

Weather

Rainfall in northern Brazil over the next two weeks should average mostly near normal. The driest section of the forecast will be the next 5 days. Rains will increase during the 6-10 day period and increase further during the 11-15 day period. Temps will mostly be near to above normal over the next two weeks. We could see some mid and even upper 90s at times this week before the improved rainfall of next week cools things off a bit.

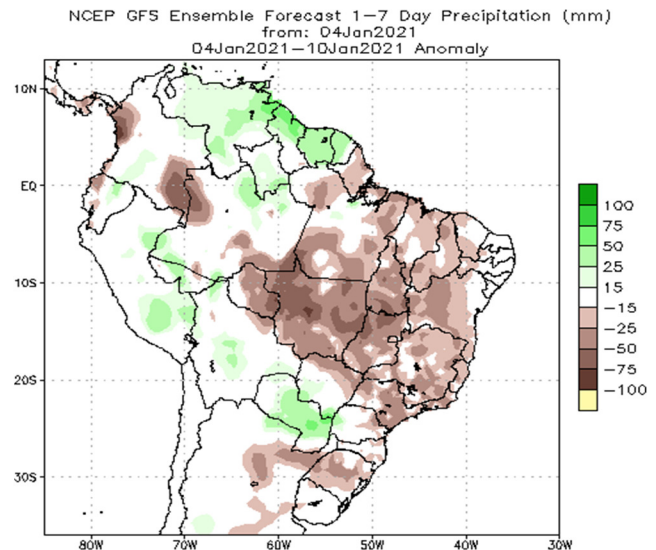
Southern Brazil will see near to slightly above normal rainfall over the next two weeks. We should see daily chances for rain over the next 5 days, with only RGDS being short-changed. Lighter rains will be seen in the 6-10 day period but another uptick is likely for the 11-15 day period. No major heat is anticipated.

Rainfall in Argentina over the next two weeks should average near normal. There will be rainfall chances for portions of Buenos Aires today and tomorrow with scattered activity elsewhere. Then we should see dry conditions for the remainder of the week. An uptick in rainfall would seem likely early next week and this should be fairly widespread in nature. Rainfall will diminish again in the 11-15 day period, but won't be completely dry either. Some hot weather (~95 highs) will be possible late this week but it won't stick around long and no extreme heat expected beyond that.

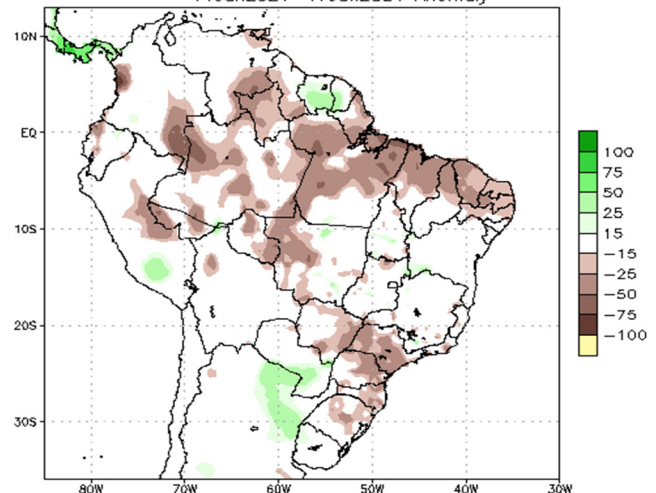
Forecast models continue to look for some decent snow accumulations around the TX/OK Panhandles for later this weekend. No huge amounts, but worth noting for that region. Map at the right shows the 5-day GFS snowfall projection.

Crops

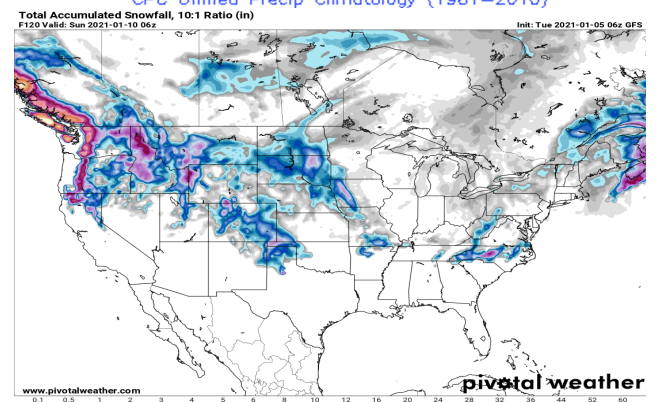
We have several USDA reports on deck for next week and a lot of prep work to do in anticipation of them. Today and tomorrow we'll briefly cover expectations for corn and soybean production figures. I say "briefly" because there isn't much new left to uncover with additional analysis on corn and soybean yields.



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: 04Jan2021
 11Jan2021-17Jan2021 Anomaly



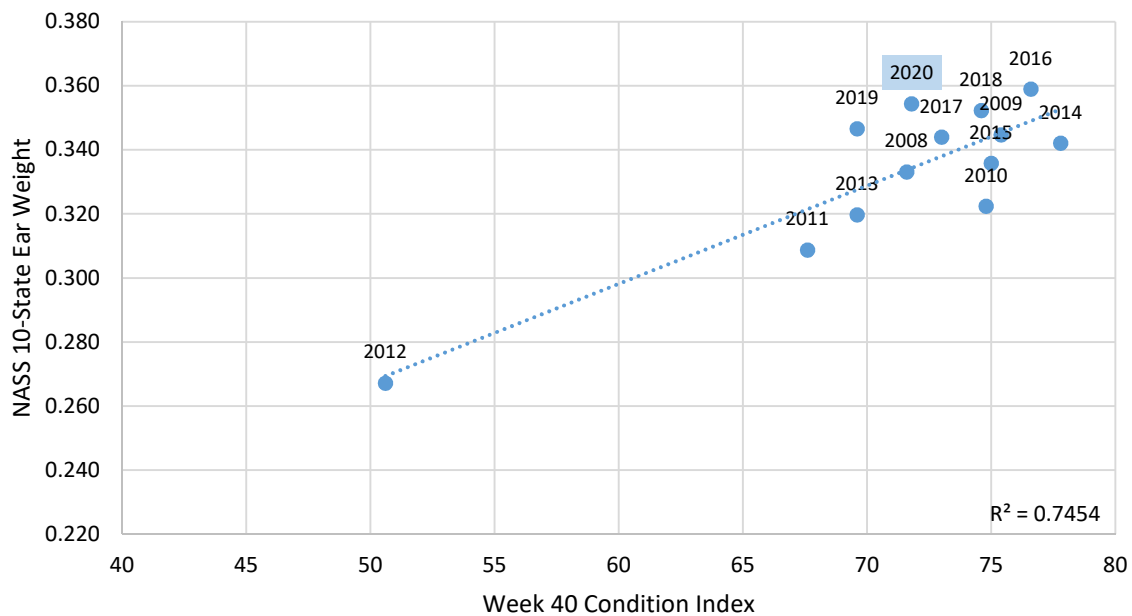
Bias correction based on past 30-day forecast error
 CPC Unified Precip Climatology (1981-2010)



We've sliced and diced them every way possible during the growing season, and so we're simply left to wait and see what the final tally tells us. It really is mostly a guessing game at this point in time. Remember that the January Crop Production report covers a much larger farmer survey than the other NASS production reports from earlier in 2020.

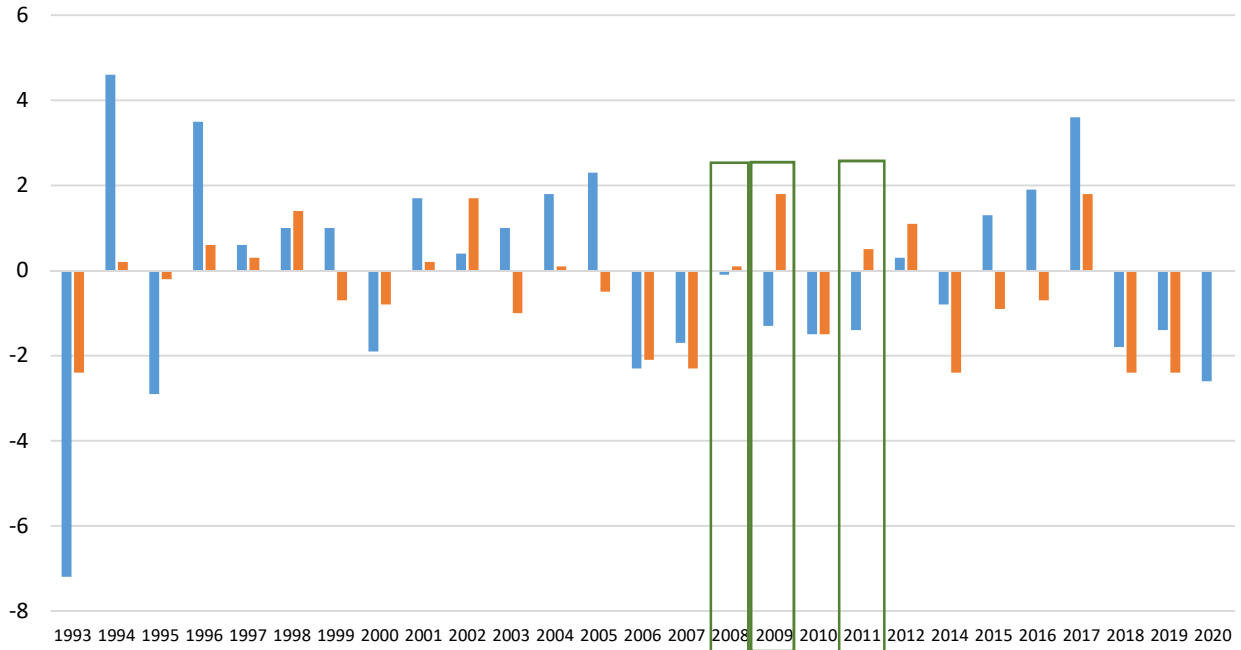
Looking at the objective yield data on corn from the November report, you can see that there is perhaps an argument that the previous ear weight projection is still a bit too large. The chart below compares the January NASS 10-state ear weight vs. the late season (Week 40) condition index. The 2020 highlighted print uses the Nov report ear weight. The Nov ear weight would be the second highest on record for the January report, and conditions would seem to argue against such a strong reading. That said, there is a clear bias in recent years for the ear weight to turn out a bit stronger than we might otherwise expect and this 2020 print doesn't look too far out of whack. Gun to head, I'd bet on a lower ear weight next week.

January NASS 10-State Ear Weights vs. Condition Index



There is always a school of thought that USDA will have “follow-through” on the direction of their Nov adjustments...the whole “big crops get bigger” and vice versa argument. The chart below shows there are plenty of instances where USDA moved one direction in Nov and another in Jan. However, that being said, there are two things that do stand out to me from the chart. Firstly, it seems the general tendency in the Jan report is simply a lower corn yield than in Nov in most cases...especially in recent years. The other thing that stands out to me is that most of the time when USDA lowers the yield in Nov it also lowers it again in Jan. The three exceptions are highlighted in the chart. Note that in only one of those years, 2009, was there a meaningful increase to the corn yield in Jan.

National Average Corn Yield Change Oct-Nov vs. Nov-Jan



I'll concede none of this is particularly scientific, but my underlying bias is to expect a modestly lower corn yield relative to the November report. Something down 1.0-1.5 bpa would be my best guess, but I won't rule out something bigger either.

Livestock

A rough start to the year for the cattle complex. Looking at the chart of LCJ, the area we closed yesterday would seem to be importantly technically. If we slip again today it could mean a test of the 200-day MA near the 113 level is coming in the near future.

Chart on the following page is something we haven't looked at in a while. This tracks the best estimate we have of the percentage of COF that are hedged on the board. We just got updated COT numbers yesterday so I figured I'd give this another look. You can see that, for a while now, the propensity for hedging has been very low. It is one reason that LC open interest has been very low, though lack of spec interest has a part in that as well.



Estimated % of COF Hedged

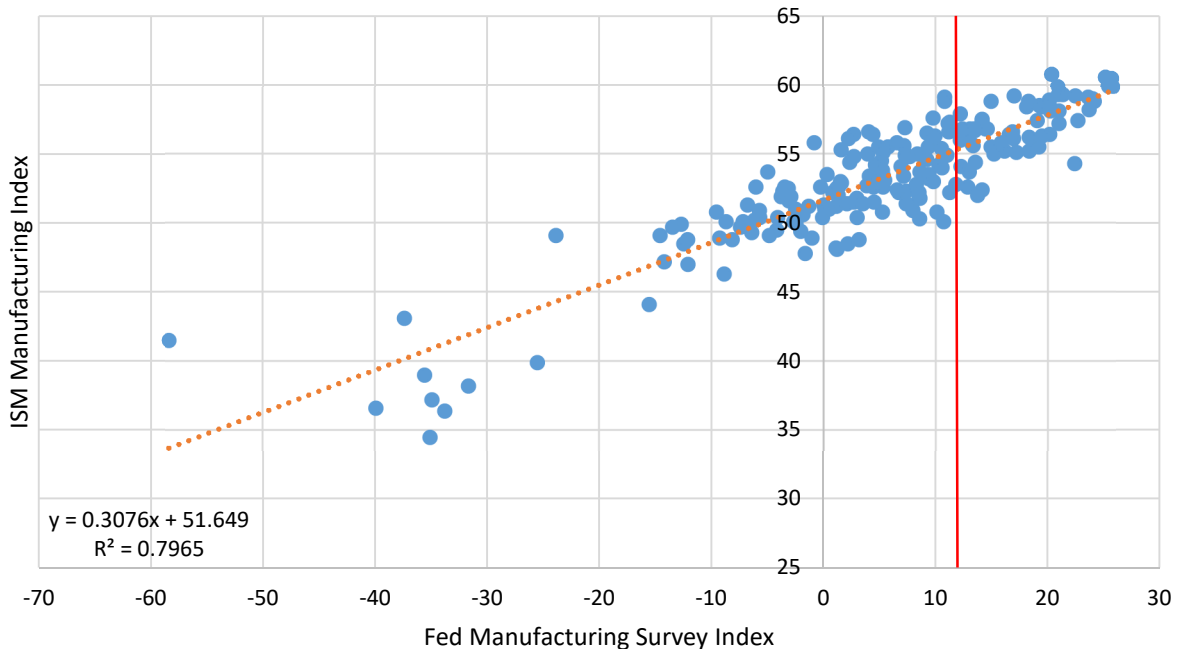


Financials

No major new information to pass along yet today. Obviously the big storyline of the day will be the GA Senate runoff elections. I suspect that the market is starting to think that the Democrats will pull off both seats. I think it is one reason the bond market has been weak, as the market would presume big levels of government spending. Additionally, this would be good for equity markets as well. It might also be behind some of the strength we've seen in gold and silver as well.

The main bit of economic data on tap for this morning is the ISM manufacturing release. We noted yesterday that several overseas PMI releases were stronger than the prior month. The Markit US manufacturing PMI was also a higher than last month and stronger than expected. However, our preferred method for guessing the ISM release is an index comprised of the various regional Fed manufacturing surveys. The chart below scatters our index against the monthly ISM releases, and you can see there is a very solid relationship. The red line on the charts indicates where the latest monthly Fed surveys line up. This would indicate an ISM manufacturing number somewhere near the 55.2-55.3 level. The median guess for today's release is 56.7. Perhaps I am not paying enough attention to the Markit release from yesterday, but my gut is telling me to take the under vs. expectations on today's ISM release.

Fed Surveys vs. ISM Manufacturing Index



Energy

No agreement from the OPEC+ group yesterday, with another round of meetings on tap for today. The Russians have apparently pushed for another 500k bpd increase in production for the month of February, but wires are reporting that “most” of the meeting participants are not in favor of an increase. It is also looking likely that Iraq has already fallen off the wagon again and pumped more than they were supposed to during the month of December. That over-production will also complicate negotiations, though it should be no surprise as we’ve noted Iraq’s lack of compliance many times before. Unfortunately oil traders will be stuck watching headlines today and simply reacting to the news...

Today’s Calendar (all times Central)

- ISM Manufacturing Index – 9:00am

Thanks for reading.

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