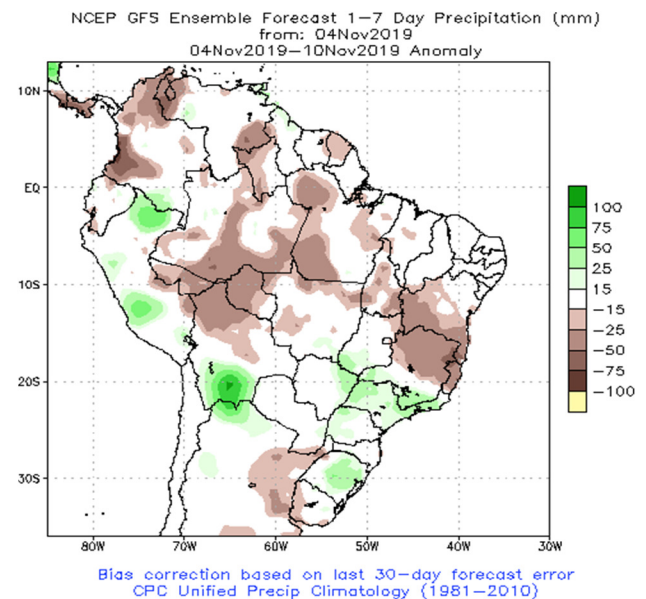


## Weather

Nothing new in the forecast this morning. Rainfall in northern Brazil will improve in the second half of this week and continue through the end of the two week period. Argentina meanwhile is not looking at a lot of rain over the next two weeks. Maybe near normal at best in some western areas but mostly below normal.

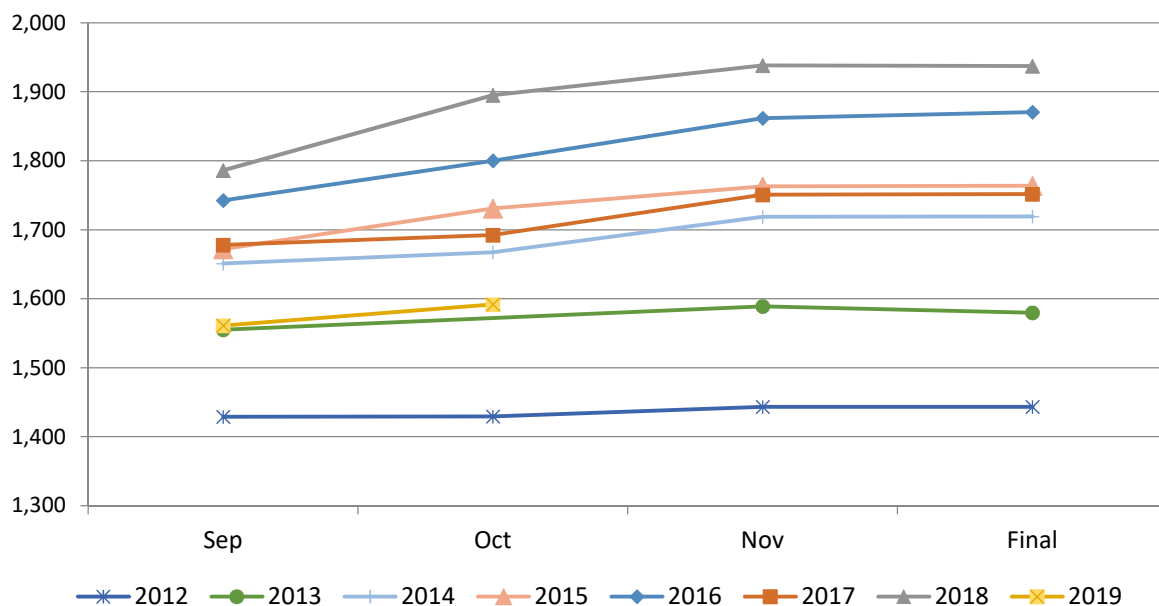
## Crops

We'll look ahead to Friday's corn and soybean yield updates from NASS today and tomorrow. However, I need to point out from the beginning that the Nov and especially Jan reports are where I basically throw my hands in the air and say "meh, we'll just see what happens". The Aug, Sep, and Oct reports typically follow some fairly predictable patterns. I would argue that I've done a pretty decent job in getting our minds right ahead of these reports, though I'll welcome any dissenting opinions. For this week and especially the Jan reports, there just isn't a lot more data manipulation we can do to predict what USDA will say. From this point forward, we've just got to see how the cards are dealt and react.

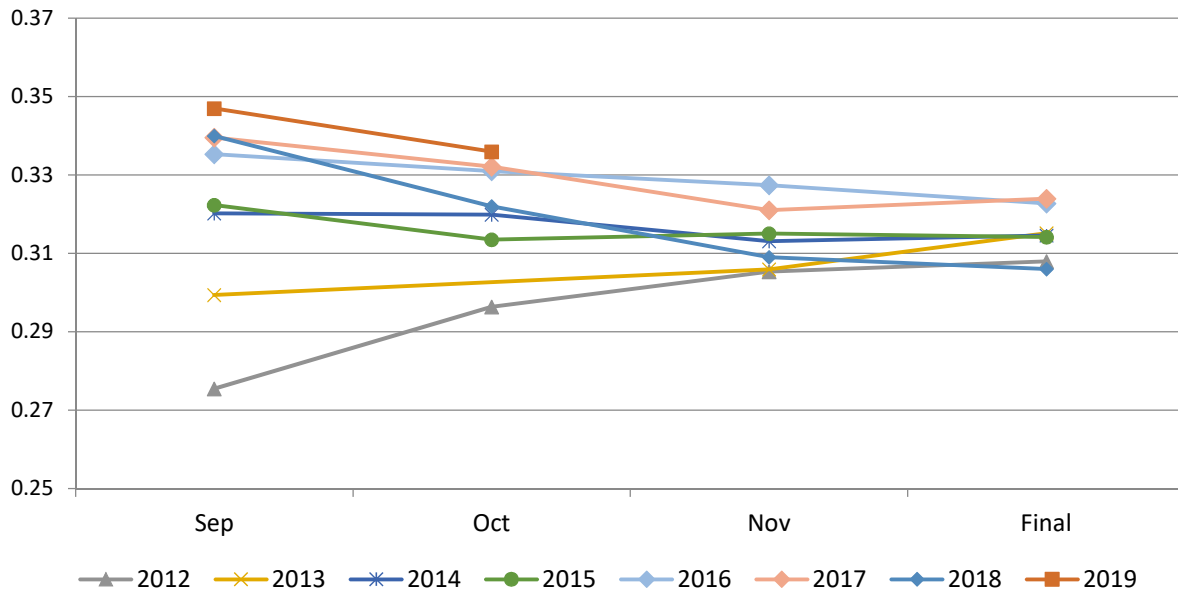


Today we'll look at soybeans. Here is what we know....pod counts will continue to increase and pod weights will continue to decline. See the historical tendencies below:

**NASS 11-State Soybean Pod Count Progression**

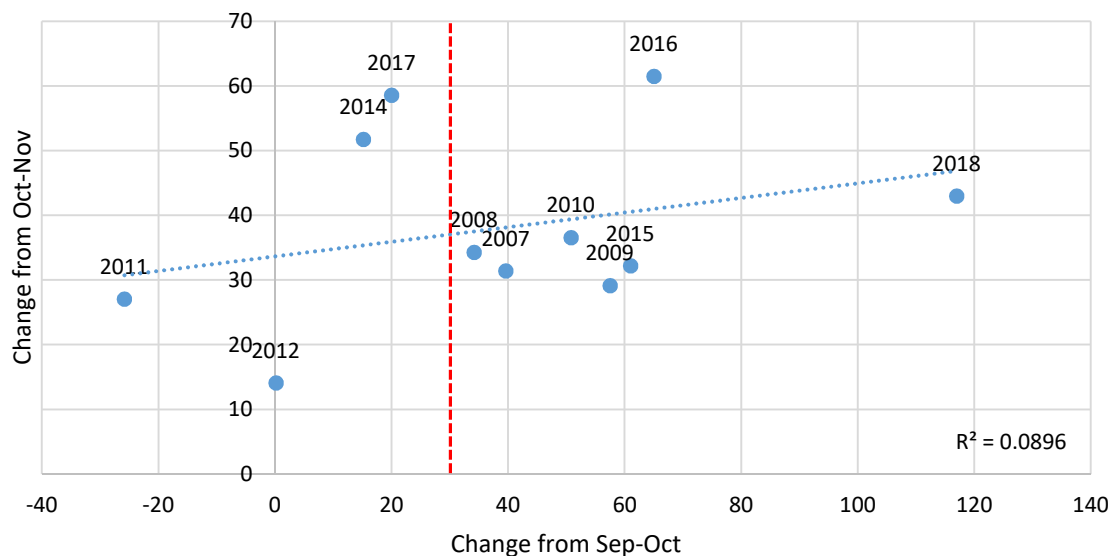


**NASS 11-State Pod Weight Progression**

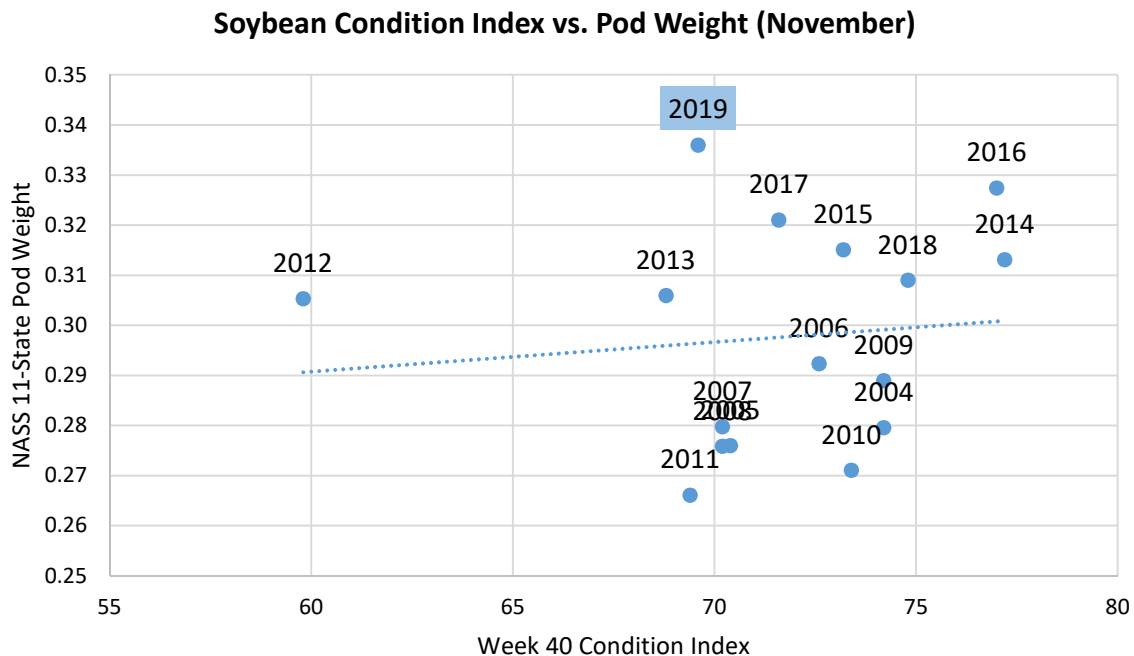


The pod count increase from Sep to Oct was lower than expected. Is that any indicator as to whether the pod count increase from Oct to Nov will be big or small? The chart below shows that the change from Sep to Oct is no indicator of what to expect from Oct to Nov. The chart below is essentially worthless, meaning unfortunately there just isn't any way to guess pod counts.

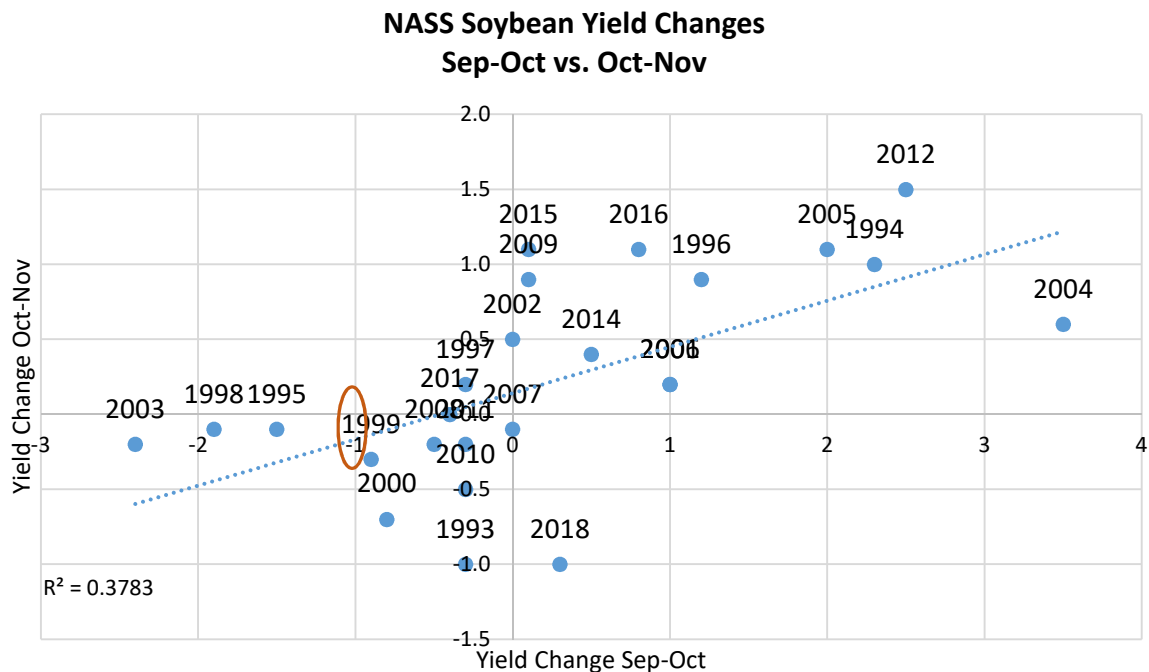
**NASS Pod Count Change  
 Sep-Oct vs Oct-Nov**



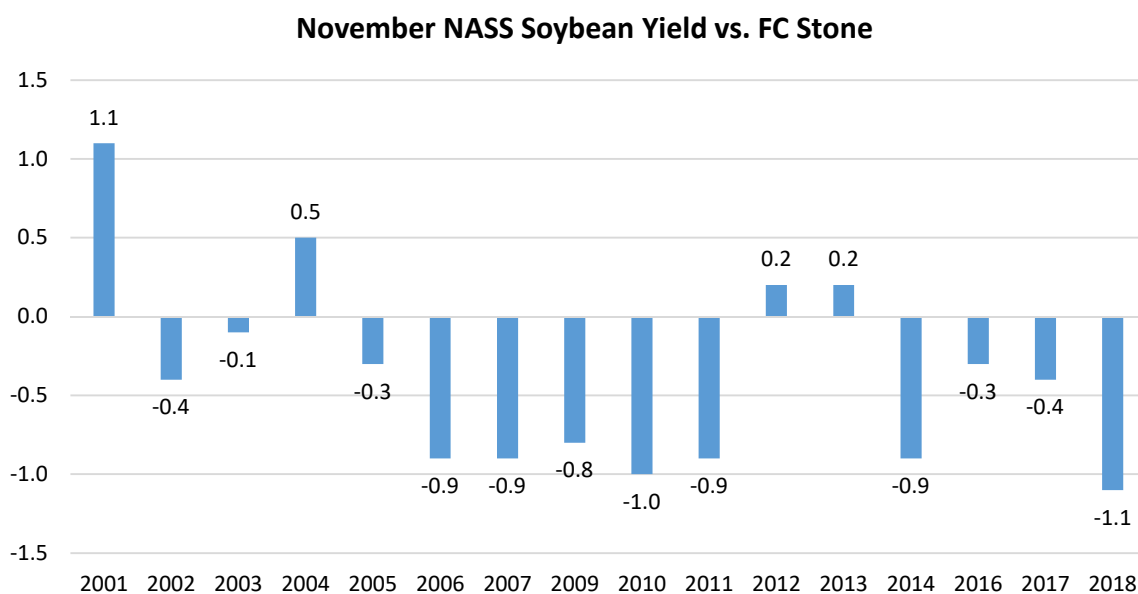
What about pod weights? The best we have is condition ratings, but even that isn't especially helpful as you can see below. The October pod weight is highlighted as the 2019 point below, and you can see it clearly stands out as "big" relative to condition ratings. However we have to keep in mind that lower pod counts should lead to higher pod weights and the general tendency has been towards bigger pod weights over time. Based on some back of the envelop math, we could keep yields relatively near unchanged with an "average" increase in pod counts and a decline in the pod weight to something in between the 2016 and 2017 levels shown below.



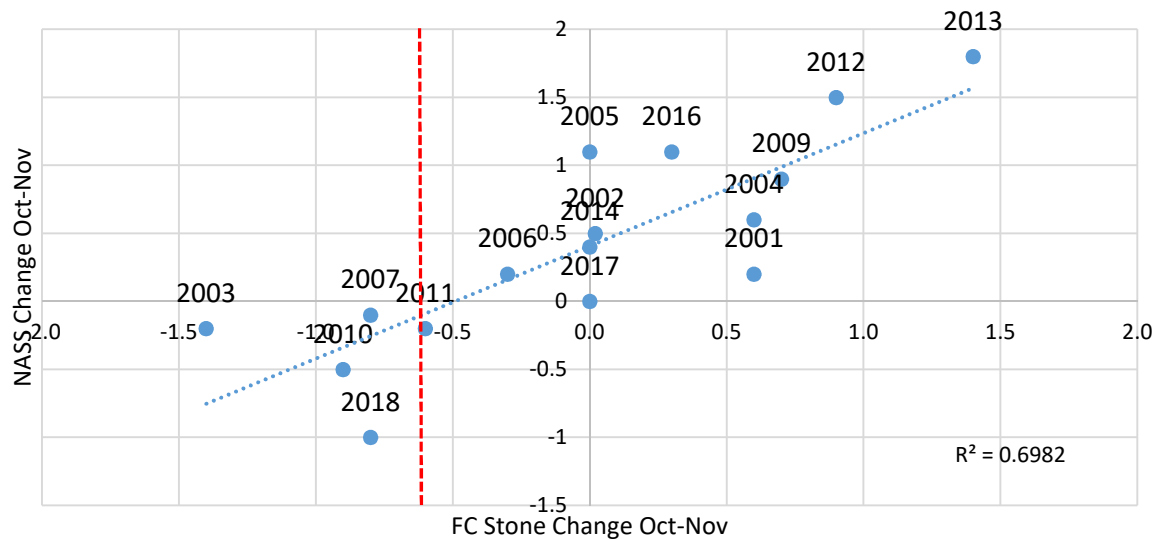
What else can we lean on? Well, the chart below shows that NASS has a tendency to go in the same direction in November as they do in October. The relationship is far from perfect, but since 1993 there has only been one year that saw an increase in Oct-Nov after seeing a decrease from Sep-Oct (1997). The oval on the chart shows this year's Sep-Oct decline.



What about the FC Stone figures from last week? As shown below, FC Stone has a pretty solid tendency to come in big vs. the November NASS figures. Please keep in mind I'm missing data on the 2008 and 2015 FC Stone November estimates (if you have those, please pass my way), but the tendency is pretty obvious if you ask me. In the second chart there is a very strong tendency for NASS to follow in the same direction as FC Stone in the change from Oct-Nov. Only in 2006 did NASS modestly increase their soybean yield after FC Stone posted an Oct-Nov reduction.



**Change in FC Stone Soybean Yield Oct-Nov  
 vs. Change in NASS Soybean Yield**

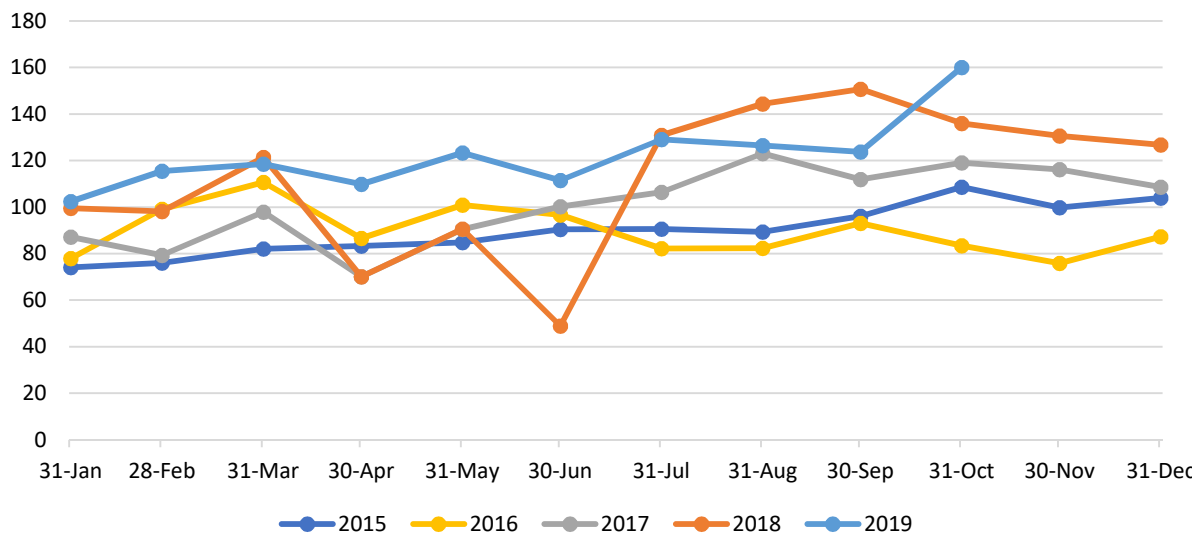


What's my bottom line? Well, as mentioned initially the November and especially January Crop Production reports are notoriously tough to predict, so I'll concede confidence is not especially high. That being said, all of the above would seem to point in the direction of a *modestly* lower soybean yield from NASS this week.

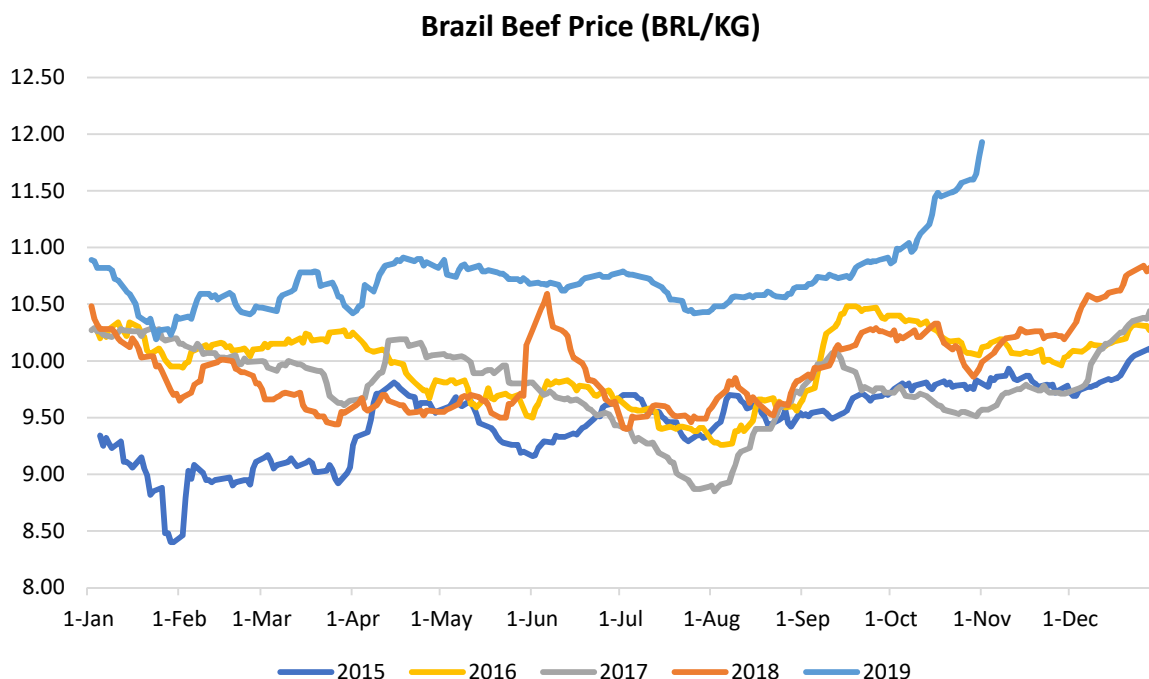
## Livestock

Yesterday Brazil reported trade data and on beef exports they posted a new record high. You can see this in the chart below. With China sucking up a lot of supply out of NZ/AU, that leaves Brazil and maybe to a lesser extent the US as key suppliers of beef to the remainder of the world. Brazilian beef exports have certainly come a long way since rock-bottom early in 2018 after the food-safety scandal.

**Brazil Beef Exports (1,000 mt)**



Let's start keeping a closer eye on Brazilian beef prices, however. Note below...Brazil beef prices are at their highest levels in several years. There isn't a good comparison vs. US levels (Brazil beef is mostly grass-fed, for one reason) but if prices continue to push higher it might limit their export demand?

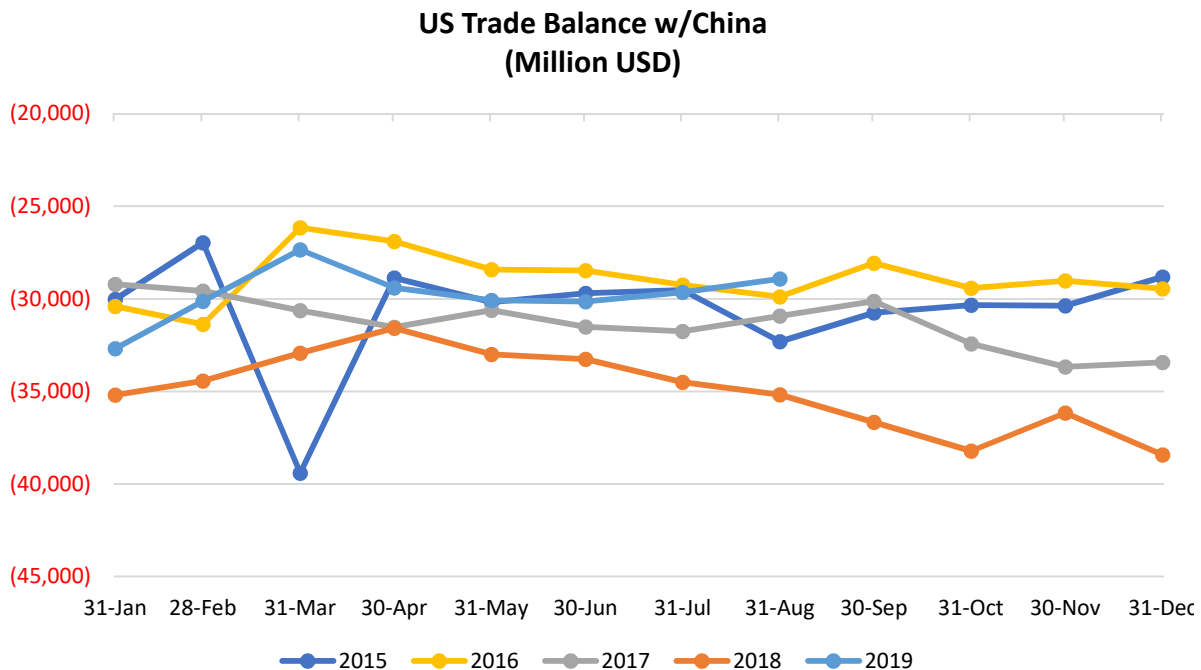


## Financials

There isn't much new information to pass along this morning. The main item producing headlines this morning is Chinese President Xi's speech from Shanghai overnight. The speech didn't really contain much new...he continued to say China would "open its doors only wider" to the rest of the world. He said "we must all put the common good of humanity first rather than place one's own interests above the common interests of all"...a likely swipe at Trump's "America first" mantra. Behind the scenes in the US-China trade negotiations, reports have surfaced suggesting China is looking for a roll-back in previous tariffs before agreeing to President Xi traveling to the US. Previously some had thought the "deal" would only eliminate further tariffs, but considering the USTR is already allowing for several exemptions to the current tariffs this would seem like something that the Trump administration could probably work through without major complications. Otherwise, I just don't see any other major headlines to report this morning.

Though probably not a market-moving number, today's trade balance figures will be worth keeping an eye on in the context of the ongoing trade war. The trade deficit with China continued to expand in the early days of the trade war, posting new record large trade deficits late in 2018. However, Census data has shifted in 2019 and as you can see in the chart last month posted one of the narrowest trade deficits we've seen in several years. One could make the argument that perhaps we front-run demand with strong imports to beat expected increases in tariffs, or maybe supply chains are already moving around. Whatever the case is, the trade deficit has definitely

narrowed and the proposed Phase 1 trade deal (and its agricultural purchases) might improve things further. Something to keep in mind...



## Energy

OPEC has released an annual report with several projections of supply and demand. The highlight of this year's release appears to be the fact that OPEC itself is projecting the demand for its own oil will decrease fairly sharply over the next several years. Their projection calls for a 7% slide in demand for OPEC oil in the next four years, dropping to an average of 32.7 mbpd by 2023. One big reason for the decline is OPEC's forecast for US shale production, which they are forecasting will grow to 17 mbpd by 2025. That would mean the US would account for one-fifth of total global daily production at that time. Brazil, Norway, and several other countries are also expected to increase production, though nothing near the rate expected from the US.

## Today's Calendar (all times Central)

- Trade Balance – 7:30am
- JOLTS Job Openings – 9:00am
- ISM Services Index – 9:00am
- A few Fed speakers

Thanks for reading.

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