

Weather

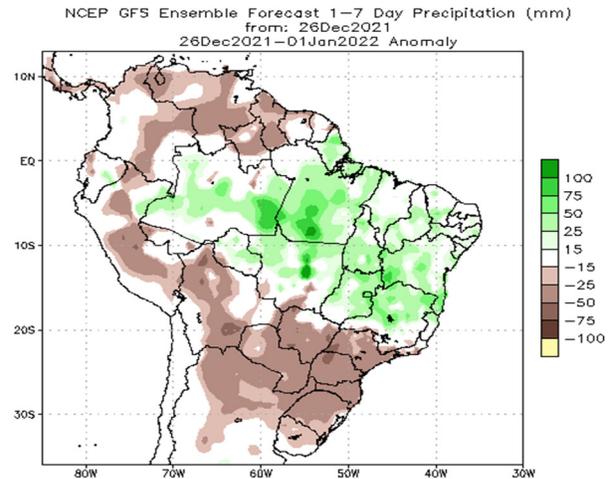
The same themes persist. Northern Brazil will continue to see active rainfall over the next two weeks. Southern Brazil and Argentina remain the areas of concern. For Southern Brazil we will see mostly dry conditions today and tomorrow but we should start to see some rains develop on Wed. That will kick off a daily threat of rainfall that will last through about Jan 5. This will see daily chances for scattered showers, but over the course of the period we could see 1.5-2.5" rainfall amounts add up. The 11-15 day period should see a return of mostly dry conditions. Temps should continue to be above normal over the next week with highs into the mid 90s and some 100s possible.

Argentina will see dry conditions through Wed as well, with possible showers after that. The threat of rainfall in Argentina will likely last through Jan 4. Daily amounts won't likely be big on any given day, but by the end of the 10-day forecast period we could see some .5-1.75" amounts add up. Below normal rainfall would likely return for the 11-15 day period. Big heat over the next several days with highs in the mid to upper 90s.

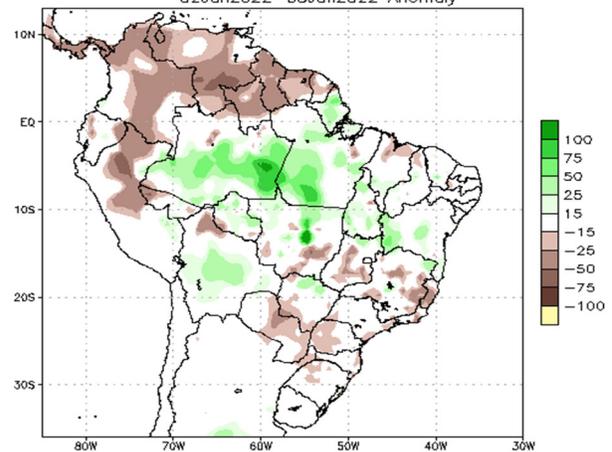
No change for the US forecast. The Southern Plains HRW belt is looking at virtually no meaningful rainfall over the next 7 days. Instead, all precipitation favors the eastern third of the country. We should see a big contrast in temps in the US with above normal readings in the southeastern half of the country with below normal readings in the northwestern half of the country. Note the map at the right showing the average departure from normal daily high temperature over the next 5 days.

Crops

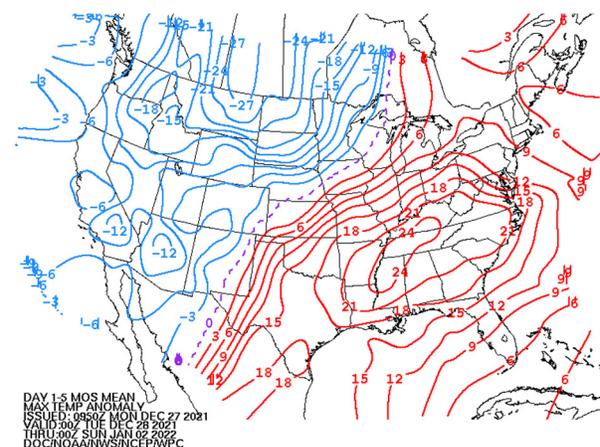
In commentary a week ago I made a suggestion that it might make sense "to momentarily hold a long soybean position vs a short corn position". The more I've thought about this, the more it seems to make sense to me. For starters, my point last week was that the MM positioning in corn was already "maxed"



Bias correction based on last 30-day forecast error
 CPC Unified Precip Climatology (1991-2020)
 NCEP GFS Ensemble Forecast 8-14 Day Precipitation (mm)
 from: 26Dec2021
 02Jan2022-08Jan2022 Anomaly



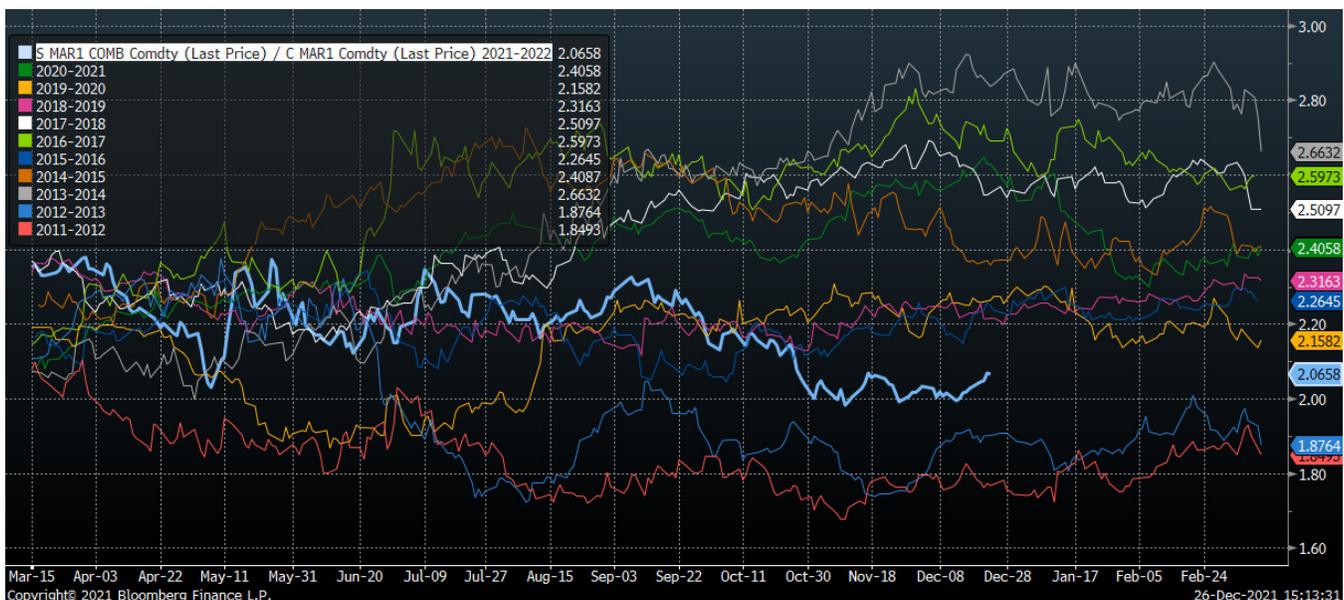
Bias correction based on past 30-day forecast error
 CPC Unified Precip Climatology (1991-2020)



while in soybeans there was a lot of dry powder to throw into soybean longs. The latest COT shows no change to that bias.

There are now some fundamental reasons as well. Obviously weather through key chunks of South American is unfavorable. I am not interested in joining the fray on who can project the biggest crop loss, but there is no argument that we're losing some top-end off the crop here. At this point in time, that is a bigger problem for soybean production than corn.

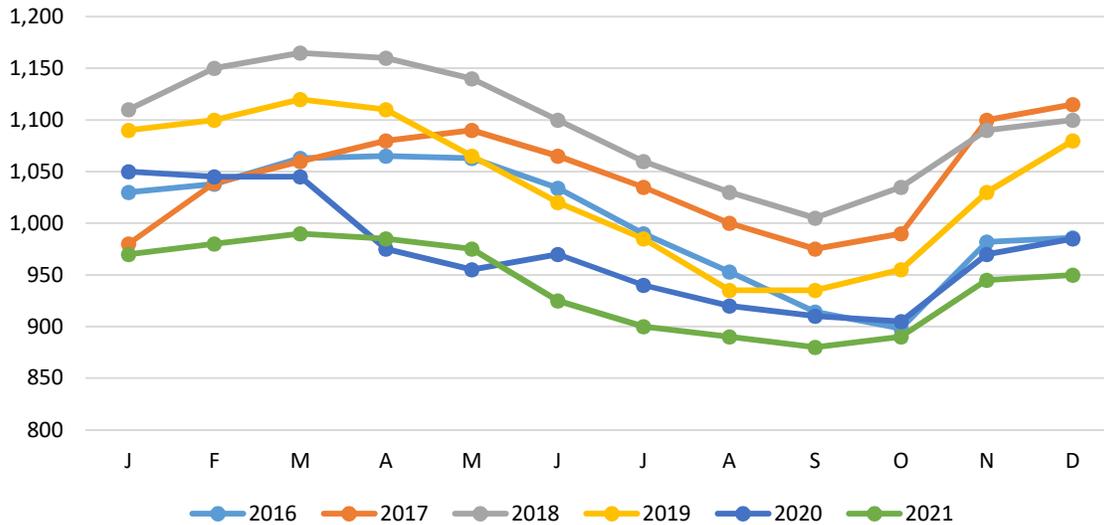
The chart below looks at the seasonal range of the SH/CH ratio. The highlighted blue line shows where we are at present. You can see that this is the tightest the ratio has been in roughly a decade. That is another justification for a long bias in soybeans offset with a short bias in corn. If the weather continues to prove unfavorable, both markets should rally but soybeans will likely normalize that ratio. If the weather starts to show some improvement, soybeans will fade but because the ratio is already very tight, it is unlikely that corn wouldn't follow along to the downside in the short term.



Livestock

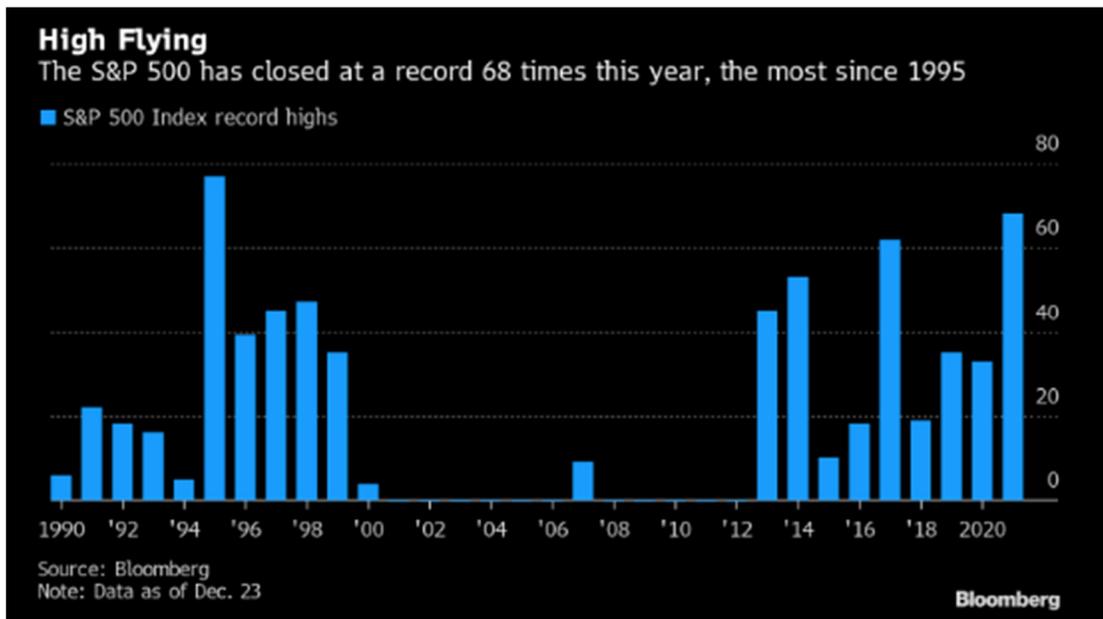
Friday's COF report wasn't too far off from expectations on the main highlights. With that in mind, I don't anticipate that we're going to have any major fireworks today as a result. One thing that did stand out to me from the report is the level of "Corn Belt" cattle on feed. The chart of IA, MN, and SD COF is shown below, and you can see that we're ending 2021 with some of the lowest numbers in several years. There are a lot of possible reasons for this but I think one of the biggest factors here recently is the rally in corn prices. Simply put, with corn priced at current levels it doesn't make as much sense for the farmer-feeder to keep feeding cattle. Obviously we're not talking a huge number of cattle in the grand scheme of things, but anything that improves leverage for the feeder relative to the past several year should increase whatever "floor" there is for cash trade.

"Corn Belt" Cattle on Feed
 IA, MN, SD



Financials

This isn't necessarily market-moving news, but I thought it was interesting:

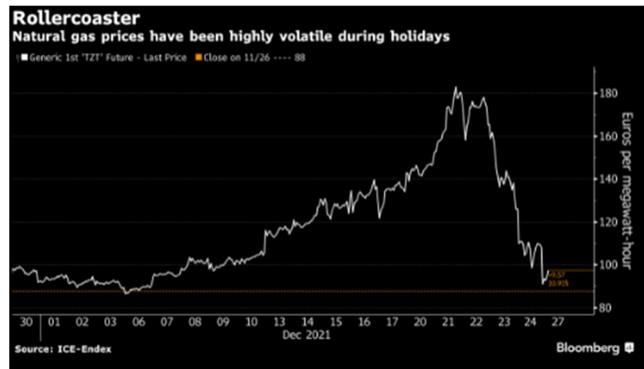


Otherwise, not much new to discuss this morning. I'm pretty bored with talking about Covid case counts at this point. China is seeing some outbreaks, which is worth noting considering their zero-tolerance policy and the resulting lockdowns it creates. Here in the US, the big story is lots of flight cancellations due to short staffing at

airlines following Covid quarantine procedures. Despite the onslaught on typically negative Covid news, US equity futures are trading slightly higher at the time of writing this morning. There isn't much on tap for today in terms of economic data...and in fact there isn't much on tap for the remainder of the week. It'll likely be thin-volume, holiday-mode trading for the duration of the week.

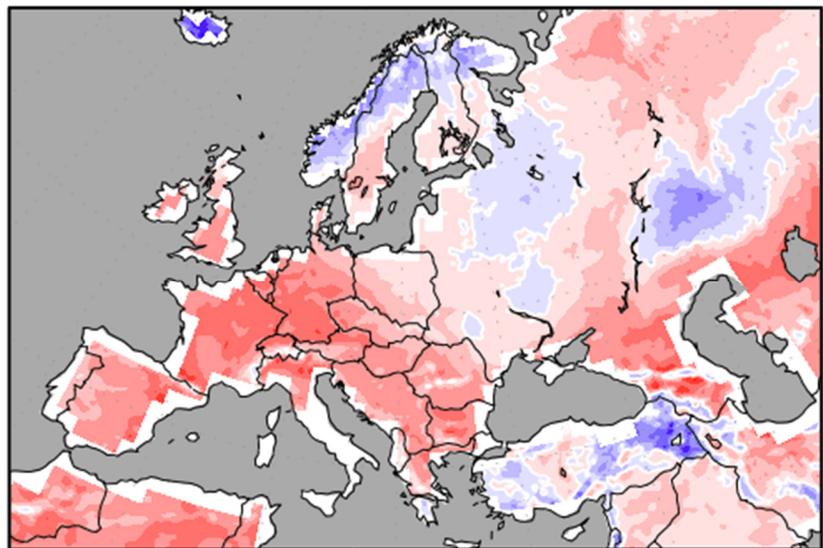
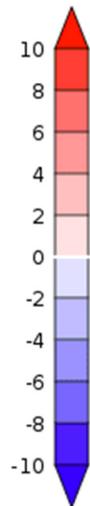
Energy

European natural gas prices are in freefall again this morning. The chart at the right shows that we've basically given back all of the gains seen earlier this month. There are a couple of reasons for this. The fact that several LNG cargoes from the US are headed to Europe is generating a lot of headlines. However, these cargoes would only represent maybe 5 days worth of power and, while helpful, wouldn't be enough to offset demand on their own IF weather was cold. The weather is really the key story here. Note the chart below, showing widespread above normal temperature readings for at least the next week throughout Europe. Temps in the second week of the forecast might be a bit cooler, but still generally above normal. The warmer weather is allowing Europe to relax over NG prices...but obviously winter isn't over yet.



Temperature Anomaly during the first period:

Mon, 27 DEC 2021 at 00Z
 -to-
 Tue, 04 JAN 2022 at 00Z



Today's Calendar (all times Central)

- Export Inspections – 10:00am

Thanks for reading.
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