NESVICK
TRADING GROUP, LLC

Friday, April 12, 2019

NTG Morning Comments

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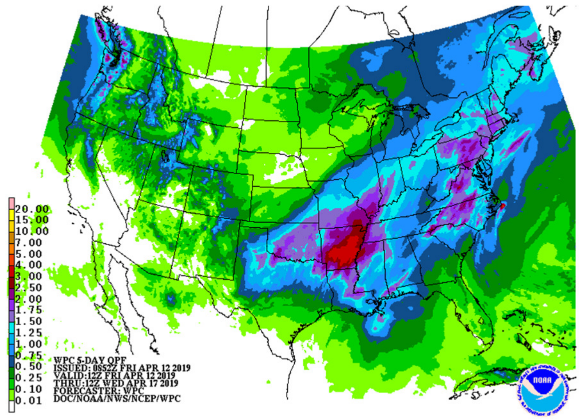
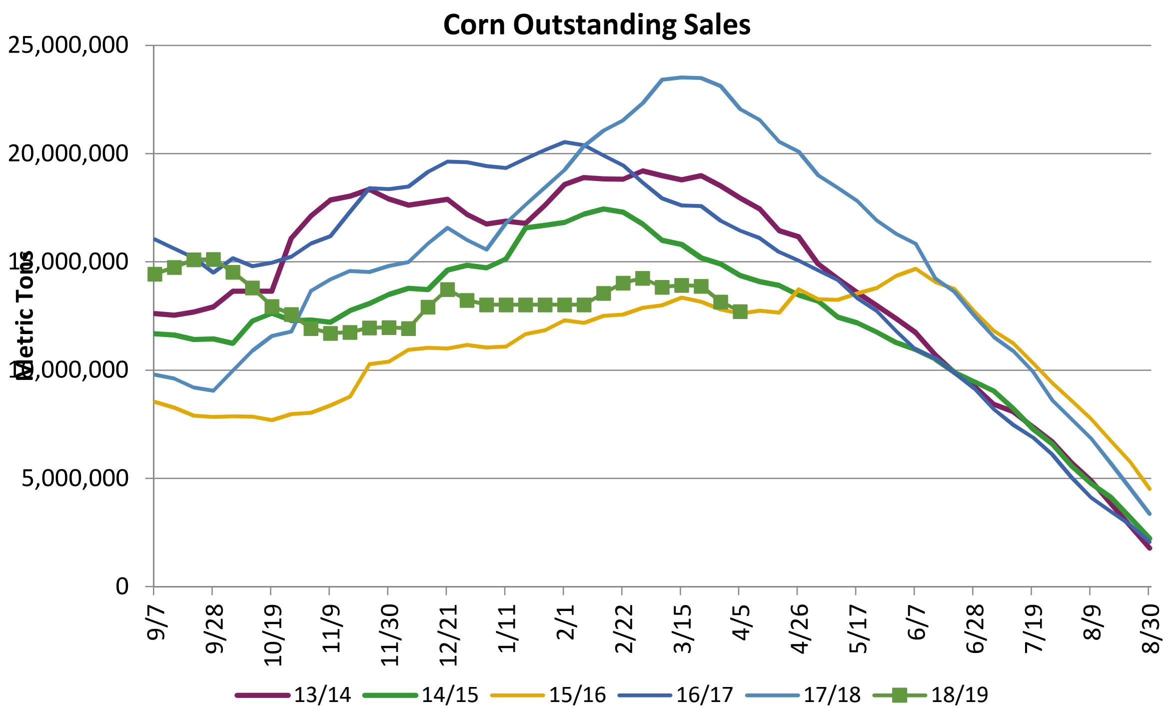
Weather



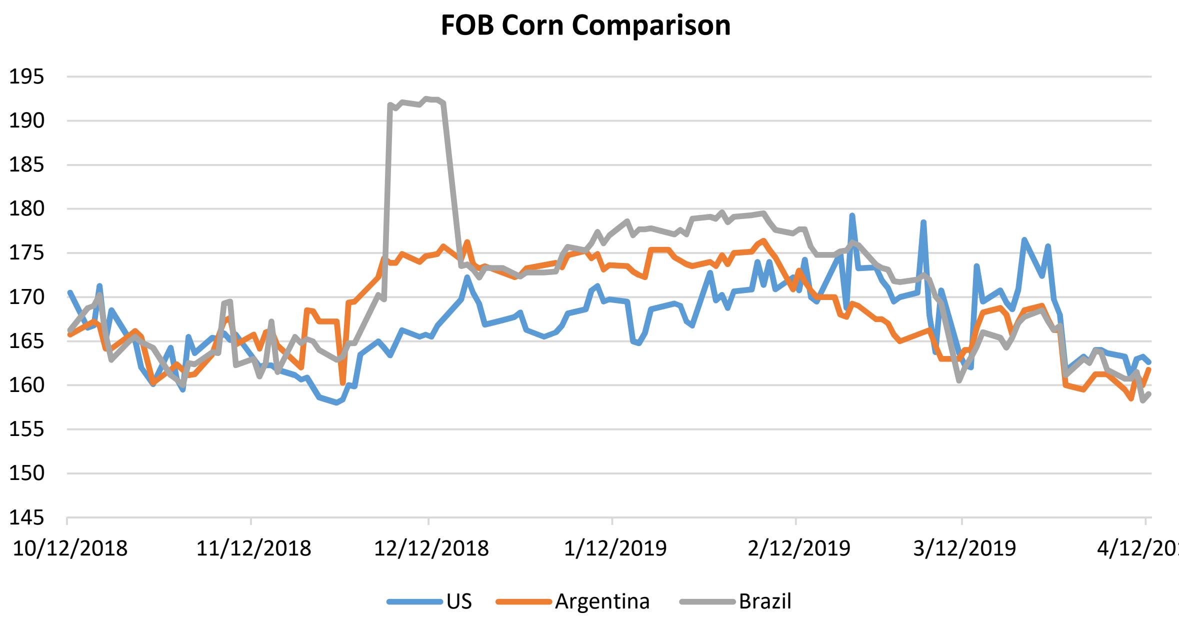
5-day QPF to the right. The majority of the precipitation shown on this map should take place later tonight and through the weekend. Mostly dry conditions will be expected Mon/Tues. The snowfall threat is probably mostly over, though there might be some very minor accumulations in portions of the Southern Plains and around the Lakes. Not pictured, we should see another round of precipitation develop around the middle and into the second half of next week. This precipitation appears likely to mainly favor areas east of the though IA/MO will also see some significant totals (favoring eastern areas of those states). Temps this weekend will be BN, with below freezing levels dipping well into the Southern Plains

Crops

In case you missed it yesterday, last week's corn export sales were pretty soft. We're now looking at the lowest level of outstanding sales for this point in the year in a long time. Note below that we're likely to dip considerably under that 15/16 line in the chart below over the next few weeks. That year's export program was saved due to crop losses in Brazil. For now, it doesn't appear that any such luck will be seen this year.

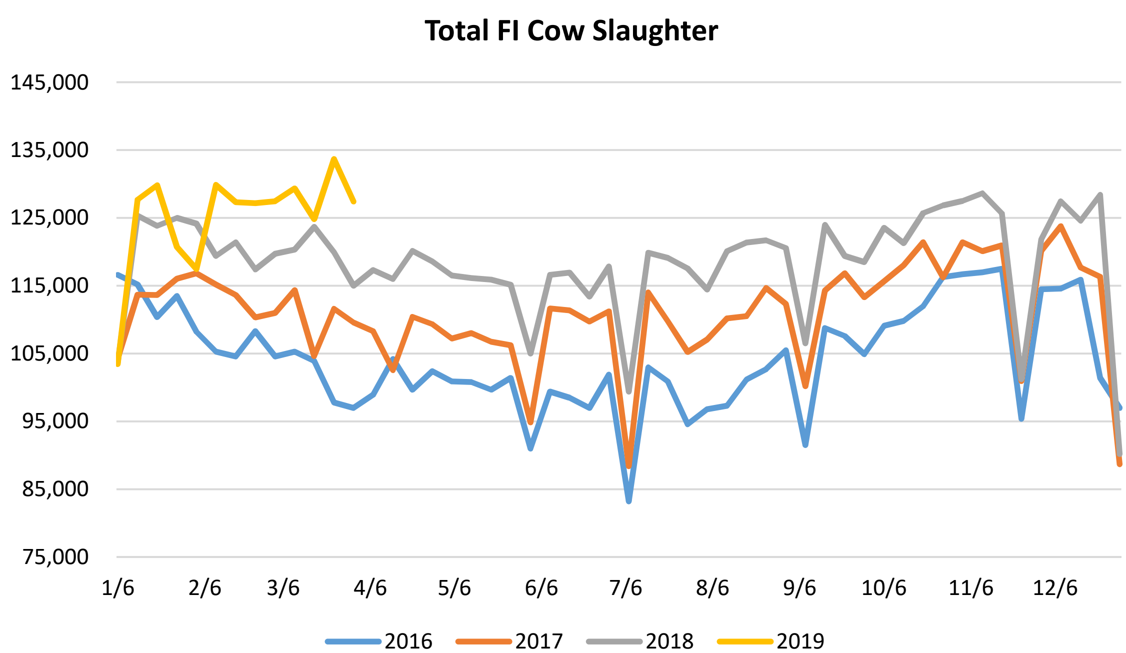


It might not show well on the chart below, but US FOB prices are over Brazilian and Argentine levels right now. World demand should be squarely focused on South America, outside of "captive" markets.

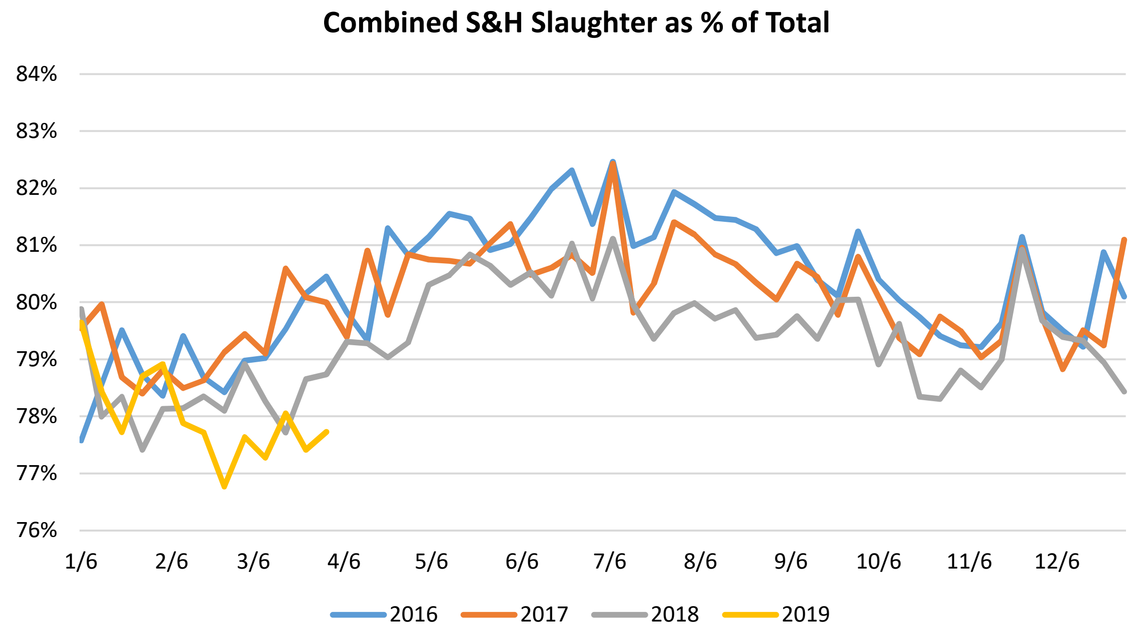


Livestock

As expected, yesterday's official slaughter report showed the cow kill down some from the prior week. Remember the prior week set a new high due largely to fallout from the earlier blizzard in the Northern Plains. The cow kill, as you can see below, continues to run above average and most contacts imply to me this is expected to continue.

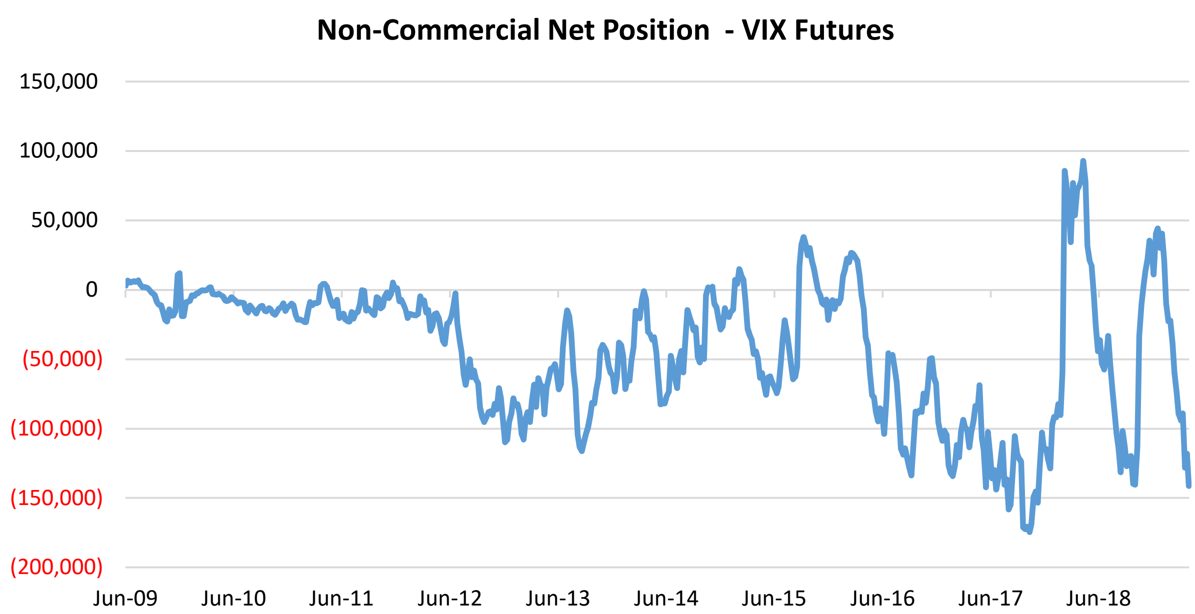


With cow kills expected to run ahead of normal, this will potentially take some of the pressure off meeting S&H slaughter numbers in the nearby.



Financials

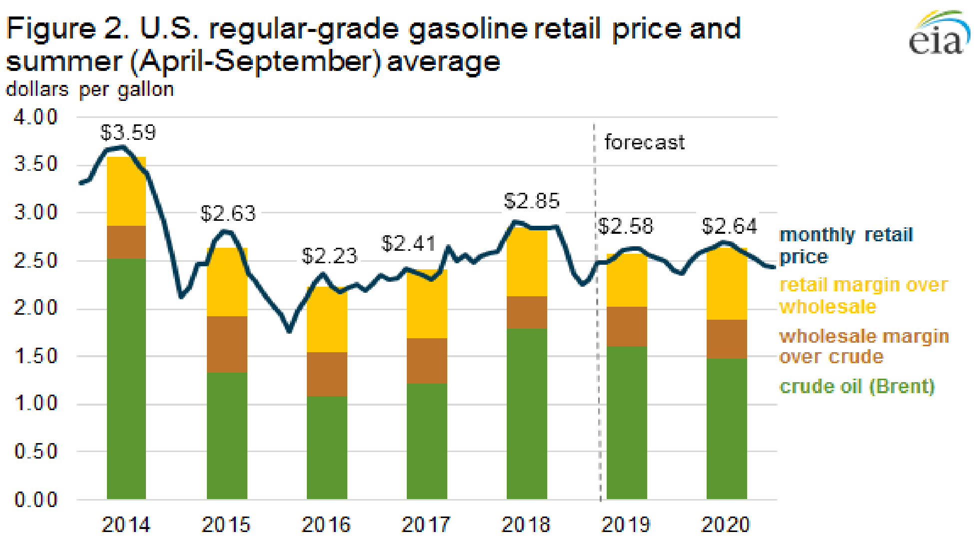
If you're looking for an indicator of market sentiment in the US equity space, I present the chart below showing the non-commercial (spec) net position in CBOE VIX futures. This shows specs are back to being aggressive shorts of volatility here, equal to levels seen before the equity meltdown in late 2018 and just shy of their record short position ahead of the XIV blowup.



Energy

Considering President Trump's views towards gasoline prices, I thought it would be worth pointing out that the EIA is currently forecasting US summer gasoline prices will be down slightly from last year. They say "the retail price of regular-grade gasoline will average $2.75 per gallon during summer 2019". For the EIA's purposes, the summer is defined as the Apr-Sep period. This would be down slightly from last year's summer average $2.85/gal. The main reason EIA is expecting lower summer gasoline prices YOY is because they believe Brent crude oil prices will be lower than last summer. For now, Brent crude oil prices are basically right near where they were at the same time last year, but they continued to move higher during summer 2018. Obviously if Trump has his way, oil prices will move lower and prove the EIA right. Even if they do move a little higher, they still might come in a little lower than last year. As EIA notes, with taxes and other charges mostly stable, the price of gasoline is really all about the underlying price of oil. The Saudis are hoping the EIA is wrong…

Figure 2. U.S. regular-grade gasoline retail price and summer (April-September) average



Note: retail margin includes state and local taxes.
Source: U.S. Energy Information Administration, *Short-Term Energy Outlook*, April 2019

Today's Calendar (all times Central)

- Import Prices – 7:30am
- U of M Consumer Sentiment – 9:00am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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