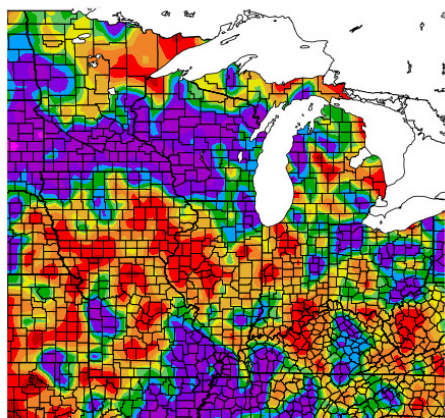


Weather

The vast majority of the Corn Belt should be expected to see entirely dry conditions for the next several days. We should start to see rainfall develop in northwestern areas on Thursday night and this will start a period where rainfall should push through portions of the Corn Belt. Most rains through the weekend should probably favor the northern half of the Belt while southeastern areas probably wouldn't see much until Monday. Beyond that, the forecast is of little use to us right now. Simply put, the pattern will return to something similar to what we saw last week. This will mean conditions are capable of producing big rainfall totals in some areas while other areas see very limited rainfall. As we saw last week, the models were completely incapable of predicting where exactly rains would and would not fall even 24 hours in advance. With that in mind, consider the 6-10 and 11-15 day forecasts you see nothing more than guesses at this point in time.

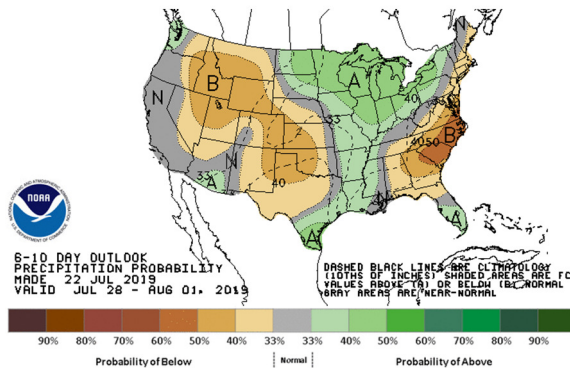
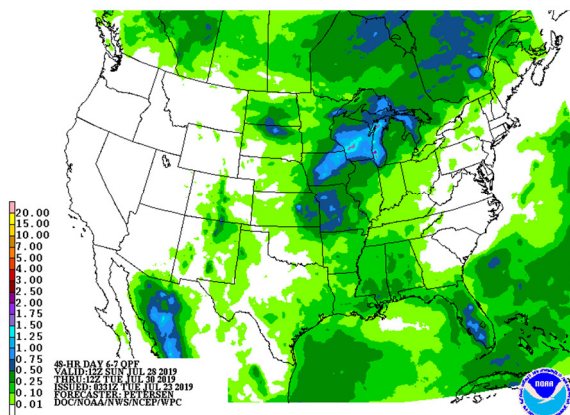
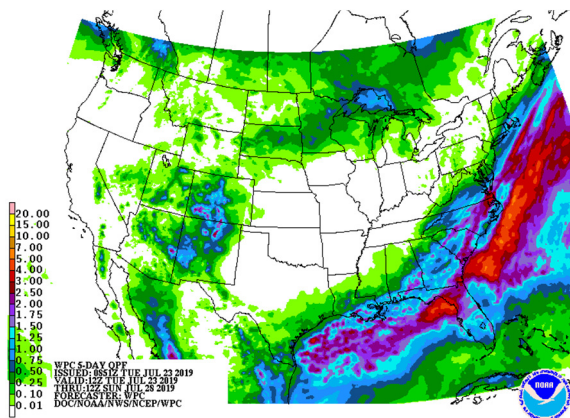
So far this month precipitation has certainly been a case of have's and have-not's.

Percent of Normal Precipitation (%)
7/1/2019 – 7/21/2019



Generated 7/22/2019 at HPRCC using provisional data.

NOAA Regional Climate Centers



Mostly below normal temps in the Corn Belt over the next several days. We should see warmer temps return over the weekend and continue through the end of the two week period. At no point does heat look extreme but there will certainly be some 90s for highs in especially southern and southwestern portions of the region.

Crops

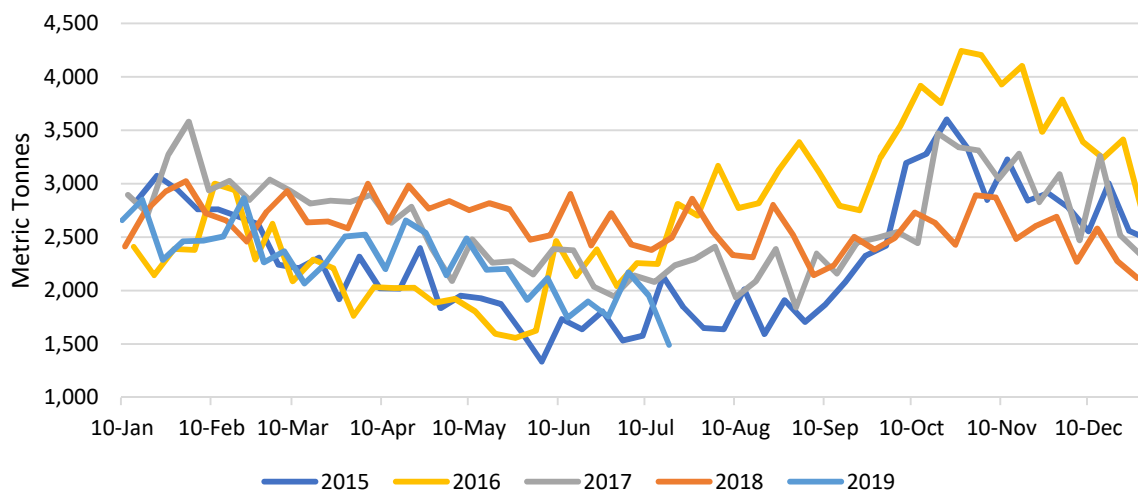
Short and sweet today. Just wanted to take a comparison of US soybean export offers vs. those from Brazil this morning. With the apparent interest of Chinese buyers in US supplies suddenly, apparently another “goodwill exhibition, I thought this might be of interest. My rough calculations are shown below. Keep in mind this shouldn’t be taken as gospel and there are some finer details I’m leaving out here. Still, this should capture the essence of the situation.

US Value Gulf		Brazil Value	
SX	913.75	SX	913.75
Sep Prem	55.00	Sep Prem	85.00
Ocean Frt	125.00	Ocean Frt	106.00
Sub-total	1093.75	Total	1104.75
Tariff	273.44		
Total	1367.19		

If we can exclude the 25% retaliatory tariff on US supplies, USG beans look fairly reasonably priced vs. Brazilian supplies at the moment. There are other import costs, of course, but Brazilian supplies are treated pretty similarly other than the 25% tariff. Brazil might usually get the nod with a close calculation with their typically better quality, but reports indicate that this year’s Brazilian quality is off and that probably isn’t much of a factor to help Brazil this year. Considering the massive looming US carryout I’m a little surprised US values aren’t further under Brazil ex-tariff, but I’m guessing the crop uncertainty is keeping prices elevated at the moment.

Any chance for improved export demand would be a welcome sign for anyone in the business of trying to make money off grain exports. Yesterday’s export inspections report was another reminder that demand for US supplies is very weak. The chart below looks at the combined total of all grain export inspections, and you can see we posted a new YTD low in yesterday’s update. This is also the weakest level since 2015. Seasonally we should be seeing shipment bottom at this point in the year, and one can hope that is the case again this year. That said, export commitments don’t inspire a ton of confidence.

Combined All-Grains Export Inspections



Livestock

Not too much of a surprise to see a nice uptick in beef movement last week. We could see from the daily boxed beef reports that volumes had increase, but that only accounts for spot business so we were waiting to see the comprehensive report yesterday to see if overall business was solid. It appears so, with total domestic beef sales hitting one of their highest levels for the year. Sales for 22+ forward beef were pretty solid as well, as shown below. Export numbers were a bit soft, however.

Combined 22+ Day Forward Beef Sales

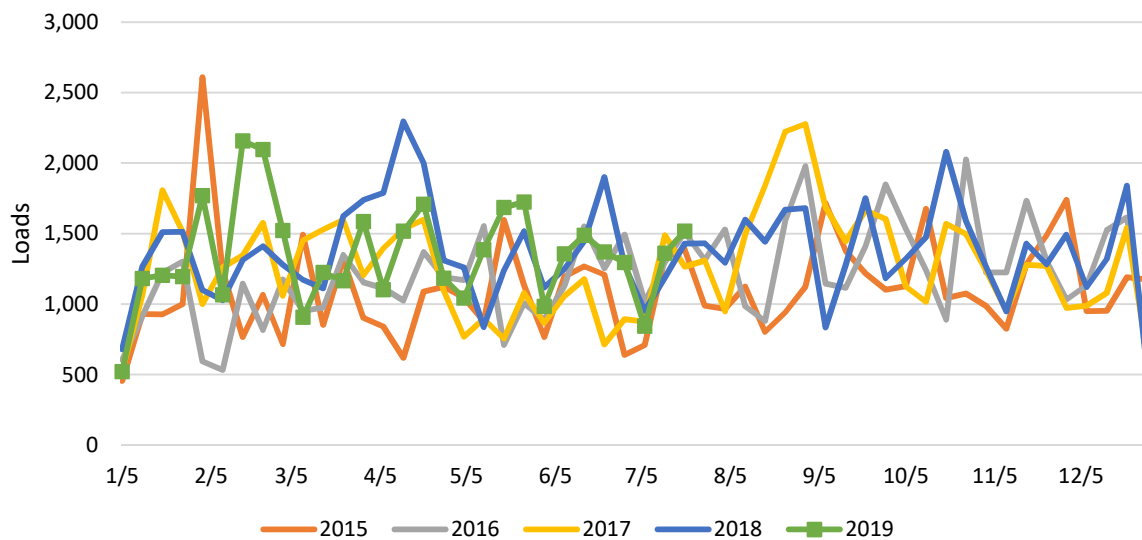
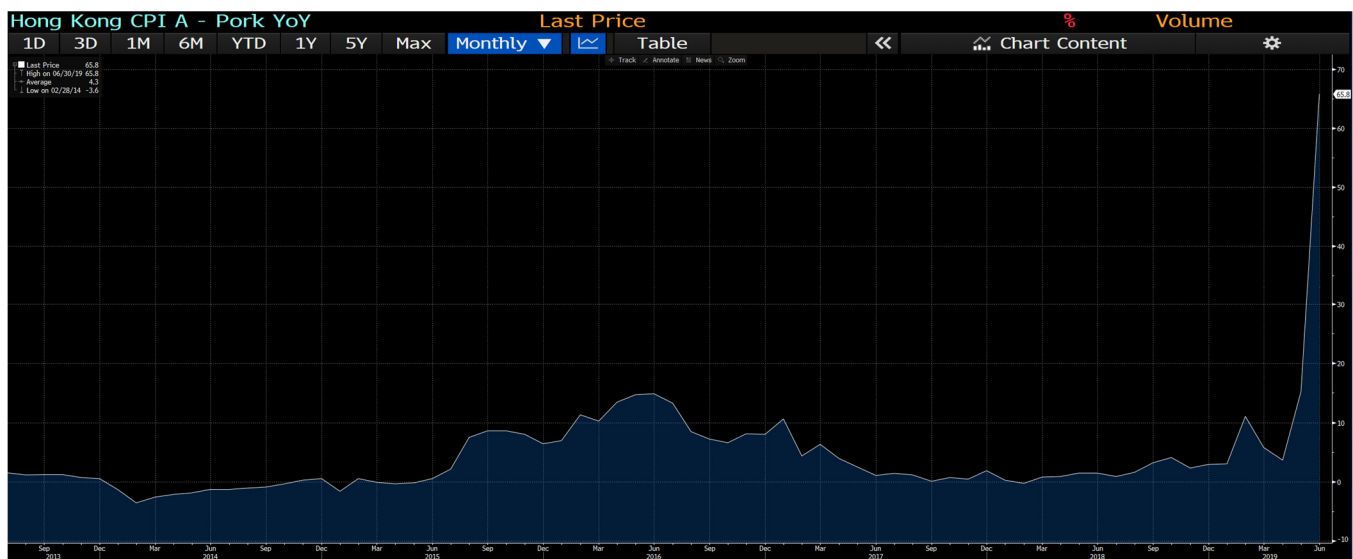


Chart of the day – **Hong Kong pork CPI YOY**. This was updated just yesterday, and you can see it is pretty shocking. Pork prices in Hong Kong are now up 66% YOY. We've shown Chinese pork prices up roughly 20% YOY... could China see the same sort of increase as Hong Kong? Probably not, but this just continues to show the impact of ASF on pork supplies in this region. We get an updated China CPI figure on 8/8.



Financials

A key chart to keep an eye on is US 10-year yields, charted below. If I had to guess, we're probably going to chop around this 2% level for a while...at least in front of the FOMC statement at the end of the month. Depending on what we get from the Fed, we might *then* see a sharp reaction from this 2% level. Right now the market is pricing in roughly 19-20% odds of a 50 bps cut at the end of the month. I'm starting to lean that direction myself and if that were to turn correct would likely trip yields below this 2% level.



Maybe the better chart to watch would be 2s. Get the bigger cut to rates and you might not stop until 1.4% on 2s? Of course the opposite is true, too. Good economic data and a less-dovish-than-expected Fed could see yields rally.



In terms of newsflow today, by now you've likely heard Congress and President Trump have reached a debt ceiling deal. This will suspend the debt ceiling for the next two years. The House still has to approve the deal this week but that shouldn't be much of a problem. Otherwise no major new information this morning. In earnings releases today some names of note would include KO, V, HOG, and SNAP

Energy

No major new information to pass along this morning. I don't see any major new headlines to pass along from the Middle East. Tensions remain high near the Strait of Hormuz and as long as they do oil prices will have a hard time relaxing. I'm seeing there is a report written by a group called Rapidan Energy Group suggesting that the US SPR will have limited capabilities to offset losses incurred should the Strait of Hormuz be completely shut down by Iran. Rapidan is arguing that SPR releases would be less than expected due to "maxed out US midstream and export infrastructure". In other words, the US is already moving as much oil around as we can. Rapidan said the SPR release could total 1 mbpd, which they say would be half of what the US has released in previous disruptions. Rapidan said the price of oil could rally \$15-20 quickly should Iran make a move to shut off the Strait of Hormuz.

Today's Calendar (all times Central)

- Existing Home Sales – 9:00am

Thanks for reading.

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