

Weather

No major changes to the forecast in South America. Rainfall over the next two weeks in northern Brazil should average near to slightly below normal with rainfall ranging from 2.5-5.0". Rainfall will probably be lightest over the next 7 days with rainfall increasing for Week 2 of the forecast period. Temps should average near to above normal over the next two weeks.

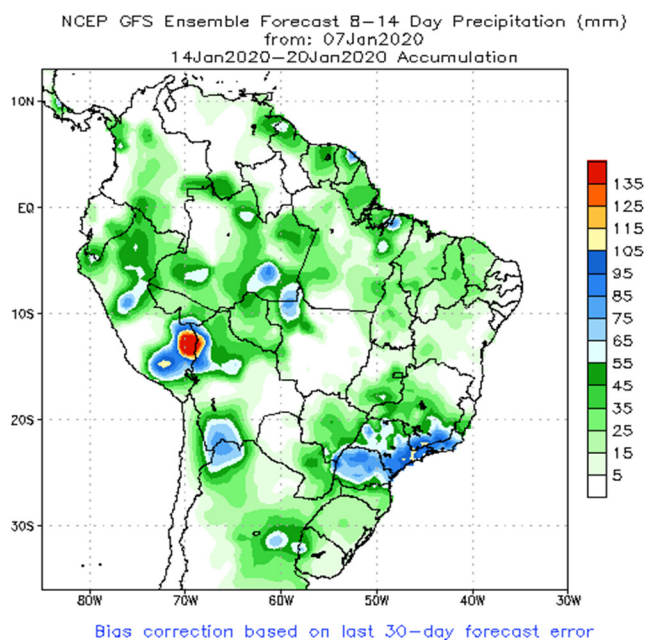
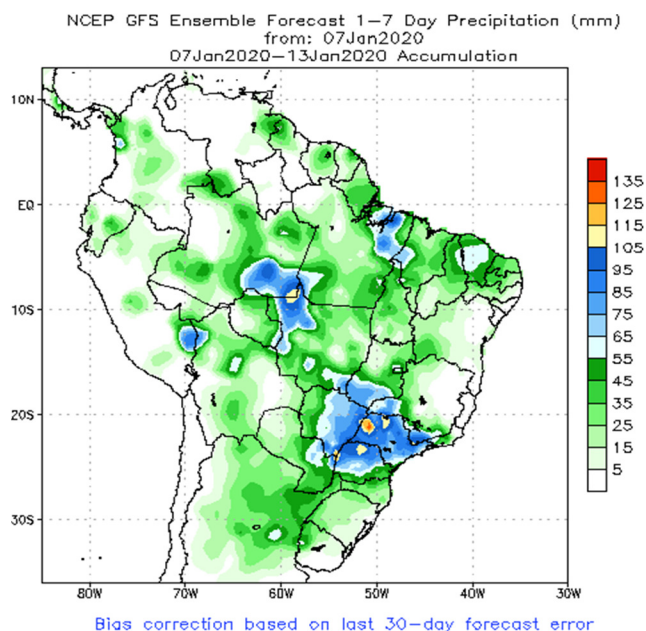
In southern Brazil we should see rainfall average near to above normal over the next two weeks with totals ranging from 2-5". All areas except RGDS will see rains over the next two days, then we should see rainfall return to RGDS on Friday and that will kick off a daily threat of rain through mid-month. Rainfall will likely diminish a bit for the 11-15 day period. Temps look likely to average near to slightly above normal over the next few days. We could see some highs in the mid to upper 90s tomorrow in RGDS, but cooler weather will return with the arrival of rainfall later this week.

Rainfall over the next two weeks in Argentina is expected to run near to below normal in main growing regions. The driest areas will be in the south with only 1-2" totals during the next two weeks. Areas further north could see rainfall totals from 2-3". It will be dry today but rains will develop tonight and we should see chances for rain continue through Tuesday. Additional rainfall will be seen mid next week. The remainder of the 6-10 day period would be dry and rainfall does not appear very active for the 11-15 day period. No major heat is likely to be a problem with cool temps expected.

No change in the near term outlook for the US. We have a huge divergence with warm temps in the southeast and very cold temps in the northwest. This will create a situation with very big precipitation totals in between. There should be very big rains that develop later in the week through the Mid-South and surrounding areas.

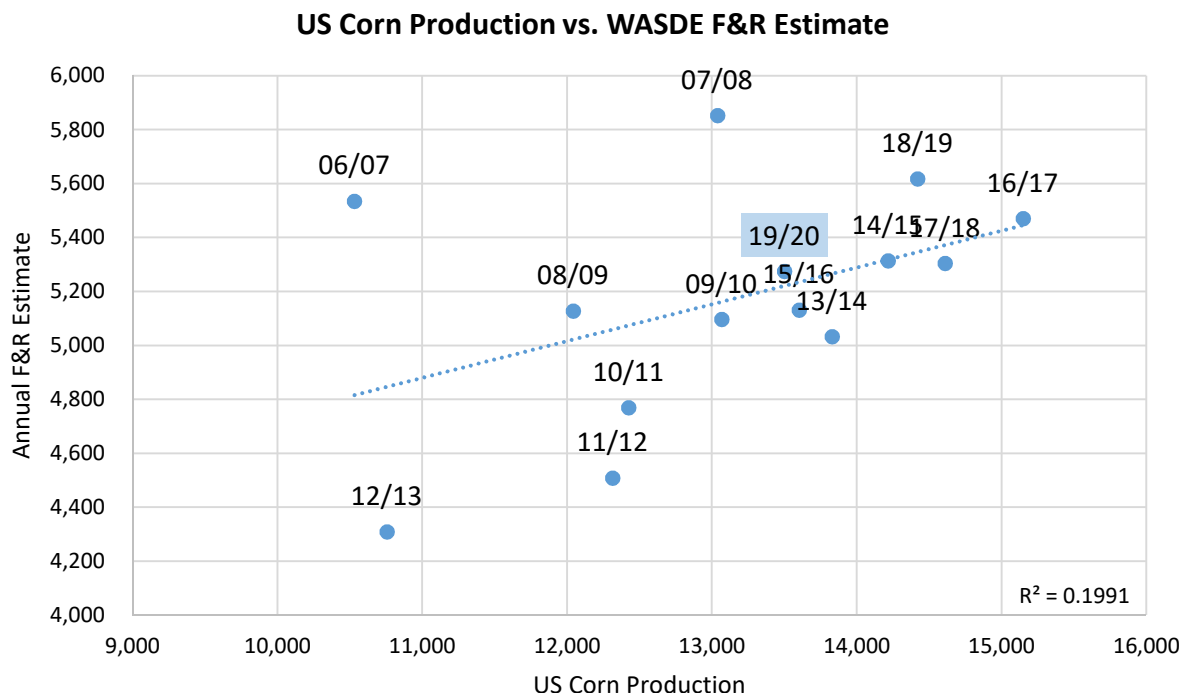
Crops

In our final look at quarterly stocks projections we've got corn this morning. Producing guesses for corn quarterly stocks is a good way to look stupid. There just is no "good" way of predicting this figure. As we saw all



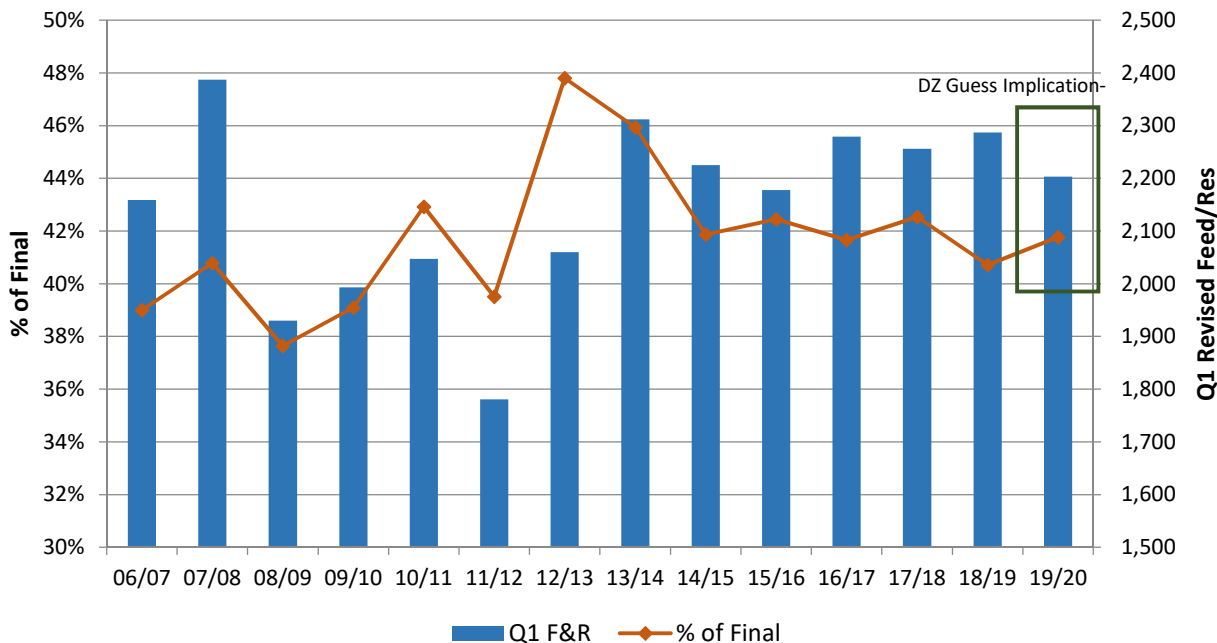
too well last year, these stocks figures are highly volatile. We also have to admit that we've got a great bit of potential volatility surrounding this year's corn production figure, which only adds to the possible volatility in the stocks figure.

We know a big component of WASDE's feed and residual model is the crop size. The first scatter below simply compares to annual WASDE F&R figures vs total production. While there are definitely some notable outliers, you can see in most "normal" years this correlates fairly well (the outliers all have specific reasons for being out of whack). The highlighted 19/20 figure in the chart shows the current WASDE F&R vs. the average guess for corn production. Recall that the average guess calls for a reduction in production of roughly 160 mil bu to 13.5 billion. Here you can make the argument that WASDE's current F&R estimate would seem fairly reasonable given the assumption for reduced production. We could also make the argument that WASDE's F&R estimate might have been a bit too small vs. the prior NASS production figure.



Knowing what to expect for an annual use figure should, in theory, allow us to get pretty close to the Q1 use estimate. You can see in the chart below that Q1 F&R is typically between 40-43% of the final annual total. In the 19/20 data, you can see I'm assuming roughly 42% for this year.

Sep-Nov Corn Feed & Residual



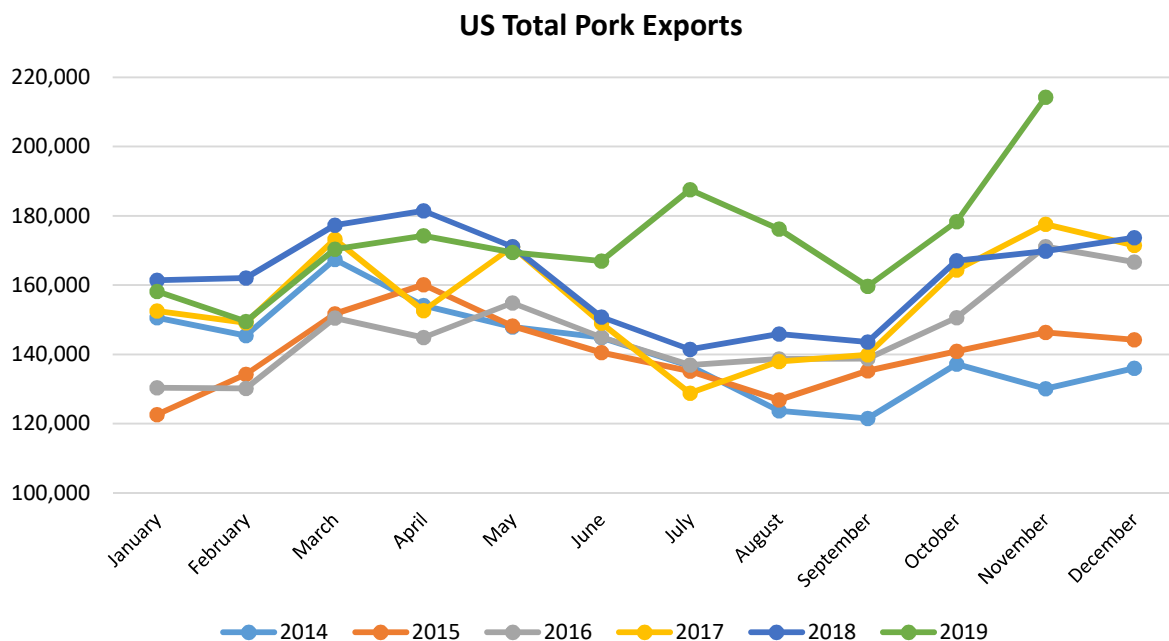
My Q1 balance sheet breakdown is shown below. You'll see that my Dec 1 stocks figure is slightly higher than the average guess (11,472) but not to a degree that would create a lot of market hysteria. Of course we have to keep in mind there is a lot of uncertainty in regards to not only production but how much actual production has been counted this year. Several states still have a lot of unharvested corn still in the fields. Technically, corn that is left in the field should be estimated in production and that estimate for production should be included in on-farm stocks. That clearly adds an entire level of guesswork for this year's report. I won't claim to have a huge degree of confidence in the estimate below.

US Corn Quarterly Supply and Demand

	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20
Carryin (Sep 1)	1,708	1,128	989	821	1,232	1,731	1,737	2,293	2,140	2,114
Production	12,425	12,314	10,755	13,829	14,216	13,602	15,148	14,609	14,420	13,500
Sep-Nov Imports	5	4	35	15	5	13	14	11	6	9
Total Supply	14,138	13,446	11,779	14,665	15,453	15,346	16,899	16,914	16,567	15,623
Sep-Nov										
Feed & Residual	2,047	1,781	2,060	2,312	2,225	2,178	2,279	2,256	2,287	2,203
Food/Seed/Ind	1,582	1,612	1,466	1,550	1,615	1,631	1,689	1,743	1,710	1,650
Exports	452	406	221	350	401	301	548	349	632	268
Total Use	4,082	3,799	3,746	4,212	4,241	4,111	4,516	4,347	4,630	4,121
Stocks (Dec 1)	10,057	9,647	8,033	10,453	11,212	11,235	12,383	12,567	11,937	11,502

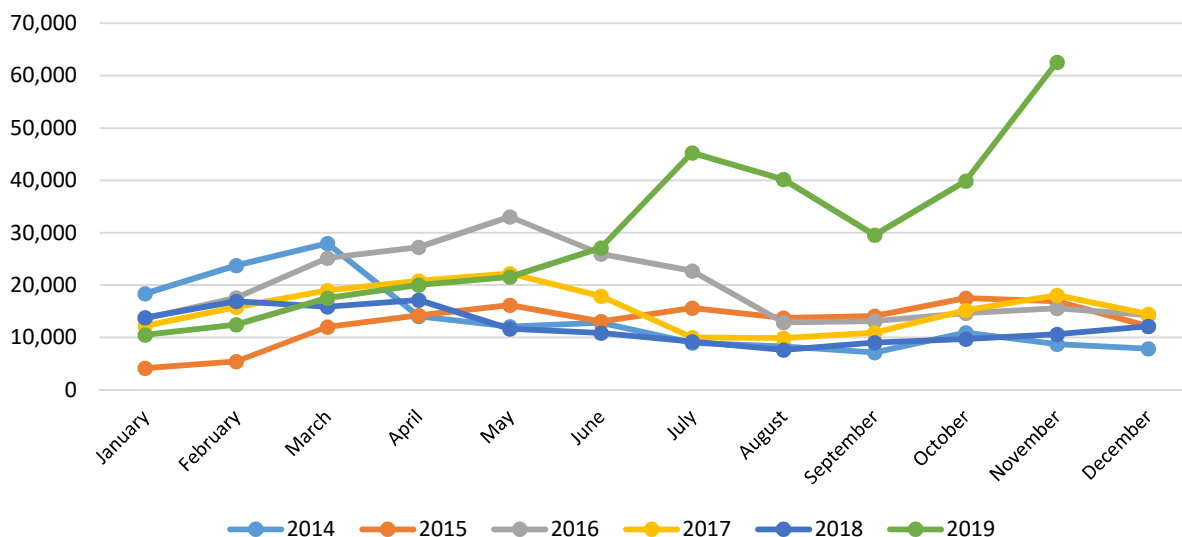
Livestock

Census trade numbers out yesterday and today we'll start by looking at the good news – pork shipments. US pork shipments in November totaled roughly 214k mt. I can't definitely say that is a record export volume, but I can say it is easily the biggest export figure I have in my dataset. It is up roughly 26% from Nov '18.



As I'm sure you would guess, a very big portion of this trade went to ASF-affected countries. I've tallied several of those countries together below, though it should go without saying that China represents the large majority of the total shown here. In Nov '19, US pork exports to the group of countries listed below accounted for roughly 29% of total exports. In Nov '18, that same group accounted for only 6% of total exports. That is great growth in demand for US product to that region, but it does show some of our long-held customers have seen their market share drop. US pork exports to Mexico, for example, were down roughly 7% YOY in Nov. If you take the world total excluding the countries shown below, US pork shipments Jan-Nov 2019 are down roughly 4% YOY.

US Pork Exports To ASF-Impacted Region China, Hong Kong, Taiwan, Vietnam



Financials

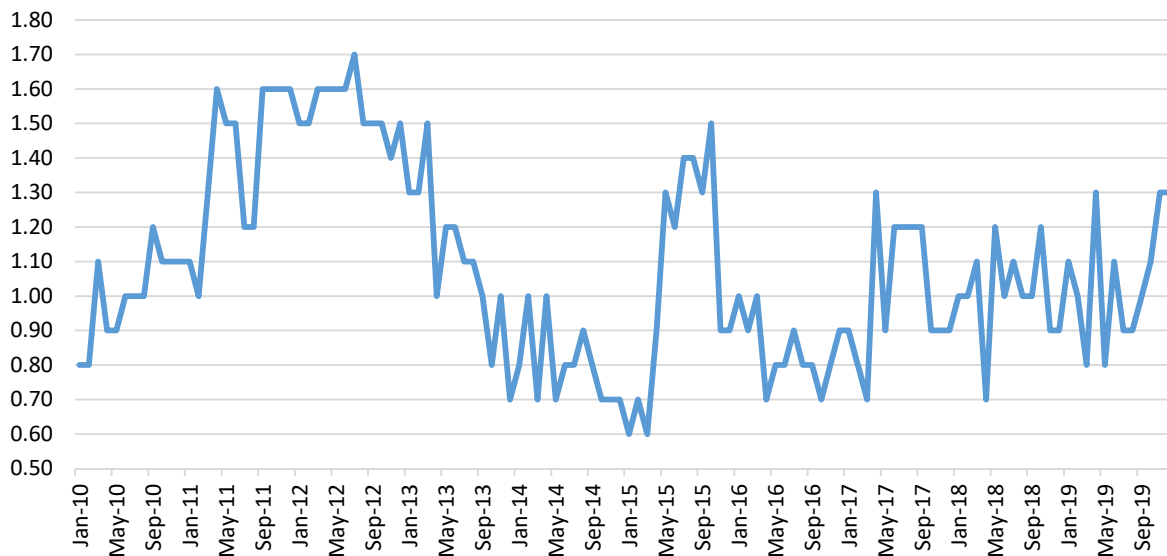
US equity futures, after crashing sharply overnight on the Iranian missile strikes, are now chugging powerfully higher this morning. I suppose this is a very clear indication that the market is voicing an opinion that the worst is over in terms of the back-and-forth between the US and Iran. I can certainly understand the idea that the sell-off last night was an over-reaction, yet I'm still a bit surprised this morning to now see the market *rallying* in what would still seem to be a risky situation. Yet here we are. Keep selling vol, I guess...



We still do have normal business to process this morning. The ADP employment report is due this morning and could certainly be a market mover. Expectations call for a solid increase in jobs of +160k vs "only" +67k last month.

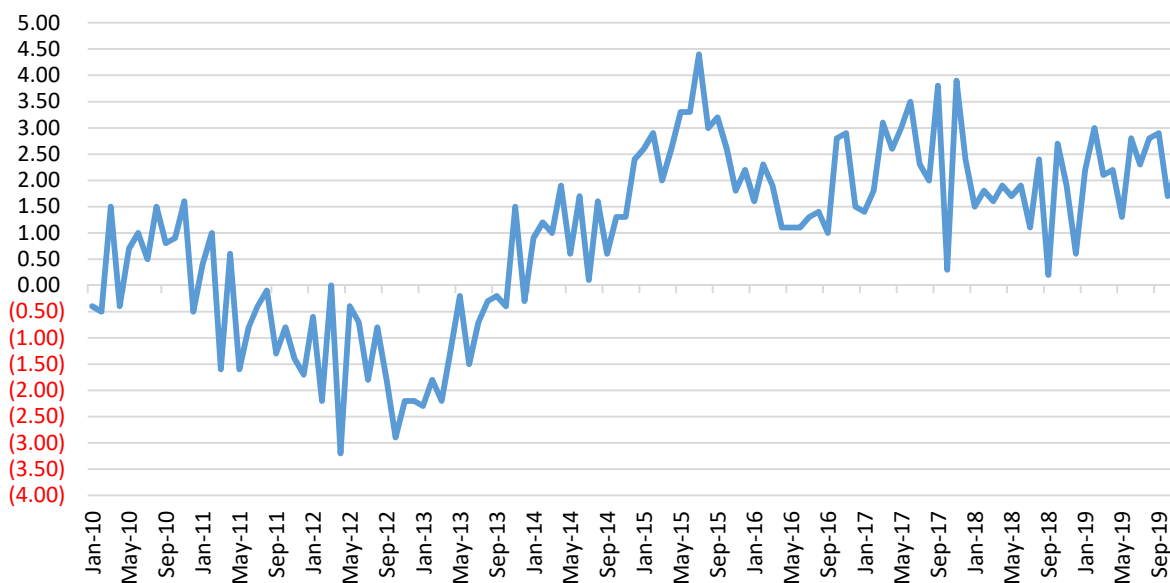
I've mentioned previously that I think it could be possible that the past decade of US outperformance vs. Europe might have run its course. With that in mind, we've got to start paying closer attention to European economic releases. Yesterday the Eurozone printed two releases that I thought were worth noting this morning. The first chart below shows core CPI YOY in the Eurozone. December core CPI was +1.3% YOY, which matched expectations but you can see below that inflation readings have definitely worked higher here lately. We're still running below the ECB's inflation "target", but IF Eurozone inflation readings were to push higher from here it could definitely affect the tone of conversation coming out of the ECB. This is definitely a chart to watch going forward.

Eurozone Core CPI YOY



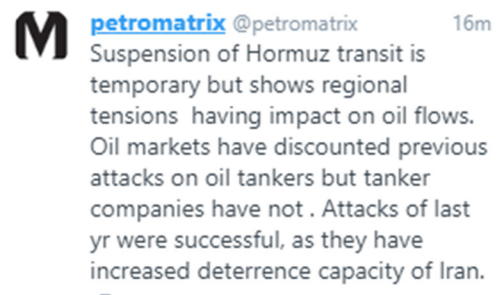
We talk a lot about the US consumer and how the US consumer carries the economy. For whatever reason, there seems to be less of a focus on consumer spending in Europe. However, European retail sales in November were stronger than expected at +2.2% YOY. You can see in the chart below we've had consistent growth in Eurozone retail sales over the past year. On the margin, this is certainly a positive sign for the EU economy.

Eurozone Retail Sales YOY



Energy

Obviously at this point you know what has been going on in the Middle East over the past ~12 hours. I don't have much new information to pass along at this point in time. To the best of my knowledge, no casualties have been reported from the missile strikes. It seems that Iran has done the bare minimum it could do in order to both show a response to the killing of Soleimani but also not risk a sharp reprisal from the US. Then again, we don't know what to expect on that front yet as the Trump administration has been pretty quiet on the subject other than Trump's tweet last night saying "all is well". Reports this morning suggest that several oil tanker lines have suspended transits through the Strait of Hormuz this morning. This is the first sign of a *possible* impact on oil flows, but we don't know how long this policy will remain in effect. Right now the markets are clearly betting on no further escalation of the conflict, and if that is indeed the case I don't think that problem with the Strait would last very long. Note the attached tweet from energy analyst Petromatrix.



On tap today we have the weekly inventory figures. Expectations have called for another decline in US crude oil inventories of 3 million barrels, but note yesterday's API release showed a decline of nearly 6 million. Gasoline and distillate inventories are expected to be higher.

Today's Calendar (all times Central)

- ADP Employment Change – 7:15am
- EIA Petroleum Inventories – 9:30am

Thanks for reading.

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