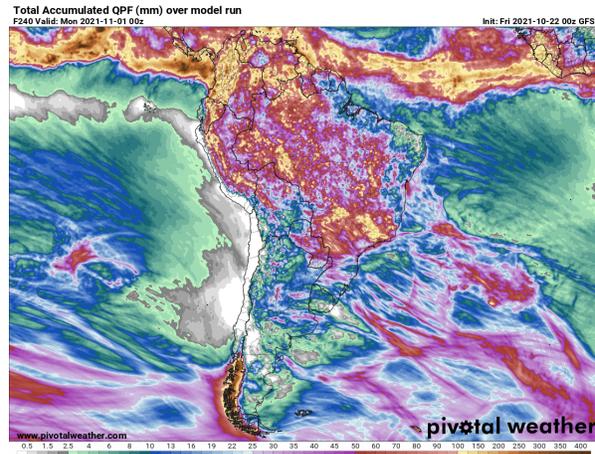


### Weather

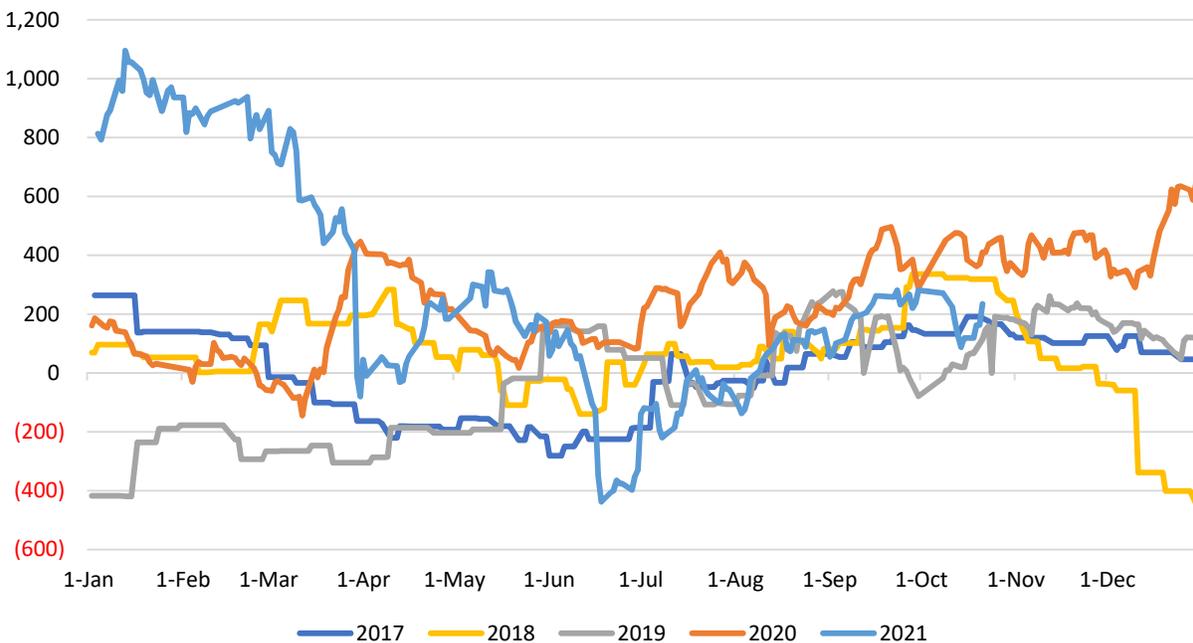
No near-term changes weather outlook. Map at the right shows the GFS 10-day precipitation outlook. We're still looking for active precipitation in northern Brazil allowing for rapid advancement of soybean planting and good early-season crop conditions. Southern Brazil will see some rains tonight and tomorrow, but should see limited activity through the end of the month. The next several days in Argentina will feature limited rainfall chances. However, the one adjustment to the forecast this morning is that the deferred maps have shifted wetter. Rainfall late in the 6-10 day period and mainly in the 11-15 day period does appear more substantial than previously expected in this morning's forecast.



### Crops

One more discussion on soybean export demand. I promise I won't talk about it for at least the next two days. The chart below shows an estimate on generalized Chinese crush margins. It isn't meant to be precise, but an overall view of the industry. While certainly nothing special and well off levels seen at this point last year, margins are positive and have bounced a little in the past week or so. On the margin, this would seem to be mildly supportive for potential Chinese demand.

JCI Estimate Chinese Crush Margins (CNY/mt)



There is just one problem for US demand, though. Simply put, we're still not all that competitive vs. Brazil right now. Chinese demand is mostly covered for Nov at this point, meaning we have Dec and Jan before new crop Brazil supplies kick in. As shown in the chart below, US and Brazil values are basically equal for Dec...with the US enjoying the smallest advantage.

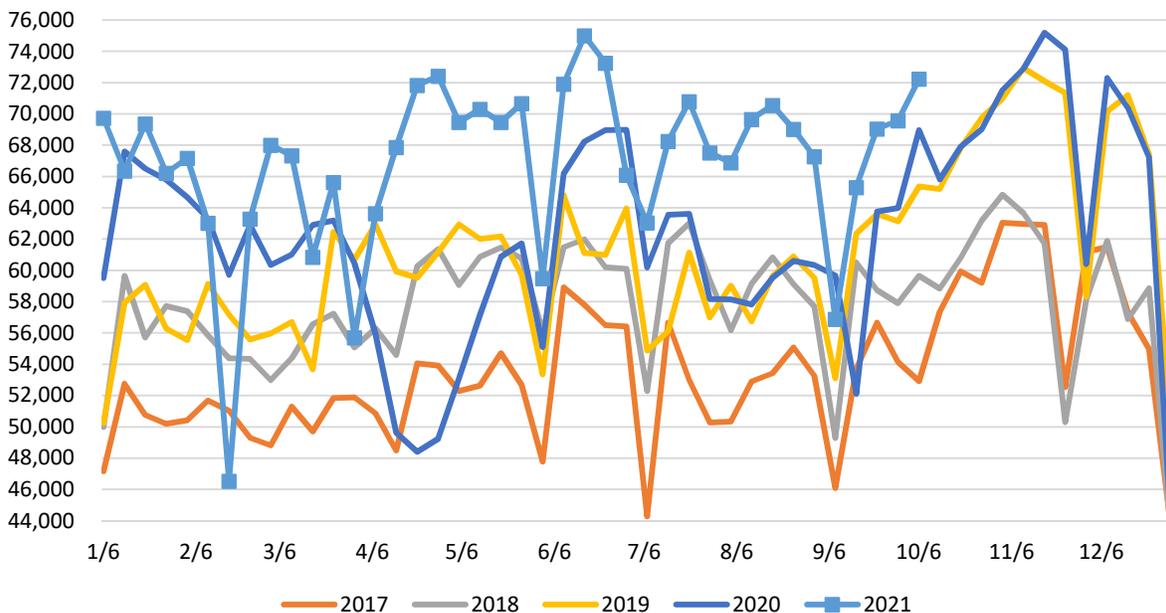
USG Values						Brazil Paranagua Values						
	Oct	Nov	Dec	Jan	Feb		Oct	Nov	Dec	Feb	Mar	Apr
FOB Basis	142	141	122	115	105	Paper Premium	174.88	187	162.5	48	29.5	25
CBOT Futures	1230	1230	1238.75	1238.75	1248	CBOT Futures	1230	1230	1238.75	1248	1248	1256.75
	SX	SX	SF	SF	SH		SX	SX	SF	SH	SH	SK
USD/MT Conversion	\$ 504.12	\$ 503.76	\$ 499.99	\$ 497.42	\$ 497.14	USD/MT Conversion	\$516.20	\$520.66	\$514.87	\$ 476.20	\$ 469.40	\$ 470.96
USG-China Pmax	82.85	82.85	82.85	82.85	82.85	Santos-China Pmax	71.12	71.12	71.12	71.12	71.12	71.12
Total Landed Ex-Tax	\$ 586.97	\$ 586.61	\$ 582.84	\$ 580.27	\$ 579.99	Total Landed Ex-Tax	\$587.32	\$591.78	\$585.99	\$ 547.32	\$ 540.52	\$ 542.08

Simply put, I think this should put a cap on nearby price potential. US prices needs to work toward business, not away from it.

### Livestock

Nothing new to discuss this morning. Cash trade has been fairly quiet this week. Though a smidge firmer vs. last week, it does feel like the quiet action is a bit of a letdown. As noted previously, beef has stopped going down but, for now, has not really shown much strength either. The chart below shows the beef cow kill numbers. I'm a little bored of talking about it, but the cow kill continues to point towards ongoing herd liquidation. To me, its just a question of timing – when does it start to be felt?

**Total FI Non-Dairy Cow Slaughter**



## Financials

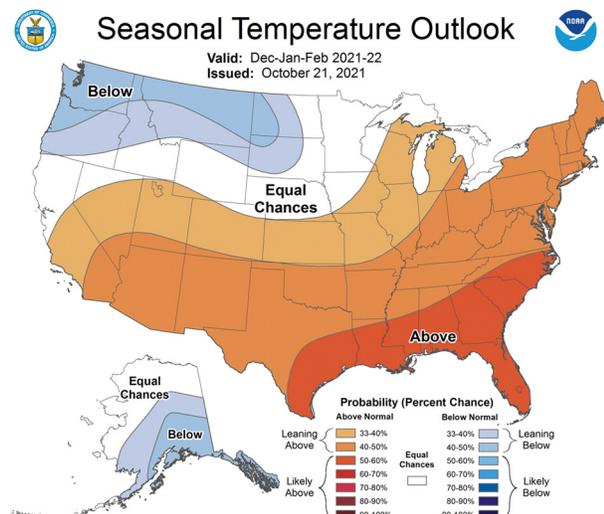
As we approach a Fed taper (I think), it is probably worth putting into perspective how the Fed's balance sheet has impacted equities. The chart below is simple. The white line is the total Fed balance sheet and the orange line is the S&P 500. Correlation is not causation...but come on. Interesting to see that when the Fed started scaling back on its balance sheet in 2018, the equity markets choked. The S&P was able to regain new highs later in 2019, but only after the Fed signaled a resumption in asset purchases. A taper in asset purchases isn't the same as unwinding the balance sheet, but you can also see below that the when the Fed's balance sheet held steady, the equity market mostly consolidated.



There is certainly an argument to be made that the taper could be pushed back due to Congress kicking-the-can on the debt ceiling. We'll have to worry about that again in about a month. That might mean the Fed punts on the taper this month and waits to see what happens with the debt ceiling. That might mean more good times ahead for the equity market in the short term. However, the longer the Fed waits, the more heat they're going to get on inflation statistics.

## Energy

A lot of focus on potential winter heating demand considering the sharp rally in energy prices recently. With that in mind, it is worth taking a quick moment to look at the NWS's seasonal outlook, which was just updated yesterday. I



won't call it a "bearish" outlook, as there are certainly more issues than simply weather regarding the energy markets. However, if realized, this would seemingly eliminated some of the worst-case scenarios many analysts have been touting. The large majority of the country is expected to see above normal temperatures and it is especially important to see the northeastern megalopolis area expected to have above normal temperatures. That doesn't mean that energy prices can't go higher from here or that it won't be cold (I'm told it usually gets cold in winter) but this outlook is not dire for the US. EIA updated on natural gas inventories yesterday, and they're not too far off from the 5-year average (-4%) and we're still in the seasonal timeframe of building stocks.

#### Today's Calendar (all times Central)

- Powell speaks – 10:00am
- Baker Hughes Rig Count - 12:00pm
- Cattle on Feed, Cold Storage – 2:00pm

Thanks for reading.

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