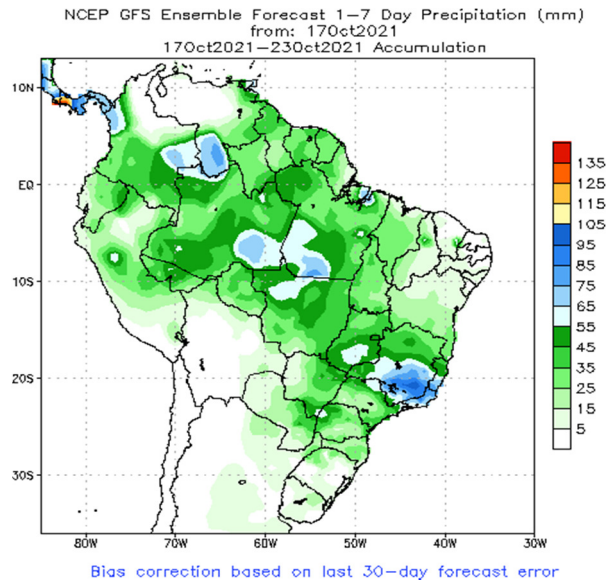


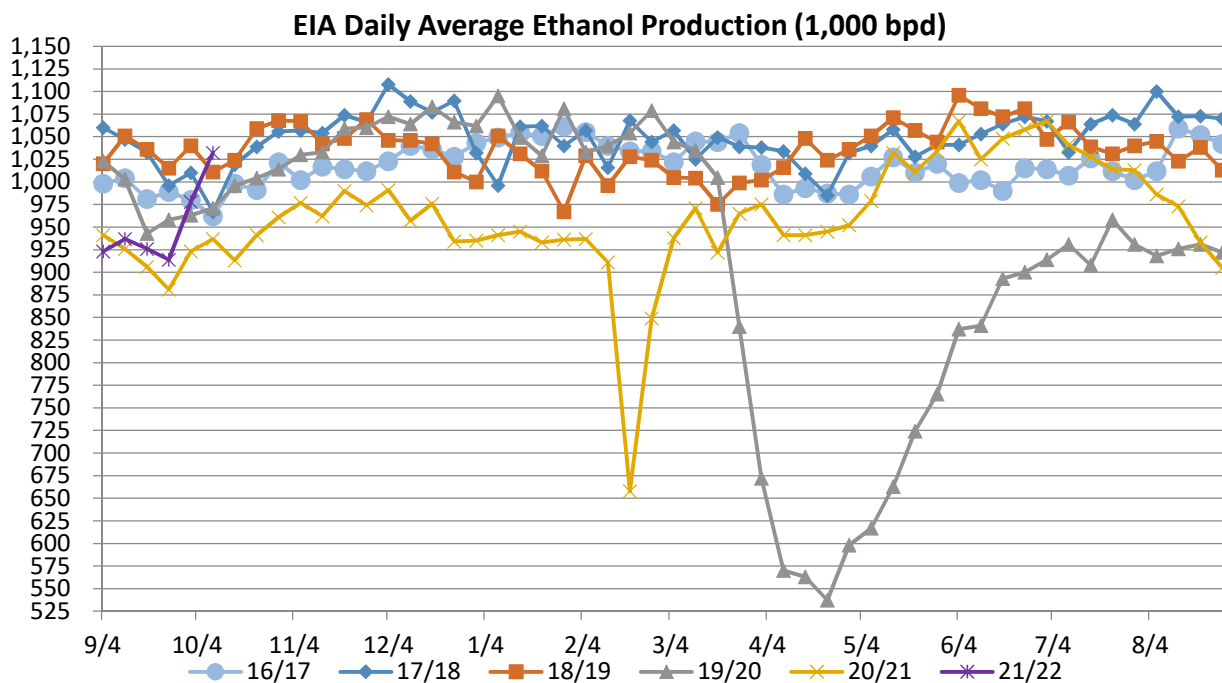
Weather

No big changes to the South American weather forecast. In northern Brazil, enough rain will fall over the next two weeks for widespread soybean planting. Southern Brazil will see somewhat drier weather than what we've seen in the past few weeks. Their two week rainfall totals will likely run near normal. No change to the situation in Argentina either. The area should see virtually no rain today through Thursday. There will be some rains on Thurs/Fri, but even those don't look especially impressive. Additional rains will be possible in the 11-15 day period, but will likely favor southern areas with the best amounts and coverage. Temps will likely warm up in Week 2 as well. We could start to see some 90+ highs at that time.



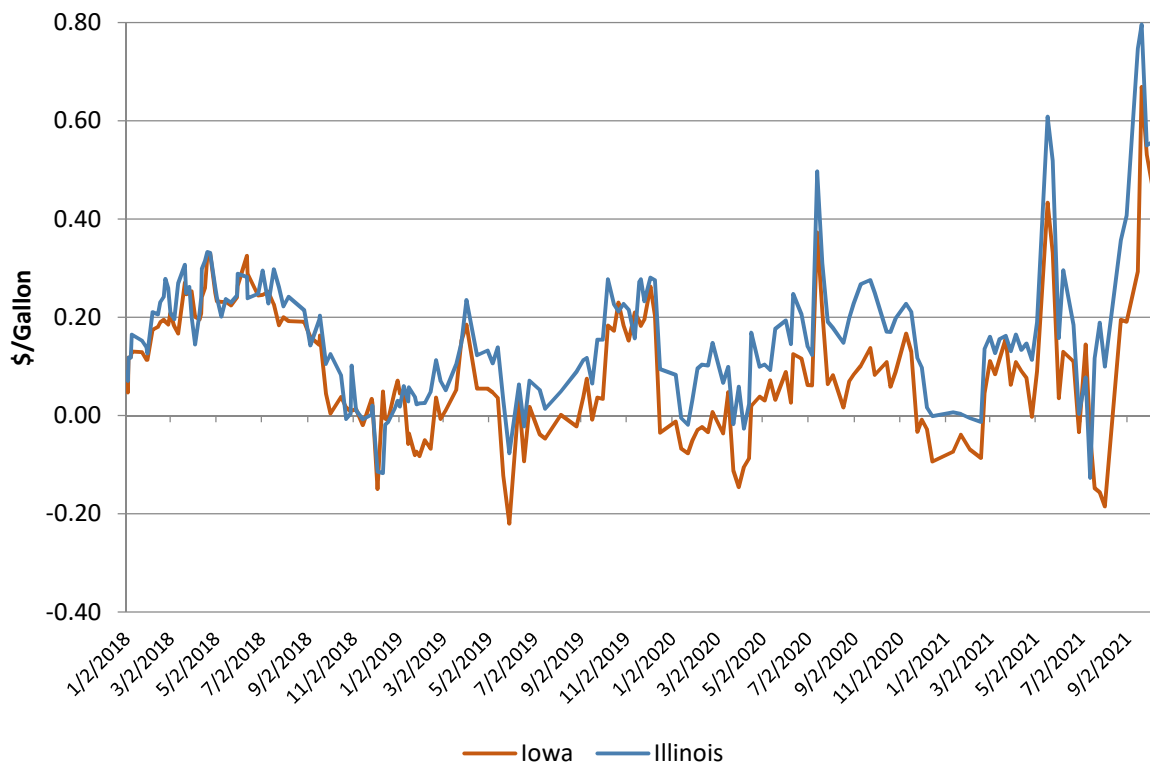
Crops

After being out of the office for a week, I've got a lot to catch up on. One thing I've noticed in looking through news/data from last week is how strong the ethanol rates are right now. The chart below is hopefully a decent illustration. After posting some solid numbers last spring, we spent most of the summer in reverse due to tightening corn supplies. In the past few weeks, ethanol runs have shot sharply higher. Seasonally speaking, ethanol runs should be increasing and should peak probably in December, though admittedly the seasonality has been difficult to gauge in recent years for obvious reasons.

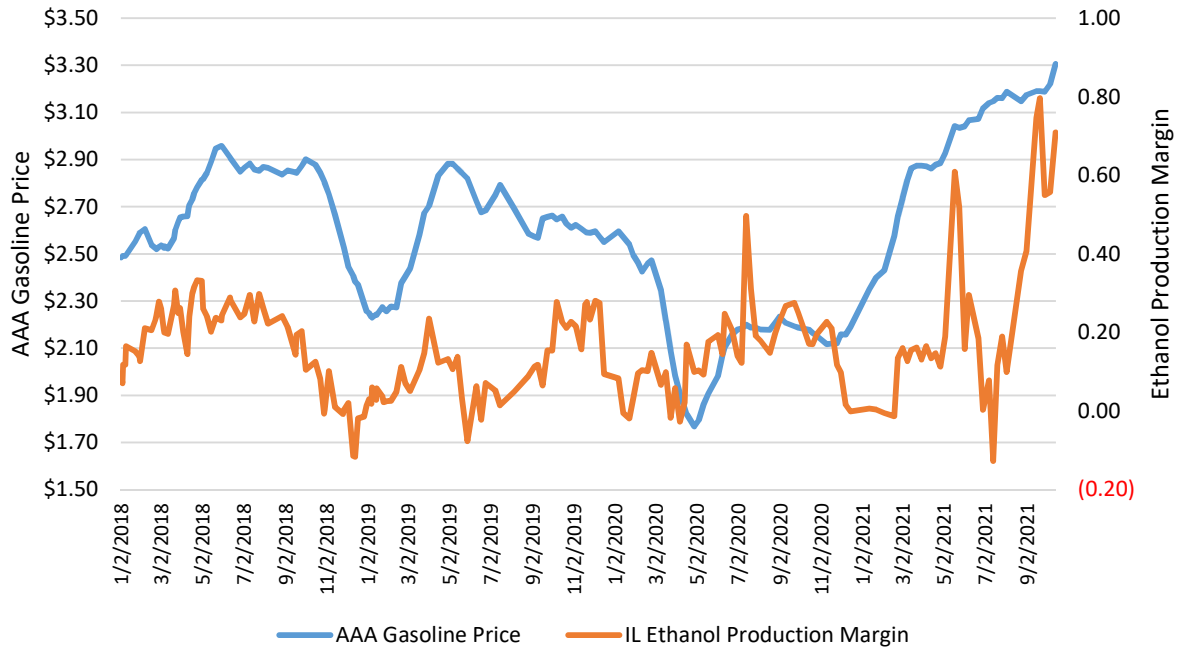


The first chart below shows estimated ethanol margins based on USDA price numbers in IL and IA. You can see that current estimated margins, on paper, are simply unprecedented in recent history. The second and third charts are an attempt to show why. The second compares the IL estimated margin vs. AAA's national average regular gasoline price. It makes sense that ethanol production margins would seem to follow gasoline prices, as higher gasoline prices "should" encourage higher ethanol prices. Lastly, the third chart shows the recent divergence in corn and ethanol prices. Ethanol prices have held their recent gains as gasoline prices simply refuse to go lower. Meanwhile, thanks to new crop supplies, corn prices have backed off significantly in some areas of the country.

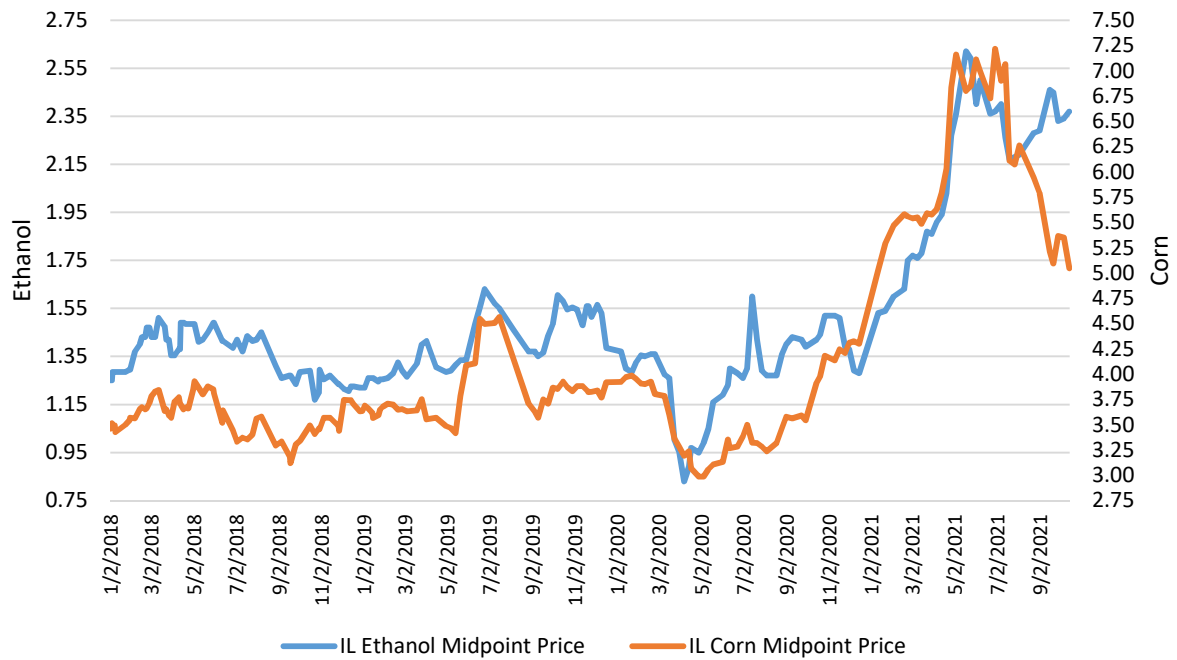
USDA Ethanol Plant Report - Estimated Spot Production Margin



Gasoline Prices vs. Ethanol Production Margins



Illinois Corn Price vs. Ethanol

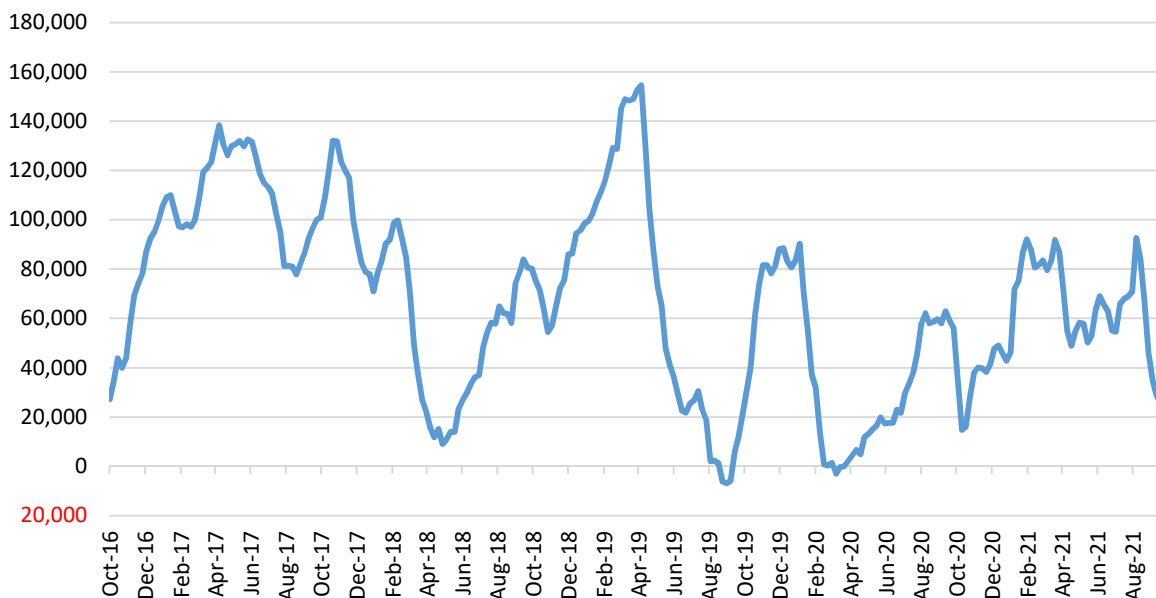


There doesn't seem to be any reason to expect a sharp contraction in gasoline demand going forward. Obviously there will be some seasonality to develop as we (hopefully) see things get back to normal, but I still expect gasoline demand to hang around very strong. This should continue to support ethanol demand. All of this seems to imply that the ethanol grind this year could be fully "normalized". Could that mean upside to WASDE's current corn grind projection?

Livestock

Just a quick look at the COT numbers for cattle this morning. We have finally put an end to the relentless MM selling pressure. Last week saw a pretty sizeable 13k net buying effort by MM in cattle futures and options. Even with that sort of buying, you can see in the chart below that the overall net position is still very modest all things considered. We can debate the fundamentals, but for the moment let's concede that IF the funds feel they need to own cattle here, they should have plenty of dry powder to come after the market. Thoughts appreciated.

Live Cattle - MM Net Position F & O

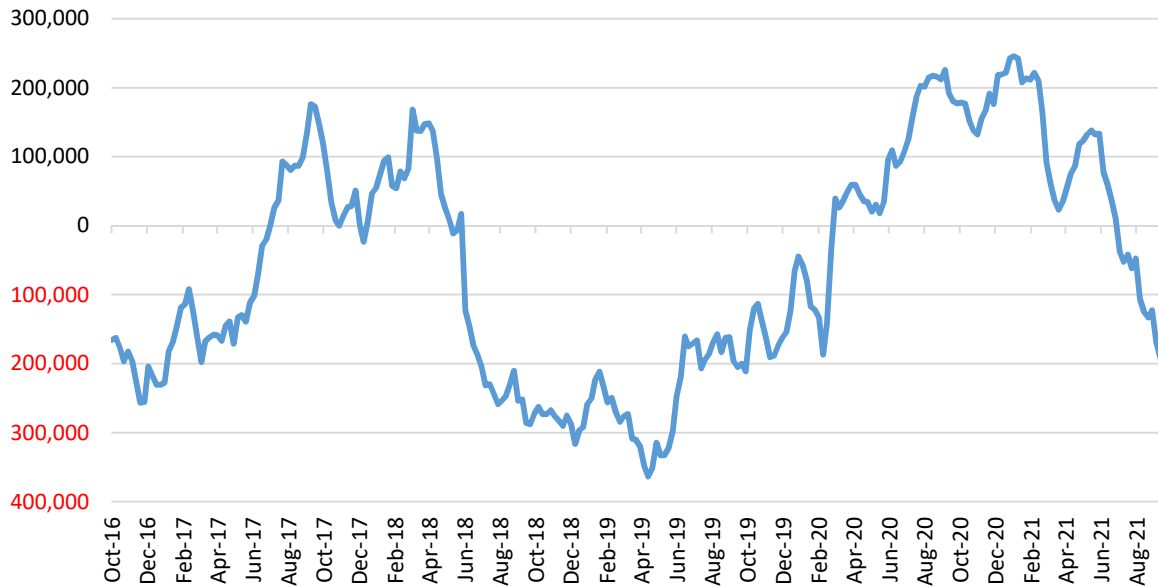


Financials

Looking at the COT numbers in cattle got me thinking I haven't looked at the COT numbers for FX in a long while. I'm not sure what I expected to see when I pulled up the chart below, but I certainly did not expect to see that the implied DX long was damn near back to the same size as 2019. The chart below takes the combined non-commercial net position across several major FX markets. As those other markets turn more-short, it implies a more-long bias towards the dollar. I find it very interesting how quickly the market's opinion on the dollar has shifted here. At one point earlier this year every Zerohedge wannabe was talking about the dollar losing its reserve status. Now we're sitting on a very sizeable (implied) net long for the dollar. If I were to stretch the chart further back in time, it'd be a little bit more obvious how stretched this sort of positioning is. I find it

interesting that we're still talking about a significantly inflationary environment, but it is one in which the dollar is strengthening and where traders apparently expect further appreciation. Hmmmm....

Non-Commercial Net Position - Combined FX Markets
 EC, JY, BP, SF, AD, CD



Energy

Despite the pleas of the Biden administration, and now Japan, OPEC is not pumping as much oil as they're technically allowed at the moment. According to a Bloomberg report this morning, OPEC+ could have pumped 747k bpd more in Sep and remained within its agreed production limit. Countries like Angola, Nigeria, and Azerbaijan are among the weakest members relative to their production quota. There has been a lot of speculation on whether OPEC's supposed production capacity levels are realistic, and this would seem to suggest such speculation is well-founded.

Today's Calendar (all times Central)

- Industrial Production – 8:15am
- NAHB Housing Market Index – 9:00am
- Export Inspections – 10:00am
- Crop Progress – 3:00pm

Thanks for reading.

David Zelinski

dzelinski@nesvick.com

901-766-4684

Trillian IM: dzelinski@nesvick.com

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