

Weather

GFS 10-day forecast shown at the right. No big changes from yesterday. Northern Brazil continues to enjoy mostly above normal precipitation chances over the next two weeks. Southern Brazil will see below normal precipitation totals for two weeks. That area should be dry through Sat, with the best chance for rain coming Sun-Tue. This should produce 1-2" rainfall amounts in all areas except RGDS, with some locally heavier totals possible. RGDS will see lighter amounts and coverage. Some heat will be likely in this area at times in the next two weeks. Argentina should see mostly below normal precipitation over the next two weeks as well, with totals of .5-1.5" in northeastern areas and 1.5-3.0" in southern and southwestern areas. We'll see scattered showers on a daily basis today through Sunday with some decent totals adding up in the south with lighter amounts in the north. The 6-10 day period will feature limited rainfall chances with an improvement in rainfall expected in the 11-15 day period. Some heat for northeastern areas at times, but probably no extreme readings.

Crops

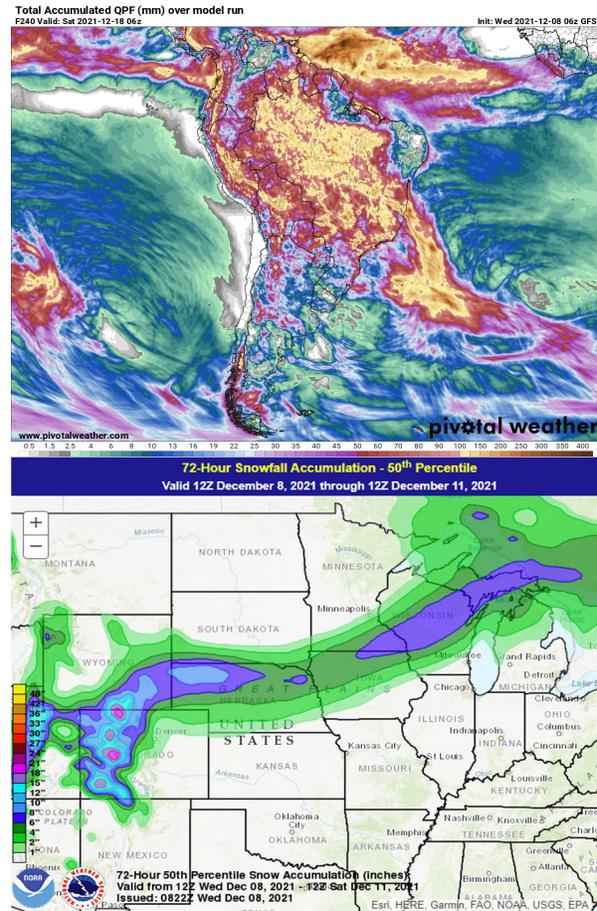
I haven't yet mentioned the upcoming WASDE report due tomorrow afternoon. Simply put, I don't expect a lot of changes from the prior release. We'll quickly look at some expectations for US balance sheets today and tomorrow we'll review some world balance sheet potentials. Overall, however, I expect tomorrow's release to be fairly tame and not generate much in the way of fireworks.

US Wheat Balance Sheet –

Last month's ending stocks figure from WASDE was 583 mb, and the average guess is calling for a minor increase to 589 mb. Or, personally speaking, I view that average guess as an admission from most in the survey that WASDE is highly unlikely to make changes this month. I agree entirely with that thought process. With the quarterly stocks report due out next month, there is no reason to expect WASDE to adjust domestic demand figures. The recent pace of exports sales has been unimpressive, but remember WASDE already cut exports last month. With uncertainty surrounding Russian shipments (more on that tomorrow) it seems likely that WASDE will simply wait and see this month. Bottom line – I expect the US all-wheat balance sheet to be completely unchanged from last month.

US Corn Balance Sheet-

First things first, keep in mind there will be no update to US production estimates this month. NASS will have their "final" production figures in next month's report. Last month's WASDE ending stocks was 1,493 mb and



the Bloomberg survey average guess is 1,475 mb. Somewhere people are finding an increase to demand, and I'm not quite sure where. There is no reason to expect WASDE to change F&R ahead of the quarterly stocks release next month. They raised the ethanol grind by 50 mb last month and seem to be in a reasonable position for now. I suppose it *might* need to be raised at some point in the future, but there should be no pressure to make a move this month. There also should be no pressure to make adjustments on exports. The pace of commitments basically lines up with WASDE's current projection. With all of that in mind, I'm of the opinion that the corn balance sheet will be another cut/paste job from last month and the ending stocks will be unchanged. I guess that means I'm taking the over vs. the average guess on ending stocks.

US Soybean Balance Sheet-

Again, a quick reminder that there will be no change to production this month. Last month's ending stocks were 340 mb, and the Bloomberg survey average guess is calling for a modest increase to 355 mb this month. I suppose this has to be the market looking for a reduction in the export projection. While I absolutely do think WASDE remains too high on exports, I'm also of the opinion that there has been nothing new in the past month to make WASDE reconsider their current estimate. I actually expect that WASDE will cut/paste this balance sheet as well, leaving both exports and crush unchanged. I guess that means I'm taking the under vs. the average guess on ending stocks. I should say that it wouldn't shock me to see them lower exports a little more, I just don't view it as highly likely this month.

A quick word on the product balance sheet. As I pointed out last week, the oil and meal yields from this crop of soybeans is certainly surprising. I would expect that WASDE could raise their oil yield and boost oil production despite keep the crush unchanged. I am not sure they would offset this with an increase in demand. They might also lower the meal yield, lowering meal production despite no change to the crush. This could potentially be offset by a reduction in domestic disappearance.

Thoughts appreciated.

USDA Ending Stocks

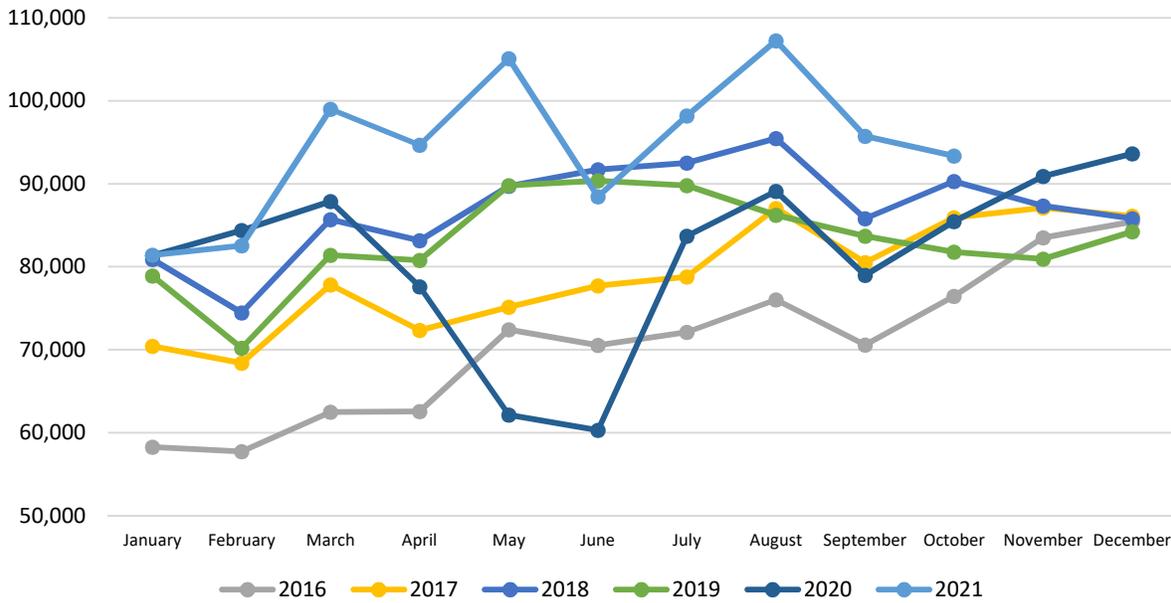
	Average of Trade Analyst Estimates	Range of Trade Analyst Estimates	USDA Nov. Estimate
Corn	1,475	1,300-1,576	1,493
Soybeans	355	320-411	340
Wheat	589	563-632	583

Livestock

Cash cattle trade starting to kick off a little yesterday. Talk was of 142 bids in KS, but doesn't sound like anything traded there. Talk of some 140 in NE as well.

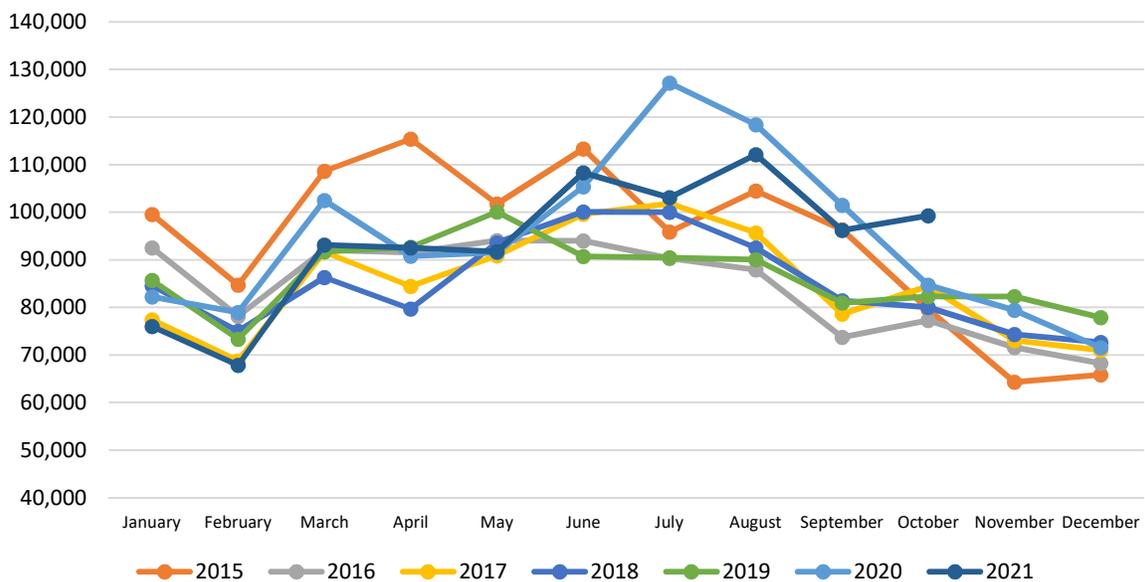
Official trade numbers for October were released earlier this week. We'll look at US trade totals for beef today and pork tomorrow. Total US beef exports 90.8k mt. Though this is down from the prior few months, as you can see below is it a historically strong export total for the month of October. The decline from Sep is almost entirely attributable to a reduction in shipments to China. Shipments to China peaked in Sep...it'll be interesting to see how they settle out in the coming few months.

US Total Beef Exports

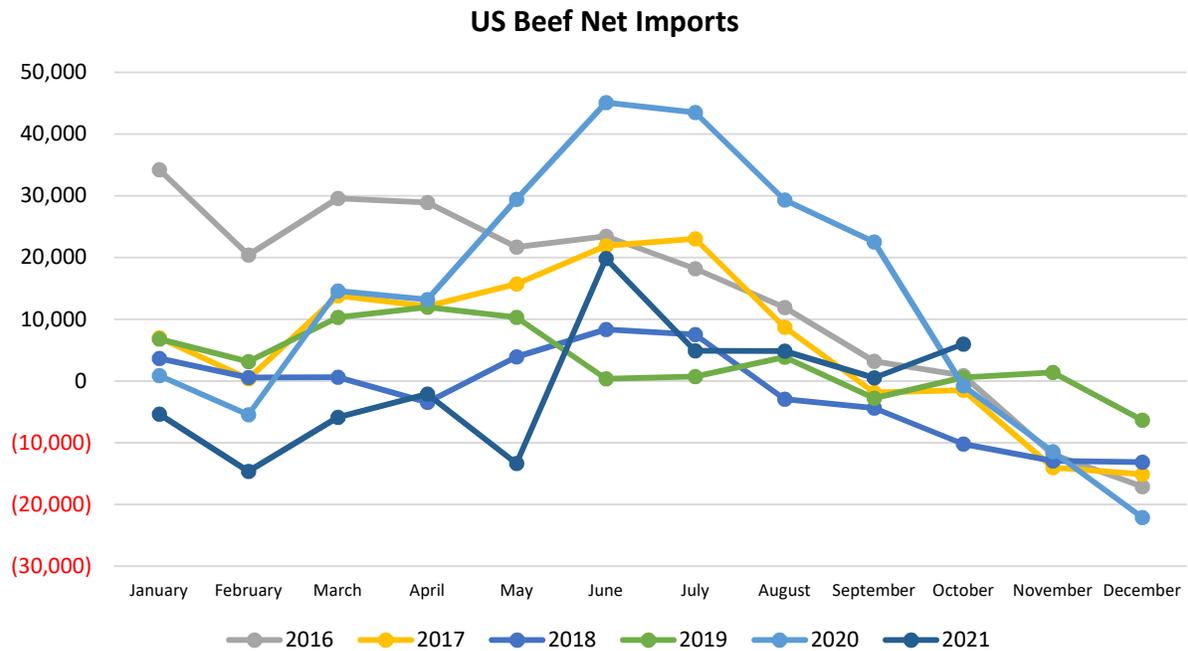


A little more interesting, in my opinion, is the level of beef imports. Typically beef imports are in decline into the calendar year end, but you can see below that total imports were actually up vs. the Sep level and posted a very strong total for the month of Oct.

US Total Beef Imports

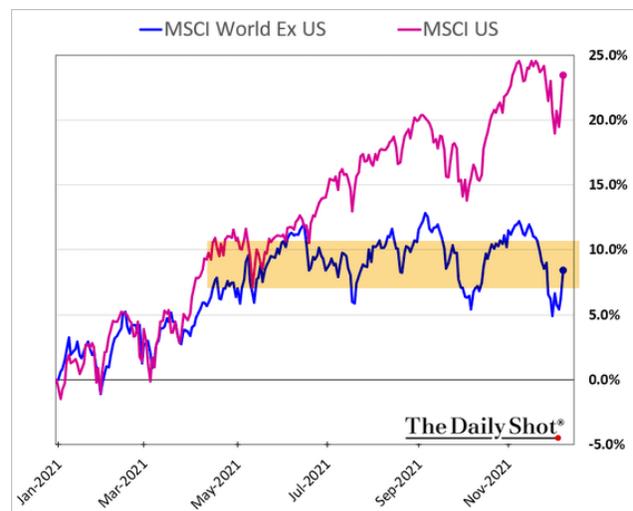


Normally at this time of year with the relatively soft import totals, the US is posting positive net trade in terms of beef. However, as you can see below, October posted modest net imports.



Financials

An interesting chart at right posted by The Daily Shot on Twitter. This shows that world stocks, ex-US, have been flat since April while US stocks have continued their historic move higher. There are a lot of possible reasons for this out-performance, but I don't want to focus on that this morning. I want to point out that this is likely a big supporting factor for the dollar. A lot of people have questioned how the dollar can continue to rally despite massive budget and trade deficits. Well, I think the chart at the right is at least a big part of it. The US is attracting capital and investment from all over the world, which naturally leads to demand for dollars. As long as the US is the haven for investment, the USD will likely remain elevated.



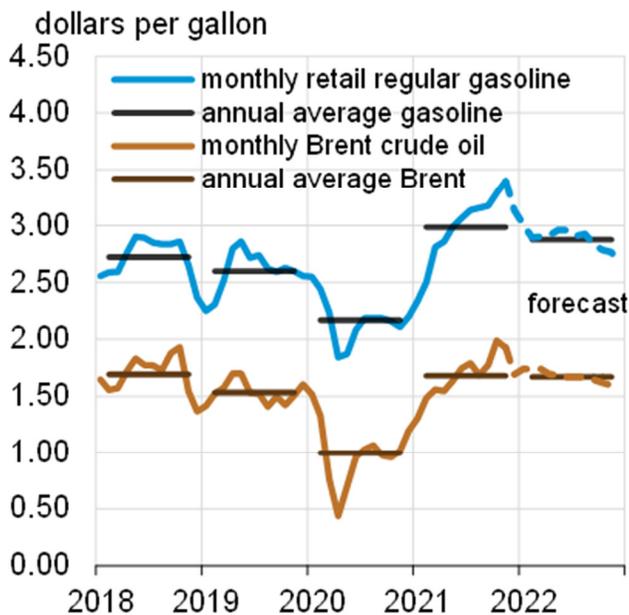
Otherwise, it seems to be a relatively quiet morning so far. Equity markets are mixed at the time of writing this morning. Germany is set to see Olaf Scholz sworn in as chancellor later today, ending Angel Merkel's 16-year run.

Energy

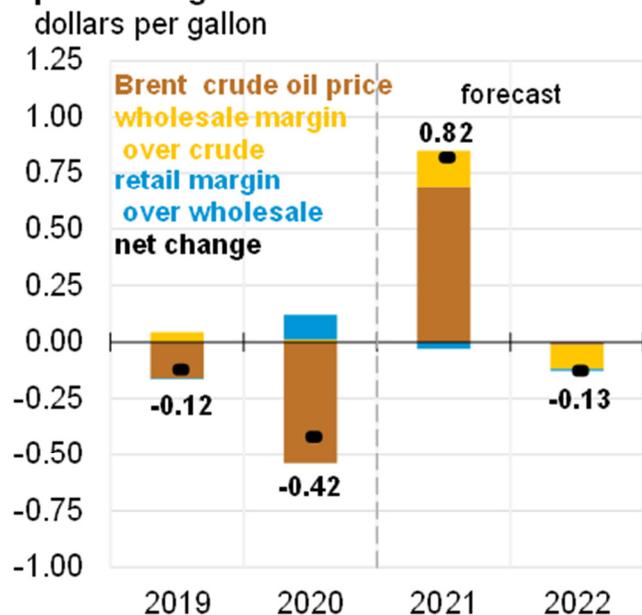
The EIA issued its Short Term Energy Outlook yesterday morning. On gasoline prices, EIA noted:
US regular gasoline retail prices averaged \$3.39 per gallon (gal) in November, a 10 cents/gal increase from October and \$1.29/gal higher than in November 2020. The November monthly average was the highest since September 2014. We forecast that retail gasoline prices will average \$3.13/gal in December before falling to \$3.01/gal in January and \$2.88/gal on average in 2022.

The chart below is somewhat interesting as it shows the monthly gasoline estimates along with the annual averages. The right-hand portion of the chart shows how the various components of the gasoline price have changed YOY. I find it interesting that almost all of the 2022 annual decline in average gasoline price in the EIA projection comes from a compressed margin for refiners. Why would that be the case? I'm not saying they're wrong, I just don't see why refiners/wholesalers would suddenly see their margins squeezed. You can also see below that the forecast for the oil price is virtually unchanged for the annual average. So the EIA is hoping the industry becomes less "greedy"?

U.S. gasoline and crude oil prices



Components of annual gasoline price changes



Source: U.S. Energy Information Administration, Short-Term Energy Outlook, December 2021, and Refinitiv an LSEG Business



Today's Calendar (all times Central)

- JOLTS Job Openings – 9:00am
- EIA Petroleum Inventories 9:30am
- 10Y Treasury Auction – 12:00pm

Thanks for reading.

David Zelinski
dzelniski@nesvick.com
901-766-4684
Trillian IM: dzelniski@nesvick.com

DISCLAIMER:

This communication is a solicitation for entering into derivatives transactions. It is for clients, affiliates, and associates of Nesvick Trading Group, LLC only. The information contained herein has been taken from trade and statistical services and other sources we believe are reliable. Opinions expressed reflect judgments at this date and are subject to change without notice. These materials represent the opinions and viewpoints of the author and do not necessarily reflect the opinions or trading strategies of Nesvick Trading Group LLC and its subsidiaries. Nesvick Trading Group, LLC does not guarantee that such information is accurate or complete and it should not be relied upon as such.

Officers, employees, and affiliates of Nesvick Trading Group, LLC may or may not, from time to time, have long or short positions in, and buy or sell, the securities and derivatives (for their own account or others), if any, referred to in this commentary.

There is risk of loss in trading futures and options and it is not suitable for all investors. PAST RESULTS ARE NOT NECESSARILY INDICATIVE OF FUTURE RETURNS. Nesvick Trading Group LLC is not responsible for any redistribution of this material by third parties or any trading decision taken by persons not intended to view this material.