NESVICK
TRADING GROUP, LLC

Wednesday, August 25, 2021
NTG Morning Comments
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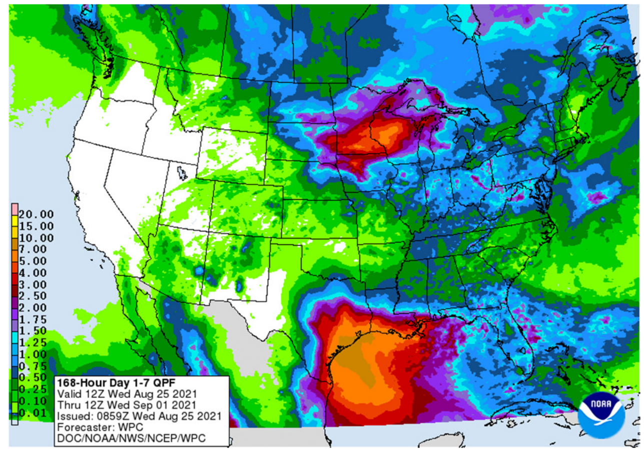
Weather

No changes to the forecast. We should see several threats of rainfall over the next week in the Corn Belt. This should bring big precipitation chances for a large portion of the region. The 7-day QPF at the right will not end up being perfect because with multiple rainfall threats to account for, it just isn't going to get it 100% correct. Note the big rains moving into TX on the map. That is due to a tropical system and the remnants of that should affect the Mid-South/Delta and possible southeastern CB during the 6-10 day period. Temps will remain above normal for at least the next week and maybe a bit longer, but we're also not looking at any major extreme heat.



Crops

I said we'd look at the pace of Brazilian soybean exports and the potential impact on US 21/22 exports. The table at the right is one we've shown several times before, but it has been updated with the most recent data and estimates. This simply shows the pace of Brazilian export demand since the start of their marketing year and compares it to what we saw during the same period last year. The point I want to make this morning is really the same one I've made several times this summer. As shown yesterday, the pace of Brazilian exports has slowed down quickly in the past few months. Combined with their record crop, that is going to leave a bigger amount to compete vs. the US during the SOND period. My assumption at right is that Brazil will have almost 5 mmt larger supplies at the beginning of Sep compared to the same time last year. If that proves to be correct, it could be a real drag on US export demand to start the 21/22 season.

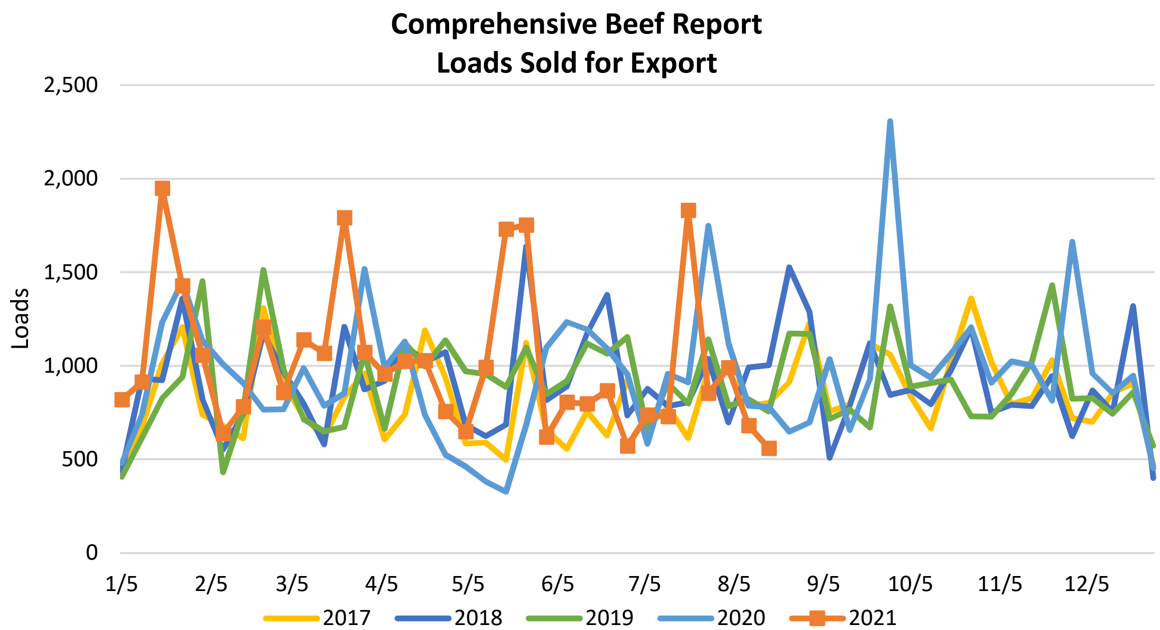
Brazil Demand Pace Comparison

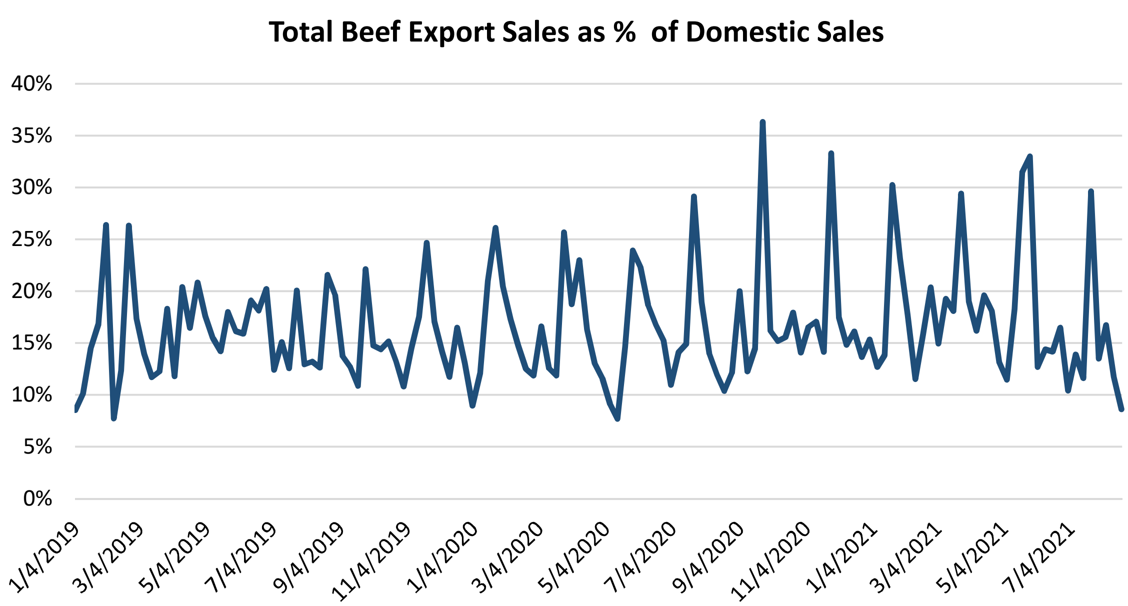
	Carry-In	2.88	Carry-In	1.99
	2020 Prod	128.5	2021 Prod	**137**
	Exports	Crush	Exports	Crush
February	4.80	3.40	2.90	3.05
March	10.80	4.24	13.50	4.30
April	15.00	4.30	17.40	4.42
May	14.30	4.39	16.40	4.50
June	12.80	4.41	11.10	4.55
July	10.00	4.43	8.70	4.45
August	6.00	4.02	**5.90**	**4.25**
Sums	73.70	29.19	**75.90**	**29.52**
"Carryover"	28.49		**33.57**	
September	4.60	3.99	**4.90**	**4.00**
October	2.50	4.08	**4.00**	**4.00**
November	1.50	3.24	**2.50**	**3.70**
December	0.02	3.48	**2.00**	**3.50**
Sums	8.62	14.79	**13.40**	**15.20**

Right now WASDE is currently projecting US exports in 21/22 to be down about 5-6 mmt from last year. It looks like initial export commitments to start the marketing could be down 8-9 mmt (or more?), meaning we're likely going to be counting on South American crop losses if we want to achieve that WASDE projection.

Livestock

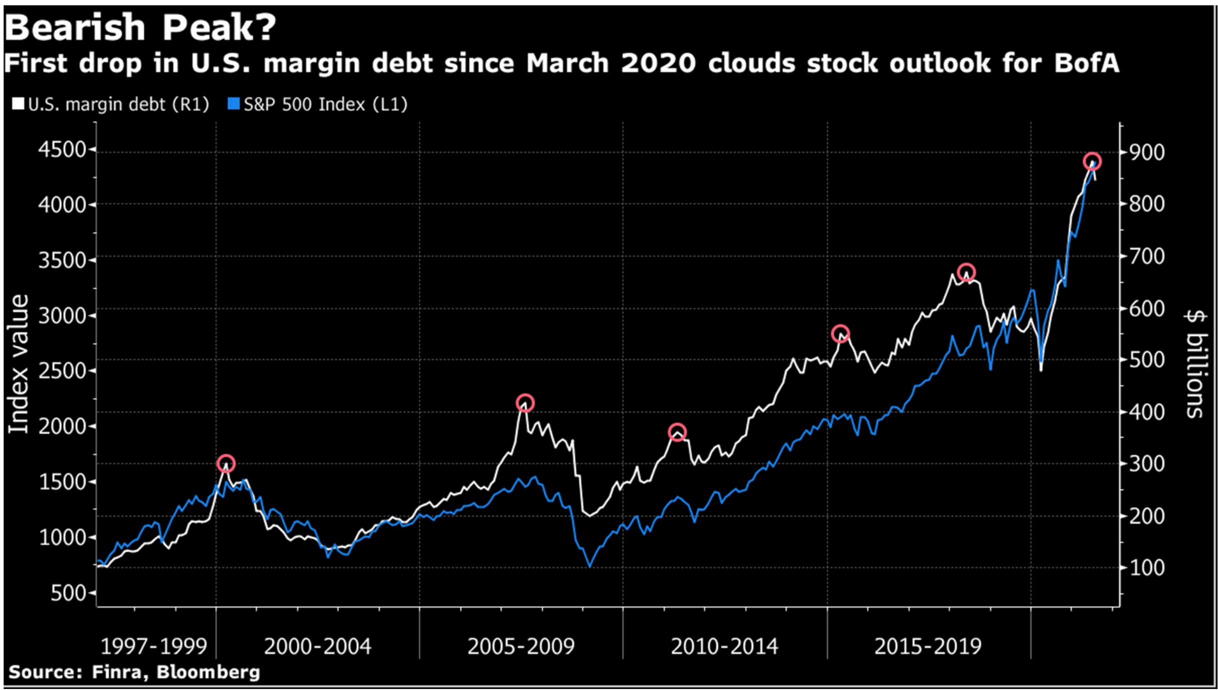
Looking at Monday's Comp Beef report, it looks like US export demand for beef is a bit suspect for the moment. The first chart below looks at the weekly loads sold for export. These don't ever match up exactly with the weekly FAS report, but it is a halfway decent indicator. Sales have been soft in the past few weeks and have been under year ago levels since the spring. The second chart shows export loads as a percentage of domestic sales, and here again we can see that exports are looking uncharacteristically soft. Perhaps the cutout at these levels is hitting a point where the importer pushes back? That being said, it still seems that domestic beef demand remains very strong and clearly that is the biggest driver of price.





Financials

Not much new to report this morning. As I noted earlier in the week, it does seem markets are on a bit of a pause as we await Jackson Hole Commentary from Fed Chair Powell. It is that event that should really shape the direction of trade in the coming few weeks. I did stumble across the chart below this morning and I found it to be interesting. A BofA analyst noted that July posted the first decline in equity market margin debt since the early stages of the pandemic. As shown with the indicated circles, this can sometimes coincide with temporary market peaks. The current streak of margin debt increases started in April 2020, and since then margin debt increased 84% before the modest dip posted in July.



Energy

On tap today we have the weekly inventory data. Yesterday's API release didn't contain any big surprises. The API showed US crude oil stocks -1.6 million barrels, which is fairly close to expectations for today's EIA release. OPEC headlines are due to start dominating trade as the OPEC+ group meets next week to decide whether or not to stick with their planned production increase schedule. There are hints the group may defer further increases citing uncertainty surrounding ongoing Covid cases.

Today's Calendar (all times Central)

- Durable Goods Orders – 7:30am
- EIA Petroleum Inventories – 9:30am

Thanks for reading.
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