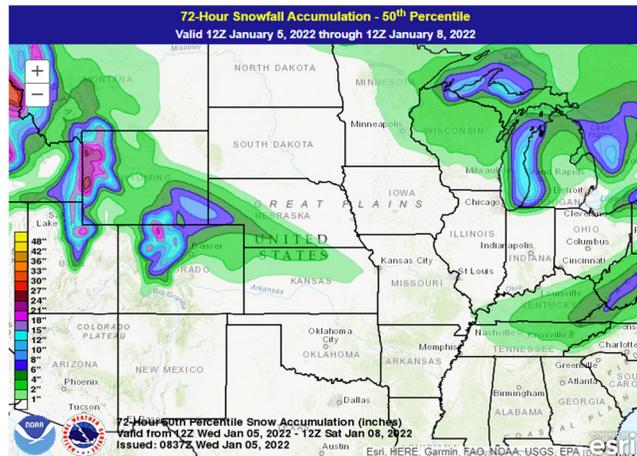
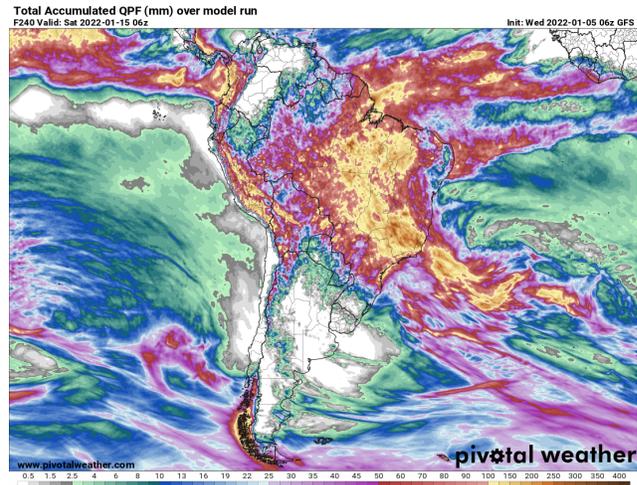


## Weather

The forecast continues to be shifting towards a possible pattern change in Brazil. Northern Brazil will continue to see more wet weather in the near term, but late in the two-week period we could see much of the northern growing region see below normal precipitation. Southern Brazil, and specifically RGDS, will see poor rain chances for another ~10 days but could see near to above normal rainfall potential after that. This would come as a ridge is expected to settle into northern Brazil, creating a drier environment there while improving rainfall chances further south. It is important to note there is good model agreement on this right now. Certainly something to watch. No way of know how long it could potentially last.

Argentine rainfall chances continue to look poor. As shown in the 10-day GFS outlook above, there is virtually no rainfall expected in the next 10 days. The best chance for showers will come in the 11-15 day period, but obviously it is hard to have a ton of confidence for that timeframe. Too soon to say whether the above mentioned pattern change would be capable of improving Argentine rainfall chances. Temps should be near normal for the remainder of the week but we should see a period of very hot temps again next week.



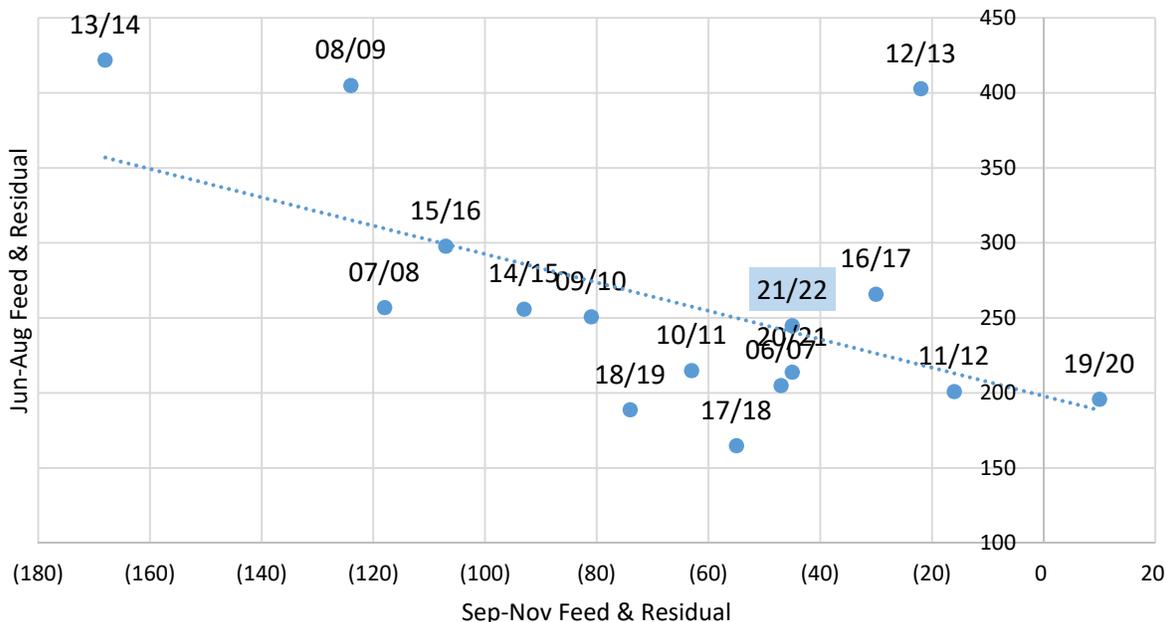
## Crops

Also on tap for next week will be the always unpredictable Quarterly Stocks report. Over the next few days, we'll look over expectations for this report. It should go without saying that trying forecast the quarterly stocks levels is a complete guessing game. There is just no way to have any confidence in these figures.

We'll start today by looking at wheat. Wheat should have fewer moving pieces than either corn or soybeans as it is unlikely that old crop wheat production will be adjusted (though it is possible). Food and seed use are usually pretty consistent over time, so these are unlikely to produce any big surprises. Trade data is not yet set in stone but we have enough Census data to feel pretty comfortable that we're at least pretty close.

As always, the main question will be feed and residual consumption. As shown in the chart below, there is typically a solid relationship between the NASS estimate for F&R between Q1 and Q2. There are some years that notably stand out from the overall relationship, but in each of those years it is fairly easy to point out a special circumstance that factored into the discrepancy. The highlighted 21/22 figure shown below uses the NASS estimate for Q1 along with what I'm plugging in for Q2. You'll see I've simply tried to line up my Q2 estimate with what the chart would imply.

**All-Wheat Jun-Aug F&R vs. Sep-Nov F&R**



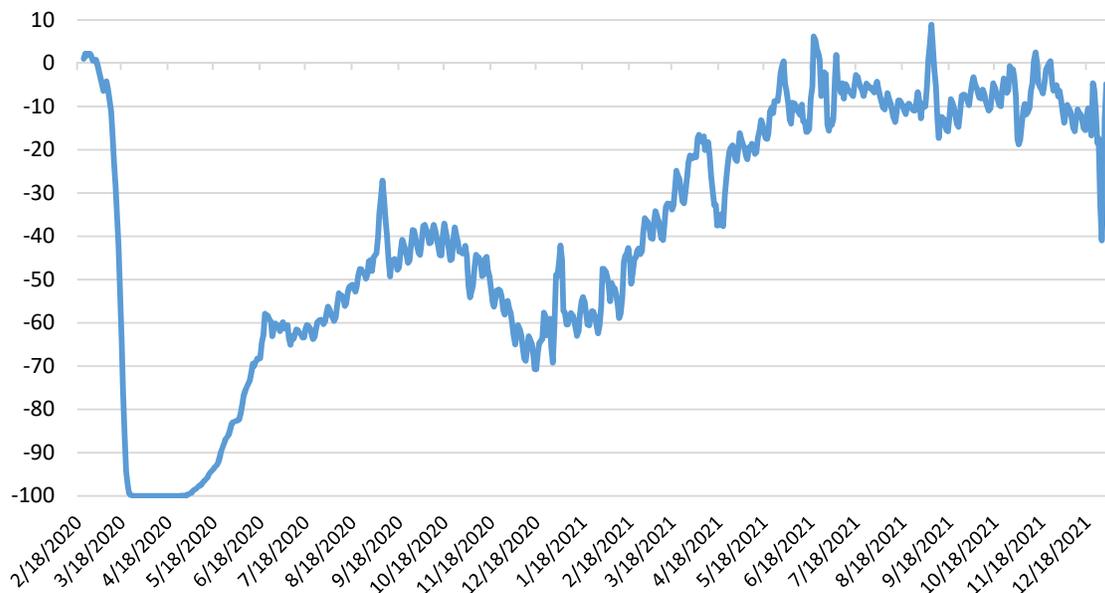
The breakdown below shows my guesstimates for SON demand and where that leaves Dec 1 stocks. I haven't seen any other guesses yet so I don't know how this looks vs. other estimates. Thoughts appreciated.

US All-Wheat Quarterly Supply and Demand										
	12/13	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22
Carryin (Sep 1)	743	718	590	752	976	1,181	1,099	1,080	1,028	844
Production	2,252	2,135	2,026	2,062	2,309	1,741	1,885	1,932	1,828	1,646
Jun-Aug Imports	26	36	44	27	33	42	41	23	30	25
<b>Total Supply</b>	<b>3,020</b>	<b>2,889</b>	<b>2,660</b>	<b>2,841</b>	<b>3,318</b>	<b>2,962</b>	<b>3,025</b>	<b>3,035</b>	<b>2,886</b>	<b>2,515</b>
<b>Jun-Aug</b>										
Food	238	235	239	240	238	239	239	238	241	240
Seed	1	4	6	1	1	1	2	4	2	-
Feed & Residual	403	422	256	298	266	165	189	196	214	245
Exports	264	358	253	205	268	292	205	252	271	250
<b>Total Use</b>	<b>905</b>	<b>1,019</b>	<b>754</b>	<b>744</b>	<b>773</b>	<b>697</b>	<b>635</b>	<b>690</b>	<b>728</b>	<b>735</b>
Stocks (Sep 1)	2,115	1,870	1,907	2,097	2,545	2,267	2,390	2,346	2,158	1,780
<b>Sep-Nov</b>										
Imports	33	48	35	27	29	36	31	23	28	<b>28</b>
Food	247	249	248	249	245	251	247	247	249	<b>245</b>
Seed	55	53	49	44	41	40	37	37	42	<b>40</b>
Feed & Residual	(22)	(168)	(93)	(107)	(30)	(55)	(74)	10	(45)	<b>(45)</b>
Exports	198	309	208	192	239	193	203	233	237	<b>191</b>
<b>Total Use</b>	<b>477</b>	<b>443</b>	<b>412</b>	<b>378</b>	<b>495</b>	<b>429</b>	<b>412</b>	<b>527</b>	<b>483</b>	<b>431</b>
Stocks (Dec 1)	1,671	1,475	1,530	1,746	2,079	1,874	2,009	1,841	1,703	<b>1,377</b>

## Livestock

The cattle complex took a dive yesterday and one has to wonder if it might have been primarily sparked by Covid fears. As mentioned yesterday, Covid cases spiked to a huge record over the weekend. Are we going to resume some disruptions with packing plants? I've heard some grumblings about labor issues, but I'll concede nothing all that concrete. We can see that the WTD slaughter, while admittedly only two days, is running a solid distance behind last week's pace. I'm not sure we can really compare against last week's pace considering we had the holidays...but still. And what about restaurant demand? The chart below looks at the OpenTable data that we haven't looked at in a long time. We can see that during the spring and summer OpenTable seated dinner counts were fractionally lower vs. 2019 levels but the holiday totals were well below 2019 levels. And if fear grows further on case counts, could we see this numbers dip on account of new restrictions or just simply nervous consumers?

**OpenTable US Seated Diner % Change from 2019 Level**  
**5-Day Moving Average**

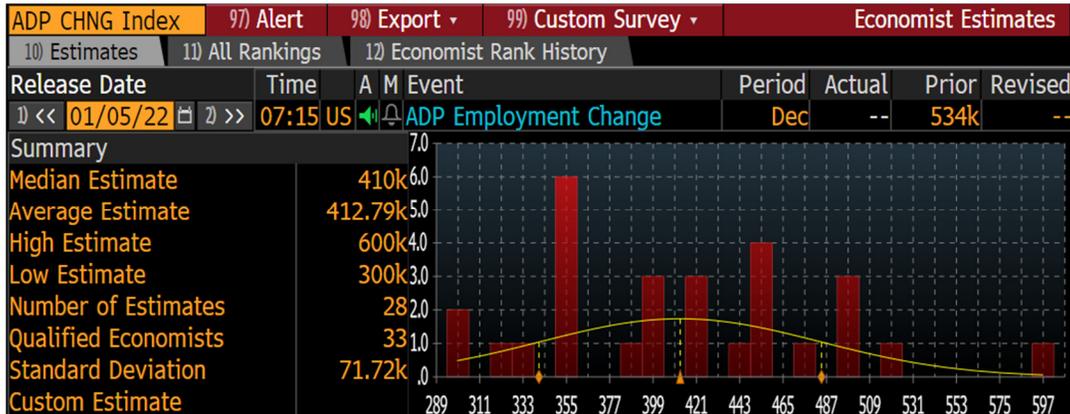


Maybe this will blow over as most people I run into are simply exhausted with worrying about Covid. Still, I think the labor issues at the plants might be resurfacing a bit, so let's keep our eyes on kill numbers and any talk from the plants. Will be interesting to see how big we run this upcoming Saturday.

## Financials

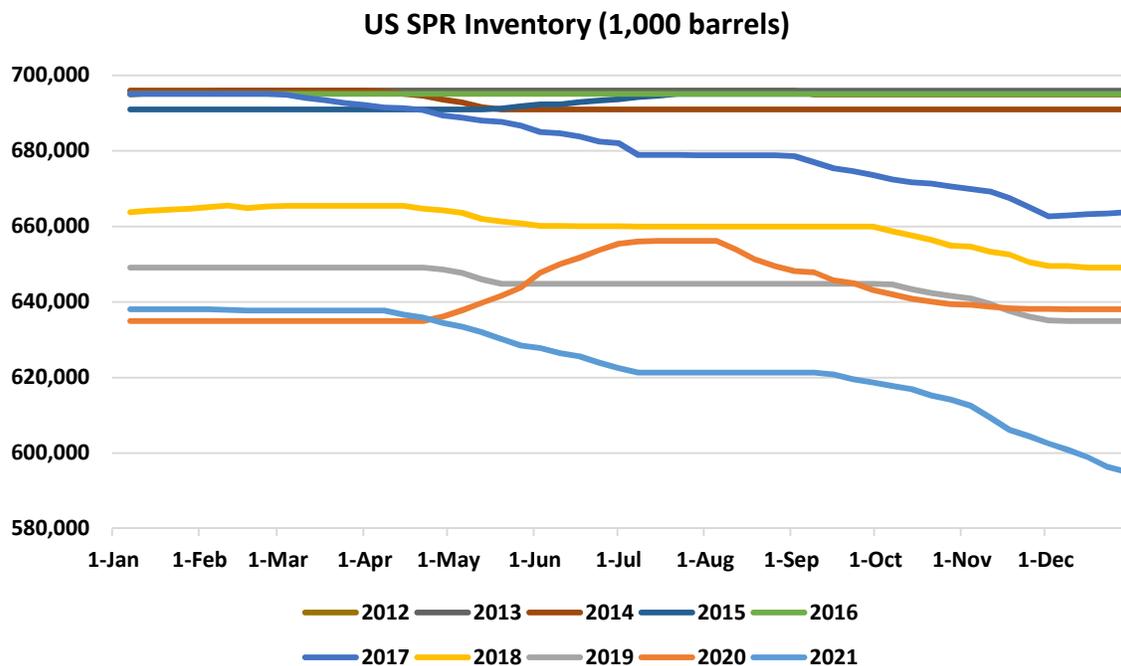
Not much truly new to discuss this morning. ICYMI, Kazakhstan is in the midst of a major uprising. I'm not sure how exactly to describe the situation, but the bottom line is the government has resigned following massive violent protests through the capital. This is interesting for a variety of reasons. Kazakhstan is significant oil exporter, I believe coming in at #10 globally. Geographically, their proximity to Russia is also of interest considering Putin's saber-rattling around Ukraine. Not sure if this is truly market-moving from an overall perspective, but something to keep an eye on.

On tap today we have the ADP unemployment change. The breakdown of the Bloomberg survey is shown below, and you can see there is a big range of expectations. I am not smart enough to predict a precise number, but all I'll say is that all indications I've seen have continue to point towards solid opportunities for job growth.



## Energy

Yesterday I showed a chart illustrating total petroleum and petroleum product inventories in the US. I did intentionally leave out the SPR from that chart, but I want to show this morning that it really would not have changed the impact of the chart. In fact, it might have even made it look worse. The chart below looks at the SPR volume over the past several years. You can see we've been aggressively liquidating the SPR since spring. Obviously with the Biden administration's moves from a month or so ago, we have further planned decreases forthcoming.



The point? US commercial inventories are at their lowest levels in years despite the fact we've been releasing SPR volumes. When SPR releases stop, that could put further pressure on commercial inventories. Or are we simply willing to drain the whole damn thing?

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

- ADP Employment Change – 7:15am
- EIA Petroleum Inventories – 9:30am
- FOMC Minutes – 1:00pm

Thanks for reading.

David Zelinski

[dzelinski@nesvick.com](mailto:dzelinski@nesvick.com)

901-766-4684

Trillian IM: [dzelinski@nesvick.com](mailto:dzelinski@nesvick.com)

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