NESVICK TRADING GROUP, LLC

Friday, June 14, 2019

NTG Morning Comments

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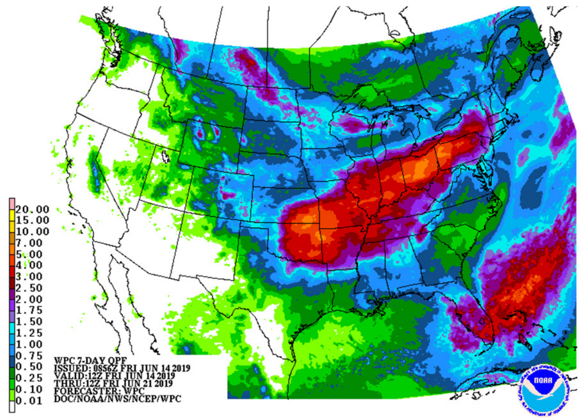
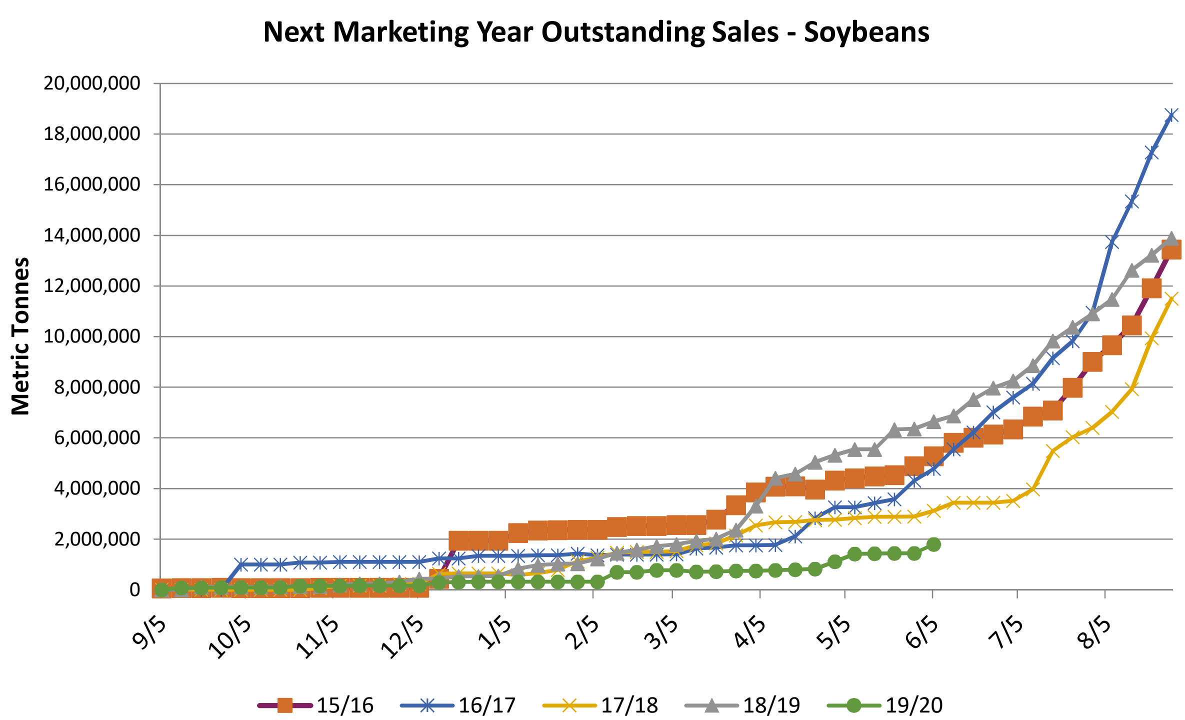
Weather



No significant changes to the forecast. As you can see from the 7-day precipitation forecast to the right, we have some big rains on tap for southern and eastern portions of the Corn Belt. There will only be scattered showers around today and daytime tomorrow, but rainfall will start to increase tomorrow night and this will kick off a period of daily rainfall chances that should last through the remainder of the two week forecast period. During that period, look for rainfall amounts in southern and eastern portions of the Corn Belt to range from 3-6” with some locally heavier amounts possible. It is also likely that some rainfall continues even beyond the two week period. No change in the outlook on temps. Relatively normal temps through the weekend but next week should feature some BN temps favoring western and northwestern portions of the region.

Crops

We are very clearly not trading demand prospects at the moment. Still, as there is very little I can add in terms of sentiment/weather this morning, I thought I’d point out something simple this morning. As you are probably aware, NMY sales for 19/20 soybean exports are not exactly setting the world on fire. We had a modest uptick last week, but note how we currently stack up relative to recent years:

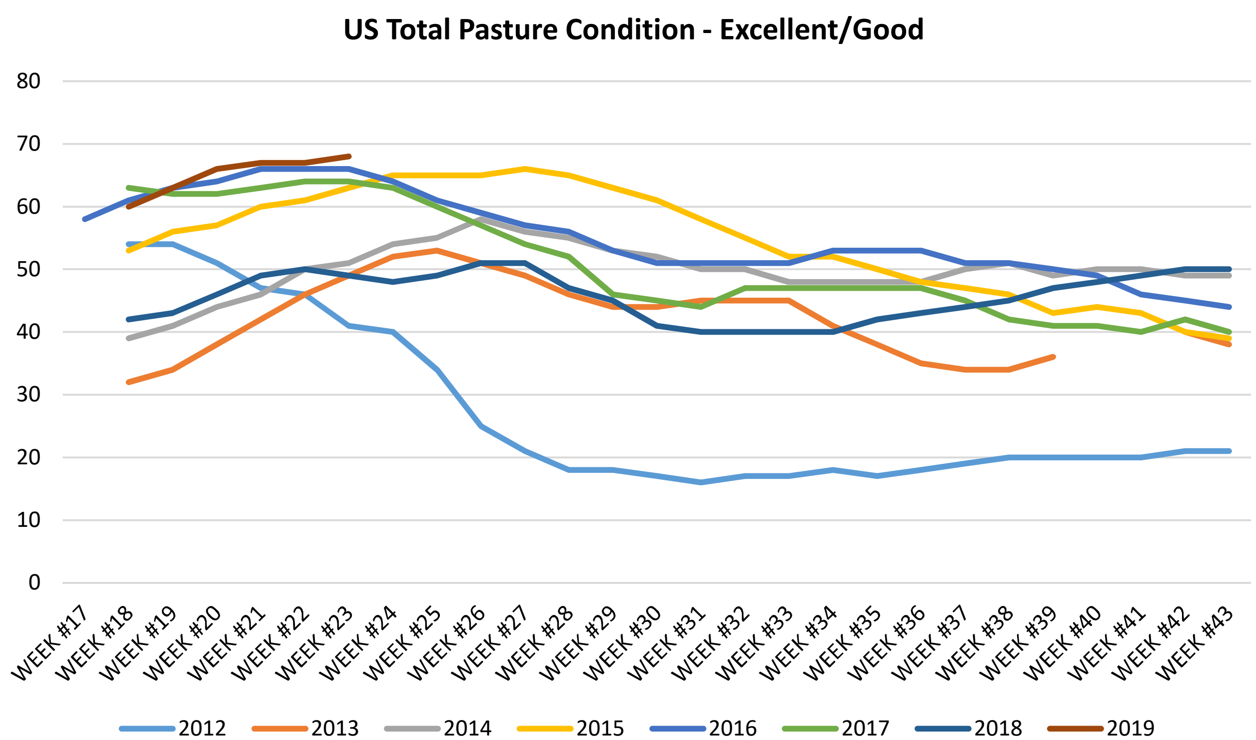


I thought I'd look at a history of NMY sales at the end of May vs. June WASDE new crop export projections. The breakdown is shown to the right. I figured that WASDE might be a bit more optimistic this year than usual, but I was still surprised to see how small actual sales on the books are today vs. the WASDE export projection. In fairness to WASDE, this doesn't necessarily reflect the question of how many CMY sales will be rolled-over into new crop, but that is an issue every year. The bottom line is, WASDE is starting off with a very optimistic export projection. As long as the trade war remains in effect, it would seem highly likely to me that WASDE will gradually stair-step this projection lower over time.

	June WASDE	End-May NMY Sales	Sales as % of Forecast
2010/11	1,350	133	10%
2011/12	1,520	249	16%
2012/13	1,485	403	27%
2013/14	1,450	406	28%
2014/15	1,625	353	22%
2015/16	1,775	180	10%
2016/17	1,900	176	9%
2017/18	2,150	115	5%
2018/19	2,290	234	10%
2019/20	1,950	66	3%

Livestock

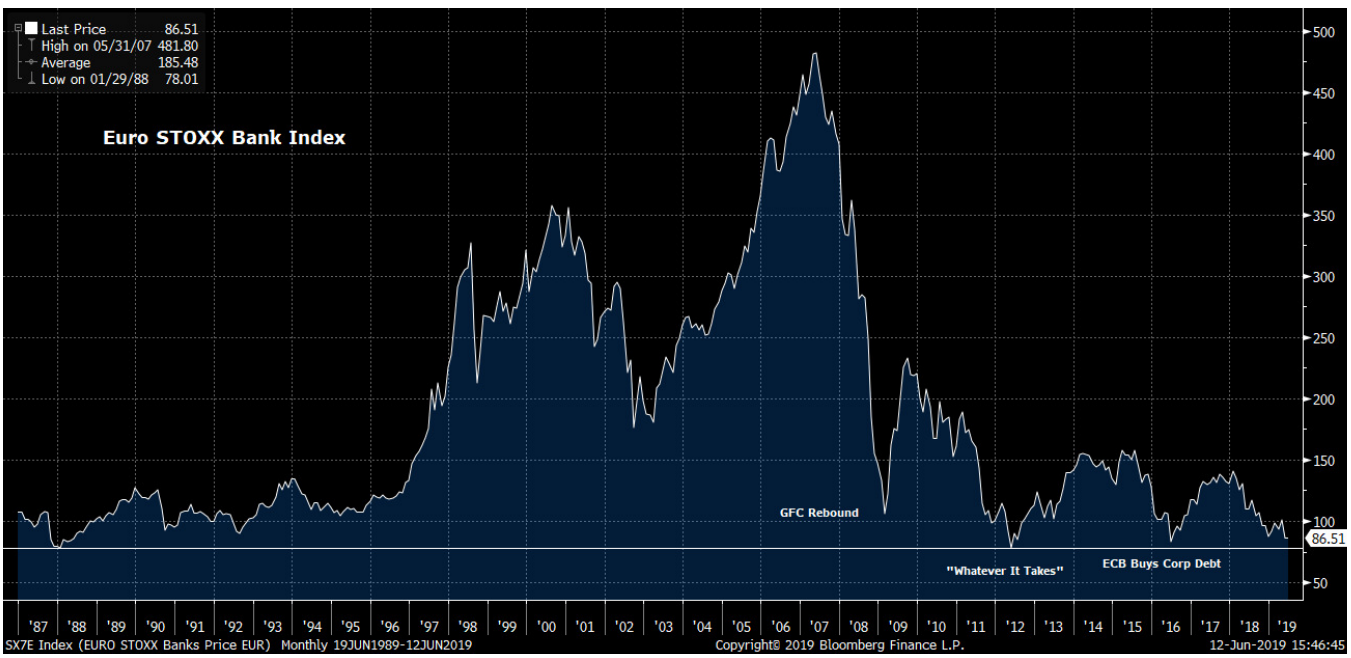
What a different a year makes…in this instance we're looking at pasture conditions around the country. The chart below looks at the US national pasture G/E condition ratings over recent years. This year we have conditions at their best, while last year was the lowest since the 2012 drought. Admittedly, this isn't on its own a market-moving factor. However, if corn prices were to calm down we might see feeders catch some support as more feeders might find a home on pasture rather than in a feedlot. State-level data in the Plains states also show very good conditions.



More 112 trade in the south yesterday. WTD volume still doesn't sound like anything huge, but it definitely started to pick up yesterday. This is a bit softer than I would have expected for the week, so perhaps we see the board start off lower this morning.

Financials

Just a chart to ponder heading into the weekend. The chart below shows the Euro Stoxx banking index, or essentially an index covering a wide range of bank equities spread throughout the EU. All the "big name" EU banks are in this index and of course many others you'd be less familiar with. What stands out here is that the index is right back down to levels where it has found support over the past 30+ years. I have three recent examples highlighted in the chart. Of course in 2009 the index got down to nearby levels but was supported by the global recovery from the financial crisis. In 2012 we got ECB President Mario Draghi's "whatever it takes" speech which kicked off the ECB's QE and negative rates policies. In 2016 we were once again back to this level and the ECB announced it would buy corporate debt. At that same time we had a currency agreement at the Shanghai G20 meeting. Now, once again, the European banking sector appears to be on very poor footing and we wait to see if "something" will happen to rescue the industry again. Will the ECB resume asset purchases (beyond reinvestments)? Something new? I have no idea, but whatever form it would take would *probably* be negative for the Euro….maybe? Thoughts appreciated.



Energy

Lost in yesterday's "excitement" over the tanker "attacks", OPEC also released their monthly oil outlook and the picture they painted was not especially friendly. The group revised its estimate for oil demand growth in Q1 20% lower to under 1 mbpd. They also cut their demand growth forecast for Q2 and Q4. Latching on to the typical excuse of our times, OPEC is blaming ongoing "global trade tensions for "weaker growth in global oil demand".

Still, even with the reduction in expected demand growth, their report would indicate that if OPEC maintains production at current levels then global supplies should tighten during Q3. Despite the rhetoric out of Russia about a possible break from the agreement, it seems more likely for now that the current production quotas are extended.

Today's Calendar (all times Central)

- Retail Sales – 7:30am
- Industrial Production – 8:15am
- U of M Consumer Sentiment – 9:00am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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