late-season surge in export business for months already. Will it prove too little, too late?

I think it will, and I think WASDE will *probably* take their export projection down today. Though current outstanding sales are relatively large for the time of year, I'd calculating that they imply "only" about 315 mb of exports for the MAM period. Adding that on top of Census export totals and assumptions for Jan/Feb, and we'd end up with an annual export total near 970 mb. As you can see, I'm think WASDE gets close to that level with a 25 mb cut to exports today.

Despite the expected cut to overall wheat exports, I do think WASDE could take HRW exports up a little. This would be offset by likely reductions to SRW and HRS.

Turning attention to world production numbers, in the case of wheat we clearly shouldn't be looking at much change this month as we're in wait-and-see mode for the new crop balance sheets. In fact, I really can't think of a lot of things that need to change at all on the global production numbers for any crop. We of course could see minor adjustments in South America. Then again, WASDE already aggressively upped its Argentine corn production estimate last month (to 46 mmt) so I don't think a big change is due there. I think there is potential for a modest increase in Argentine soybean production, but probably nothing big and largely offset by another modest reduction to Brazil's soy production figure.

Livestock

No major new information to pass along this morning. Fairly active cash cattle activity yesterday at 128-128.50. I'm told the south might be basically wrapped up for cash activity for the week while we might have some more trade to see in the north. We'll see. On tap this afternoon is the COF report. A breakdown of the expectations is shown to the right. You can see the market is really banking on a big YOY drop in placements for the month of Jan. On the surface, this seems pretty reasonable. First, we're comparing against a historically high January placement figure last year.

US All-Wheat Balance Sheet Changes

	2018/2019		
	WASDE Feb	Possible Mar	Change
Planted Acres	47.8	47.8	0.0
Harvested Acres	39.6	39.6	0.0
Abandoned Acres	8.2	8.2	0.0
Yield	47.6	47.6	0.0
Carryin (Sep 1)	1,099	1,099	0
Production	1,884	1,884	0
Imports	140	140	0
Total Supply	3,123	3,123	0
Food Use	970	970	0
Seed	63	63	0
Feed & Residual	80	80	0
Total Domestic	1,113	1,113	0
Exports	1,000	975	(25)
Total Use	2,113	2,088	(25)
Carryout (Aug 31)	1,010	1,035	25
Stocks/Use	48%	50%	-

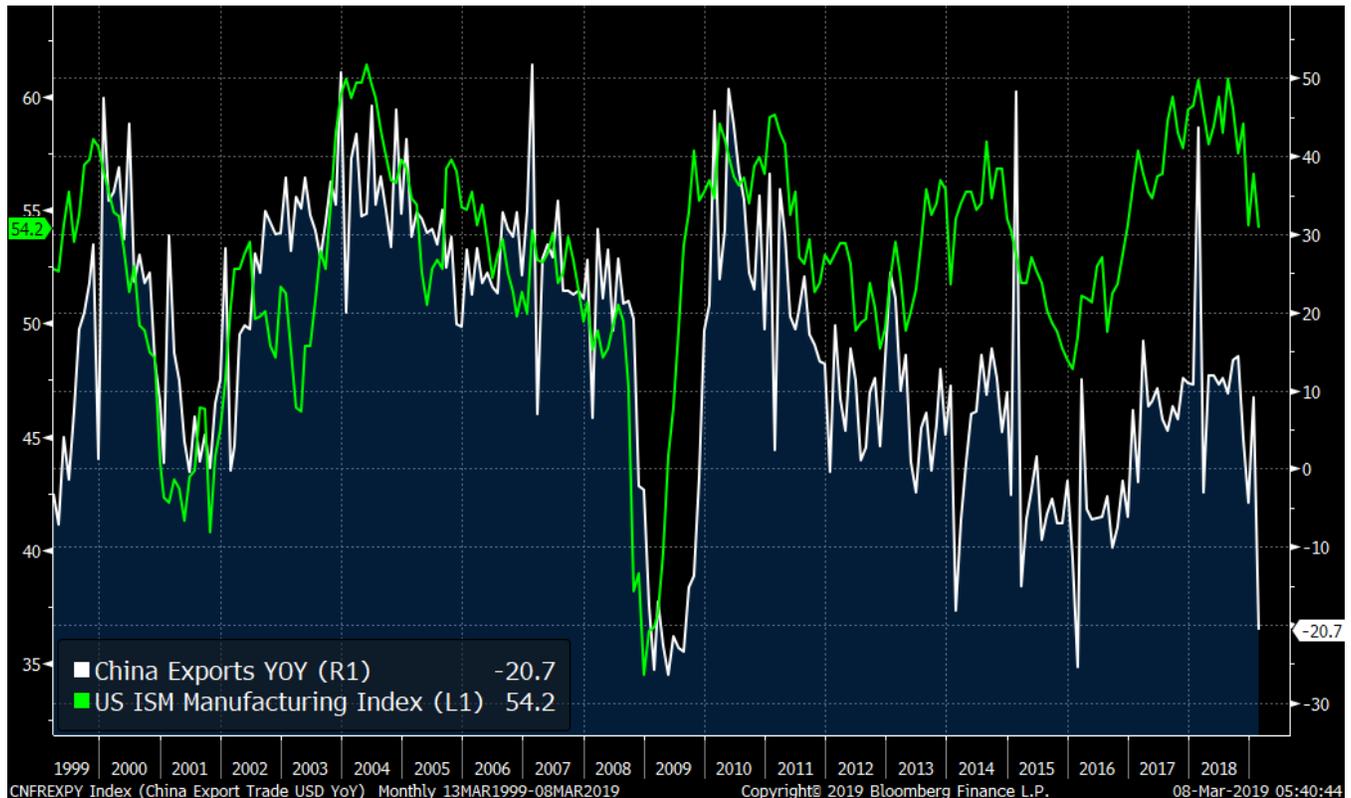
Cattle on Feed

	Avg. Guess	Range
On-Feed	100.2%	99.1-100.6%
Placements	92.8%	87.0-95.9%
Marketings	101.9%	96.9-102.9%

Additionally, sloppy feedlot conditions probably continue to discourage placements on the margin in some areas. Still, I do wonder if the 7%+ YOY decline the market is penciling in is a bit aggressive. Our own Mike Sands is favoring a placement figure closer to -5% YOY. Admittedly, the actual placement figure has come in under the market's expectations pretty consistently in recent months.

Financials

Further risk-off price action so far this morning. Asian markets got absolutely smoked last night, with the Shanghai Composite trading more than 4% lower. Some of that weakness was due to a big brokerage company warning clients that shares are "overvalued". Some viewed this as the government attempting to slow down the recent rally. Additionally, some of the equity weakness is due to weak trade data reported overnight. Exports were down almost 21% YOY, raising concerns about global economic strength and China's economy. It is worth noting that the Lunar New Year holiday fell earlier in the month than usual, however, which likely pushed some demand into the January timeframe than usual. Still, this is an alarming bit of data. China's exports are clearly an indication of global economic activity, and prolonged weakness in Chinese data could signal weakness in US data. The chart below compares the Chinese export data with the US's ISM manufacturing index. You can see there is a pretty solid correlation between the two. If Chinese exports remain sluggish, might this signal slowing growth in the US manufacturing sector?



In other overseas data, German factory orders were down 2.6% vs. expectations for a modest increase. On tap in the US today we have NFP, which are expected +180k. Note there is a tendency for the February NFP to come out higher than the consensus estimate, beating expectations each of the past 5 years. Housing starts data will

also be closely watched. Housing data was a weak spot for the US in late 2018, but has improved a bit lately... we'll see if that trend continues.

Energy

Crude oil is caught up in risk-off price action this morning, as there is limited new oil-specific news to pass along this morning. As mentioned above, China reported trade data overnight and crude oil imports were up slightly in Feb vs. Jan levels. Imports were roughly 10.27 mbpd, which is not quite record large. Some analysts are indicating they believe the bounce in crude oil imports could be a stockpiling effort due to fears of less supply later from both/either Venezuela and Iran. Speaking of Venezuela, interesting to see reports of a near-nationwide power failure that started late yesterday and has continued through the night. The government is blaming sabotage, of course.

Today's Calendar (all times Central)

- Housing Starts – 7:30am
- NFP – 7:30am
- WASDE – 11:00am
- Baker Hughes Rig Count – 12:00pm
- Cattle on Feed – 2:00pm
- Fed Chair Powell speaks in the evening

Thanks for reading.

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