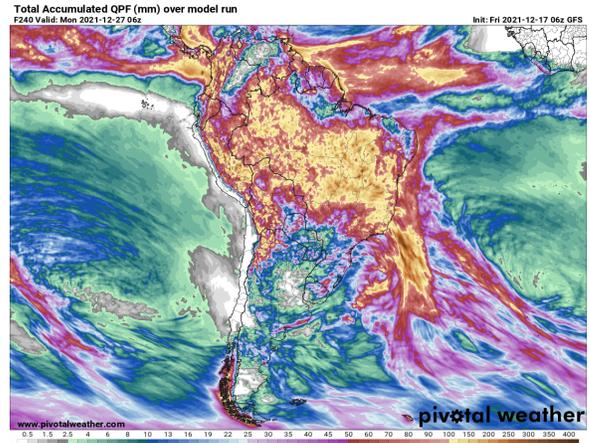


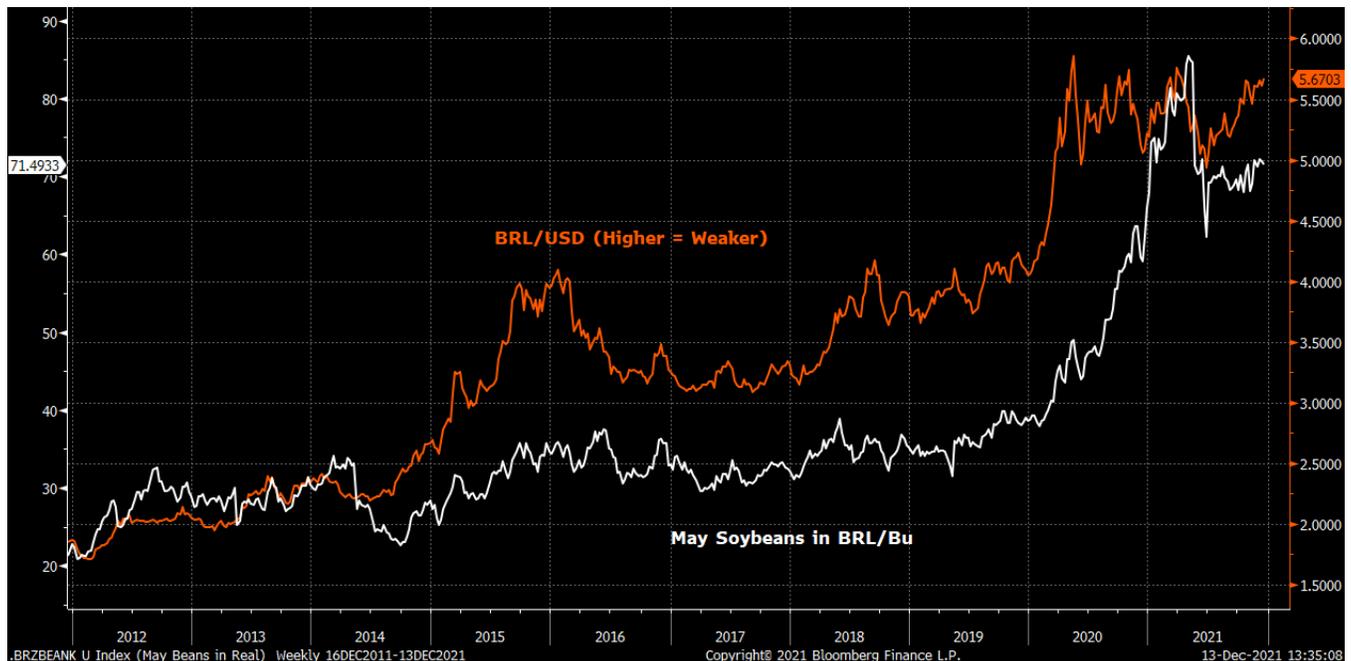
Weather

No changes to the forecast. Northern Brazil continues to enjoy above normal rainfall in the next two weeks. The forecast for Argentina and southern Brazil look similar. Both areas should see less than 50% of normal rainfall between now and the end of the month. In some cases, rainfall totals could wind up being less than 25% of normal. Southern Brazil will see chances for some light rains Mon-Wed of next week, with amounts likely no better than .25-.75". After that, there is very little precipitation expected. Argentina's best chance for rainfall probably comes on Monday night, but again we're looking at light amounts and scattered coverage. Some on-and-off heat at times in the dry areas. Argentina could see some hot weather on Sun/Mon with some 95-100 readings possible. Southern Brazil is looking at a similar situation.



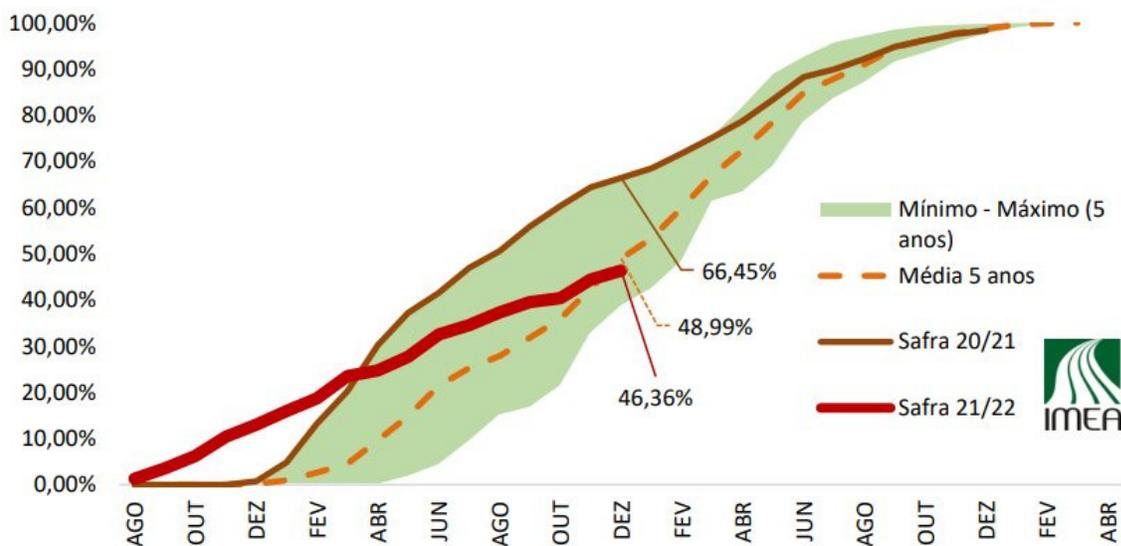
Crops

A quick moment to look at the Brazilian real this morning. Chart below shows the BRL with the orange line...the higher it goes means the weaker it is vs. the USD on this chart. As you can see, the BRL is flirting with its all-time lows against the USD as we speak. It should also go without saying that the weaker the BRL, the higher the price of soybeans in BRL terms...typically. While we did set new highs for soybeans in BRL terms earlier this year, this latest weakness in the currency has not been met with higher soybean prices due to recent weakness at the CBOT.



The lack of movement in soybean prices relative to the weakness in the currency seems to be affecting marketing somewhat. The chart below is pulled from IMEA’s weekly report on commercialization. This shows that Mato Grosso soybean farmers are estimated to have sold 46% of their 21/22 crop. This is well behind last year’s pace where an estimated 66% of the crop had been sold. It is also a little behind the 5-year average. While I still expect a robust export program out of Brazil in the first half of 2022, I will say that this is something that I’ll probably need to pay closer attention to in the months ahead.

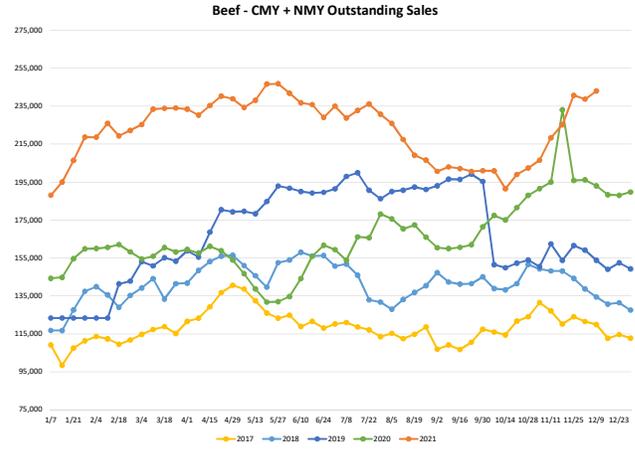
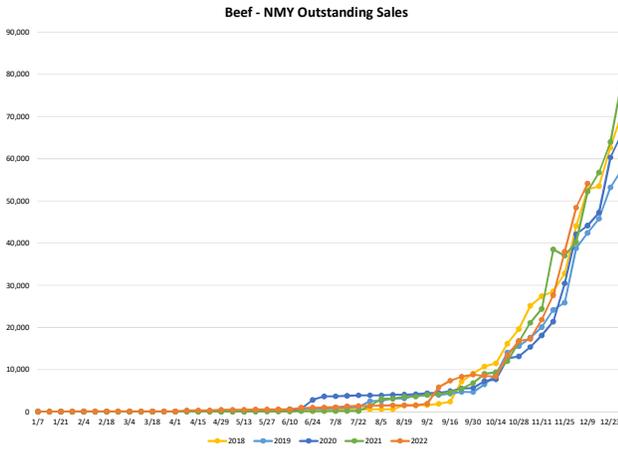
EVOLUÇÃO DO PERCENTUAL DE COMERCIALIZAÇÃO DE SOJA EM MATO GROSSO



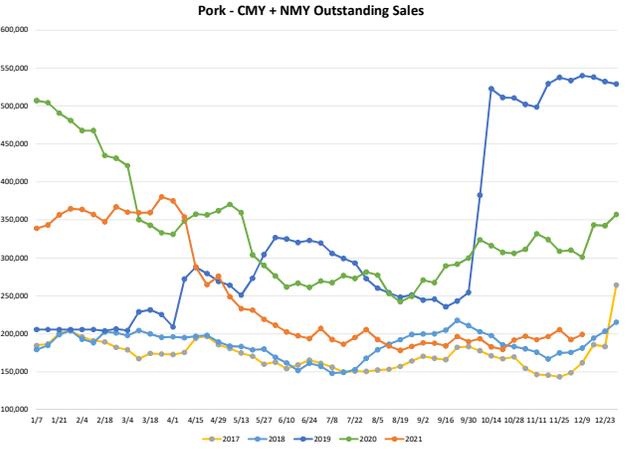
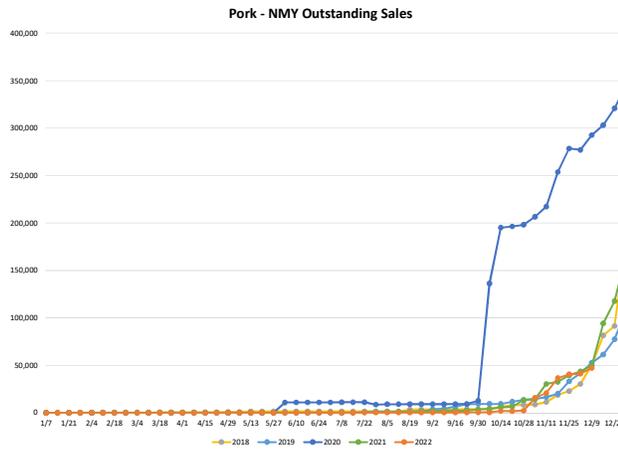
Fonte: Imea

Livestock

We haven’t looked at export sales for beef and pork in a while. With the New Year quickly approaching, I thought it would be worthwhile to take a look at NMY commitments for both. For beef, NMY sales are on pretty solid footing....fairly similar to last year’s level and the strongest for this date in several years. What really stands out for beef sales is the level of CMY sales. This could be cancelled, of course, but if they roll over into 2022 it will be a very big level of outstanding export sales to start the calendar year. Note the chart at the right which combines CMY and NMY sales.



The situation for pork is a little different. At the bottom left you can see that current NMY sales are relatively close to “normal” levels. The sales for 2020 were an obvious outlier due to ASF. At the bottom right, however, you can see that combined CMY and NMY sales are pretty light.



Bottom line – we’re entering 2022 with a solid book of beef export sales and a less-than-impressive book for pork.

Financials

This was on Twitter several days ago. I'm late pointing it out here, but we've had several other things going on this week. I think this is a really interesting chart. This shows household equity holdings as a percent of total assets with the blue line. It should be no surprise that we're hitting new all-time highs right now. What the chart tries to point out is when new highs have been hit in the past, we've seen a long-term period of relative weakness in equity markets. Of course that doesn't necessarily mean a bear market is imminent, but I still find this pretty interesting. Especially in light of the change in sentiment at the Fed and other central banks around the world.

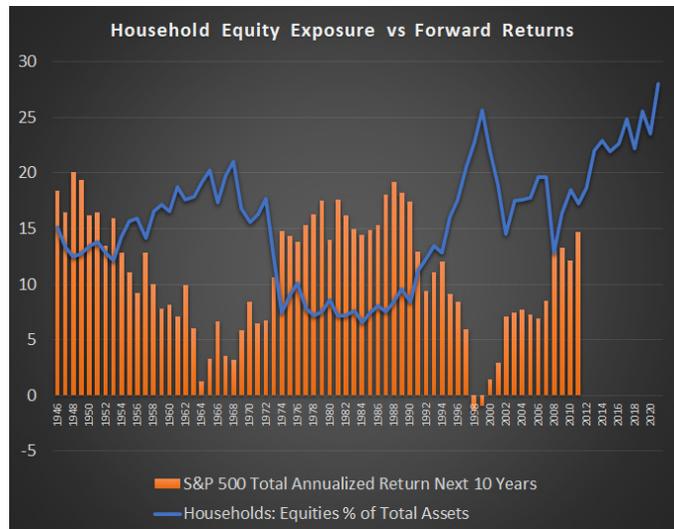


Chart Source: Lyn Alden
 Data Sources: US Federal Reserve, Prof. Aswath Damodaran

Energy

Oil futures, and the energy complex overall, is trading weaker this morning. Some of it is due to policy tightening from central banks. Part of it is probably due to Covid restrictions concerns. The chart at the right is one that stands out to me. This shows spot WTI with the white line and the spot calendar spread (spot vs next contract) in the orange line. Typically the two move in tandem. Big flat price strength is usually accompanied by a strengthening inverse. However, on the latest bounce in prices off support levels, the spread has been fairly flat. Is this an indication that the flat price rally is on borrowed time for the moment?



Today's Calendar (all times Central)

- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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