NESVICK
TRADING GROUP, LLC

Monday, June 17, 2019
NTG Morning Comments
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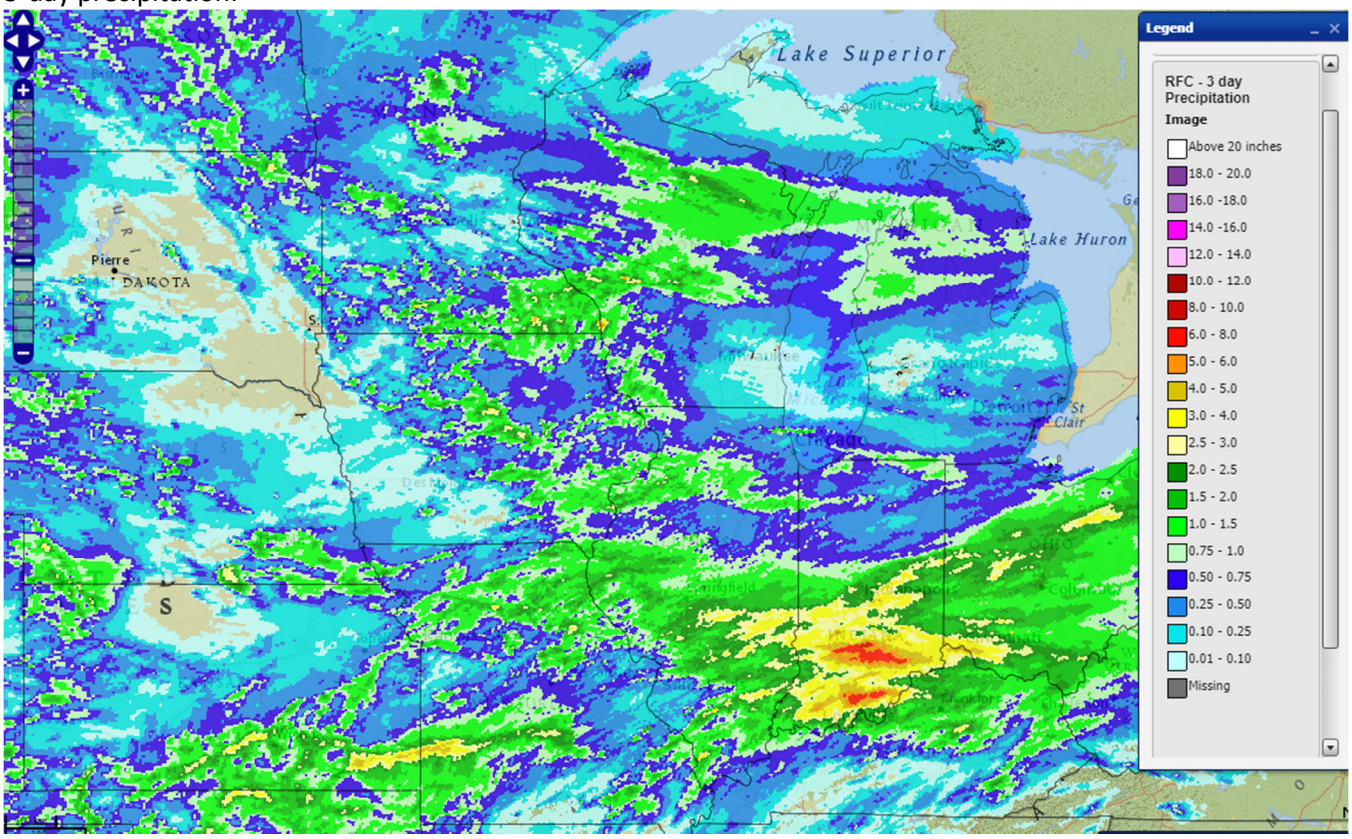
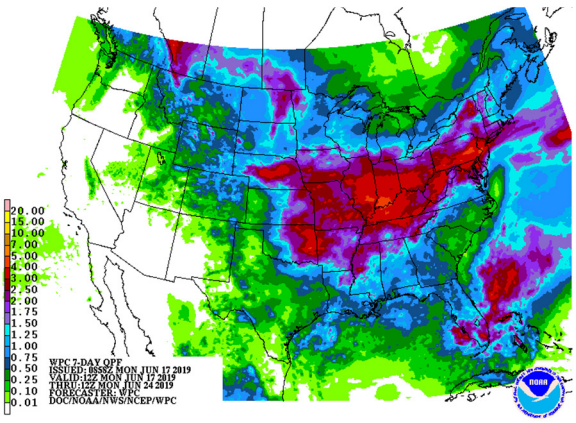
Weather

3-day precipitation:



No major changes to the forecast from over the weekend. The map to the right shows the 7-day outlook and you can see we've got a lot of precipitation tap for the Corn Belt and especially for southeastern portions of the region. There doesn't appear to be one single day in the two week forecast that won't have some precipitation in the Corn Belt. The best rains in the near term will favor the Ohio River area and southwestern portions of the Corn Belt. Rainfall will continue to be heavy into the 6-10 day period. There is a bit less confidence in the 11-15 day period, but for now it looks like active precipitation will favor northern portions of the region during that period.

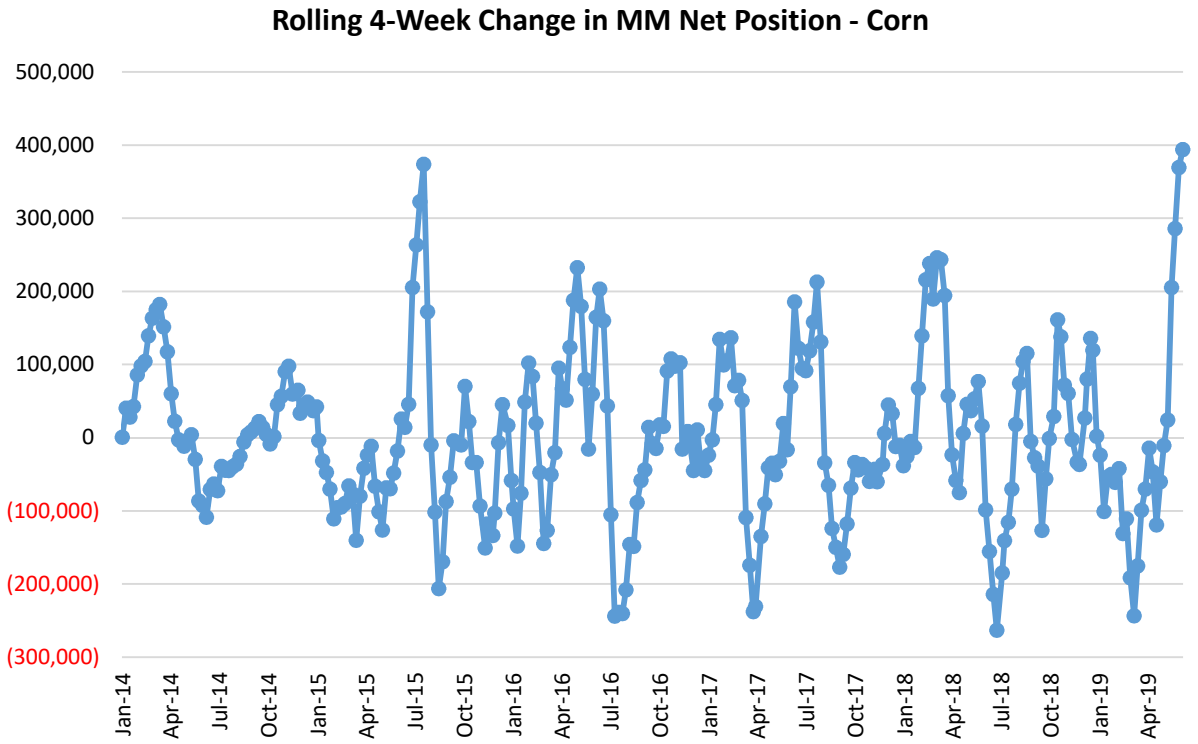


The outlook for temps has changed a bit over the weekend. We're still looking for relatively cool weather over the next several days with highs in the 70s and maybe lower 80s. The change comes in the 6-10 and 11-15 day period where temps are now expected to average near to even above normal. These above normal averages will probably be more tied to higher overnight lows than really warm daytime highs, but it is still a change worth noting.

Crops

Clearly this is still a weather market for grains/oilseeds this week. With that in mind, it makes little sense to focus much attention on demand prospects, and there is only so much I can say about the weather. Today, I'll simply point out one thing that stood out from the COT numbers and we'll be on our way.

The chart below shows a rolling 4-week total of MM net buying/selling. You can see that over the past 4 weeks, MM has bought more corn than in any other 4-week period since 2014 and probably further back. Over the past 4 week, MM has bought almost 400k contracts of corn. Most of this has been short covering, but we can see now the COT shows MM as a net long now. It will be hard to see this pace of buying continue in the weeks ahead, though clearly if the weather proves to be bad enough it is possible.

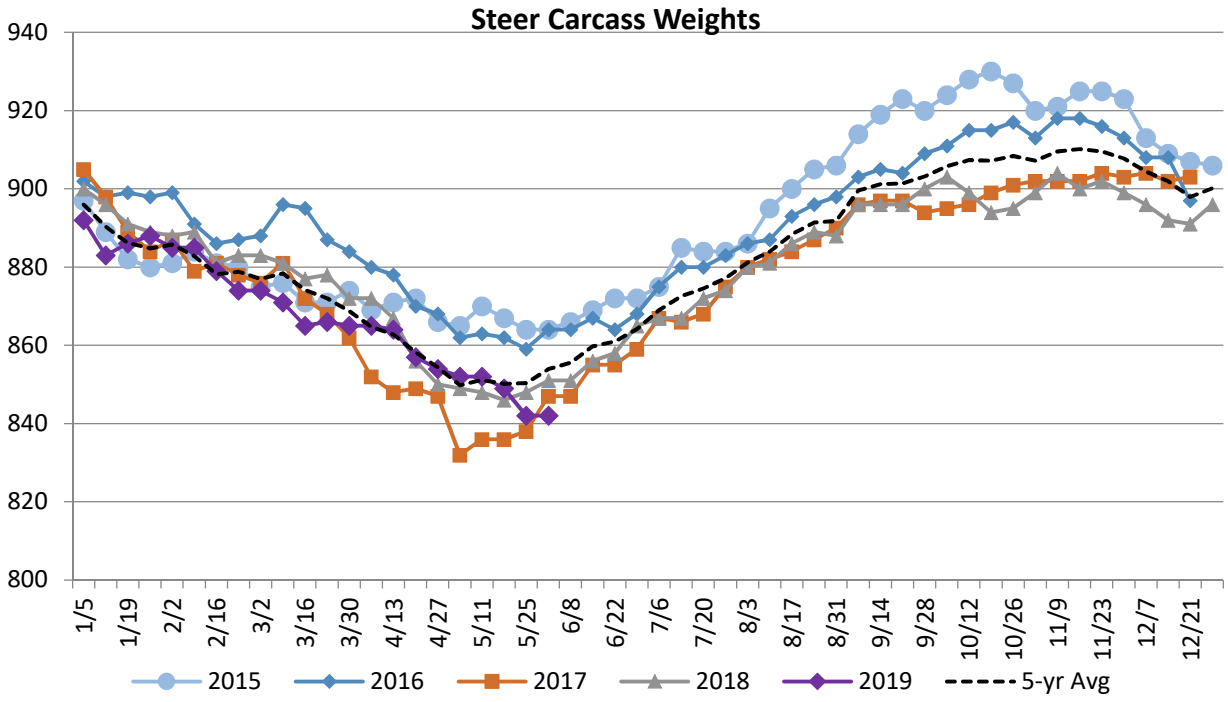


Livestock

Cash trade last week was weaker than anticipated. I still don't have a good handle on the type of volume traded. It seems like volume was relatively light in terms of negotiated trade. We could see some big formula totals when the MPR data updates later today.

One thing to keep an eye on is carcass weights. If you didn't see on Thursday, carcass weights have yet to make their seasonal bottom. This would be the latest seasonal bottom we've seen in several years. Some of the pressure on weights is supposedly due to wet conditions in feedlots. Even if weights do show a bottom this

week, it seems unlikely that we'll bounce at the same pace we saw last year. This might become an issue for the market in the weeks ahead.



Financials

A fairly quiet overnight session in terms of global equity markets. Protests in Hong Kong have calmed down a bit as the extradition bill has been tabled for now. This has been followed by a relatively calm, but slightly higher, overnight trade in Asian markets. This could be a temporary calm, however, as the bill hasn't been completely scrapped yet. It has only been suspended, meaning we could be doing this all over again in the near future. Otherwise, there doesn't appear to be much to report on from over the weekend. Though it has been a quiet weekend, we have a busy week ahead for central banks. The Fed, BOE, and BOJ will all announce policy decisions this week. Markets are pricing in very little chance for change from this week's meeting (only 20% odds of a cut from the Fed this week) but the focus will be on forward guidance as we're pricing in near-certain odds of a rate cut in July (80%). Not much economic data on the agenda today, so we should see a fairly quiet session.

Energy

The IEA was out with their monthly oil market update on Friday of last week. The IEA said that world oil demand growth in 2020 will increase to 1.4 mbpd. That is good news for oil bulls…but the bad news is that the IEA seems world oil supply growth of 2.3 mbpd in 2020. They see ongoing production increases in US shale as well as gains in Brazil, Norway, and Canada. IEA also said that despite the OPEC production cuts this year, OPEC is still pumping more oil than will be required of them in 2020.

Today's Calendar (all times Central)

- Empire Manufacturing Index – 7:30am
- NAHB Housing Market Index – 9:00am
- Export Inspections – 10:00am
- Crop Progress – 3:00pm

Thanks for reading.

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