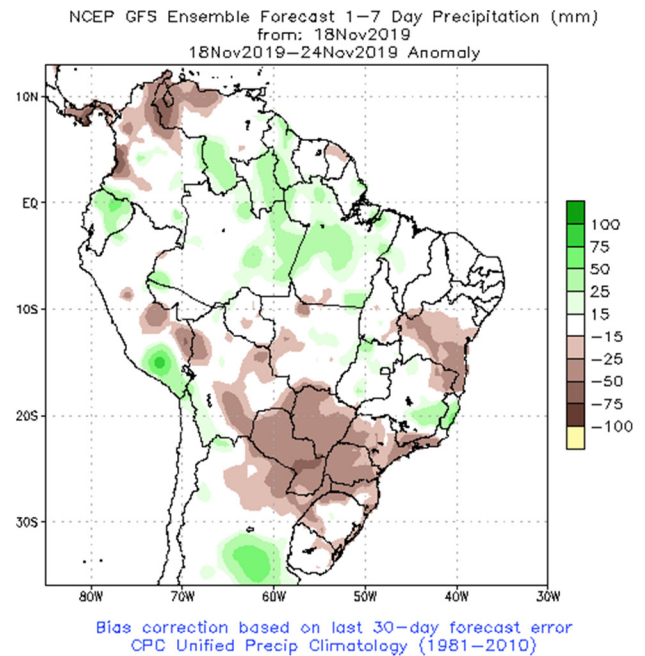


Weather

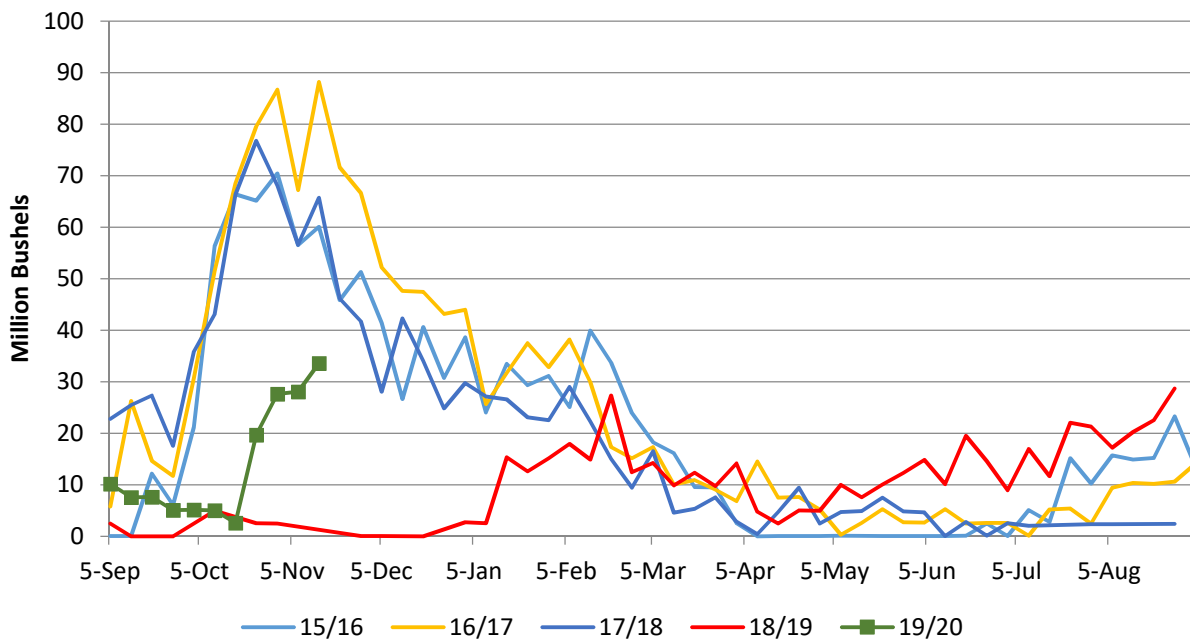
There is nothing new to report on the weather this morning. The bottom line to the South American forecast is that most growing regions, in both Brazil and Argentina, should see at least near normal precipitation during the next two weeks. Northern Brazil will see daily chances for showers over the next two weeks. In southern Brazil and Argentina the “good” rains will primarily be seen during the 6-10 day period. No extreme temps are expected, though some above normal temps will be seen at times.

Crops

It might be worth pointing out that the past week’s soybean export inspections to China were probably the biggest since the trade war began. The chart below shows the past several years of inspections to China, and if you want to say the trade war started in Feb/Apr of 2018 (when retaliatory tariffs were placed on US soybeans) then this is easily the biggest week of shipments since then. It is still nothing like what we were accustomed to seeing at this time of year before the trade war, but if we’re being honest with ourselves we might not see such concentration of our shipments to China ever again??



Soybean Export Inspections - China

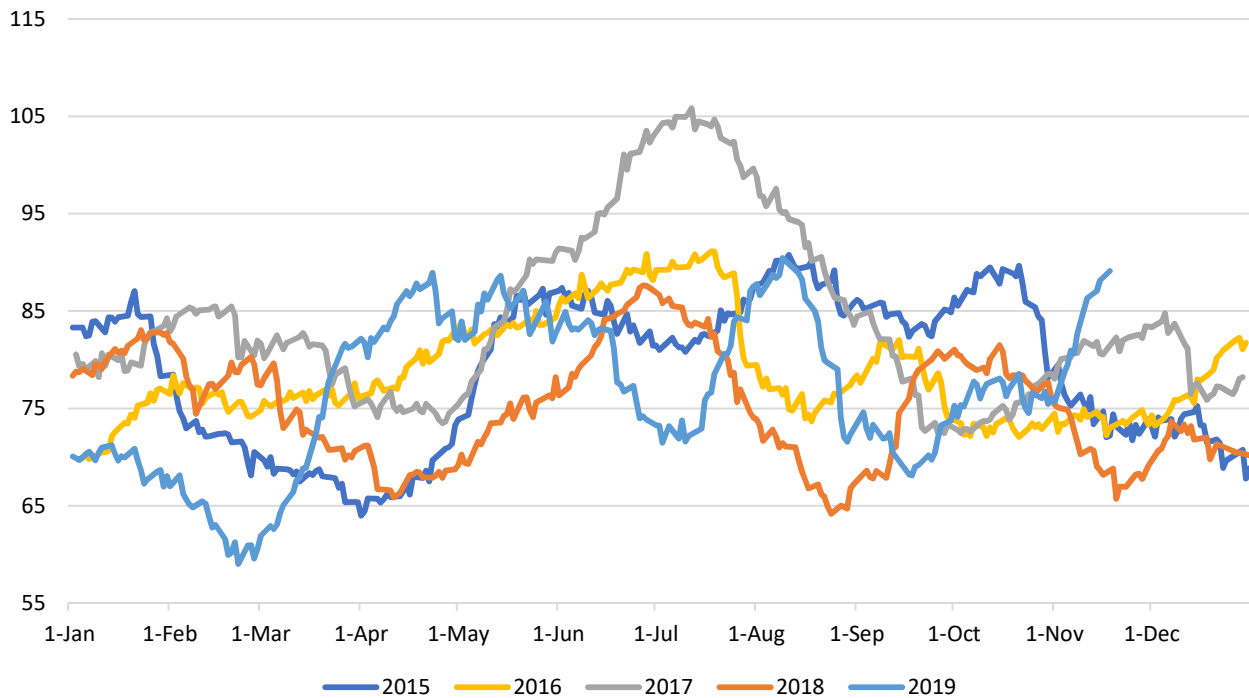


Export sales to China and the rest of the world last week were said to be very strong. Despite only a few flash sales, I'd look for Thursday's export sales report to possibly show 1.5-2.0 mmt of soybean sales. It also sounds like the entire world is very "spot" in terms of their demand needs, so that might keep business somewhat active in the coming weeks.

Livestock

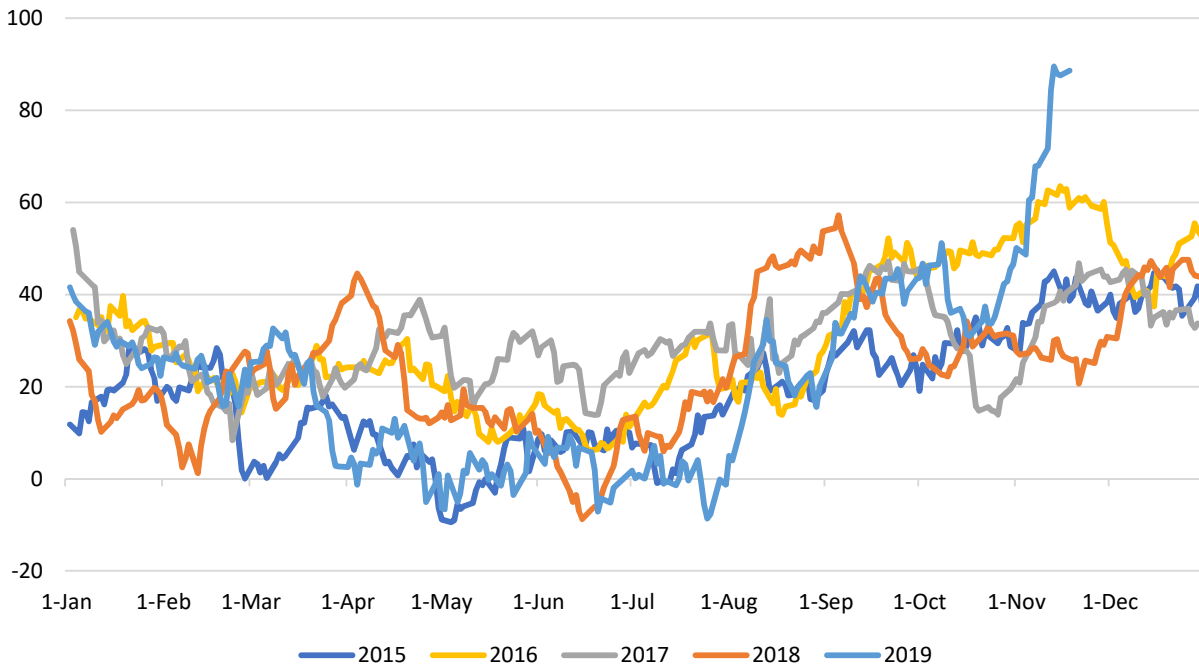
I know I pointed this out last week but I remain a little stumped that the strength in the pork cutout cannot seem to translate into higher cash hog prices. The chart below shows the carcass value, and we put in new highs again yesterday just under the \$90 mark. This is the highest value for the cutout at this time of year since 2014 (not pictured). It also represents somewhat counter-seasonal strength.

USDA Pork Carcass Value



The chart on the following page shows what is happening with this increase in pork values – it is heading right into the packer's pocket. Now I don't mean to imply the packer doesn't deserve to pocket some of the profit here, but I'd also think some of that might translate into higher money for hogs as well. I find it a little interesting that in 2014, the last year where the carcass value was higher than it is at present, packer margins were the *lowest* we've seen in years. Of course in 2014 we had PEDv in the US and it is probably an unfair apples-to-oranges comparison, but still..

HedgersEdge Estimated Pork Packer Margin



Financials

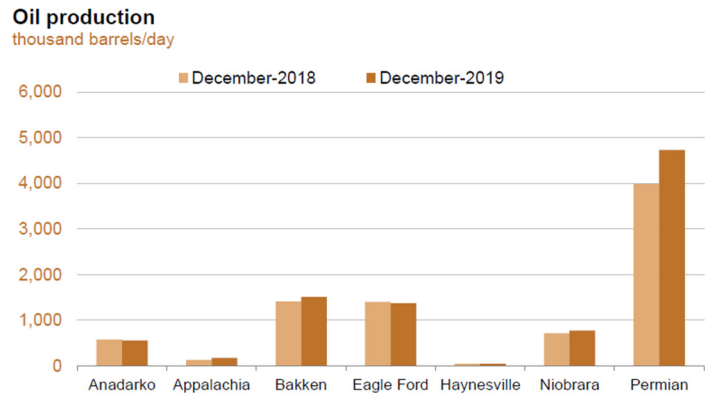
Again, we have nothing but the same old tired headlines this morning. The good news of the day is that the standoff in Hong Kong appears to be calming down a bit. The standoff at the university seems to be cooling off a bit and schools will reopen on tomorrow after being closed for roughly a week. Not calming down will be the impeachment proceedings here in the US, with another wave of testimony set to begin later today. President Trump said yesterday he is “strongly considering” testifying as well, which...well, we’ll just have to see about that. We learned yesterday that President Trump and Sec Mnuchin had a “cordial” meeting with Fed Chair Powell. The Fed’s statement was as bland as you’d expect from them, and Trump’s comments on the matter are exactly what you’d expect from him as well. I’ve copied his most recent tweet on the subject at the right. The dollar weakened a bit on the news of the meeting yesterday, but all things considered the dollar has held together fairly well considering the President of the US is now directly engaging the Chairman of the FOMC to complain about dollar strength and interest rates. Trump’s Fed bashing is nothing new, but to the best of my knowledge this is their first face-to-face in quite some time. It will be interesting to see how Trump’s rhetoric develops in the months ahead. The market is clearly of the belief the Fed will hit the pause button on rate cuts right now, and we’ve shown before that the Fed essentially just does whatever the market tells it to do. If the Fed is truly done cutting rates for now, like the market implies, Trump’s Fed protests could get more interesting.



Donald J. Trump @realDonaldTrump 8h
 At my meeting with Jay Powell this morning, I protested fact that our Fed Rate is set too high relative to the interest rates of other competitor countries. In fact, our rates should be lower than all others (we are the U.S.). Too strong a Dollar hurting manufacturers & growth!

Energy

The EIA released its monthly Drilling Productivity Report yesterday, and with all the negative sentiment towards the US shale industry these days this might be a report worth paying more attention to in the months ahead. The report showed an increase in the EIA estimate of shale oil production for the month of November, up to 9.08 mbpd from their previous estimate of 8.97 mbpd. They also released their forecast for the month of December, calling for a further increase to 9.13 mbpd. This would be a modest YOY increase, and you can see in the chart at the right that this is almost entirely due to gains in production at the Permian shale field.



Today's Calendar (all times Central)

- Housing Starts – 7:30am

Thanks for reading.

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