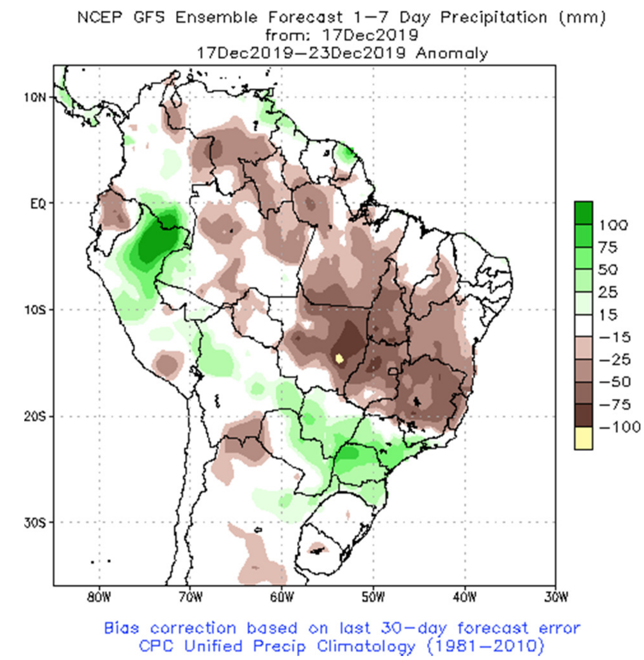
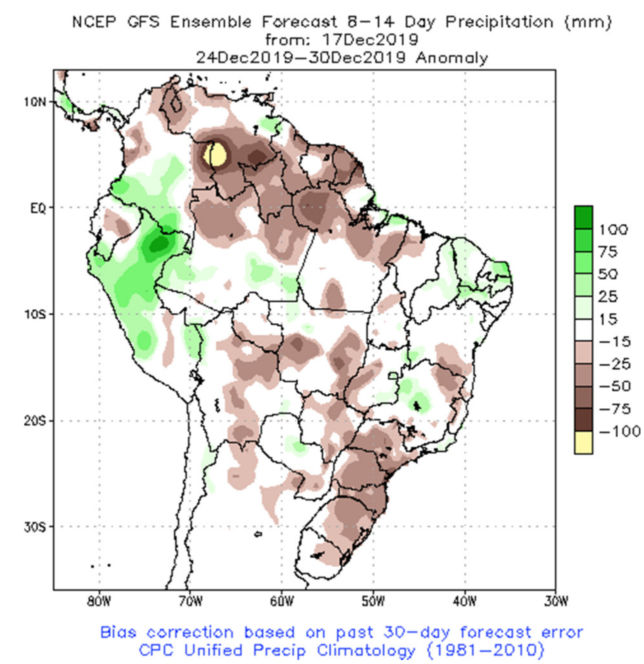
Weather

No big changes in the forecast overnight. In Brazil, northern portions of the country should continue to see relatively minimal rainfall over the next couple of days. There will be some rains, but rainfall totals will run well under normal, as indicated in the map at the top right. Instead, rainfall in Brazil during the next several days should continue to focus on a stretch from MGDS to Parana, where excellent coverage of big rainfall totals will likely fall. Some rains will fall in RGDS during that period too, but amounts will simply be near normal. In Week 2 of the forecast, rains should improve in northern Brazil but still only to near normal amounts. Rainfall amounts will run below normal in southern locations.



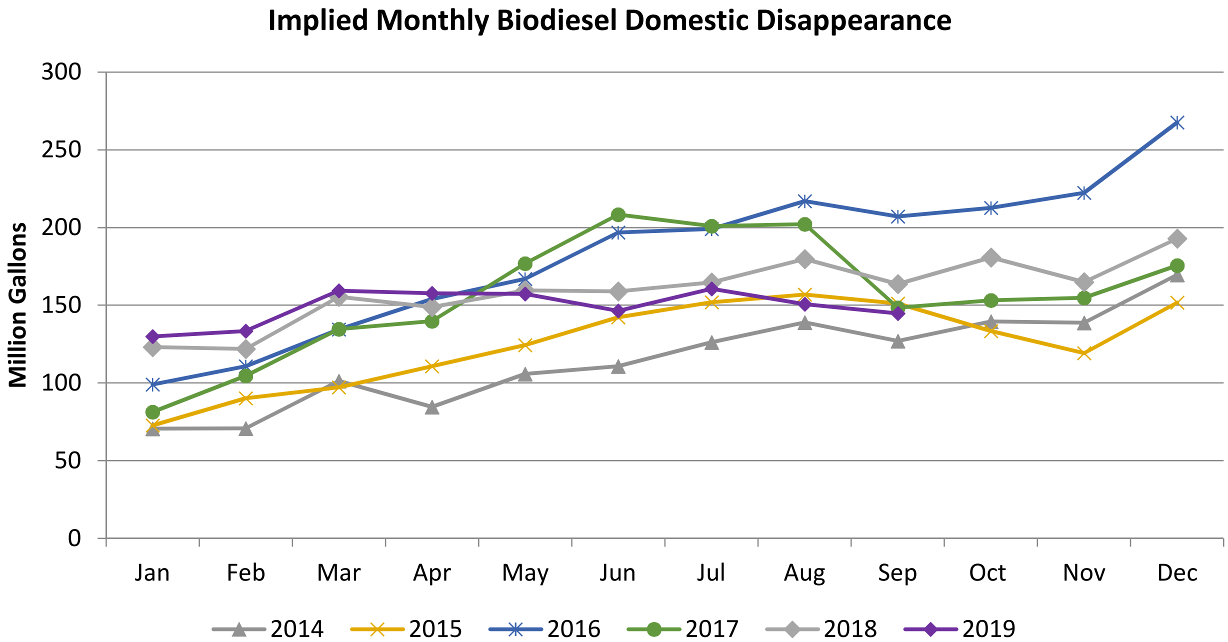
Argentina is still expected to see fairly minimal rainfall chances over the next few days. The exception will be extreme northern areas which could see some nice amounts. Forecast models still indicate a solid uptick in rainfall potential in Week 2 of the forecast, though they are split on how much rain will fall. The GFS model remains more optimistic towards rainfall totals than the Euro. Even the Euro would feature good 1-2" rainfall totals through a good portion of the growing region.



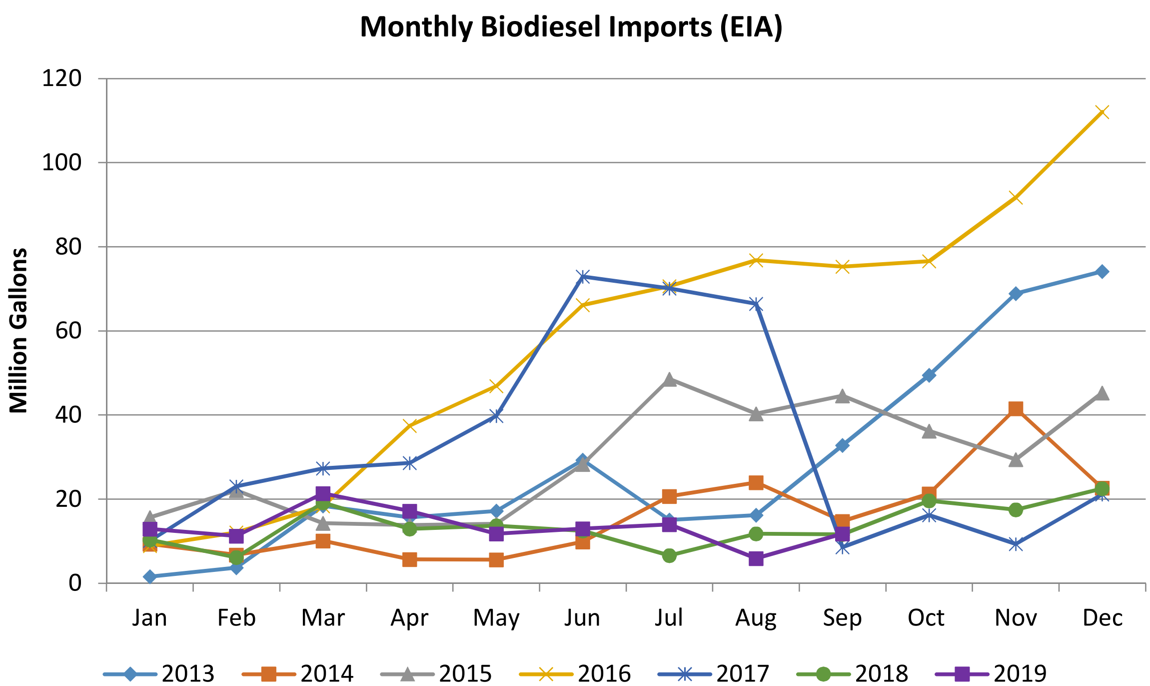
Crops

Interesting news yesterday that Congress was able to push through the biodiesel tax credit in the final version of the spending plan. A lot of the analysis I had read prior to yesterday seemed to be pessimistic towards the chances of getting the credit through, so yesterday's news is certainly good for the biodiesel industry and was certainly good for BO bulls. An important distinction between yesterday's news and prior years is that yesterday's spending bill allows for the tax to be retroactively applied AND it extended the tax through at least 2022. So in addition to providing a much needed boost to the industry, it provides pretty clear guidance for at least the next few years. That could be hugely important.

The most recent EIA data on biodiesel production, consumption, etc is only current through September, but in the chart below you can see that implied domestic disappearance of biodiesel this year has been nothing special. I would attributed a bit part of that to the uncertainty over whether the tax credit would be pushed through. With that uncertainty resolved and, more importantly, clarity on the future of the tax credit now in place I would expect that biodiesel disappearance figures would improve going into 2020.

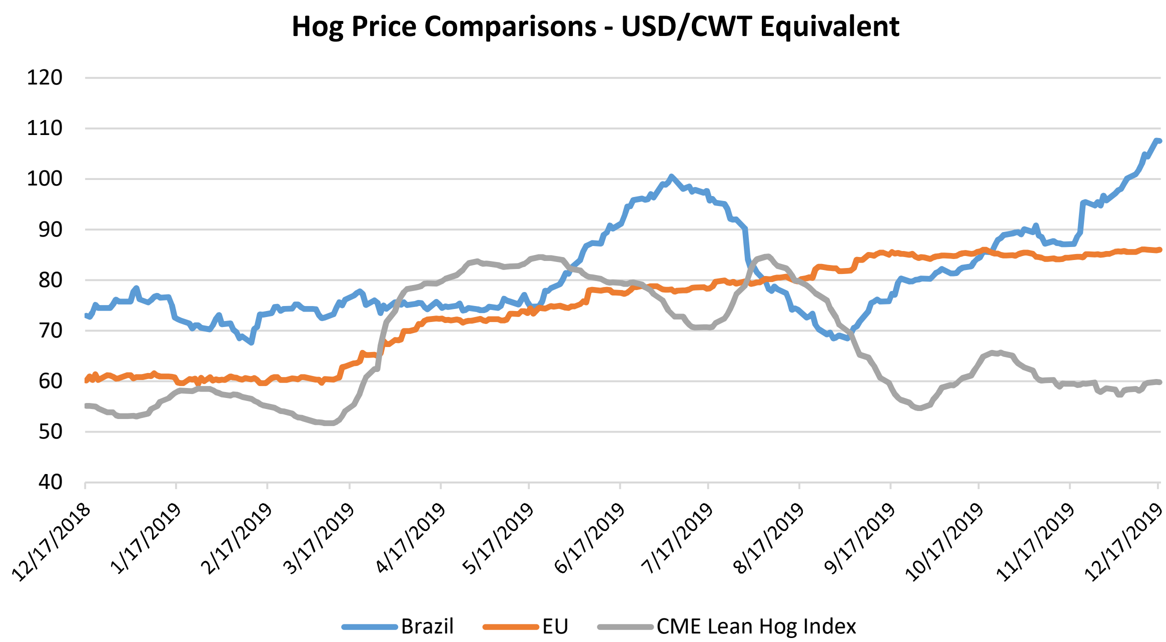


Keep in mind that the anti-dumping duties on imports of Argentine biodiesel imports remain in effect. This means any uptick in domestic disappearance would need to be met mostly by domestic production. This should be favorable for soyoil demand as well as the other components for biodiesel production.



Livestock

We haven't addressed global hog prices in a while so we can quickly look at that this morning. The chart below shows a comparison of hog prices in Europe, Brazil, and the US. I'm leaving China off the chart because we already know Chinese prices are miles above the rest of the world. What stands out to me below is the sharp rally in Brazilian price levels recently. We've pointed out several times in the past few months how exports of Brazilian pork (and beef) have really picked up. I wonder if demand might slow a bit with the rally especially relative to US prices which remain stuck in the mud.



Financials

Not much new information to pass along from overnight. Economic releases have been pretty quiet. The German Ifo business sentiment index was released and it was stronger than expected and showed improvement for a third consecutive month. This is certainly a good measure for a beat-up German manufacturing sector, but it remains to be seen whether this improved sentiment will feed into better PMIs. The item that is likely to generate headlines today is the impeachment vote in the House, which should take place later today after hours of official debate. This would make him the third president to be impeached. It would also set up a "trial" in the Senate in January. With Republicans in control of the Senate, I just don't see the path for removal here…but anything is possible.

Another tidbit on my sentiment towards the dollar this morning, this time thinking about what it might mean for equity markets. The chart below shows one of the biggest trends we've seen over this past decade. This shows the relative performance of the S&P 500 vs. the Euro Stoxx index of European equities. Since the beginning of 2010, the S&P 500 is up roughly 181% while during the same timeframe the European index is up "only" 24%. The outperformance of US equities during this timeframe has been absolutely massive. During the same period, the Euro has lost about 25% in value vs. the USD. IF we're truly looking at a change in the underlying currency regime, where the dollar weakens, then perhaps we should expect to see the US outperformance vs. Europe come to an end as well? Keep in mind a lot of the political holdbacks in Europe over these past few years have started to come to an end. Italian politics has calmed down, Brexit is nearing an end, etc. Admittedly, there are still a lot of other problems that might hit Europe, most importantly trade. With a US-China trade truce on tap it might leave the Trump administration to turn its attention to Europe next. That might be a big hurdle for European equities. Still, I think it is worth considering a world where European equities start to pull their weight more evenly.

Energy

Crude oil futures are trading slightly lower at the time of writing this morning following the API inventory release yesterday afternoon. API showed a build of 4.7 million barrels in crude oil stocks and a build of 5.6 million barrels in gasoline stocks. Prior to their release, most in the market expected the EIA to show a modest decline in crude oil stocks and only a modest uptick in gasoline. If that gasoline build is confirmed by the EIA today, it would be the largest weekly gasoline build since January.

Today's Calendar (all times Central)

- EIA Petroleum Inventories – 9:30am

Thanks for reading.

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