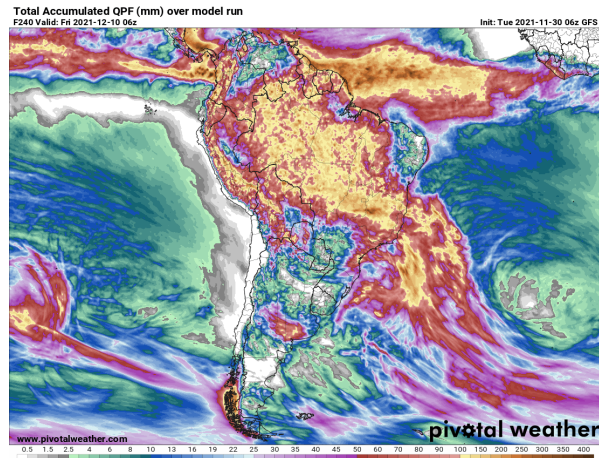


Weather

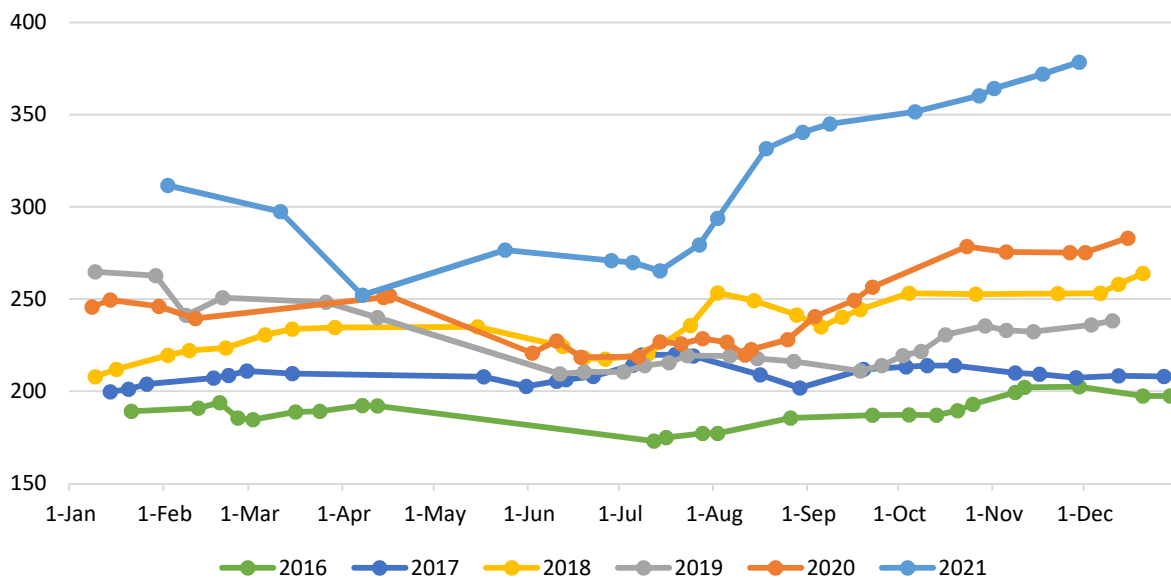
No changes. Continued favorable conditions for northern Brazil. Two week rainfall totals will range from 4-8" with even some locally heavier totals possible. Southern Brazil is looking at mostly below normal rainfall totals over the next two weeks. We should see mostly dry conditions through Sat. Rainfall will be possible in both the 6-10 and 11-15 day periods, but nothing special with both timeframes likely staying under 1". Argentina's forecast has near normal rainfall at best, with northeastern areas likely to see below normal rainfall. Mostly dry conditions for the next few days with some rains for Thu/Fri. These should favor southern and southwestern areas with the best amounts and coverage and amounts will range from .5-2.0". After this, we should see about a week of completely dry weather. No major heat is expected anywhere, but at times temps could reach into the low and mid 90s.



Crops

We got a GASC wheat tender yesterday so it is a good time to update on world wheat prices. The recent history of GASC wheat tender average prices is shown below. The chart below includes freight. Yesterday's tender posted a new high, which isn't unexpected. It is interesting to see GASC buy 600k mt of wheat at this tender...an unusually large amount. They have obviously fallen behind their normal pace of purchases and apparently they finally capitulated and paid up. My calculation for the average price in yesterday's purchase, with freight included, is roughly \$378/mt.

GASC Wheat Tenders - Avg Price Paid



Let's quickly compare that to US prices. At the time of writing (yesterday) my most recent SRW USG FOB quote is roughly \$358/mt. On freight, it would be a ballpark estimate of \$37/mt. That would lead to a grand total for US wheat near \$395/mt. Clearly well out of the running for business into Egypt and other nearby destinations.

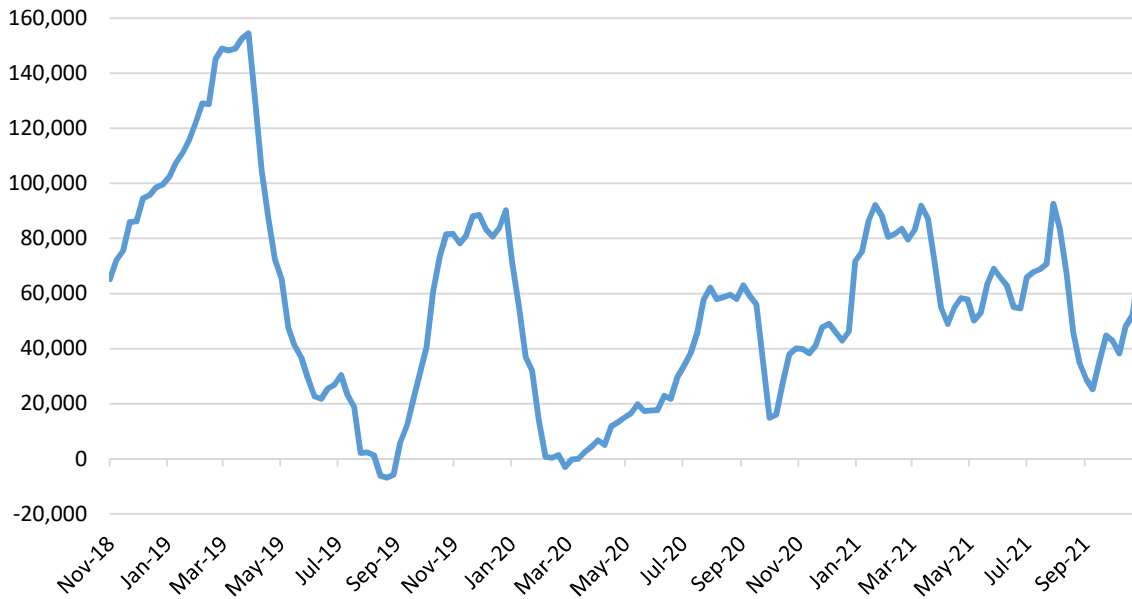
Livestock

I was scanning a few charts yesterday and the spot continuation chart for cattle caught my eye. I don't normally pay a lot of attention to continuation charts in cattle due to the obvious seasonality, but in this case I'm watching it a little more closely. The chart below is the 5-year daily spot continuation. This 140 level should be a somewhat formidable resistance level. The soon-to-be spot Feb contract had been trading above 140, but yesterday's break pushed it back below this key level.

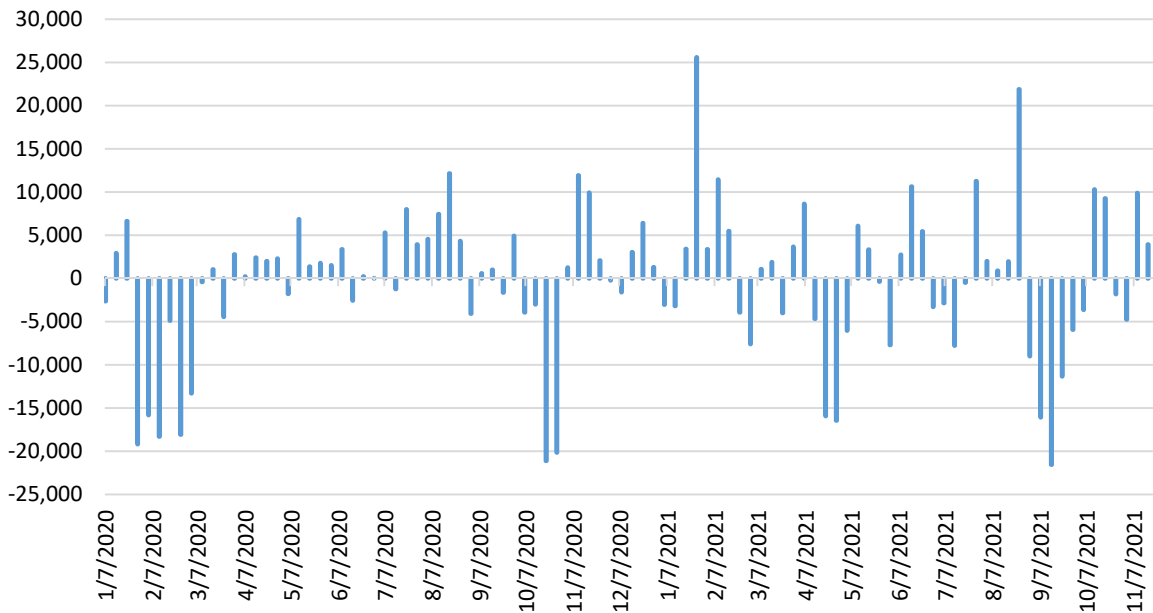


It got me wondering if spec positioning was leaning a bit offside here. The first chart below looks at the overall MM net position. We've seen a solid bounce in the net long position here, but from a relatively low level. We're not in a position where I would consider overall positioning "stretched". The second chart shows the weekly net change in the MM net position. We've seen a few big weeks of buying here in the past 4-6 weeks, with the past week posting one of the biggest weeks of buying in the past two years. My bias is that there is probably a group of late-to-the-party longs that need to be shaken out, but overall the positioning doesn't appear extremely problematic here. Open to other opinions....

Live Cattle - MM Net Position (F&O)



Live Cattle - Weekly Net Change MM Net Position



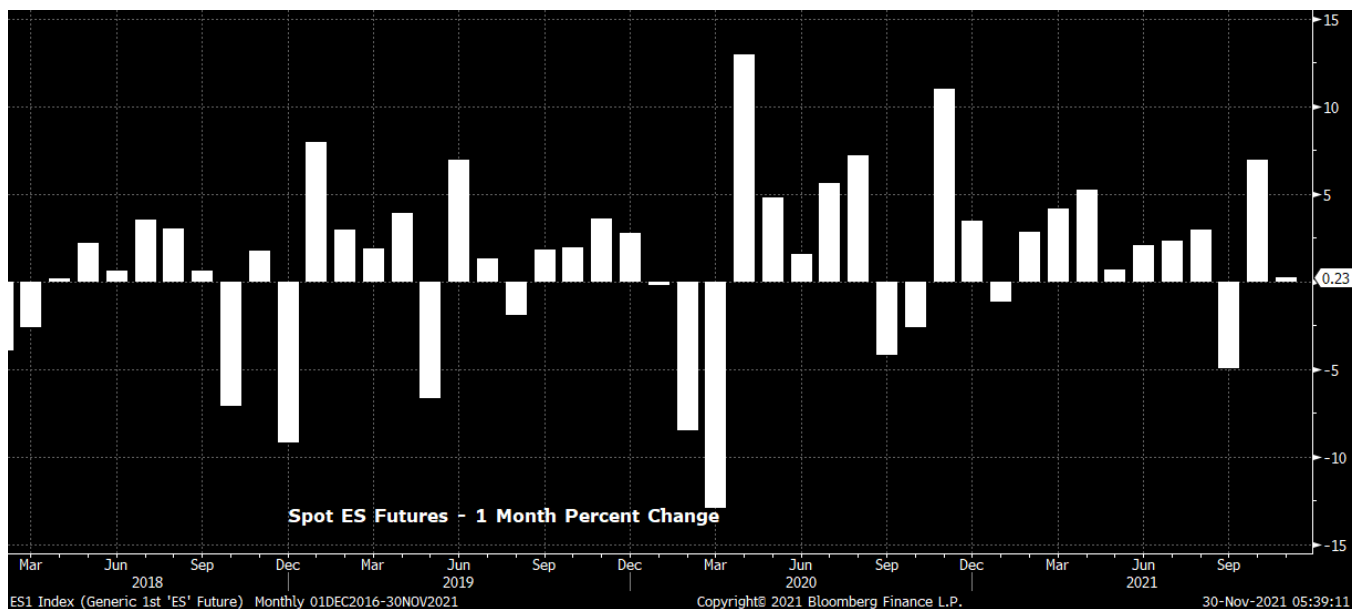
Financials

The back-and-forth whipsaw price action on Omicron continues, with equity markets and commodity futures feeling the risk-off pressure again today. Some of this has been sparked by comments from Moderna

executives. Apparently executives from the vaccine maker went on TV and said Omicron will mean we will need more vaccines. This is “news” from a vaccine maker. Shocking....I know.

Aside from Omicron, there are a few other items of interest. Despite the risk-off tone, the dollar is weaker. This is likely due, at least in part, to the release of Eurozone inflation readings overnight. Headline CPI was +4.9%, higher than consensus of +4.5%. Core CPI was +2.6%, beating expectations of +2.3%. The fear, I suppose, is that this will lead to a slightly hawkish tilt from the ECB. Indeed, the ECB will need to make some revisions to their inflation projections to account for these strong figures. However, there is next to zero chance that the ECB is looking to change virtually anything in their policy right now. There is little chance of the Eurozone economy overheating as the labor market still shows a lot of slack...unlike here in the US. In my opinion, a rally in the Euro is unlikely to be sustainable. Thoughts appreciated.

Just for a little perspective...despite the selloff we’ve seen in the past few sessions, US equity futures are still clinging to a positive month. I’m using futures in the chart below to account for the overnight weakness...but you can see we’re still barely holding positive for the month.

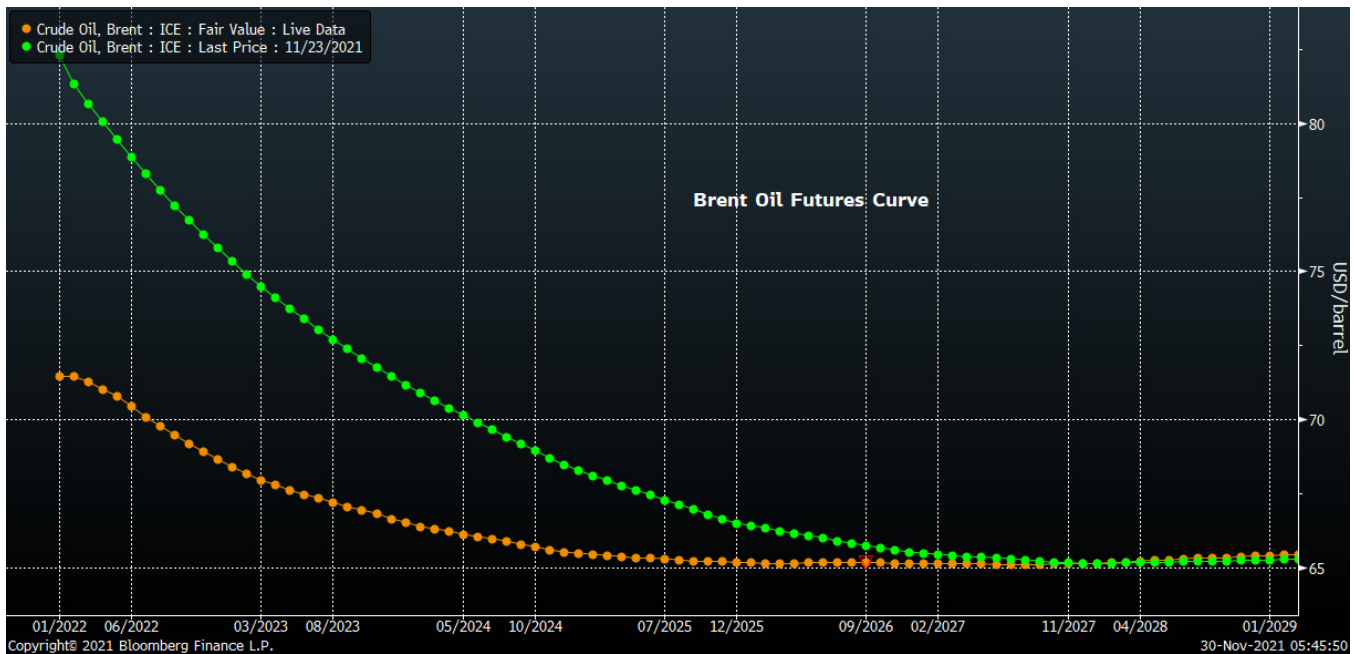


One thing of interest to watch today will be Congressional testimony from both Powell and Yellen. Obviously there will be a lot of focus on the downside risks of Omicron. Yellen will probably have to answer a lot of questions on the debt ceiling. I had forgotten about it until this morning, but the last debt ceiling extension should expire this week, so another stopgap spending bill will likely need to be signed this week to avoid a government shutdown.

Energy

I don't pay a ton of attention to Brent oil futures as we live in the land of WTI, but I thought the structure of the curve is worth pointing out this morning. It is shown on the following page. The orange line shows the real-time curve and the green line shows one week ago. The first thing you notice is how sharply the curve has flattened

in the past week. No surprise...we know oil futures have been whacked. What really stands out to me, however, is that the spread between the two first contracts has now moved back into a carry. It isn't wide, but I think that is pretty interesting. This spread has only closed at a carry on maybe 3 days this entire year, and they were all early in the year. As recently as a week ago, the spot month spread in Brent was trading \$1+.



Today's Calendar (all times Central)

- Consumer Confidence – 9:00am

Thanks for reading.

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