

## Weather

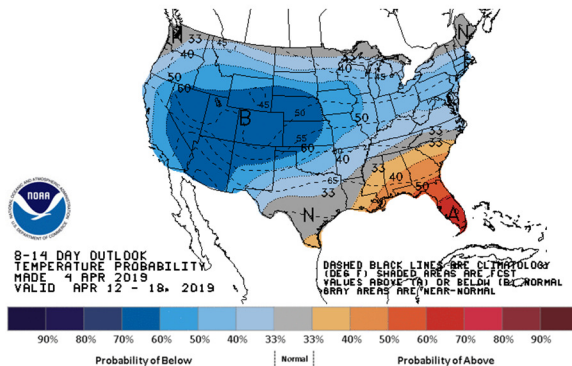
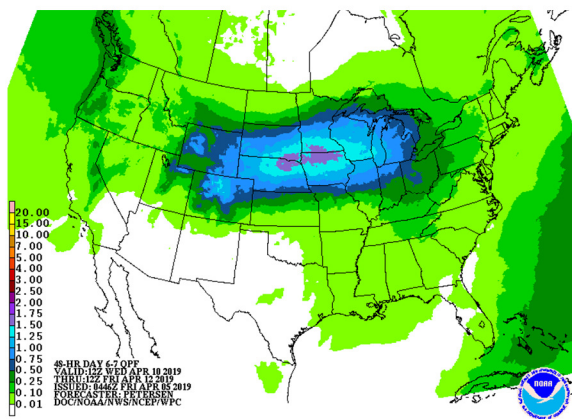
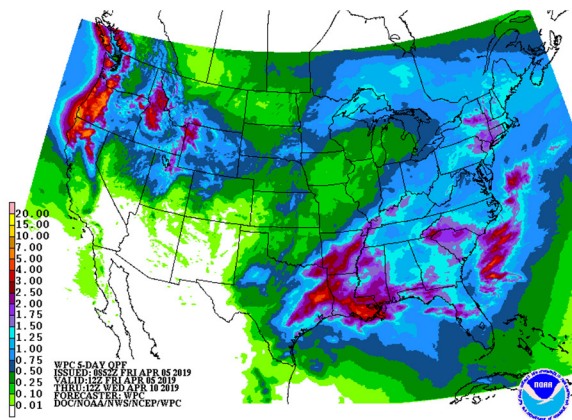
No changes to the forecast with an active pattern of precipitation likely to be seen. Over the next two weeks we're looking at about four different precipitation events working through the US. The 5-day QPF is shown at the top right, which takes us through about Tuesday. You can see that precipitation amounts through the "heart" of the Corn Belt are not real big during this period, though southeastern areas will see some big totals. Instead it will be the Delta and Southeast that will be the focus of the first of the four systems working through with rains expected mainly for Sun/Mon. The second map at the right shows the QPF for Days 6-7 of this event or Wed-Thur of next week. Here we see the second of the four precipitation events during the two week period and you can see that it is taking pretty direct aim at the Corn Belt. Additionally, it is worth noting that temps will have cooled down significantly at this point, with below normal levels anticipated. That should mean some of this precipitation falls as snow. It isn't likely that snowfall totals are huge, but with very big winds expected at the same time there could certainly be some blizzard conditions in some areas. The BN temps are expected to continue through the end of the 11-15 day period.

Precipitation system three is expected to develop around April 14 and precipitation system four is expected to develop around April 17.

## Crops

I want to take a similar look at soybean outstanding sales to what we did with corn yesterday. To be clear, US soybeans are stuck in a similar situation to corn globally. In both cases, US FOB prices are generally uncompetitive throughout the entirety of 2019. The difference with soybeans, of course, is that soybeans continue to benefit from the politically motivated Chinese government purchases. Corn has not seen much interest from the Chinese...at least not yet.

Like yesterday, I have a table showing lots of detail on the recent history of soybean shipments and outstanding sales at this point in the year. At the top of the table is a breakdown of Sep-Mar Census shipments and the MYTD sum. I'm again using projections for Feb & Mar this year based on inspections totals. Below the Sep-Mar sum, I show Apr-Aug Census exports. And below that I show the end-Mar outstanding sales total. Finally, I list how shipments during Apr-Aug compared to the end-Mar outstanding sales figure.



	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	
Sep	62	34	39	68	48	97	55	78	86	136.5	170.5	119.0	
Oct	139	179	198	296	193	268	288	335	363	412.2	346.9	205.0	
Nov	127	173	299	258	184	253	334	412	342	377.2	331.9	186.2	
Dec	146	171	226	196	151	185	255	302	249	293	237.1	150.9	
Jan	146	153	226	185	175	195	265	258	218	273	211.7	177.4	
Feb	139	159	170	169	153	146	200	169	207	162	154.8	165.0	
Mar	115	102	131	126	116	68	117	91	96	115	119.0	145.0	
Sep-Mar	874.2	971.5	1,289.8	1,298.4	1,019.9	1,211.9	1,513.4	1,644.3	1,561.9	1,768.9	1,571.9	1,148.5	
Apr-Aug	284.7	307.8	209.3	206.5	345.1	107.7	133.3	208.5	373.8	404.8	558.7	857.5	769.1
End-Mar Sales	172.5	149.7	96.7	219.2	180.9	122.9	133.6	149.7	132.4	305.2	390.0	536.8	
Shipments vs. Sales	165%	206%	216%	94%	191%	88%	100%	139%	282%	133%	143%	160%	143%
												2,006.0	1,917.6

I find the results fascinating. Clearly we've seen a counter-seasonal surge in US soybean outstanding sales following the politically-motivated Chinese purchases of late. With that in mind, using recent history as a guide it would seem to imply that exports could wind up *larger* than the current WASDE projection...potentially significantly so.

However, keep in mind a few things. The amount of outstanding sales to China on this calendar date is simply unheard of. This would imply they are extremely forward-covered. Additionally recall that I mention above that South American export premiums are well under US levels through the entirety of 2019. That should virtually eliminate much additional export business from this point forward...excluding "captive" markets and any additional political purchases of course. Last year from this point forward weekly net sales average about 350k mt per week. I would suspect that we will average well below that this year.

So, the bottom line here is that there is a case one could make that there is upside to the current WASDE projection. Personally, I have my doubts and I expect WASDE to remain unchanged with their projection next week. That said, this is WASDE we're talking about...anything is possible.

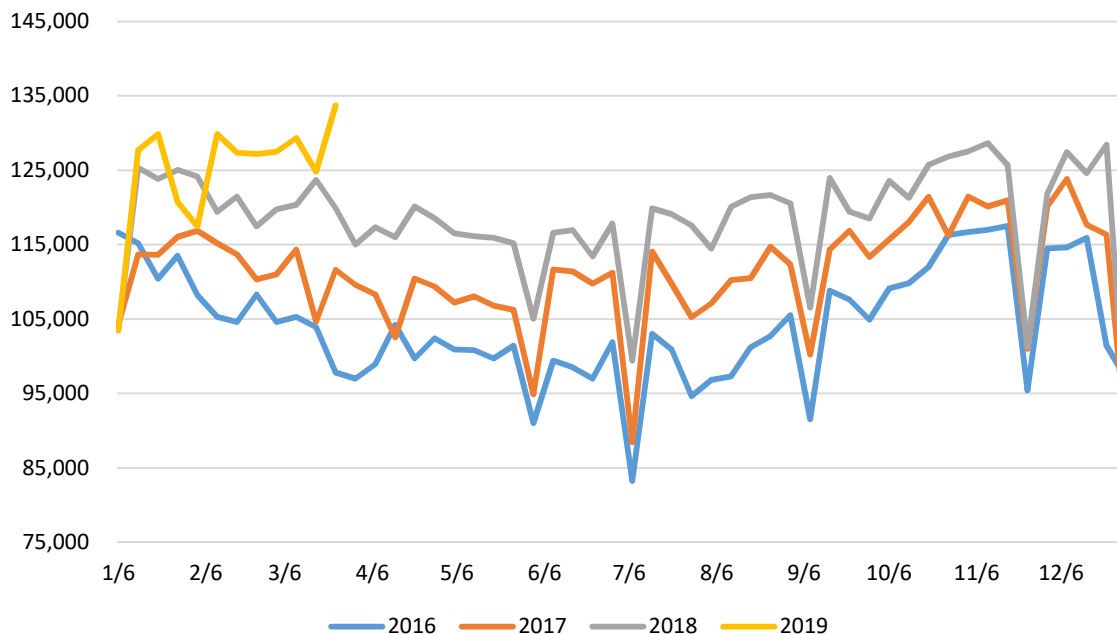
## Livestock

I'm not quite sure what to say about cash trade this week. We've obviously seen some pretty decent volume of trade around 124 in the south, and maybe even some 123 initially yesterday. However, bids in the north starting creeping higher and higher yesterday and eventually it sounds like some 130 traded in IA. Given the huge spread from north to south, I'm not really sure what that might mean for deliveries against LCJ early next week. With LCJ at 127+ and southern cash at 124...deliveries would seem to make sense in some cases. Thoughts appreciated.

The item that stands out to me most from the official slaughter data yesterday is the cow kill. The chart of the cow kill over the past several years is shown below, and last week's number easily stands out. What is interesting is that it wasn't dairy cows leading the surge in kills in this case but rather the "other cow" category. We've know that the dairy industry has been going through a liquidation phase and, in theory, that liquidation should eventually slow down a bit. The dairy kill, however, remains fairly steady and now we've seen the "other cow" category shoot higher. Is this a one-time arrangement? To be honest, over the past 24 hours I've had two smart people tell me completely opposite things so I'm not entirely sure what to think. Obviously we need to

keep a close eye on this cow kill in the weeks ahead. Seasonally speaking the cow kill should decline during the summer, but might we still average above normal? Does that take some of the pressure off S&H supplies? Thoughts appreciated.

**Total FI Cow Slaughter**

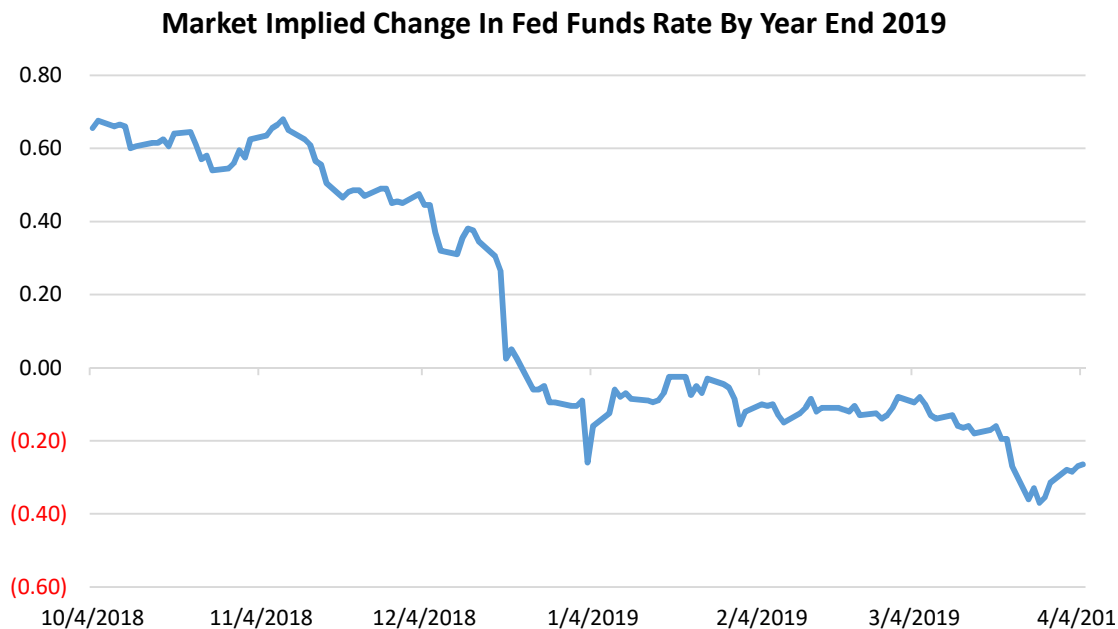


## Financials

No major new information to pass along this morning. Mostly global equity markets seem to be slightly higher at the time of writing this morning. Chinese President Xi said trade negotiations have made “substantial progress”, which helps sentiment of course. German factory orders were stronger than expected, posting a rare positive European data print. Brexit news remains as muddled as always. UK PM May has apparently written to the EU to seek a delay for Brexit until June 30. Interestingly, European Council President Tusk is apparently pushing for a full 12-month delay which could be ended early if a deal is approved before that time is up. It will be interesting to see how far this can will be kicked down the road.

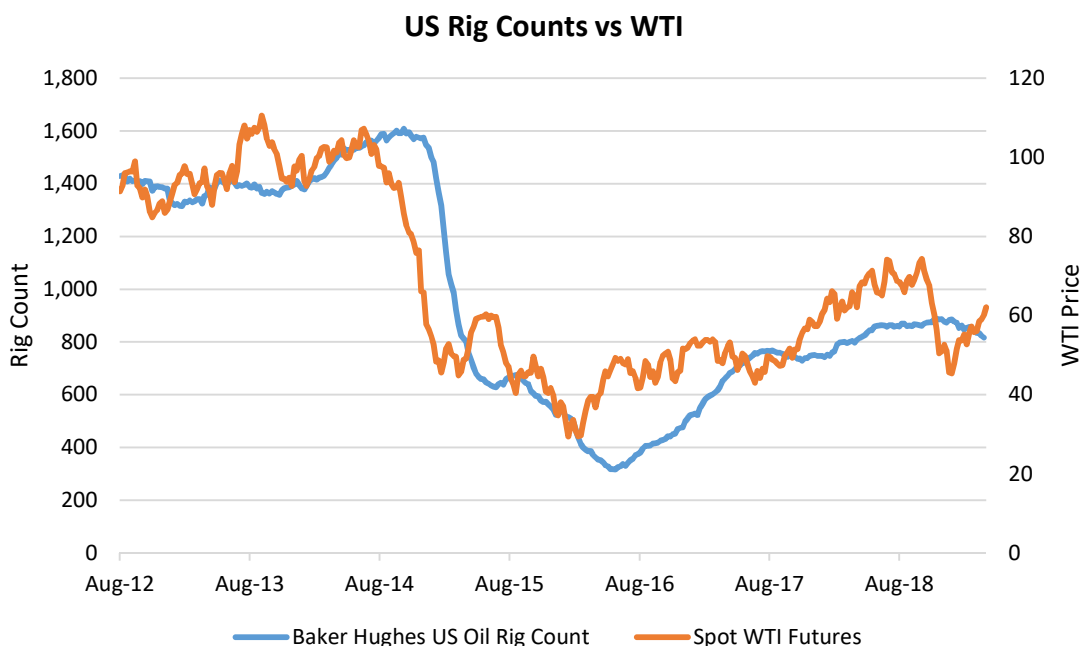
On tap first thing this morning is the NFP release. Last month’s NFP figure was sharply lower than expected at only +20k jobs. However, note that the ADP release from last month implied a larger amount and *that* figure was just revised slightly higher earlier this week. Also note that the March ADP figure came in larger than expected at +175k. With job openings at record highs and jobless claims not far off record lows, it seems hard to imagine that there is some new “problem” with the job market at present. With that in mind, most are looking for the March NFP figure to rebound from the poor Feb performance. The average guess for today’s figure is +177k, and that seems reasonable to me. Don’t be surprised to see last month’s figure revised higher maybe. In addition to the headline NFP figure, the market will closely follow the average hourly earnings figure, which is expected to show +3.4% YOY growth.

You can see below the market is already starting to back off its projections for rate *cuts* by year end. The chart shows that FFZ'19 is now pricing in roughly one rate cut vs nearly two just recently. If we get a strong report today, and if other political factors “cooperate”, perhaps the market starts to price in a more neutral outlook for the Fed.



## Energy

Baker Hughes rig count data is due out today. I don't typically pay a ton of attention to the release, but I gave it a quick glance this morning and noticed something modestly interesting. In the past, the US rig count has been hyper-sensitive to US oil prices. Higher prices would mean higher right counts...makes sense. However, With the sharp break in oil prices late last year and even with the sharp rally so far this year, rig counts haven't done that much. They're slightly lower over the past several months. I find it interesting that the rig counts aren't responding very quickly to the fluctuations in price like they used to. I'm sure part of this is due to better fracking technology. I'd also bet that part of it is due to logistical constraints to move oil out of the Permian (can't respond to higher prices as quickly). If you have any other thoughts, I'd love to hear.



#### Today's Calendar (all times Central)

- NFP – 7:30am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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