NESVICK
TRADING GROUP, LLC

Monday, April 22, 2019
NTG Morning Comments
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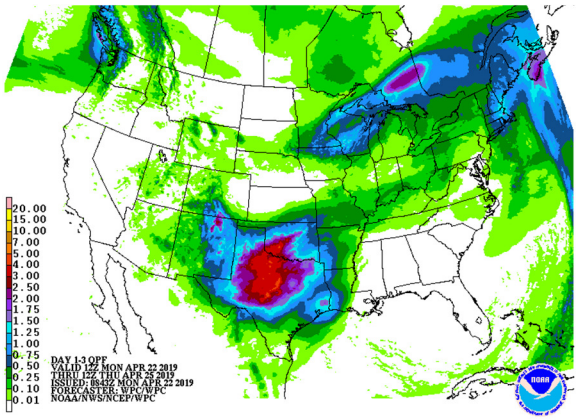
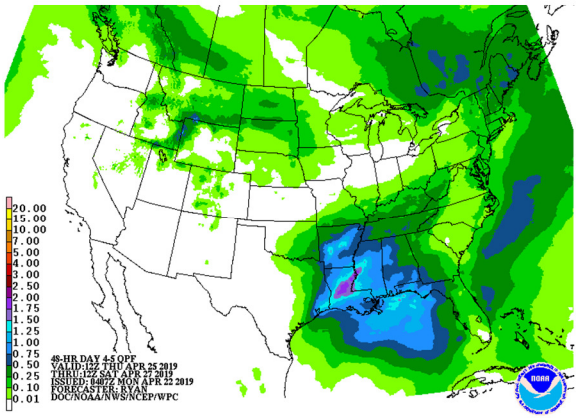
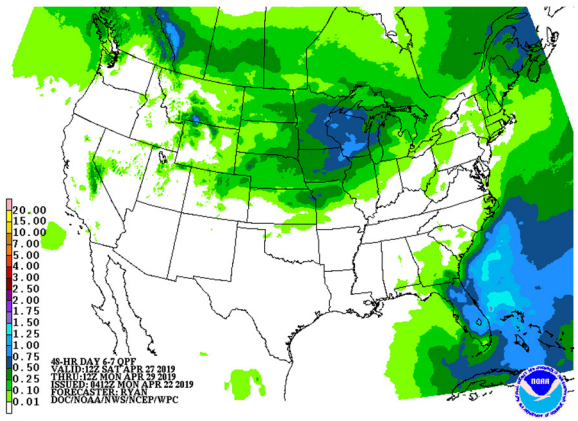
Weather

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





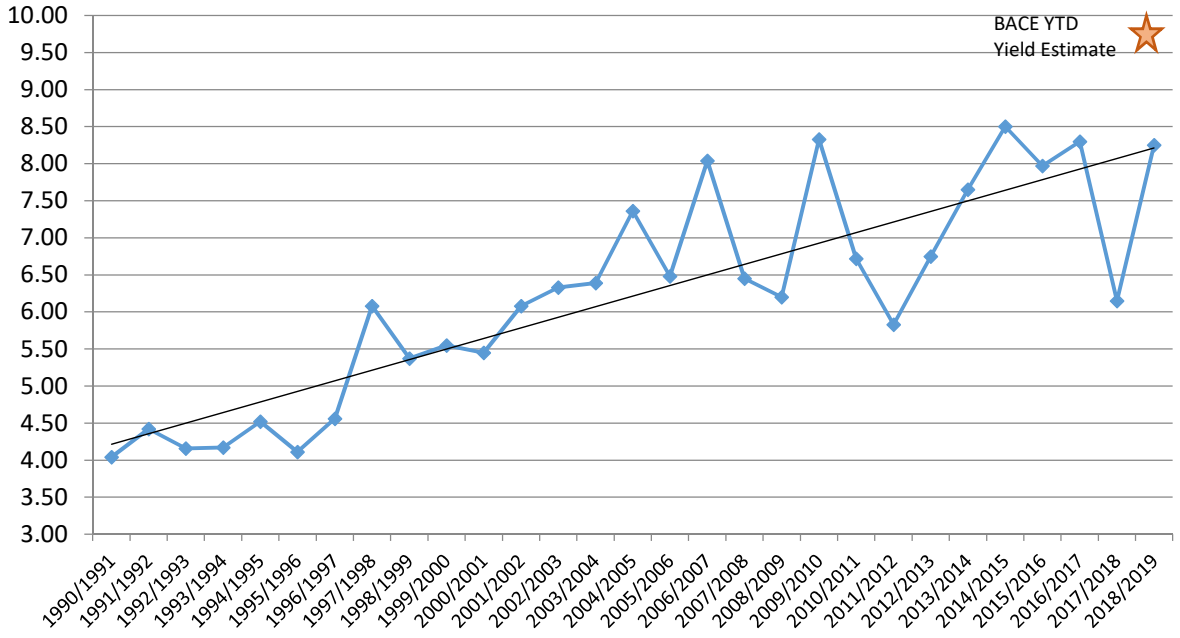


No huge changes to the near-term forecast in terms of precipitation. The usual breakdown of QPF maps is shown to the right. Clearly the main focus for precipitation this week will be in the Southern Plains and portions of the Delta. The activity in the Southern Plains will likely start tonight and will probably sit there for a while before finally pushing eastward into the Delta starting on Thursday. You will see there are some modest rains in the northern Corn Belt shown in the top map, with most of that activity probably falling later today and tonight. Mostly dry conditions across the Corn Belt tomorrow through Friday, with the only activity in southern areas and that should be very light. We should see rains return to western and northwestern areas on Friday night and from there a slightly wetter pattern will redevelop. The change in the forecast since last week is that there will be a temperature contrast that sets up with cooler conditions to the north and warmer conditions in the south. This will create the opportunity for a "battlezone" of air masses that can typically create good opportunities for precipitation chances. With that in place, the 6-10 and 11-15 day forecasts have trended slightly wetter over the weekend. Temps in the near term, however, should average mostly above normal through this week.

Crops

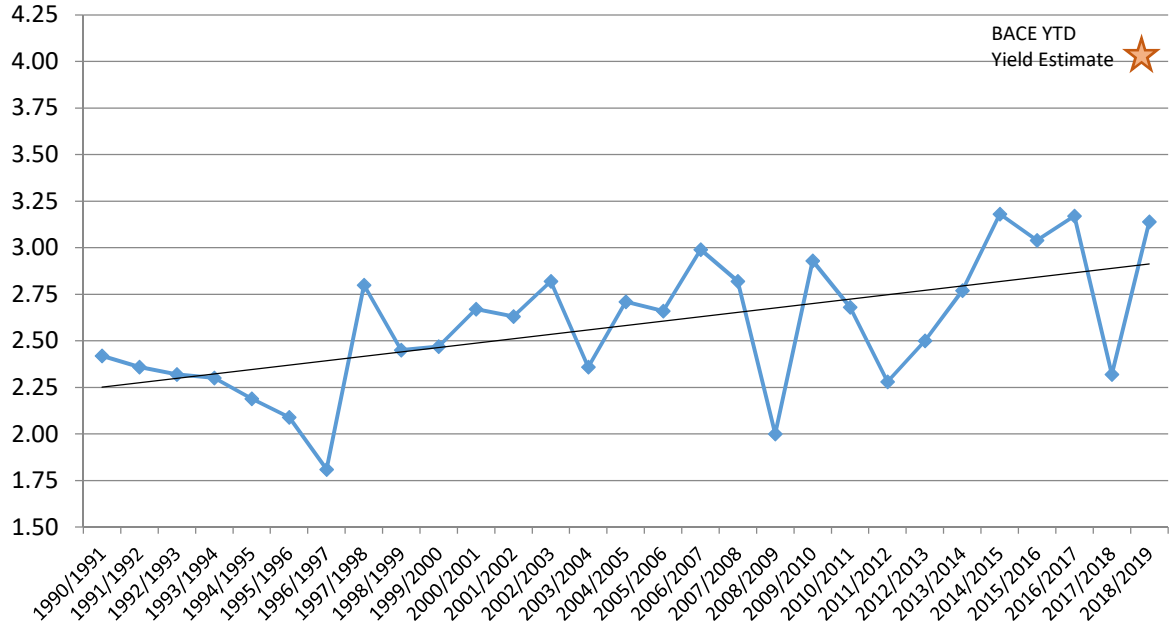
Just two quick charts illustrating essentially the same thing this morning. The BACE in Argentina is reporting corn harvest is 23% complete and soybean harvest 34% complete. What is interesting about their report is the exception level of yields being report thus far. BACE is reporting corn yields so far averaging 9.76 mt/ha. To those of us that think mostly in bu/ac, that doesn't really mean much. However, note the chart below showing a recent history of Argentine yields and the current WASDE projection. A yield at that level would simply be monstrous. Of course, the early yields are always the best and the overall average yield will come down from this level. The question is, how much will it come down? With this sort of starting point and with corn already 23% harvested, I am personally leaning toward the opinion that WASDE will probably need to come up some in the end.

Argentina Corn Yield History (WASDE)



The same applies for soybeans. Early yields are coming in very strong. Later yields will certainly drop off, but again at 34% already harvested I'm of the belief that the final WASE yield will eventually move something higher.

Argentina Soybean Yield History (WASDE)

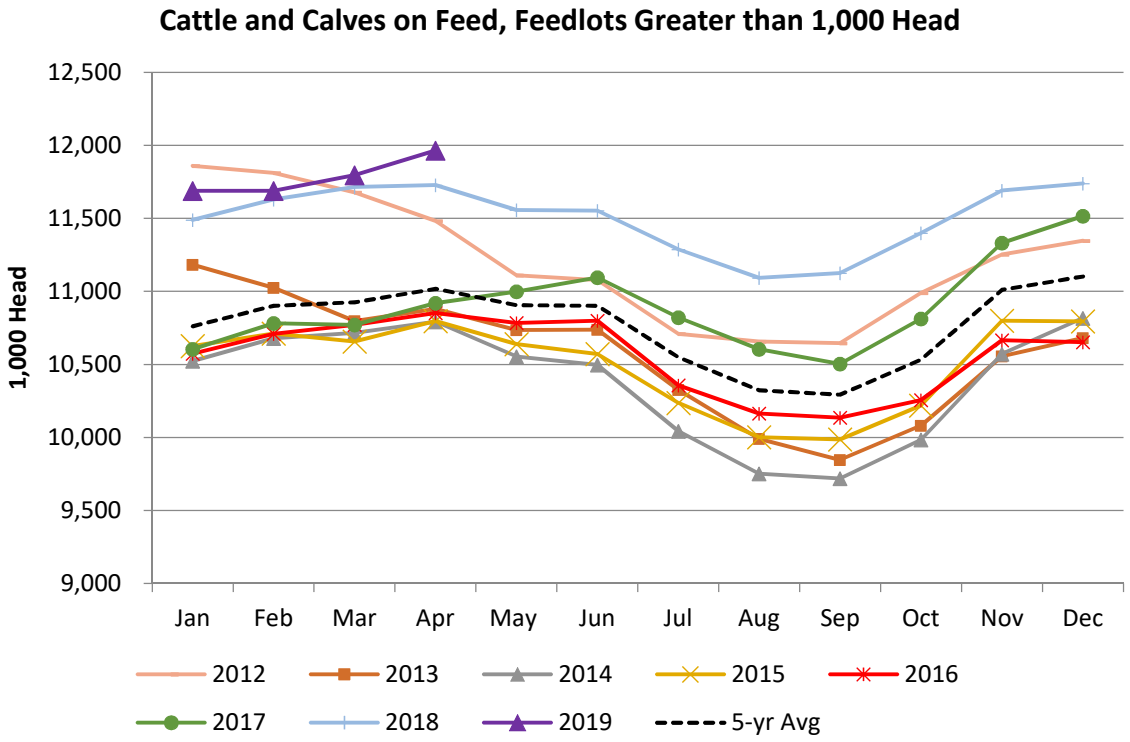


Livestock

Thursday's COF report didn't contain any huge surprises. A breakdown of the headline numbers is shown to the right. Placements were a bit larger than expected, but nothing that really "shocks" anyone. I guess the only thing that stands out to me from the report is the total level of COF. The chart showing the recent history of COF numbers is shown below, and you can see this year's April 1 number truly stands out. Everyone has a different guess on what total feedlot capacity is, but using the number I've been working with for a while this April 1 COF figure would come pretty darn close to 100% of capacity.

Cattle on Feed

	Actual	Avg. Guess	Range
On-Feed	**102.0%**	101.7%	100.4-102.2%
Placements	**104.8%**	103.3%	97.9-106.0%
Marketings	**96.6%**	96.8%	95.7-98.4%



Despite the modestly bearish COF report, I'm guessing the board might be more focused on the cash trade potential for this week. Early calls for this week's cash cattle trade are higher. On Thursday we saw northern cash trade at $130 and there was some talk of some small southern cash trade as high as $129. MPA is reporting some additional $130 trade was noted on Friday. Look for fairly big MPR volume on today's report. The spread between cash in the south vs. the north remains wide, but I think the call for this week is for that gap to narrow some. We'll see.

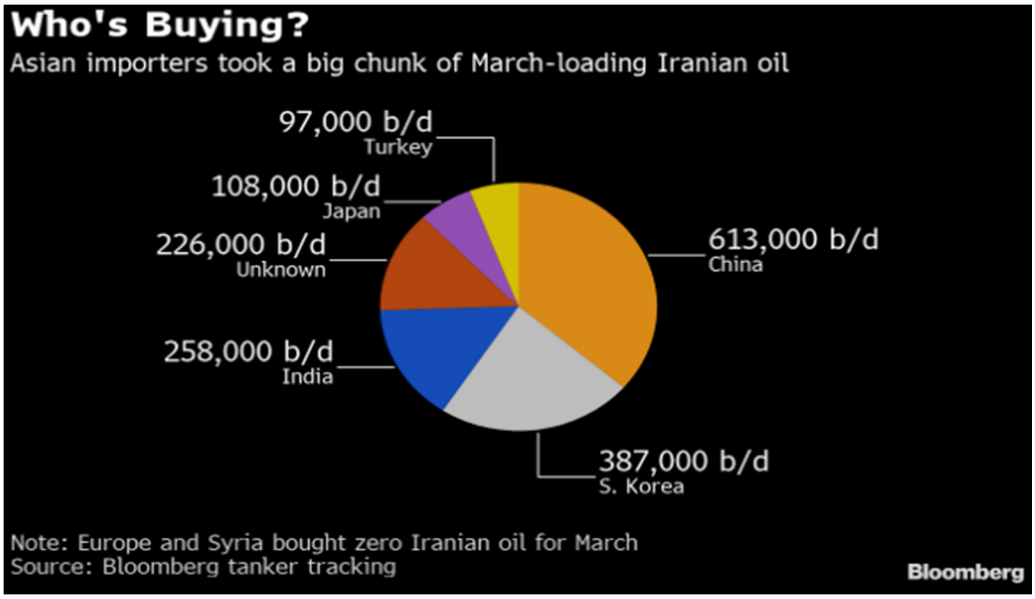
Financials

A fairly quiet overnight session in terms of equity markets. US futures are modestly lower at the time of writing this morning, probably in response to the strength in crude (more on that below). Otherwise, I don't see any

major new information to pass along from the long weekend. There is some economic data of note this week, with the headliner coming on Friday in the form of US GDP. Before that, however, this week's equity market action will likely be dominated by earnings reports. No major market moving companies are due to report today but over the course of the week major tech companies including AMZN, FB, TWTR, MSFT, among others are due to report. We'll also get the earnings report from BA which should be interesting. Out of Europe, several big European banks will report earnings as well. It is likely these earnings releases that will dominate sentiment this week.

Energy

US crude oil futures are strongly higher this morning as we finally have some clarity on what to expect on the Iranian oil waivers. Reports indicate the Trump administration won't renew the waivers allowing countries to import Iranian oil without the threat of sanctions. Look for the decision to be officially announced some time today. The waivers have been granted to China, Greece, India, Italy, Japan, South Korea, Taiwan, and Turkey and officially expire on May 2. You can see from the chart below that China was clearly the biggest importer during the past several months. This decision to threaten sanctions on those that import Iranian crude oil (starting May 2) is certainly an interesting development in the context of the ongoing US-China trade negotiations.



Reports indicate the administration will also report that other countries, including the Saudis, will offer more oil supplies as an offset. The Saudis can add to their current production level and still remain under their production quota as they had cut production much more than necessary.

Today's Calendar (all times Central)

- Existing Home Sales – 9:00am
- Export Inspections – 10:00am
- Cold Storage – 2:00pm
- Crop Progress – 3:00pm

Thanks for reading.

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