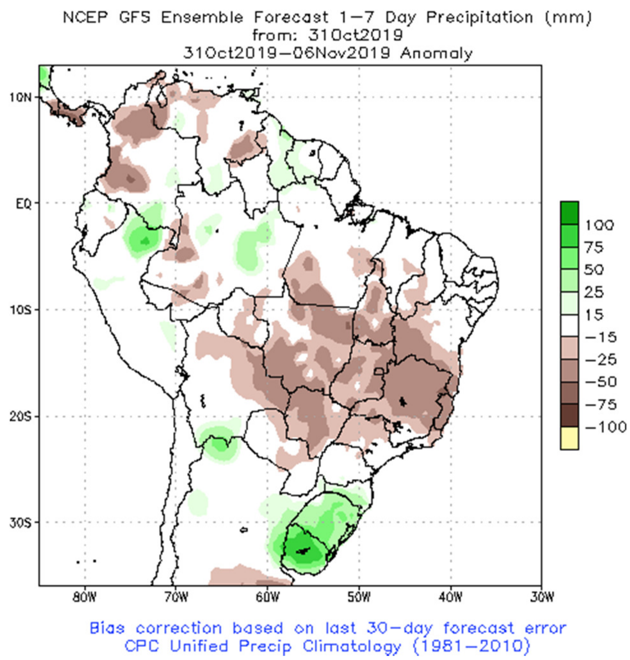
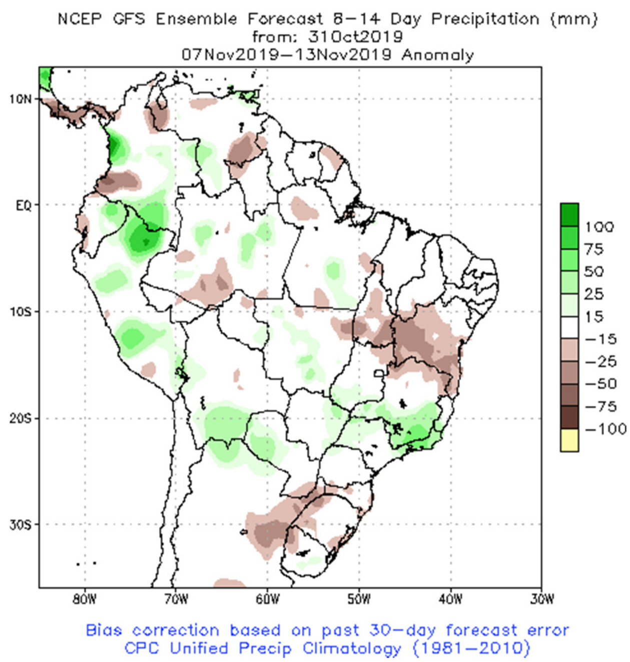
Weather

No major changes to the forecast this morning. The Week 1 and Week 2 precipitation anomaly forecasts for South America are attached to the right. In general, one could say the forecast for northern Brazil has trended slightly wetter for the Week 2 portion of the forecast. In Week 1 you can still see northern Brazil will see a lot of below normal precipitation. Expectations still call for an uptick in rainfall chances in Week 2, and now there could be some areas that might see above normal chances for rainfall during that period. Southern Brazil is still expected to see some big rainfall totals in RGDS with lesser amounts (though probably still near/above normal) in other states. We should see impressive heat in Brazil for another 4-5 days. Temps should be 95-100F with some above 100 readings definitely likely in a few spots.

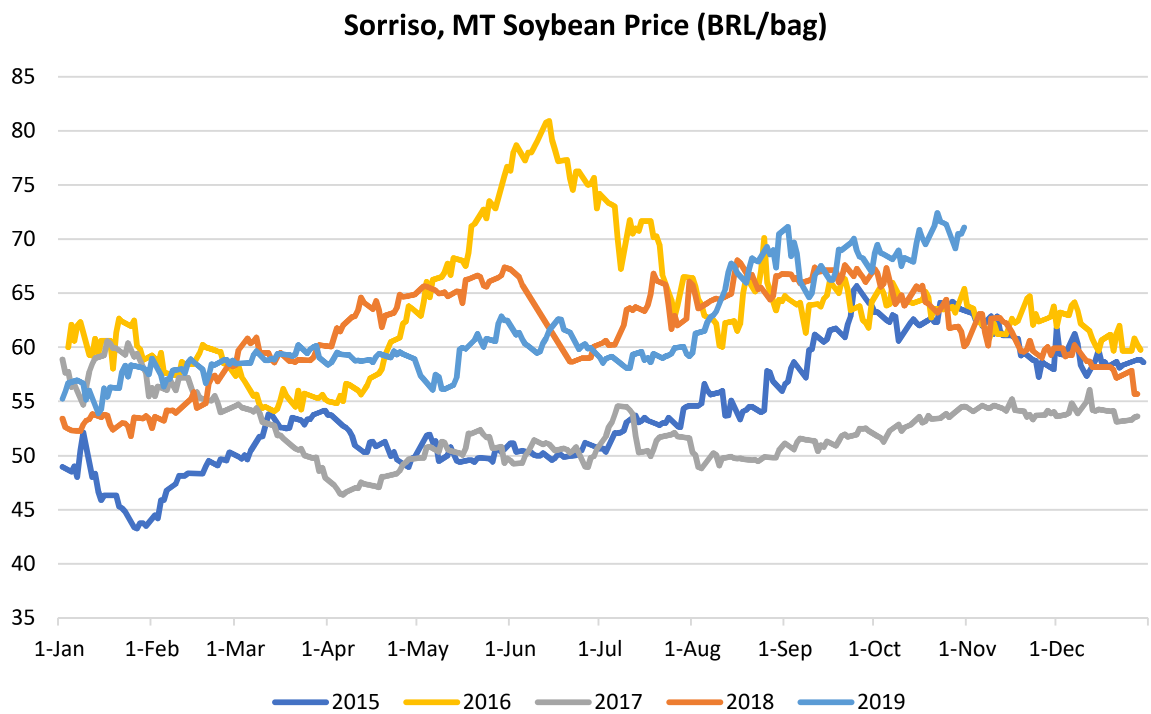


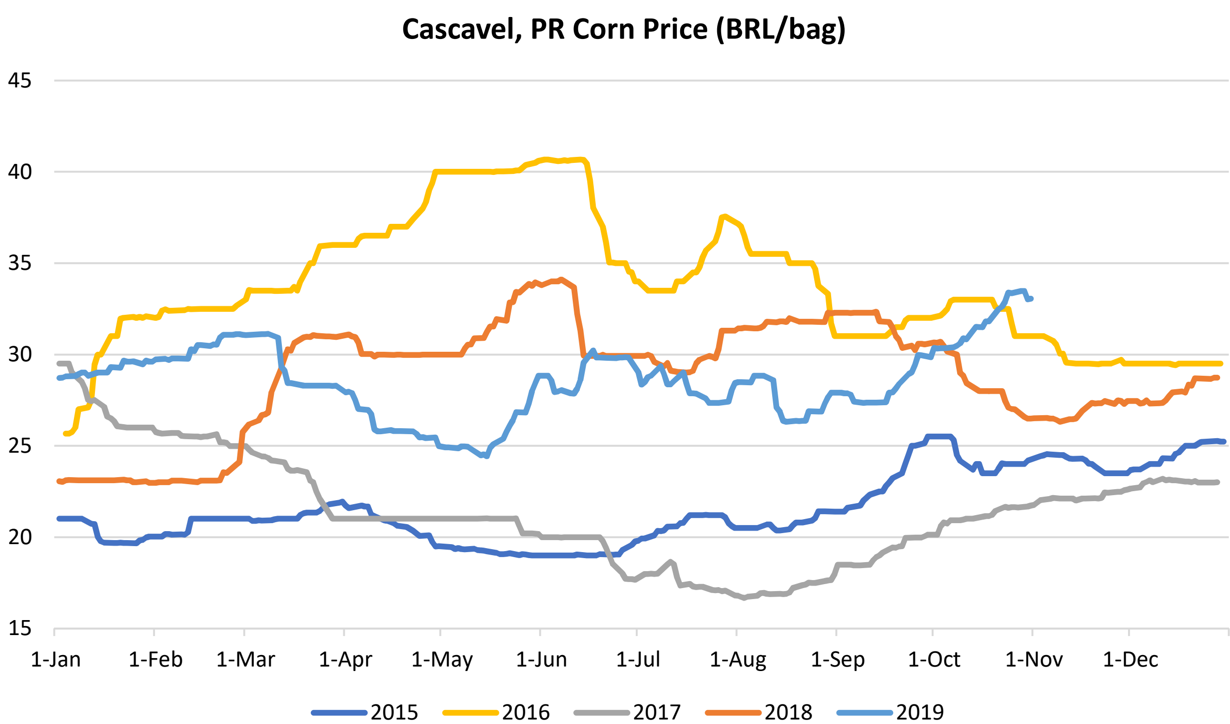
Rainfall of significant in Argentina over the next two weeks will mainly fall in extreme northeastern areas associated with the same system bringing big rains to RGDS. Otherwise most of the main growing region is looking at mostly below normal precipitation chances over the next two weeks. It won't be completely dry, but amounts probably no better than .5-1.0" over the period. There will be some hot temps in some spots today but it should turn cooler over the weekend and the rest of the forecast looks fairly mild.



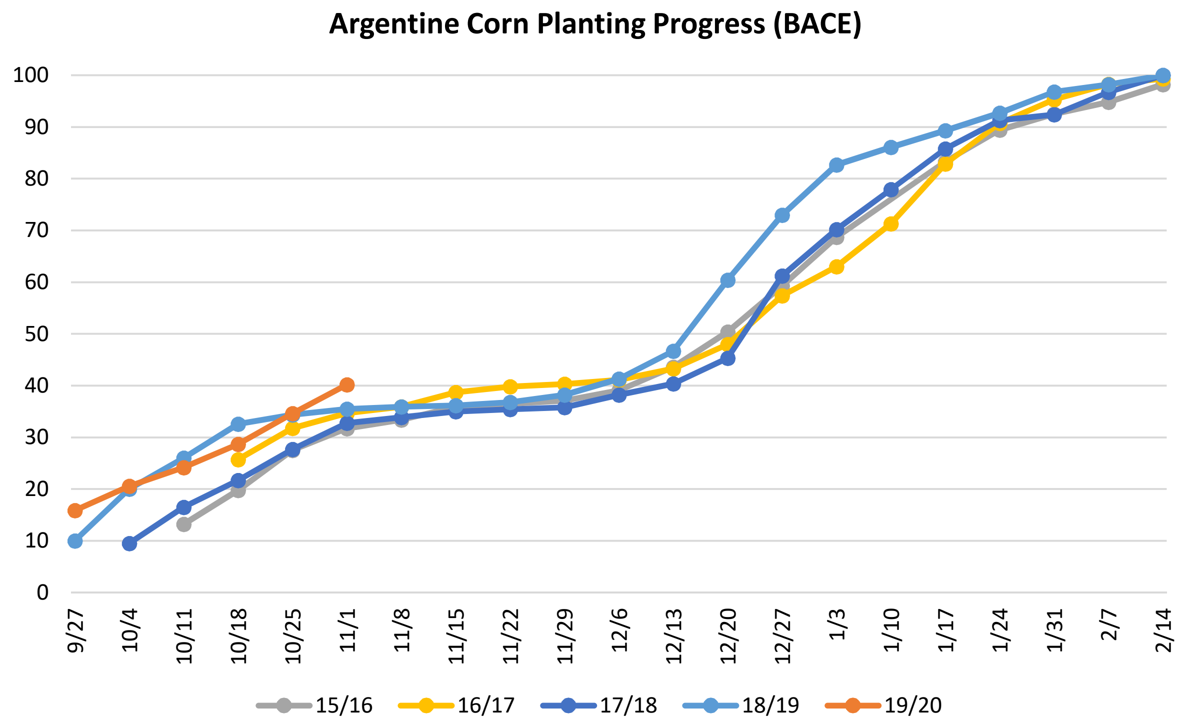
Crops

We looked at US domestic cash markets briefly yesterday, but I think it is worth pointing out that Brazilian cash markets are very firm at the moment as well. Despite the strength in USG corn/soybean prices, its hard to say that the US is losing out on significant export demand at the moment as Brazilian premiums are rallying her as well. I have two charts below. These show Brazil interior prices for two spots. I have Sorriso, MT for soybeans, as it is a major production region. I have Cascavel, PR for corn, as southern Brazil is where a lot of the feeding operations are located for now. In both cases you can see that soybean and corn prices are very strong for this time of year. I am starting to become of the opinion that Brazil has exhausted itself of available supply for export and the interior cash markets are going to work to keep supplies at home until we at least get *closer* to new crop harvest. In theory, this opens a window of opportunity for the US to regain some export share. Keep in mind that the prices below are strong in spite of some recent strength in the BRL, which also doesn't necessarily encourage aggressive farmer marketing.



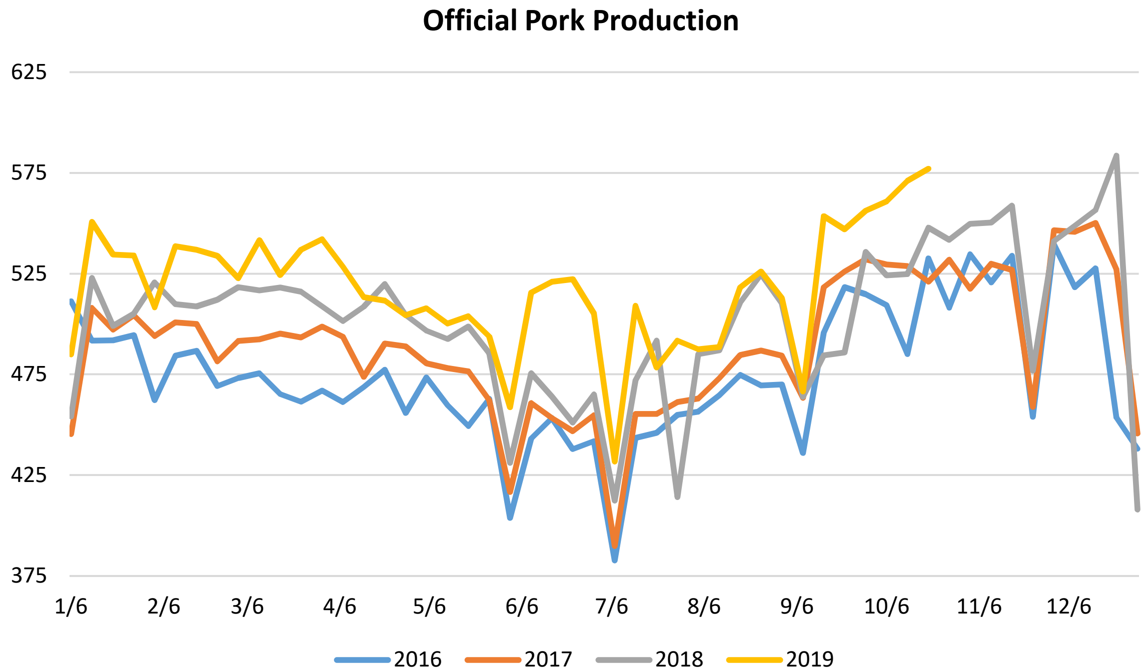


Changing subjects briefly, yesterday Argentina's BACE reported planting progress and production estimates. They cut their wheat production estimate to 18.8 mmt from 19.8 mmt previously. WASDE somewhat surprisingly kept their wheat production estimate at 20.5 mmt last month, so maybe we'll see that reduction this month. BACE also reported corn planting progress at 40% complete. As you can see in the chart below, that would be pretty fast progress relative to the past several years. Note that progress typically takes a "break" for several weeks now as farmers focus more on soybean planting. What will be interesting this year is if farmers' intentions for the second-crop corn area are affected by the new administration's comments on export policy. Something to keep an eye on in the weeks ahead.

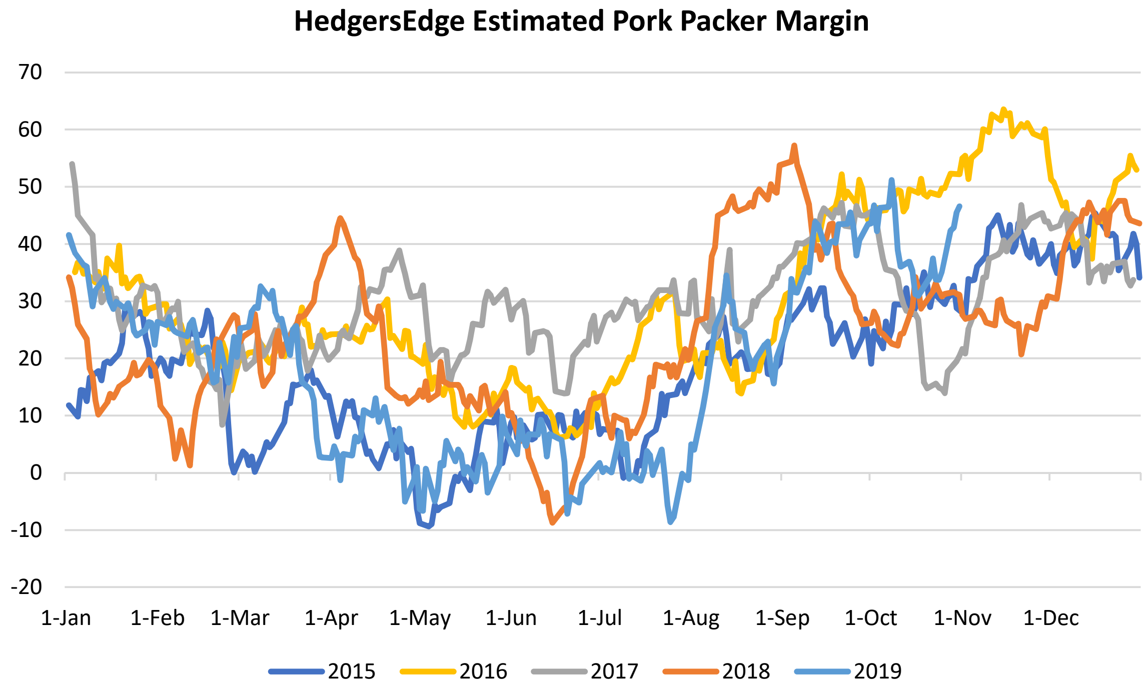


Livestock

Yesterday's official slaughter data for week ending 10/19 showed near- record hog slaughter and pork production. The chart on pork production follows below, and you can see this is just shy of the amount of pork produced in late last year. I think it is probably a safe bet that we'll eventually set several new records for weekly pork production before 2019 is over.



Calling for ongoing big numbers in pork production is not exactly a bold production. For starters, the hog numbers appear to be there. Secondly, pork packer margins have really improved since earlier this year. The estimate is shown below, and you can see we're in positive territory and actually not too far off from recent highs. There should be no shortage of incentives to keep kills rocking in the weeks ahead.



Financials

Some very important economic data to digest today. Up first we'll get our monthly NFP release. This month's release will be complicated by the GM strike. Expectations call for NFP to gain "only" 85k month, which would be down pretty considerably from the recent average though it would be third sub-100 reading of 2019. Bloomberg's economic desk is saying the direct impact of the GM strike will be -46k jobs, and they're actually forecasting a below-consensus +70k NFP number. In addition to the GM strike, we still have ongoing Census-related hiring to account for in projections, which only muddies the water further. This should be one of the more unpredictable NFP reports we've seen in some time, which opens the door for a potential big miss relative to expectations and a big market reaction. Expectations call for an uptick in the unemployment rate to 3.6% from 3.5% last month. Keep an eye on average hourly earnings. Expectations call for +0.3% MoM, but the impact of the GM strike could knock that down a little.

In addition to the NFP release, we also get the ISM manufacturing index later in the morning. The past two months have seen the index rebound from just above the 50.0 level and we were at 51.5 last month. Expectations seem to be looking for an unchanged reading of 51.5 this month. However, it looks to me that regional Fed surveys have mostly been a bit soft in the past month so I'm a bit concerned about a little downside risk to the number.

We had PMI releases from overseas overnight. China's Caixin index unexpected rose to 51.7 from 51.4 previously. However, the official government PMI reading fell to 49.3 which was worse than expected and obviously lower than the 50-level and thus implying contraction in the industry. PMI readings for South Korea, Japan, Malaysia, Indonesia, and Taiwan were all below the 50 level. Australia's PMI fell to the 50 level exactly (indicating no change), which is the lowest reading in the survey's history.

In US earnings releases today, things will be fairly quiet. We do get reports from XOM and AIG among others.

Energy

I don't see much in terms of energy-related headlines this morning. Crude oil will probably simply be a follower today, moving along in either risk-on or risk-off fashion as dictated by the morning's economic releases. The one story of interest I see this morning is a report from a group called "Carbon Tracker". As you can probably guess, this is an environmental interest group and they recently issued a report saying major oil companies must cut their production by an average of 35% by 2040 if the Paris climate accord goals are to be reached. The group really singled out US companies COP and XOM saying they need to cut production 85% and 55%, respectively, citing the companies' lack of low-cost and low-carbon projects.

Today's Calendar (all times Central)

- NFP – 7:30am
- Markit US PMI – 8:45am
- ISM Manufacturing Index – 9:00am

Thanks for reading.

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