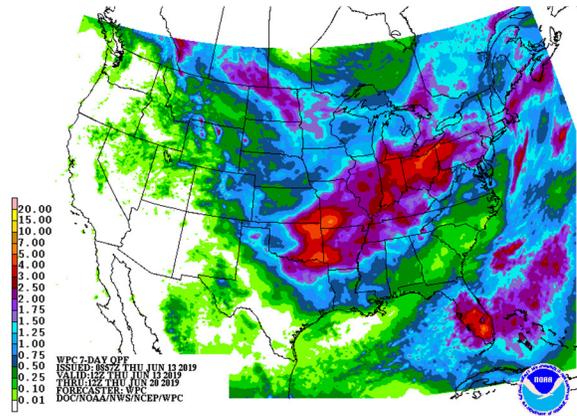


### Weather

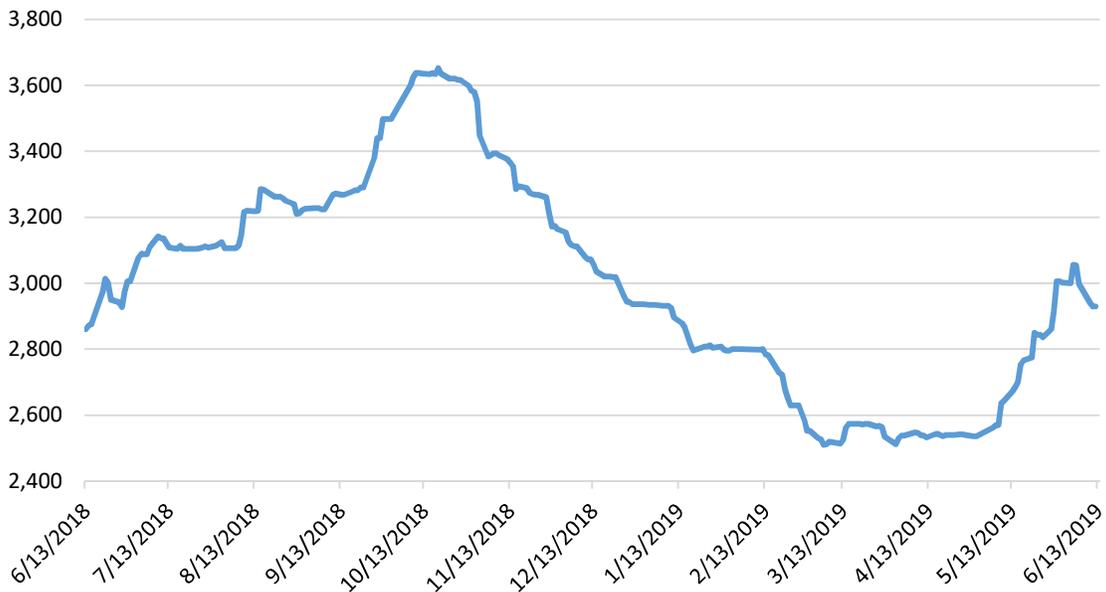
No major changes to the forecast this morning. We'll see some light additional precipitation through portions of the ECB today, but nothing major. The remainder of the Corn Belt will be dry today and tomorrow. We should see a more active pattern return to the area starting this weekend and this should last through at least the end of the current two-week forecast period. Starting this weekend, we should see a daily threat of rainfall somewhere in the region. The individual daily rainfall totals won't necessarily be huge, but over several days they should add up to some significant amounts. The map to the right shows the 7-day outlook, and you can see that southern and eastern portions of the Corn Belt are favored for the biggest amounts.



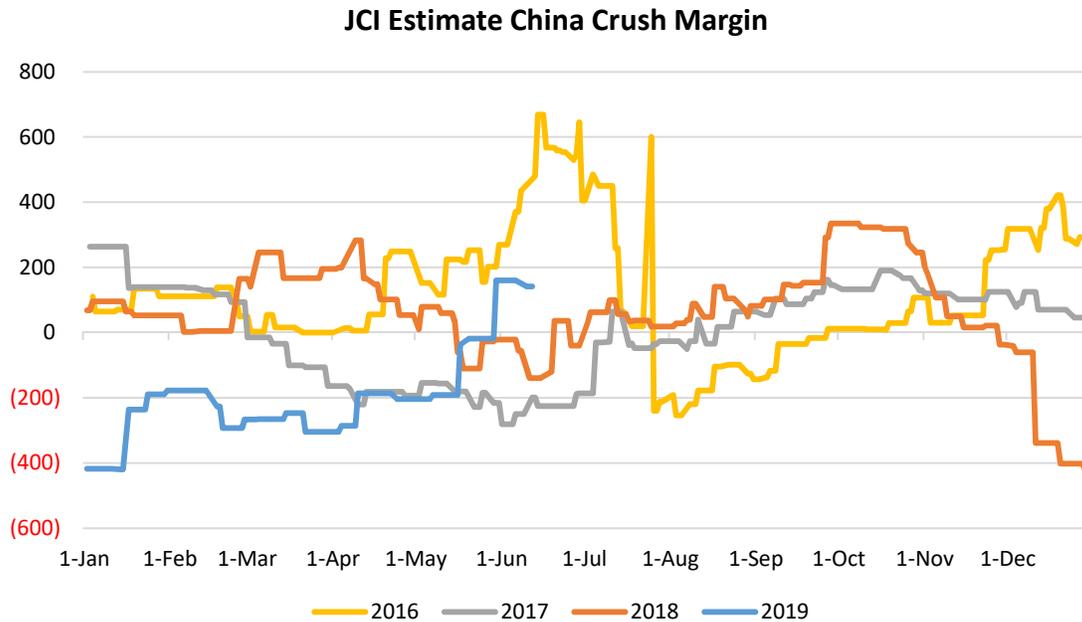
### Crops

We haven't updated with Chinese prices in a while so with little else new to talk about this morning, I thought I'd go with that. First up, note the chart below showing a basket of Chinese domestic soymeal prices. You can see we're well off our lows though we've backed off a bit here in recent days. We have to remember that China has moved to punish imports of Canadian canola imports, which will somewhat support soymeal consumption. This might be partially behind the recent rally. That said, Chinese contacts tell me that demand for meal has slowed at these price levels and supplies are starting to back up at the crusher level. We'll see what happens, but we should maybe expect to see prices slip from here.

**Basket of China Domestic Soymeal Prices**



As you might expect with meal prices up, crush margins have improved within China. The chart below shows JCI’s estimate of a typical Chinese crush margin. It has turned from sharply negative to slightly positive recently. This is also confirmed by Chinese friends I talk with. Of course this simply assumes Brazilian soybeans – US soybeans with the tariff would be far too expensive.



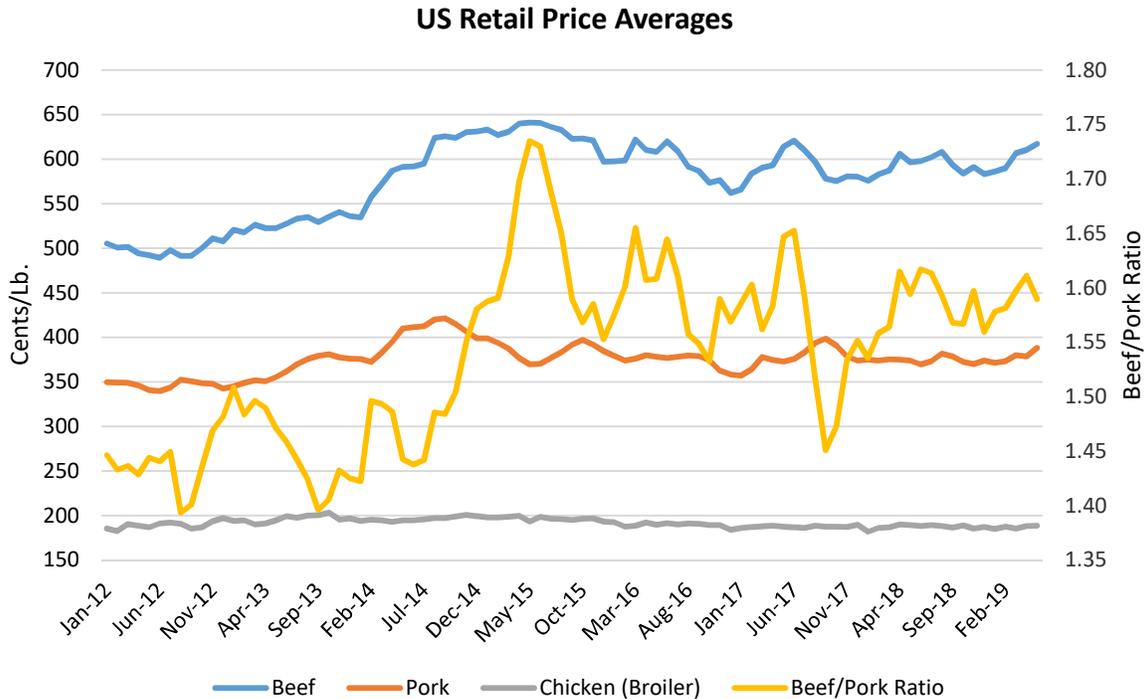
The strength of the Chinese crush is a bit surprising to me (and others). Obviously we’ve seen what should be a massive loss in feed demand due to ASF losses in hog numbers. The official estimates of hog losses are obviously understating the impact, so seeing meal demand and crush margins bounce here is a bit of a surprise. Even with an increase in poultry production, that requires much less meal so it wouldn’t be a complete offset. I’m also told aquatic feed demand is down a bit due to too much rain in southern China over the past few months. Chinese meal prices and crush margins really “shouldn’t” be performing as well as they are...something to keep an eye on perhaps. Let’s see if meal prices in China don’t head back down toward the lows soon.

### Livestock

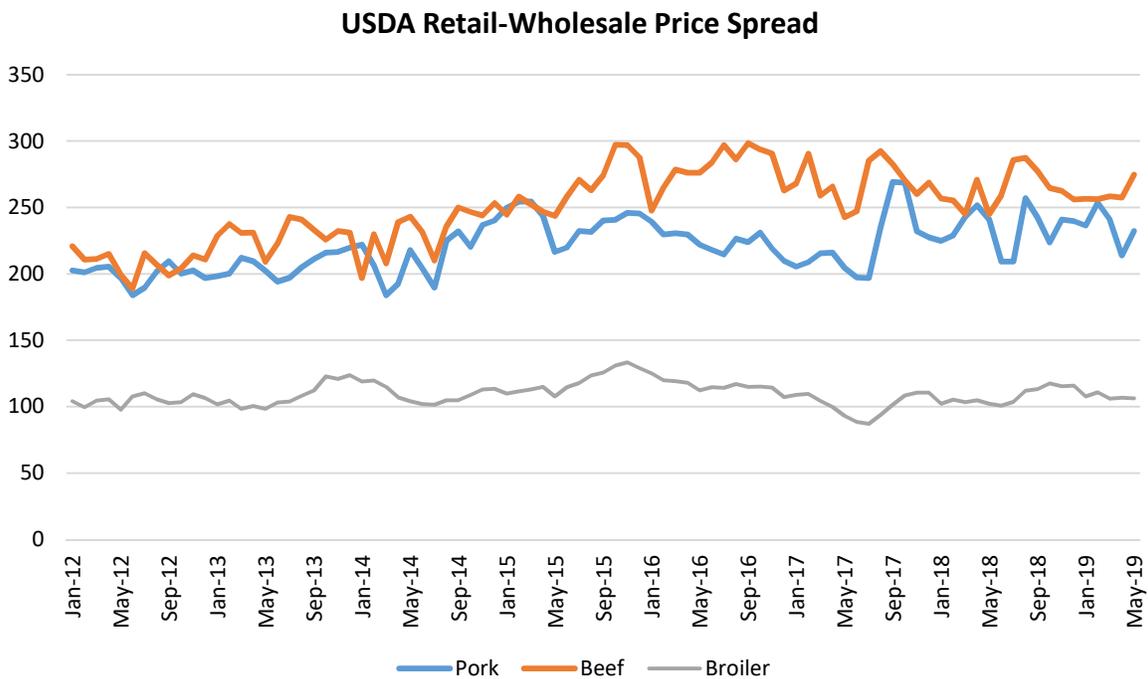
We did get some cash trade going in the south yesterday at 112-113 with maybe a few at 114. It is hard to get a good feel for the volume, but for now it doesn’t appear it was anything huge. Clearly with basis being such a driver lately, the weakness in the board helped spur the cash movement. I’m a bit surprised the board shook off what appeared to be favorable news with word that Japan was looking to offer the US TPP-level tariffs in trade negotiations. This would put us on a level playing field with Australia and others. LC seemed to care not one bit.

With the release of CPI data yesterday, USDA updated with retail price numbers for beef, pork, poultry, etc. There isn’t anything particularly new here, but I thought we’d give it a quick look today. As you can see below, retail prices for both beef and pork have been trending higher in recent months. Even lowly chicken prices have

been steady or even slightly higher in the past few months. Note that the beef/pork ratio has generally maintained a steady range recently.



Retail-wholesale price spreads expanded for both beef and pork last month.

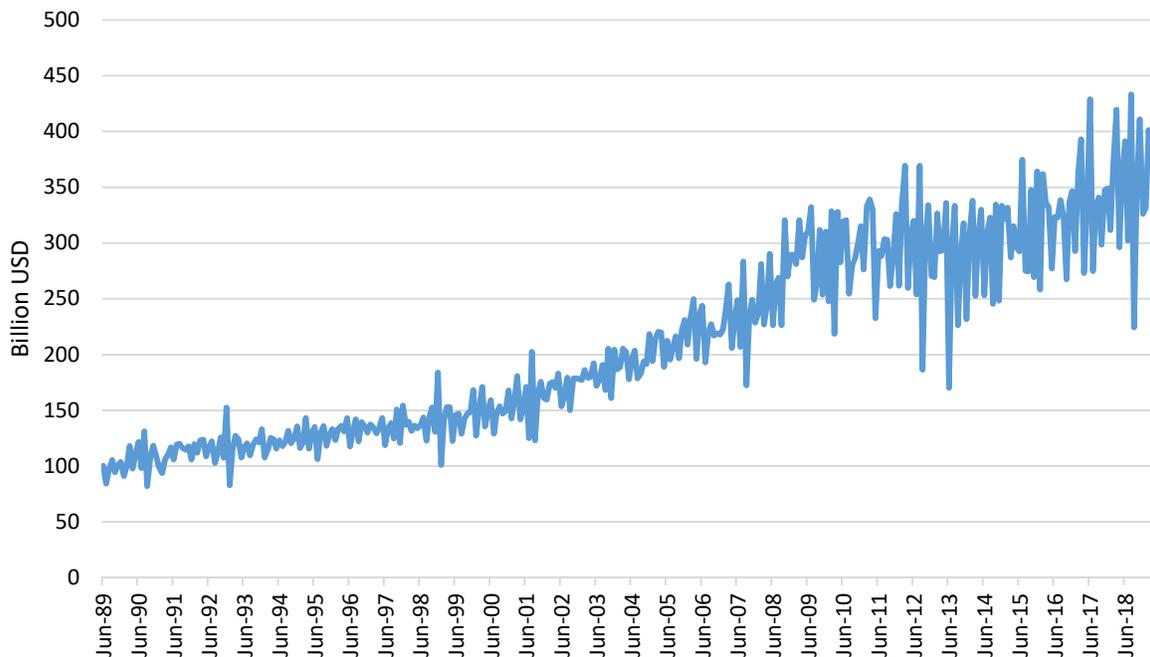


## Financials

No major new information to discuss this morning. US equity futures are higher at the time of writing, apparently shrugging off renewed Middle East tensions (more on that below). There is no major market-moving economic data out today in the US. Overnight, the only data of significance was Australian employment numbers. The jobless rate was 5.2%, indicating the RBA will likely remain in easing mode. The AD is trading weaker this morning at the time of writing.

The Treasury issued its Monthly Budget Statement yesterday. One thing I thought worth mentioning today is that total government outlays (spending) hit a new record high for the month of May. Note the chart below. Total government spending in May was just shy of \$440B. What stands out to me in that figure is that more than 9% of the total was spent on interest. Interest expense was up almost 30% from last May and fiscal YTD is up roughly 16%. Then again, maybe we don't care considering the Fed owns 16% of total US debt? The other thing that stands out in the data is that income from customs duties was up 66% from May last year and fiscal YTD is running more than 80% higher than last year. Hooray tariffs!

**US Federal Government Outlays**



## Energy

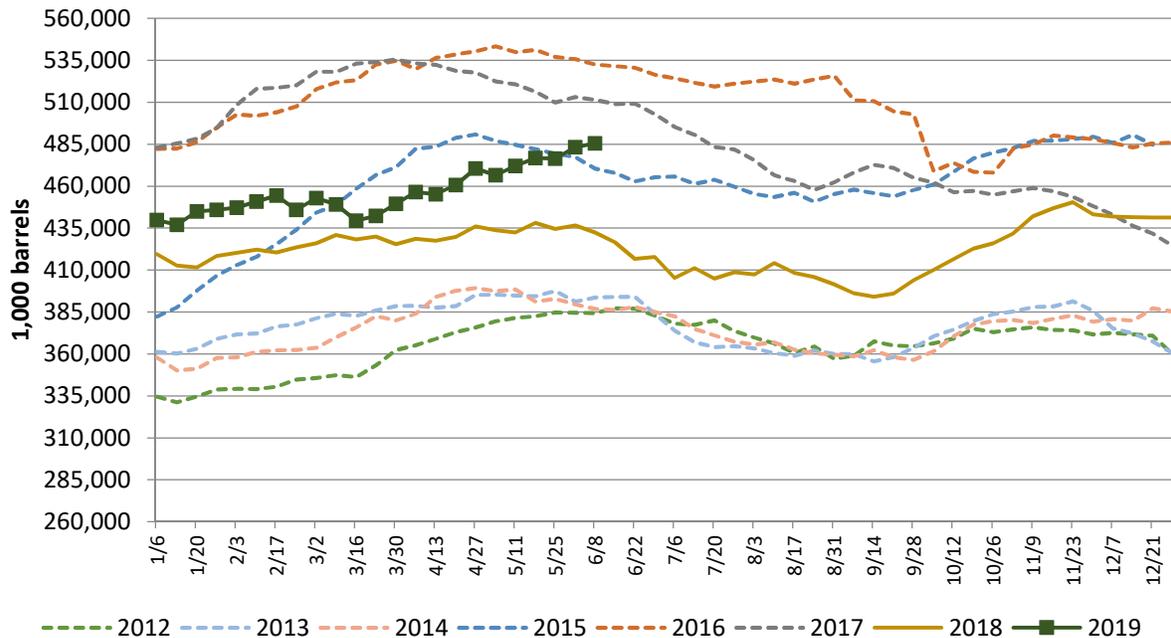
Crude oil futures have rallied sharply overnight following word of an attack on an oil tanker in the Strait of Hormuz. Bloomberg is reporting that two oil tankers have been abandoned by their crews after being damaged by an attack early in the morning. One tanker has unconfirmed reports suggesting it was hit by "some kind of torpedo". Nobody has claimed responsibility for the attack and, as you would expect, the Iranian government has moved to distance itself from it. Tensions that were already high in the area are even further elevated. Reports suggest that US vessels and aircraft have moved into the area...which of course raises the risk of some

sort of “interaction” with the Iranian Navy nearby. We’ll need to monitor developments closely here. One of the vessels damaged is the Front Altair tanker, and I’ve mapped it latest position here.



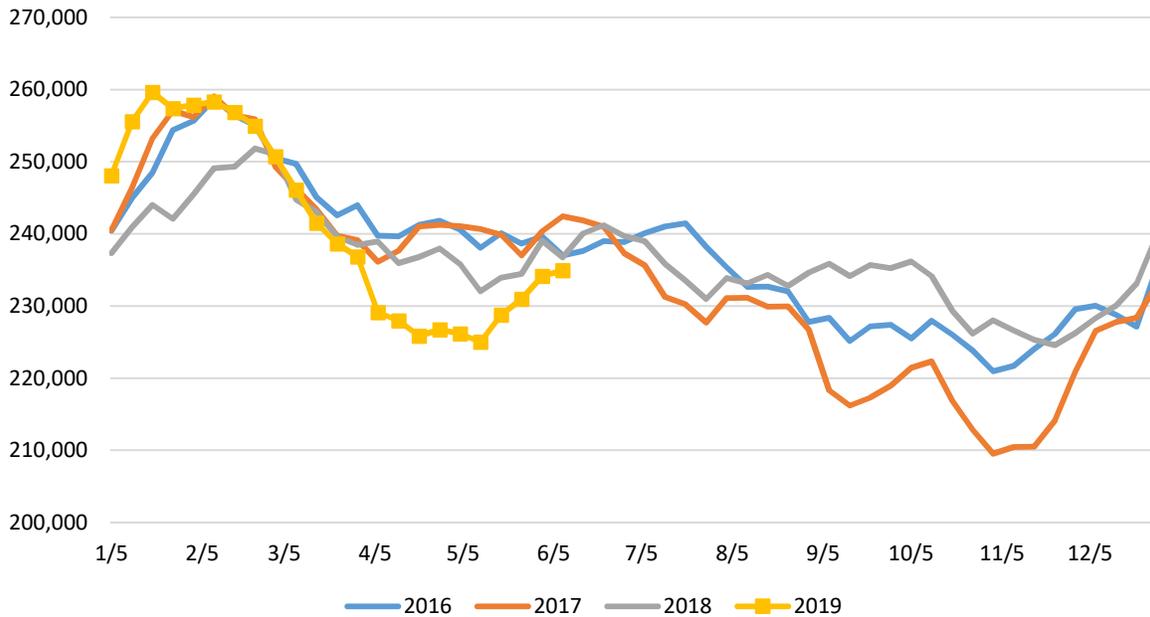
Scrolling through my post-EIA release chart deck, a few things stood out to me. The first chart below is nothing that will surprise anyone paying attention, but US crude oil supplies simply continue to grow higher and higher each week. This comes despite the fact that refinery runs have picked up pretty solidly in the past few weeks. While still a ways off from the all time highs, this has to be disconcerting to OPEC+ who have been desperately trying to lower global inventories. Perhaps global supplies are shrinking a bit (as EIA noted in our discussion yesterday) but US supplies continue to ramp higher.

**Weekly Crude Oil Stocks Annual Comparison**



The other thing that stood out to me was the rebound in gasoline inventories, as shown below. As mentioned above, some of this has been accomplished through better refinery runs but we’ve also seen a surge in gasoline imports, until last week anyway. Last week’s finished motor gasoline imports were the smallest in over two months, and the pace during that two months was pretty impressive. This has alleviated what was looking like a potentially very tight gasoline situation to something much closer to normal.

### US Total Motor Gasoline Stocks



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

- Export Sales – 7:30am
- Jobless Claims – 7:30am
- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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