

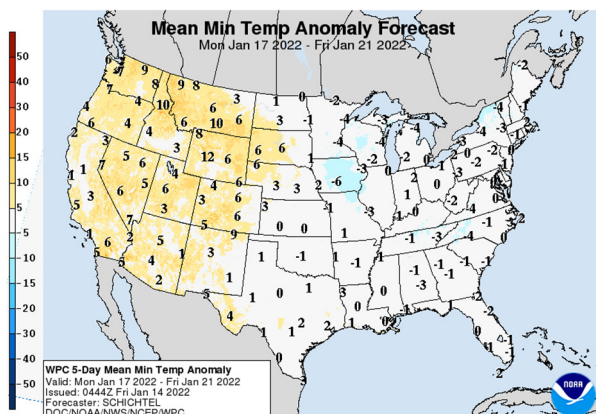
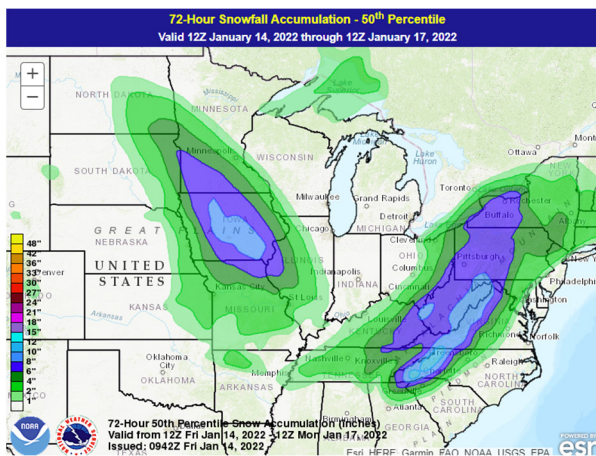
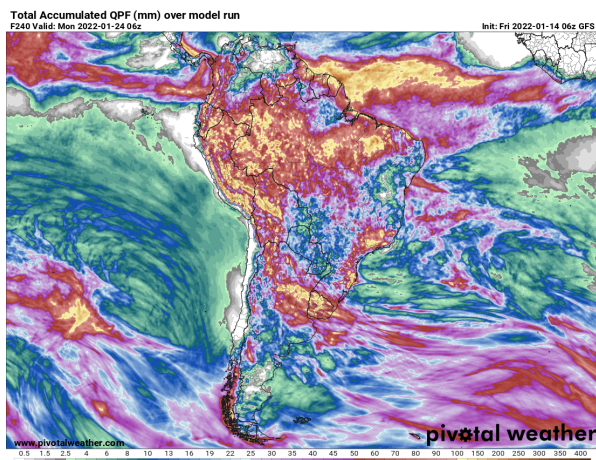
Weather

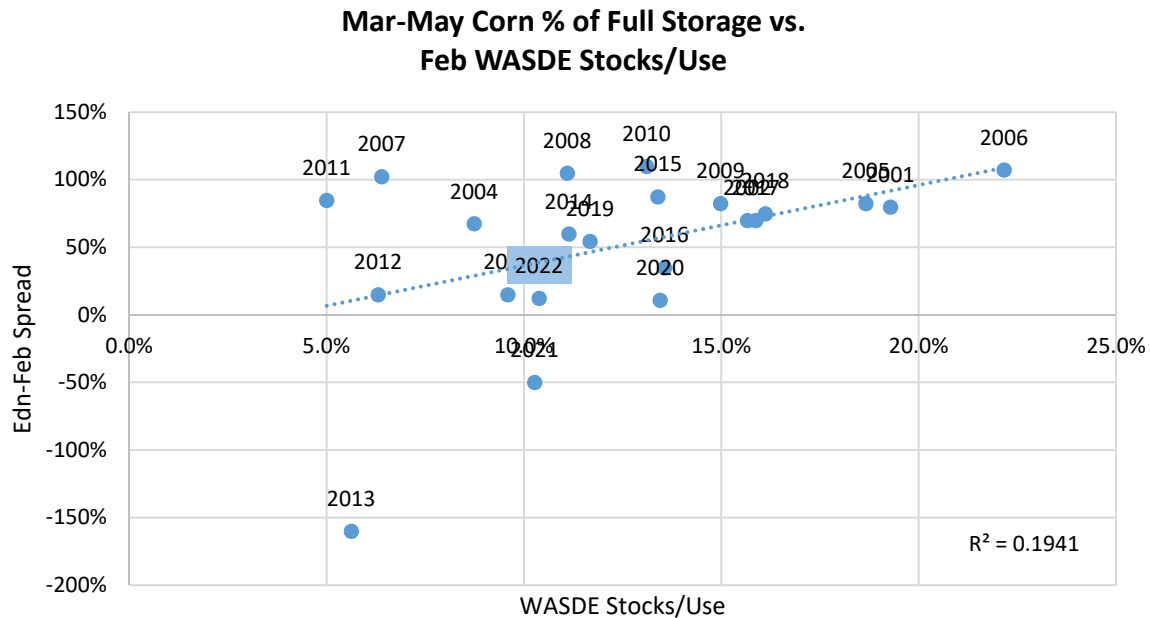
No changes. We've got another ~2 days of extreme heat in Argentina and southern Brazil to deal with. Rainfall chances will start to return in some areas later tomorrow in Argentina and these will gradually improve as we move into next week. It will take a couple of extra days to get rainfall into southern Brazil, but it will eventually get there too. Rainfall chances should continue through the end of the current two week forecast period. With rain being such a feature, it should come as no surprise that temps will be backing off considerably, with highs likely averaging below normal at times. The pattern will change for northern Brazil as well, with the current two week forecast about the driest it has been all season. This should allow for rapid advancement of harvest. Map at the left is GFS 10-day precipitation projection.

We're still on tap for a pretty solid snow event for the middle and eastern portions of the country. You can see projected snowfall accumulations at the right. After this event clears through the region, not much behind it initially. Temps aren't expected to be anything extreme, with near normal lows in the east with above normal lows to the west.

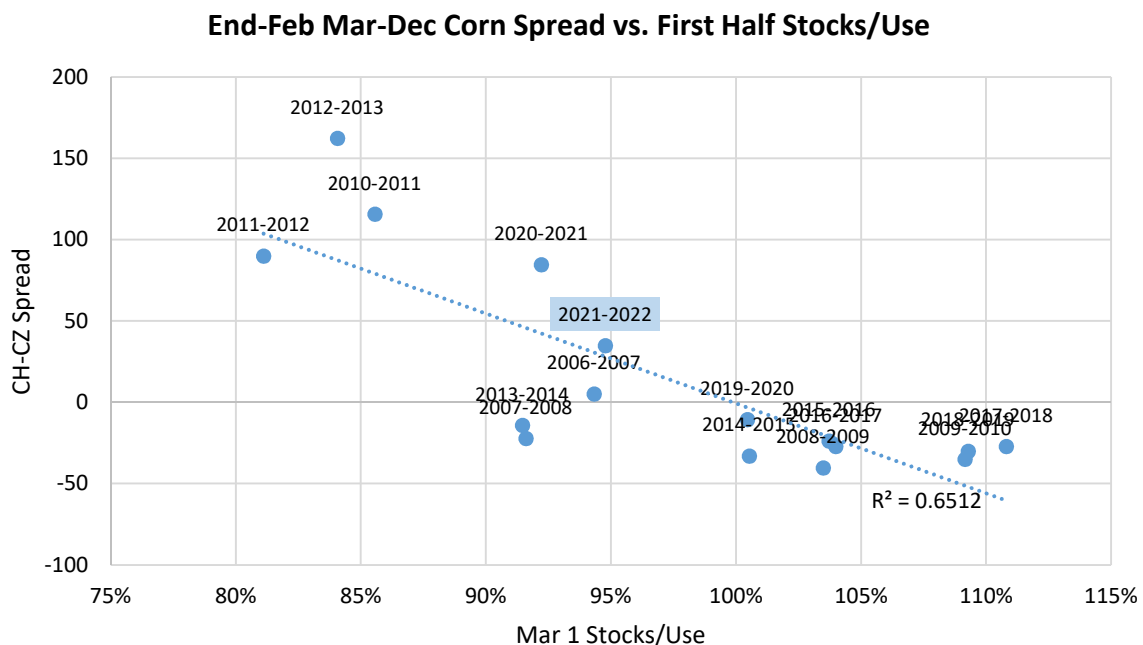
Crops

On Wednesday I was asked a question about corn spreads. Considering the weakness in spreads yesterday, I figure it is worth a quick look this morning to see what price scatters might look like. Up first, let's look at the nearby Mar-May spread. The chart below looks at the Mar-May spread as a percent of full storage vs. the Feb WASDE stocks/use ratio. At a positive percentage of full storage, the market is in a carry. So everything at the top of the chart is a carry and at the bottom is inverted. The highlighted 2022 print uses the most recent WASDE numbers and the latest spread value. One could argue that the spread should be trading at a wider carry. However, last year is an example of this spread trading much stronger than we might otherwise expect. I guess the only thing this chart tells me is that the Mar-May spread probably isn't going to produce any major fireworks outside of some delivery shenanigans.

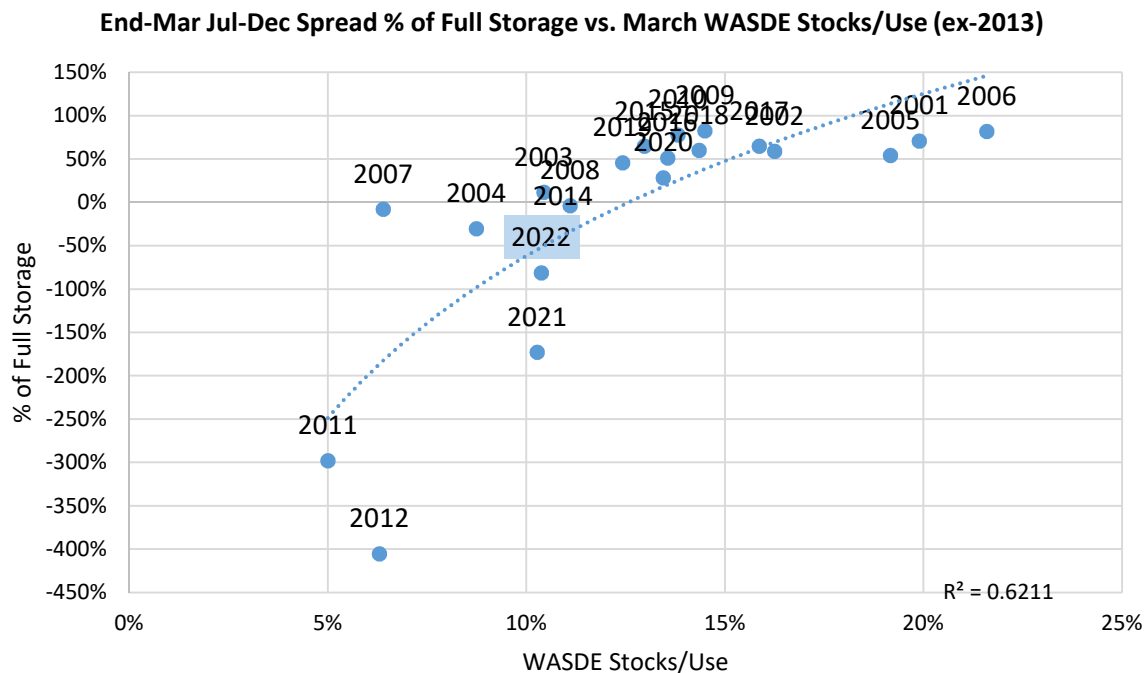




What about old-new spreads? Normally most like to look at Jul-Dec for that thought process but for now let's look at Mar-Dec. The chart below is a handy one that has a pretty solid relationship. This compares the end-Feb (FND) spread nominal value vs. the March 1 stocks/use ratio. Unfortunately we never officially know the Mar 1 stocks/use estimate until the end of March, but highlighted with blue you can see the current spread value against my current guesstimate for Mar 1 stocks/use. Again, this argues for very little reason to expect significant fireworks with the corn spreads right now....assuming I'm close to right anyway.



But let's give a quick glance at the Jul-Dec spread. In this case we're back to looking at the spread as a percentage of full storage. We're looking at the Jul-Dec spread as-of the end of March vs. the March WASDE stocks/use estimate. Again, hard to argue that the spread isn't relatively close to fair value here.



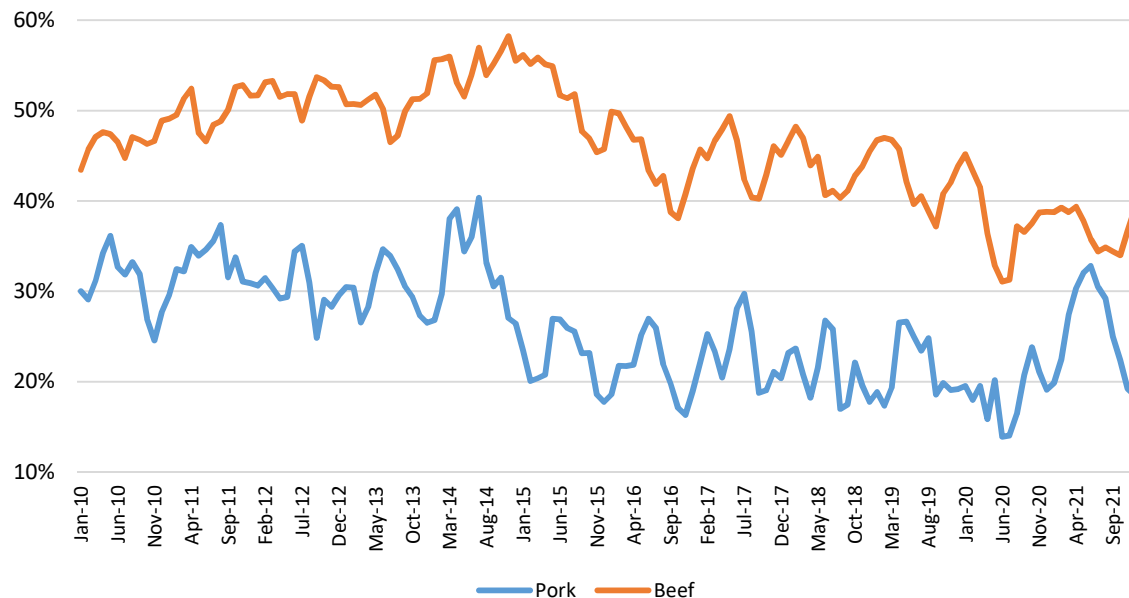
Bottom line – I really don't see much to do here with corn spreads. Please let me know your thoughts.

Livestock

So far this week cash volume has been pretty light. I guess with Covid issues still disrupting labor at the plants, the packers don't feel much need to be aggressive for the moment. Beef continues to move higher, and along with it, packer margins are on the move as well.

One thing I failed to mention yesterday in the discussion on retail meat prices. The chart below looks at the USDA's estimate of "farmer share" of the retail beef/pork price. Pork continues to head back down near the lows. Beef has bounced a little bit in the past few months, but still remains depressed relative to pre-pandemic levels. Retail prices are still near record highs, but the "farmers" aren't the ones making out on that situation. As shown yesterday, the focus should be more on the retailers.

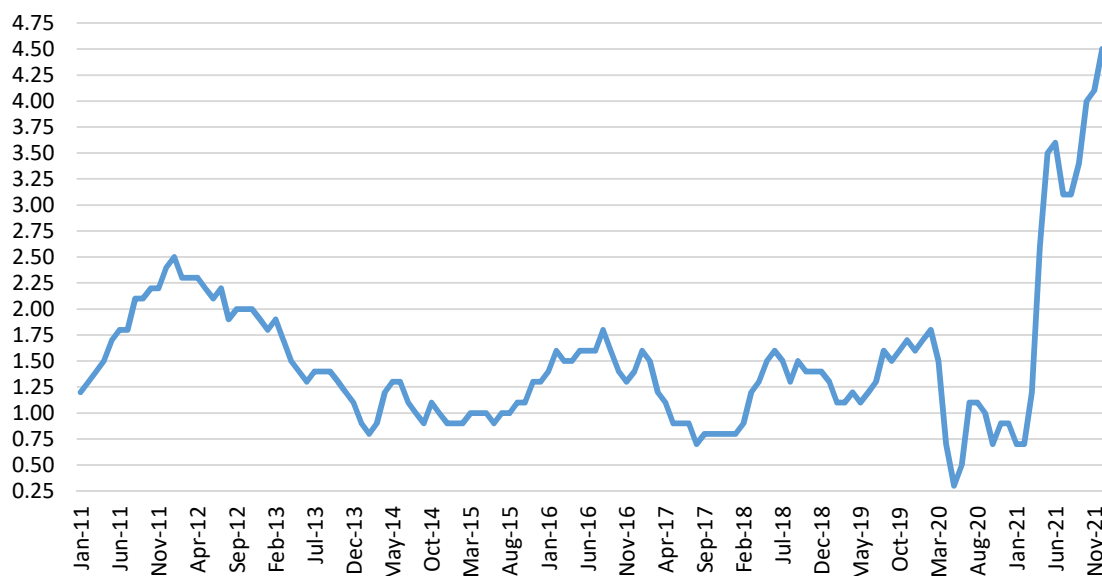
USDA Estimate of "Farmer's Share" of Retail Value



Financials

We've spoken about this before but just another reminder – in 2021 the BLS introduced a new inflation category that excluded food, shelter, energy, and used cars/trucks. The idea was to eliminate all of the so-called "transitory" elements of inflation so they could point towards a success somewhere...anywhere. Well, that hasn't aged well. For lack of a better term, I'm simply calling this calculation "extra core", and as you can see it continues to post new highs as well.

"Extra" Core CPI YOY

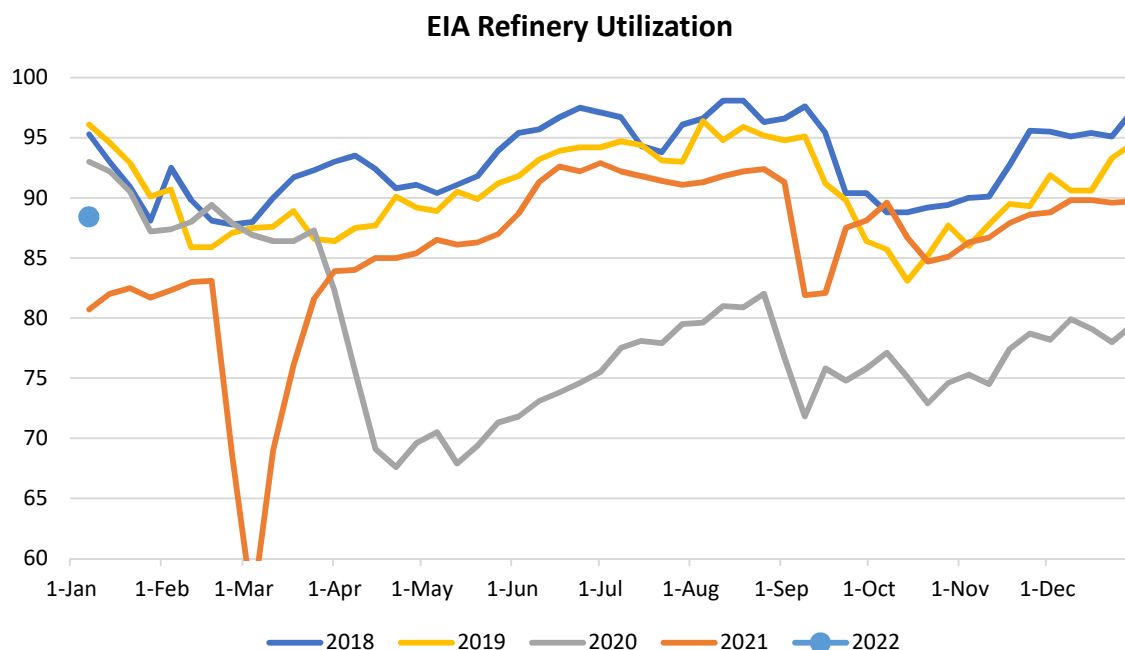


Here is my usual rundown of CPI broken down into different timeframes. While the monthly rate of inflation did kinda slow a little...you can see that it would still annualize at a 5.65% rate.

				2 years	3 Years	5 Years		1 month	4 months	6 months
Date	CPI Index	MoM	YoY	Annualized	Annualized	Annualized		Annualized	Annualized	Annualized
12/31/21	280.192	0.47%	7.12%	4.26%	3.66%	3.10%		5.65%	7.89%	6.80%
11/30/21	278.88	0.78%	6.88%	4.05%	3.44%	3.05%		9.35%	7.29%	7.69%
10/31/21	276.724	0.94%	6.24%	3.76%	3.14%	2.89%		11.32%	6.36%	7.41%
9/30/21	274.138	0.41%	5.38%	3.43%	2.90%	2.73%		4.95%	6.24%	7.06%
8/31/21	273.012	0.27%	5.20%	3.30%	2.82%	2.70%		3.29%	6.95%	7.49%
7/31/21	272.265	0.47%	5.28%	3.19%	2.77%	2.68%		5.69%	8.47%	7.65%
6/30/21	270.981	0.90%	5.32%	3.05%	2.63%	2.56%		10.86%	8.91%	7.20%
5/31/21	268.551	0.64%	4.93%	2.58%	2.36%	2.42%		7.73%	7.23%	5.84%

Energy

One minor tidbit from Wednesday's EIA data dump. The chart below looks at the level of refinery capacity utilization over the past few years. I think it is worth pointing out that through much of 2021 we continued to see below average levels of utilization. Obviously refinery rates were improved from 2020 levels, but in most instances we remained below the prior "normal" years. We're only one week into 2022, but we've clearly started off the New Year with subpar runs as well. This will continue to feed into supplies of refined petroleum products....



Today's Calendar (all times Central)

- Retail Sales – 7:30am
- Import Prices – 7:30am
- Industrial Production – 9:00am
- U of M Consumer Sentiment – 9:00am
- Baker Hughes Rig Count – 12:00pm

Thanks for reading.

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