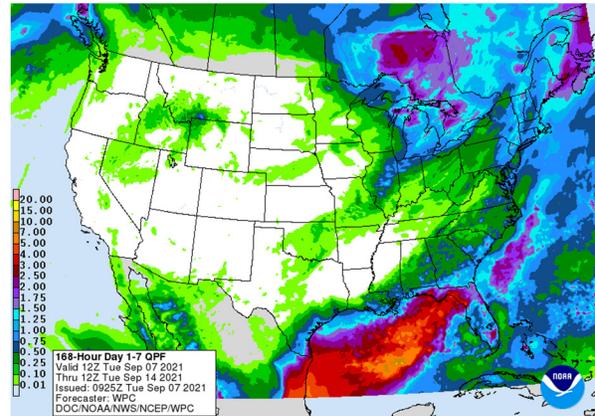


Weather

No big changes in the forecast. The rains shown in the Corn Belt on the 7-day QPF at right almost entirely fall in the next 24 hours. After that, we'll see an extended period of limited rainfall for the vast majority of the country. We should start to see some return of rainfall chances later in the 6-10 day period and that might linger into the 11-15 day period, but we're looking at near-normal amounts at best in most areas. Temps should mostly average above normal over the next two weeks, but nothing extreme.



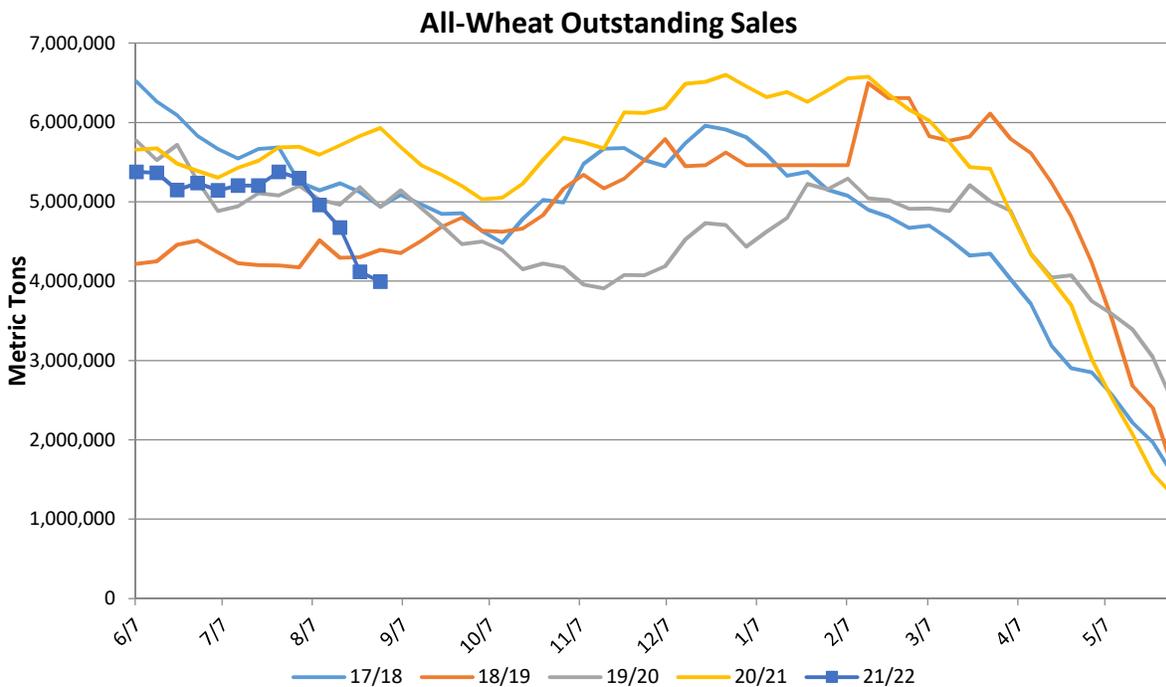
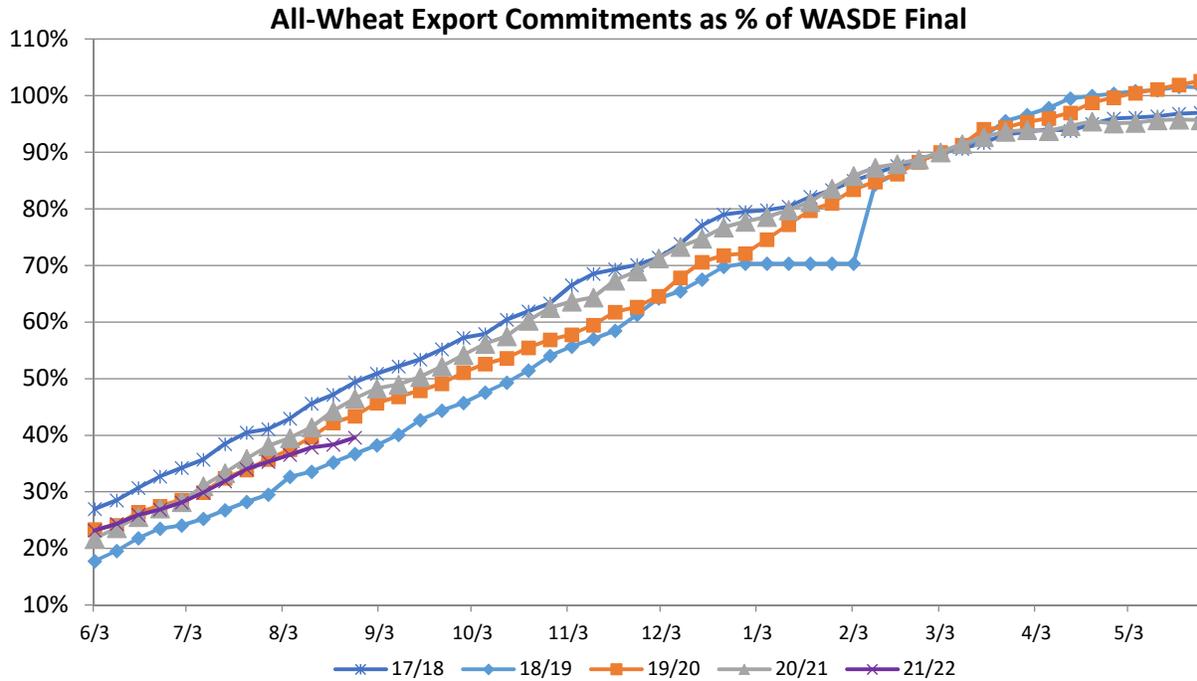
Crops

We'll spend the next few days looking over balance sheet prospects ahead of this week's WASDE release. We'll take it easy to start the week and look at the US wheat balance sheet. This should be pretty simple...I don't expect any changes. The Bloomberg survey average guess calls for a modest reduction in ending stocks. To be honest, I don't know where they're getting that. For starters, there is no precedent for NASS to change US production in the Sep Crop Production report. Instead, they wait until the month-end Small Grain Summary report to finalize US wheat production. It is also unlikely that WASDE will feel any need to adjust food, seed, or F&R use ahead of the month-end Quarterly Stocks report either. It is possible they can make a change in those categories, of course, just unlikely. That means that if the market is looking for a reduction in the carryout, they have to be assuming an increase to exports.

US All-Wheat Supply & Demand Estimates (Million Bushels/Million Acres)

	USDA 15/16	USDA 16/17	USDA 17/18	USDA 18/19	USDA 19/20	USDA 20/21	USDA 21/22 Aug	Possible? 21/22
Carryin (Sep 1)	752	976	1,181	1,099	1,080	1,028	844	844
Production	2,062	2,309	1,741	1,885	1,932	1,826	1,697	1,697
Imports	113	118	157	135	105	100	145	145
Total Supply	2,927	3,402	3,079	3,119	3,117	2,954	2,686	2,686
Food Use	957	949	964	955	962	960	962	962
Seed	67	61	63	59	60	61	62	62
Feed & Residual	152	156	51	90	102	98	160	160
Total Domestic	1,177	1,167	1,079	1,103	1,123	1,119	1,184	1,184
Exports	775	1,055	901	936	965	992	875	875
Total Use	1,952	2,222	1,980	2,046	2,089	2,110	2,059	2,059
Carryout (May 31)	976	1,181	1,099	1,080	1,028	844	627	627
Stocks/Use	50.0%	53.2%	55.5%	52.8%	49.2%	40.0%	30.5%	30.5%

I view an export increase this month as unlikely, and rely on the following charts to inform my view. The first chart shows that the pace of commitments is running a bit sluggish right now. The second chart shows that current outstanding sales are the lowest they've been at this time of year in several years. For these reasons, I view it as unlikely that WASDE will make a move towards bigger exports at this time.

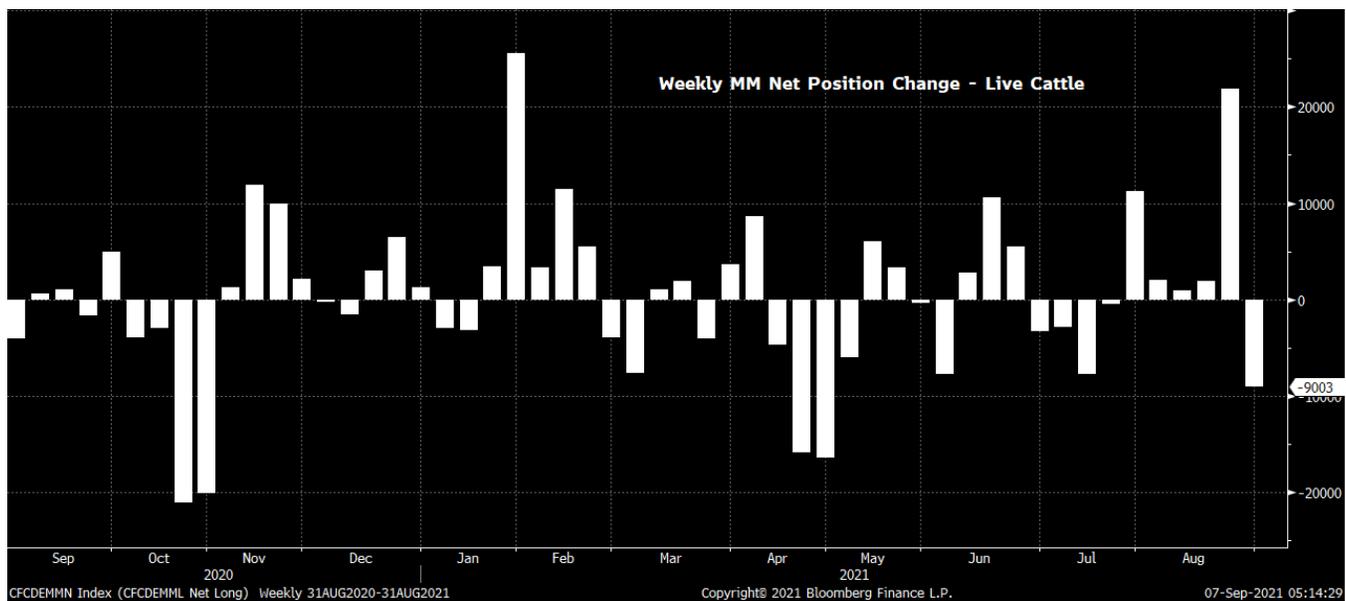


I also don't think there is much reason to expect a lot of change to the world production numbers. StatsCan was recently out with an all-wheat production estimate near ~23 mmt vs. WASDE's 24 mmt production figure last

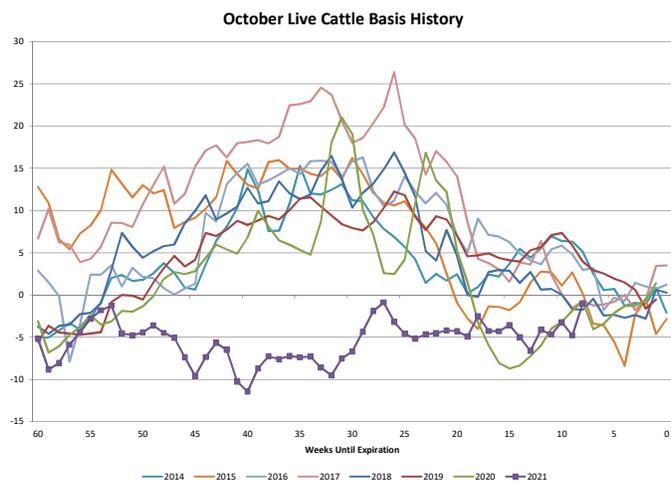
month. For Russia, WASDE last month was very aggressive with a cut to 72.5 mmt, but local analyst SovEcon is higher at 75.4 mmt. Some will argue there is some possible downside in the EU crop. So there might be some modest tweaks, I don't think the changes will be very market-moving. Thoughts appreciated.

Livestock

In the past week or so, the cattle futures market has run into a buzz-saw of selling pressure. Friday's COT data showed the first week of net MM selling in over a month. Obviously the data is only current through last Tuesday, which means this Friday's COT number should probably show another week of selling. Last week was the third biggest week of MM selling of the year.



The other item that stands out to me this morning is the partial normalization of basis levels...at least near the front end of the board. The chart at the right shows basis vs. the Oct contract. The break in futures last week has allowed basis to narrow to a very normal level. We're no longer looking at record weak basis at the front of the board. For the 2022 contracts, basis remains historically large. However, it isn't nearly as eye-popping as it has been. I am tempted to suggest that the normalization of basis at the front end is potentially a signal that the correction in futures could be nearing an end. That being said, the Oct futures contract did slash through key MA support on Friday and the 200-day MA could be a possible target.



Financials

No huge news to report from over the long weekend. China reported official trade numbers for Aug, and their trade surplus was larger than expected. The one thing that sticks out to me this morning is the strength in the dollar. The move isn't huge, but it clearly seems like most other markets are taking their cues from the dollar this morning. As shown in the chart below, the dollar seems to be finding support at similar level during previous dips. This also coincides with key moving average support. The modest strength in the dollar seems to be leading to an inflation-off type of morning, with most major commodity markets posting substantial breaks.

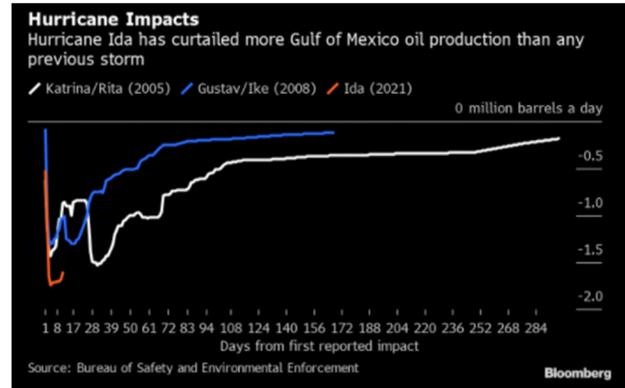


One chart to keep a close eye on in the next few days is the 10Y Treasury yield. The chart is posted below, and you can see we've bounced in the past few sessions to test upside resistance. If this resistance is violated, it could have large carryover effects on other markets.



Energy

I thought this chart was interesting. Bloomberg is showing a comparison of GOM oil production losses following similar recent storms. Hurricane Ida has shut-in more GOM oil production than any of the prior comparisons. The last news report I've seen suggested that 80% of production is still shut-in. News out of China was also somewhat friendly, with Chinese oil imports hitting a 5-month high in August. Despite those positive headlines, it appears the dollar seems to be driving oil trade overnight with both Brent and WTI lower in the "inflation-off" action. Additionally, there is word that the Saudis have cut oil prices to Asian buyers for next month. This could be a measure to remain competitive as OPEC+ production ramps up further in the months ahead.



Today's Calendar (all times Central)

- Export Inspection – 10:00am
- Crop Progress - 3:00pm

Thanks for reading.

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