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TRADING GROUP, LLC

Wednesday, April 7, 2021

NTG Morning Comments

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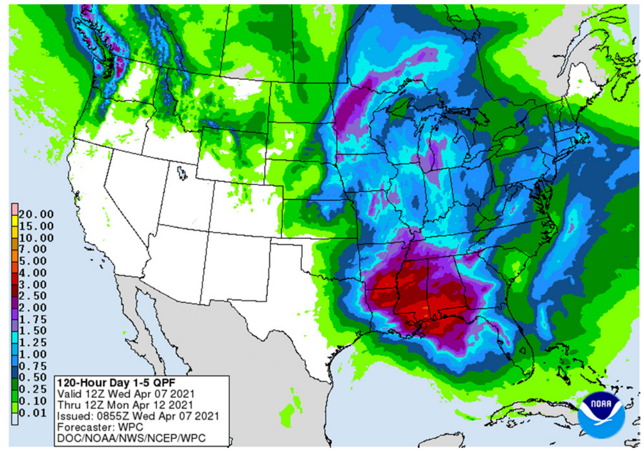
Weather



No huge changes in the forecast this morning. We are kicking off a period of roughly 5 days with rainfall chances through the Corn Belt and southeastern US. The map at the right is the 5-day QPF. Some of that rain will fall on every day during the period. Note the widespread coverage in the Corn Belt and Delta, but it is offset by a lack of rainfall in the Northern Plains and HRW Belt. Rainfall should diminish in the Corn Belt at the end of this period and both the 6-10 and 11-15 day period appear likely to feature below normal precipitation chances. Temps should continue to average above normal for a few more days, but the 6-10 day period should feature a lot of well below normal temps. There will certainly be widespread areas in the northern US that see lows dip below freezing.

Crops

We're going to look at the corn balance sheet and my expectations for Friday's WASDE report. To be honest, I'm not expecting a lot of changes for the report. I already wrote on Monday why I believe WASDE will be inclined to leave their F&R estimate unchanged this month. It wouldn't shock me if they decided to increase it, I suppose, but I think the best bet is for an unchanged number. You can see I'm assuming an unchanged F&R in my balance sheet baseline below.

US Corn 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 Oct	**USDA 20/21 Mar**	**Possible? 20/21**
Planted Acres	95.4	90.6	88.0	94.0	90.2	88.9	89.7	**90.8**	**90.8**
Harvested Acres	87.7	83.1	80.7	86.7	82.7	81.3	81.3	**82.5**	**82.5**
Abandoned Acres	7.7	7.5	7.3	7.3	7.5	7.6	8.4	**8.3**	**8.3**
Yield	158.1	171.0	168.4	174.6	176.6	176.4	167.5	**172.0**	**172.0**
Carryin (Sep 1)	821	1,232	1,731	1,737	2,293	2,140	2,221	**1,919**	**1,919**
Production	13,829	14,216	13,602	15,148	14,609	14,340	13,620	**14,182**	**14,182**
Imports	36	32	67	57	36	28	42	**25**	**25**
Total Supply	14,686	15,479	15,401	16,942	16,939	16,509	15,883	**16,127**	**16,126**
Feed and Residual									
Total Feed and Residual	5,036	5,314	5,131	5,470	5,304	5,430	5,903	**5,650**	**5,650**
Food, Seed, and Industrial									
Corn for Ethanol Fuel	5,134	5,200	5,206	5,439	5,605	5,378	4,852	**4,950**	**4,950**
Other FSI	1,367	1,367	1,429	1,446	1,452	1,415	1,430	**1,425**	**1,425**
Total FSI	6,501	6,567	6,635	6,885	7,057	6,793	6,282	**6,375**	**6,375**
Total Domestic Use	11,537	11,881	11,766	12,355	12,361	12,223	12,185	**12,025**	**12,025**
Exports (Census)	1,917	1,867	1,898	2,294	2,438	2,065	1,778	**2,600**	**2,800**
Total Use	13,454	13,748	13,664	14,649	14,798	14,288	13,963	**14,625**	**14,825**
Carryout (Aug 31)	1,232	1,731	1,737	2,293	2,140	2,221	1,919	**1,502**	**1,301**
Stocks/Use	9.2%	12.6%	12.7%	15.7%	14.5%	15.5%	13.7%	**10.3%**	**8.8%**

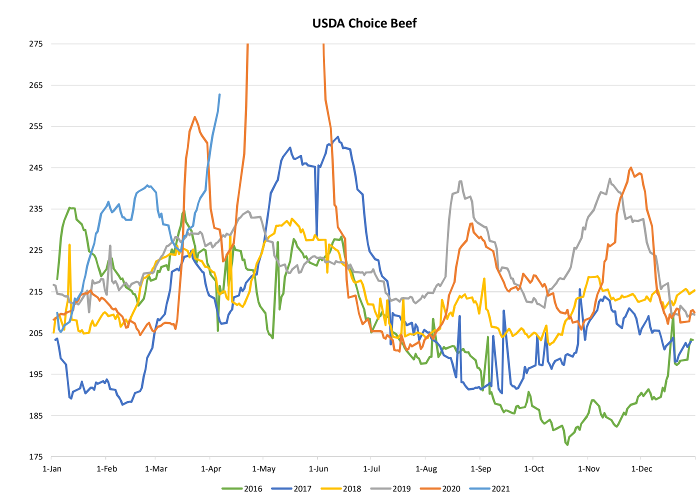
I've been hyping ethanol lately and I still fully expect that the grind will increase enough to force WASDE to move higher at some point. However, with the data currently available there is no need for WASDE to make a move at this point in the year. WASDE almost certainly has to make a move on exports. While we don't have an official Census number for March shipments yet, we can see from inspections they were extremely impressive. Based on the inspections total, I'm going to ballpark March corn shipments around 345-350 mil bu. The biggest monthly Census shipment total I have on record going back to 07/08 is roughly 310 mil bu (May 17/18), so we're looking at easily setting a new record figure for March. Additionally, the Chinese business that we sold earlier in the year has been primarily set for Apr/May shipment, meaning Apr/May should set new (higher) record levels. Additionally, current export commitments are basically already at 100% of the prior WASDE level. It all strongly argues for an increase to the export projection.

The question is…how much? You can see above I'm assuming a 200 mil bu increase for Friday. This puts my ending stocks baseline below the average guess. However, I think such an increase is strongly justified. <u>If I'm correct on the Apr/May figures mentioned above, I can make a strong argument that the export pace is closer to 3 billion bushels than WASDE's current estimate</u>. I don't think this can be lost on the guys at WAOB, and thus I expect them to make a significant move. That said, I'll concede it wouldn't shock me to see "only" a 100 mil bu increase to exports, which would put ending stocks closer to the average guess.

The main change in the world numbers to look for relates to the above…I expect WASDE to stair-step Chinese imports higher yet again. I don't have a good guess on by how much, but anywhere between 2-6 mmt higher would seem to make sense to me. Otherwise, I don't expect any big changes in the world numbers. I guess it might be possible that they take a look at lowering Brazilian production, but I think it is a bit too soon for that.

Thoughts appreciated.

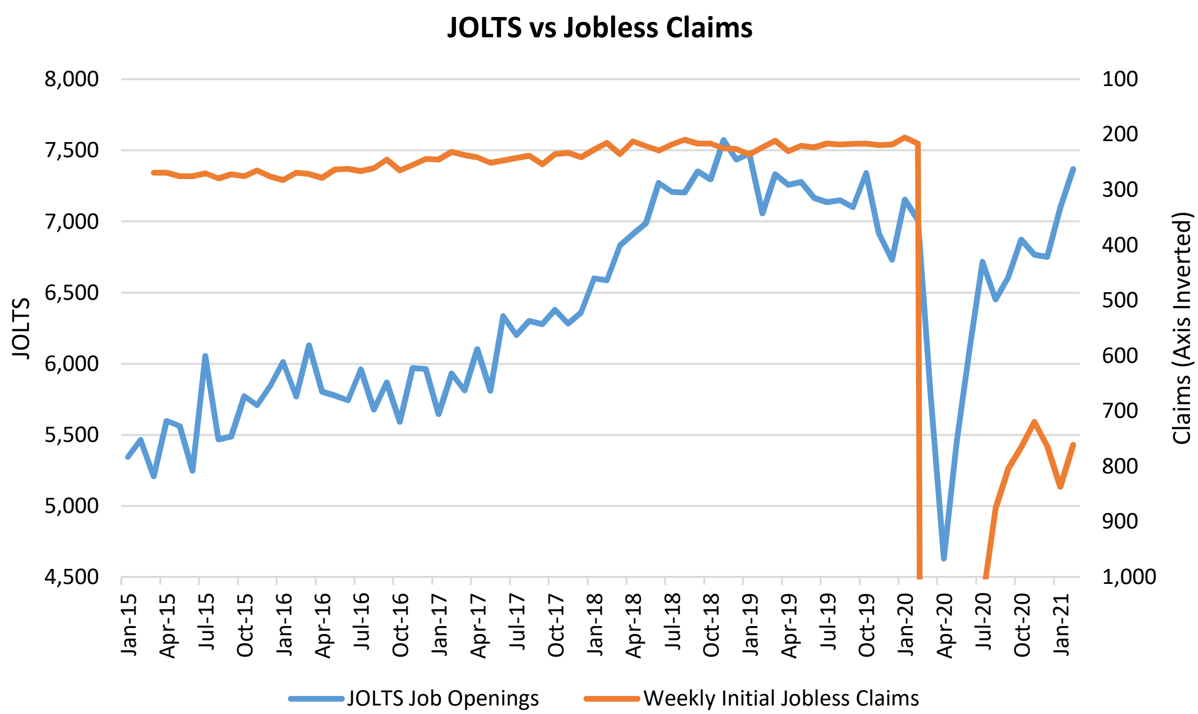
<u>Livestock</u>



I'm not sure what else there is to talk about other than the ongoing appreciation in beef prices. Then again, I'm not sure what more can be said about that. Beef up sharply again yesterday, and you can see this is typically a seasonal soft-patch for beef prices. Some of the strength in beef prices might be tied to slower kill rates lately. Some could be due to restaurant reopenings and adjustments in foodservice pipelines. Some could be just more hoarding of supplies. I'm not entirely sure what it is, but it is the driving factor behind the cash and board action lately. With packer margins improving, feeders are rightfully holding out for more money this week. We got some decent volume traded yesterday in KS at 121 and it wouldn't come as a shock to see some higher trade develop as long as beef continues to smoke higher. That being said, Monday's kill was revised lower and yesterday's kill was nothing to brag about either. It seems regardless of beef prices and margins, the packers seem to be struggling to kill at an appropriate rate right now. Like most markets, the cattle board seems to only focus on one thing at a time. Right now it is entirely focused on the rally in beef prices. However, if kills continue to run at relatively mundane levels, fed supplies might start to work more into focus eventually. I'm still of the opinion that placed-against supplies for the summer period will be very large. Thoughts appreciated.

Financials

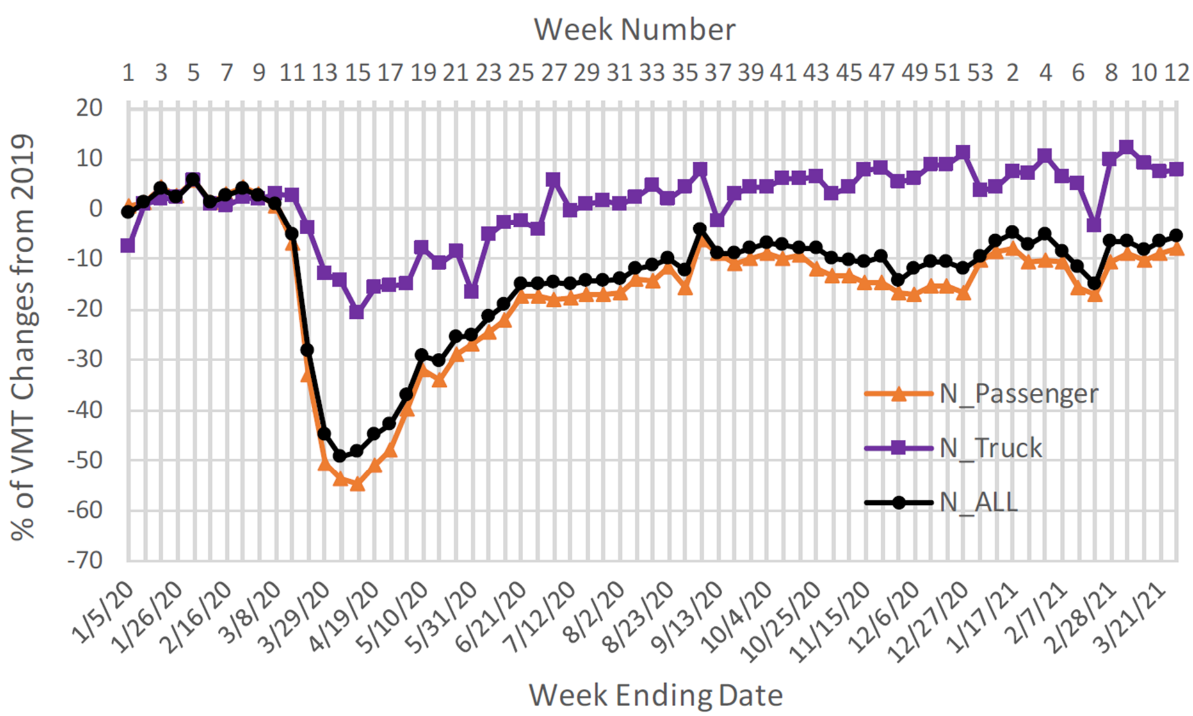
I thought the JOLTS number yesterday was interesting. JOLTS is an estimate of total job openings in the country, and the number for February (released yesterday) rose to a two-year high of 7.35 million. This was well above expectations and shows job openings easily in excess of what we had immediately before the pandemic hit. In the past, this used to be a good indicator of lower jobless claims. The chart below is an attempt to show this, but I concede it is a little ugly. The blue line is monthly JOLTS job openings. The orange line shows initial claims, with the axis inverted to show the relationship. The scale of the job losses in the beginning of the pandemic was clearly something we've never seen before, which makes the chart a bit ugly. Still, you can hopefully still get the general picture that more job openings should, in theory, mean fewer people filing unemployment claims. Of course, that is a bit complicated right now with the "stimmy" and extended unemployment benefits the government is still offering. I think you could make an argument that, without all the stimmy and everything else, unemployment figures would already be looking much, much better.



Though typically not a market-moving release, I'll be interested in watching the trade balance release this morning. As I've shown before, the twin deficit (trade and federal budget) is a solid leading indicator of the direction of the dollar. We know the federal budget deficit is getting smoked with all the stimmy. The trade balance is expected to remain near record wide as well. This continues to argue for a resumption in a weaker dollar trade, if realized. Also on tap later today will be the release of the FOMC minutes.

Energy

We'll get our weekly look at motor gasoline products supplied later this morning. The DOT releases weekly numbers on estimated "vehicle miles traveled" and the latest release covers the week of 3/22-3/28. The chart below compares the estimate for weekly VMT vs. the same week in 2019. You can see that truck miles recovered quickly during the pandemic, but passenger miles are still lagging. Overall total VMT are estimated to be down roughly 6% from the same period in 2019. Note that the trend continues to be higher, however, and I'm still of the belief we'll be back to normal (if not better) by this summer.



Today's Calendar (all times Central)

- Trade Balance – 7:30am
- EIA Petroleum Inventories – 9:30am
- FOMC Minutes – 1:00pm

Thanks for reading.
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