

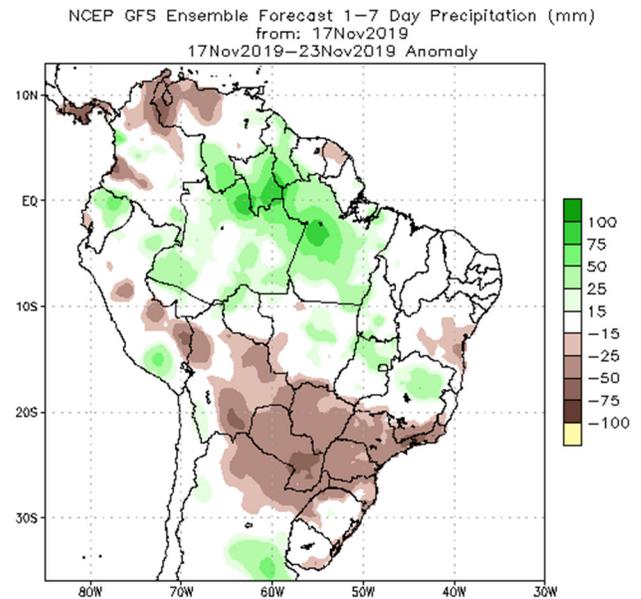
Weather

No changes to the forecast in South America over the weekend. Rainfall totals in northern Brazil over the next two weeks should average near normal and these should be fairly evenly spread out throughout the period. We have seen some moderation in the hot temps in northeastern areas over the weekend and that should continue over the next few days. We should see AN temps return during the 6-10 and 11-15 day periods, though the heat does not look extreme.

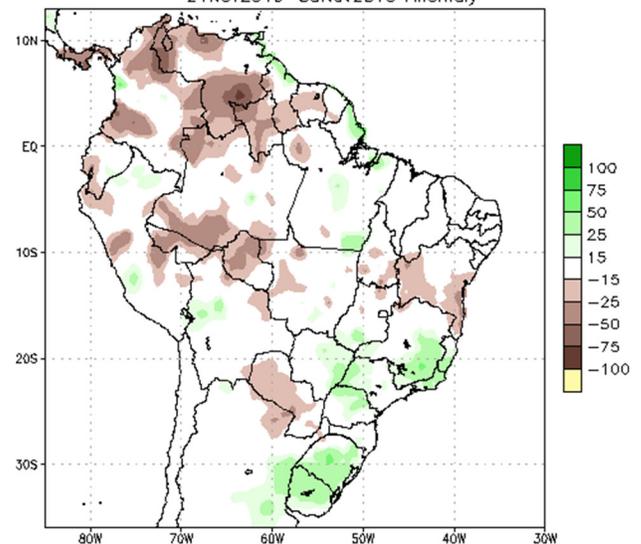
Southern Brazil should also see near normal rainfall over the next two weeks. We'll see a lot of dry weather over the next few days but rainfall chances will return late this week and during the weekend and this should kick off an active 6-10 day period. Some additional rains will fall in the 11-15 day period. Temps should generally average above normal this week with a lot of 90+ highs. The arrival of rainfall this weekend should help temps cool off a bit.

Rainfall in Argentina over the next two weeks should range from near to slightly above normal. The biggest rainfall amounts will favor Cordoba. We'll see some scattered rains through the region over the next few days but the activity will become more organized on Wed/Thu with some decent totals expected. Rainfall will then be quiet for another few days before picking up over the weekend and continuing through early next week. This period should be able to see some fairly big totals develop. Rainfall should decline after that and while the 11-15 day period likely won't be completely dry it does hold BN precipitation odds for most of the growing region. Temps should average above normal over the next few days with highs into the 90s and some 95+ readings at times. Cooler conditions expected this weekend.

We have another few days of clear weather in the middle of the US but we should see the next storm system develop around midweek that will produce some fairly decent precipitation amounts through the Plains and portions of the Corn Belt. For now it looks like most of this precipitation should fall as rain. Temps today are still a bit below normal but we should be looking at relatively warmer weather going forward over the next two weeks.



Bias correction based on last 30-day forecast error
CPC Unified Precip Climatology (1981-2010)
NCEP GFS Ensemble Forecast 8-14 Day Precipitation (mm)
from: 17Nov2019
24Nov2019-30Nov2019 Anomaly

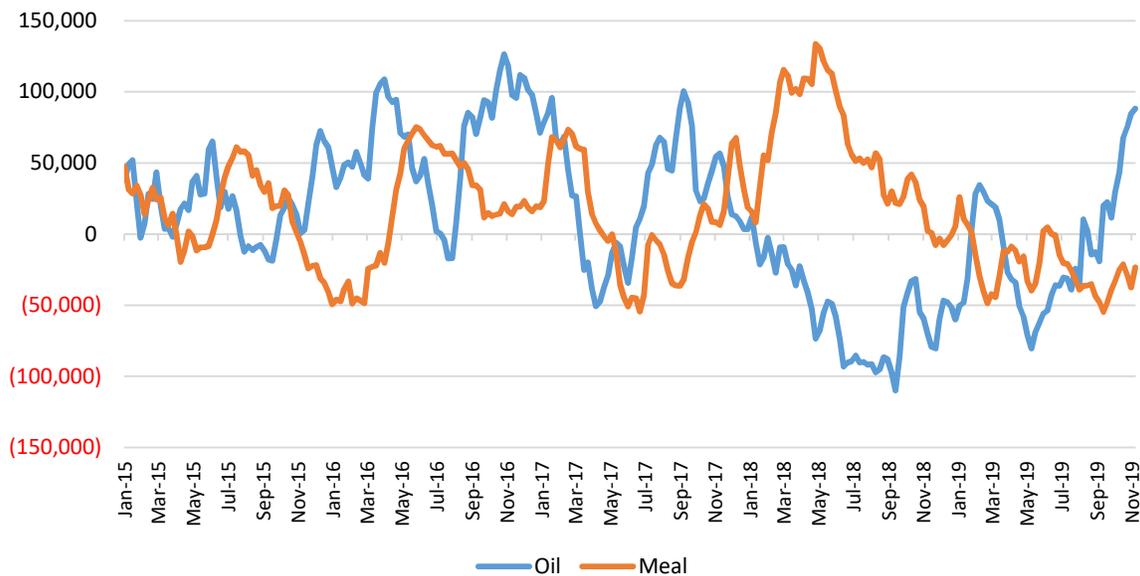


Bias correction based on past 30-day forecast error
CPC Unified Precip Climatology (1981-2010)

Crops

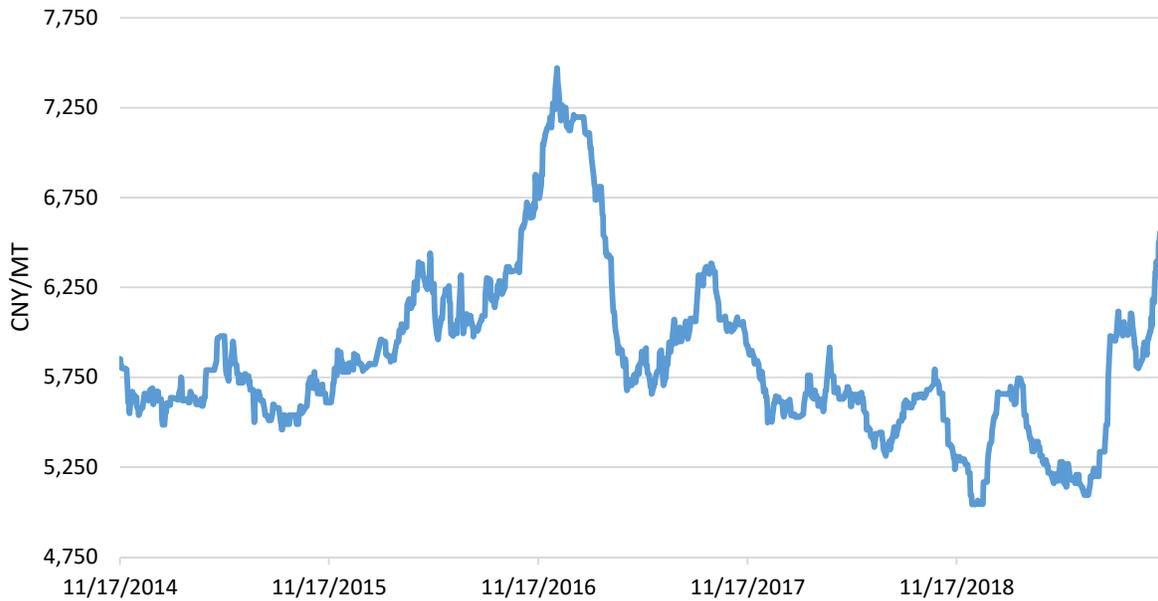
On Friday I noted that we should talk about soyoil for just a quick minute. I pointed out that funds are pretty loaded up with long positions in soyoil and, as a rule, have a fairly large offsetting position in meal to form the long oilshare trade. Below is the same chart I showed on Friday, but updated with the most recent COT data.

**Managed Money Net Position Comparison
 Soyoil vs. Soymeal**



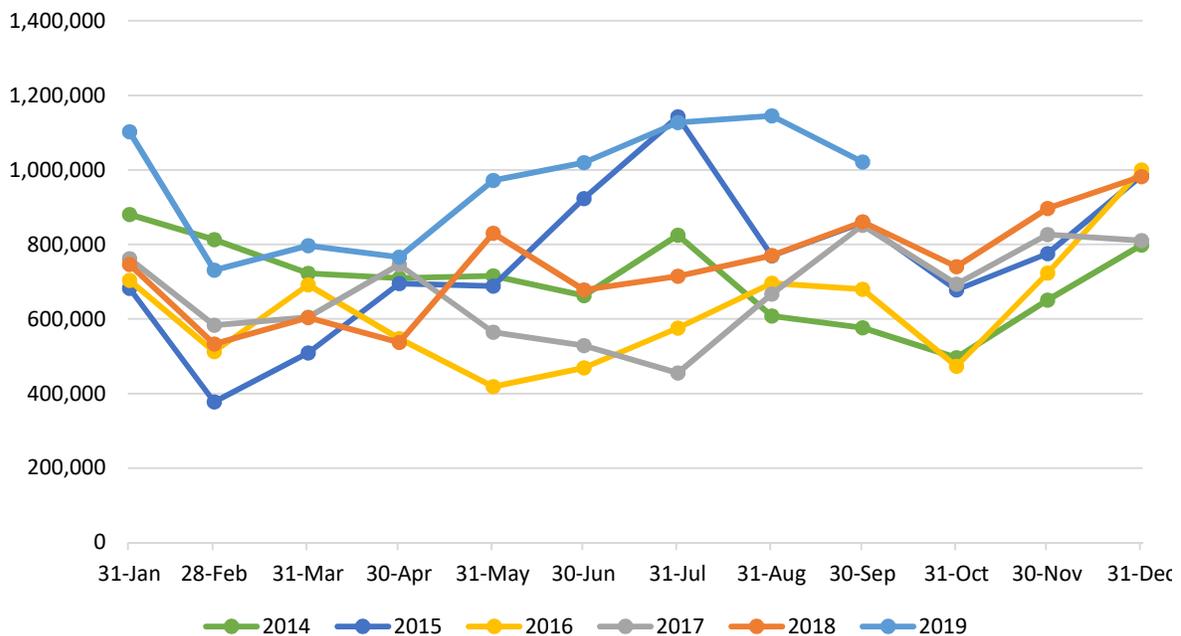
One of the big reasons for the interest in soyoil on CBOT is the surge in veg-oil prices around the world. I won't put a copy of palm oil futures here because I'll assume you've already seen it. Veg-oil prices around the world are and no more so than what we're seeing in China right now. The chart below is a basket of cash soyoil prices in 5 different locations in China. You can see that we've rallied sharply from the beginning of the year and are looking at the highest prices since late 2016. The obvious culprit here is the lower soybean crush over the past year or more. This is also feeding into higher meal prices now (as discussed previously) but the oil situation is different because there hasn't presumably been any reason to suspect a loss in demand for oil. For meal, the herd reductions from ASF offset the lower crush for a while, but that has not been the case for oils.

China Cash Soybean Oil "Basket"



China has worked around this issue for a while now by importing larger than normal quantities of veg-oils. The chart below combines imports of soyoil, palm oil, sunflower oil, rapeseed oil, and a few others for a total veg-oil import estimate. You can see imports during the course of 2019 have been easily above normal and this is clearly a supporting factor in palm oil prices, CBOT soyoil prices, etc.

China Total Veg-Oil Imports

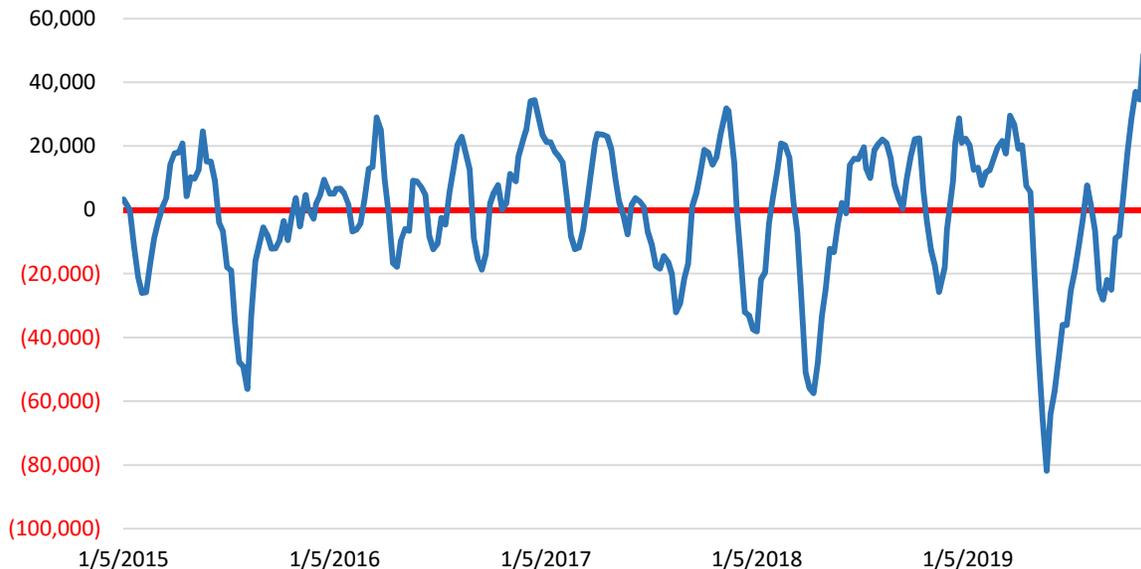


What is my point this morning? Well, *both* Chinese soyoil and soymeal prices have been advancing (admittedly, the advance in meal is still uneven and choppy) to the point that crush margins in China are looking fairly strong. This should lead to increased imports of soybeans for crushing, although certainly the deal-on/deal-off nature of negotiations does complicate that outlook a bit. IF we do see an increase in Chinese crush consumption that could lead to few imports of other veg-oils. This could lead to a correction in the price of palm oil and that would eliminate an element of support for CBOT soyoil and the sizeable oilshare long within the MM crowd. Certainly no shortage of what-ifs involved in that outlook...but something I think worth keeping in mind with positioning this stretched.

Livestock

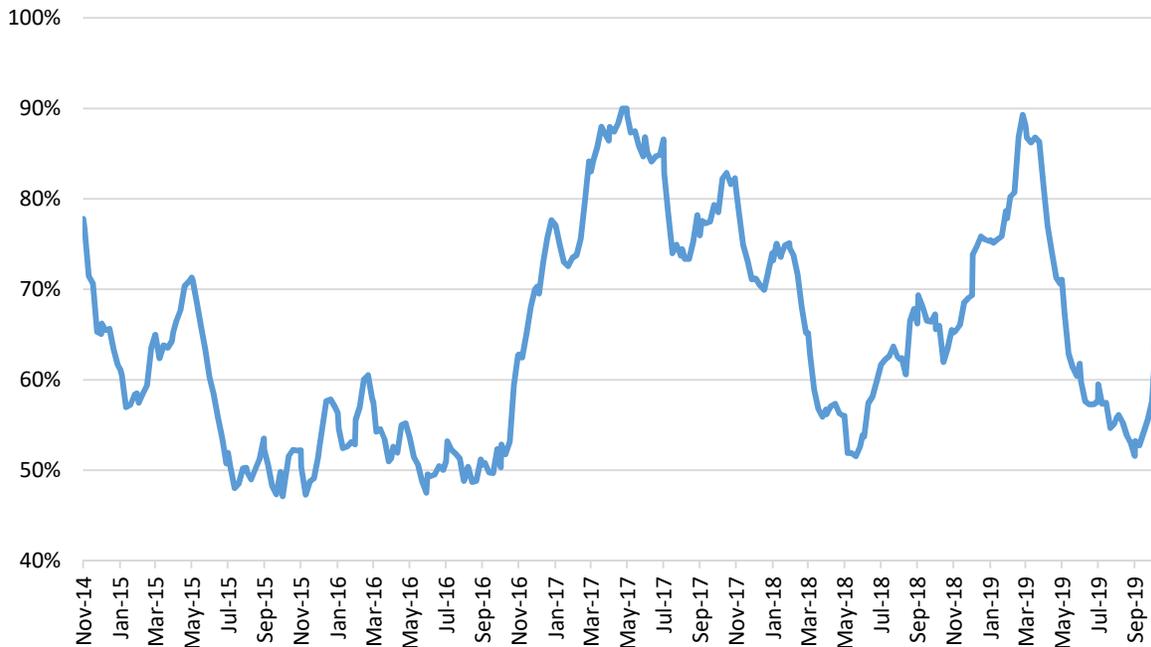
Friday’s COT numbers showed continued MM buying in cattle and the price action late last week would probably indicate next Friday’s report should show some additional buying. I showed this chart last week, but it is probably worth repeating one more time. This shows the past 4 weeks of MM buying in LC has been some of the most “aggressive” we’ve seen in the past several years.

Live Cattle - 4-Week Total Change in MM Net Position



As you would expect, this has allowed for some better hedging opportunities and the estimates based on the COT numbers show feeders have been taking advantage. The chart below shows my best guess for the percentage of COF hedged on the board. We’ve seen a surge recently taking advantage of the sharp rally in prices, though I’ll admit I’m a little surprised the hedging hasn’t been a bit more aggressive considering the straight-up market action. Again, it is worth noting this only covers through last Tuesday, so this Friday’s COT data should probably show further increases in hedging activity.

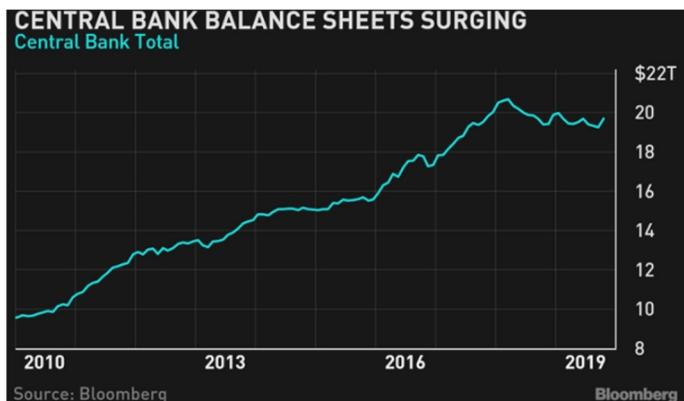
Estimated % of COF Hedged



Financials

I really don't see anything new to report this morning. Hong Kong protests continue to rage on. The impeachment circus will resume tomorrow here in the US. China has cut short-term interest rates overnight, which I guess is "new" but it isn't something that was unexpected. The BP is higher this morning as the markets grow a bit more confident in PM Johnson's election plans (the election will be Dec 12) as polls show his party well ahead of his rivals. We are hearing of additional "constructive" trade talks over the weekend, but that sort of headline certainly isn't anything new and the market clearly seem fed-up being jerked-around by every meaningless trade negotiation headline now. It seems the headlines remain focused on the same old things, but the only thing that has really changed in the past month or two is the action from Central Banks.

This is especially the case with the Fed, but central banks around the world continue to pump liquidity into markets. The chart below is Bloomberg's chart of the day, and I agree this largely cuts through the trade headline BS and gets to the point of the matter. Central banks have resumed pumping liquidity into markets and this should be supportive to equity prices on the margin...no trade headlines required.



Energy

My favorite headline of the morning reads “Oil holds near eight-week high on US-China trade deal optimism”. Apparently oil is the only market that is optimistic towards a deal this morning? I see little indication of strong deal-on action in other markets this morning. Still, the article is right that crude oil futures have been scaling the wall of worry lately and are trading near the highest levels seen since the Saudi attack. Perhaps instead of trading optimism of a trade deal, crude oil is instead re-pricing risks surrounding unrest in the Middle East. You may have seen the reports from the weekend showing riots and demonstrations throughout Iran. Getting less coverage is the ongoing protest spread through Iraq, and these have been going on for some time now. The protests in Iraq are even taking place in the key oil exporting hub of Basra, though no problems with oil flows are being reported yet. Though any trade optimism would certainly be supportive, if you’re hoping for crude oil to break out of the recent trading range in a meaningful manner you’re probably going to need some sort of help from supply. Protests in the Middle East might be one way that could happen...

Today’s Calendar (all times Central)

- NAHB Housing Market Index – 9:00am
- Export Inspections – 10:00am
- Crop Progress – 3:00pm

Thanks for reading.

David Zelinski

dzelinski@nesvick.com

901-766-4684

Trillian IM: dzelinski@nesvick.com

Bloomberg IB: dzelinski2@bloomberg.net

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