

## Weather

No changes. Northern Brazil should continue to see mostly above normal precipitation over the next two weeks. Below normal precipitation is expected in southern Brazil during the two week period, but some decent rains expected Sun-Tue. Rains would stay limited in RGDS during that period but other areas would see 1-2" amounts with some locally heavier totals. After this event, the remainder of the two week period should return to well below normal precipitation chances. Some hot temps cannot be ruled out either. Argentina will see near normal rainfall totals in western and southern areas while northeastern areas should see below normal rainfall totals. We should see scattered showers on a daily basis today through Sun. The best amounts will range from 1-2", again favoring western growing regions. The 6-10 day period will likely be mostly dry, while rainfall chances should improve a little during the 11-15 day period. Some modest heat into the low 90s, with maybe some chances for 95+ in the drier northeastern areas.

## Crops

A few comments today with thoughts on WASDE's world production/demand numbers. As mentioned yesterday, this month's WASDE release is likely to be fairly mundane.

### South American production-

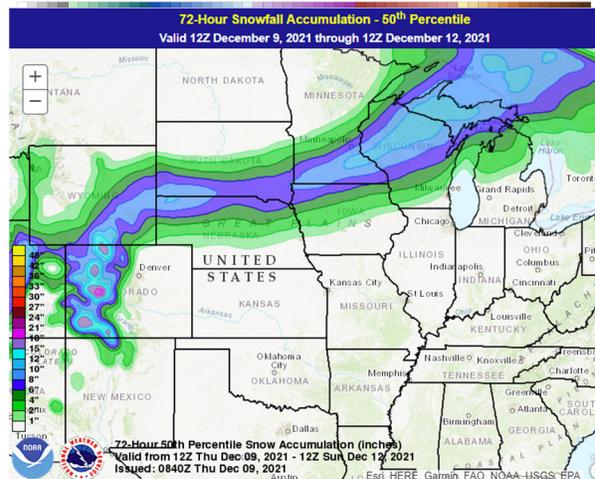
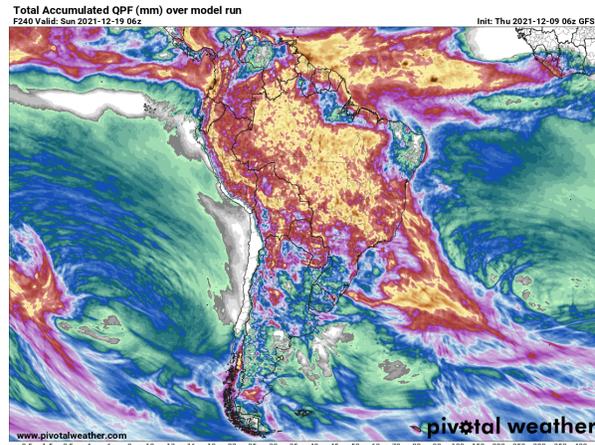
I don't expect any changes to Brazil and Argentina's soybean or corn production estimates...at least in terms of yields. I suppose it is entirely possible that WASDE might make some adjustments to area that would warrant a tweak to the forecasts. I think it is still too early for WASDE to make changes based on yields. With limited change to production forecasts, it seems unlikely they'll change demand figures either.

### China soybean demand-

This is unlikely to change. Chinese imports so far this 21/22 marketing are running slow. Oct-Nov imports are about 4.6 mmt below year ago levels. However, we've seen a big uptick in US shipments lately and that should translate into big import tallies for Dec and Jan. With that in mind, I would imagine this means WASDE will stay unchanged.

### Russia wheat-

No change likely to production, but odds would favor WASDE cutting exports by *something*. Last month WASDE raised their Russian wheat export projection to 36 mmt from 35 mmt. We don't normally see WASDE reverse



course from one month to the next, but the numbers are starting to add up to support something smaller. Preliminary estimates for Nov Russian wheat exports are as low as 3 mmt, down almost 2 mmt from last year. Plugging in a 9 mmt quota from Jan-Jun (admittedly, not yet official) would put Russian exports well under the latest WASDE projection. Could we see a 2 mmt (or more) cut from the prior 36 mmt projection?

**Australian wheat –**

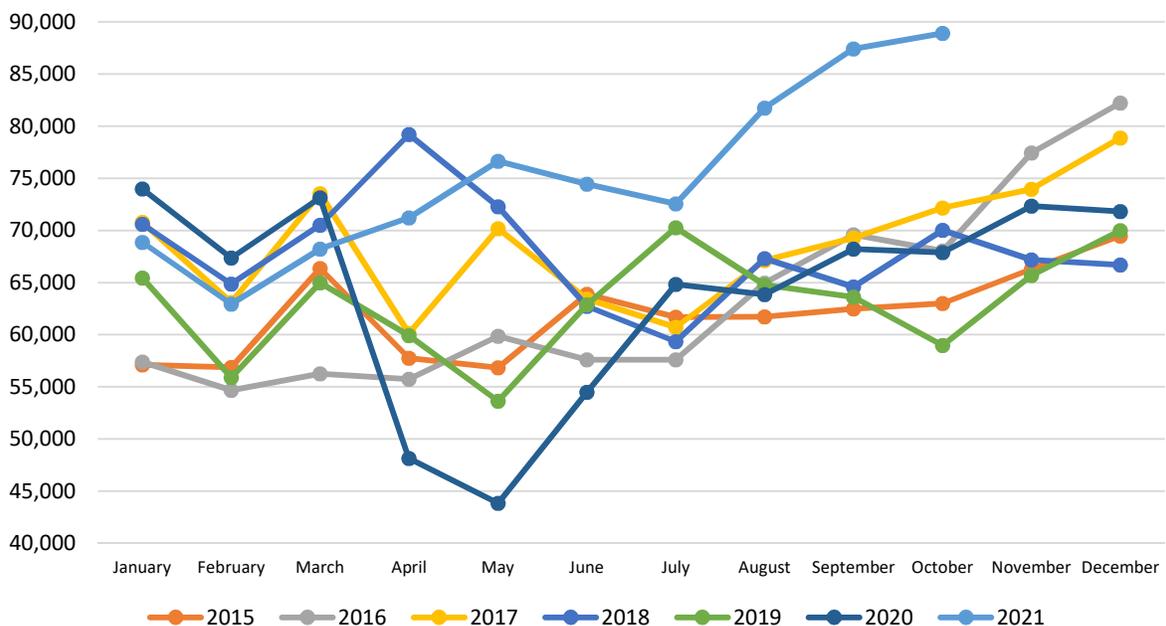
At the end of last month ABARES upped their production forecast to 34.4 mmt, up from their prior projection of 32.6 mmt. WASDE’s most recent projection was 31.5 mmt. They will likely move up much closer to the ABARES estimate, though maybe not exactly. I’d ballpark a move up to 34.0 mmt perhaps. ABARES is current forecasting exports at 24.5 mmt compared to WASDE’s 23.5 mmt estimate. This could prove to be at least a partial offset to the reduction in Russian exports.

I can’t rule out a few other miscellaneous adjustments. For example, an increase to Ukraine’s corn production seems probable. Still the movements above will likely be what most are looking for initially. As stated yesterday, I think most of the report will be a cut/paste from last month so I’m not looking for any big fireworks.

**Livestock**

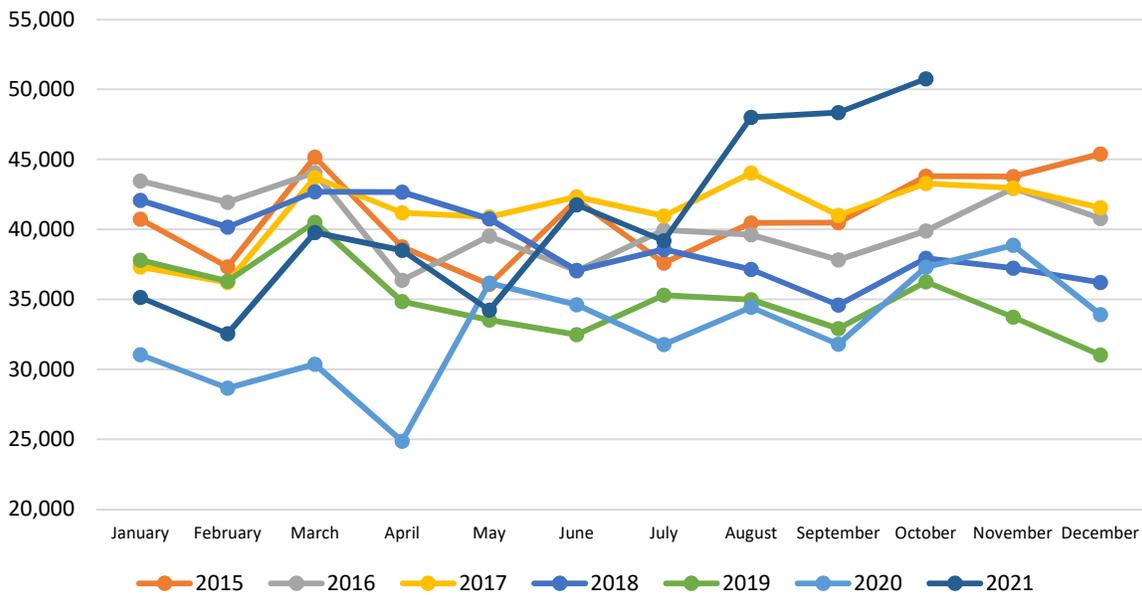
Recapping Census trade numbers for pork this morning. Total US pork exports were nothing special totaling 181k mt. This is bigger than the Sep total (171k) but well under 2020 (just under 200k). The obvious big different between this year and last year in regards to export totals is China. Exports to China were “only” 16k mt this year vs 47k last year. This is partially offset by exports to Canada and Mexico, but even the gains there don’t fully offset the losses in Chinese demand.

**US Pork Exports to Canada + Mexico**

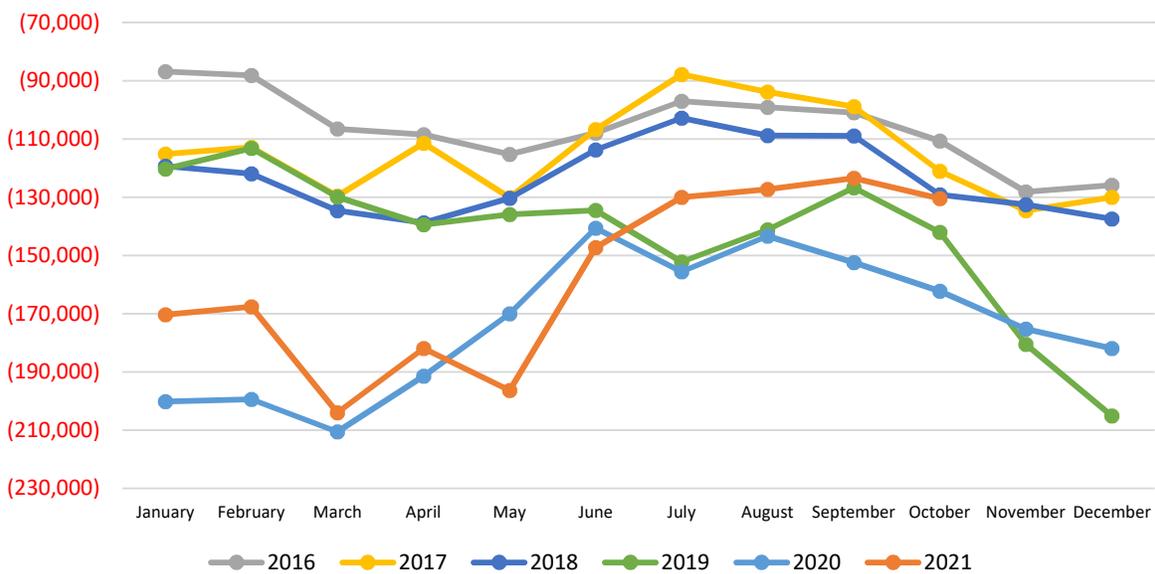


Like our conversation yesterday on beef, what sticks out to me in the latest data is the import figures. The chart below shows US pork exports growing fairly substantially over the past several months. It probably goes without saying that imports from Canada make up a big portion of this increase. As the second chart below shows, the US is still easily a net exporter of pork, but historically speaking the level of net exports is relatively small especially when compared to the past two years.

### US Total Pork Imports

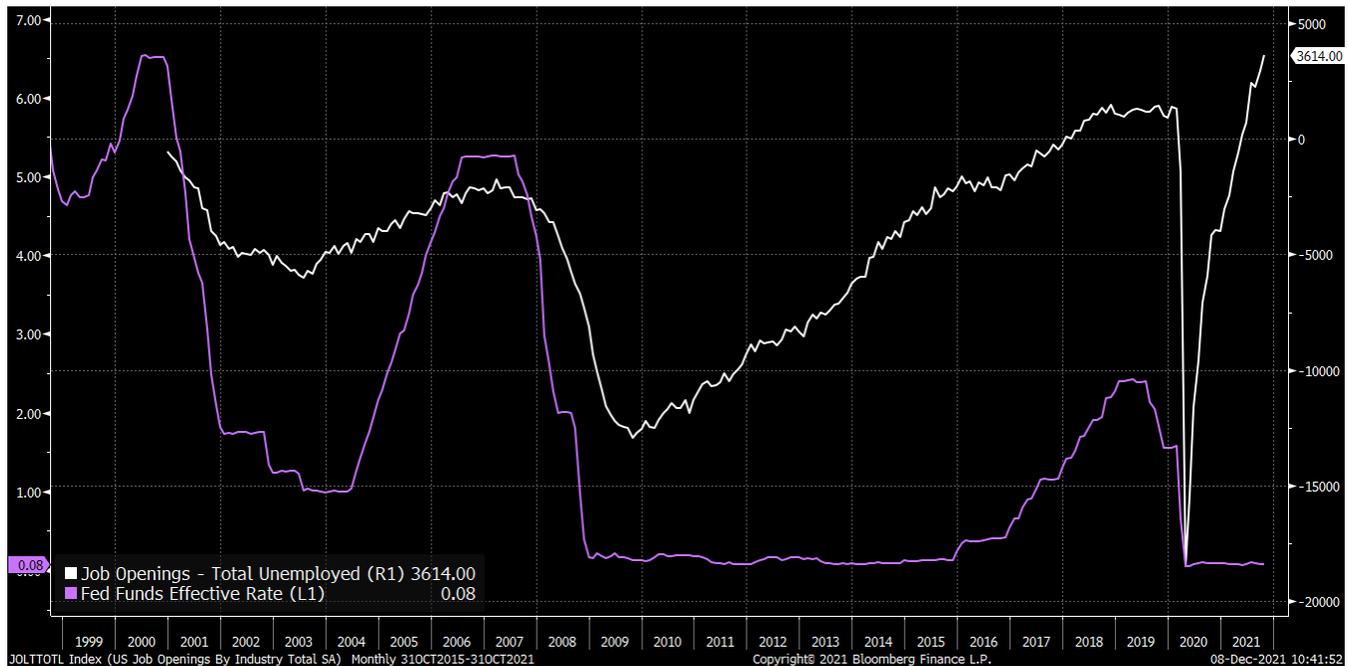


### US Pork Net Trade



## Financials

I saw an interesting chart on Twitter yesterday that I wanted to somewhat reproduce. The chart showed the spread between the JOLTS job openings number and the BLS's total unemployed in the labor force. The spread is shown as the white line in the chart that follows. Keep in mind that the JOLTS number is as-of October, so it is still running a month behind the BLS report. Still, you can see that we're looking at a record wide spread. Essentially, there is a job opening for every unemployed person plus a lot more. Obviously the labor market dynamics are not that simple, but what is important to me is the relative level of the spread. On my chart below, I also plotted the Fed Funds effective rate. What is important, in my opinion, is that the spread between job openings and unemployed is so wide that it really argues that the Fed Funds rate should be *something* higher right now. You can see there is a modest correlation between the two here. This would seem to argue that the labor market is tight enough to encourage the Fed to be more aggressive in rate hikes. Look for the Fed to increase the pace of the taper and bring rate hikes forward.

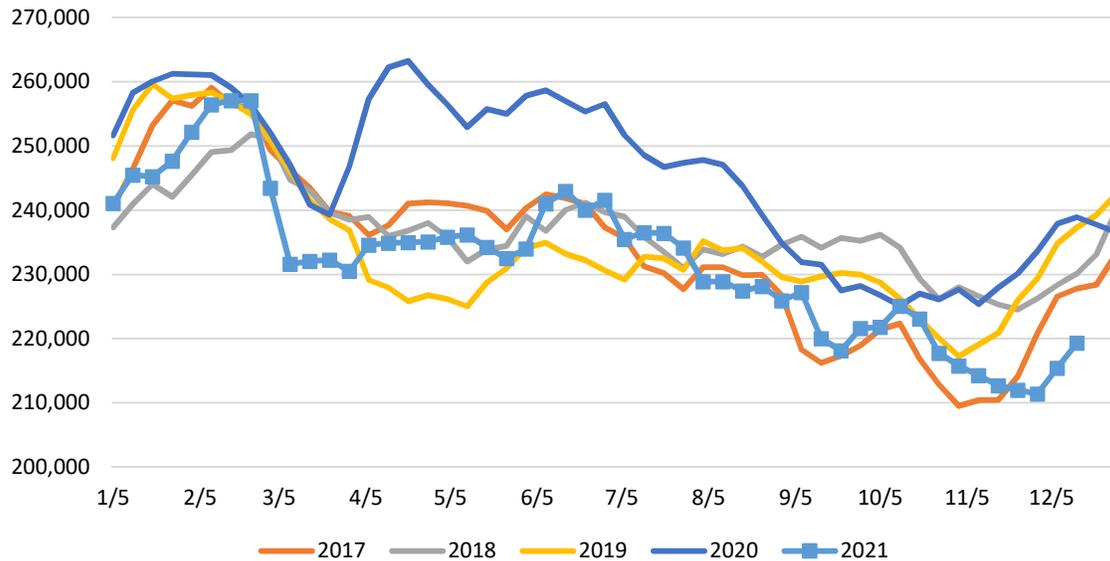


A modestly risk-off tone to markets to start the day, but nothing huge. The UK has reintroduced Covid restrictions. The BP is hitting its lowest level of the year this morning. China reported inflation data overnight, and PPI was +12.9% YOY vs. +12.1% expected. This is down a little from the 13.5% YOY rate seen last month, however. CPI came in a bit weaker than expected at +2.3% YOY vs +2.5% expected.

## Energy

US gasoline inventories are still well below normal level, but at least we can finally say they've bottomed. The chart on the following page looks at US motor gasoline stocks. We've seemingly hit our seasonal bottom and we normally see inventories increase until late winter. The question of course has to be whether or not inventories can recover some ground before the seasonal declines start in the spring. We're obviously starting from a much lower level than is typical.

**US Total Motor Gasoline Stocks**



**Today's Calendar (all times Central)**

- Export Sales – 7:30am
- Jobless Claims – 7:30am
- EIA Natural Gas Storage – 9:30am
- WASDE – 11:00am

Thanks for reading.

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