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Friday, August 4, 2023
NTG Morning Comments
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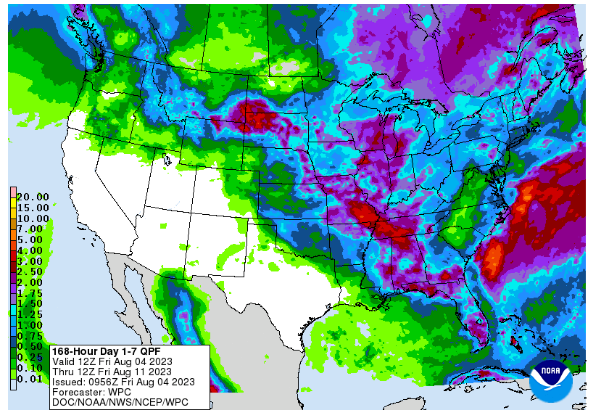
Weather

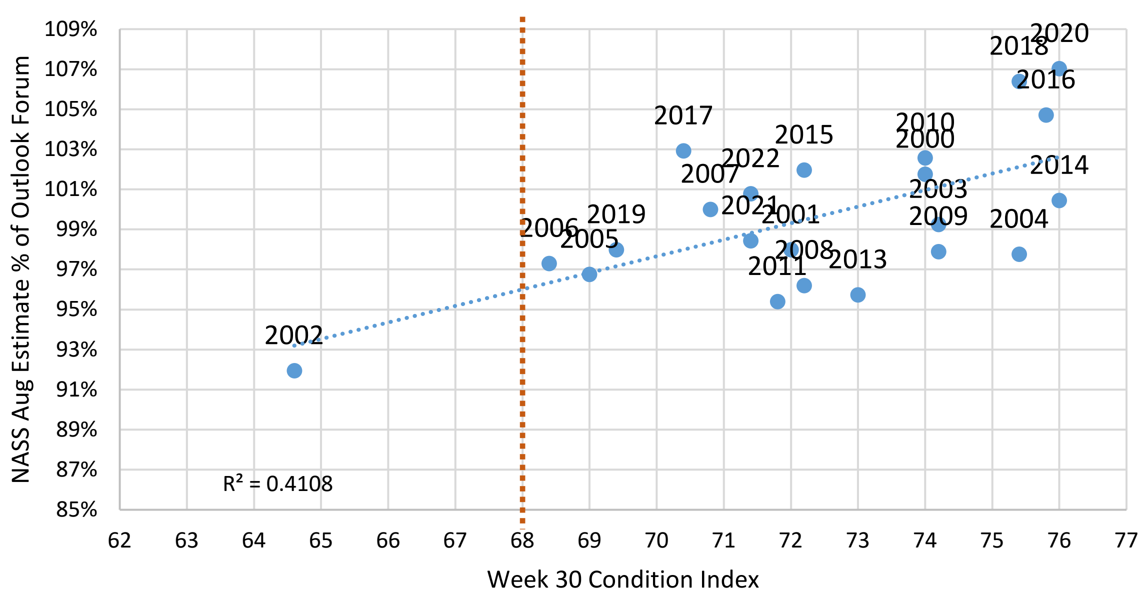


No big changes in the forecast. An active pattern for the Corn Belt over the next 2 weeks. The 7-day QPF is shown at the right. There should be a lot of good rainfall in the Corn Belt during this period, but as usual the QPF map is probably overstating the coverage of such good rains. There will inevitably a spot or two that gets missed. Also keep in mind a lot of this rainfall will not get started until tomorrow night. Confidence is high that temps won't be a major issue for the Corn Belt. There will be some heat in the Southern Plains and into KS & MO through the weekend. However, even KS and MO should lose big heat early next week with a relatively cool outlook beyond.

Crops

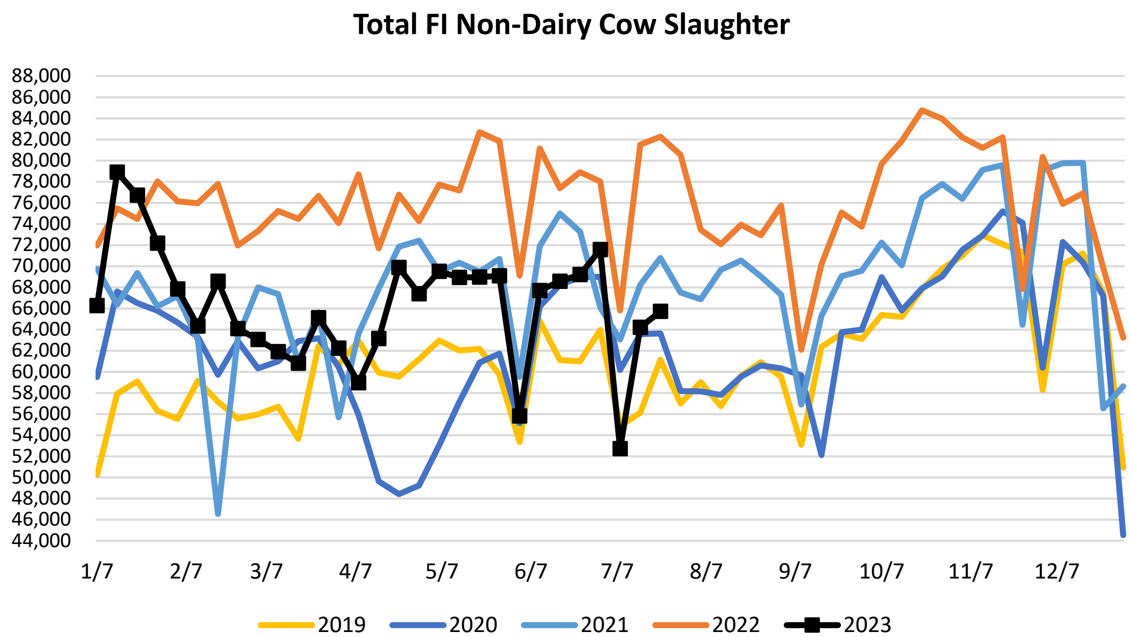
We're looking again at conditions vs Aug NASS yields with a focus on soybeans today. Like yesterday's corn discussion, I'm using the WAOB's yield model as our trend. The chart below is the same as yesterday, taking the Week 30 (Monday) condition index vs the percentage of the trend yield in the August Crop Production report. Again, the orange line represents where the current condition index lies. The relationship here is not as good as what we saw with corn yesterday. Intuitively, this makes sense as soybeans are more impacted (usually) by August weather. Still, if we're simply taking the chart as gospel, it would imply something a little better than 96% of trend. That would equate to a yield of roughly 50.1 bpa. Recall from our discussion on StoneX earlier in the week that they would suggest something closer to 50.7 bpa. I'll stand by my comment from earlier in the week and call for a range around 50.7-51.3 bpa.

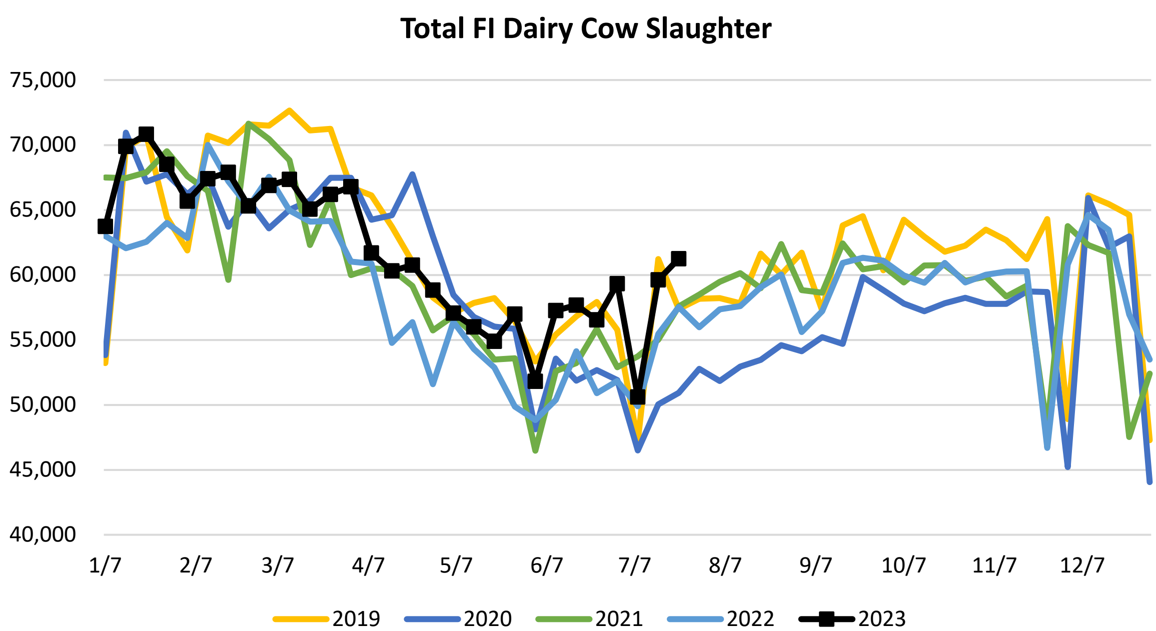
NASS Aug Soybean Yield Estimate vs. Outlook Forum "Trend" and Week #30 Condition Index



Livestock

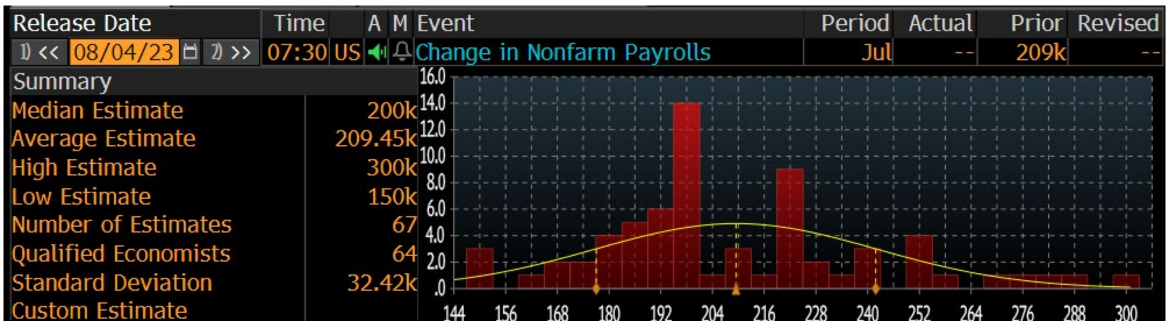
An interesting pair of charts, at least to me. The first chart looks at the weekly beef cow kill. The beef cow kill is off a solid amount from year ago levels. Obviously we've seen no real signs of retention yet, or else that beef cow kill would be even lower. The second chart looks at the weekly dairy cow kill. Dairy margins are in the toilet so we're getting some elevated culling. Interesting to see that the YOY increase in the dairy kill is at least partially offsetting the reduction in the beef cow kill.





Financials

Today is the big payrolls day. It should go without saying that today's number will set the tone for price action through at least the CPI release later in the month. Unfortunately, I can't claim to have any value to add in terms of predicting the number. My bias for months now has been a slow and steady increase in the unemployment rate, and obviously that bias has been dead-ass wrong. The ADP number released earlier in the week was very strong, but in the past few months we've seen a tendency for them to come in stronger than the NFP release…that might again be the case here, who knows? The rundown of expectations is shown below, and it is obviously a wide range of guesses.

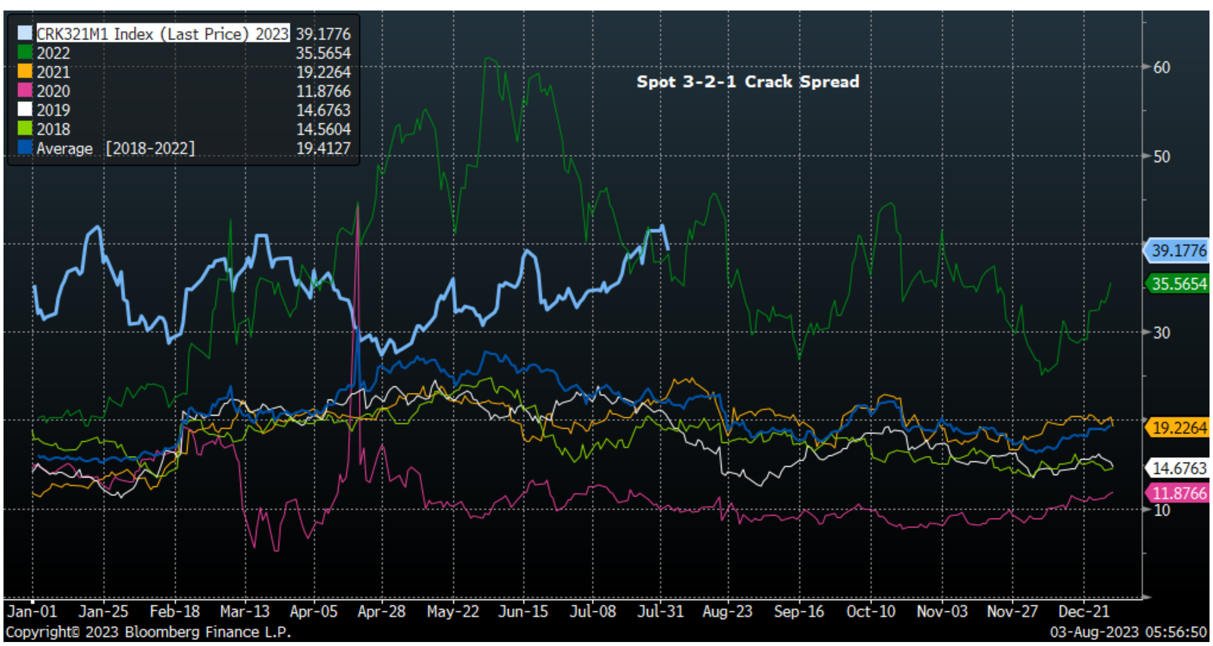


Most analysts are looking for an unchanged unemployment rate, but to my surprise there are more people calling for a decrease than an increase. I've given up on trying to figure this one out.

Just one more random chart with monthly employment data. This compares the ISM manufacturing and service index employment components vs. the official US unemployment rate. You can see the manufacturing employment index has been in contraction for a while now and the services index has been hovering right at the expansion/contraction line. This would normally result in a higher unemployment rate, though obviously that hasn't been happening.

Energy

Something we haven't looked at in a long while is crack spreads. A seasonal view of the 321 crack is shown below. Notice how it is basically on the highs of the year right now and compares pretty closely with last year at this time. While it isn't to the huge levels of last summer, the crack is still very strong. On the margin, a strong crack spread should support oil prices.



Today's Calendar (all times Central)

- NFP – 7:30am

Thanks for reading.

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