

Weather

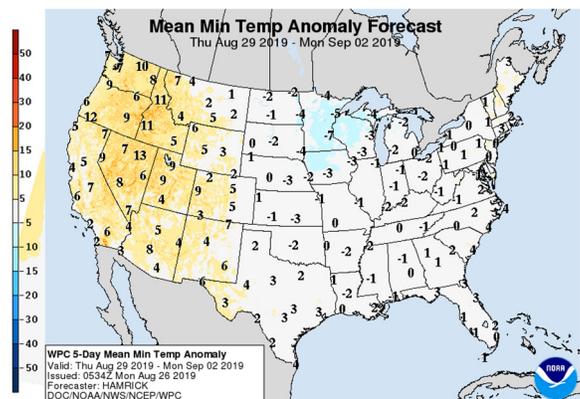
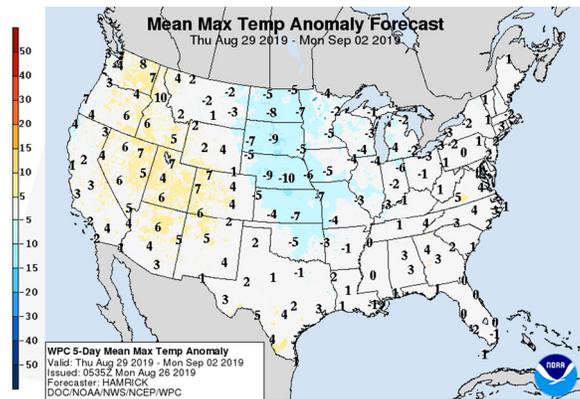
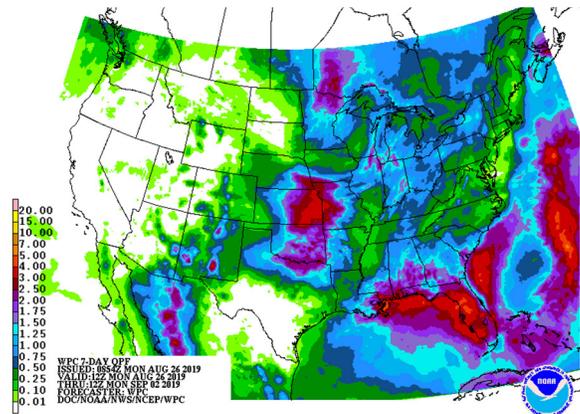
No major changes to the weather forecast. There are rains on the radar this morning and we should see the entire Corn Belt have a *chance* for rain over the next 24+ hours. IA will likely be the least favored for rainfall, but otherwise look for much of the Corn Belt to have a chance for .5-1.5" with coverage around 70%. We should see dry weather return later tomorrow and continue through Thursday, with rainfall chances returning to the WCB late Thurs. This activity will spread eastward and last through Sat night. Another few days of dry weather is likely early next week before some rain chances return for Wed. There will be some additional rainfall potential in the 11-15 day period, but there is no strong confidence on exactly when and where. Bottom line – plenty of rainfall *chances* for much of the Corn Belt over the next 10 days. No big “soakers”, but decent amounts in most areas.

No change in the outlook on temps. Over the next two weeks, there is virtually nothing in the way of AN temps. We should see mostly BN temps during that period, though as we progress into the second week of the forecast temps might warm up (relative to normal, that is). Note the maps at the right, showing the deviation from normal average temps during the 3-7 day period. You can see that it is actually the day time highs that will be furthest below normal rather than the nighttime lows. For now the forecast maps are showing nothing that indicates anything close to freezing temperatures for any part of the Northern Plains or Corn Belt through at least Sept 9.

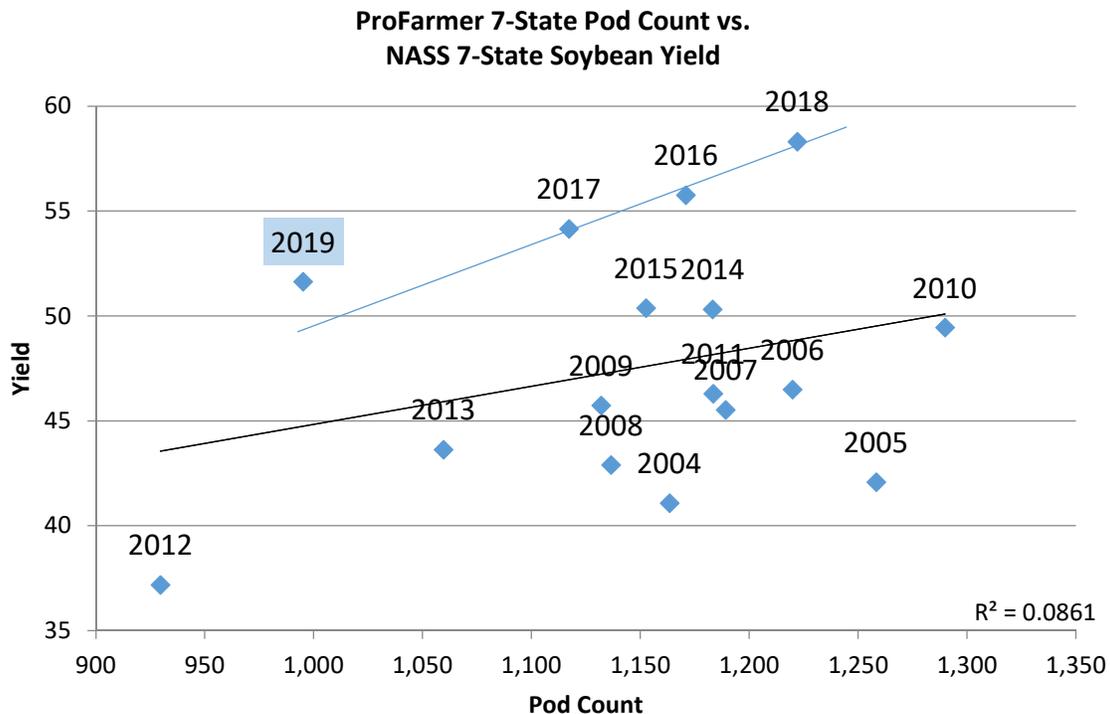
Crops

Relief rally so far in overnight trade, primarily in soybeans. This might be in part due to President Trump’s comments overnight suggesting that the Chinese are looking to restart trade negotiations. Chinese officials have denied that claim, so as usual “_(ツ)_/”. We have what appears to be misinformation coming from the President...or maybe not...but the market doesn’t seem to care that added tariffs will go into effect this weekend.

Then again some of the soybean strength this morning might also be based on ProFarmer’s national soybean yield estimate of 46.1 bpa on Friday. Analysts are plugging that figure into their balance sheets and noting that the US soybean carryout could decline dramatically from 18/19 to 19/20. Personally, while I do respect the data that PF is able to collect, I’m a bit hesitant to jump completely onboard with their yield projection here. You



probably noticed last week that I spent a lot of time looking at the implied yields for corn but mentioned nothing for soybeans to this point. The reason is simple – PF’s pod counts show virtually zero predictive ability for the NASS Sept yield estimate. The chart below illustrates what I mean. This plots a weighted 7-state pod count based on PF’s numbers vs. the 7-state NASS Sept yield estimate. The 2019 plot shows this year’s Aug 7-state weighted yield. You can see the R² at the bottom right showing virtually zero correlation. The black line (at the bottom) is actually the computer’s attempt at a trend line based on the data. You can see in recent years, however, yields have jumped and I’ve hand-drawn another line for another possible idea of what to expect based on the pod counts and recent yields. Let’s just for fun assume that this is a new trend we’ve established here in recent years. This would argue for roughly a 2 bpa reduction in NASS’s 7-state weighted yield. All else being equal, this would equate to roughly 1 bpa off the national average yield.

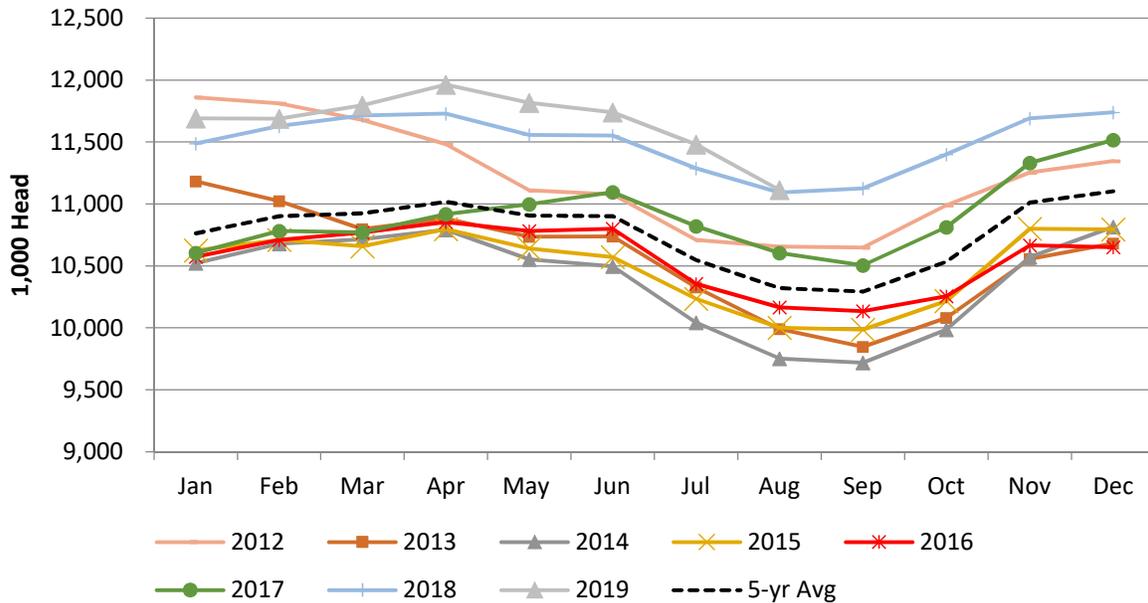


No argument the PF data implies yield should come down next month, I’m just not quite onboard with a full 2+ bpa reduction at this point in time. Condition ratings are actually still a decent indicator of what to expect on soybeans at this time of year (moreso than corn at this point) so let’s see what we get this afternoon? More on this later...

Livestock

Seems like pretty good odds that cattle futures will open higher this morning. On Friday we got a mildly supportive COF report. Placements were slightly under expectations and on-feed is basically even with year ago levels. Considering it seems likely that placements will drop (YOY) further in the months ahead we could be looking at on-feed numbers that are lower on a YOY basis for the first time in what seems like forever. Just a quick glance at my data would show late 2016 being the last time we could say that. Don’t get me wrong, I don’t think numbers will be significantly smaller YOY, but I still think it is worth mentioning.

Cattle and Calves on Feed, Feedlots Greater than 1,000 Head



On top of that we have another week of slaughter post-fire that seems to be showing no signs of disruption. Last week's kill was estimated at 654k head, up from the prior week and up from the week before the fire. Admittedly that isn't official yet, but typically the official numbers come in larger than the estimate so there is no reason to think we're off by a lot. It will be interesting to see how beef prices act here in the near term. It seems the short-term supply squeeze has been exhausted, and with production running at a pretty strong clip we could see a sharp short-term break back to more "reasonable" price levels. It will then be a test to see if the packers want to keep pushing kills if margins get squeezed a bit.

Lastly, we have word over the weekend that the US and Japan have come to an agreement on a trade deal. I seem to think we had this same headline a few months ago but nothing official ever came of it. Apparently something is now expected to be officially signed some time in Sept. The deal will mean US beef (and presumably pork?) will be treated the same as product from countries within the TPP...which makes one wonder what demand would look like today if we hadn't withdrawn from the TPP in the first place?

Financials

A big reversal in overnight trade sentiment, with the opening starting with sharply lower prices as the market feared ongoing trade war escalation. This has changed since President Trump said that China called to resume trade talks but as pointed out before the Chinese side has denied this claim. As of now the additional tariffs are still set to go into effect this coming weekend and I would be willing to bet the price action this week in equity markets will be largely dependent on headlines and tweets relating to whatever "talks" might take place in order to delay that implementation. President Trump was asked if he was willing to delay the Sep 1 tariff increase and he said "anything is possible".

Other than the trade headlines, it is basically business as usual for economic data overnight. The German IFO index came in weak yet again, with the business climate index hitting a 7-year low. This only will add to calls for the ECB to be aggressive with stimulus measures. Their next policy meeting is Sep 12.

Energy

Crude oil futures are caught up in the risk-on environment of the morning after Trump's statement suggesting trade talks might resume. Again, to reiterate, there is no supporting evidence of his claim. Nonetheless, oil and everything else is catching a relief rally this morning. One of the more interesting storylines of the weekend came as Iran's Foreign Minister made an unexpected visit to the G7 site. While he did not meet with President Trump, there was some clear back-and-forth that seemed to be mediated by French President Macron. Details of what was discussed have not yet be leaked, but it will be interesting to see if there is any change in policy towards Iran and the sanctions. Stay tuned on this front.

Today's Calendar (all times Central)

- Durable Goods Orders – 7:30am
- Dallas Fed Index – 9:30am
- Export Inspections – 10:00am
- Crop Progress – 3:00pm

Thanks for reading.

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