

Weather

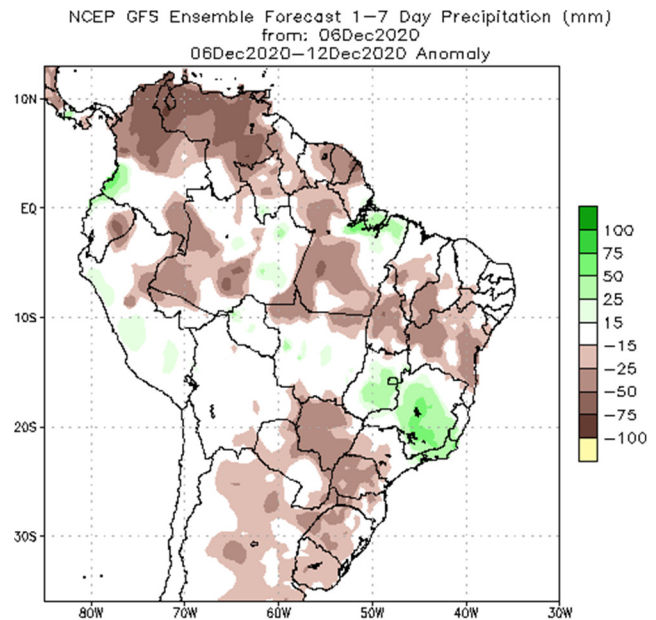
No big changes to the forecast. Some limited rainfall has returned to northern Brazil over the weekend and the next 5 days are the wettest period in the two week forecast for northern Brazil. Rainfall in the 6-10 day period should diminish before rainfall improves again during the 11-15 day period. Overall, it looks key growing areas in northern Brazil should expect to see near normal rainfall in the next two weeks. Temps should be relatively mild this week but will warm up for a few days early next week to above normal levels.

Southern Brazil will see two week rainfall totals run near normal. Through much of this week rainfall should be pretty limited with a lot of dry weather expected. Rainfall should start to pick up again next week with some widespread rainfall expected early next week. Temps will temporarily rise to above normal readings this upcoming weekend, but nothing extreme. Otherwise, mostly near normal readings are expected.

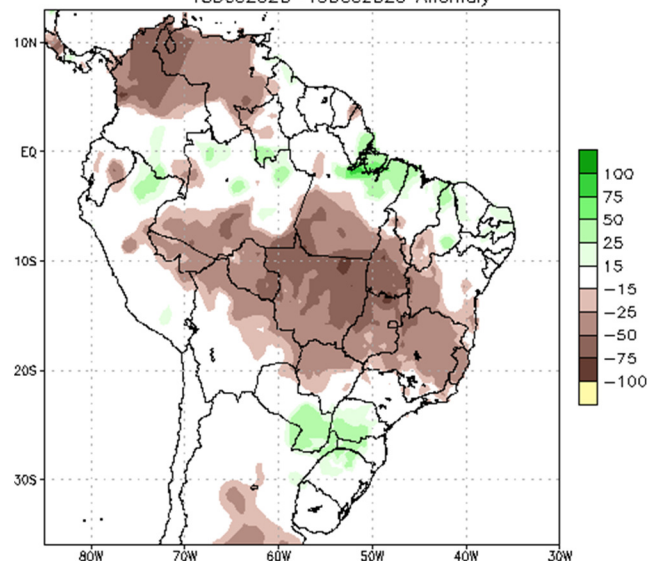
Argentina will see two week rainfall run mostly below normal. Completely dry weather is expected through Thursday with some light rains on Fri/Sat mainly favoring northern portions of the region. Another chance for rain could develop on Tues but again nothing impressive. Rainfall in the 11-15 day period could favor northern areas with the best amounts and coverage but it likely won't be anything to get excited about either. Temps will start warming with some above normal readings expected by mid-week. Some highs from 90-100F will be possible. Temps will quickly turn cooler by the end of the week, however, with no heat expected for the duration of the two week period.

Crops

We get a WASDE update on Thursday so we'll spend the next few days prepping with expectations. This December release rarely contains a lot of surprises. For starters, we don't get new production estimates for corn or soybeans this month. Our next look at US production numbers will come with the "final" estimates in the January report.



Bias correction based on last 30-day forecast error
CPC Unified Precip Climatology (1981-2010)
NCEP GFS Ensemble Forecast 8-14 Day Precipitation (mm)
from: 06Dec2020
13Dec2020-19Dec2020 Anomaly



Bias correction based on past 30-day forecast error
CPC Unified Precip Climatology (1981-2010)

We'll start this week by taking a very quick look at the soybean balance sheet and what I expect from WASDE. This won't take long...I expect WASDE to change nothing vs. last month. As I have stated countless times before, I am of the opinion that WASDE is too small with both their crush and export numbers. However, what they've essentially told us is they believe the market will ration demand at some point. We can argue whether or not we've reached price levels to accomplish that some other time. Bottom line, WASDE appears highly unlikely to make any changes to its US balance sheet this week.

US Soybean Supply and Demand (Million Bushels/Million Acres)

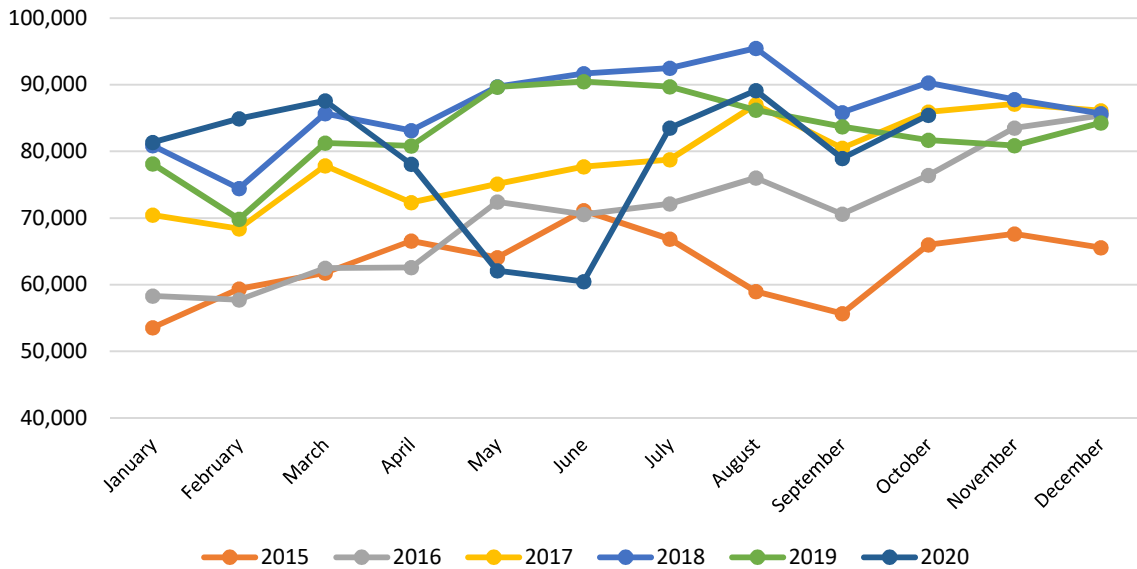
	USDA 13/14	USDA 14/15	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20	USDA 20/21 Nov	Possible? 20/21
Planted Acres	76.8	83.3	82.7	83.4	90.2	89.2	76.1	83.1	83.1
Harvested Acres	76.3	82.6	81.7	82.7	89.5	87.6	74.9	82.3	82.3
Abandoned Acres	0.5	0.7	1.0	0.7	0.7	1.6	1.2	0.8	0.8
Yield	44.0	47.5	48.0	52.0	49.3	50.6	47.4	50.7	50.7
Carryin (Sep 1)	141	92	191	197	302	438	909	523	523
Production	3,358	3,927	3,926	4,296	4,412	4,428	3,552	4,170	4,170
Imports	72	33	24	22	22	14	15	15	15
Total Supply	3,570	4,052	4,140	4,515	4,735	4,880	4,476	4,709	4,709
Crush	1,734	1,873	1,886	1,899	2,055	2,092	2,165	2,180	2,180
Exports (Census)	1,639	1,842	1,936	2,174	2,134	1,748	1,676	2,200	2,200
Seed	97	96	97	105	104	88	96	103	103
Residual	9	50	24	36	5	43	16	35	35
Total Use	3,478	3,861	3,943	4,213	4,297	3,971	3,953	4,519	4,519
Carryout (Aug 31)	92	191	197	302	438	909	523	190	190
Stocks/Use	2.6%	4.9%	5.0%	7.2%	10.2%	22.9%	13.2%	4.2%	4.2%

I also don't think there is much reason to expect big changes in the world balance sheets either. Chinese import totals could potentially be increased, but I don't see WASDE being in a big rush on that. One thing that might be worth watching – demand totals from Brazil might imply WASDE would want to increase their old crop production estimate modestly. This is simply because demand figures have been bigger than expected through their marketing year so far. I don't know if they'll make that adjustment this month, but it is something to keep in mind. If they do make an adjustment in old crop production, it would likely be at least partially offset by an increase in demand as well, so a minimal impact on world stocks. I think it is still too early to expect WASDE to make any adjustments to their new crop production estimates.

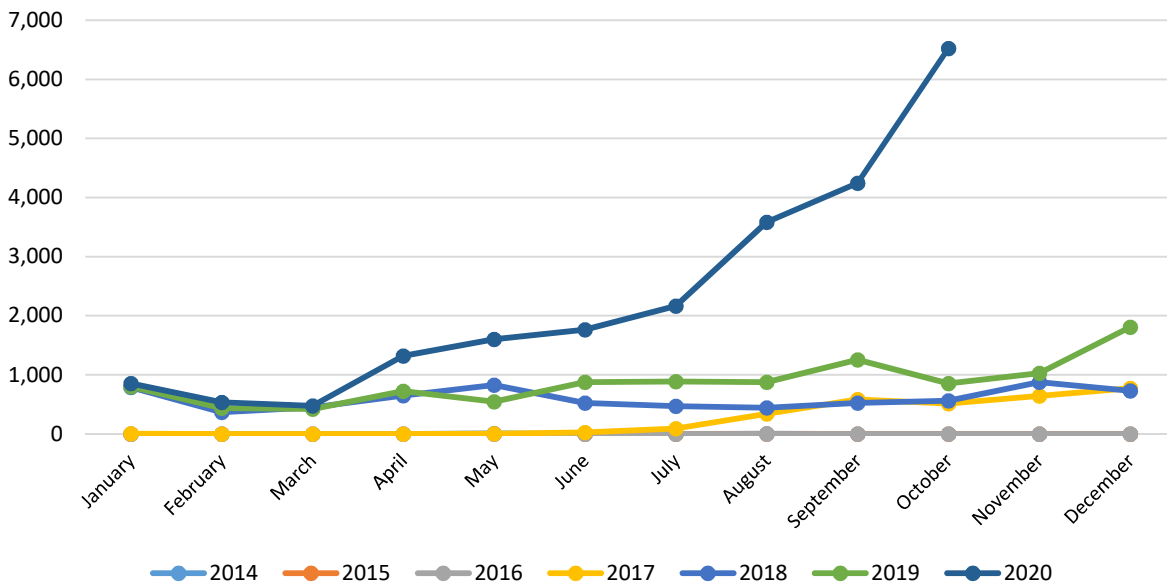
Livestock

Today and tomorrow we'll look at the US Census trade numbers for beef and pork. Today we'll start with beef. US beef exports were a solid 85k mt in October, up mostly from the prior month and also slightly higher than last year. As you can see in the first chart below, this is a relatively "average" export level for October relative to the past few years. What stands out is that exports to China continue to grow. Again, we're not talking about a huge percentage of total exports, but the growth in exports to China is still eye-catching and worth a mention.

US Total Beef Exports

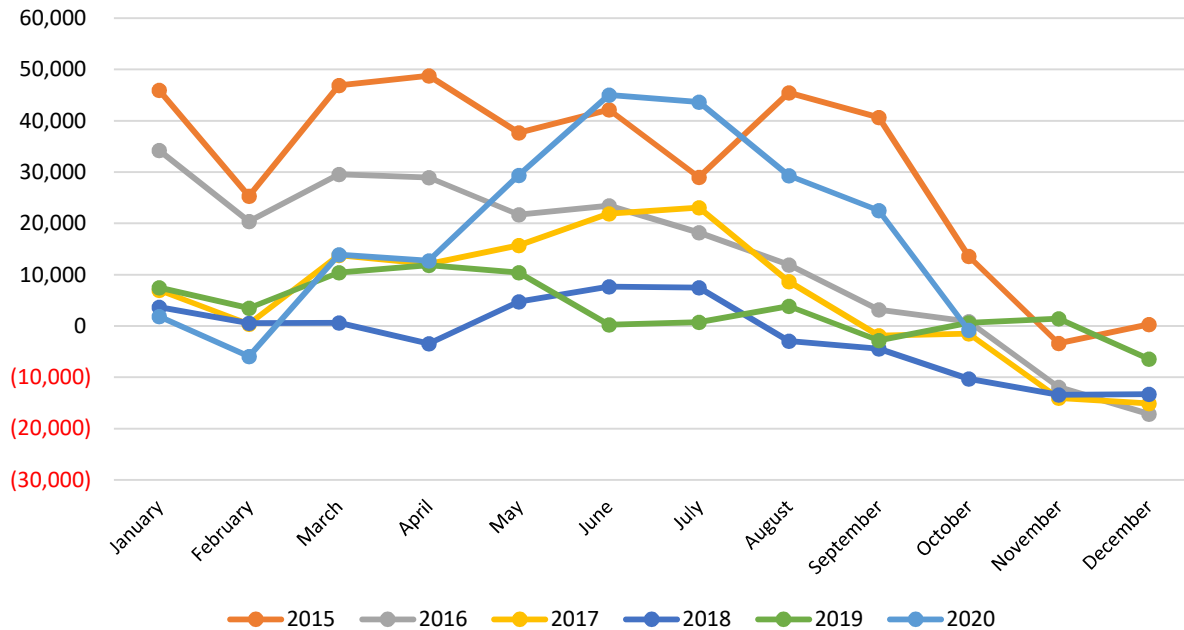


US Beef Exports to China



What might stand out most to me is that the US returned to be a modest net exporter of beef during October. Beef imports typically drop off into year and we're dropping off from some very high import levels during the summer. This is only the second time in 2020 that the US was a net exporter of beef.

US Beef Net Imports



Financials

A mostly risk-off morning across the board as I type. Stop me if you've heard this before, but it appears we've hit a roadblock on Brexit negotiations. UK PM has threatened to pull out of negotiations and it sounds like he will have a phone call with the European Commission President later today that could be a make-or-break moment for negotiations. The BP is getting clobbered this morning after posting its strongest value since 2018 in Friday's trade.

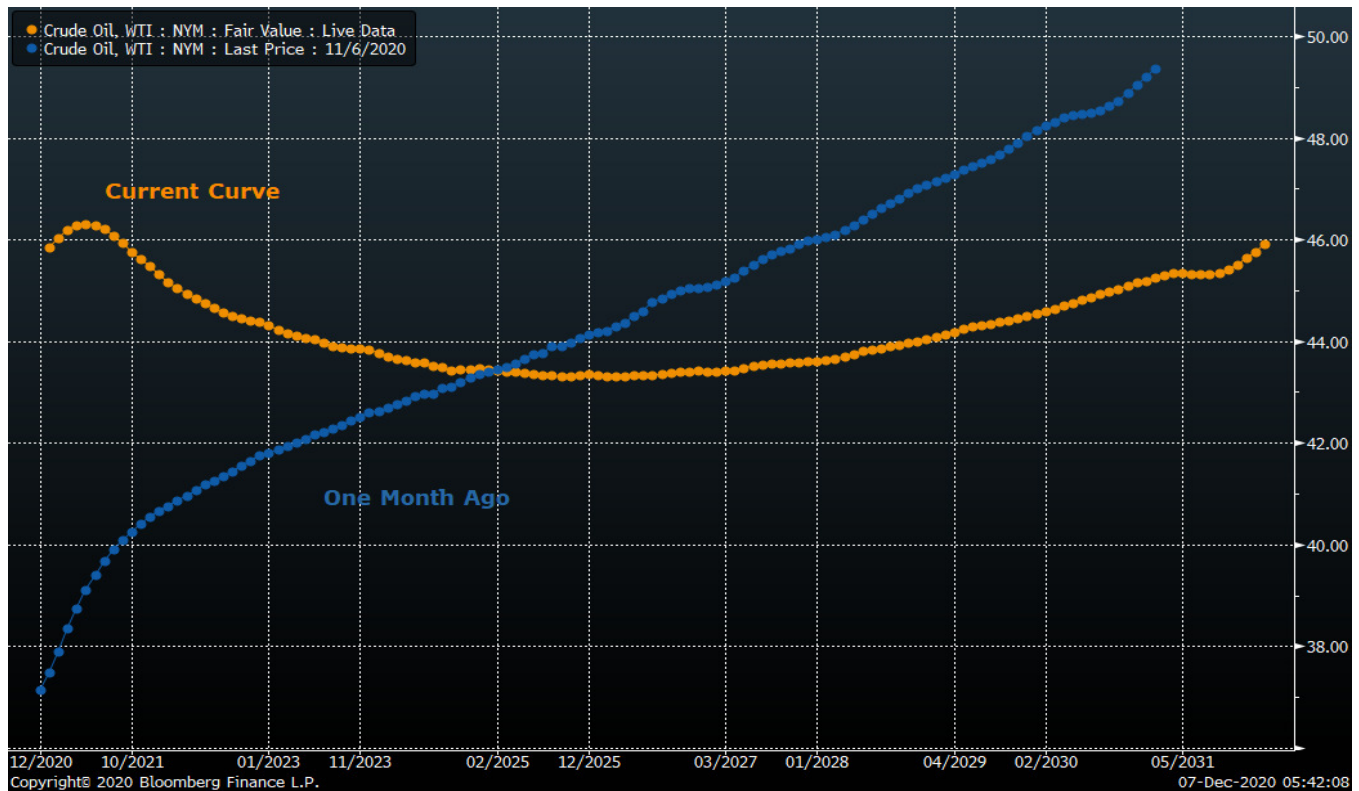
Also weighing on sentiment this morning is a report the US is considering sanctions on Chinese individuals in retaliation for their role in pushing Hong Kong legislators out of their positions earlier this year. The Chinese government has said it will respond if such sanctions are levied. I doubt this is truly bothering the market too much...sanctions on specific individuals will really have no impact whatsoever. Still, this simply seems like it is the type of morning that doesn't require much of an excuse for selling.

If there are any remaining bears that are excited to see the price action this morning, they should be aware the FDA's has an upcoming meeting on Thursday to discuss the Pfizer vaccine. If the FDA decides to clear the vaccine for emergency use at that time, HHS Sec Azar said vaccine distribution could begin within 24 hours. I'm not sure on what sort of scale distribution would be able to begin initially, but from the market's perspective it probably wouldn't matter.

No major economic data on tap today.

Energy

Just a quick chart that shows how quickly things have changes for the oil market. The chart below compares the current structure of the WTI curve compared to 1 month ago. Just one month ago, the market was in deep contango in an over-supplied market. I can't yet point to any major improvements in demand figures at this point in time, but the board is telling us something has dramatically changed. Though the spot spreads are still in contango, you can see the deferred curve has inverted. The board is seeing a big shift in the oil market ahead and it has all happened in roughly one month. Oil futures have barely blinked at the prospect for more OPEC oil production and the possible return of Iranian oil in a Biden administration....noted.



Today's Calendar (all times Central)

- Export Inspections – 10:00am

Thanks for reading.

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