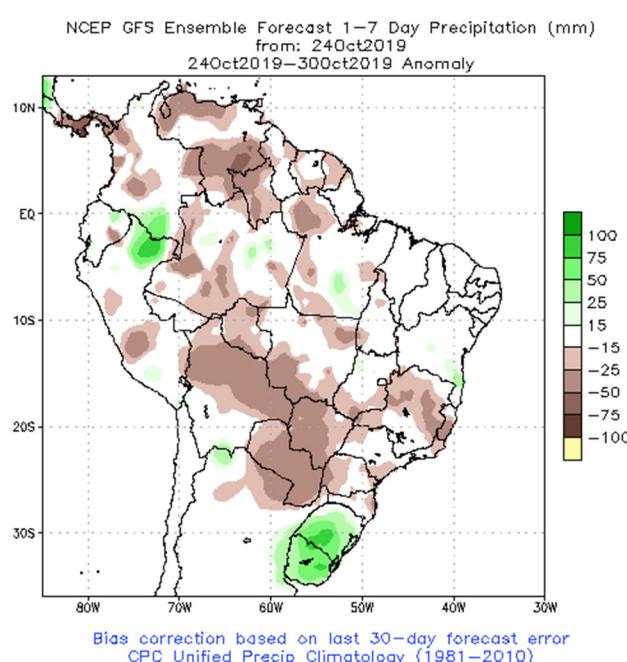
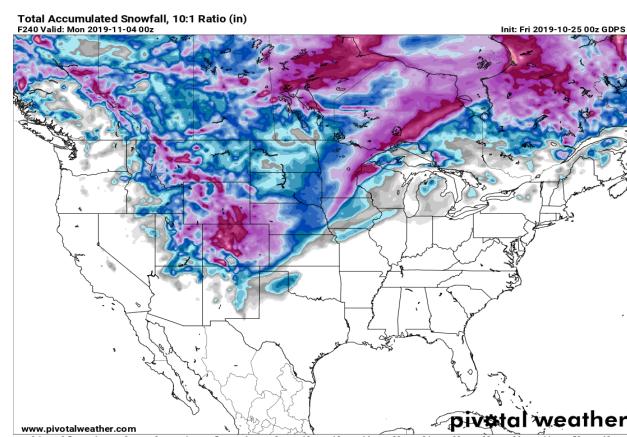
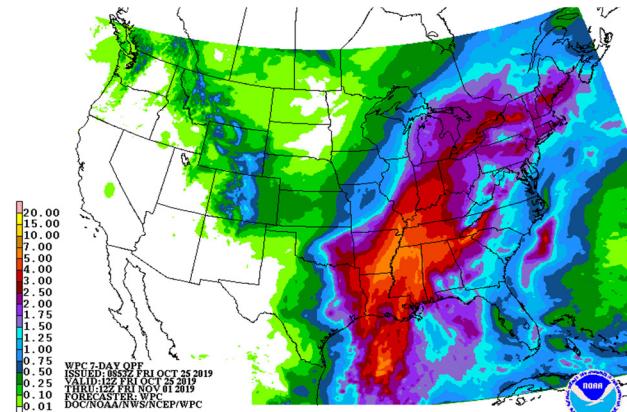


Weather

A lot of rainfall in the eastern half of the country over the next 7 days, as you can see in the top map at the right. A quick glance at the radar this morning will show those showers getting kicked off in the southern US already and they should linger for several days. This will push into eastern portions of the Corn Belt tomorrow before the areas clear out on Sun/Mon. There will be additional precipitation chances in the Corn Belt on Sun/Mon, though as you can see on the map the Dakotas look very likely to miss most precipitation. Temps should be very cold when this next round of precipitation moves through, meaning we could definitely see some significant snow accumulations develop. The map at the right shows the 10-day snowfall accumulation projection of the Canadian computer model, but there is good model agreement from the Euro model as well. We could see some 4-8" snowfall totals eventually recorded in some areas in the first half of next week. The biggest totals should probably favor IA and WI along with some surrounding areas. Look for temps to average well below normal for the next 10 days, with some modestly warmer (relative to normal) temps in the 11-15 day period.

There will be ongoing chances for rains in northern Brazil, but it never really looks "wet" over the next two weeks. In most areas over the next two weeks we should see mostly below normal precipitation totals. The map at the right shows the GFS projection for Week 1 of the forecast. Southern Brazil will do a bit better on rainfall chances. Mostly dry there for the next few days but better rains starting on Sunday morning and continuing for a few days. Northern and eastern portions of Argentina should also see rainfall from the same system, and over the next two weeks northern Argentina is probably on tap for near to a little above normal precipitation. Southern areas should probably see modestly below normal totals. Temps should mostly average above normal over the next two weeks, with some noticeably hot temps possible in some areas during the 6-10 day period.

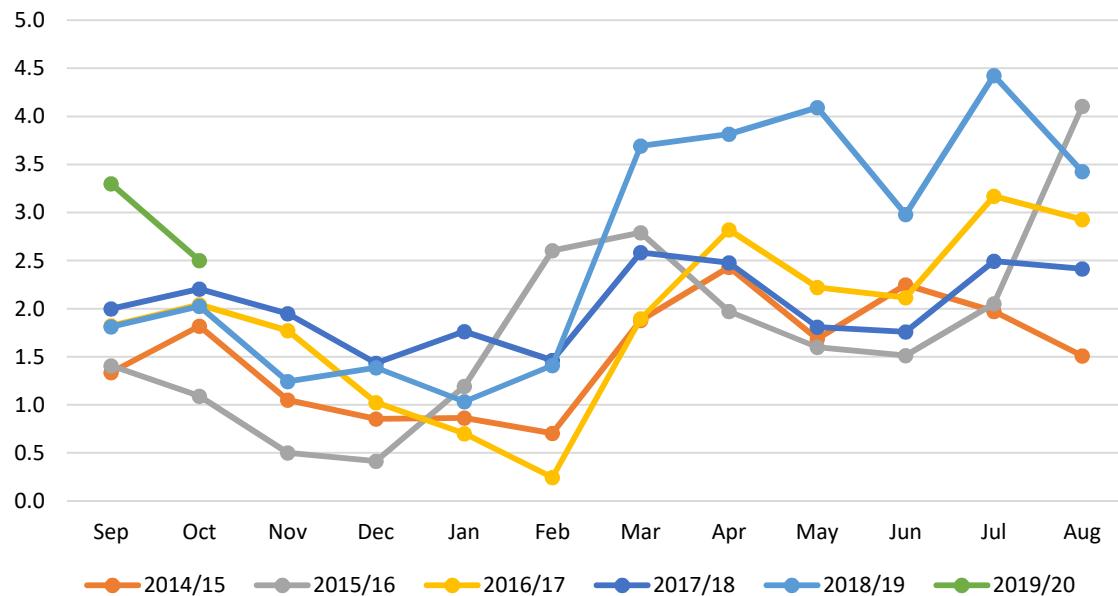


Crops

We have an election in Argentina to look forward to this weekend. The end result seems like almost a done-deal at this point. Alberto Fernandez, along with his running mate former President Cristina Fernandez de Kirchner, hold a 20+ point lead in the polls and obviously we've already seen a big blow-out in the August primary. Mr. Macri's days as president appear to be numbered. Of course if we've learned anything over the past few years it is that elections are highly unpredictable. We shouldn't necessarily assume that Fernandez will emerge as the clear winner. Keep in mind that Argentine voters will be choosing between 6 candidates and one has to emerge with at least 45% of the vote or 40% and a 10 point lead over the second place finisher to claim the presidency after this election. If that condition is not met, a run-off will be held on Nov 24.

Changes in policy under a (probable) new administration are very likely...we just don't yet know what those changes will be. Obviously one of the tax changes the Macri administration made was to lower export taxes on soybeans and meal/oil. This could be reversed or tweaked, and many are already speculating it will lead to a renewal of farmer hoarding in the face of ongoing currency depreciation. Though Argentina is clearly the market leader in meal/oil exports, I think the bigger possible impact on US markets could be with corn. One of the prior Fernandez administration's policies was to cap corn (and wheat) exports to "ensure domestic supplies". Since Macri took over in December 2015, however, Argentine corn production has risen sharply with the exception of the drought-hit 17/18 year. This sharp increase in production has led to a gradual increase in exports, culminating in a record run of exports since last spring. You can see a history of Argentine corn exports below. Note the 19/20 Sep/Oct figures are not official but rather estimates based on line-up data.

Argentina Corn Exports



We'll need to watch the Fernandez/Kirchner rhetoric assuming they win outright this weekend. If they signal a return to prior policies towards exports, it should discourage second-crop corn planting efforts. In the long run, this would be likely to help the US as Argentina would likely become a less active player on the world export

market again. I actually think this is more of a net influence on US markets than what we might see with the soy market.

Livestock

On tap today we have the COF report. I have the Bloomberg survey estimates attached at the right. It seems that most of the analysts and traders I speak to are “whispering” that the placement number could come out higher than expected and thus we could see a somewhat negative reaction to the report next week. The following comment from our friend Mike Sands probably sums up

Survey Summary:	Survey Results			Survey Avg	USDA Yr-ago
	Avg	Low	High	Mln Head	Mln Head
Cattle On Feed (Oct. 1)	-1.2%	-2.3%	-0.2%	11.269	11.400
Placements (Sept.)	1.5%	-4.9%	7.6%	2.081	2.051
Marketings (Sept.)	0.8%	-1.8%	1.5%	1.733	1.719

the sentiment fairly well – *“Following the sharp decline in August placements, the continuing uncertainties surrounding the reopening of the Holcomb plant, coupled with the still-favorable late summer pasture conditions in many areas, may have continued to weigh on placement interest early in September. However, fed cattle prices rebounded from summer lows as the month progressed, amid indications that marketings remained current despite the shortfall in slaughter capacity. The rebound in deferred live cattle futures, along with the accelerating movement of the larger feeder cattle supplies outside of feedyards, boosted placement interest as the month progressed and the elevated placement volumes likely have carried into October”*.

Mike is calling for placements of +2.3% YOY, which isn't dramatically different from the average guess shown above. That said, as I mentioned before the overwhelming sentiment seems to be for something higher heading into today's report. With the board already on a big rally, even the hint of a slightly negative number might be a good excuse for modest selling pressure here.

Financials

Overnight markets have been relatively quiet. US equity futures are trading slightly higher at the time of writing this morning. AMZN reported earnings yesterday and the market was generally disappointed as the company is spending a lot of money on 1-day delivery and cloud-computing systems. Still, that hasn't put a damper on the overall indices this morning. Overnight economic data was light, with the only release of magnitude I see being the German Ifo business sentiment index. The index unexpectedly showed improvement, which is a rare piece of good news coming out of Germany these days. There isn't much data on tap in the US today. We will get the U of MI consumer sentiment numbers which will have some interesting details but I doubt they'll be market-moving. No major market-moving earnings releases are due today either. What might be the most interesting release of the day could be the Treasury's monthly budget statement this afternoon.

Energy

There isn't much new to discuss this morning. Crude oil futures are up on the week but are now hanging around the technical purgatory levels we discussed yesterday. Without any significant newsflow, I don't expect the market to make much of a move either up or down in the near term. We saw a major pipeline get shutdown in the North Sea yesterday, but as of this morning it sounds like efforts are underway to restart oil flows for the pipeline so that is only a minor and temporary disruption. On tap next week Saudi Arabia hosts the “Future Investment Initiative Conference” in Riyadh, so there might be some interesting soundbites from that event. Other than that, it doesn't look like there is a lot on tap next week. We'll get the October monthly OPEC



Friday, October 25, 2019
NTG Morning Comments
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production estimates on Friday. We're already hearing reports that Iraq has finally backed off on its production level in October to a level closer to their quota. We'll see if the official production numbers back up that talk.

Today's Calendar (all times Central)

- U of M Consumer Sentiment – 9:00am
- Cattle on Feed – 2:00pm

Thanks for reading.

David Zelinski
dzelinski@neswick.com
901-766-4684
Trillian IM: dzelinski@neswick.com
Bloomberg IB: dzelinski2@bloomberg.net

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