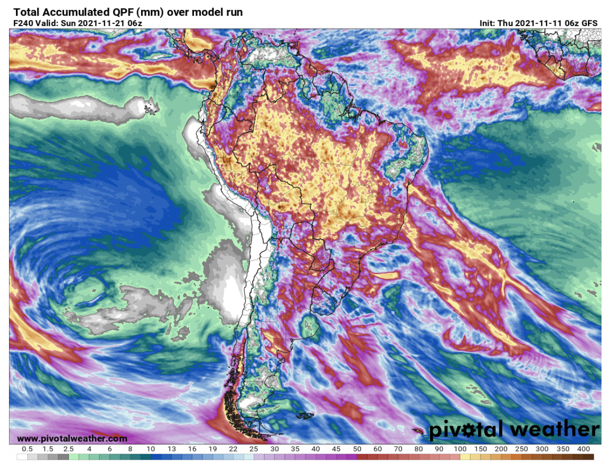
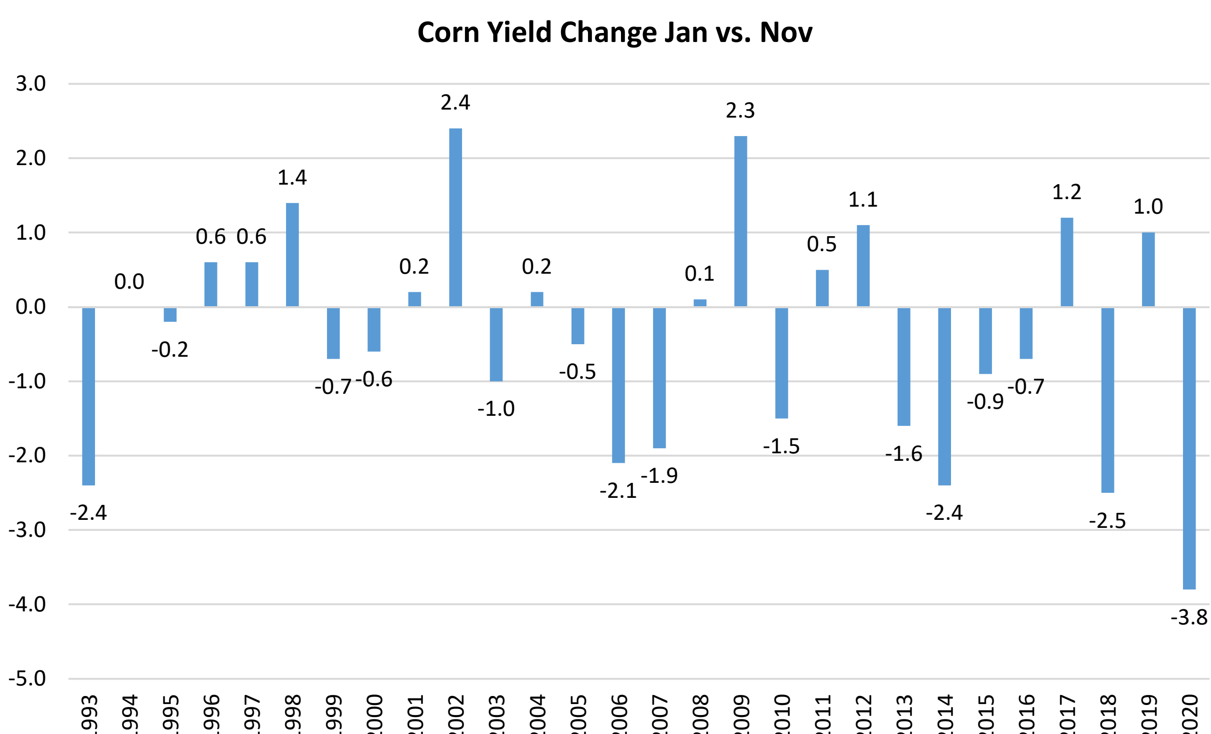
Weather

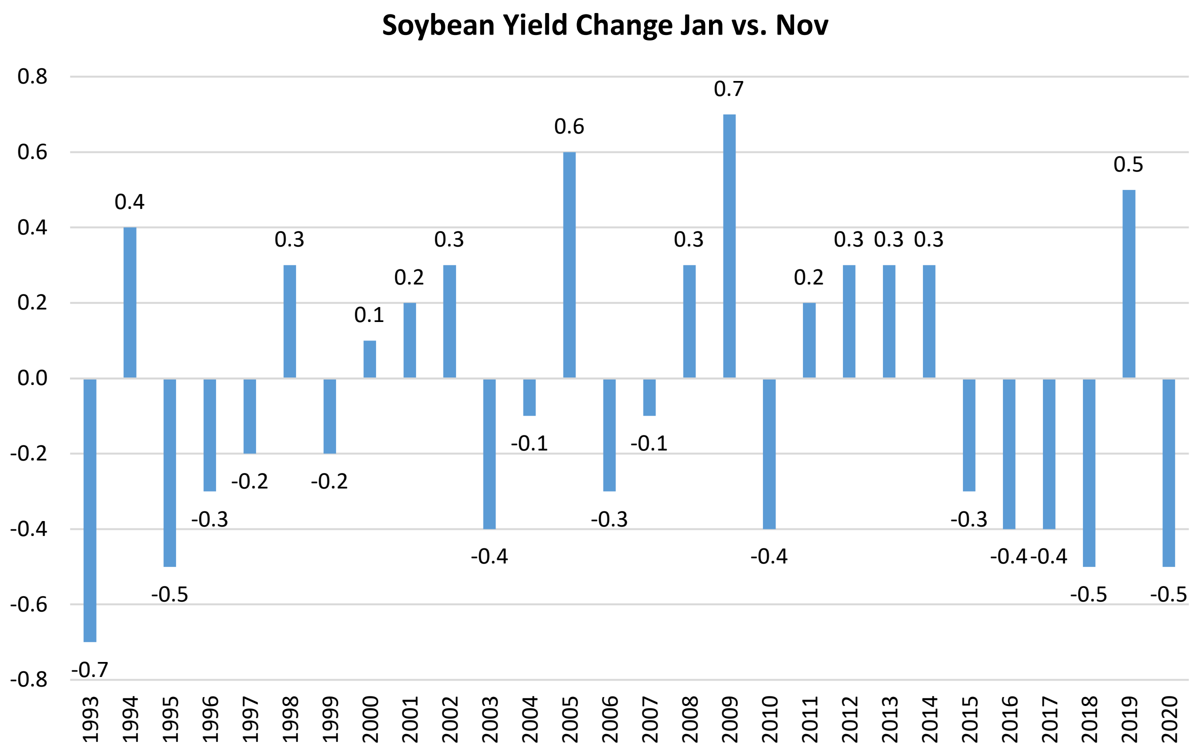
No changes. Northern Brazil enjoys above normal precipitation for the next two weeks. Southern Brazil will be mostly dry during the weekend but some light rains in the 6-10 and 11-15 day periods. Two week rainfall totals will likely range from 2-4” in most areas (near normal) with RGDS running a bit under (below normal). Argentina will see some widespread 1-2” rains across the growing region over the weekend. After that, the remainder of the two week forecast holds pretty limited rainfall chances. No major heat is expected anywhere.



Crops

I’ve seen a lot of commentary since the Crop Production report release on Tuesday suggesting something like – “*yields always go lower in the January report”.* Let’s take a quick look. The charts below look at the change in both corn and soybean yields from the Nov to Jan Crop Production reports. Please note that the Jan report isn’t technically the “final” yield, as we’ve obviously seen NASS make a lot of revisions to yields and production beyond the January report.





So what can we say here? In the case of corn, there does seem to be a modest tendency for yields to be reduced more often than they are increased in January. That said, I wouldn't put that at much better than coin-flip odds. In the case of soybeans, there doesn't seem to be much of a tendency whatsoever. That said, you can see in recent years the yield has dropped a little in January on a regular basis.

To me, it doesn't appear obvious that we should expect yields to decline in the January report. They might, but there is nothing in the above data that would suggest to me that odds favor smaller yields every January like some have been touting. Thoughts appreciated.

Livestock

Not much to say this morning. Cash action remains strong with some decent volume done yesterday at 131-132. Volume was pretty active across the entire region. We probably still have some additional work to do, and no reason to expected sub-131/132 levels unless some goofy happens.

The chart on the following page shows the weekly continuation of spot LC futures. Continuation charts for cattle aren't always the most useful due to the seasonal nature of prices, but in this instance I think it is worth pointing out. You can see that the 130 level has acted as a ceiling for the board over the past couple of years. We've obviously busted through here recently….can it hold?

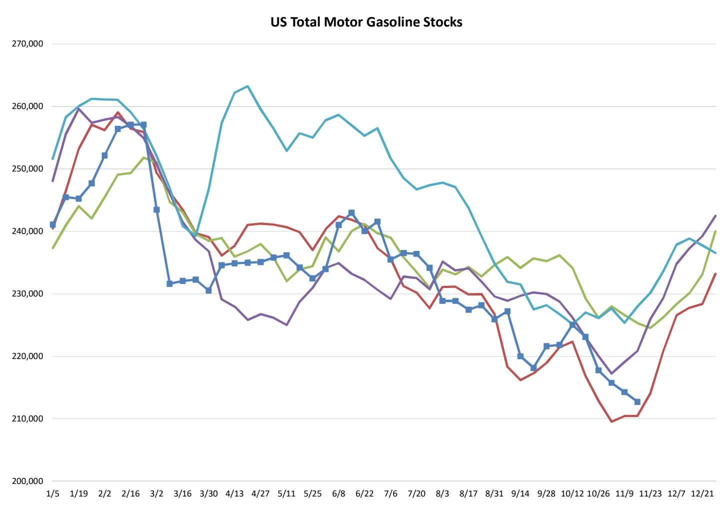
Financials

Nothing new to report this morning. Remember, due to the Veteran's Day holiday, all normal Thursday releases are delayed until tomorrow. I do want to quickly point out the chart of the Euro. You can see it has broken down below the 1.15 level. As shown in the chart, the 1.15 level is the 50% retracement of the rally from early 2020 to early 2021. You can also see that the 1.15 level has been something of a "pivot" point for the Euro in the past two or more years. This would seemingly open up a move closer to the 1.13 level. With the Euro being ~60% of the index, this could support further upside in DX.

We'll delve into some of the details of yesterday's hot CPI print later, but I just wanted to point out the following chart this morning. The main line to look at is the white line, which shows GS's "US Financial Conditions Index". Basically, the lower the index goes, the easier the overall financial conditions. You can see the big spike in 08/09 and again in 2020, where financial conditions tightened sharply. Right now, however, you can see that the financial conditions are the easiest on record. Even with inflation running hot, the Fed is still keeping rates at zero and adding to their balance sheet. All of that, along with record low real yields, is keeping financial conditions exceptionally loose. As indicated by the other lines on the chart, this should continue to encourage "asset" prices to move higher. The yellow line is the S&P 500 and the orange line is spot gold. It should be no surprise that both tend to fair well when financial conditions are easy. My point this morning is to point out that financial conditions are already the easiest on record and the Fed is adding to their stimulation (still adding to their balance sheet with rates at zero) all while inflation is cranked up. Watch out for whatever causes financial conditions to tighten again.

Energy

Presented with no commentary…US gasoline stocks in yesterday's EIA release. Seasonally we should be bottoming….should be.



Today's Calendar (all times Central)

- Basically nothing

Thanks for reading.
David Zelinski
dzelinski@nesvick.com
901-766-4684
Trillian IM: dzelinski@nesvick.com