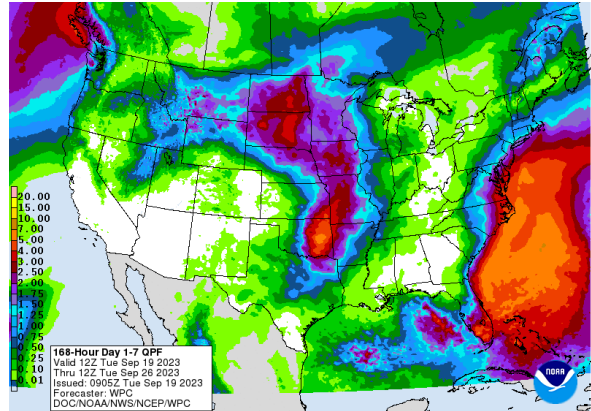


Weather

No major change to the US forecast. As shown to the right, we have some big potential rains for areas west of the MS River upcoming. Still a few days away from the start of this activity, however. Temps should continue to average mostly near to above normal, with no significant frost/freeze threat for now.

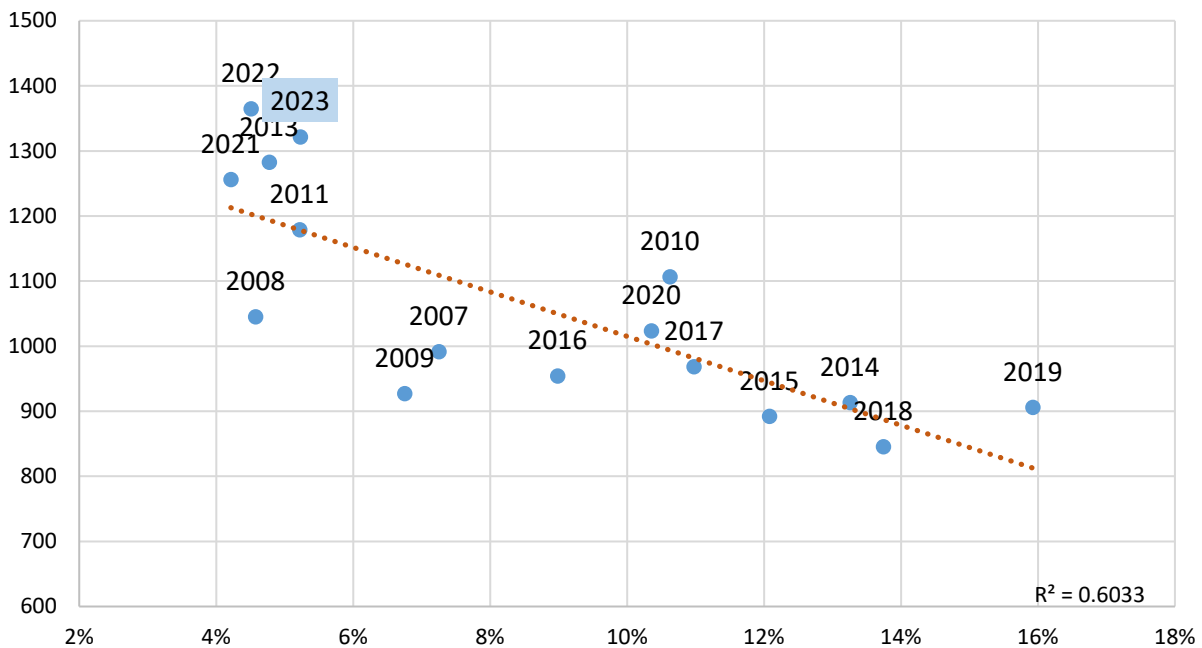


In northern Brazil, we're still looking at 10 days of mostly dry and hot weather. The 11-15 day period still features an uptick in rainfall chances, but today's forecast models have turned a little bit drier for that timeframe. RGDS in southern Brazil will continue to see active precipitation, but Parana will see more limited rainfall. The forecast for Argentina is little changed. There will be "some" rain around, but mostly below normal precipitation totals over the next two weeks.

Crops

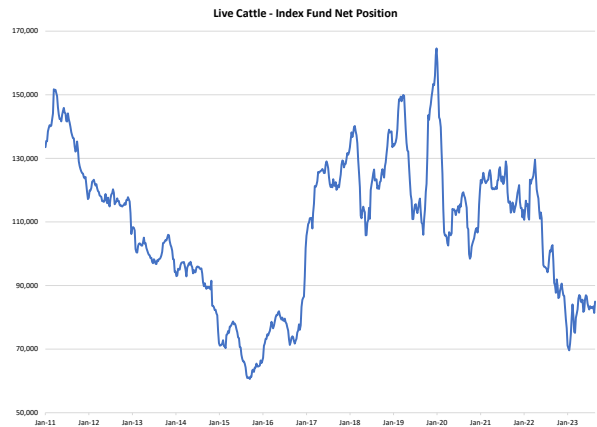
SX broke some important support yesterday so I figured a quick glance at a scatter might be worthwhile this morning. The chart below looks at end-Sep SX vs. the Sep WASDE stocks/use ratio. These scatters basically speak for themselves, so no reason for me to talk too much this morning. I would only point out that I could certainly make the argument that we could see further downside in SX given the look of this scatter. At a minimum, I think this scatter makes an argument there is limited upside. Of course, this is somewhat complicated by the report on the last day of the month which can, obviously, produce some big surprises.

End-Sep SX Close vs. Sep WASDE Stocks/Use Ratio (Ex-2012)



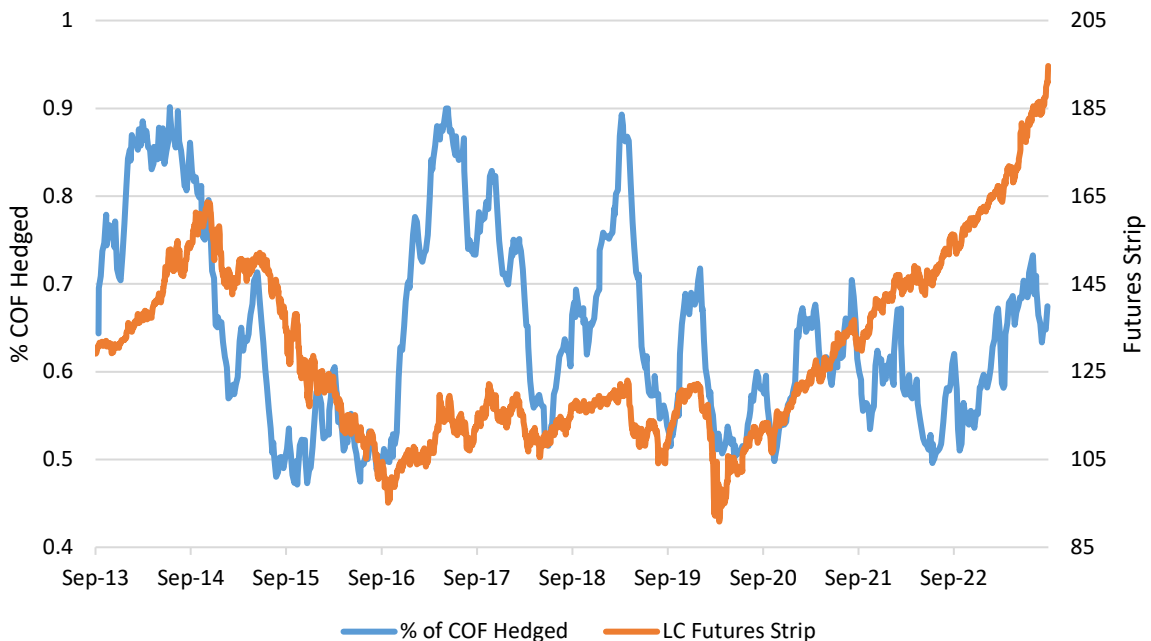
Livestock

Still thinking about “participation” in the cattle rally this morning. The chart at the right shows the index trader net position in cattle. No signs of extremely active participation in the rally from this segment of the market either.



It also got me thinking about hedge “participation”. That isn’t especially easy to quantify, but the chart below shows my best guesstimate with the blue line. Right now, I’m ballparking that roughly 67% of COF are hedged using the board right now. You might think that number “should be” higher considering the price level here. I’d somewhat agree, however, we have to keep in mind that the insurance products now available have limited hedging on the board in recent years. Still, the hedging “action” in recent weeks has been fairly subdued given the price surge and the % hedged isn’t even back to recent highs. Can we make an argument that lack of board hedging interest is not balancing the speculative buying like it might have in the past? I don’t know...I’m just thinking out loud.

% of COF Hedged vs. LC Prices

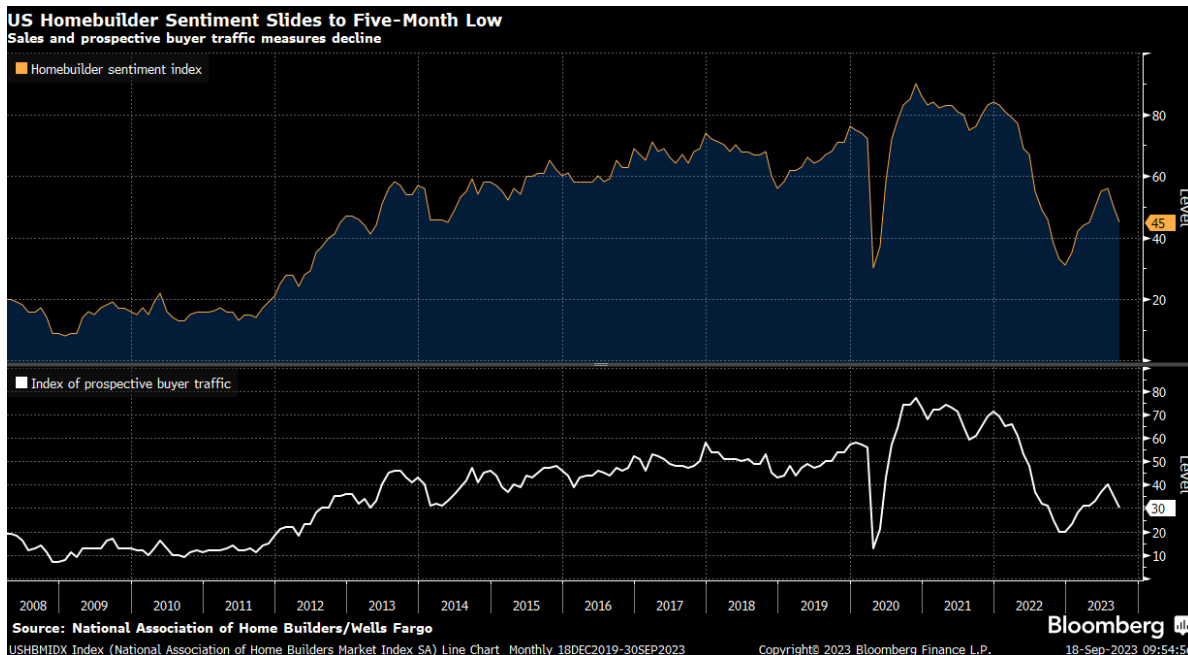


I was talking about this with a friend yesterday and he pointed out that some of the lack of hedging could be explained by the fact that they’d be locking in losses even with these high prices at the moment. They obviously

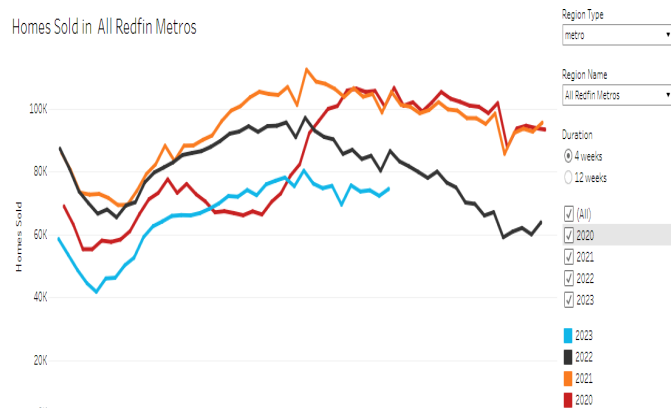
don't want to lock in a loss, so there might be some that are putting off hedges for now in hopes of higher prices to lock in something a little better later. That *might* explain some of the light hedging....maybe.

Financials

Today we have housing starts to chew on, but yesterday we got the NAHB housing market index. The index dropped 5 points last month after a 6 point decline the prior month, which is the biggest two-month slide since late last year. The chart below looks at the history of the index. We're not back to the 2022 lows yet, but it still seems like sentiment is rolling over. I think the bottom panel of the chart is perhaps more interesting as it shows an index of prospective buyer traffic. With 7% mortgages rates and the Fed continuing to signal "higher for longer", buyers might be backing away from the market. The good news for builders, however, is that inventory of existing homes for sale remains low. An update on that data will be available on Thursday.



Redfin produces some interesting housing market data and they allow you to access it for free on their site. I would encourage you to look at it if this is something you're interested in. I was looking through some of the data yesterday and figured I would pass along the chart at the right. Homes sold continue to run slower YOY.



Energy

Oil prices have been on quite a tear lately. I suppose this shouldn't come as a surprise because Treasury yields have been marching higher again as well. US 10s are right off their

recent highs and obviously tomorrow's FOMC statement could push them to a breakout. The chart below compares US 10Y yields vs spot CL futures. There are some notable exceptions, but generally speaking you can see that the two tend to move in tandem. If US yields are going to move higher from here, that would seemingly support further upside in oil. If you're holding on to oil length here, I would just encourage you to do some thinking about the outlook on yields on top of any oil S&D analysis you're doing.



Today's Calendar (all times Central)

- Housing Starts – 7:30am

Thanks for reading.
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