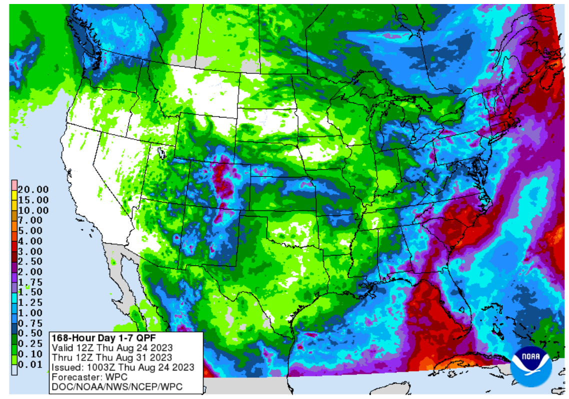
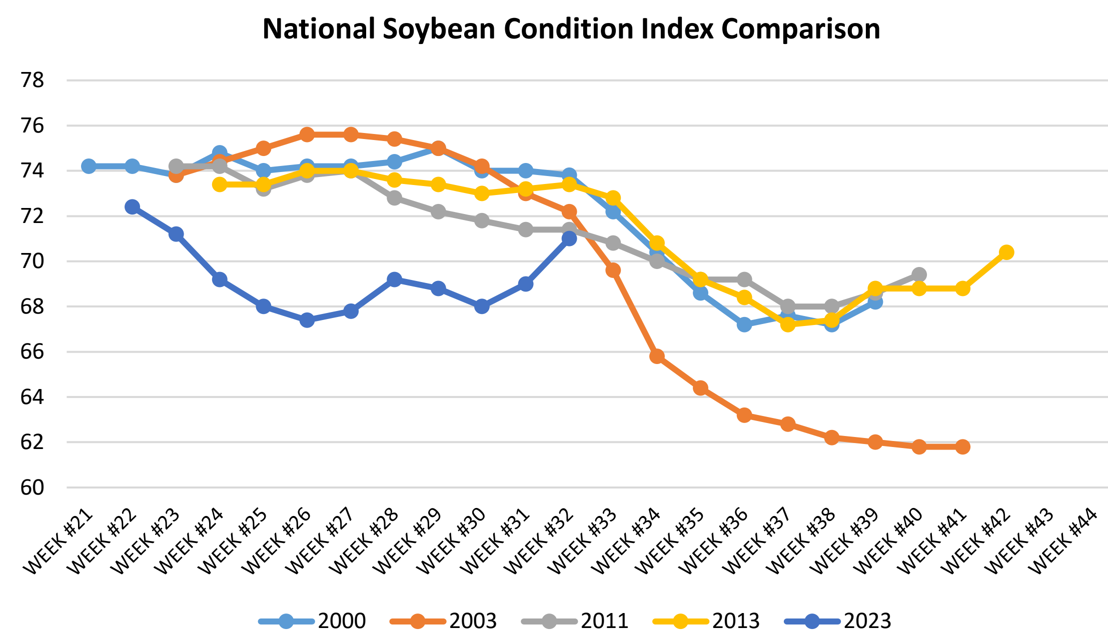
Weather



No major changes. I suppose one could make an argument there is a little more coverage of extremely light rainfall in the map at the right compared to yesterday. Still, that is a bit of a stretch. There will be areas of scattered showers around the Corn Belt in the next few days, but the only spot with actual decent totals will likely be the NE, KS, MO areas. Bottom line, there just doesn't appear to be any significant threat of "real" precipitation for the Corn Belt during the two week forecast period. Temps will once again be very hot today with 95-100F highs widespread through the central and southern Corn Belt. Temps will moderate by tomorrow with relatively cool temps possible in some areas during the weekend. We still anticipate that temps will move back to above normal into early Sep, but not as extreme as we've seen lately.

Crops

Following up on yesterday's conversation, I want to look at years where soybean condition ratings declined sharply during Aug and Sep. Like yesterday, I'm focusing on the Week #30 to Week #37 timeframe as that runs from early Aug through mid/late Sep. It should come as no surprise that I'll be looking at the same years as yesterday. Since 2000, on average this timeframe typically sees a 1.7 point decline in my soybean condition index. The worst year saw an 11.4 point decline (no surprise that is 2003) while the best year saw an increase of 3.4 points (2006). The years shown below all posted well above average declines in condition ratings. The chart below looks at my condition index score during these years.



The table to the right is the same as I showed with corn yesterday. The top shows the declines in the condition index scores. Interestingly, so far we've seen a counter-seasonal bounce in condition ratings…though I think we can all agree that is likely to come to an end on Monday. The weather numbers are the departure from normal temperatures and precipitation on a Soybean Belt productivity-weighted basis. The bottom shows the trends in yield projections.

Soybean Condition Comparisons

	2000	2003	2011	2013	2023
Condition Rating					
Week #30	74	74.2	71.8	73	68
Week #37	67.6	62.8	68	67.2	70.4
Difference	(6.4)	(11.4)	(3.8)	(5.8)	2.4
Weather Conditions					
June Temps	-0.8	-2.4	1.5	0.2	1.2
July Temps	-1.5	-0.5	4.2	-1.5	-0.5
August Temps	1.4	2.3	1.3	-0.1	
September Temps	0.3	-1.8	-2.0	2.8	
June Precip	1.43	0.14	0.55	0.87	-1.48
July Precip	0.09	0.70	-0.14	-0.58	0.31
August Precip	-0.62	-0.87	-0.48	-1.23	
September Precip	-0.46	0.84	-0.33	-0.94	
Yields					
Trend	40.0	39.7	43.4	44.5	52.0
August NASS	40.7	39.4	41.4	42.6	50.9
Final NASS	38.1	33.9	42.0	44.0	
Diff vs Trend	(1.9)	(5.8)	(1.4)	(0.5)	
Diff vs August	(2.6)	(5.5)	0.6	1.4	

A quick look at all the years:

2000 – A good start to the year but Aug and Sep precipitation were well below normal which likely led to the decline relative to trend and Aug estimates.

2003 – We should probably completely ignore any 2003 analysis because it is the year we saw major aphid problems in soybeans. But, I wanted to point it out anyway because of the sharp decline in condition ratings.

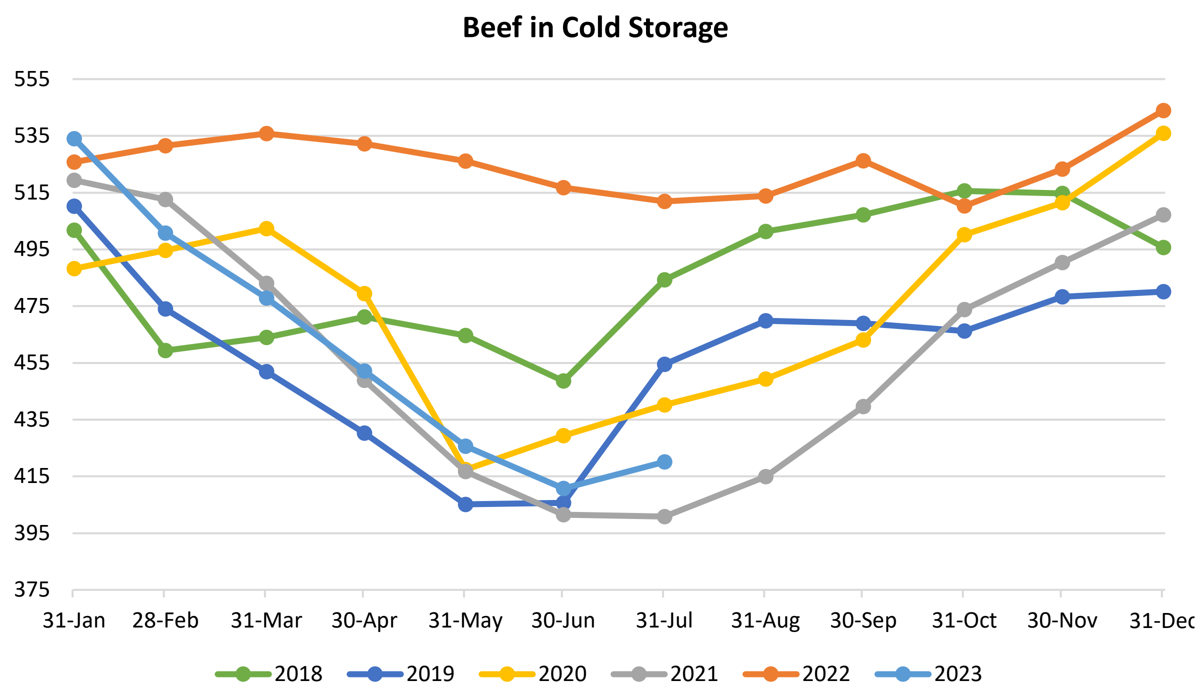
2011 – Was hot most of the summer until actually below normal temps in Sep and some freeze issues. And precipitation from July through Sep was below normal.

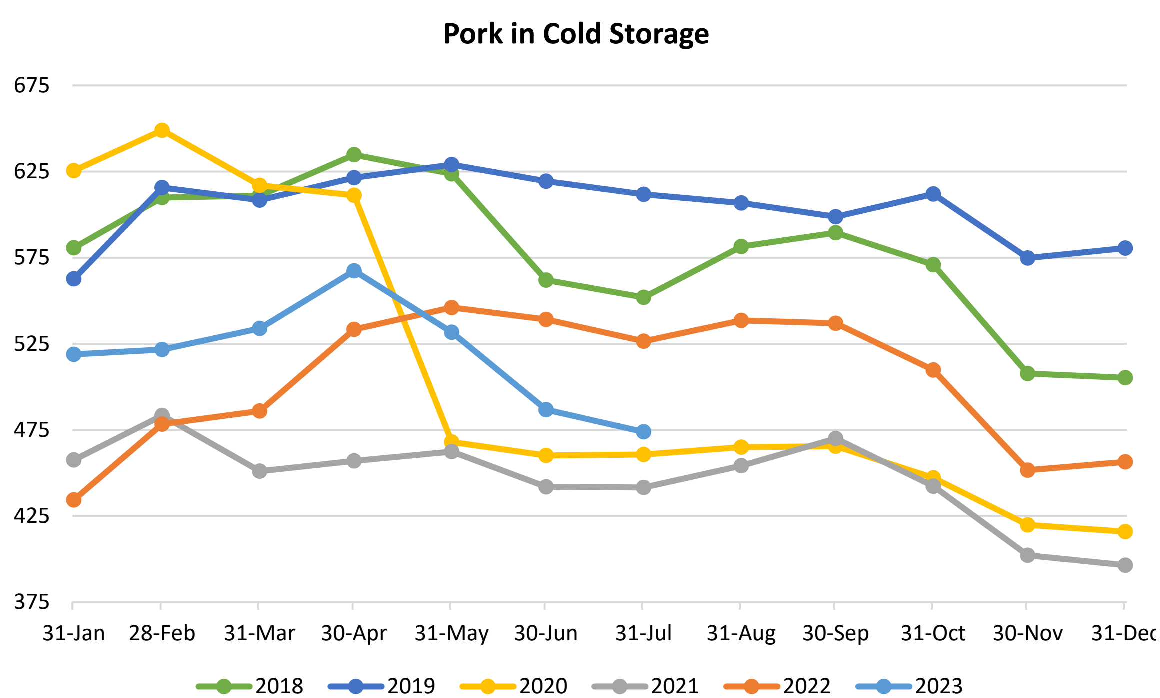
2013 – We've discussed this year probably a bit too much at this point. Obviously precipitation totals were well below normal for most of the summer. Yet the final yield basically tied the record for the time and was just a smidge below trend. I'm wondering how much the above normal temps in Sep helped with that??

Again, I don't want to try to suggest this year will be exactly like any of these years. I certainly believe crops are losing potential here. It is difficult to quantify how much, however…and I'm not sure if these comparisons help that much.

Livestock

The Cold Storage report was released yesterday afternoon. This is almost never market-moving though sometimes worth a quick glance. Seasonal views on beef and pork storage follows on the next page. Some might make a big deal of the fact that beef stocks are off about 18% YOY, but that has more to do with last year being ridiculously large than anything special about this year. Beef stocks should be seasonally bouncing into year end. Pork stocks are the lowest since late last year. Inventories would normally maintain steady levels in the next couple of months, but I wonder what the light production levels might mean?





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Financials

Equity markets have managed a pretty nice bounce over the past week. However, it has been very noticeable to me that one particular segment of the market has not been able to participate in the recent strength. Banking stocks have really been struggling in the past few weeks despite the overall market rebound.

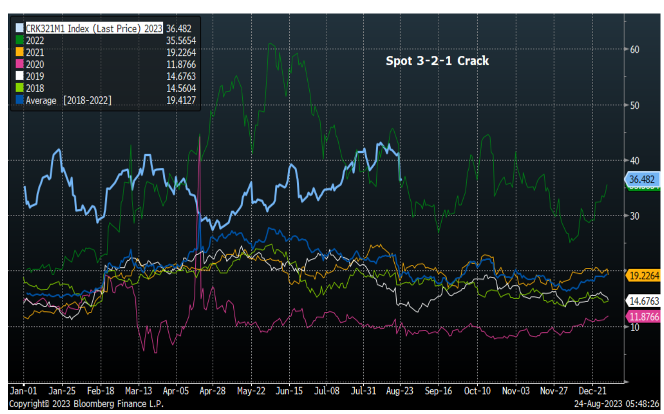
The first chart at the right shows KRE, which is regional banking ETF. After bouncing since the early-year banking "crisis", we've seen the ETF start to roll over again. It posted a modest bounce yesterday off the 100-day MA, but seemed like a pretty tepid bounce considering the strength in the overall market.

But it isn't just the small regional banks that are struggling. What is going on with Citigroup, which is shown at the right? This too-big-to-fail bank is below the lows seen during the "crisis" earlier this year and right near the lows posted at the bottom of the market decline late last year.

I'm not sure if there is a story here or not, but the banking sector's struggles during a generalized market bounce has caught my attention.

Energy

Nothing new here as we've pointed it out before…but the chart at the right is simply a reminder that crack spreads remain elevated. We're basically tied with year ago levels now and the only time we've been any higher in recent years was during the peak of the inflation madness in spring and early summer last year. On the margin, this should continue to support refinery runs at high levels.



Today's Calendar (all times Central)

- Export Sales – 7:30am
- Jobless Claims – 7:30am
- Durable Goods Orders – 7:30am

- EIA Natural Gas Storage – 9:30am

Thanks for reading.

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