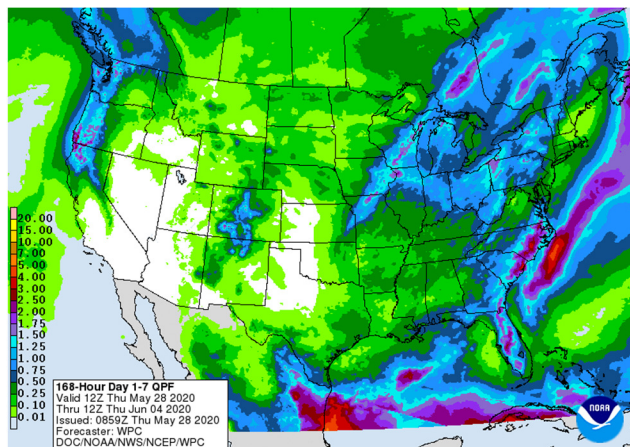


## Weather

As you can see in the 7-day QPF at the right, we're not looking at a lot of precipitation across the Corn Belt during the next week. The heaviest rain during the next week will come in the next 48 hours, with only light and scattered activity after that. Recall our conversation from yesterday, however, noting that in cases like this with a ridge of high pressure in the middle of the country we can see disturbances move across the top of the ridge that can sometimes produce some unexpectedly big rainfall totals. Models might be understating rainfall potential a bit. Temps over the next two weeks should average mostly above normal in the bulk of the country.



## Crops

You probably haven't been paying much attention, but Chinese corn prices in 2020 are up fairly sharply. The chart below looks at a basket of different cash corn prices spread throughout the country. From the start of 2020, the index is up roughly 11%. You can also see below that this is the highest price level since 2015. Recall it was in 15/16 that China announced various changes to its corn policy including the removal of the minimum purchase price and the reversal of the stockpiling program. China encouraged consumption of corn stockpiles and only offered farmers a subsidy based on their planted area from that point forward.

China Cash Corn Price (CNY/mt)



Convert the current price as shown above into USD/mt and you get just under \$300/mt. The breakdown below gives a rundown of current landed value estimates of US corn into China. You can see there is a very clear import margin for US corn into China within the quota system. This still shows that outside the TRQ system, it is uneconomic to import corn. Also keep in mind I am completely ignoring the 25% trade war retaliatory tariff that is technically still in effect. The Chinese government has been issuing waivers for relief on that tariff as I understand it.

## USG Values

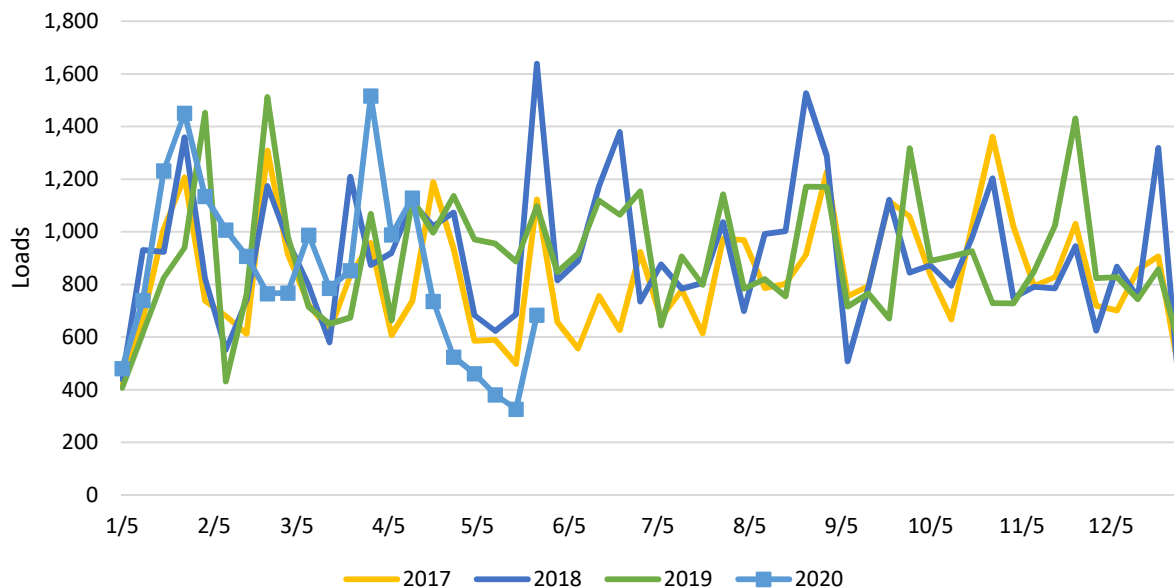
	May	Jun	Jul	Aug	Sep	
CIF Value		49	47	46	43.5	45.5
CBOT Futures		319.75	319.75	319.75	324.75	324.75
	CK	CK	CN	CN	CU	
USD/MT Conversion	\$	145.17	\$ 144.38	\$ 143.99	\$ 144.97	\$ 145.76
USG-China Pmax		33.4	33.4	33.4	33.4	33.4
	\$	178.57	\$ 177.78	\$ 177.39	\$ 178.37	\$ 179.16
VAT		11%	11%	11%	11%	11%
Tariff within quota		1%	1%	1%	1%	1%
	\$	200.00	\$ 199.12	\$ 198.68	\$ 199.78	\$ 200.66
Tariff outside quota		65%	65%	65%	65%	65%
	\$	314.28	\$ 312.90	\$ 312.20	\$ 313.94	\$ 315.32

Within the quota you have US corn landed values around \$200/mt compared to domestic price levels averaging around \$300/mt. An easy import margin within the TRQ. Admittedly, I'm sure there are some minor things I'm missing in this calculation, but this should be "close enough". If China were to be interested in importing up to their TRQ levels, it would mean an increase of roughly 3 mmt in total demand vs. 2019 levels. Hardly enough to move the needle in the global corn balance sheet...but I guess we'll take what we can get.

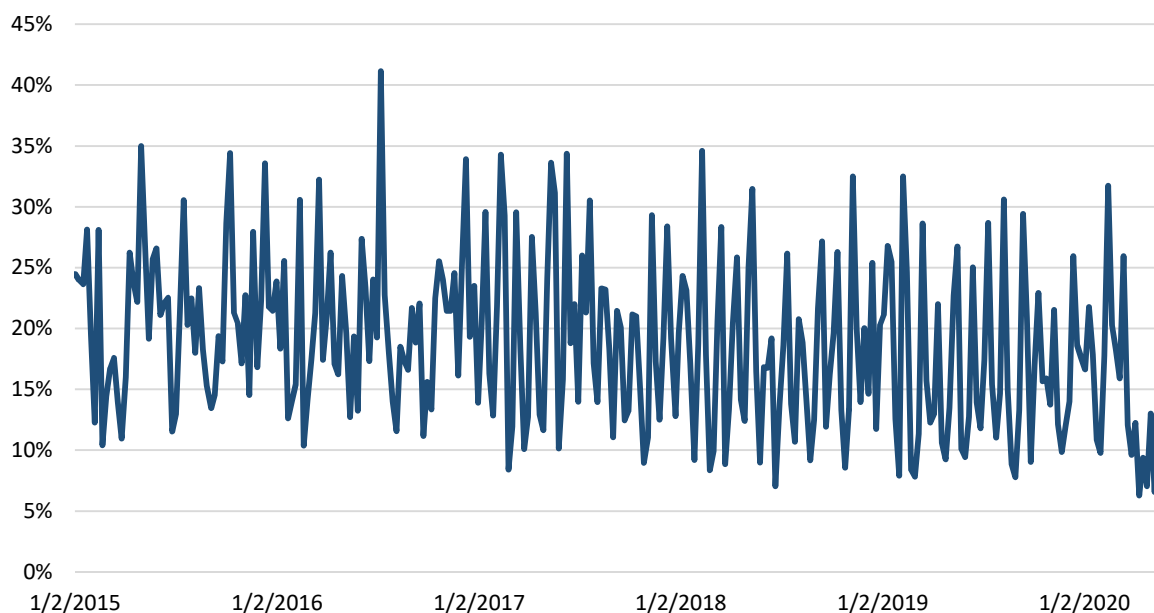
## Livestock

The export sales report is delayed until tomorrow due to the holiday, but I thought we should spend a quick second looking at some of the implications of the Comprehensive Beef report. That has been a pretty reliable indicator of the weak export sales numbers we've seen lately. As shown in the first chart on the following page, it is likely we could see a modest uptick in export sales of beef on tomorrow's report. This is still hardly an impressive total of loads sold for export, but an increase is still welcomed. What I do find interesting from the Comp Beef report details is that NAFTA trading partners represent a very small percentage of the loads sold for export in recent weeks. I actually might have thought their percentage would have increased given the rally in beef prices. Thoughts appreciated on that.

## Comprehensive Beef Report Loads Sold for Export



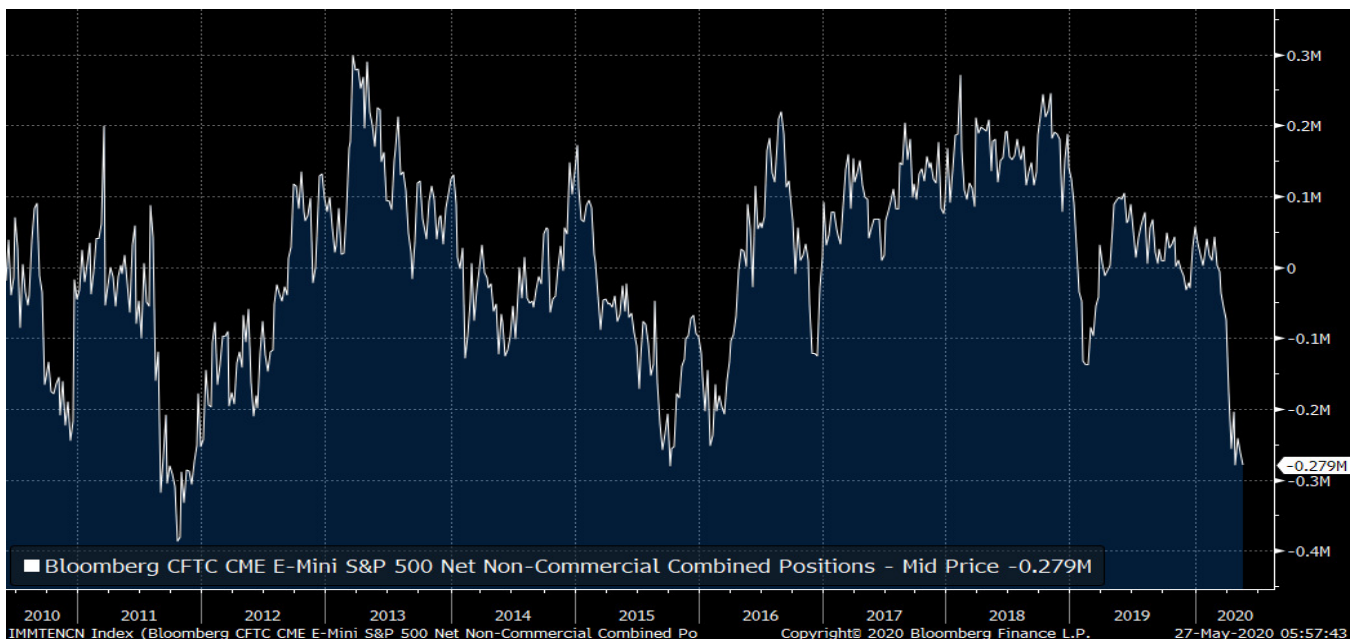
## Nafta Exports as a % of Beef Exports



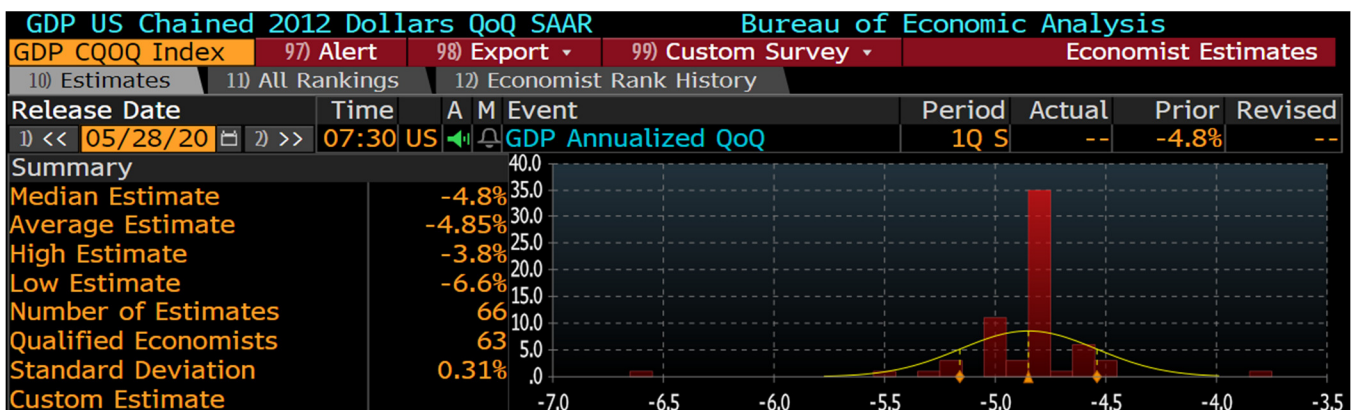
### Financials

A variation of the chart below has been passed around over the past day or two on Twitter and various other platforms. Speculative positioning in ES futures was first brought to my attention by my good pal Tony Greer at

TG Macro. The chart below shows the non-commercial (spec) positioning in ES futures and options over the past 10 years. You can see that specs are currently holding their largest net short position in a very long time. What stands out to me here is that the positioning has not “corrected” at all since the market started rallying. In fact, ES futures bottomed in late March and during that timeframe the net short position more than doubled. This tells me that a lot of shorts are stuck here and as we are ripping higher through moving average resistance levels the upside could be fueled by these late-to-the-party shorts getting carried out. OR...do we reverse lower from here and these shorts look like geniuses?

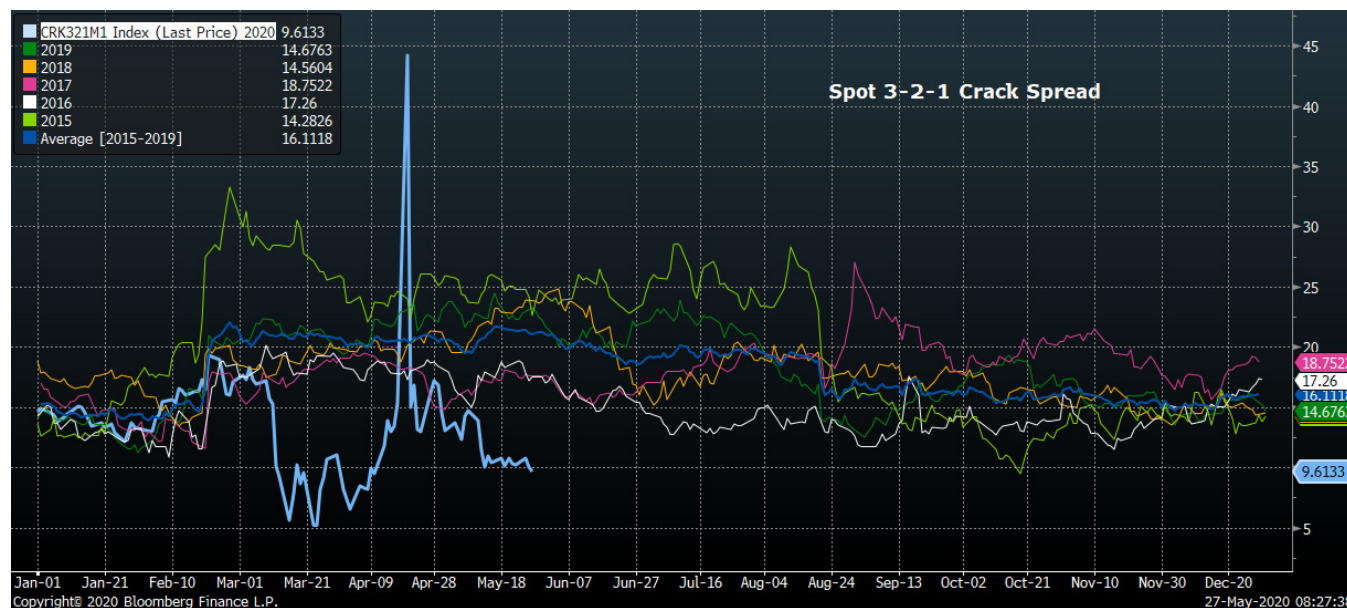


On tap today we get a look at the latest estimate on US GDP. Below I’ve cut a pic of the Bloomberg survey of estimates. The median estimate is -4.8% but you can see the low is -6.6% with a high of -3.8%. Also on tap this morning is another week of jobless claims numbers. Expectations call for yet another week of initial claims >2 million.



## Energy

Here is something we haven't looked at in a long while. The chart below looks at the spot 321 crack spread. The over-simplified explanation here is this is a rough estimate of refining margins. The spike higher in the crack spread obviously corresponds with the negative price dip in spot oil futures a few weeks ago. Aside from that, crack spreads remain extremely weak and the rally in oil prices here certainly isn't helping that.



## Today's Calendar (all times Central)

- GDP – 7:30am
- Durable Goods – 7:30am
- Jobless Claims – 7:30am
- EIA Natural Gas Storage – 9:30am
- EIA Petroleum Inventories – 10:00am

Thanks for reading.

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