

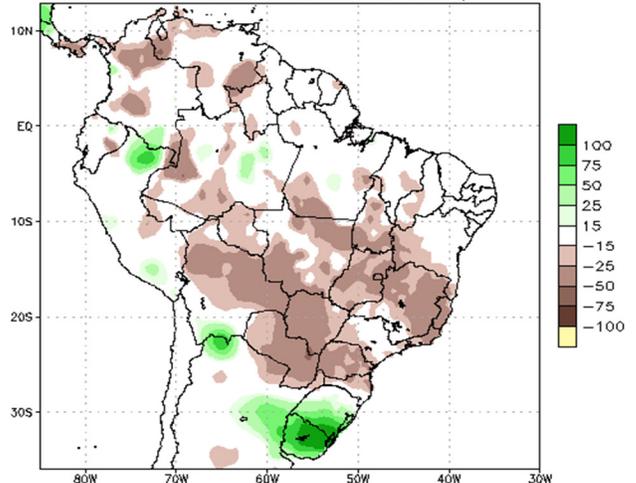
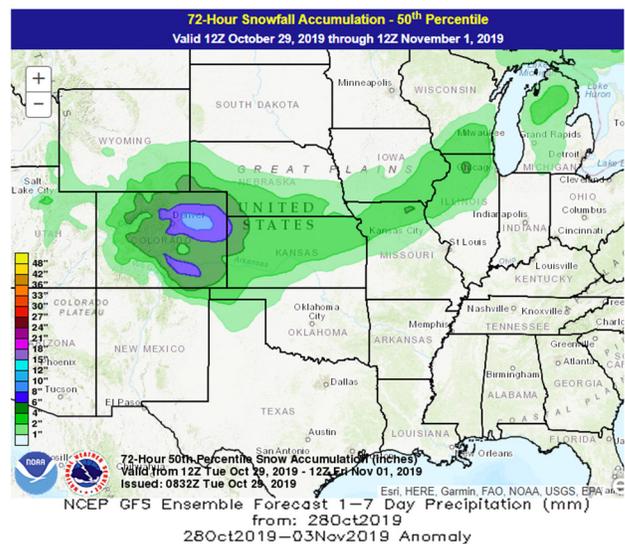
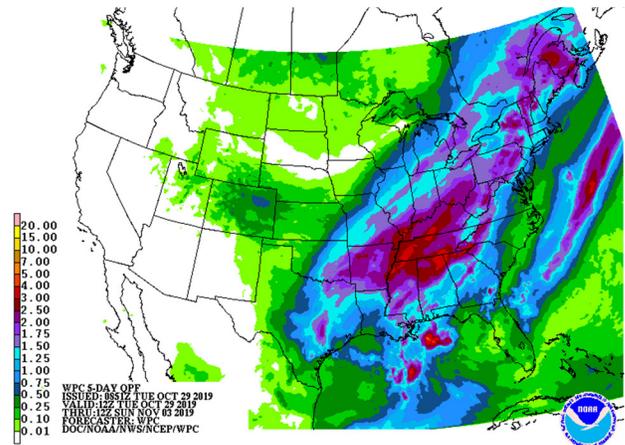
Weather

No major changes to the forecast this morning. We've still got a lot of precipitation to work through over the next few days in the eastern third of the country. Almost all of the precipitation shown on the 5-day QPF at the right will fall in the next 3 days and probably most of that will fall in the next 48 hours in key crop production zones. We have seen some snow develop in portions of the Plains and WCB, and you can see in the map at the middle that some additional snow accumulation is likely over the next few days. After this round of precipitation passes, however, we're looking at a much drier pattern setting in. The Corn Belt won't be completely dry during the 6-10 and 11-15 day periods, but precipitation totals should easily average below normal. At this same time, we should see a lot of cold weather across a large majority of the country. Over the next several days we should see a huge portion of the country running well below normal with temps averaging 10-20F below normal. We might see some modestly warmer temps in the 6-10 day period (though *still* below normal) before another shot of impressive cold air moves in again for the 11-15 day period.

No change in the South American forecast. The map at the bottom right shows the expected precipitation anomaly for the 7-day period in Brazil. You can see most of Brazil is expected to see well below normal precipitation during this period. In Week 2 of the forecast, precipitation chances should improve but even then it doesn't look like we'll see anything better than "normal" precipitation amounts. RGDS in southern Brazil should continue to be favored for the biggest rainfall totals. Along with RGDS, nearby areas in northern Argentina should also see above average precipitation chances over the next two weeks. As you move further south, however, rainfall amounts and coverage should decline.

Crops

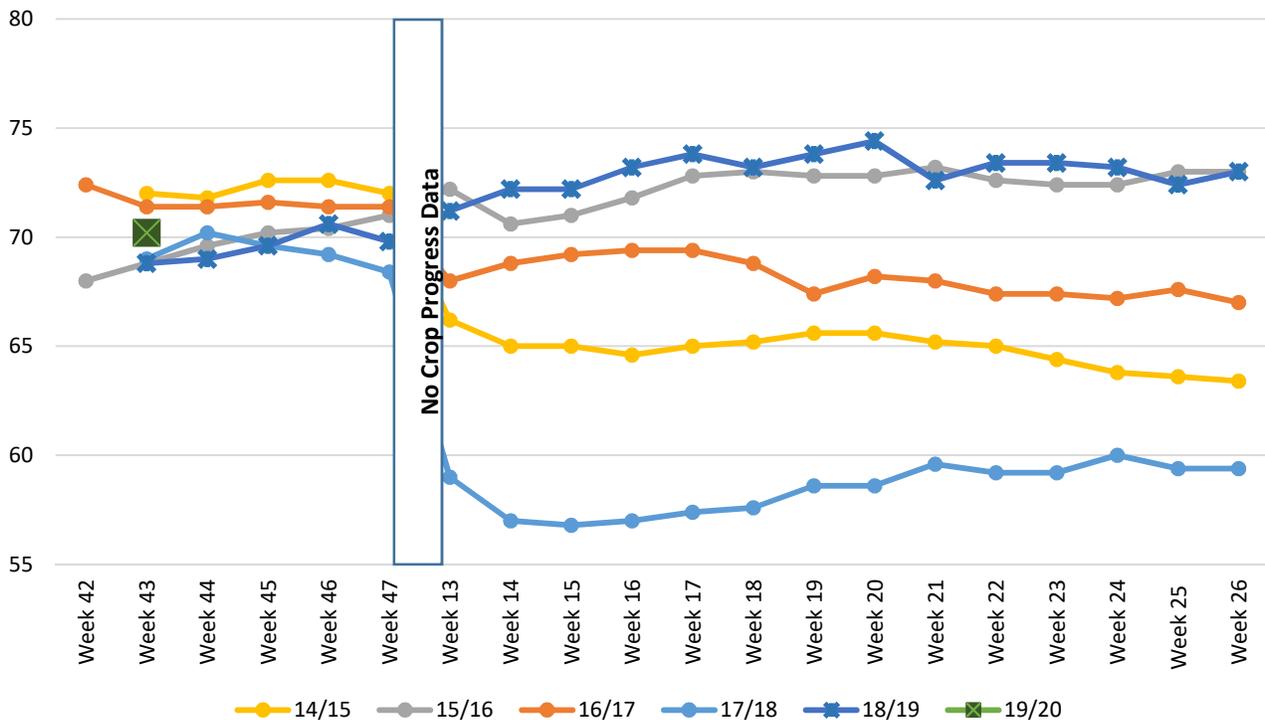
I just wanted to quickly point out the starting point on winter wheat conditions this year. A chart showing the recent history of winter wheat condition index ratings is shown below. You can see the green dot representing



Bias correction based on last 30-day forecast error
 CPC Unified Precip Climatology (1981-2010)

this year's initial rating, and it is better than the past two years. Then again, at this time of year the initial winter wheat condition ratings usually converge around this area and it is really the winter weather and how well the crop emerges from dormancy that really affects the condition rating. I would also argue that spring wheat is more important to yield potential than winter weather, but that is a debate for another time.

US National Winter Wheat Condition Index

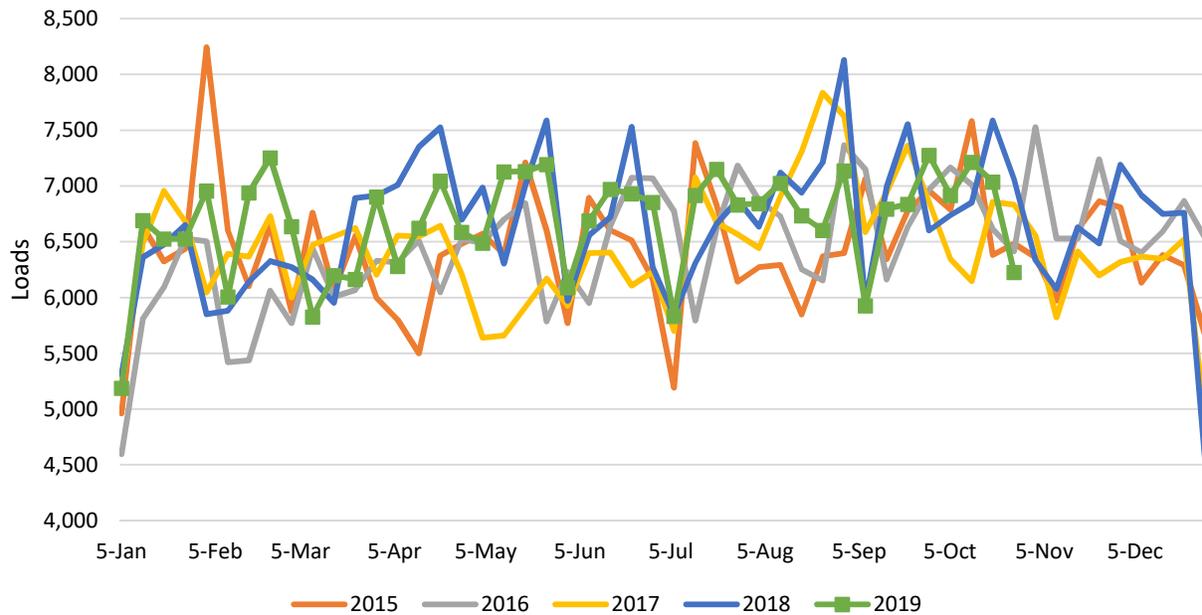


USDA obviously doesn't break down the condition ratings by type of wheat, but based on some normal assumptions on acreage we can make a guess. This year I'm calculating the HRW crop at 55% G/E, which would be better than the 50% estimate at this time last year. I'm calculating the SRW crop at 51% G/E, which would be down fairly significantly from last year's initial 64% rating at this time. Hard white winter is rated at 59% vs 55% last year and soft white is estimated at 66% vs 65% last year.

Livestock

The one thing that stood out to me in yesterday's dump of data was the total beef movement shown on the comprehensive boxed beef report. The chart is shown below, and you can see that beef sales last week were certainly nothing to brag about. We've seen beef prices rally a pretty good bit here lately, and that *might* be working against demand a little bit here. Domestic sales, export sales, whatever it was – it was off last week. Maybe this is just a quick blip and sales bounce from here...but this something to keep an eye on.

National Comprehensive Boxed Beef Report Total Sales



Financials

Not much new information to pass along this morning. US equity futures are lower at the time of writing but there doesn't appear to be any significant newsflow to explain the weakness – simply a matter of taking a breather after a solid run over the past few days. President Trump said yesterday that they're "a bit ahead of schedule" on finishing terms of the Phase 1 trade deal with China, but as mentioned before the market just doesn't seem to care about this sort of headline anymore. More interesting at is pertains to President Trump is the looming possible impeachment vote in the House on Thursday. Remember, as discussed before impeachment is a political process and not a legal process. I simply don't see this going anywhere. Still, it probably will produce a bit more market volatility at times.

The economic data calendar is fairly light today, but I'll be keeping a close eye on some of the consumer confidence release details. The present situation vs. expectation spread is a good indicator of what to expect for the yield curve so we should keep an eye on that. We should also keep an eye on subcomponent showing inflation expectations, which I've pictured below. We've seen a very modest uptick in inflation expectations in the Conference Board's numbers recently. While this modest uptick is not something that is likely to bother the Fed, if we continue to see this show some resilience we could see the Fed's dovish rhetoric start to back off a bit.



The FOMC will announce their policy decision tomorrow and the market is pricing in 90%+ odds of another rate cut. By now we know the Fed simply does what the market tells them to do. Beyond tomorrow's decision, however, the market is less emphatic towards rate cut odds, with only ~20% chances for the December meeting. I do expect that the Fed will try to talk down further rate cuts beyond tomorrow's.

Energy

Somewhat conflicting commentary from key OPEC+ officials in stories released overnight. In one story, the Nigerian oil minister is cited saying that Saudi Arabia's new oil minister has said the kingdom is prepared to cut production levels even further in an effort to balance oil markets. Separately, Russia's deputy energy minister said in an interview that it is too early to discuss deeper oil production cuts within the OPEC+ framework. He specifically cited keeping an eye on US production and its possibly slower growth in the year ahead. Crude oil futures are weaker at the time of writing this morning as the Russian official's comments seem to be getting a bit more attention.

Today's Calendar (all times Central)

- Consumer Confidence – 9:00am

Thanks for reading.

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