

Weather

Days 1-3, 4-5, and 6-7 to the right.

No big changes to report on today's forecast. A lot of precipitation over the next few days in the eastern third of the country, and you can see this activity on radar right now stretching from eastern TX into southeastern MO. You can see a narrow strip of heavy rainfall stretching from the Delta through the OH Valley region, and there is very good model agreement that this area will be the main recipient of rainfall over the next 24+ hours. The Southeast will see most of their rainfall chances tomorrow, and the ECB might see some rainfall linger into early portions of Saturday. The middle of the country is largely dry during the next several days and through the weekend. The rains shown in the middle map to the right are for Sunday night and Monday. There is not good model agreement on this event, however, so expect this forecast to change as we get closer. You can see from the bottom right that the WPC is still leaning with the European model with its forecast calling for the next major rain event to focus more on southern portions of the country. The GFS model would instead still put more rains further north.

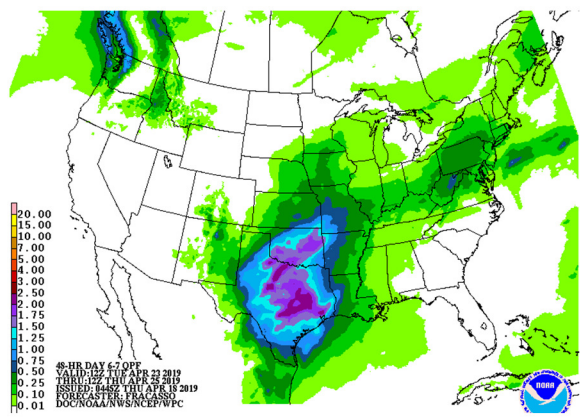
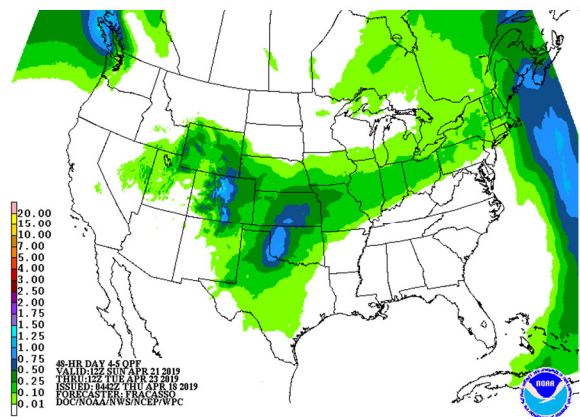
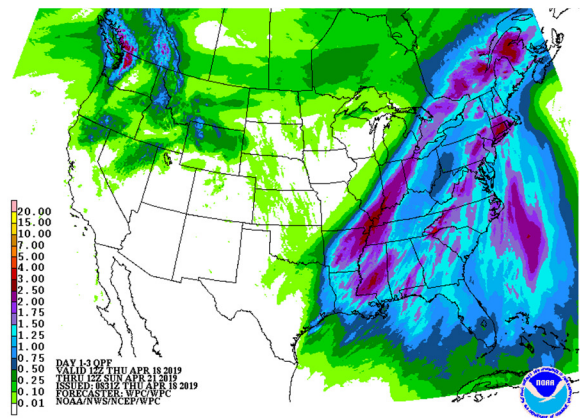
No change in the assessment on the 6-10 and 11-15 day periods. It is unlikely these periods will be "dry", but "big" rain events through the Corn Belt are pretty unlikely in both time frames as well.

The outlook on temps is unchanged as well. We might see a few cool days through the remainder of this week, but generally speaking the forecast calls for a lot of near to slightly above normal temps for a large majority of the country.

No change in international weather. Limited rainfall chances in the EU this week but chances improve next week. Mostly near to slightly below normal precipitation expected in FSU areas. Rainfall totals in Brazil's safrinha areas won't be anything impressive over the next two weeks.

Crops

I mentioned yesterday that my expectations for the old crop soybean carryout were starting to creep back up to the 1 billion bushel area. Yesterday I was specifically referring to exports, but today I want to take a very quick



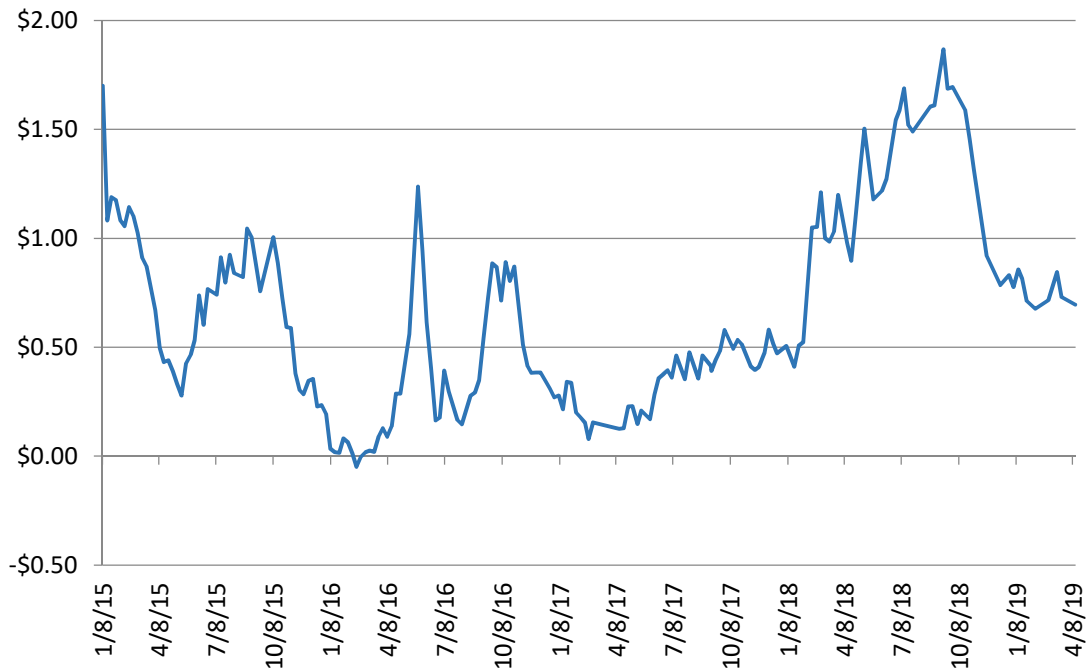
glance at the crush pace. WASDE has been dialed in on the 2,100 mil bu crush projection for a few months now, but I believe that also will need to move lower at some point in the near future.

In the breakdown to the right I've got the past few years of monthly crush levels from the NASS Fats & Oils report. For this year, you'll see March highlighted in yellow. I'm assuming a 181 mb crush figure for March based on the NOPA report we got early this week. The remainder of this year is highlighted in blue, and there you can see that I've simply copied the crush pace from last year. Here you can see that if we match the pace seen last year from this point forward we would in fact almost exactly match the WASDE projection. With this in mind, I doubt WASDE will be in a hurry to cut their crush projection right now.

	2015/16	2016/17	2017/18	2018/19
Sep	134.6	138.3	145.4	169.3
Oct	170.1	175.9	175.9	183.6
Nov	165.8	170.7	173.3	178.1
Dec	167.0	169.0	176.3	183.8
Jan	160.5	171.3	174.7	183.1
Feb	154.6	151.4	165.0	162.8
Mar	166.4	160.8	182.2	181.1
Apr	158.2	150.3	171.6	171.6
May	160.9	158.0	172.5	172.5
Jun	154.1	148.2	169.6	169.6
Jul	153.5	155.6	178.9	178.9
Aug	140.6	151.6	169.6	169.6
	1,886.2	1,901.2	2,054.9	2,103.8

That said, this summer is shaping up to be very, very different than last summer for the crush industry. Argentina's crop is obviously much improved this year and we're already seeing them aggressively hit bids in the export market. Concerns over crush capacity utilization are not what they were at this point last year. Look at the estimated cash crush margin chart below. This illustrates the concern we had at this time last year about meeting crush demand following the Argentine drought (huge crush margins last summer). It also shows that current crush margins are nowhere near the levels seen last summer that encouraged the unprecedented runs that produced those big crush totals last summer.

Illinois Estimated Cash Soybean Crush Margin



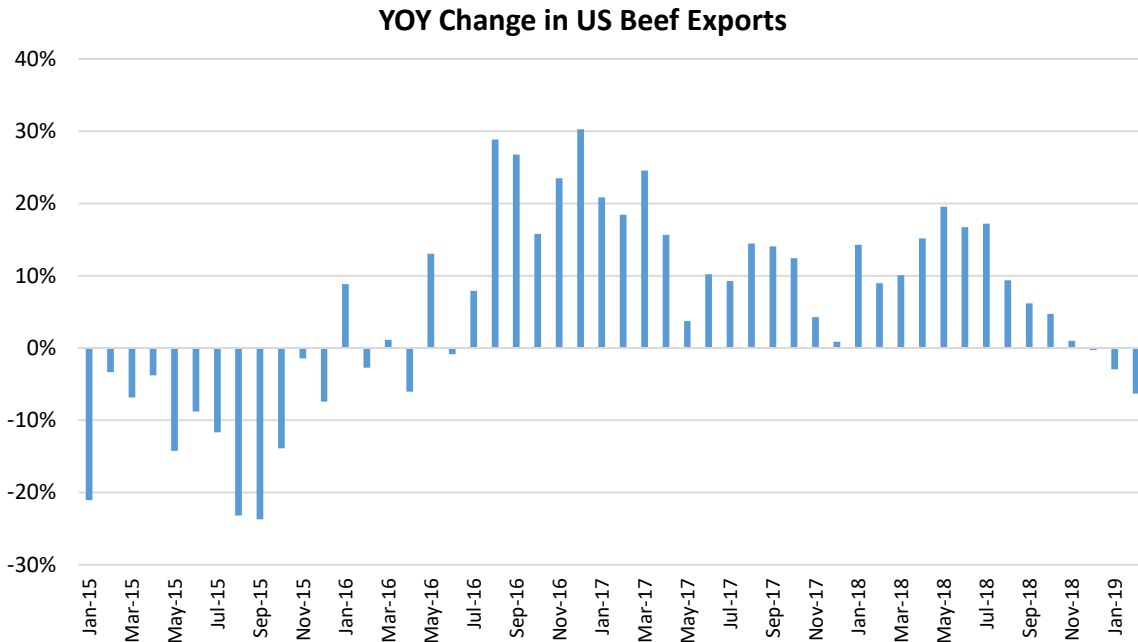
Anecdotally I'm hearing several crush plants are gearing up for so some downtime in the next few weeks/months. I think it is highly likely that the crush pace falls short of what we saw last summer, and I think there is certainly some downside to the WASDE crush projection. In the end, I think the final crush could be 20-40 mb lower than where WASDE is currently sitting.

Livestock

Some cash trade kicked off yesterday with \$126 in TX and maybe in KS. There were some reports of 127 bid north, but to the best of my knowledge nothing has traded thus far. Still plenty of volume left to trade this week, and attitudes seem to be confident for higher prices...we'll see. On tap today is the COF report, and expectations are posted here. I'm taking the over vs. the guess on placements.

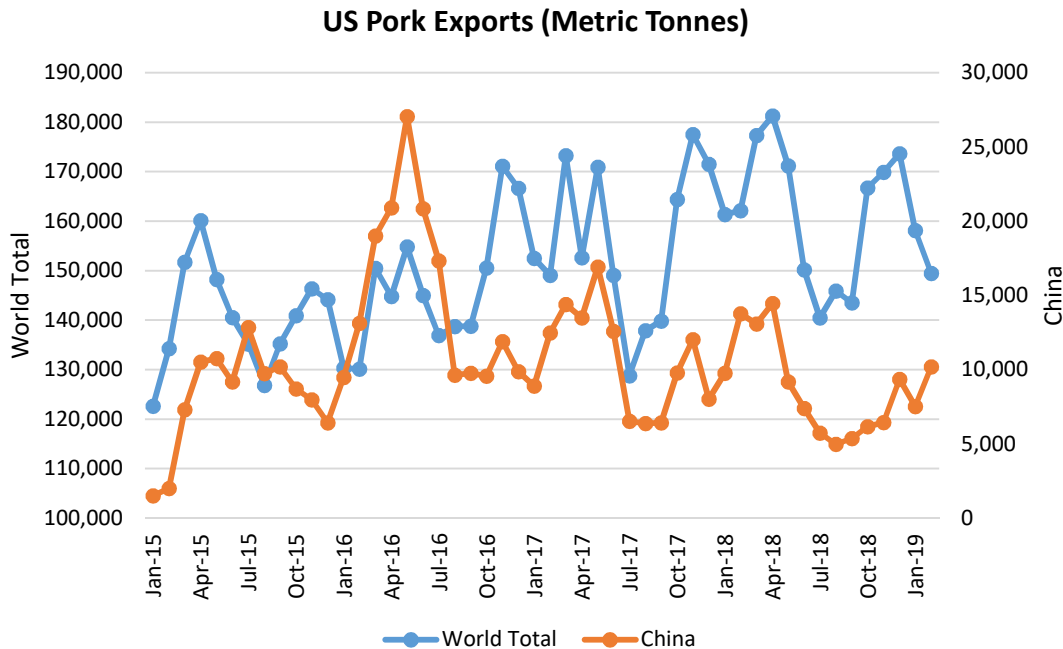
Cattle on Feed		
	Avg. Guess	Range
On-Feed	101.7%	100.4-102.2%
Placements	103.3%	97.9-106.0%
Marketings	96.8%	95.7-98.4%

Official Feb trade data was out yesterday. According to the USDA's GATS system, the US exported just under 70k mt of beef during Feb, down from 75k last year. This now marks the third consecutive month where US beef exports have come in under year ago levels. Note the chart below. Beef exports were a major contributor to early year price strength in 2018 and the familiar refrain has been how continued export demand growth would offset increases in US production. At least for now, that export demand has stalled.



Total pork exports were nothing to get especially excited about either totaling roughly 150k mt vs 162k during Feb 2018. You can see from the chart below this is on the lower end of the range of monthly exports we've seen over the past year or two. I included exports to China on the chart since that is obviously a hot topic right now.

Exports are certainly trending up, and that is noticeable as it still “technically” has the huge tariff working against it. Of course, if it is a SOE as the importer then the tariff could be waived.



Financials

PMI data released overnight for several countries, but the main area to focus on this morning is the Eurozone. Composite PMI fell to 51.3 vs 51.6 previously. I’m just going to cite some comments from a Markit economist on Twitter, Chris Williamson (@williamsonchris), for some color on the data:

Eurozone flash PMI slipped lower in April, signaling modest 0.2% growth and dampening hopes of a rebound. Service sector growth weakened, accompanied by persistent steep manufacturing downturn.

Manufacturing remained a key area of concern in the Eurozone PMI. Output continued to fall at one of the fastest rates seen over the past 6 years. Forward looking indicators such as orders to inventory ratio remain deep in negative territory to suggest the malaise has further to run.

Eurozone economic growth and the PMI



Flash Eurozone PMI data for April not only showed weaker business activity growth but also a further easing of inflationary pressures, which will concern the ECB.

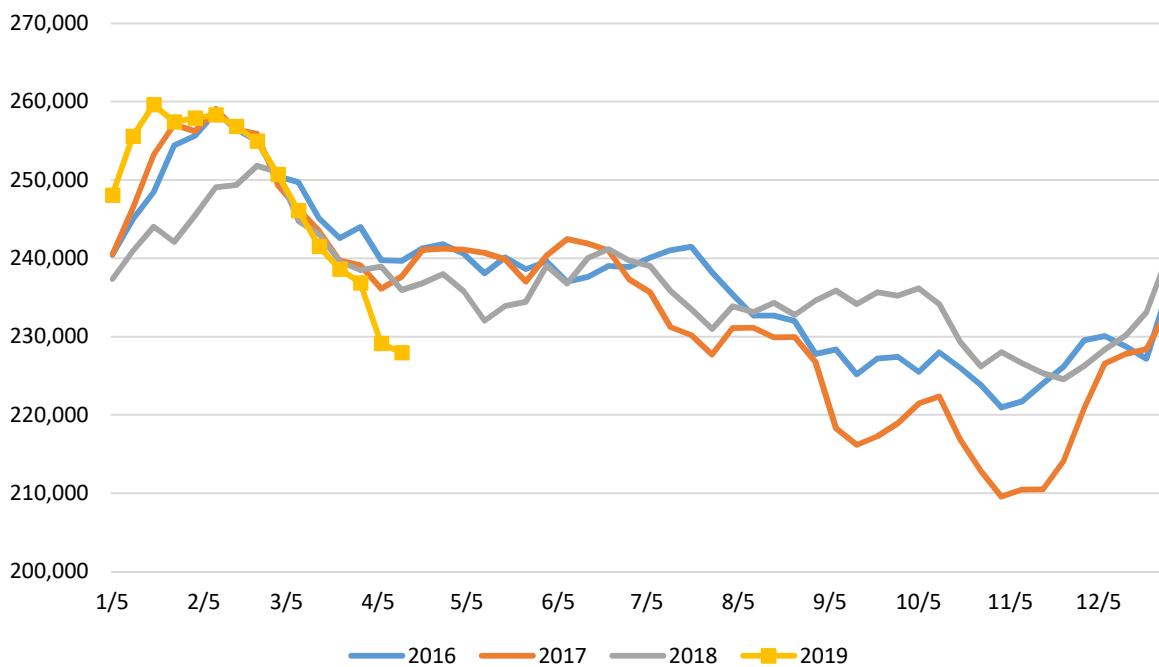
Good comments from Chris on the data, easily explaining why the euro is weaker this morning. Also worth pointing out that German manufacturing PMI was once again weaker than expected posting a 44.5, though a solid services figure kept Germany’s composite PMI in expansive (50+) territory.

Several bits of economic data on tap in the US today, with retail sales probably the main one to watch. I don’t see any major market-moving earnings release to worry with. The Mueller report will be released at some point today, so expect that to get a lot of attention.

Energy

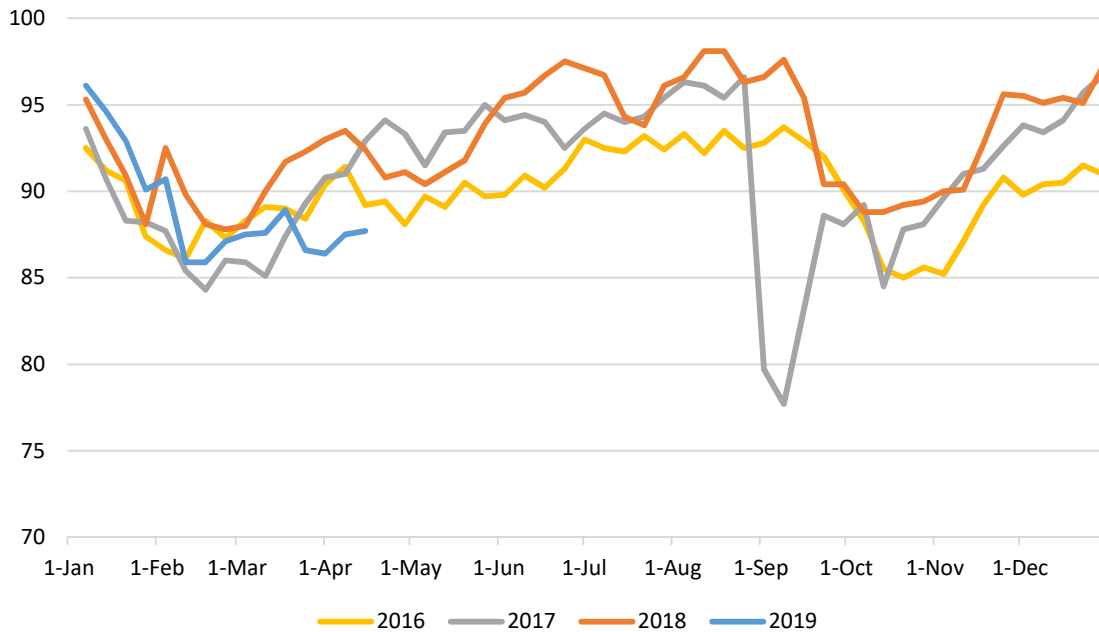
I was scrolling through some charts from the EIA’s Wednesday data release on petroleum inventories, production, etc. Two things stood out to me from the data. The first is motor gasoline stocks, which as you can see from the chart below are at their lowest levels in several years. “Tight” gasoline stocks will certainly make it difficult for President Trump (pardon..Tariff Man) to achieve his apparent goal of low gasoline prices for the US consumer this summer.

US Total Motor Gasoline Stocks



I thought it might be export demand that is weighing on inventories, and that might certainly be part of it. What I thought was more interesting, however, is that US refinery runs haven’t yet seen their typical seasonal surge into the spring. Typically refinery utilization rates bottom out in early March, but this year we haven’t seen much of a push higher in refinery runs (chart follows on next page).

Refinery Utilization



Today's Calendar (all times Central)

- Retail Sales – 7:30am
- Philly Fed Index – 7:30am
- Export Sales – 7:30am
- EIA Natural Gas Storage – 9:30am
- Baker Hughes Rig Count – 12:00pm
- Cattle on Feed – 2:00pm

Thanks for reading.

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