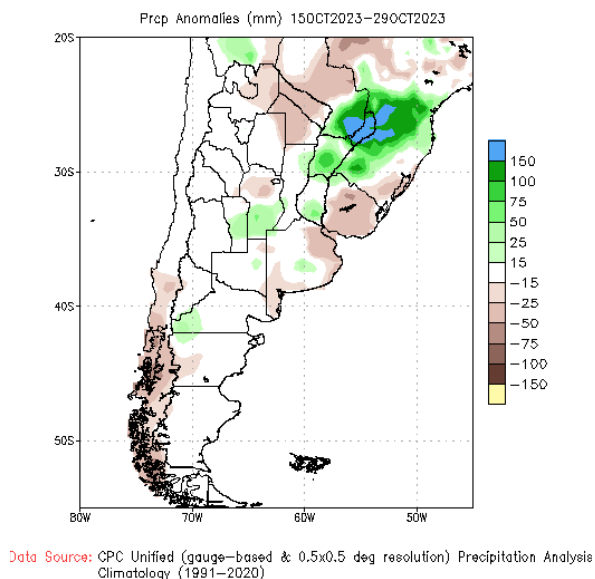


Weather

No significant changes. We're still looking at regular rainfall in northern Brazil, but for most areas this will still equate to mostly near/below normal rainfall totals. Northeastern areas will likely do best relative to normal. Temps will be hot through the tend of the week with some 100+ readings possible. More unwanted heavy rains in southern Brazil for another several days, but we should see drier trends for the 6-10 day period. Those drier trends won't last long, however, with additional showers likely to develop for the 11-15 day period. Argentina should see regular rainfall over the next two weeks with near to above normal rainfall expected during this period. Temps should average below normal over the next two weeks and we should see very cold temps in the next few days with lows into the 30s.



Crops

Though the intensity hasn't quite heated up yet, we're clearly getting to the time of year where a focus on Brazilian weather becomes more and more important. With that in mind, it is probably helpful (for me, anyway) to get a frame of reference for the current Brazilian soybean yield estimates and how they compare to trend. It is also important to recognize we're current looking at El Nino conditions and we should consider what this might mean for yields. The breakdown below is from our good friend Craig Solberg showing results of Brazilian soybean yields over the past 30 years based on whether they were seen during neutral, El Nino, or La Nina conditions. As you can see there, isn't much of a noticeable divergence here despite what you might read from more hyperbolic sources.

ENSO Events As They Relate To Brazil Soybean Yields (past 30 years)

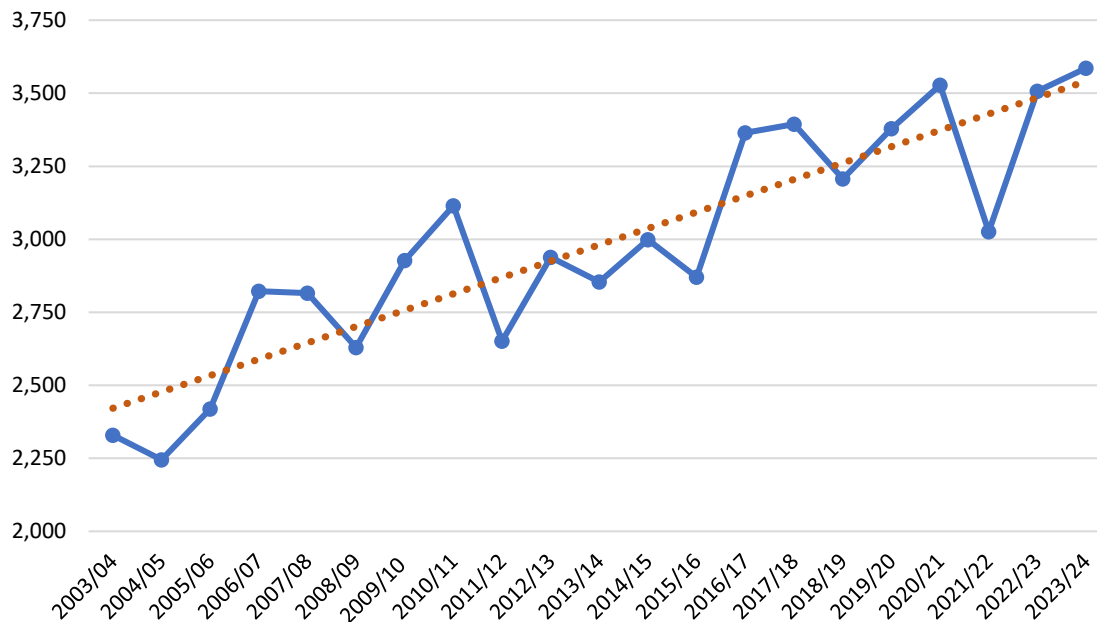
El Niño Years: 99.73% of the 30-year linear trend

La Niña Years: 100.70%

Neutral Years: 99.44%

The chart on the following page looks at the CONAB history on Brazilian soybean yields over the past 20 years. The 23/24 figure is CONAB's current forecast for this upcoming year, which based on their area assumption would equal a crop of roughly 162 mmt. I won't get into a debate on area for now, though it is interesting to see an increase of "only" 2.5% this year compared to 5-7% increases in the past several years. My bias is that CONAB will likely find some additional area later in the season, but that is a debate for another day.

Brazil Soybean Yield History (Conab)



You can see that CONAB's current yield projection is basically spot on the 20-year trend, which makes some sense given the table on the first page. However, on a state-level basis, El Nino can produce some widely varying results. Note the table below, which is also courtesy of our friend Craig Solberg.

ENSO Events As They Relate To Rio Grande do Sul Soybean Yields (past 30 years)

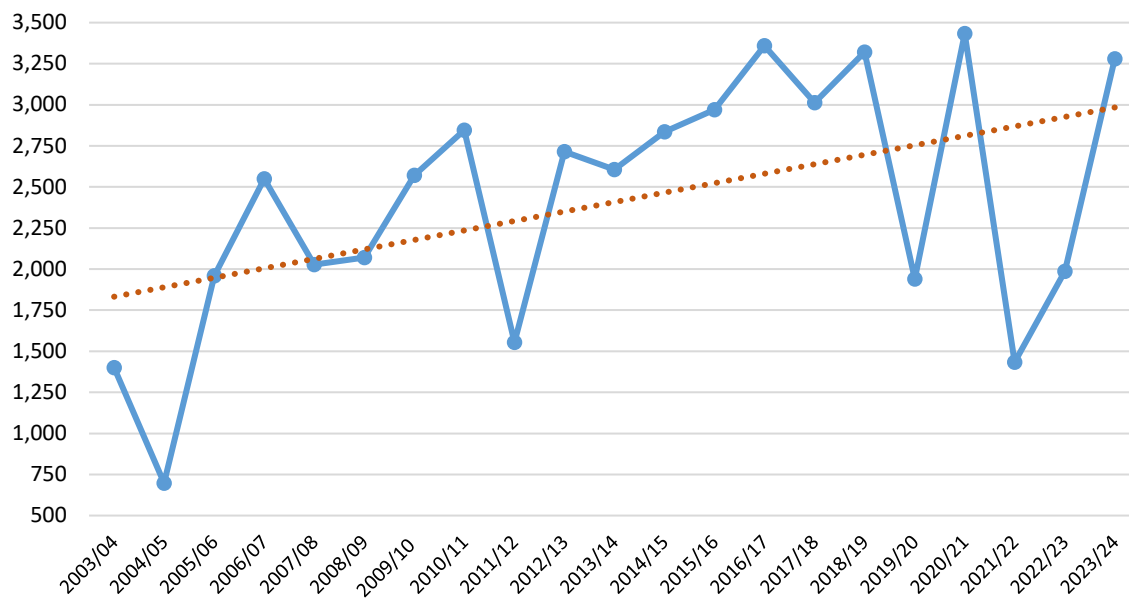
El Niño Years: 109.34% of the 30-year linear trend
La Niña Years: 93.58%
Neutral Years: 98.48%

ENSO Events As They Relate To Mato Grosso Soybean Yields (past 30 years)

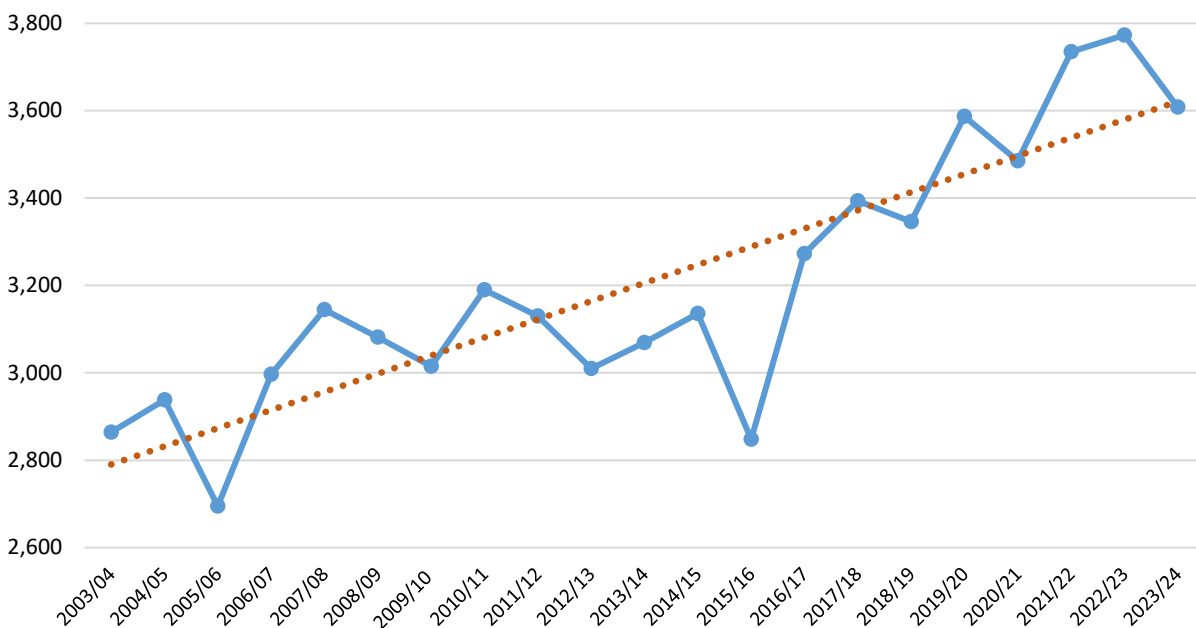
El Niño Years: 97.49% of the 30-year linear trend
La Niña Years: 102.22%
Neutral Years: 99.91%

This tells us that El Ninos, which is what we have presently, are typically yield positive in southern Brazil while yield negative in northern Brazil. The charts below look at the CONAB yield history for RS and MT and the 23/24 print shows the current CONAB projection.

RS Soybean Yield



MT Soybean Yield (Conab)



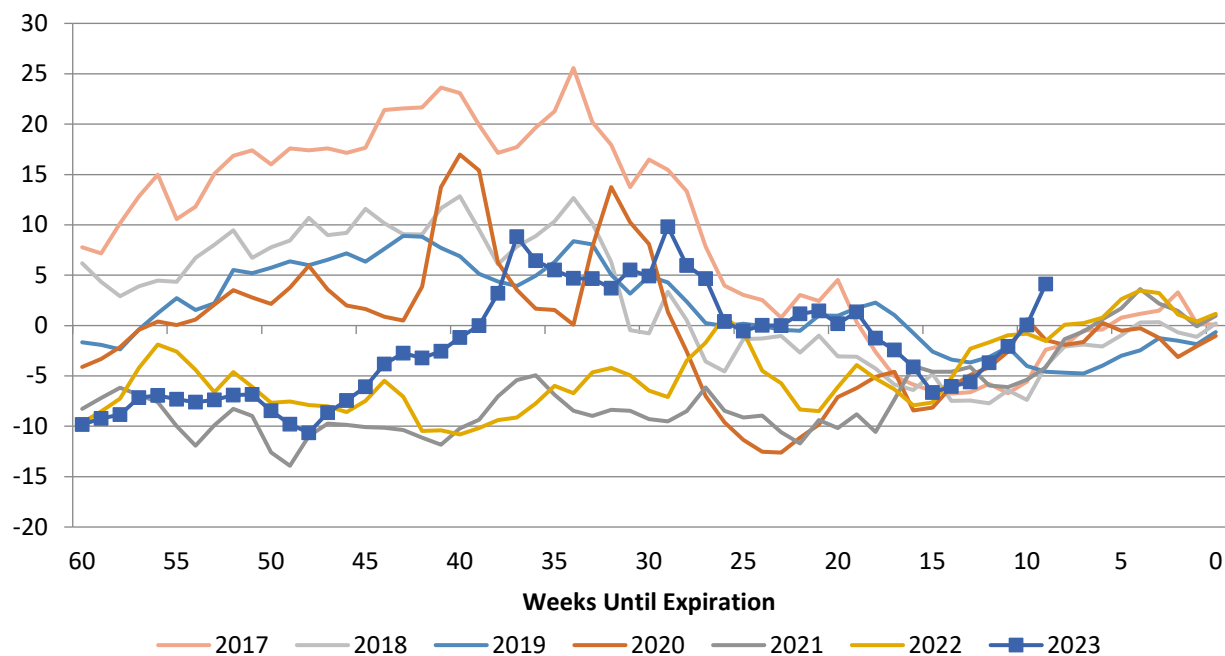
CONAB seems to be accounting for the El Nino impacts in these states with an above trend yield for RS and a near-trend yield in MT. I suppose we could make the argument that MT's yield should be a bit lower. If I were to reduce the yield to 97.5% of my 20-year trend, it would essentially take off about 1 mmt from CONAB's national production figure using CONAB's area estimate for MT. Hardly a game changer.

A long way to go in the growing season, of course, and obviously averages can lie sometimes. I guess, for now, I'll suggest that I've seen nothing in conditions that makes me doubt a near-trend yield is achievable. Of course, that is like "calling" the US crop in mid/late May...pretty pointless. Thoughts appreciated.

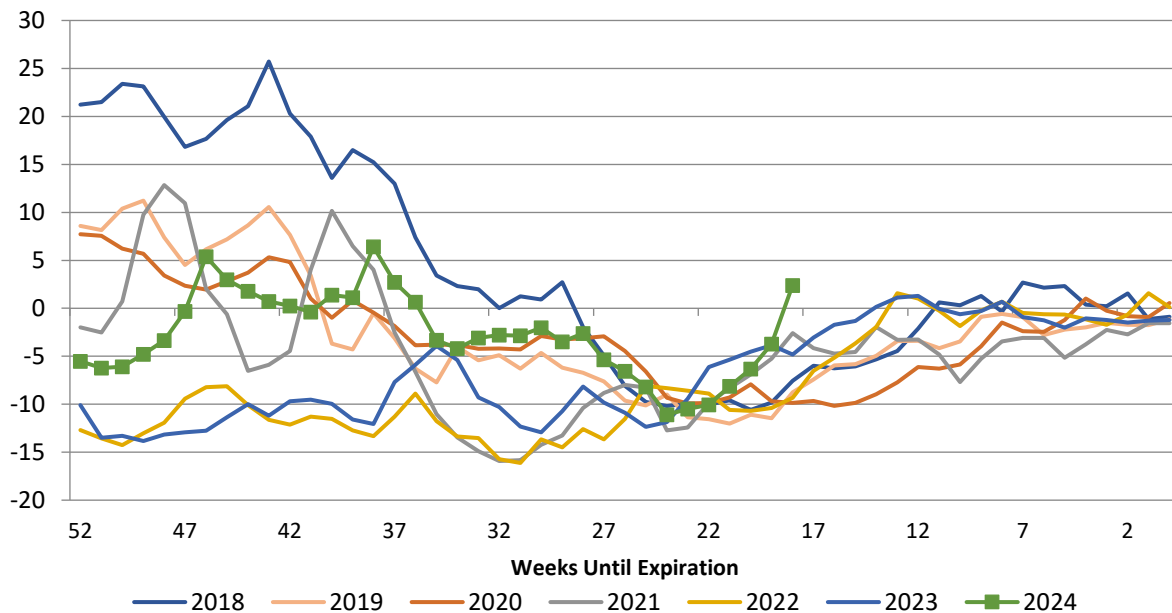
Livestock

I haven't looked at cattle basis in a while. Casually glanced at the charts yesterday and notice things perking up. I'll show two charts below, December and February basis. After being at fairly normal levels for a while, basis has shot sharply higher in the past couple of weeks. Perhaps a lot of this move is simply due to the volatility in futures and this might quietly settle itself in another couple of weeks. I don't know. It just stood out to me so I thought I'd pass it along to those who hadn't seen it in a bit.

December Live Cattle Basis History



February Live Cattle Basis History



Financials

Some news from overseas this morning. Starting in Japan, the BOJ followed through with its leak from yesterday and officially announced it would set 1% as a reference point for 10Y yields. Previously, the BOJ has said it would buy unlimited bonds at 1% yields to keep yields at that level. The new wording now implies the BOJ will allow for a little “wobble room” around this level. The BOJ did this while raising its inflation forecasts. The yen is weaker at the time of writing this morning because...why wouldn't it be with Japanese 10Y yields at 1% and US just under 5%?

While I'm not surprised to see the Yen weaker, I am a little surprised to see the Euro higher given the data we've seen there. Eurozone inflation was +2.9% in October, down from 4.3% in the prior month and lower than the 3.1% median expectation. In a separate report, Eurozone GDP came in weaker than expected and showed *contraction* at -0.1% QoQ vs. 0.0% expected. I'm struggling to see the positive spin for the Euro here, though I'm open to ideas. With economic contraction and inflation moving closer to “target”, odds of any further ECB rate hikes are pretty slim.



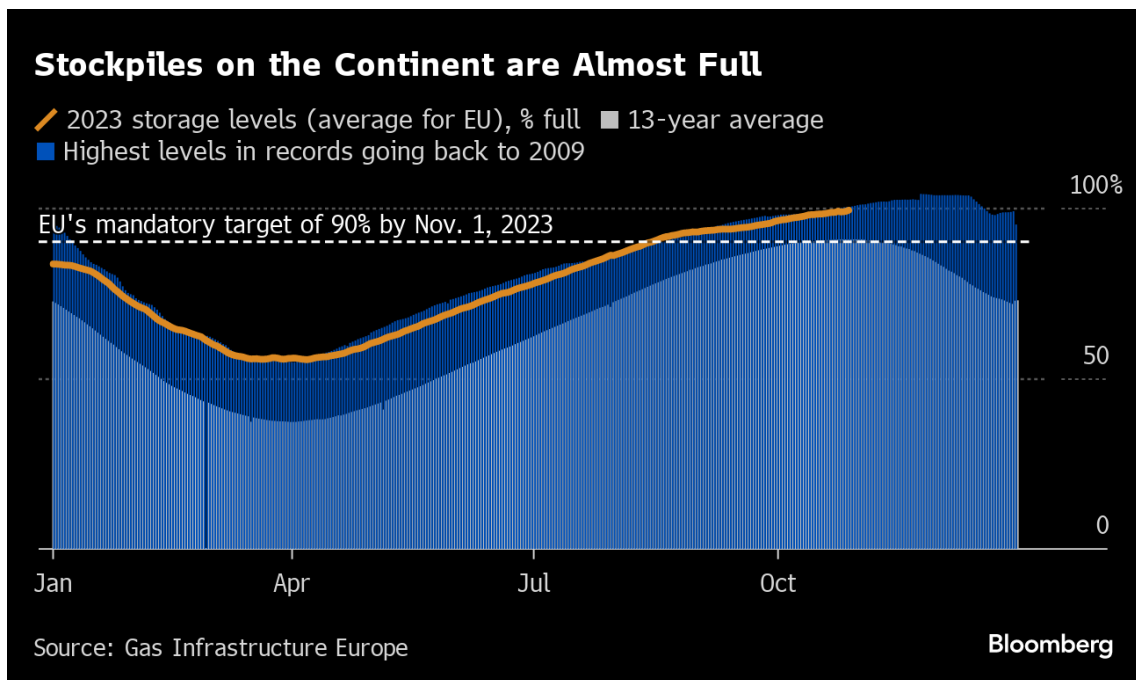
Not a ton of new information to pass along from the Middle East. Israel is fighting on several fronts as they continue to strike Hezbollah positions in Lebanon as well. The “funny” headline of the day has to be reporting

suggesting that US government officials believe that recent attacks on US assets in the region are not related to the Israeli-Hamas fight. The blurb below is pulled from a Barron's article published yesterday. There is precisely zero chance they actually believe this, right?

Washington says the attacks on its troops are separate from the current Israel-Hamas conflict that began earlier this month when the militant group carried out a shock cross-border attack from Gaza that Israeli officials say killed more than 1,400 people.

Energy

A quick update on European NG inventories below. NG inventories are above target for now and consumption is running below historical averages (thanks to weaker economic growth, as noted above). The fact that Israeli NG flows into Egypt were cut off yesterday did get some attention. Some of that Israeli NG that flows into European is eventually re-exported to Europe as LNG. Still, volumes are not especially large.



Today's Calendar (all times Central)

- Consumer Confidence – 9:00am

Thanks for reading.
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