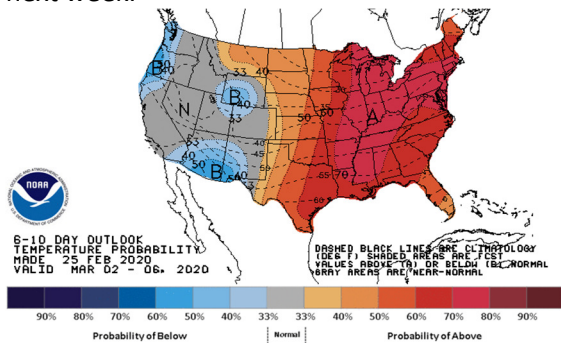
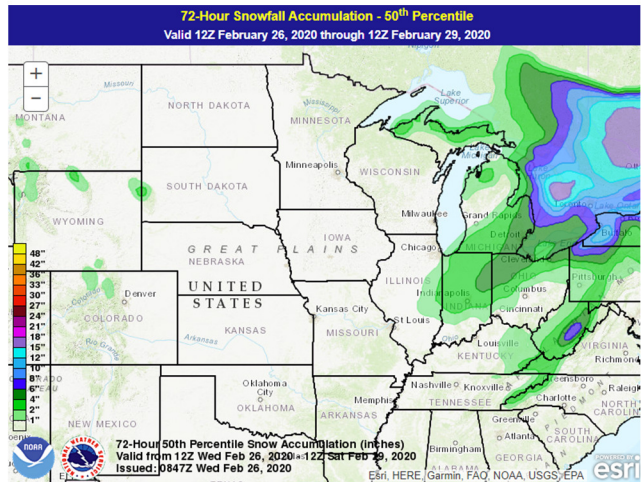
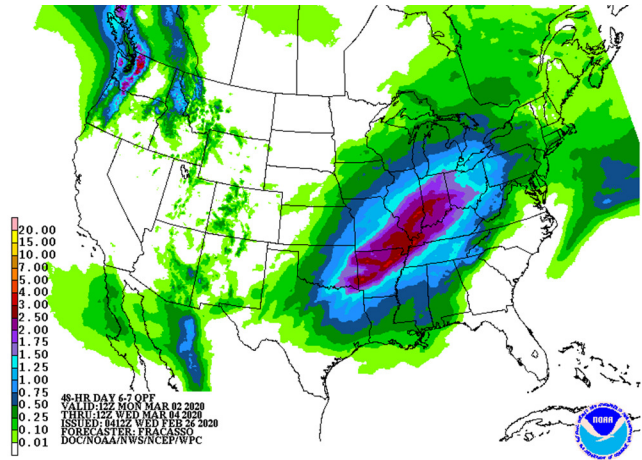
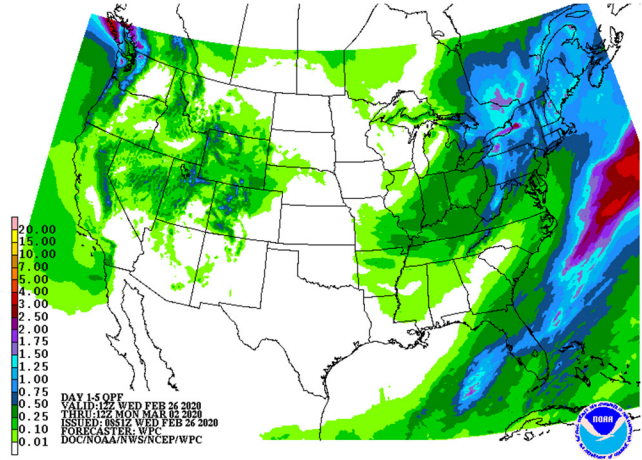


### Weather

No huge changes to the forecast overnight. Northern Brazil still looking for near to above normal rainfall over the next two weeks with amounts ranging from 4-8". The biggest rains will likely favor eastern areas. Southern Brazil saw some big rains yesterday, but we should be kicking off a period today of mostly dry conditions. A lot of dry conditions could last the entirety of the two week period, though there will be some light amounts in a few areas. Temps will be relatively cool in these southern areas for at least the next 10 days with some warming possible in the 11-15 day period.

Argentina is looking at easily below normal rainfall over the next two weeks. Two week rainfall amounts will range from .25-1.0". We should see mostly dry conditions for the next 10 days before those light rainfall amounts start to move into the area. The best rainfall totals will favor western areas rather than the east. Cool temps over the next few days but slightly warmer for the next week before cooling off again for the duration of the two week period.

No changes to the US forecast this morning. We still see some precipitation working through the ECB this morning and there is some precipitation in the Delta region. As you can see with the map at the top right, we're not expecting a lot of precipitation over the next 5 days through the bulk of the country. You can see at bottom right that snowfall over the next 3 days is limited to the current system finishing up in the ECB. The next big storm system is shown in the map at the middle, showing the forecast for Tues/Wed of next week.



**Crops**

I want to continue to pick on old crop soybean export potential this morning. I guess I'm turning into a one-trick pony, but I will continue to beat the table that WASDE move the wrong direction earlier this month with their increase in soybean exports. Time will tell whether it is me or them that will eventually admit defeat.

The values shown to the right represent rough estimates of soybean values landed in China. The top breakdown shows the rundown of USG values over the next few months and the second breakdown shows the Brazilian values over the same timeframes. I am not including taxes here as I assume both origins will be treated the same with tariff-waivers in place for US supplies.

USG Values	Feb	Mar	Apr	May	Jun
CIF Value	56.5	56.5	50.5	52	51
Assumed FOB Prem	5	5	5	5	5
CBOT Futures	879	879	888.25	888.25	899.75
	SH	SH	SK	SK	SN
USD/MT Conversion	\$ 345.57	\$ 345.57	\$ 346.77	\$ 347.32	\$ 351.18
USG-China Pmax	42	42	42	42	42
Total Landed Ex-Tax	\$ 387.57	\$ 387.57	\$ 388.77	\$ 389.32	\$ 393.18

Brazil Santos Values	Feb	Mar	Apr	May	Jun
Paper Premium	65	55	43	47	60
Assumed FOB Prem					
CBOT Futures	879	879	888.25	888.25	899.75
	SH	SH	SK	SK	SN
USD/MT Conversion	\$ 346.86	\$ 343.19	\$ 342.18	\$ 343.65	\$ 352.65
Santos-China Pmax	29	29	29	29	29
Total Landed Ex-Tax	\$ 375.86	\$ 372.19	\$ 371.18	\$ 372.65	\$ 381.65

The implication here is pretty simple and straightforward. Simply put, Brazilian soybeans landed in China are cheaper than US values by at least \$10/mt in most cases. Perhaps most importantly – these calculations take us out through June which gets us towards the tail end of the US 19/20 marketing year. Sure these numbers may change a lot in the interim, but this does not paint a strong picture of potential demand from China over the next several months.

I know, I know...trade deal. Well, I will continue to argue that the “market conditions” clause of the trade deal allows China to favor supplies that are more favorably priced. I will also argue there will be plenty of time for China to buy gobs of new crop US soybeans and appear to be in compliance with trade deal agreements.

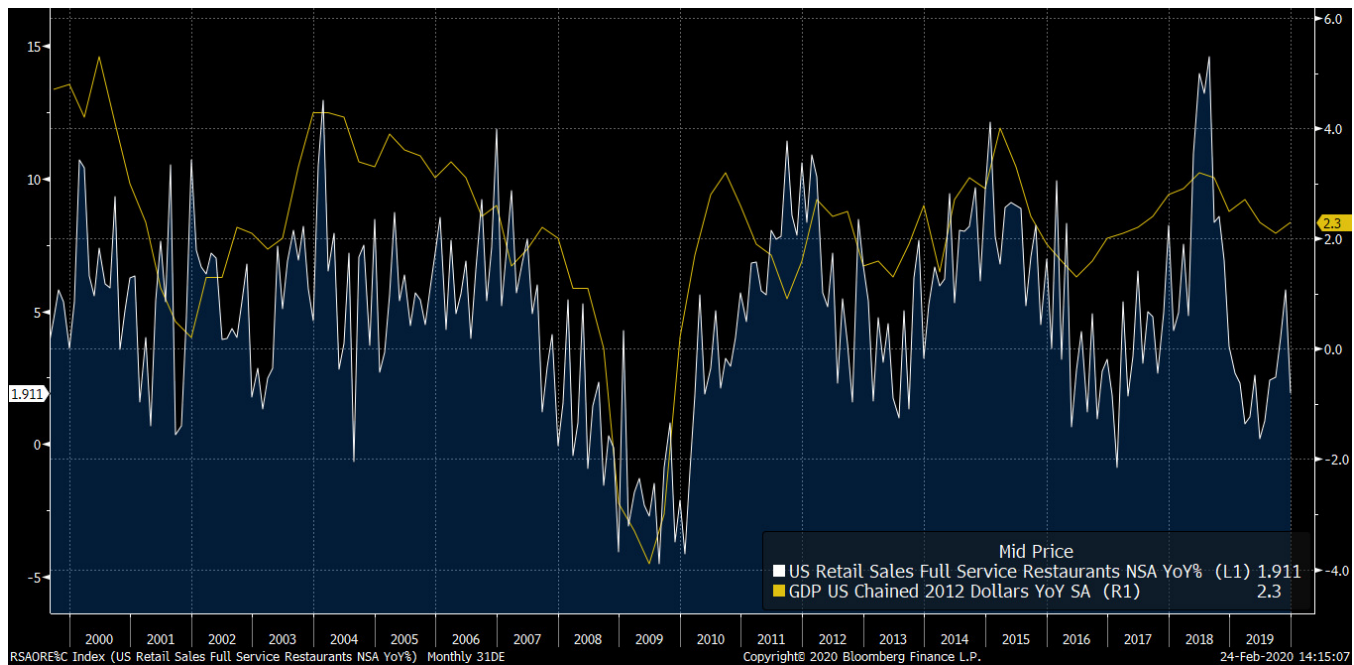
Please push back if you disagree.

**Livestock**

More soft cash cattle trade yesterday with most of the action reported at 115. That is still par basis with the board. It still sounds like volume this week has been very light, so I'm still not entirely sure how to judge the market here.

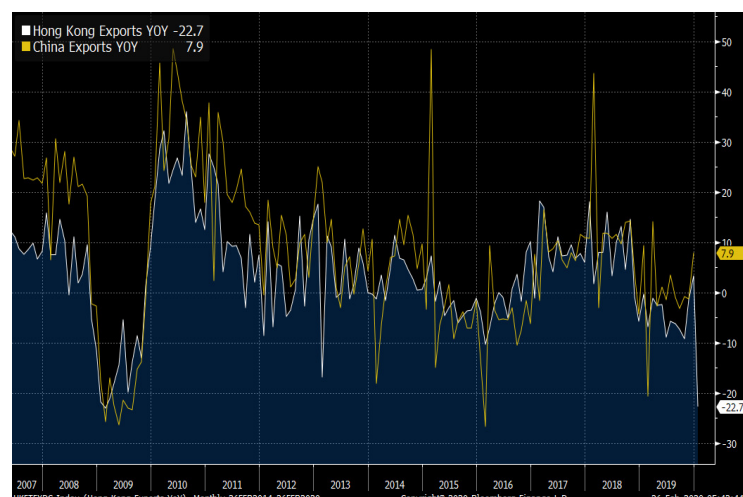
Just one quick chart to provide a little food for thought this morning. The chart below overlays US full service restaurant retail sales YOY vs. US GDP YOY. While the relationship isn't perfect by any means, you can see there is a general tendency for these two to move in tandem...which makes sense of course. When the US economy is booming, more people go out to eat at restaurants. When the economy is less robust, more people try to save a bit of money by staying in at home. I think this is important as the restaurant sales are obviously a huge part of domestic meat consumption, and any possible hits to US growth via coronavirus or anything else could weigh on

restaurant and overall meat demand. Again, this is not necessarily something to be alarmed about today, but just something to keep in the back of your mind.



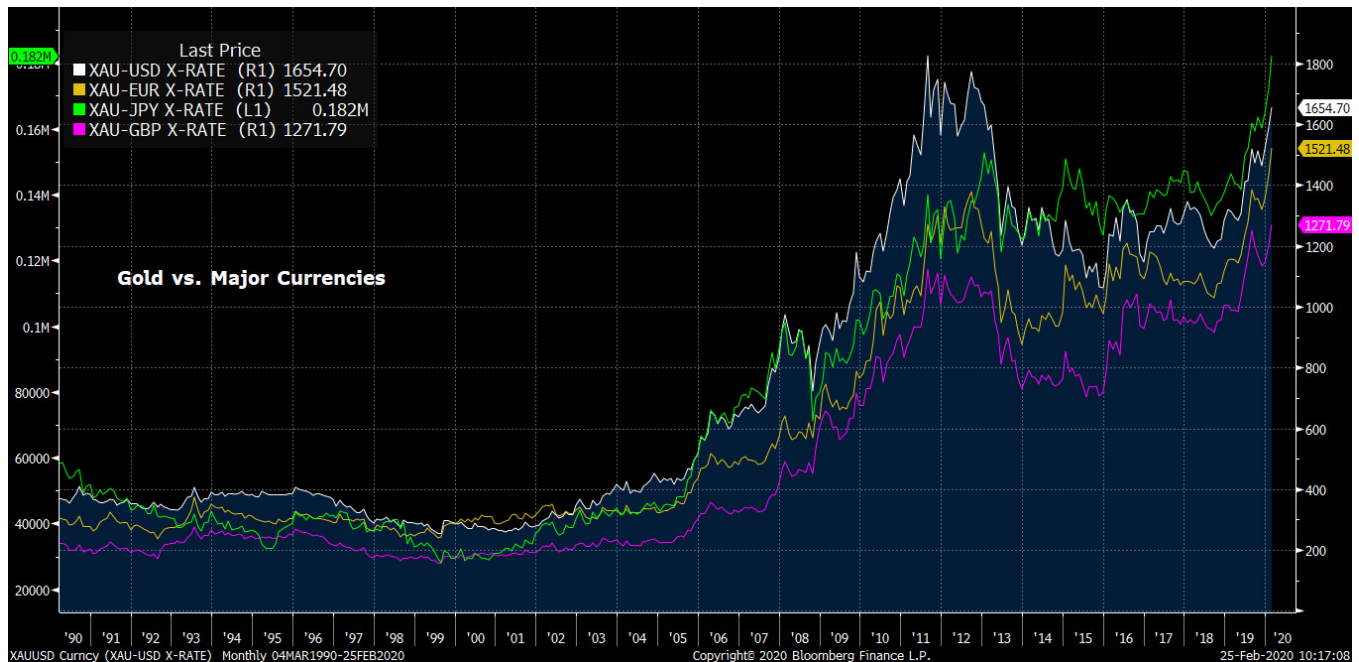
## Financials

The same old story in regards to virus-related headlines this morning. Confirmed cases continue to add up. Italy and South Korea are reporting more cases. Brazil and Greece are confirming their first cases. We still don't truly have "hard evidence" on the impact the virus is having on the economy...but that will soon change. This weekend we'll get PMI numbers from China that should cover the initial shutdowns and quarantine period. This will be a potentially interesting read and certainly could be a major market mover. Next week we also get import/export numbers on China for the month of Feb. I'm not sure if it will fully capture the problem that soon, but just look at what Hong Kong exports posted and note how China typically corresponds well. That is unlikely to be a pretty picture.



I have to admit I was somewhat shell-shocked by the beatdown that metals took yesterday. We all knew they were overbought and due for a correction, but a massive beatdown like that all while equity markets were imploding was beyond my personal expectations. Despite the big break in gold yesterday, I do find the chart below to be of some interest. This shows the value of gold relative to various other major currencies. What is interesting to

me on this chart is that the value of gold has set new all-time record highs this month across all other major currencies *except the USD*. You can see in the chart below that the gold highs vs. USD were scored in 2011. This partly illustrates the strength of the USD over the past year or so, but it also illustrates that gold is another very strong “currency” during the same timeframe. In an environment where the US Fed is likely to be aggressive in supporting markets, it is conceivable to think that gold vs. USD might soon test prior highs like we’ve seen with other currencies? We’ll talk more about the Fed tomorrow....but thoughts appreciated in the meantime.



Pulling the chart at the right off Twitter. I find this somewhat interesting. This shows that in prior “bottoms” in the equity market we’ve seen the percentage of member of the S&P hitting new 4-week lows typically higher than what we’ve posted so far during this move. This might be a potential sign that we haven’t quite scored a bottom here yet?



## Energy

At the time of writing crude oil futures and related markets are trading lower this morning. Nothing new there. The story of the day, at least not including the virus situation, is that a Marathon oil refinery near Los Angeles had an explosion last night and caught fire. Reports indicate the fire has been confined with residual fuel supply in the area being allowed to burn off. I pulled this off of Marathon’s website – *The Los Angeles refinery is the largest refinery on the West Coast with a crude oil capacity of 363,000 barrels per day*

*(bpcd). A major producer of clean fuels, the refinery processes heavy crude from California's San Joaquin Valley and Los Angeles Basin, as well as crudes from the Alaska North Slope, South America, West Africa, and other international sources". Depending on how bad the damage is and how long the plant might be inoperable, this could be a big deal to regional supplies. We'll keep an eye on this story going forward. For now, I can't tell if the futures market is having any reaction to it or not considering all the volatility in markets right now.*

#### **Today's Calendar (all times Central)**

- New Home Sales – 9:00am
- EIA Petroleum Inventories – 9:30am

Thanks for reading.

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